

**AUDIT REPORT
OF
GAGE COUNTY**

JULY 1, 2010 THROUGH JUNE 30, 2011

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the Auditor of Public Accounts.**

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Issued on October 20, 2011

GAGE COUNTY

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GAGE COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rex Adams	Board of Supervisors	Jan. 2013
Terry Jurgens		Jan. 2015
Kathy Setzer		Jan. 2015
Matt Bauman		Jan. 2013
Gary Lytle		Jan. 2015
Dennis Byars		Jan. 2013
Myron Dorn		Jan. 2015
Patricia Milligan	Assessor	Jan. 2015
Roger Harris	Attorney	Jan. 2015
Dawn Hill	Clerk Election Commissioner	Jan. 2015
Ruth Siems	Register of Deeds	Jan. 2015
Diane Wells	Clerk of the District Court	Jan. 2015
Millard Gustafson	Sheriff	Jan. 2015
Laurie Wollenburg	Treasurer	Jan. 2015
Phil Dittbrenner	Veterans' Service Officer	Appointed
Marlin Kliewer	Highway Superintendent	Appointed
Christopher Witulski	Surveyor	Jan. 2015
Mark Meints	Emergency Management	Appointed



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GAGE COUNTY

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Gage County, Nebraska

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gage County, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the County's primary government, 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 Gage County, as of June 30, 2011, 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 October 4, 2011, on our consideration of Gage 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 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, which the accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

Signed Original on File

October 4, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor

GAGE COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
 June 30, 2011

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 5,776,426
TOTAL ASSETS	\$ 5,776,426
NET ASSETS	
Restricted for:	
Visitor Promotion	\$ 110,964
911 Emergency Services	21,347
Drug Education	138
Debt Service	581,436
Homeland Security Grant	82,507
Unrestricted	4,980,034
TOTAL NET ASSETS	\$ 5,776,426

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

GAGE COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2011

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	\$ (5,300,864)	\$ 547,961	\$ 134,234	\$ (4,618,669)
Public Safety	(2,480,722)	87,618	444,270	(1,948,834)
Public Works	(4,392,235)	-	2,569,865	(1,822,370)
Health and Sanitation	(25,368)	-	-	(25,368)
Public Assistance	(244,948)	-	-	(244,948)
Culture and Recreation	(181,134)	-	-	(181,134)
Debt Payments	(711,861)	-	-	(711,861)
Total Governmental Activities	\$ (13,337,132)	\$ 635,579	\$ 3,148,369	(9,553,184)

General Receipts:

Property Taxes	9,102,655
Grants and Contributions Not Restricted to Specific Programs	1,182,334
Investment Income	70,816
Licenses and Permits	104,200
Miscellaneous	289,663
Total General Receipts	10,749,668
Change in Net Assets	1,196,484
Net Assets - Beginning	4,579,942
Net Assets - Ending	\$ 5,776,426

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

GAGE COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Road Fund	Inheritance Fund	Road/ Bridge Sinking Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents (Note 1.D)	\$ 2,678,134	\$ 406,791	\$ 1,090,036	\$ 785,073	\$ 816,392	\$ 5,776,426
TOTAL ASSETS	\$ 2,678,134	\$ 406,791	\$ 1,090,036	\$ 785,073	\$ 816,392	\$ 5,776,426
 FUND BALANCES						
Restricted for:						
Visitor Promotion	\$ -	\$ -	\$ -	\$ -	\$ 110,964	\$ 110,964
911 Emergency Services	-	-	-	-	21,347	21,347
Drug Education	-	-	-	-	138	138
Debt Service	-	-	-	-	581,436	581,436
Homeland Security Grant	-	-	-	-	82,507	82,507
Committed to:						
Road Maintenance	-	406,791	-	785,073	-	1,191,864
Self Insurance	-	-	-	-	20,000	20,000
Assigned to:						
Other Purposes	-	-	1,090,036	-	-	1,090,036
Unassigned	2,678,134	-	-	-	-	2,678,134
TOTAL CASH BASIS FUND BALANCES	\$ 2,678,134	\$ 406,791	\$ 1,090,036	\$ 785,073	\$ 816,392	\$ 5,776,426

