

**AUDIT REPORT
OF
BANNER COUNTY**

JULY 1, 2006 THROUGH JUNE 30, 2007

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

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

Issued on June 11, 2008

BANNER COUNTY

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| List of County Officials | 1 |
| Financial Section | |
| Independent Auditors' Report | 2 - 3 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Assets - Cash Basis | 4 |
| Statement of Activities - Cash Basis | 5 |
| Fund Financial Statements: | |
| Statement of Cash Basis Assets and Fund Balances - Governmental Funds | 6 |
| Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds | 7 |
| Statement of Fiduciary Assets and Liabilities - Cash Basis - Fiduciary Funds | 8 |
| Notes to Financial Statements | 9 - 17 |
| Required Supplementary Information: | |
| Budgetary Comparison Schedule - Budget and Actual - General Fund | 18 |
| Budgetary Comparison Schedule - Budget and Actual - Major Funds | 19 - 20 |
| Notes to Required Supplementary Information | 21 |
| Combining Statements and Schedules: | |
| Combining Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Nonmajor Governmental Funds | 22 |
| Budgetary Comparison Schedule - Budget and Actual - Nonmajor Funds | 23 - 25 |
| Schedule of Office Activities | 26 |
| Schedule of Taxes Certified and Collected for All Political Subdivisions in the County | 27 |
| Government Auditing Standards Section | |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 28 - 30 |

BANNER COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2007

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------------|--|---------------------|
| Gary Grubbs | Board of Commissioners | Jan. 2011 |
| Robert Gifford | | Jan. 2009 |
| Milo Sandberg | | Jan. 2011 |
| James Zimmerman | Attorney | Jan. 2011 |
| Sharon Sandberg | Clerk Election Commissioner Register of Deeds Clerk of the District Court | Jan. 2011 |
| K. Patrick Mooney | Sheriff | Jan. 2011 |
| RoJane Barrett | Treasurer | Jan. 2011 |
| John Brehm | Veterans' Service Office | Appointed |
| Robert Tyler | Highway Superintendent | Appointed |
| Bo Richenberg | Weed Superintendent | Appointed |



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@apa.ne.gov
P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

BANNER COUNTY

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Banner County, Nebraska

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Banner County, as of and for the year ended June 30, 2007, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Banner County, as of June 30, 2007, 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 May 22, 2008, on our consideration of Banner County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We 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. Such statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Signed Original on File

May 22, 2008

Assistant Deputy Auditor

BANNER COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
 June 30, 2007

| | Governmental Activities |
|--------------------------------------|----------------------------|
| ASSETS | |
| Cash and Cash Equivalents (Note 1.D) | \$ 284,987 |
| Investments (Note 1.D) | 209,884 |
| TOTAL ASSETS | \$ 494,871 |
| NET ASSETS | |
| Restricted for: | |
| County Fair | \$ 176 |
| County Museum | 318 |
| Drug Enforcement | 2,021 |
| Unrestricted | 492,356 |
| TOTAL NET ASSETS | \$ 494,871 |

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

BANNER COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2007

| 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 | \$ (410,433) | \$ 30,961 | \$ 1,562 | \$ (377,910) |
| Public Safety | (82,153) | 1,516 | - | (80,637) |
| Public Works | (478,473) | 4,383 | 292,460 | (181,630) |
| Health and Sanitation | (4,207) | - | - | (4,207) |
| Public Assistance | (375) | - | - | (375) |
| Culture and Recreation | (14,530) | - | - | (14,530) |
| Total Governmental Activities | \$ (990,171) | \$ 36,860 | \$ 294,022 | (659,289) |
| | | | | |
| General Receipts: | | | | |
| Property Taxes | | | | 622,585 |
| Grants and Contributions Not Restricted to Specific Programs | | | | 37,491 |
| Investment Income | | | | 24,174 |
| Miscellaneous | | | | 56,393 |
| Total General Receipts | | | | 740,643 |
| | | | | |
| Change in Net Assets | | | | 81,354 |
| Net Assets - Beginning | | | | 413,517 |
| Net Assets - Ending | | | | \$ 494,871 |

