

**AUDIT REPORT
OF
PHELPS COUNTY**

JULY 1, 2006 THROUGH JUNE 30, 2007

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Issued on March 13, 2008

PHELPS COUNTY

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PHELPS COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eldon Steinbrink	Board of Supervisors	Jan. 2011
Russell Cruise		Jan. 2009
Harold Raburn		Jan. 2009
Jim Ostgren		Jan. 2011
Dick Jurgens		Jan. 2011
Rodale Emken		Jan. 2009
Sheryl Brenn		Jan. 2011
Melodie Marvin	Assessor	Jan. 2011
Timothy Hoeft	Attorney	Jan. 2011
Sally Fox	Clerk Election Commissioner Register of Deeds	Jan. 2011
Jennifer Nelson	Clerk of the District Court	Jan. 2011
Thomas Nutt	Sheriff	Jan. 2011
Sharon Rupe	Treasurer	Jan. 2011
Art Johnsen	Veterans' Service Officer	Appointed
Charles Brooks	Weed Superintendent	Appointed
Tim Baxter	Highway Superintendent	Appointed
Robert Slater	Planning & Zoning	Appointed



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PHELPS COUNTY

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Phelps County, Nebraska

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Phelps 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 Phelps 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 March 4, 2008, on our consideration of Phelps 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.



Assistant Deputy Auditor

March 4, 2008

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

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents (Note 1.D)	<u>\$ 6,123,831</u>
TOTAL ASSETS	<u><u>\$ 6,123,831</u></u>
 NET ASSETS	
Restricted for:	
Veterans' Aid	\$ 74,853
Other Purposes	8,093
Debt Service	211,493
Unrestricted	<u>5,829,392</u>
TOTAL NET ASSETS	<u><u>\$ 6,123,831</u></u>

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

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

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement)
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Receipts and Changes in Net Assets
Governmental Activities:				
General Government	\$ (2,373,376)	\$ 258,395	\$ 101,427	\$ (2,013,554)
Public Safety	(1,335,858)	682,235	173,311	(480,312)
Public Works	(2,365,693)	-	1,099,104	(1,266,589)
Health and Sanitation	(32,762)	-	-	(32,762)
Public Assistance	(149,788)	-	-	(149,788)
Culture and Recreation	(164,185)	-	-	(164,185)
Debt Payments	(370,338)	-	-	(370,338)
Total Governmental Activities	\$ (6,792,000)	\$ 940,630	\$ 1,373,842	(4,477,528)
 General Receipts:				
Property Taxes				3,322,780
Grants and Contributions Not Restricted to Specific Programs				153,857
Investment Income				306,594
Miscellaneous				118,507
Total General Receipts				3,901,738
Change in Net Assets				(575,790)
Net Assets - Beginning				6,699,621
Net Assets - Ending				\$ 6,123,831

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

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

	General Fund	Road Fund	Inheritance Fund	Road Escrow Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents (Note 1.D)	\$ 1,007,240	\$ 389,261	\$ 3,601,673	\$ 456,041	\$ 669,616	\$ 6,123,831
TOTAL ASSETS	\$ 1,007,240	\$ 389,261	\$ 3,601,673	\$ 456,041	\$ 669,616	\$ 6,123,831
 FUND BALANCES						
Unreserved, Reported In:						
General Fund	\$ 1,007,240	\$ -	\$ -	\$ -	\$ -	\$ 1,007,240
Special Revenue Funds	-	389,261	3,601,673	456,041	458,123	4,905,098
Debt Service Funds	-	-	-	-	211,493	211,493
TOTAL CASH BASIS FUND BALANCES	\$ 1,007,240	\$ 389,261	\$ 3,601,673	\$ 456,041	\$ 669,616	\$ 6,123,831