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

GAGE COUNTY
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	General Fund	Road Fund	Inheritance Fund	Road/ Bridge Sinking Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$ 7,534,980	\$ -	\$ 866,838	\$ -	\$ 700,837	\$ 9,102,655
Licenses and Permits	104,200	-	-	-	-	104,200
Interest	70,816	-	-	-	-	70,816
Intergovernmental	1,233,900	2,807,068	-	-	289,735	4,330,703
Charges for Services	635,579	-	-	-	-	635,579
Miscellaneous	242,282	47,381	-	-	-	289,663
TOTAL RECEIPTS	<u>9,821,757</u>	<u>2,854,449</u>	<u>866,838</u>	<u>-</u>	<u>990,572</u>	<u>14,533,616</u>
DISBURSEMENTS						
General Government	4,252,859	-	1,048,005	-	-	5,300,864
Public Safety	2,296,786	-	-	-	183,936	2,480,722
Public Works	125,442	4,266,793	-	-	-	4,392,235
Health and Sanitation	25,368	-	-	-	-	25,368
Public Assistance	244,948	-	-	-	-	244,948
Culture and Recreation	25,085	-	-	-	156,049	181,134
Debt Service:						
Principal Payments	-	-	-	-	635,000	635,000
Interest and Fiscal Charges	-	-	-	-	76,861	76,861
TOTAL DISBURSEMENTS	<u>6,970,488</u>	<u>4,266,793</u>	<u>1,048,005</u>	<u>-</u>	<u>1,051,846</u>	<u>13,337,132</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>2,851,269</u>	<u>(1,412,344)</u>	<u>(181,167)</u>	<u>-</u>	<u>(61,274)</u>	<u>1,196,484</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	1,450,000	-	660,083	164,691	2,274,774
Transfers out	(1,714,692)	-	-	-	(560,082)	(2,274,774)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,714,692)</u>	<u>1,450,000</u>	<u>-</u>	<u>660,083</u>	<u>(395,391)</u>	<u>-</u>
Net Change in Fund Balances	1,136,577	37,656	(181,167)	660,083	(456,665)	1,196,484
CASH BASIS FUND BALANCES - BEGINNING	<u>1,541,557</u>	<u>369,135</u>	<u>1,271,203</u>	<u>124,990</u>	<u>1,273,057</u>	<u>4,579,942</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 2,678,134</u>	<u>\$ 406,791</u>	<u>\$1,090,036</u>	<u>\$785,073</u>	<u>\$ 816,392</u>	<u>\$ 5,776,426</u>

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

GAGE COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS
FIDUCIARY FUNDS
 June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,167,926
 LIABILITIES	
Due to other governments	
State	331,435
Schools	383,074
Educational Service Units	5,842
Technical College	13,375
Natural Resource Districts	8,605
Fire Districts	3,847
Municipalities	102,877
Agricultural Society	1,456
Historical Society	342
Townships	178,060
Clerk of the District Court Trust	130,134
Others	8,879
TOTAL LIABILITIES	1,167,926
 TOTAL NET ASSETS	 \$ -

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

GAGE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2011

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

Gage 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 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, as well as other organizations which are either fiscally dependent on the County or maintain a significant relationship with the County 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 V - 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. Region V consists of the following counties: Polk, Butler, Saunders, Seward, Lancaster, Otoe, Fillmore, Saline, Thayer, Jefferson, Gage, Johnson, Nemaha, Pawnee, York, and Richardson.

The governing board for Region V includes representatives from the participating county boards. Each county contributes to the financial support of Region V activities based on formulas developed by the Region V governing board and as required by the Act. Funding is provided by a combination of federal, state, local, and private funding. The County contributed \$79,450 toward the operation of Region V during fiscal year 2011. 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 Region V to be audited annually in accordance with State statute. Financial information for Region V is available in those audit reports.

GAGE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Health Department – The County has entered into an agreement with Public Health Solutions (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 (Reissue 2009, Supp. 2011).

