

**AUDIT REPORT
OF
BANNER COUNTY**

JULY 1, 2008 THROUGH JUNE 30, 2009

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the Auditor of Public Accounts.**

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Issued on April 5, 2010

BANNER COUNTY

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BANNER COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2009

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



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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, 2009, 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, 2009, 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 18, 2010, 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

Deann Haeffner, CPA
Assistant Deputy Auditor

March 18, 2010

BANNER COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
 June 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 512,167
Investments (Note 1.D)	270,461
TOTAL ASSETS	<u><u>\$ 782,628</u></u>
 NET ASSETS	
Restricted for:	
County Fair	\$ 1,988
County Museum	10,773
Other Purposes	2,021
Unrestricted	<u>767,846</u>
TOTAL NET ASSETS	<u><u>\$ 782,628</u></u>

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, 2009

Functions:	Cash	Program Cash Receipts		Net (Disbursement)
Disbursements		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Receipts and Changes in Net Assets
Governmental Activities:				
General Government	\$ (456,183)	\$ 40,175	\$ 1,155	\$ (414,853)
Public Safety	(115,172)	2,223	-	(112,949)
Public Works	(582,862)	3,764	351,221	(227,877)
Health and Sanitation	(4,100)	-	-	(4,100)
Public Assistance	(500)	-	-	(500)
Culture and Recreation	(4,770)	-	-	(4,770)
Total Governmental Activities	\$ (1,163,587)	\$ 46,162	\$ 352,376	(765,049)
General Receipts:				
Property Taxes				875,069
Grants and Contributions Not Restricted to Specific Programs				66,772
Investment Income				17,083
Miscellaneous				17,165
Total General Receipts				976,089
Change in Net Assets				211,040
Net Assets - Beginning				571,588
Net Assets - Ending				\$ 782,628

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, 2009

	General Fund	Road Fund	Inheritance Fund	Hard Surface Road Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents (Note 1.D)	\$ 56,637	\$ 45,209	\$ 273,315	\$ 65,156	\$ 71,850	\$ 512,167
Investments (Note 1.D)	-	-	120,461	150,000	-	270,461
TOTAL ASSETS	<u>\$ 56,637</u>	<u>\$ 45,209</u>	<u>\$ 393,776</u>	<u>\$ 215,156</u>	<u>\$ 71,850</u>	<u>\$ 782,628</u>
FUND BALANCES						
Unreserved, reported in:						
General fund	\$ 56,637	\$ -	\$ -	\$ -	\$ -	\$ 56,637
Special revenue funds	-	45,209	393,776	215,156	71,850	725,991
TOTAL CASH BASIS FUND BALANCES	<u>\$ 56,637</u>	<u>\$ 45,209</u>	<u>\$ 393,776</u>	<u>\$ 215,156</u>	<u>\$ 71,850</u>	<u>\$ 782,628</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, 2009

	General Fund	Road Fund	Inheritance Fund	Hard Surface Road Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$ 447,739	\$133,999	\$ 221,729	\$ 21,498	\$ 50,104	\$ 875,069
Licenses and Permits	3,682	-	-	-	-	3,682
Interest	17,083	-	-	-	-	17,083
Intergovernmental	55,096	359,780	-	1,691	2,581	419,148
Charges for Services	42,398	3,764	-	-	-	46,162
Miscellaneous	5,856	7,627	-	-	-	13,483
TOTAL RECEIPTS	<u>571,854</u>	<u>505,170</u>	<u>221,729</u>	<u>23,189</u>	<u>52,685</u>	<u>1,374,627</u>
DISBURSEMENTS						
General Government	438,726	-	-	-	17,457	456,183
Public Safety	115,172	-	-	-	-	115,172
Public Works	-	552,888	-	-	29,974	582,862
Health and Sanitation	4,100	-	-	-	-	4,100
Public Assistance	500	-	-	-	-	500
Culture and Recreation	-	-	-	-	4,770	4,770
TOTAL DISBURSEMENTS	<u>558,498</u>	<u>552,888</u>	<u>-</u>	<u>-</u>	<u>52,201</u>	<u>1,163,587</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>13,356</u>	<u>(47,718)</u>	<u>221,729</u>	<u>23,189</u>	<u>484</u>	<u>211,040</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	21,835	29,253	-	-	34,000	85,088
Transfers out	(34,000)	-	(31,000)	-	(20,088)	(85,088)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(12,165)</u>	<u>29,253</u>	<u>(31,000)</u>	<u>-</u>	<u>13,912</u>	<u>-</u>
Net Change in Fund Balances	1,191	(18,465)	190,729	23,189	14,396	211,040
CASH BASIS FUND BALANCES - BEGINNING	<u>55,446</u>	<u>63,674</u>	<u>203,047</u>	<u>191,967</u>	<u>57,454</u>	<u>571,588</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 56,637</u>	<u>\$ 45,209</u>	<u>\$ 393,776</u>	<u>\$ 215,156</u>	<u>\$ 71,850</u>	<u>\$ 782,628</u>

