

**AUDIT REPORT
OF
BANNER COUNTY**

JULY 1, 2009 THROUGH JUNE 30, 2010

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the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
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Issued on February 28, 2011

BANNER COUNTY

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BANNER COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Gifford	Board of Commissioners	Jan. 2013
Gary Grubbs		Jan. 2011
Milo Sandberg		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, 2010, 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, 2010, 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 February 24, 2011, 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

February 24, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor

BANNER COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
 June 30, 2010

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 477,380
Investments (Note 1.D)	274,767
TOTAL ASSETS	\$ 752,147
 NET ASSETS	
Restricted for:	
County Fair	\$ 1,596
County Museum	13,122
Other Purposes	2,021
Unrestricted	735,408
TOTAL NET ASSETS	\$ 752,147

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, 2010

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (437,189)	\$ 54,914	\$ 42,487	\$ (339,788)
Public Safety	(88,291)	2,891	-	(85,400)
Public Works	(639,056)	1,933	-	(637,123)
Health and Sanitation	(4,157)	-	-	(4,157)
Public Assistance	(500)	-	-	(500)
Culture and Recreation	(11,167)	-	-	(11,167)
Total Governmental Activities	<u>\$ (1,180,360)</u>	<u>\$ 59,738</u>	<u>\$ 42,487</u>	<u>(1,078,135)</u>

General Receipts:

Property Taxes	670,977
Grants and Contributions Not Restricted to Specific Programs	353,155
Investment Income	17,491
Licenses and Permits	3,620
Miscellaneous	2,411
Total General Receipts	<u>1,047,654</u>
 Change in Net Assets	 (30,481)
Net Assets - Beginning	782,628
Net Assets - Ending	<u>\$ 752,147</u>

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, 2010

	General Fund	Road Fund	Inheritance Fund	Hard Surface Road Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents (Note 1.D)	\$ 28,290	\$ 25,459	\$ 293,010	\$ 45,156	\$ 85,465	\$ 477,380
Investments (Note 1.D)	-	-	124,767	150,000	-	274,767
TOTAL ASSETS	<u>\$ 28,290</u>	<u>\$ 25,459</u>	<u>\$ 417,777</u>	<u>\$ 195,156</u>	<u>\$ 85,465</u>	<u>\$ 752,147</u>
FUND BALANCES						
Unreserved, reported in:						
General fund	\$ 28,290	\$ -	\$ -	\$ -	\$ -	\$ 28,290
Special revenue funds	-	25,459	417,777	195,156	85,465	723,857
TOTAL CASH BASIS FUND BALANCES	<u>\$ 28,290</u>	<u>\$ 25,459</u>	<u>\$ 417,777</u>	<u>\$ 195,156</u>	<u>\$ 85,465</u>	<u>\$ 752,147</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, 2010

	General Fund	Road Fund	Inheritance Fund	Hard Surface Road Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$ 394,702	\$ 184,470	\$ 24,001	\$ 27,689	\$ 40,115	\$ 670,977
Licenses and Permits	3,620	-	-	-	-	3,620
Interest	17,491	-	-	-	-	17,491
Intergovernmental	70,446	321,116	-	1,666	2,414	395,642
Charges for Services	57,805	1,933	-	-	-	59,738
Miscellaneous	1,226	1,185	-	-	-	2,411
TOTAL RECEIPTS	<u>545,290</u>	<u>508,704</u>	<u>24,001</u>	<u>29,355</u>	<u>42,529</u>	<u>1,149,879</u>
DISBURSEMENTS						
General Government	437,189	-	-	-	-	437,189
Public Safety	88,291	-	-	-	-	88,291
Public Works	-	528,454	-	49,355	61,247	639,056
Health and Sanitation	4,157	-	-	-	-	4,157
Public Assistance	500	-	-	-	-	500
Culture and Recreation	-	-	-	-	11,167	11,167
TOTAL DISBURSEMENTS	<u>530,137</u>	<u>528,454</u>	<u>-</u>	<u>49,355</u>	<u>72,414</u>	<u>1,180,360</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>15,153</u>	<u>(19,750)</u>	<u>24,001</u>	<u>(20,000)</u>	<u>(29,885)</u>	<u>(30,481)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	43,500	43,500
Transfers out	(43,500)	-	-	-	-	(43,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(43,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,500</u>	<u>-</u>
Net Change in Fund Balances	(28,347)	(19,750)	24,001	(20,000)	13,615	(30,481)
CASH BASIS FUND BALANCES - BEGINNING	<u>56,637</u>	<u>45,209</u>	<u>393,776</u>	<u>215,156</u>	<u>71,850</u>	<u>782,628</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 28,290</u>	<u>\$ 25,459</u>	<u>\$ 417,777</u>	<u>\$ 195,156</u>	<u>\$ 85,465</u>	<u>\$ 752,147</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, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 36,896
 LIABILITIES	
Due to other governments	
State	14,271
Schools	10,177
Educational Service Units	72
Technical College	471
Natural Resource Districts	182
Fire Districts	95
Cemetery Districts	1,789
Others	9,839
TOTAL LIABILITIES	36,896
 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, 2010