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

BANNER COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2007

| | <u>General Fund</u> | <u>Road Fund</u> | <u>Inheritance Fund</u> | <u>Hard Surface Road Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------------------|---------------------|------------------|-----------------------------|-----------------------------------|---|---|
| ASSETS | | | | | | |
| Cash and Cash Equivalents (Note 1.D) | \$ 17,400 | \$ 74,488 | \$ 173,374 | \$ - | \$ 19,725 | \$ 284,987 |
| Investments (Note 1.D) | - | - | 34,314 | 175,570 | - | 209,884 |
| TOTAL ASSETS | <u>\$ 17,400</u> | <u>\$ 74,488</u> | <u>\$ 207,688</u> | <u>\$ 175,570</u> | <u>\$ 19,725</u> | <u>\$ 494,871</u> |
| FUND BALANCES | | | | | | |
| Unreserved, Reported in: | | | | | | |
| General Fund | \$ 17,400 | \$ - | \$ - | \$ - | \$ - | \$ 17,400 |
| Special Revenue Funds | - | 74,488 | 207,688 | 175,570 | 19,725 | 477,471 |
| TOTAL CASH BASIS FUND BALANCES | <u>\$ 17,400</u> | <u>\$ 74,488</u> | <u>\$ 207,688</u> | <u>\$ 175,570</u> | <u>\$ 19,725</u> | <u>\$ 494,871</u> |

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

BANNER COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

| | General Fund | Road Fund | Inheritance Fund | Hard Surface Road Fund | Other Governmental Funds | Total Governmental Funds |
|---|------------------|------------------|---------------------|---------------------------|--------------------------------|--------------------------------|
| RECEIPTS | | | | | | |
| Property Taxes | \$ 393,476 | \$ 157,575 | \$ 32,796 | \$ 19,092 | \$ 19,646 | \$ 622,585 |
| Licenses and Permits | 3,619 | - | - | - | - | 3,619 |
| Interest | 24,174 | - | - | - | - | 24,174 |
| Intergovernmental | 12,625 | 294,391 | - | 24,309 | 188 | 331,513 |
| Charges for Services | 32,477 | 4,383 | - | - | - | 36,860 |
| Miscellaneous | 2,373 | 50,401 | - | - | - | 52,774 |
| TOTAL RECEIPTS | 468,744 | 506,750 | 32,796 | 43,401 | 19,834 | 1,071,525 |
| DISBURSEMENTS | | | | | | |
| General Government | 410,312 | - | 121 | - | - | 410,433 |
| Public Safety | 80,230 | - | - | - | 1,923 | 82,153 |
| Public Works | - | 473,973 | - | - | 4,500 | 478,473 |
| Health and Sanitation | 4,207 | - | - | - | - | 4,207 |
| Public Assistance | 375 | - | - | - | - | 375 |
| Culture and Recreation | - | - | - | - | 14,530 | 14,530 |
| TOTAL DISBURSEMENTS | 495,124 | 473,973 | 121 | - | 20,953 | 990,171 |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | (26,380) | 32,777 | 32,675 | 43,401 | (1,119) | 81,354 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers In | 23,500 | 22,000 | - | - | - | 45,500 |
| Transfers Out | - | - | (45,500) | - | - | (45,500) |
| TOTAL OTHER FINANCING SOURCES (USES) | 23,500 | 22,000 | (45,500) | - | - | - |
| Net Change in Fund Balances | (2,880) | 54,777 | (12,825) | 43,401 | (1,119) | 81,354 |
| CASH BASIS FUND BALANCES - BEGINNING | 20,280 | 19,711 | 220,513 | 132,169 | 20,844 | 413,517 |
| CASH BASIS FUND BALANCES - ENDING | \$ 17,400 | \$ 74,488 | \$ 207,688 | \$ 175,570 | \$ 19,725 | \$ 494,871 |

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

BANNER COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS
FIDUCIARY FUNDS
 June 30, 2007

| | Agency Funds |
|-----------------------------|-----------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 65,773 |
| LIABILITIES | |
| Due to Other Governments | |
| State | 8,887 |
| Schools | 44,838 |
| Educational Service Units | 623 |
| Technical College | 4,726 |
| Natural Resource Districts | 2,922 |
| Fire Districts | 2,382 |
| Cemetery Districts | 1,395 |
| TOTAL LIABILITIES | 65,773 |
| TOTAL NET ASSETS | \$ - |

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

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2007

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

Banner County, Nebraska (County) is a governmental entity established under and governed by the laws of the State of Nebraska (State). The County is managed by 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 I - 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: Sioux, Dawes, Box Butte, Sheridan, Scotts Bluff, Morrill, Garden, Banner, Kimball, Cheyenne, and Deuel.