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

BANNER COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS
FIDUCIARY FUNDS
June 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 50,114
 LIABILITIES	
Due to other governments	
State	17,012
Schools	20,616
Educational Service Units	245
Technical College	1,426
Natural Resource Districts	830
Fire Districts	315
Cemetery Districts	1,230
Others	8,440
TOTAL LIABILITIES	50,114
 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, 2009

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 \$4,100 toward the operation of the Region during fiscal year 2009. 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.

Health District – The County has entered into an agreement with the Panhandle Public Health District to provide public health services. Agreements were established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 17-1636.

The District's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The District is required to be audited annually in accordance with Neb. Rev. Stat. § 84-304. Financial information for the District 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

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

governmental and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

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

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

Hard Surface Road Fund. This fund is used to account for revenues and costs for necessary road construction and improvements.

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.

BANNER 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. §§ 77-2315, 77-2340, and 77-2341 (Reissue 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.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 \$14,782 of restricted net assets, all of 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. § 77-2315 (Reissue 2009).

At year end, the County's carrying amount of deposits was \$512,167 for County funds and \$41,674 for Fiduciary funds. The bank balances for all funds totaled \$556,277. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits as of June 30, 2009, 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 \$270,461 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

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Property Taxes** (Concluded)

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 2008, for the 2008 taxes which will be materially collected in May and September, 2009, was set at \$.438968/\$100 of assessed valuation. The levy set in October 2007, for the 2007 taxes which were materially collected in May and September, 2008, was set at \$.463236/\$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 plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2335 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. §§ 23-2307 and 23-2308 (Reissue 2007), 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

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

participation in the system or credit for participation in another governmental plan prior to actual contribution to the Plan. Prior service benefits are paid directly by the County to the retired employee.

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

For the year ended June 30, 2009, 18 employees contributed \$16,273; the County contributed \$24,409, which consisted entirely of cash contributions. Additionally, for the year ended June 30, 2009, 1 law enforcement employee and the County contributed \$345 in cash contributions for the supplemental law enforcement plan. Lastly, the County paid \$180 directly to 1 retired employee 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 78 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.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Risk Management (Concluded)

	NIRMA Coverage	Maximum Coverage
General Liability Claim	\$ 300,000	\$ 5,000,000
Worker's Compensation Claim	\$ 350,000	Statutory Limits
Property Damage Claim	\$ 250,000	Insured Value at Replacement Cost

The County has not paid any additional assessments to the Pool in the last three fiscal years and no assessments are anticipated for fiscal year 2010. 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, 2009, consisted of the following:

Transfers to	Transfers from			Total
	General Fund	Inheritance Fund	Nonmajor Funds	
General Fund	\$ -	\$ 10,000	\$ 11,835	\$ 21,835
Road Fund	-	21,000	8,253	29,253
Nonmajor Funds	34,000	-	-	34,000
Total	\$ 34,000	\$ 31,000	\$ 20,088	\$ 85,088

Transfers are primarily 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. In addition, one transfer was made to close a Nonmajor Fund into the General Fund.

7. Capital Leases Payable

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

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. **Capital Leases Payable** (Concluded)

	John Deere Motorgrader
Balance July 1, 2008	\$ 85,070
Payments	28,905
Purchases	-
Balance June 30, 2009	<u>\$ 56,165</u>
Future Payments:	
Year	
2010	\$ 29,199
2011	29,199
Total Payments	<u>58,398</u>
Less Interest	<u>2,233</u>
Present Value of Future Minimum Lease Payments	<u>\$ 56,165</u>
Carrying Value of the related Fixed asset	<u>\$ 141,427</u>

8. **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.