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 made no contributions toward the operation of the Department during fiscal year 2011. 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(4) (Reissue 2008). 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 were considered immaterial and have not been eliminated. Governmental Generally Accepted Accounting Principles (GAAP) requires internal activity to be eliminated to minimize double counting. The County reports governmental activities only. Governmental activities are generally 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 County Board is the highest level of decision-making authority and has the authority by resolution to establish, modify or rescind the commitment or assignment of a fund balance to a specific purpose. When

GAGE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

resources for a specific purpose are available in more than one fund balance classification, the County's policy is to use resources in the following order: restricted, committed, assigned and unassigned. 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 receipts generated from inheritance taxes.

Road/Bridge Sinking Fund. This fund is used to accumulate funds for future road and bridge projects.

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.

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

The County designates fund balances as:

Restricted. The fund balance is restricted by external impositions such as creditors, grantors, or laws or regulations of other governments.

Committed. The fund balance has been designated by the County Board for a specific purpose.

Assigned. The fund balance has not been designated by the County Board for a specific purpose, but has been separated based on the type of revenue.

Unassigned. The portion of the General Fund not restricted, committed, or assigned for a specific purpose.

GAGE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 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.

GAGE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 a 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.

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 \$793,392 of restricted net assets, of which \$214,956 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 5,776,426 for County funds and 1,167,926 for Fiduciary funds. The bank balances for all funds totaled 6,954,730. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2011, were either entirely insured or collateralized with securities held by the County's agent 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.

GAGE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Property Taxes** (Concluded)

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 2010, for the 2010 taxes, which will be materially collected in May and September 2011, was set at \$.409978/\$100 of assessed valuation. The levy set in October 2009, for the 2009 taxes, which were materially collected in May and September 2010, was set at \$.412199/\$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 (Reissue 2007, Cum. Supp. 2010, Supp. 2011) 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 § 23-2307 and § 23-2308 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.

GAGE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

For the year ended June 30, 2011, 113 employees contributed \$162,256, and the County contributed \$243,346. Additionally, for the year ended June 30, 2011, 19 law enforcement employees and the County contributed \$5,899 in cash contributions for the supplemental law enforcement plan. Lastly, the County paid \$1,057 directly to nine retired employees for prior service benefits.

5. **Risk Management**

The County is exposed to various risks of loss related to the following 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 otherwise unable to discharge its legal liabilities and 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, is sent to each county in writing, and each county has sixty days in which to pay the amount of such assessment. Each county remains liable for such assessments, regardless of such county's withdrawal from participation or the termination of the agreement, as well as for liabilities of the pool incurred during such county's period of membership.

The agreement with NIRMA requires the risk pool to 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

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 2012. The County has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

GAGE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. **Interfund Transfers**

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfers to	Transfers from		Total
	General Fund	Nonmajor Funds	
Road Fund	\$ 1,450,000	\$ -	\$ 1,450,000
Road/Bridge Sinking Fund	100,001	560,082	660,083
Nonmajor Funds	164,691	-	164,691
Total	<u>\$ 1,714,692</u>	<u>\$ 560,082</u>	<u>\$ 2,274,774</u>

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. In the year ended June 30, 2011, the County closed the Emergency Bridge Fund and transferred the balance of \$560,082 to the Road / Bridge Sinking 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:

	<u>Motor Grader</u>
Balance July 1, 2010	\$ -
Payments	29,032
Purchases	238,170
Balance June 30, 2011	<u>\$ 209,138</u>
Future Payments:	
Year	
2012	\$ 61,448
2013	61,448
2014	61,448
2015	30,724
Total Payments	215,068
Less Interest	5,930
Present Value of Future	
Minimum Lease Payments	<u>\$ 209,138</u>
Carrying Value of the related	
Fixed Asset	<u>\$ 238,170</u>

GAGE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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.

9. Long-Term Debt

Courthouse Improvement Bonds

The County issued bonds on July 30, 2008, in the amount of \$2,850,000 for the purpose of paying the costs of renovating the Courthouse. The bond payable balance, as of June 30, 2011, was \$1,760,000. The County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds. Future tax resources will be used to pay off the bonds. Principal and interest payments are due December 15 and June 15. Interest rates range from 2.25% to 3.45%.