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

PHELPS 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	Road Escrow Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$ 2,693,073	\$ 3	\$ 247,577	\$ -	\$ 382,127	\$ 3,322,780
Licenses and Permits	42,879	-	-	300	-	43,179
Interest	227,265	-	-	72,462	6,867	306,594
Intergovernmental	422,229	1,087,440	-	11,683	6,347	1,527,699
Charges for Services	940,630	-	-	-	-	940,630
Miscellaneous	30,474	1,208	-	43,646	-	75,328
TOTAL RECEIPTS	4,356,550	1,088,651	247,577	128,091	395,341	6,216,210
DISBURSEMENTS						
General Government	2,209,872	-	128,919	-	34,585	2,373,376
Public Safety	1,335,858	-	-	-	-	1,335,858
Public Works	29,039	1,368,185	-	900,500	67,969	2,365,693
Health and Sanitation	32,762	-	-	-	-	32,762
Public Assistance	72,531	-	53,905	-	23,352	149,788
Culture and Recreation	-	-	-	-	164,185	164,185
Debt Service:						
Principal Payments	-	-	-	-	200,000	200,000
Interest and Fiscal Charges	-	-	-	-	170,338	170,338
TOTAL DISBURSEMENTS	3,680,062	1,368,185	182,824	900,500	660,429	6,792,000
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	676,488	(279,534)	64,753	(772,409)	(265,088)	(575,790)
OTHER FINANCING SOURCES (USES)						
Transfers In	150,000	523,261	-	175,000	236,363	1,084,624
Transfers Out	(759,624)	(175,000)	(150,000)	-	-	(1,084,624)
TOTAL OTHER FINANCING SOURCES (USES)	(609,624)	348,261	(150,000)	175,000	236,363	-
Net Change in Fund Balances	66,864	68,727	(85,247)	(597,409)	(28,725)	(575,790)
CASH BASIS FUND BALANCES - BEGINNING	940,376	320,534	3,686,920	1,053,450	698,341	6,699,621
CASH BASIS FUND BALANCES - ENDING	\$ 1,007,240	\$ 389,261	\$ 3,601,673	\$ 456,041	\$ 669,616	\$ 6,123,831

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 640,507
LIABILITIES	
Due to other governments	
State	159,027
Schools	158,363
Educational Service Units	1,280
Technical College	6,054
Natural Resource Districts	2,645
Fire Districts	35,044
Municipalities	65,227
Agricultural Society	794
Historical Society	10,171
Townships	85,469
Airport Authority	541
Others	115,892
TOTAL LIABILITIES	640,507
TOTAL NET ASSETS	\$ -

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

PHELPS 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 Phelps County.

A. Reporting Entity

Phelps 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 County contributed \$27,266 toward the operation of the Region during fiscal year 2007.

PHELPS COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska 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.

Holdrege Area Public Library - The County has entered into an agreement with the City of Holdrege to provide library 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 City and County each appoint five members to the Library Board. Funding is provided by a combination of State, local, and private funding. The Library is audited annually and financial information for the Library 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.

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.

PHELPS COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The County reports the following major governmental funds:

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

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

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

Road Escrow Fund. This fund is used to account for costs associated with specific road projects.

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.

Debt Service Funds. These funds account for the resources for, and the payment of, general long-term debt principal, interest, and related costs.

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.

PHELPS COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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-

PHELPS COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 \$294,439 of restricted net assets which are 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 \$6,066,794 for County funds and \$640,507 for Fiduciary funds. The bank balances for all funds totaled \$3,818,572. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits as of June 30, 2007, were either insured or collateralized with securities held by the County's agent in the County's name. County deposits were not sufficiently protected at June 30, 2007.

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.

PHELPS COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Property Taxes (Concluded)

The levy set in October 2006, for the 2006 taxes which will be materially collected in May and September 2007, was set at \$.305865/\$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 \$.311013/\$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. 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.