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 469,214	\$ 469,214	\$ 447,739	\$ (21,475)
Licenses and Permits	4,700	4,700	3,682	(1,018)
Interest	25,000	25,000	17,083	(7,917)
Intergovernmental	116,510	116,510	55,096	(61,414)
Charges for Services	62,000	62,000	42,398	(19,602)
Miscellaneous	6,110	6,110	5,856	(254)
TOTAL RECEIPTS	<u>683,534</u>	<u>683,534</u>	<u>571,854</u>	<u>(111,680)</u>
DISBURSEMENTS				
General Government:				
County Board	25,950	25,950	25,163	787
County Clerk	31,025	31,025	28,266	2,759
County Treasurer	53,725	53,725	52,948	777
County Assessor	40,495	40,495	34,013	6,482
Election Commissioner	14,570	14,570	13,621	949
Clerk of the District Court	7,720	7,720	4,465	3,255
County Court System	2,450	2,450	1,838	612
Building and Grounds	36,150	36,150	35,145	1,005
Agricultural Extension Agent	21,460	21,460	18,937	2,523
Miscellaneous	304,000	303,700	224,330	79,370
Public Safety				
County Sheriff	91,740	91,740	68,142	23,598
County Attorney	38,950	38,950	37,590	1,360
Civil Defense	80,000	80,000	3,150	76,850
Predatory Animal Control	6,000	6,300	6,290	10
Public Health				
Miscellaneous	8,050	8,050	4,100	3,950
Public Assistance				
Veterans' Service Officer	500	500	500	-
TOTAL DISBURSEMENTS	<u>762,785</u>	<u>762,785</u>	<u>558,498</u>	<u>204,287</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(79,251)</u>	<u>(79,251)</u>	<u>13,356</u>	<u>92,607</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	65,000	65,000	21,835	(43,165)
Transfers out	(41,195)	(41,195)	(34,000)	(7,195)
TOTAL OTHER FINANCING SOURCES (USES)	<u>23,805</u>	<u>23,805</u>	<u>(12,165)</u>	<u>(50,360)</u>
Net Change in Fund Balance	(55,446)	(55,446)	1,191	56,637
FUND BALANCES - BEGINNING	55,446	55,446	55,446	-
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,637</u>	<u>\$ 56,637</u>

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Taxes	\$ 148,164	\$ 148,164	\$ 133,999	\$ (14,165)
Intergovernmental	352,265	352,265	359,780	7,515
Charges for Services	5,000	5,000	3,764	(1,236)
Miscellaneous	28,500	28,500	7,627	(20,873)
TOTAL RECEIPTS	<u>533,929</u>	<u>533,929</u>	<u>505,170</u>	<u>(28,759)</u>
DISBURSEMENTS	<u>740,650</u>	<u>740,650</u>	<u>552,888</u>	<u>187,762</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(206,721)</u>	<u>(206,721)</u>	<u>(47,718)</u>	<u>159,003</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	143,047	143,047	29,253	(113,794)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>143,047</u>	<u>143,047</u>	<u>29,253</u>	<u>(113,794)</u>
Net Change in Fund Balance	(63,674)	(63,674)	(18,465)	45,209
FUND BALANCE - BEGINNING	63,674	63,674	63,674	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,209</u>	<u>\$ 45,209</u>

(Continued)