Future Payments:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 565,000	\$ 48,240	\$ 613,240
2013	585,000	30,405	615,405
2014	610,000	10,523	620,523
Total Payments	<u>\$ 1,760,000</u>	<u>\$ 89,168</u>	<u>\$ 1,849,168</u>

Highway Allocation Bonds

The County issued bonds on June 15, 2009, in the amount of \$630,000 for the purpose of paying the costs of road improvements. The bond payable balance, as of June 30, 2011, was \$460,000. The County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds. The County plans to use future highway allocation receipts to pay off the bonds. Principal and interest payments are due December 15 and June 15. Interest rates range from 1.4% to 3.1%.

Future Payments:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 90,000	\$ 11,773	\$ 101,773
2013	90,000	10,017	100,017
2014	90,000	7,993	97,993
2015	95,000	5,653	100,653
2016	95,000	2,945	97,945
Total Payments	<u>\$ 460,000</u>	<u>\$ 38,381</u>	<u>\$ 498,381</u>

GAGE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. Highway Planning and Construction Grant

The financial statements were adjusted to reflect receipts and disbursements of \$741,194 for a Highway Planning and Construction Grant. The grant was administered by the Nebraska Department of Roads and the County was responsible for oversight of the project. The money was not collected or disbursed by the County.

GAGE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 8,114,741	\$ 8,114,741	\$ 7,534,980	\$ (579,761)
Licenses and Permits	15,900	15,900	104,200	88,300
Interest	75,000	75,000	70,816	(4,184)
Intergovernmental	827,797	827,797	1,233,900	406,103
Charges for Services	378,716	378,716	635,579	256,863
Miscellaneous	185,000	185,000	242,282	57,282
TOTAL RECEIPTS	9,597,154	9,597,154	9,821,757	224,603
DISBURSEMENTS				
General Government:				
County Board	160,411	160,411	158,876	1,535
County Clerk	151,966	151,966	144,421	7,545
County Treasurer	240,360	240,360	239,174	1,186
Register of Deeds	123,681	123,681	121,860	1,821
County Assessor	210,639	210,639	209,755	884
Election Commissioner	104,830	104,830	82,865	21,965
Planning and Zoning	18,997	18,997	18,029	968
Clerk of the District Court	124,422	124,422	122,053	2,369
County Court System	11,200	11,200	11,183	17
District Judge	193,069	193,069	171,093	21,976
Public Defender	119,300	119,300	119,300	-
Building and Grounds	395,113	395,113	315,314	79,799
Agricultural Extension Agent	127,354	127,354	126,546	808
Employment Security	18,000	18,000	2,114	15,886
Child Support	60,200	60,200	58,339	1,861
Friends of the Courthouse	185,000	185,000	163,823	21,177
Miscellaneous	2,903,081	2,903,081	2,188,114	714,967
Public Safety:				
County Sheriff	906,529	906,529	897,274	9,255
County Attorney	356,913	356,913	346,972	9,941
Grant #2 Highway Safety/Attorney	140,000	140,000	-	140,000
County Jail	624,176	624,176	595,047	29,129
Emergency Management	215,304	215,304	171,205	44,099
Reserve Deputies	7,836	7,836	36	7,800
Shop With a Cop	4,516	4,516	1,232	3,284

(Continued)