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 \$4,157 toward the operation of the Region during fiscal year 2010. 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.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Health Department – The County has entered into an agreement with Panhandle Public Health District (Department) 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 71-1636.

The Department's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County did not contribute toward the operation of the Department during fiscal year 2010. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is required to be audited annually in accordance with Neb. Rev. Stat. § 84-304. Financial information for the Department is available in that report.

B. Basis of Presentation

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

BANNER 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 receipts 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 receipt source that is restricted to disbursements 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. Receipts are recognized when received and disbursements 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 receipts are recorded when earned and disbursements are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used as described above. This differs from governmental GAAP, which require governmental fund financial statements to be reported using the current financial

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, receipts are recognized as soon as they are both measurable and available. Receipts are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Disbursements generally are recorded when a liability is incurred, as under accrual accounting. However, disbursements 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 2009), 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 disbursement of the County funds as paid. Upon termination, employees are paid for any unused vacation. Under the receipts and disbursements basis of accounting, the liabilities for compensated absences are not reported since they do not represent liabilities arising from cash transactions. Under GAAP, the compensated absences liability would be reported in the government-wide financial statements and would be recorded in accordance with the County's policy, which is to recognize the expense and accrued liability when vacation and compensatory leave is earned.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Restricted Net Assets. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net assets are reported as restricted when constraints placed on their use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$16,739 of restricted net assets, all of which is restricted by enabling legislation.

2. **Deposits and Investments**

The County has generally pooled the cash resources of the various funds for investment purposes. Interest earned on pooled funds is credited to the County General Fund in accordance with Neb. Rev. Stat. § 77-2315 (Reissue 2009).

At year end, the County's carrying amount of deposits was \$477,380 for County funds and \$36,896 for Fiduciary funds. The bank balances for all funds totaled \$507,869. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits as of June 30, 2010, 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 \$274,767 deposited in the Nebraska Public Agency Investment Trust (NPAIT). NPAIT is a public entity investment pool operated under the direction of a seven member Board of Trustees. All net income of the trust is determined as of the close of business on each banking day and is credited thereafter pro rata to each participant's account. Net income which has accrued to each participant is converted as of the close of business of each calendar month into additional units which thereafter are held in each participant's trust account. Since net income of the fund is allocated among participant's each time net income is determined, the net asset value remains at \$1.00 per unit. Securities held by NPAIT are not held in the County's name.

3. **Property Taxes**

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

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

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Property Taxes (Concluded)

The levy set in October 2009, for the 2009 taxes which will be materially collected in May and September, 2010, was set at \$.432259/\$100 of assessed valuation. The levy set in October 2008, for the 2008 taxes which were materially collected in May and September, 2009, was set at \$.438968/\$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 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.

BANNER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

For the year ended June 30, 2010, 18 employees contributed \$17,946; the County contributed \$26,919, which consisted entirely of cash contributions. Additionally, for the year ended June 30, 2010, one law enforcement employee and the County contributed \$352 in cash contributions for the supplemental law enforcement plan. Lastly, the County paid \$120 directly to one 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.