PHELPS COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

For the year ended June 30, 2007, 90 employees contributed \$93,235; the County contributed \$139,850, which consisted of cash contributions. Additionally, for the year ended June 30, 2007, 6 law enforcement employees and the County contributed \$2,168 in cash contributions for the supplemental law enforcement plan. Lastly, the County paid \$1,776 directly to 14 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 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	\$ 250,000	Insured Value at Replacement Cost

PHELPS COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. **Risk Management** (Concluded)

The County has not paid any additional assessments to the Pool in the last three fiscal years and no assessments are anticipated for fiscal year 2008. 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, 2007, consisted of the following:

Transfers to	Transfers from			Total
	General Fund	Inheritance Fund	Road Fund	
General Fund	\$ -	\$ 150,000	\$ -	\$ 150,000
Road Fund	523,261	-	-	523,261
Road Escrow Fund	-	-	175,000	175,000
Nonmajor Funds	236,363	-	-	236,363
Total	<u>\$ 759,624</u>	<u>\$ 150,000</u>	<u>\$ 175,000</u>	<u>\$1,084,624</u>

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

7. **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.

8. **Long Term Debt**

The County issued bonds on June 1, 2005, in the amount of \$4,260,000. The bond payable balance as of June 30, 2007, was \$4,230,000. Future tax resources will be used to pay off the bonds

PHELPS COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. **Long Term Debt** (Concluded)

Future Payments:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 215,000	\$ 163,404	\$ 378,404
2009	220,000	156,225	376,225
2010	225,000	148,715	373,715
2011	230,000	140,865	370,865
2012	240,000	132,460	372,460
2013-2017	1,335,000	515,011	1,850,011
2018-2023	1,765,000	210,249	1,975,249
Total Payments	<u>\$ 4,230,000</u>	<u>\$ 1,466,929</u>	<u>\$ 5,696,929</u>

9. **Missing Funds**

An employee of the County Treasurer was convicted of Theft by Unlawful Taking on October 16, 2007. The County is carrying a cash item in the amount of \$31,200 at June 30, 2007, representing the amount of the court ordered restitution.

PHELPS 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	\$ 2,720,262	\$ 2,720,262	\$ 2,693,073	\$ (27,189)
Licenses and Permits	40,550	40,550	42,879	2,329
Interest	150,250	150,250	227,265	77,015
Intergovernmental	410,386	410,386	422,229	11,843
Charges for Services	922,850	922,850	940,630	17,780
Miscellaneous	54,586	54,586	30,474	(24,112)
TOTAL RECEIPTS	<u>4,298,884</u>	<u>4,298,884</u>	<u>4,356,550</u>	<u>57,666</u>
DISBURSEMENTS				
General Government:				
County Board	85,320	85,320	83,327	1,993
County Clerk	131,193	131,193	124,468	6,725
County Treasurer	224,487	224,487	224,136	351
County Assessor	83,505	83,505	66,353	17,152
Election Commissioner	41,899	41,899	39,909	1,990
Planning and Zoning	12,345	12,345	6,141	6,204
Clerk of the District Court	58,652	58,652	59,575	(923)
County Court System	13,550	13,550	12,773	777
CASA	14,339	14,339	13,671	668
Public Defender	72,091	72,091	72,091	-
Building and Grounds	177,120	177,120	179,604	(2,484)
Up-Dating	80,136	80,136	64,895	15,241
Agricultural Extension Agent	95,080	95,080	95,075	5
Administrative Assistant	8,250	8,250	7,776	474
Data Processing	40,250	40,250	30,186	10,064
Child Support	43,618	43,618	40,714	2,904
Miscellaneous	1,396,074	1,396,074	1,089,178	306,896
Public Safety				
County Sheriff	399,863	399,863	371,994	27,869
County Attorney	174,141	174,141	166,485	7,656
County Jail	589,986	589,986	582,959	7,027
Emergency Management	291,466	291,466	211,043	80,423
Miscellaneous	10,500	10,500	3,377	7,123
Public Works				
County Surveyor	29,616	29,616	29,039	577
Public Health				
Miscellaneous	43,862	43,862	32,762	11,100
Public Assistance				
Veterans' Service Officer	77,413	77,413	70,937	6,476
Miscellaneous	-	-	1,594	(1,594)
TOTAL DISBURSEMENTS	<u>4,194,756</u>	<u>4,194,756</u>	<u>3,680,062</u>	<u>514,694</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	104,128	104,128	676,488	572,360
OTHER FINANCING SOURCES (USES)				
Transfers In	150,000	150,000	150,000	-
Transfers Out	(744,624)	(744,624)	(759,624)	(15,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(594,624)</u>	<u>(594,624)</u>	<u>(609,624)</u>	<u>(15,000)</u>
Net Change in Fund Balance	(490,496)	(490,496)	66,864	557,360
FUND BALANCES - BEGINNING	940,496	940,496	940,376	(120)
FUND BALANCES - ENDING	<u>\$ 450,000</u>	<u>\$ 450,000</u>	<u>\$ 1,007,240</u>	<u>\$ 557,240</u>