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of federal, state, local, and private funding. The County contributed \$4,207 toward the operation of the Region during fiscal year 2007. In the event of the termination of the agreement, assets would be disposed of in

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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.

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.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

Hard Surface Road Fund. This fund is used to account for revenues and costs for necessary road construction and improvements in accordance with Nebraska Revised State Statutes.

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 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.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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 \$2,515 of restricted net assets, all of which are restricted by enabling legislation.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 \$284,987 for County funds and \$65,773 for Fiduciary funds. The bank balances for all funds totaled \$383,603. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits as of June 30, 2007, 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 \$209,884 deposited in the Nebraska Public Agency Investment Trust (NPAIT). NPAIT is a public entity investment pool operated under the direction of a seven member Board of Trustees. All net income of the trust is determined as of the close of business on each banking day and is credited thereafter pro rata to each participant's account. Net income which has accrued to each participant is converted as of the close of business of each calendar month into additional units which thereafter are held in each participant's trust account. Since net income of the fund is allocated among participant's each time net income is determined, the net asset value remains at \$1.00 per unit. Securities held by NPAIT are not held in the County's name.

3. Property Taxes

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

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

The levy set in October 2006, for the 2006 taxes which will be materially collected in May and September 2007, was set at \$.440753/\$100 of assessed valuation. The levy set in October 2005, for the 2005 taxes which were materially collected in May and September 2006, was set at \$.396095/\$100 of assessed valuation. The amount collected for motor vehicle tax is outlined in State Statute.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Property Taxes (Concluded)

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

County employees and elected officials contribute 4.5% of their total compensation. In addition, the County contributes an amount equal to 150% of the employee's contribution. The contribution rates are established by Neb. Rev. Stat. Sections 23-2307 and 23-2308 R.S.Supp., 2004, 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.

For the year ended June 30, 2007, 17 employees contributed \$13,494; the County contributed \$20,241, which consisted of cash contributions. Additionally, for the year ended June 30, 2007, 1 law enforcement employee and the County contributed \$333 in cash contributions for the supplemental law enforcement plan. Lastly, the County paid \$180 directly to 1 retired employee for prior service benefits.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 77 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 | \$ 75,000 | 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 2008. The County has not had to pay out any amounts that exceeded coverage provided by the Pool in the last three fiscal years.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6. **Interfund Transfers**

Interfund transfers for the year ended June 30, 2007, consisted of the following:

| Transfers to | Transfers from | | | Total |
|---------------------|----------------|------------------|----------------|-----------|
| | General Fund | Inheritance Fund | Nonmajor Funds | |
| General Fund | \$ - | \$ 23,500 | \$ - | \$ 23,500 |
| Road Fund | - | 22,000 | - | 22,000 |
| Total | \$ - | \$ 45,500 | \$ - | \$ 45,500 |

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

7. **Capital Leases Payable**

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

| | Caterpillar Motorgrader | John Deere Motorgrader | Total |
|--|-------------------------|------------------------|------------|
| Balance July 1, 2006 | \$ 23,223 | \$ 139,449 | \$ 162,672 |
| Payments | 23,223 | 26,633 | 49,856 |
| Balance June 30, 2007 | \$ - | \$ 112,816 | \$ 112,816 |
| Future Payments: | | | Total |
| Year | | | |
| 2008 | \$ - | \$ 31,854 | \$ 31,854 |
| 2009 | - | 31,854 | 31,854 |
| 2010 | - | 31,853 | 31,853 |
| 2011 | - | 26,545 | 26,545 |
| Total Payments | - | 122,106 | 122,106 |
| Less Interest | - | 9,290 | 9,290 |
| Present Value of Future Minimum Lease Payments | \$ - | \$ 112,816 | \$ 112,816 |
| Carrying Value of the related Fixed asset | \$ 117,347 | \$ 141,427 | \$ 258,774 |

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. Contingent Liabilities

The County is a defendant in various lawsuits. The outcome of these lawsuits is not presently determinable and an estimate of the potential loss cannot be made. The nature of the lawsuits involves the Open Meeting Laws.