	NIRMA Coverage	Maximum Coverage
General Liability Claim	\$ 300,000	\$ 5,000,000
Worker's Compensation Claim	\$ 500,000	Statutory Limits
Property Damage Claim	\$ 250,000	Insured Value at Replacement Cost

BANNER 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 2011. 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, 2010, consisted of the following:

Transfers to	General
<u>Nonmajor Funds</u>	<u>Fund</u>
	\$ 43,500

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

7. **Capital Leases Payable**

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

	John Deere
	<u>Motorgrader</u>
Balance July 1, 2009	\$ 56,165
Payments	30,120
Purchases	-
Balance June 30, 2010	<u>\$ 26,045</u>
Future Payments:	
Year	
2011	<u>\$ 26,545</u>
Less Interest	<u>500</u>
Present Value of Future	
Minimum Lease Payments	<u>\$ 26,045</u>
Carrying Value of the related	
Fixed asset	<u>\$ 141,427</u>

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 399,422	\$ 399,422	\$ 394,702	\$ (4,720)
Licenses and Permits	5,200	5,200	3,620	(1,580)
Interest	26,000	26,000	17,491	(8,509)
Intergovernmental	116,392	116,392	70,446	(45,946)
Charges for Services	74,225	74,225	57,805	(16,420)
Miscellaneous	18,000	18,000	1,226	(16,774)
TOTAL RECEIPTS	<u>639,239</u>	<u>639,239</u>	<u>545,290</u>	<u>(93,949)</u>
DISBURSEMENTS				
General Government:				
County Board	25,650	25,650	24,200	1,450
County Clerk	32,900	32,900	31,750	1,150
County Treasurer	53,550	53,550	47,642	5,908
County Assessor	41,600	41,600	34,047	7,553
Election Commissioner	17,400	17,400	10,392	7,008
Clerk of the District Court	5,140	5,140	5,023	117
County Court System	2,450	2,450	2,040	410
Building and Grounds	37,400	37,400	27,187	10,213
Agricultural Extension Agent	22,055	22,055	21,156	899
Miscellaneous	309,300	309,300	233,752	75,548
Public Safety				
County Sheriff	78,840	78,840	45,044	33,796
County Attorney	39,600	39,600	33,599	6,001
Emergency Management	80,000	80,000	4,200	75,800
Predatory Animal Control	8,000	8,000	5,448	2,552
Public Health				
Miscellaneous	4,250	4,250	4,157	93
Public Assistance				
Veterans' Service Officer	500	500	500	-
TOTAL DISBURSEMENTS	<u>758,635</u>	<u>758,635</u>	<u>530,137</u>	<u>228,498</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(119,396)</u>	<u>(119,396)</u>	<u>15,153</u>	<u>134,549</u>

(Continued)

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	-	(100,000)
Transfers out	<u>(37,241)</u>	<u>(37,241)</u>	<u>(43,500)</u>	<u>(6,259)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>62,759</u>	<u>62,759</u>	<u>(43,500)</u>	<u>(106,259)</u>
Net Change in Fund Balance	(56,637)	(56,637)	(28,347)	28,290
FUND BALANCES - BEGINNING	<u>56,637</u>	<u>56,637</u>	<u>56,637</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,290</u>	<u>\$ 28,290</u>

(Concluded)

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Taxes	\$ 231,709	\$ 231,709	\$ 184,470	\$ (47,239)
Intergovernmental	336,485	336,485	321,116	(15,369)
Charges for Services	4,000	4,000	1,933	(2,067)
Miscellaneous	27,447	27,447	1,185	(26,262)
TOTAL RECEIPTS	599,641	599,641	508,704	(90,937)
DISBURSEMENTS	838,680	838,680	528,454	310,226
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(239,039)	(239,039)	(19,750)	219,289
OTHER FINANCING SOURCES (USES)				
Transfers in	193,830	193,830	-	(193,830)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	193,830	193,830	-	(193,830)
Net Change in Fund Balance	(45,209)	(45,209)	(19,750)	25,459
FUND BALANCE - BEGINNING	45,209	45,209	45,209	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,459</u>	<u>\$ 25,459</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 24,001	\$ 24,001
TOTAL RECEIPTS	-	-	24,001	24,001
DISBURSEMENTS	-	-	-	-
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	-	-	24,001	24,001
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(293,776)	(293,776)	-	293,776
TOTAL OTHER FINANCING SOURCES (USES)	(293,776)	(293,776)	-	293,776
Net Change in Fund Balance	(293,776)	(293,776)	24,001	317,777
FUND BALANCE - BEGINNING	393,776	393,776	393,776	-
FUND BALANCE - ENDING	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 417,777</u>	<u>\$ 317,777</u>

(Continued)