PHELPS 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	\$ -	\$ -	\$ 3	\$ 3
Intergovernmental	1,090,205	1,090,205	1,087,440	(2,765)
Miscellaneous	6,019	6,019	1,208	(4,811)
TOTAL RECEIPTS	1,096,224	1,096,224	1,088,651	(7,573)
DISBURSEMENTS	1,550,000	1,550,000	1,368,185	181,815
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(453,776)	(453,776)	(279,534)	174,242
OTHER FINANCING SOURCES (USES)				
Transfers In	523,261	523,261	523,261	-
Transfers Out	-	-	(175,000)	(175,000)
TOTAL OTHER FINANCING SOURCES (USES)	523,261	523,261	348,261	(175,000)
Net Change in Fund Balance	69,485	69,485	68,727	(758)
FUND BALANCE - BEGINNING	320,515	320,515	320,534	19
FUND BALANCE - ENDING	\$ 390,000	\$ 390,000	\$ 389,261	\$ (739)
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 249,531	\$ 249,531	\$ 247,577	\$ (1,954)
TOTAL RECEIPTS	249,531	249,531	247,577	(1,954)
DISBURSEMENTS	3,786,920	3,786,920	182,824	3,604,096
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(3,537,389)	(3,537,389)	64,753	3,602,142
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(150,000)	(150,000)	(150,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(150,000)	(150,000)	(150,000)	-
Net Change in Fund Balance	(3,687,389)	(3,687,389)	(85,247)	3,602,142
FUND BALANCE - BEGINNING	3,687,389	3,687,389	3,686,920	(469)
FUND BALANCE - ENDING	\$ -	\$ -	\$ 3,601,673	\$ 3,601,673

PHELPS 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 ESCROW FUND				
RECEIPTS				
Licenses and Permits	\$ -	\$ -	\$ 300	\$ 300
Interest	3,500	3,500	72,462	68,962
Intergovernmental	30,480	30,480	11,683	(18,797)
Miscellaneous	325,000	325,000	43,646	(281,354)
TOTAL RECEIPTS	358,980	358,980	128,091	(230,889)
DISBURSEMENTS	1,412,430	1,412,430	900,500	511,930
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,053,450)	(1,053,450)	(772,409)	281,041
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	175,000	175,000
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	175,000	175,000
Net Change in Fund Balance	(1,053,450)	(1,053,450)	(597,409)	456,041
FUND BALANCE - BEGINNING	1,053,450	1,053,450	1,053,450	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 456,041</u>	<u>\$ 456,041</u>

PHELPS 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 Clerk of the District Court and Building and Grounds functions of the General Fund by \$923 and \$2,484, respectively. These over-expenditures were funded by the available fund balance in the General Fund.

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

	Visitor's Promotion Fund	Self Health Insurance Fund	Medical Relief Fund	Institutions Fund	Veterans' Aid Fund
RECEIPTS					
Property Taxes	\$ 18,007	\$ -	\$ 19,598	\$ 7,307	\$ 9
Interest	131	-	-	-	-
Intergovernmental	-	-	1,014	161	-
TOTAL RECEIPTS	18,138	-	20,612	7,468	9
DISBURSEMENTS					
General Government	-	34,585	-	-	-
Public Works	-	-	-	-	-
Public Assistance	-	-	9,962	7,723	5,667
Culture and Recreation	21,553	-	-	-	-
Debt Service:					
Principal Payments	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
TOTAL DISBURSEMENTS	21,553	34,585	9,962	7,723	5,667
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(3,415)	(34,585)	10,650	(255)	(5,658)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	15,000	-	-	-
Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	15,000	-	-	-
Net Change in Fund Balances	(3,415)	(19,585)	10,650	(255)	(5,658)
FUND BALANCES - BEGINNING	5,769	56,858	101,849	83,053	80,511
FUND BALANCES - ENDING	\$ 2,354	\$ 37,273	\$ 112,499	\$ 82,798	\$ 74,853