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>INHERITANCE FUND</u>				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 221,729	\$ 221,729
TOTAL RECEIPTS	<u>-</u>	<u>-</u>	<u>221,729</u>	<u>221,729</u>
DISBURSEMENTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>-</u>	<u>-</u>	<u>221,729</u>	<u>221,729</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(203,047)	(203,047)	(31,000)	172,047
TOTAL OTHER FINANCING SOURCES (USES)	<u>(203,047)</u>	<u>(203,047)</u>	<u>(31,000)</u>	<u>172,047</u>
Net Change in Fund Balance	(203,047)	(203,047)	190,729	393,776
FUND BALANCE - BEGINNING	203,047	203,047	203,047	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 393,776</u>	<u>\$ 393,776</u>
<u>HARD SURFACE ROAD FUND</u>				
RECEIPTS				
Taxes	\$ 30,000	\$ 30,000	\$ 21,498	\$ (8,502)
Intergovernmental	-	-	1,691	1,691
TOTAL RECEIPTS	<u>30,000</u>	<u>30,000</u>	<u>23,189</u>	<u>(6,811)</u>
DISBURSEMENTS	<u>221,967</u>	<u>221,967</u>	<u>-</u>	<u>221,967</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(191,967)</u>	<u>(191,967)</u>	<u>23,189</u>	<u>215,156</u>
Net Change in Fund Balance	(191,967)	(191,967)	23,189	215,156
FUND BALANCE - BEGINNING	191,967	191,967	191,967	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,156</u>	<u>\$ 215,156</u>

(Concluded)

BANNER COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2009

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.

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

For the Year Ended June 30, 2009

	Road Equipment Sinking Fund	Bridge Construction Fund	County Fair Operating Fund	Judgement Fund	Federal Drug Law Enforcement Fund	Museum Board Fund	Noxious Weed Control Fund	Total Nonmajor Governmental Funds
RECEIPTS								
Property Taxes	\$ 25,227	\$ 373	\$ 5,384	\$ 10,791	\$ -	\$ 8,329	\$ -	\$ 50,104
Intergovernmental	1,719	2	307	83	-	470	-	2,581
TOTAL RECEIPTS	<u>26,946</u>	<u>375</u>	<u>5,691</u>	<u>10,874</u>	<u>-</u>	<u>8,799</u>	<u>-</u>	<u>52,685</u>
DISBURSEMENTS								
General Government	-	-	-	17,457	-	-	-	17,457
Public Works	-	-	-	-	-	-	29,974	29,974
Culture and Recreation	-	-	4,770	-	-	-	-	4,770
TOTAL DISBURSEMENTS	<u>-</u>	<u>-</u>	<u>4,770</u>	<u>17,457</u>	<u>-</u>	<u>-</u>	<u>29,974</u>	<u>52,201</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>26,946</u>	<u>375</u>	<u>921</u>	<u>(6,583)</u>	<u>-</u>	<u>8,799</u>	<u>(29,974)</u>	<u>484</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	34,000	34,000
Transfers out	-	(4,986)	-	(11,835)	-	-	(3,267)	(20,088)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(4,986)</u>	<u>-</u>	<u>(11,835)</u>	<u>-</u>	<u>-</u>	<u>30,733</u>	<u>13,912</u>
Net Change in Fund Balances	26,946	(4,611)	921	(18,418)	-	8,799	759	14,396
FUND BALANCES - BEGINNING	<u>29,309</u>	<u>4,665</u>	<u>1,067</u>	<u>18,418</u>	<u>2,021</u>	<u>1,974</u>	<u>-</u>	<u>57,454</u>
FUND BALANCES - ENDING	<u>\$ 56,255</u>	<u>\$ 54</u>	<u>\$ 1,988</u>	<u>\$ -</u>	<u>\$ 2,021</u>	<u>\$ 10,773</u>	<u>\$ 759</u>	<u>\$ 71,850</u>

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD EQUIPMENT SINKING FUND				
RECEIPTS				
Taxes	\$ 30,000	\$ 30,000	\$ 25,227	\$ (4,773)
Intergovernmental	-	-	1,719	1,719
TOTAL RECEIPTS	30,000	30,000	26,946	(3,054)
DISBURSEMENTS	59,309	59,309	-	59,309
Net Change in Fund Balance	(29,309)	(29,309)	26,946	56,255
FUND BALANCE - BEGINNING	29,309	29,309	29,309	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,255</u>	<u>\$ 56,255</u>
BRIDGE CONSTRUCTION FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 373	\$ 373
Intergovernmental	-	-	2	2
Miscellaneous	335	335	-	(335)
TOTAL RECEIPTS	335	335	375	40
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(5,000)	(5,000)	(4,986)	14
TOTAL OTHER FINANCING SOURCES (USES)	(5,000)	(5,000)	(4,986)	14
Net Change in Fund Balance	(4,665)	(4,665)	(4,611)	54
FUND BALANCE - BEGINNING	4,665	4,665	4,665	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54</u>	<u>\$ 54</u>