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HARD SURFACE ROAD FUND				
RECEIPTS				
Taxes	\$ 30,000	\$ 30,000	\$ 27,689	\$ (2,311)
Intergovernmental	-	-	1,666	1,666
TOTAL RECEIPTS	<u>30,000</u>	<u>30,000</u>	<u>29,355</u>	<u>(645)</u>
DISBURSEMENTS	<u>245,156</u>	<u>245,156</u>	<u>49,355</u>	<u>195,801</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(215,156)</u>	<u>(215,156)</u>	<u>(20,000)</u>	<u>195,156</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(215,156)	(215,156)	(20,000)	195,156
FUND BALANCE - BEGINNING	<u>215,156</u>	<u>215,156</u>	<u>215,156</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,156</u>	<u>\$ 195,156</u>

(Concluded)

BANNER COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2010

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 receipts 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 receipts 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 disbursements 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, 2010

	Road Equipment Sinking Fund	Bridge Construction Fund	County Fair Operating Fund	Federal Drug Law Enforcement Fund	Museum Board Fund	Noxious Weed Control Fund	Total Nonmajor Governmental Funds
RECEIPTS							
Property Taxes	\$ 27,736	\$ 3	\$ 4,319	\$ -	\$ 8,057	\$ -	\$ 40,115
Intergovernmental	1,666	-	242	-	506	-	2,414
TOTAL RECEIPTS	<u>29,402</u>	<u>3</u>	<u>4,561</u>	<u>-</u>	<u>8,563</u>	<u>-</u>	<u>42,529</u>
DISBURSEMENTS							
Public Works	17,500	-	-	-	-	43,747	61,247
Culture and Recreation	-	-	4,953	-	6,214	-	11,167
TOTAL DISBURSEMENTS	<u>17,500</u>	<u>-</u>	<u>4,953</u>	<u>-</u>	<u>6,214</u>	<u>43,747</u>	<u>72,414</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>11,902</u>	<u>3</u>	<u>(392)</u>	<u>-</u>	<u>2,349</u>	<u>(43,747)</u>	<u>(29,885)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	43,500	43,500
Transfers out	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,500</u>	<u>43,500</u>
Net Change in Fund Balances	11,902	3	(392)	-	2,349	(247)	13,615
FUND BALANCES - BEGINNING	<u>56,255</u>	<u>54</u>	<u>1,988</u>	<u>2,021</u>	<u>10,773</u>	<u>759</u>	<u>71,850</u>
FUND BALANCES - ENDING	<u>\$ 68,157</u>	<u>\$ 57</u>	<u>\$ 1,596</u>	<u>\$ 2,021</u>	<u>\$ 13,122</u>	<u>\$ 512</u>	<u>\$ 85,465</u>

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD EQUIPMENT SINKING FUND				
RECEIPTS				
Taxes	\$ 30,000	\$ 30,000	\$ 27,736	\$ (2,264)
Intergovernmental	-	-	1,666	1,666
TOTAL RECEIPTS	<u>30,000</u>	<u>30,000</u>	<u>29,402</u>	<u>(598)</u>
DISBURSEMENTS	<u>86,255</u>	<u>86,255</u>	<u>17,500</u>	<u>68,755</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(56,255)	(56,255)	11,902	68,157
FUND BALANCE - BEGINNING	56,255	56,255	56,255	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,157</u>	<u>\$ 68,157</u>
BRIDGE CONSTRUCTION FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 3	\$ 3
TOTAL RECEIPTS	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
DISBURSEMENTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(54)	(54)	-	54
TOTAL OTHER FINANCING SOURCES (USES)	<u>(54)</u>	<u>(54)</u>	<u>-</u>	<u>54</u>
Net Change in Fund Balance	(54)	(54)	3	57
FUND BALANCE - BEGINNING	54	54	54	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57</u>	<u>\$ 57</u>

(Continued)

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COUNTY FAIR OPERATING FUND				
RECEIPTS				
Taxes	\$ 4,314	\$ 4,314	\$ 4,319	\$ 5
Intergovernmental	-	-	242	242
TOTAL RECEIPTS	<u>4,314</u>	<u>4,314</u>	<u>4,561</u>	<u>247</u>
DISBURSEMENTS	<u>5,302</u>	<u>5,302</u>	<u>4,953</u>	<u>349</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(988)	(988)	(392)	596
FUND BALANCE - BEGINNING	1,988	1,988	1,988	-
FUND BALANCE - ENDING	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,596</u>	<u>\$ 596</u>
FEDERAL DRUG LAW ENFORCEMENT FUND				
RECEIPTS				
Charges for Services	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
TOTAL RECEIPTS	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
DISBURSEMENTS	<u>12,021</u>	<u>12,021</u>	<u>-</u>	<u>12,021</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(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>