(Continued)

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

	County Library Fund	Jail Bond Fund	Courthouse Building Fund	Noxious Weed Fund	Total Nonmajor Governmental Funds
RECEIPTS					
Property Taxes	\$ 140,302	\$ 146,837	\$ 50,062	\$ 5	\$ 382,127
Interest	-	6,736	-	-	6,867
Intergovernmental	1,540	2,708	920	4	6,347
TOTAL RECEIPTS	141,842	156,281	50,982	9	395,341
DISBURSEMENTS					
General Government	-	-	-	-	34,585
Public Works	-	-	-	67,969	67,969
Public Assistance	-	-	-	-	23,352
Culture and Recreation	142,632	-	-	-	164,185
Debt Service:					
Principal Payments	-	200,000	-	-	200,000
Interest and Fiscal Charges	-	170,338	-	-	170,338
TOTAL DISBURSEMENTS	142,632	370,338	-	67,969	660,429
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(790)	(214,057)	50,982	(67,960)	(265,088)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	150,000	-	71,363	236,363
Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	150,000	-	71,363	236,363
Net Change in Fund Balances	(790)	(64,057)	50,982	3,403	(28,725)
FUND BALANCES - BEGINNING	6,529	275,550	45,968	42,254	698,341
FUND BALANCES - ENDING	\$ 5,739	\$ 211,493	\$ 96,950	\$ 45,657	\$ 669,616

(Concluded)

PHELPS 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)
<u>VISITOR'S PROMOTION FUND</u>				
RECEIPTS				
Taxes	\$ 20,000	\$ 20,000	\$ 18,007	\$ (1,993)
Interest	-	-	131	131
TOTAL RECEIPTS	20,000	20,000	18,138	(1,862)
DISBURSEMENTS	25,769	25,769	21,553	4,216
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	(5,769)	(5,769)	(3,415)	2,354
FUND BALANCE - BEGINNING	5,769	5,769	5,769	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,354</u>	<u>\$ 2,354</u>
 <u>SELF HEALTH INSURANCE FUND</u>				
RECEIPTS				
Miscellaneous	\$ 15,000	\$ 15,000	\$ -	\$ (15,000)
TOTAL RECEIPTS	15,000	15,000	-	(15,000)
DISBURSEMENTS	71,858	71,858	34,585	37,273
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	15,000	15,000
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	15,000	15,000
Net Change in Fund Balance	(56,858)	(56,858)	(19,585)	37,273
FUND BALANCE - BEGINNING	56,858	56,858	56,858	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,273</u>	<u>\$ 37,273</u>

(Continued)

PHELPS 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)
MEDICAL RELIEF FUND				
RECEIPTS				
Taxes	\$ 22,286	\$ 22,286	\$ 19,598	\$ (2,688)
Intergovernmental	65	65	1,014	949
Miscellaneous	1,000	1,000	-	(1,000)
TOTAL RECEIPTS	23,351	23,351	20,612	(2,739)
DISBURSEMENTS	120,200	120,200	9,962	110,238
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	(96,849)	(96,849)	10,650	107,499
FUND BALANCE - BEGINNING	101,849	101,849	101,849	-
FUND BALANCE - ENDING	\$ 5,000	\$ 5,000	\$ 112,499	\$ 107,499
INSTITUTIONS FUND				
RECEIPTS				
Taxes	\$ 8,415	\$ 8,415	\$ 7,307	\$ (1,108)
Intergovernmental	32	32	161	129
TOTAL RECEIPTS	8,447	8,447	7,468	(979)
DISBURSEMENTS	85,500	85,500	7,723	77,777
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	(77,053)	(77,053)	(255)	76,798
FUND BALANCE - BEGINNING	83,053	83,053	83,053	-
FUND BALANCE - ENDING	\$ 6,000	\$ 6,000	\$ 82,798	\$ 76,798