On June 19, 2007, Banner County Board Chairman Gary Grubbs signed a \$17,636 installment agreement with the United States Department of the Treasury-Internal Revenue Service (IRS) on behalf of Banner County/County Clerk. The \$17,636 in tax, penalties, and interest related to the County having not made proper Federal tax deposits, including late filing of returns and incorrect Federal tax deposits. The agreement indicates \$750 monthly installment payments are to be directly debited from the personal bank account of the Banner County Clerk.

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|------------------|---|
| RECEIPTS | | | | |
| Taxes | \$ 404,587 | \$ 404,587 | \$ 393,476 | \$ (11,111) |
| Licenses and Permits | 4,200 | 4,200 | 3,619 | (581) |
| Interest | 20,500 | 20,500 | 24,174 | 3,674 |
| Intergovernmental | 94,400 | 94,400 | 12,625 | (81,775) |
| Charges for Services | 47,000 | 47,000 | 32,477 | (14,523) |
| Miscellaneous | 10,000 | 10,000 | 2,373 | (7,627) |
| TOTAL RECEIPTS | 580,687 | 580,687 | 468,744 | (111,943) |
| DISBURSEMENTS | | | | |
| General Government: | | | | |
| County Board | 26,650 | 26,650 | 23,657 | 2,993 |
| County Clerk | 28,765 | 28,765 | 28,317 | 448 |
| County Treasurer | 54,275 | 54,275 | 52,377 | 1,898 |
| County Assessor | 38,070 | 38,070 | 31,222 | 6,848 |
| Election Commissioner | 10,000 | 10,026 | 10,026 | - |
| Clerk of the District Court | 4,545 | 4,545 | 286 | 4,259 |
| County Court System | 2,450 | 2,450 | 1,998 | 452 |
| Building and Grounds | 32,650 | 32,650 | 27,295 | 5,355 |
| Agricultural Extension Agent | 20,119 | 20,119 | 18,470 | 1,649 |
| Miscellaneous | 239,200 | 239,174 | 216,664 | 22,510 |
| Public Safety | | | | |
| County Sheriff | 80,190 | 80,190 | 40,445 | 39,745 |
| County Attorney | 35,976 | 35,976 | 31,306 | 4,670 |
| Civil Defense | 79,200 | 79,200 | 4,200 | 75,000 |
| Predatory Animal Control | 4,500 | 4,500 | 4,279 | 221 |
| Public Health | | | | |
| Miscellaneous | 9,390 | 9,390 | 4,207 | 5,183 |
| Public Assistance | | | | |
| Veterans' Service Officer | 500 | 500 | 375 | 125 |
| Miscellaneous | 15,000 | 15,000 | - | 15,000 |
| TOTAL DISBURSEMENTS | 681,480 | 681,480 | 495,124 | 186,356 |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | (100,793) | (100,793) | (26,380) | 74,413 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 80,513 | 80,513 | 23,500 | (57,013) |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 80,513 | 80,513 | 23,500 | (57,013) |
| Net Change in Fund Balance | (20,280) | (20,280) | (2,880) | 17,400 |
| FUND BALANCES - BEGINNING | 20,280 | 20,280 | 20,280 | - |
| FUND BALANCES - ENDING | \$ - | \$ - | \$ 17,400 | \$ 17,400 |

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|-------------------|---|
| ROAD FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 188,524 | \$ 188,524 | \$ 157,575 | \$ (30,949) |
| Intergovernmental | 296,988 | 296,988 | 294,391 | (2,597) |
| Charges for Services | 11,000 | 11,000 | 4,383 | (6,617) |
| Miscellaneous | 38,888 | 38,888 | 50,401 | 11,513 |
| TOTAL RECEIPTS | 535,400 | 535,400 | 506,750 | (28,650) |
| DISBURSEMENTS | 695,111 | 695,111 | 473,973 | 221,138 |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | (159,711) | (159,711) | 32,777 | 192,488 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 140,000 | 140,000 | 22,000 | (118,000) |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 140,000 | 140,000 | 22,000 | (118,000) |
| Net Change in Fund Balance | (19,711) | (19,711) | 54,777 | 74,488 |
| FUND BALANCE - BEGINNING | 19,711 | 19,711 | 19,711 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 74,488</u> | <u>\$ 74,488</u> |
| INHERITANCE FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ - | \$ - | \$ 32,796 | \$ 32,796 |
| TOTAL RECEIPTS | - | - | 32,796 | 32,796 |
| DISBURSEMENTS | - | - | 121 | (121) |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | - | - | 32,675 | 32,675 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (220,513) | (220,513) | (45,500) | 175,013 |
| TOTAL OTHER FINANCING SOURCES (USES) | (220,513) | (220,513) | (45,500) | 175,013 |
| Net Change in Fund Balance | (220,513) | (220,513) | (12,825) | 207,688 |
| FUND BALANCE - BEGINNING | 220,513 | 220,513 | 220,513 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 207,688</u> | <u>\$ 207,688</u> |