GAGE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
DISBURSEMENTS (Continued)				
District Probation	45,000	45,000	41,274	3,726
Miscellaneous	91,309	91,309	243,746	(152,437)
Grant #1 Highway Safety/Sheriff	140,000	140,000	-	140,000
Public Works:				
County Surveyor	88,590	88,590	82,507	6,083
Noxious Weed Control	16,076	16,076	14,963	1,113
Miscellaneous	31,883	31,883	27,972	3,911
Public Health:				
Miscellaneous	120,720	120,720	25,368	95,352
Public Assistance:				
Veterans' Service Officer	72,885	72,885	71,526	1,359
Institutions	26,200	26,200	25,040	1,160
Relief/Medical	31,661	31,661	19,189	12,472
Miscellaneous	55,243	55,243	125,193	(69,950)
Veterans' Aid	4,000	4,000	4,000	-
Culture and Recreation:				
Miscellaneous	25,085	25,085	25,085	-
TOTAL DISBURSEMENTS	<u>8,151,549</u>	<u>8,151,549</u>	<u>6,970,488</u>	<u>1,181,061</u>
EXCESS (DEFICIENCY)				
OF RECEIPTS OVER				
DISBURSEMENTS	<u>1,445,605</u>	<u>1,445,605</u>	<u>2,851,269</u>	<u>1,405,664</u>
OTHER FINANCING				
SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(2,337,162)	(2,337,162)	(1,714,692)	622,470
TOTAL OTHER FINANCING				
SOURCES (USES)	<u>(2,337,162)</u>	<u>(2,337,162)</u>	<u>(1,714,692)</u>	<u>622,470</u>
Net Change in Fund Balance	(891,557)	(891,557)	1,136,577	2,028,134
FUND BALANCES - BEGINNING	<u>1,541,557</u>	<u>1,541,557</u>	<u>1,541,557</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ 2,678,134</u>	<u>\$ 2,028,134</u>

(Concluded)

GAGE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Intergovernmental	\$ 1,731,578	\$ 1,731,578	\$ 2,807,068	\$ 1,075,490
Miscellaneous	17,000	17,000	47,381	30,381
TOTAL RECEIPTS	<u>1,748,578</u>	<u>1,748,578</u>	<u>2,854,449</u>	<u>1,105,871</u>
DISBURSEMENTS	<u>3,690,183</u>	<u>3,690,183</u>	<u>4,266,793</u>	<u>(576,610)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,941,605)</u>	<u>(1,941,605)</u>	<u>(1,412,344)</u>	<u>529,261</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,072,470	2,072,470	1,450,000	(622,470)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,072,470</u>	<u>2,072,470</u>	<u>1,450,000</u>	<u>(622,470)</u>
Net Change in Fund Balance	130,865	130,865	37,656	(93,209)
FUND BALANCE - BEGINNING	369,135	369,135	369,135	-
FUND BALANCE - ENDING	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 406,791</u>	<u>\$ (93,209)</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 866,838	\$ 866,838
TOTAL RECEIPTS	<u>-</u>	<u>-</u>	<u>866,838</u>	<u>866,838</u>
DISBURSEMENTS	<u>1,271,203</u>	<u>1,271,203</u>	<u>1,048,005</u>	<u>223,198</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,271,203)</u>	<u>(1,271,203)</u>	<u>(181,167)</u>	<u>1,090,036</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	(1,271,203)	(1,271,203)	(181,167)	1,090,036
FUND BALANCE - BEGINNING	1,271,203	1,271,203	1,271,203	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,090,036</u>	<u>\$ 1,090,036</u>

(Continued)

GAGE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>ROAD/BRIDGE SINKING FUND</u>				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	225,000	225,000	-	225,000
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(225,000)	(225,000)	-	225,000
OTHER FINANCING SOURCES (USES)				
Transfers in	100,001	100,001	660,083	560,082
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	100,001	100,001	660,083	560,082
Net Change in Fund Balance	(124,999)	(124,999)	660,083	785,082
FUND BALANCE - BEGINNING	124,999	124,999	124,990	(9)
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 785,073</u>	<u>\$ 785,073</u>

(Concluded)

GAGE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2011

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 actually 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 adopts the budget and appropriates 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 must 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.