(Continued)

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COUNTY FAIR OPERATING FUND				
RECEIPTS				
Taxes	\$ 5,235	\$ 5,235	\$ 5,384	\$ 149
Intergovernmental	-	-	307	307
TOTAL RECEIPTS	<u>5,235</u>	<u>5,235</u>	<u>5,691</u>	<u>456</u>
DISBURSEMENTS	<u>5,302</u>	<u>5,302</u>	<u>4,770</u>	<u>532</u>
Net Change in Fund Balance	(67)	(67)	921	988
FUND BALANCE - BEGINNING	1,067	1,067	1,067	-
FUND BALANCE - ENDING	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,988</u>	<u>\$ 988</u>
JUDGEMENT FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 10,791	\$ 10,791
Intergovernmental	-	-	83	83
Miscellaneous	11,582	11,582	-	(11,582)
TOTAL RECEIPTS	<u>11,582</u>	<u>11,582</u>	<u>10,874</u>	<u>(708)</u>
DISBURSEMENTS	<u>30,000</u>	<u>30,000</u>	<u>17,457</u>	<u>12,543</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(11,835)	(11,835)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(11,835)</u>	<u>(11,835)</u>
Net Change in Fund Balance	(18,418)	(18,418)	(18,418)	-
FUND BALANCE - BEGINNING	18,418	18,418	18,418	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
FEDERAL DRUG LAW ENFORCEMENT FUND				
RECEIPTS				
Charges for Services	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
TOTAL RECEIPTS	10,000	10,000	-	(10,000)
DISBURSEMENTS	12,021	12,021	-	12,021
Net Change in Fund Balance	(2,021)	(2,021)	-	2,021
FUND BALANCE - BEGINNING	2,021	2,021	2,021	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,021</u>	<u>\$ 2,021</u>
MUSEUM BOARD FUND				
RECEIPTS				
Taxes	\$ 7,990	\$ 7,990	\$ 8,329	\$ 339
Intergovernmental	-	-	470	470
TOTAL RECEIPTS	7,990	7,990	8,799	809
DISBURSEMENTS	9,964	9,964	-	9,964
Net Change in Fund Balance	(1,974)	(1,974)	8,799	10,773
FUND BALANCE - BEGINNING	1,974	1,974	1,974	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,773</u>	<u>\$ 10,773</u>
NOXIOUS WEED CONTROL FUND				
RECEIPTS				
Charges for Services	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Miscellaneous	20,000	20,000	-	(20,000)
TOTAL RECEIPTS	23,000	23,000	-	(23,000)
DISBURSEMENTS	64,195	64,195	29,974	34,221
OTHER FINANCING SOURCES (USES)				
Transfers in	41,195	41,195	34,000	(7,195)
Transfers out	-	-	(3,267)	(3,267)
TOTAL OTHER FINANCING SOURCES (USES)	41,195	41,195	30,733	(10,462)
Net Change in Fund Balance	-	-	759	759
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 759</u>	<u>\$ 759</u>

(Concluded)

BANNER COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2009

	County Clerk	Clerk of the District Court	County Sheriff	Highway Superintendent	Museum	Fair	Total
BALANCE JULY 1, 2008	\$ 2,324	\$ 13,930	\$ 316	\$ -	\$ 7,076	\$ 1,809	\$ 25,455
RECEIPTS							
Licenses and Permits	-	-	65	-	-	-	65
Intergovernmental	-	-	-	30,731	-	-	30,731
Charges for Services	15,308	(700)	1,800	2,966	-	-	19,374
Miscellaneous	-	-	250	8,425	96	6,870	15,641
State Fees	8,529	1,650	-	-	-	-	10,179
Other Liabilities	-	14,376	-	-	-	-	14,376
TOTAL RECEIPTS	23,837	15,326	2,115	42,122	96	6,870	90,366
DISBURSEMENTS							
Payments to County Treasurer	15,001	2,543	1,923	42,122	-	-	61,589
Payments to State Treasurer	8,985	1,803	-	-	-	-	10,788
Other Liabilities	-	14,962	250	-	6,751	7,969	29,932
TOTAL DISBURSEMENTS	23,986	19,308	2,173	42,122	6,751	7,969	102,309
BALANCE JUNE 30, 2009	\$ 2,175	\$ 9,948	\$ 258	\$ -	\$ 421	\$ 710	\$ 13,512
BALANCE CONSISTS OF:							
Due to County Treasurer	\$ 1,873	\$ 909	\$ 258	\$ -	\$ 421	\$ 710	\$ 4,171
Petty Cash	50	-	-	-	-	-	50
Due to State Treasurer	252	599	-	-	-	-	851
Due to Others	-	8,440	-	-	-	-	8,440
BALANCE JUNE 30, 2009	\$ 2,175	\$ 9,948	\$ 258	\$ -	\$ 421	\$ 710	\$ 13,512