(Continued)

BANNER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
MUSEUM BOARD FUND				
RECEIPTS				
Taxes	\$ 9,155	\$ 9,155	\$ 8,057	\$ (1,098)
Intergovernmental	-	-	506	506
TOTAL RECEIPTS	<u>9,155</u>	<u>9,155</u>	<u>8,563</u>	<u>(592)</u>
DISBURSEMENTS	<u>19,928</u>	<u>19,928</u>	<u>6,214</u>	<u>13,714</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(10,773)	(10,773)	2,349	13,122
FUND BALANCE - BEGINNING	10,773	10,773	10,773	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,122</u>	<u>\$ 13,122</u>
NOXIOUS WEED CONTROL FUND				
RECEIPTS				
Charges for Services	\$ 21,000	\$ 21,000	\$ -	\$ (21,000)
TOTAL RECEIPTS	<u>21,000</u>	<u>21,000</u>	<u>-</u>	<u>(21,000)</u>
DISBURSEMENTS	<u>59,000</u>	<u>59,000</u>	<u>43,747</u>	<u>15,253</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	37,241	37,241	43,500	6,259
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>37,241</u>	<u>37,241</u>	<u>43,500</u>	<u>6,259</u>
Net Change in Fund Balance	(759)	(759)	(247)	512
FUND BALANCE - BEGINNING	759	759	759	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 512</u>	<u>\$ 512</u>

(Concluded)

BANNER COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2010

	County Clerk	Clerk of the District Court	County Sheriff	Highway Superintendent	Museum	Fair	Total
BALANCE JULY 1, 2009	\$ 2,175	\$ 9,948	\$ 258	\$ -	\$ 421	\$ 710	\$ 13,512
RECEIPTS							
Licenses and Permits	-	-	870	-	-	-	870
Intergovernmental	-	-	-	31,807	-	-	31,807
Charges for Services	25,013	978	1,281	1,933	-	-	29,205
Miscellaneous	-	-	-	1,185	18,331	4,953	24,469
State Fees	6,462	838	-	-	-	-	7,300
Other Liabilities	-	18,495	-	-	-	-	18,495
TOTAL RECEIPTS	31,475	20,311	2,151	34,925	18,331	4,953	112,146
DISBURSEMENTS							
Payments to County Treasurer	18,346	1,022	1,695	34,925	-	-	55,988
Payments to State Treasurer	6,631	936	-	-	-	-	7,567
Other Liabilities	-	17,625	-	-	6,666	4,599	28,890
TOTAL DISBURSEMENTS	24,977	19,583	1,695	34,925	6,666	4,599	92,445
BALANCE JUNE 30, 2010	<u>\$ 8,673</u>	<u>\$ 10,676</u>	<u>\$ 714</u>	<u>\$ -</u>	<u>\$ 12,086</u>	<u>\$ 1,064</u>	<u>\$ 33,213</u>
BALANCE CONSISTS OF:							
Due to County Treasurer	\$ 8,540	\$ 917	\$ 714	\$ -	\$ 12,086	\$ 1,064	\$ 23,321
Petty Cash	50	-	-	-	-	-	50
Due to State Treasurer	83	449	-	-	-	-	532
Due to Others	-	9,310	-	-	-	-	9,310
BALANCE JUNE 30, 2010	<u>\$ 8,673</u>	<u>\$ 10,676</u>	<u>\$ 714</u>	<u>\$ -</u>	<u>\$ 12,086</u>	<u>\$ 1,064</u>	<u>\$ 33,213</u>

BANNER COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED FOR
ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2010