GAGE COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	Emergency Bridge Fund	Carsten's Memorial Light Fund	Visitors Promotion Fund	Visitors Improvement Fund	Insurance Fund	Drug Law Enforcement Fund
RECEIPTS						
Property Taxes	\$ -	\$ -	\$ 66,432	\$ 66,432	\$ -	\$ -
Intergovernmental	27	-	-	-	-	-
TOTAL RECEIPTS	<u>27</u>	<u>-</u>	<u>66,432</u>	<u>66,432</u>	<u>-</u>	<u>-</u>
DISBURSEMENTS						
Public Safety	-	8,340	-	-	-	-
Culture and Recreation	-	-	65,862	90,187	-	-
Debt Service:						
Principal Payments	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>-</u>	<u>8,340</u>	<u>65,862</u>	<u>90,187</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>27</u>	<u>(8,340)</u>	<u>570</u>	<u>(23,755)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	100,000	-	-	-	20,000	-
Transfers out	(560,082)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(460,082)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Net Change in Fund Balances	(460,055)	(8,340)	570	(23,755)	20,000	-
FUND BALANCES - BEGINNING	<u>460,055</u>	<u>8,340</u>	<u>3,026</u>	<u>131,123</u>	<u>-</u>	<u>138</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,596</u>	<u>\$ 107,368</u>	<u>\$ 20,000</u>	<u>\$ 138</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	\$ -	\$ -	\$ 3,596	\$ 107,368	\$ -	\$ -
911 Emergency Services	-	-	-	-	-	-
Drug Education	-	-	-	-	-	138
Debt Service	-	-	-	-	-	-
Homeland Security Grant	-	-	-	-	-	-
Committed to:						
Self Insurance	-	-	-	-	20,000	-
TOTAL FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,596</u>	<u>\$ 107,368</u>	<u>\$ 20,000</u>	<u>\$ 138</u>

(Continued)

GAGE COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	Homeland Security Fund	Highway Bond Fund	911 Communication Fund	Courthouse Bond Fund	Total Nonmajor Governmental Funds
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ 20,886	\$ 547,087	\$ 700,837
Intergovernmental	107,405	144,646	-	37,657	289,735
TOTAL RECEIPTS	<u>107,405</u>	<u>144,646</u>	<u>20,886</u>	<u>584,744</u>	<u>990,572</u>
DISBURSEMENTS					
Public Safety	109,252	-	66,344	-	183,936
Culture and Recreation	-	-	-	-	156,049
Debt Service:					
Principal Payments	-	85,000	-	550,000	635,000
Interest and Fiscal Charges	-	13,133	-	63,728	76,861
TOTAL DISBURSEMENTS	<u>109,252</u>	<u>98,133</u>	<u>66,344</u>	<u>613,728</u>	<u>1,051,846</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,847)</u>	<u>46,513</u>	<u>(45,458)</u>	<u>(28,984)</u>	<u>(61,274)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	44,691	-	164,691
Transfers out	-	-	-	-	(560,082)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>44,691</u>	<u>-</u>	<u>(395,391)</u>
Net Change in Fund Balances	(1,847)	46,513	(767)	(28,984)	(456,665)
FUND BALANCES - BEGINNING	<u>84,354</u>	<u>10,678</u>	<u>22,114</u>	<u>553,229</u>	<u>1,273,057</u>
FUND BALANCES - ENDING	<u>\$ 82,507</u>	<u>\$ 57,191</u>	<u>\$ 21,347</u>	<u>\$ 524,245</u>	<u>\$ 816,392</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	\$ -	\$ -	\$ -	\$ -	\$ 110,964
911 Emergency Services	-	-	21,347	-	21,347
Drug Education	-	-	-	-	138
Debt Service	-	57,191	-	524,245	581,436
Homeland Security Grant	82,507	-	-	-	82,507
Committed to:					
Self Insurance	-	-	-	-	20,000
TOTAL FUND BALANCES	<u>\$ 82,507</u>	<u>\$ 57,191</u>	<u>\$ 21,347</u>	<u>\$ 524,245</u>	<u>\$ 816,392</u>

(Concluded)