BANNER COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED FOR
ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2009

Item	2004	2005	2006	2007	2008
Tax Certified by Assessor					
Real Estate	\$ 1,641,334	\$ 1,845,997	\$ 1,986,242	\$ 1,925,226	\$ 2,175,373
Personal and Specials	158,154	153,134	164,379	177,722	170,897
Total	1,799,488	1,999,131	2,150,621	2,102,948	2,346,270
Corrections					
Additions	2,240	780	187	158	72
Deductions	(866)	(1,810)	(902)	(565)	(1,062)
Net Additions/ (Deductions)	1,374	(1,030)	(715)	(407)	(990)
Corrected Certified Tax	1,800,862	1,998,101	2,149,906	2,102,541	2,345,280
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2005	1,114,336	-	-	-	-
June 30, 2006	686,526	1,238,929	-	-	-
June 30, 2007	-	759,033	1,303,539	-	-
June 30, 2008	-	110	846,337	1,313,505	-
June 30, 2009	-	-	-	779,156	1,508,555
Total Net Collections	1,800,862	1,998,072	2,149,876	2,092,661	1,508,555
Total Uncollected Tax	\$ -	\$ 29	\$ 30	\$ 9,880	\$ 836,725
Percentage Uncollected Tax	0.00%	0.00%	0.00%	0.47%	35.68%



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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, 2009, and have issued our report thereon dated March 18, 2010. 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 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 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 office of the County Clerk had significant accountability issues noted. Issues specifically related to the County Clerk included untimely bank deposits of monies received, untimely remittance of fees received; lack of documentation for accounts receivable; incomplete and/or inaccurate check registers; and lack of reconciliation procedures for Banner County's payroll bank account.

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 March 18, 2010.

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

March 18, 2010

Deann Haeffner, CPA
Assistant Deputy Auditor



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March 18, 2010

Board of Commissioners
Banner County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Banner County (County) for the fiscal year ended June 30, 2009, and have issued our report thereon dated March 18, 2010. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

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

COUNTY OVERALL

Segregation of Duties

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

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

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

COUNTY BOARD

Payroll Procedures

Neb. Rev. Stat. § 77-2756 (Reissue 2009) requires that whenever the aggregate income tax amount to be deducted and withheld for either the first or second month of a calendar quarter exceeds five hundred dollars, the tax is to be paid by the fifteenth day of the succeeding month. Furthermore, Neb. Rev. Stat. § 77-27,114 (Reissue 2009) provides Class IV felony criminal sanctions for willful failure of any person required to collect, withhold, deduct, and truthfully account for and pay over income taxes. Neb. Rev. Stat. § 23-131 (Reissue 2007) states that “warrants shall be signed by the chairperson of the county board...and countersigned by the county clerk.” The U.S. Department of Homeland Security requires all employees (citizens and noncitizens) hired after November 6, 1986, and working in the United States to complete a Form I-9 to document authorization to legally work in the United States. Additionally, sound accounting practices and good internal control require all payroll check registers be complete and accurate; all checks be issued in sequential order; adequate supporting documentation be retained for State and Federal tax withholding payments; payroll bank accounts be reconciled to accounting records with all discrepancies investigated and resolved in a timely manner; and all employee withholdings be remitted in a timely manner.