(Continued)

PHELPS 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)
VETERANS' AID FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 9	\$ 9
TOTAL RECEIPTS	-	-	9	9
DISBURSEMENTS	77,511	77,511	5,667	71,844
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	(77,511)	(77,511)	(5,658)	71,853
FUND BALANCE - BEGINNING	80,511	80,511	80,511	-
FUND BALANCE - ENDING	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 74,853</u>	<u>\$ 71,853</u>
COUNTY LIBRARY FUND				
RECEIPTS				
Taxes	\$ 147,442	\$ 147,442	\$ 140,302	\$ (7,140)
Intergovernmental	661	661	1,540	879
TOTAL RECEIPTS	148,103	148,103	141,842	(6,261)
DISBURSEMENTS	142,632	142,632	142,632	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	5,471	5,471	(790)	(6,261)
FUND BALANCE - BEGINNING	6,529	6,529	6,529	-
FUND BALANCE - ENDING	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 5,739</u>	<u>\$ (6,261)</u>

(Continued)

PHELPS 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)
JAIL BOND FUND				
RECEIPTS				
Taxes	\$ 150,000	\$ 150,000	\$ 146,837	\$ (3,163)
Interest	3,000	3,000	6,736	3,736
Intergovernmental	570	570	2,708	2,138
TOTAL RECEIPTS	153,570	153,570	156,281	2,711
DISBURSEMENTS	529,120	529,120	370,338	158,782
OTHER FINANCING SOURCES (USES)				
Transfers In	150,000	150,000	150,000	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	150,000	150,000	150,000	-
Net Change in Fund Balance	(225,550)	(225,550)	(64,057)	161,493
FUND BALANCE - BEGINNING	275,550	275,550	275,550	-
FUND BALANCE - ENDING	\$ 50,000	\$ 50,000	\$ 211,493	\$ 161,493
COURTHOUSE BUILDING FUND				
RECEIPTS				
Taxes	\$ 50,842	\$ 50,842	\$ 50,062	\$ (780)
Intergovernmental	190	190	920	730
TOTAL RECEIPTS	51,032	51,032	50,982	(50)
DISBURSEMENTS	85,000	85,000	-	85,000
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	(33,968)	(33,968)	50,982	84,950
FUND BALANCE - BEGINNING	45,968	45,968	45,968	-
FUND BALANCE - ENDING	\$ 12,000	\$ 12,000	\$ 96,950	\$ 84,950

(Continued)

PHELPS 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)
NOXIOUS WEED FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 5	\$ 5
Intergovernmental	-	-	4	4
TOTAL RECEIPTS	-	-	9	9
DISBURSEMENTS	78,617	78,617	67,969	10,648
OTHER FINANCING SOURCES (USES)				
Transfers In	71,363	71,363	71,363	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	71,363	71,363	71,363	-
Net Change in Fund Balance	(7,254)	(7,254)	3,403	10,657
FUND BALANCE - BEGINNING	42,254	42,254	42,254	-
FUND BALANCE - ENDING	\$ 35,000	\$ 35,000	\$ 45,657	\$ 10,657

(Concluded)