GAGE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EMERGENCY BRIDGE FUND				
RECEIPTS				
Intergovernmental	\$ -	\$ -	\$ 27	\$ 27
TOTAL RECEIPTS	-	-	27	27
DISBURSEMENTS	560,055	560,055	-	560,055
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	-
Transfers out	-	-	(560,082)	(560,082)
TOTAL OTHER FINANCING SOURCES (USES)	100,000	100,000	(460,082)	(560,082)
Net Change in Fund Balance	(460,055)	(460,055)	(460,055)	-
FUND BALANCE - BEGINNING	460,055	460,055	460,055	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CARSTEN'S MEMORIAL LIGHT FUND				
RECEIPTS				
	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	8,340	8,340	8,340	-
Net Change in Fund Balance	(8,340)	(8,340)	(8,340)	-
FUND BALANCE - BEGINNING	8,340	8,340	8,340	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
VISITORS PROMOTION FUND				
RECEIPTS				
Taxes	\$ 81,115	\$ 81,115	\$ 66,432	\$ (14,683)
TOTAL RECEIPTS	81,115	81,115	66,432	(14,683)
DISBURSEMENTS	84,141	84,141	65,862	18,279
Net Change in Fund Balance	(3,026)	(3,026)	570	3,596
FUND BALANCE - BEGINNING	3,026	3,026	3,026	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,596</u>	<u>\$ 3,596</u>

(Continued)

GAGE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>VISITORS IMPROVEMENT FUND</u>				
RECEIPTS				
Taxes	\$ 18,877	\$ 18,877	\$ 66,432	\$ 47,555
TOTAL RECEIPTS	<u>18,877</u>	<u>18,877</u>	<u>66,432</u>	<u>47,555</u>
 DISBURSEMENTS	 <u>150,000</u>	 <u>150,000</u>	 <u>90,187</u>	 <u>59,813</u>
Net Change in Fund Balance	(131,123)	(131,123)	(23,755)	107,368
FUND BALANCE - BEGINNING	131,123	131,123	131,123	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,368</u>	<u>\$ 107,368</u>
 <u>INSURANCE FUND</u>				
RECEIPTS				
	\$ -	\$ -	\$ -	\$ -
 DISBURSEMENTS	 <u>20,000</u>	 <u>20,000</u>	 <u>-</u>	 <u>20,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	20,000	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net Change in Fund Balance	-	-	20,000	20,000
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>
 <u>DRUG LAW ENFORCEMENT FUND</u>				
RECEIPTS				
	\$ -	\$ -	\$ -	\$ -
 DISBURSEMENTS	 <u>138</u>	 <u>138</u>	 <u>-</u>	 <u>138</u>
Net Change in Fund Balance	(138)	(138)	-	138
FUND BALANCE - BEGINNING	138	138	138	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138</u>	<u>\$ 138</u>

(Continued)

GAGE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>HOMELAND SECURITY FUND</u>				
RECEIPTS				
Intergovernmental	\$ 81,382	\$ 81,382	\$ 107,405	\$ 26,023
TOTAL RECEIPTS	<u>81,382</u>	<u>81,382</u>	<u>107,405</u>	<u>26,023</u>
DISBURSEMENTS	<u>165,736</u>	<u>165,736</u>	<u>109,252</u>	<u>56,484</u>
Net Change in Fund Balance	(84,354)	(84,354)	(1,847)	82,507
FUND BALANCE - BEGINNING	<u>84,354</u>	<u>84,354</u>	<u>84,354</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,507</u>	<u>\$ 82,507</u>
<u>HIGHWAY BOND FUND</u>				
RECEIPTS				
Intergovernmental	\$ 114,322	\$ 114,322	\$ 144,646	\$ 30,324
TOTAL RECEIPTS	<u>114,322</u>	<u>114,322</u>	<u>144,646</u>	<u>30,324</u>
DISBURSEMENTS	<u>125,000</u>	<u>125,000</u>	<u>98,133</u>	<u>26,867</u>
Net Change in Fund Balance	(10,678)	(10,678)	46,513	57,191
FUND BALANCE - BEGINNING	<u>10,678</u>	<u>10,678</u>	<u>10,678</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,191</u>	<u>\$ 57,191</u>
<u>911 COMMUNICATION FUND</u>				
RECEIPTS				
Taxes	\$ 10,000	\$ 10,000	\$ 20,886	\$ 10,886
TOTAL RECEIPTS	<u>10,000</u>	<u>10,000</u>	<u>20,886</u>	<u>10,886</u>
DISBURSEMENTS	<u>76,805</u>	<u>76,805</u>	<u>66,344</u>	<u>10,461</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	44,691	44,691	44,691	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>44,691</u>	<u>44,691</u>	<u>44,691</u>	<u>-</u>
Net Change in Fund Balance	(22,114)	(22,114)	(767)	21,347
FUND BALANCE - BEGINNING	<u>22,114</u>	<u>22,114</u>	<u>22,114</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,347</u>	<u>\$ 21,347</u>