Review of Banner County’s payroll procedures noted the following significant deficiencies:

- Multiple instances in which Nebraska income tax withholdings were not remitted to the Nebraska Department of Revenue in a timely manner. For example, \$2,402 in tax withholdings for the months of October through December 2008 were not remitted until April 2009; \$2,460 in tax withholdings for the months of January through March 2009 were not remitted until July 2009; \$897 in tax withholdings for June 2009 were not remitted until October 2009; and, as of February 16, 2010, \$1,609 in tax withholdings for the months of April and May 2009 have not yet been remitted.
- Payroll checks were signed only by the County Clerk with no second signature by the Chairperson of the County Board. It should be noted that the County established a new payroll bank account in August 2009, at which time dual signatures were added to payroll checks.
- The payroll check registers did not include a complete list of all issued check numbers.
- Payroll checks were not issued in sequential order.
- Multiple instances were noted in which approved claim disbursements did not agree to actual disbursements.
- Copies of the County’s U.S. Department of the Treasury – Internal Revenue Service Form 941, *Employer’s Quarterly Federal Tax Return*, which report information related to the County’s liability for its portion of social security and Medicare taxes, could not be located for two of four reporting quarters; October through December 2008 and April through June 2009.
- The U.S. Department of Homeland Security’s Form I-9 documenting employment eligibility verification were not consistently obtained and retained by the County.
- The County’s imprest payroll records continued to not reconcile with its bank records and the County Clerk has not, for many years, made any attempt to perform reconciliations of

the account and correct auditor identified adjustments. Based on auditor reconciliation of the account as of June 30, 2009, the bank account is short \$3,288.

- Payroll benefit withholdings continued to not be remitted in a timely manner. For example, the \$2,770 payment to Hartford Life in December 2008 was for four months of employee withholdings; the \$845 December 2008 payment to First Concord was for five months of employee withholdings; a \$640 payment to Ameritas Vision in January 2009 was for three months of employee withholdings; and the \$2,021 payment to American Family Life Assurance Company (AFLAC) in April 2009 was for three months of withholdings.

When payroll procedures are not adequate to ensure complete and accurate documentation, prompt payment of tax and other withholding liabilities, and the timely reconciliation of payroll bank accounts with accounting records, there is an increased risk of fraud or loss as well as the potential for litigation related to employee benefits. This significant deficiency has been similarly noted in prior audits.

We strongly recommend Banner County immediately implement procedures to ensure all required payroll and employee records are complete, accurate, and retained for subsequent inspection. We further recommend Banner County's payroll bank account be reconciled monthly with discrepancies addressed in a timely manner. Lastly, we strongly recommend Banner County immediately implement strong procedures to ensure all tax liabilities and employee withholdings are remitted and reported immediately following withholding in order to avoid penalties, interest, lawsuits, liens, etc.

Interlocal Agreements Disclosure

Neb. Rev. Stat. § 13-513 (Reissue 2007) requires the Auditor of Public Accounts (APA) to request information from each governing body in a form prescribed by the APA regarding agreements to which the governing body is a party under the Interlocal Cooperation Act and the Joint Public Agency Act. Each governing body is required to provide such information to the APA on or before December 31 of each year.

Banner County did not file the required interlocal agreement forms with the APA by December 31, 2008, and December 31, 2009.

When the County does not comply with required interlocal reporting the County is non-compliant with Neb. Rev. Stat. § 13-513 and complete and accurate interlocal agreement information is not made readily available to others.

We recommend the County implement procedures to ensure the complete, accurate, and timely filing of information related to Banner County's interlocal agreements as required by State Statute.

COUNTY CLERK

Office Accountability

Neb. Rev. Stat. § 33-130 (Reissue 2008) requires the County Clerk to remit all fees received and due to the County Treasurer no later than the 15th day of the following month. In addition, sound accounting practices and good internal control require timely deposit of all monies received and complete and accurate documentation of all office accounts receivable.