Item	2005	2006	2007	2008	2009
Tax Certified by Assessor					
Real Estate	\$ 1,845,997	\$ 1,986,242	\$ 1,925,226	\$ 2,175,373	\$ 2,195,749
Personal and Specials	153,134	164,379	177,722	170,897	200,182
Total	<u>1,999,131</u>	<u>2,150,621</u>	<u>2,102,948</u>	<u>2,346,270</u>	<u>2,395,931</u>
Corrections					
Additions	780	187	1,652	1,413	-
Deductions	<u>(1,810)</u>	<u>(902)</u>	<u>(565)</u>	<u>(1,062)</u>	<u>-</u>
Net Additions/ (Deductions)	<u>(1,030)</u>	<u>(715)</u>	<u>1,087</u>	<u>351</u>	<u>-</u>
Corrected Certified Tax	<u>1,998,101</u>	<u>2,149,906</u>	<u>2,104,035</u>	<u>2,346,621</u>	<u>2,395,931</u>
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2006	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	-
June 30, 2010	<u>-</u>	<u>-</u>	<u>4,618</u>	<u>823,638</u>	<u>1,480,956</u>
Total Net Collections	<u>1,998,072</u>	<u>2,149,876</u>	<u>2,097,279</u>	<u>2,332,193</u>	<u>1,480,956</u>
Total Uncollected Tax	<u>\$ 29</u>	<u>\$ 30</u>	<u>\$ 6,756</u>	<u>\$ 14,428</u>	<u>\$ 914,975</u>
Percentage Uncollected Tax	<u>0.00%</u>	<u>0.00%</u>	<u>0.32%</u>	<u>0.61%</u>	<u>38.19%</u>



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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, 2010, and have issued our report thereon dated February 24, 2011. 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 (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control 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, and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies to be material weaknesses:

- 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; lack of timely reconciliation procedures for Banner County's payroll bank account; and untimely remittance of payroll deductions.

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 also noted certain matters that we reported to management of Banner County in a separate letter dated February 24, 2011.

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

February 24, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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February 24, 2011

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, 2010, and have issued our report thereon dated February 24, 2011. 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 (Cum. Supp., 2010) 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. Additionally, sound accounting practices and good internal control require 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:

- Multiple instances in which Nebraska income tax withholdings were not remitted to the Nebraska Department of Revenue in a timely manner. For example:
 - July 2009 withholdings of \$848 cleared December 2009;
 - August 2009 withholdings of \$781 cleared December 2009;
 - September 2009 withholdings of \$844 cleared December 2009;
 - October 2009 withholdings of \$867 cleared December 2009;
 - November 2009 withholdings of \$836 cleared March 2010;
 - December 2009 withholdings of \$971 cleared March 2010;
 - May 2010 withholdings of \$900 cleared October 2010;
 - June 2010 withholdings of \$945 cleared October 2010;
 - July 2010 withholdings of \$952 cleared October 2010;
 - August 2010 withholdings of \$971 cleared October 2010;
 - September 2010 withholdings of \$990 cleared October 2010;
 - October 2010 withholdings of \$920 cleared December 2010; and
 - November 2010 withholdings of \$1,129 cleared December 2010.
- Copies of the County's U.S. Department of the Treasury – Internal Revenue Service Form 941, *Employer's Quarterly Federal Tax Return*, which reports information related to the County's liability for its portion of social security and Medicare taxes, could not be located for one reporting quarter; January 2010 through March 2010.
- In August 2009 the County established a new payroll imprest bank account. This bank account was not reconciled in a timely manner. The account was reconciled as of January 31, 2010, at the time of prior audit fieldwork; however, as of January 4, 2011, the account had not been reconciled in the subsequent eleven months. Based on auditor reconciliation of the account as of June 30, 2010, and December 31, 2010, the bank account noted net variances of \$306 and \$108, respectively, due to unresolved reconciling items.
- As a result of the County's failure to timely reconcile its payroll imprest bank account, the account's bank balance was overdrawn for six days in March 2010 and for one day in October 2010.

- Payroll benefit withholdings continued to not be remitted in a timely manner despite the critical nature of this finding being addressed with the County in previous audits. For example:
 - Withholdings for September 2009 through November 2009, issued on three separate checks to American Family Life Insurance, totaling \$1,539, did not clear the payroll bank account until January 12, 2010;
 - Withholdings for June 2010 and July 2010, issued on two separate checks to American Family Life Insurance, totaling \$799, did not clear the bank account until August 24, 2010;
 - On January 12, 2010, one \$3,656 check to Ameritas Life Insurance Corp. for September 2009 employee/employer retirement contributions cleared the bank account and indicated it was a replacement check;
 - Withholdings for July 2009 through December 2009, issued on six separate checks to First Concord, totaling \$1,014 did not clear the bank until February 8, 2010;
 - Withholdings for June 2010 through September 2010, issued on four separate checks to First Concord, totaling \$680, did not clear the bank account until October 22, 2010.