(Continued)

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|-------------------|---|
| <u>HARD SURFACE ROAD FUND</u> | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 25,278 | \$ 25,278 | \$ 19,092 | \$ (6,186) |
| Intergovernmental | - | - | 24,309 | 24,309 |
| Miscellaneous | 23,941 | 23,941 | - | (23,941) |
| TOTAL RECEIPTS | <u>49,219</u> | <u>49,219</u> | <u>43,401</u> | <u>(5,818)</u> |
| DISBURSEMENTS | <u>184,000</u> | <u>184,000</u> | <u>-</u> | <u>184,000</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | <u>(134,781)</u> | <u>(134,781)</u> | <u>43,401</u> | <u>178,182</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | (134,781) | (134,781) | 43,401 | 178,182 |
| FUND BALANCE - BEGINNING | 134,781 | 134,781 | 132,169 | (2,612) |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 175,570</u> | <u>\$ 175,570</u> |

(Concluded)

BANNER COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2007

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.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2007, expenditures exceeded budgeted appropriations in the Inheritance Tax Fund by \$121. These over-expenditures were funded by the available fund balance in the Inheritance Tax Fund.

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

For the Year Ended June 30, 2007

| | Road Equipment Sinking Fund | Bridge Construction Fund | County Fair Operating Fund | Federal Drug Law Enforcement Fund | Museum Board Fund | Total Nonmajor Governmental Funds |
|---|--------------------------------|--------------------------------|-------------------------------|--|----------------------|---|
| RECEIPTS | | | | | | |
| Property Taxes | \$ 5,920 | \$ 1,751 | \$ 4,958 | \$ - | \$ 7,017 | \$ 19,646 |
| Intergovernmental | 58 | 15 | 48 | - | 67 | 188 |
| TOTAL RECEIPTS | <u>5,978</u> | <u>1,766</u> | <u>5,006</u> | <u>-</u> | <u>7,084</u> | <u>19,834</u> |
| DISBURSEMENTS | | | | | | |
| Public Safety | - | - | - | 1,923 | - | 1,923 |
| Public Works | 4,500 | - | - | - | - | 4,500 |
| Culture and Recreation | - | - | 5,280 | - | 9,250 | 14,530 |
| TOTAL DISBURSEMENTS | <u>4,500</u> | <u>-</u> | <u>5,280</u> | <u>1,923</u> | <u>9,250</u> | <u>20,953</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | <u>1,478</u> | <u>1,766</u> | <u>(274)</u> | <u>(1,923)</u> | <u>(2,166)</u> | <u>(1,119)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | 1,478 | 1,766 | (274) | (1,923) | (2,166) | (1,119) |
| FUND BALANCES - BEGINNING | <u>12,097</u> | <u>1,869</u> | <u>450</u> | <u>3,944</u> | <u>2,484</u> | <u>20,844</u> |
| FUND BALANCES - ENDING | <u>\$ 13,575</u> | <u>\$ 3,635</u> | <u>\$ 176</u> | <u>\$ 2,021</u> | <u>\$ 318</u> | <u>\$ 19,725</u> |

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|------------------|---|
| ROAD EQUIPMENT SINKING FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 7,903 | \$ 7,903 | \$ 5,920 | \$ (1,983) |
| Intergovernmental | - | - | 58 | 58 |
| TOTAL RECEIPTS | 7,903 | 7,903 | 5,978 | (1,925) |
| DISBURSEMENTS | 20,000 | 20,000 | 4,500 | 15,500 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| Net Change in Fund Balance | (12,097) | (12,097) | 1,478 | 13,575 |
| FUND BALANCE - BEGINNING | 12,097 | 12,097 | 12,097 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,575</u> | <u>\$ 13,575</u> |
| BRIDGE CONSTRUCTION FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 1,000 | \$ 1,000 | \$ 1,751 | \$ 751 |
| Intergovernmental | - | - | 15 | 15 |
| TOTAL RECEIPTS | 1,000 | 1,000 | 1,766 | 766 |
| DISBURSEMENTS | 4,000 | 4,000 | - | 4,000 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| Net Change in Fund Balance | (3,000) | (3,000) | 1,766 | 4,766 |
| FUND BALANCE - BEGINNING | 3,000 | 3,000 | 1,869 | (1,131) |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,635</u> | <u>\$ 3,635</u> |