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

	County Clerk	Assessor	Clerk of the District Court	County Sheriff	County Attorney	Highway Superintendent	Veterans' Service Officer	Total
BALANCE JULY 1, 2006	\$ 10,002	\$ 33	\$ 16,001	\$ 116,789	\$ 1,852	\$ -	\$ 3,142	\$ 147,819
RECEIPTS								
Licenses and Permits	930	-	-	-	-	6,490	-	7,420
Intergovernmental	-	-	-	-	-	11,683	5,000	16,683
Charges for Services	63,265	4,950	15,652	771,360	123	30,567	-	885,917
Miscellaneous	48	-	-	-	-	13,742	125	13,915
State Fees	61,420	-	12,839	-	-	-	-	74,259
Other Liabilities	-	-	374,745	187,630	35,698	-	-	598,073
TOTAL RECEIPTS	125,663	4,950	403,236	958,990	35,821	62,482	5,125	1,596,267
DISBURSEMENTS								
Payments to County Treasurer	64,575	4,958	15,324	654,060	189	57,418	-	796,524
Payments to State Treasurer	61,378	-	12,867	-	-	-	-	74,245
Other Liabilities	-	-	385,106	241,290	35,866	-	1,509	663,771
TOTAL DISBURSEMENTS	125,953	4,958	413,297	895,350	36,055	57,418	1,509	1,534,540
 BALANCE JUNE 30, 2007	 <u>\$ 9,712</u>	 <u>\$ 25</u>	 <u>\$ 5,940</u>	 <u>\$ 180,429</u>	 <u>\$ 1,618</u>	 <u>\$ 5,064</u>	 <u>\$ 6,758</u>	 <u>\$ 209,546</u>
BALANCE CONSISTS OF:								
Due to County Treasurer	\$ 5,297	\$ 25	\$ 1,341	\$ 175,771	\$ 740	\$ 5,064	\$ -	\$ 188,238
Due to State Treasurer	4,415	-	773	-	-	-	-	5,188
Due to Others	-	-	3,826	4,658	878	-	6,758	16,120
BALANCE JUNE 30, 2007	<u>\$ 9,712</u>	<u>\$ 25</u>	<u>\$ 5,940</u>	<u>\$ 180,429</u>	<u>\$ 1,618</u>	<u>\$ 5,064</u>	<u>\$ 6,758</u>	<u>\$ 209,546</u>

PHELPS 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	\$ 11,225,254	\$ 11,913,850	\$ 12,509,969	\$ 13,128,447	\$ 13,574,275
Personal and Specials	1,357,053	1,401,316	1,484,600	1,700,094	1,665,178
Total	<u>12,582,307</u>	<u>13,315,166</u>	<u>13,994,569</u>	<u>14,828,541</u>	<u>15,239,453</u>
Corrections					
Additions	8,862	6,759	11,826	9,461	9,676
Deductions	<u>(3,638)</u>	<u>(12,224)</u>	<u>(5,017)</u>	<u>(1,744)</u>	<u>(780)</u>
Net Additions/ (Deductions)	<u>5,224</u>	<u>(5,465)</u>	<u>6,809</u>	<u>7,717</u>	<u>8,896</u>
Corrected Certified Tax	<u>12,587,531</u>	<u>13,309,701</u>	<u>14,001,378</u>	<u>14,836,258</u>	<u>15,248,349</u>
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2003	7,285,656	-	-	-	-
June 30, 2004	5,192,572	7,855,675	-	-	-
June 30, 2005	44,495	5,391,915	8,138,950	-	-
June 30, 2006	19,099	23,858	5,787,595	8,644,975	-
June 30, 2007	<u>6,367</u>	<u>11,238</u>	<u>25,869</u>	<u>6,063,132</u>	<u>8,738,591</u>
Total Net Collections	<u>12,548,189</u>	<u>13,282,686</u>	<u>13,952,414</u>	<u>14,708,107</u>	<u>8,738,591</u>
Total Uncollected Tax	<u>\$ 39,342</u>	<u>\$ 27,015</u>	<u>\$ 48,964</u>	<u>\$ 128,151</u>	<u>\$ 6,509,758</u>
Percentage Uncollected Tax	<u>0.31%</u>	<u>0.20%</u>	<u>0.35%</u>	<u>0.86%</u>	<u>42.69%</u>



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PHELPS 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 Supervisors
Phelps County, Nebraska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Phelps County as of and for the year ended June 30, 2007, and have issued our report thereon dated March 4, 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 Phelps 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 Phelps 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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 deficiency to be a significant deficiency 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.

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, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Phelps 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 Phelps County in a separate letter dated March 4, 2008.

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.



Assistant Deputy Auditor

March 4, 2008