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 material weakness has been similarly noted in prior audits.

We strongly recommend Banner County immediately implement procedures to ensure all required payroll 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 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.

Inventory Procedures

Neb. Rev. Stat. § 23-347 (Reissue 2007) requires county officers to file with the county board within two calendar months after the close of each fiscal year an inventory statement of all county personal property in their custody and possession. Neb. Rev. Stat. § 23-348.01 (Reissue 2007) requires the county board within two calendar months after the close of each fiscal year to file an inventory statement of all real estate and real property in which the county has any interest of any kind.

Three of seven 2010 inventory statements were filed September 7, 2010, three were filed September 9, 2010, and one was filed September 20, 2010; as a result none were filed in the timely manner required by State statute. In addition, the Highway Superintendent inventory did not include any reporting of County machinery such as motor graders, loaders, motor vehicles, trailers, and sprayers which are of significant property value to the County.

When annual inventory statements are not filed completely, accurately, and timely the County is non-compliant with Neb. Rev. Stat. §§ 23-347 and 23-348.01. In addition, the County subjects itself to an increased risk of loss, theft, or misuse of County personal property.

We recommend the County implement procedures to ensure all annual inventory statements are filed completely, timely, and accurately.

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, 2010, and as of January 6, 2011, the following was noted:

- Remittances to the County Treasurer were not timely.
 - On March 22, 2010, the County Clerk remitted \$11,766 in fees for the months of May 2009 through January 2010.
 - On April 19, 2010, the County Clerk remitted \$6,580 in fees for the months of February and March 2010.
 - On November 24, 2010, the County Clerk remitted \$16,831 in fees for the months of April 2010 through October 2010.
- Deposits were not made to the bank on a regular, ongoing basis. For example, receipts from July, August, and October 2009 were observed as having been deposited in March 2010; receipts from May 2010 were observed as having been deposited in July and November 2010; and receipts from July, August, and September 2010 receipts were observed as having been deposited in November 2010.
- A detailed listing of accounts receivable at June 30, 2010, and January 6, 2011, was not maintained and/or available.
- As of June 30, 2010, a shortage of \$698 existed between the County Clerk's bank account and its accounting records. On December 30, 2010, the County Clerk personally deposited \$689 into the bank account to address shortages and, as of January 6, 2011, a long of \$2 existed between the County Clerk's bank account and its accounting records.

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 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.

CLERK OF THE DISTRICT COURT

Inactive Trust Balances

Neb. Rev. Stat. § 33-106 (Reissue 2008) enumerates clerk of the district court fees and sets out a \$15 fee for making a complete record of a case, except when expressly waived by the parties to the action. The Nebraska Uniform Disposition of Unclaimed Property Act (Unclaimed Property Act) requires remittance to the State Treasurer of all unclaimed property which remains unclaimed for more than three years.

The following was noted during review of the Clerk of the District Court's trust balances for the fiscal year ended June 30, 2010, and as of January 6, 2011:

- A significant number of trust cases had ending balances of \$15; the complete record fee in these cases. These cases dated back to 2000.
- Inactive trust balances have historically not been evaluated by the Clerk of the District Court for remittance to the State Treasurer in accordance with the Unclaimed Property Act. Three of five June 30, 2010, trust balances tested, totaling \$1,815, had been inactive in excess of three years.

When inactive trust balances are not reviewed and properly disposed of in a timely manner, the Clerk of the District Court is non-compliant with Neb. Rev. Stat. § 33-106 and the Unclaimed Property Act. In addition, there is an increased risk of loss, theft, or misuse.

We recommend all trust balances be reviewed and evaluated on an on-going basis to ensure timely disposition.

COUNTY SHERIFF

Office Accountability

Neb. Rev. Stat. § 33-117 (Cum. Supp. 2010) 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 review of the County Sheriff's office accountability for the fiscal year ended June 30, 2010, and through the County Sheriff's retirement effective January 6, 2011:

- 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 \$795, was made during the fiscal year. This remittance was for mileage and fees earned for the months of March 2009 through December 2009.
- At the time of his retirement from office in January 2011, the County Sheriff remitted \$1,124 in mileage and fees for the months of January 2010 through December 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, the County Sheriff is non-compliant with Neb. Rev. Stat. § 33-117. In addition, there is an increased risk of loss, theft, or misuse.

We strongly 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. The County declined to respond.

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