(Continued)

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|-----------------|---|
| COUNTY FAIR OPERATING FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 5,852 | \$ 5,852 | \$ 4,958 | \$ (894) |
| Intergovernmental | - | - | 48 | 48 |
| TOTAL RECEIPTS | 5,852 | 5,852 | 5,006 | (846) |
| DISBURSEMENTS | 5,302 | 5,302 | 5,280 | 22 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| Net Change in Fund Balance | 550 | 550 | (274) | (824) |
| FUND BALANCE - BEGINNING | 450 | 450 | 450 | - |
| FUND BALANCE - ENDING | \$ 1,000 | \$ 1,000 | \$ 176 | \$ (824) |
| FEDERAL DRUG LAW ENFORCEMENT FUND | | | | |
| RECEIPTS | | | | |
| Miscellaneous | \$ 5,000 | \$ 5,000 | \$ - | \$ (5,000) |
| TOTAL RECEIPTS | 5,000 | 5,000 | - | (5,000) |
| DISBURSEMENTS | 8,944 | 8,944 | 1,923 | 7,021 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| Net Change in Fund Balance | (3,944) | (3,944) | (1,923) | 2,021 |
| FUND BALANCE - BEGINNING | 3,944 | 3,944 | 3,944 | - |
| FUND BALANCE - ENDING | \$ - | \$ - | \$ 2,021 | \$ 2,021 |

(Continued)

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|---------------|---|
| MUSEUM BOARD FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 7,480 | \$ 7,480 | \$ 7,017 | \$ (463) |
| Intergovernmental | - | - | 67 | 67 |
| TOTAL RECEIPTS | 7,480 | 7,480 | 7,084 | (396) |
| DISBURSEMENTS | 9,964 | 9,964 | 9,250 | 714 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| Net Change in Fund Balance | (2,484) | (2,484) | (2,166) | 318 |
| FUND BALANCE - BEGINNING | 2,484 | 2,484 | 2,484 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 318</u> | <u>\$ 318</u> |

(Concluded)

BANNER COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2007

| | County Clerk | Clerk of the District Court* | County Sheriff | Weed Superintendent | Highway Superintendent | Museum | Fair | Total |
|------------------------------|-----------------|---------------------------------|----------------|------------------------|---------------------------|-----------------|---------------|------------------|
| BALANCE JULY 1, 2006 | \$ 2,430 | \$ 12,518 | \$ 255 | \$ - | \$ - | \$ 2,800 | \$ 1,631 | \$ 19,634 |
| RECEIPTS | | | | | | | | |
| Licenses and Permits | - | - | 810 | - | - | - | - | 810 |
| Charges for Services | 11,438 | - | 768 | 3,673 | 710 | - | - | 16,589 |
| Miscellaneous | - | - | - | - | 49,115 | 9,275 | 2,800 | 61,190 |
| State Fees | 14,778 | - | - | - | - | - | - | 14,778 |
| Other Liabilities | - | 10,076 | - | - | - | - | - | 10,076 |
| TOTAL RECEIPTS | 26,216 | 10,076 | 1,578 | 3,673 | 49,825 | 9,275 | 2,800 | 103,443 |
| DISBURSEMENTS | | | | | | | | |
| Payments to County Treasurer | 6,786 | - | 1,504 | 3,673 | 49,825 | - | - | 61,788 |
| Payments to State Treasurer | 13,970 | 542 | - | - | - | - | - | 14,512 |
| Other Liabilities | - | 13,193 | - | - | - | 6,273 | 3,453 | 22,919 |
| TOTAL DISBURSEMENTS | 20,756 | 13,735 | 1,504 | 3,673 | 49,825 | 6,273 | 3,453 | 99,219 |
| BALANCE JUNE 30, 2007 | <u>\$ 7,890</u> | <u>\$ 8,859</u> | <u>\$ 329</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,802</u> | <u>\$ 978</u> | <u>\$ 23,858</u> |
| BALANCE CONSISTS OF: | | | | | | | | |
| Due to County Treasurer | \$ 7,890 | \$ - | \$ 329 | \$ - | \$ - | \$ 5,802 | \$ 978 | \$ 14,999 |
| Due to Others | - | 8,859 | - | - | - | - | - | 8,859 |
| BALANCE JUNE 30, 2007 | <u>\$ 7,890</u> | <u>\$ 8,859</u> | <u>\$ 329</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,802</u> | <u>\$ 978</u> | <u>\$ 23,858</u> |

* Reflects bank activity rather than book activity due to significant accountability issues.