During review of the County Clerk's office accountability for the fiscal year ended June 30, 2009, and as of February 16, 2010, the following was noted:

- Remittances to the County Treasurer were not timely. Only one fee remittance, totaling \$12,794, was made during the fiscal year. As of February 16, 2010, no fee remittances have been made during the current fiscal year.
- Deposits to the bank were not made on a timely basis. As of February 16, 2010, a total of \$5,151 in transactions had been receipted by the County Clerk from July to October 2009 but not deposited to the County Clerk's bank account. Furthermore, during the review of office procedures, a plastic storage bin was observed which contained a total of \$6,043 in checks and \$25 cash, of which \$2,390 could be identified as part of the previously receipted and undeposited transactions. However, the remaining \$3,678 appeared to never have been receipted into the County's accounting records.
- A detailed listing of accounts receivable at June 30, 2009, or February 16, 2010, was not maintained and/or available.
- As of February 16, 2010, a shortage of \$641 existed between the County Clerk's bank account and its accounting records. A prior audit of the County Clerk identified a shortage of \$689 as of May 20, 2009; however, no corrective action was taken to resolve that shortage. Such shortages are the personal responsibility of the elected official.

When monies received are not receipted and deposited in a timely manner, fees are not remitted to the appropriate authorities in a timely manner, assets are not reconciled to liabilities, and accounts receivable are not monitored and documented, there is an increased risk of loss, theft, or misuse.

We recommend procedures be implemented to ensure all monies received are receipted, deposited, and subsequently remitted to the appropriate authorities in a timely manner. We further recommend procedures be implemented to ensure assets agree to liabilities at all times and accounts receivables be detailed and monitored. As the \$641 identified shortage as of February 16, 2010, is the personal responsibility of the elected official, who is not running for re-election in the next General election, we strongly recommend this shortage be promptly resolved.

County Clerk's Response: The checks that were on hand have now been deposited in the County Clerk's account and the fees have been paid to the County Treasurer.

CLERK OF THE DISTRICT COURT

Office Accountability

Sound accounting practices require prompt official action to resolve identified financial discrepancies and the timely review of trust balances being maintained.

While the Clerk of the District Court, working in conjunction with the Office of the Court Administrator, has taken corrective action over the past two years to address many significant prior audit issues related to office accountability, for the fiscal year ended June 30, 2009, the following issues remain unresolved:

- As of June 30, 2009, a shortage of \$2,571 continued to exist between the District Court's bank account and its accounting records. This \$2,571 variance had been identified as of June 30, 2008; however, no corrective action has been taken to resolve the shortage which is the personal responsibility of the elected official.
- As of June 30, 2009, 17 cases had negative trust balances as a result of the above noted \$2,571 shortage.
- As of June 30, 2009, four of six trust balances tested had been inactive in excess of three years, additionally 23 trust balances consisting only of the \$15 complete record fee had been inactive in excess of three years.

When discrepancies are not addressed and resolved in a timely manner and trust balances are not timely reviewed, there is an increased risk of loss, theft, or misuse of funds.

We recommend procedures be implemented to timely resolve identified financial discrepancies and follow up on inactive balances. Furthermore, as the \$2,571 shortage is the personal responsibility of the elected official, who is not running for re-election in the next General election, we strongly recommend this shortage be promptly resolved.

District Clerk's Response: The shortage in the Clerk of the District Court fund has been paid to the court. The employee that enters the information in the JUSTICE system has asked the JUSTICE help desk for assistance in getting this amount posted to the correct accounts. As of today (March 22) this posting has not been accomplished.

COUNTY SHERIFF

Office Accountability

Neb. Rev. Stat. § 33-117 (Reissue 2008) requires the County Sheriff to pay all fees earned to the County Treasurer on at least a quarterly basis. In addition, sound accounting practices require all monies received be deposited in a timely manner to reduce the risk of loss, theft, or misuse.

The following was noted during the review of the County Sheriff's office accountability for the fiscal year ended June 30, 2009:

- Monies received were not endorsed and deposited in a timely manner.
- Earned fees were not remitted to the County Treasurer on at least a quarterly basis. Only one mileage and fees remittance, totaling \$988, was made during the fiscal year. In addition, \$795 in mileage and fees for the months of March through December 2009 were not remitted to the County Treasurer until January 2010.
- \$139 in advanced fees on hand at June 30, 2009, were not deposited to the County Sheriff's bank account until January 2010.

When all monies received are not timely deposited and mileage and fees earned are not remitted to the County Treasurer on at least a quarterly basis, there is an increased risk of loss, theft, or misuse.

We recommend the County Sheriff implement procedures to ensure timely depositing and remitting of all monies received.

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

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

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

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

Sincerely,

Signed Original on File

Deann Haeffner, CPA
Assistant Deputy Auditor