BANNER COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2007

| Item | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|------------------|------------------|------------------|------------------|-------------------|
| Tax Certified by Assessor | | | | | |
| Real Estate | \$ 1,519,980 | \$ 1,570,598 | \$ 1,641,334 | \$ 1,845,997 | \$ 1,986,242 |
| Personal and Specials | 167,396 | 167,582 | 158,154 | 153,134 | 164,379 |
| Total | <u>1,687,376</u> | <u>1,738,180</u> | <u>1,799,488</u> | <u>1,999,131</u> | <u>2,150,621</u> |
| Corrections | | | | | |
| Additions | 1,145 | 1,431 | 2,240 | 780 | 187 |
| Deductions | <u>(4,685)</u> | <u>(5,115)</u> | <u>(866)</u> | <u>(1,810)</u> | <u>(902)</u> |
| Net Additions/ (Deductions) | <u>(3,540)</u> | <u>(3,684)</u> | 1,374 | (1,030) | (715) |
| Corrected Certified Tax | <u>1,683,836</u> | <u>1,734,496</u> | <u>1,800,862</u> | <u>1,998,101</u> | <u>2,149,906</u> |
| Net Tax Collected by County Treasurer during Fiscal Year Ending: | | | | | |
| June 30, 2003 | 1,012,356 | - | - | - | - |
| June 30, 2004 | 670,125 | 1,067,694 | - | - | - |
| June 30, 2005 | 1,275 | 666,448 | 1,114,336 | - | - |
| June 30, 2006 | - | 254 | 686,526 | 1,238,929 | - |
| June 30, 2007 | - | - | - | 759,033 | 1,303,539 |
| Total Net Collections | <u>1,683,756</u> | <u>1,734,396</u> | <u>1,800,862</u> | <u>1,997,962</u> | <u>1,303,539</u> |
| Total Uncollected Tax | <u>\$ 80</u> | <u>\$ 100</u> | <u>\$ -</u> | <u>\$ 139</u> | <u>\$ 846,367</u> |
| Percentage Uncollected Tax | <u>0.00%</u> | <u>0.01%</u> | <u>0.00%</u> | <u>0.01%</u> | <u>39.37%</u> |



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@apa.ne.gov
P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

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

Board of Commissioners
Banner County, Nebraska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Banner County as of and for the year ended June 30, 2007, and have issued our report thereon dated May 22, 2008. The report notes the financial statements were prepared on the basis of cash receipts and disbursements. Except as noted above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination

of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

- 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.
- The offices of the County Clerk and Clerk of the District Court had significant accountability issues noted. Issues specifically related to the County Clerk included untimely bank deposits of monies received; untimely remittance of fees received; physical checks not issued in numerical sequence; incomplete and/or inaccurate payroll check registers; lack of reconciliation procedures for the County's payroll bank account; instances in which County bank accounts were overdrawn; and an incomplete and/or inaccurate County budget document. Issues specifically related to the Clerk of the District Court included: untimely bank deposits of monies received; untimely remittance of fees received; physical checks not issued in numerical sequence; lack of reconciliation procedures for the District Court's bank accounts; over-remittance of fee and trust balances; and incomplete and/or inaccurate use of the computerized JUSTICE accounting system.

County Clerk's Response: The combination of increased workloads for the clerk/ex officio office (specifically the assessing duties); the time spent on preparation for several lawsuits and TERC appeals; and a turn over of employees have caused problems with the working of the office. I am aware of the problems and have hired a part time employee for just District Court duties. The 2 employees that work in the clerk's office now have been here a sufficient amount of time to be able to assume various duties that has not been possible previously. Hopefully all the exceptions noted in the audit will be corrected in the near future.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider both to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Banner County in a separate letter dated May 22, 2008.

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

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

Signed Original on File

May 22, 2008

Assistant Deputy Auditor