(Continued)

GAGE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>COURTHOUSE BOND FUND</u>				
RECEIPTS				
Taxes	\$ 451,771	\$ 451,771	\$ 547,087	\$ 95,316
Intergovernmental	-	-	37,657	37,657
TOTAL RECEIPTS	<u>451,771</u>	<u>451,771</u>	<u>584,744</u>	<u>132,973</u>
 DISBURSEMENTS	 <u>620,000</u>	 <u>620,000</u>	 <u>613,728</u>	 <u>6,272</u>
 Net Change in Fund Balance	 (168,229)	 (168,229)	 (28,984)	 139,245
FUND BALANCE - BEGINNING	<u>553,229</u>	<u>553,229</u>	<u>553,229</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 385,000</u></u>	<u><u>\$ 385,000</u></u>	<u><u>\$ 524,245</u></u>	<u><u>\$ 139,245</u></u>
				(Concluded)

GAGE COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2011

	<u>County Clerk</u>	<u>Register of Deeds</u>	<u>Clerk of the District Court</u>	<u>County Sheriff</u>	<u>County Attorney</u>	<u>Weed Superintendent</u>	<u>Highway Superintendent</u>	<u>Veterans' Service Officer</u>	<u>County Extension Office</u>	<u>County Planning and Zoning</u>	<u>Total</u>
BALANCE JULY 1, 2010	\$ 906	\$ 20,871	\$ 473,524	\$ 12,079	\$ 11,811	\$ -	\$ 6,640	\$ 7,734	\$ 6,638	\$ 37	\$ 540,240
RECEIPTS											
Property Taxes	-	-	-	11,386	-	-	-	-	-	-	11,386
Licenses and Permits	2,430	-	-	-	-	-	-	-	-	16,866	19,296
Intergovernmental	-	-	-	8,543	-	-	60,264	-	-	-	68,807
Charges for Services	3,332	106,600	28,764	65,827	26,128	-	-	-	-	-	230,651
Miscellaneous	-	-	-	10,952	-	930	45,904	4,013	28,665	-	90,464
State Fees	1,416	92,482	45,304	283,837	-	-	-	-	-	-	423,039
Other Liabilities	-	-	443,839	-	37,221	-	-	-	603	-	481,663
TOTAL RECEIPTS	<u>7,178</u>	<u>199,082</u>	<u>517,907</u>	<u>380,545</u>	<u>63,349</u>	<u>930</u>	<u>106,168</u>	<u>4,013</u>	<u>29,268</u>	<u>16,866</u>	<u>1,325,306</u>
DISBURSEMENTS											
Payments to County Treasurer	5,730	109,840	28,590	85,262	1,080	930	107,516	-	-	16,903	355,851
Payments to State Treasurer	1,406	94,634	45,209	-	-	-	-	-	-	-	141,249
Other Liabilities	-	-	785,348	298,093	64,973	-	-	1,970	29,157	-	1,179,541
TOTAL DISBURSEMENTS	<u>7,136</u>	<u>204,474</u>	<u>859,147</u>	<u>383,355</u>	<u>66,053</u>	<u>930</u>	<u>107,516</u>	<u>1,970</u>	<u>29,157</u>	<u>16,903</u>	<u>1,676,641</u>
BALANCE JUNE 30, 2011	<u>\$ 948</u>	<u>\$ 15,479</u>	<u>\$ 132,284</u>	<u>\$ 9,269</u>	<u>\$ 9,107</u>	<u>\$ -</u>	<u>\$ 5,292</u>	<u>\$ 9,777</u>	<u>\$ 6,749</u>	<u>\$ -</u>	<u>\$ 188,905</u>
BALANCE CONSISTS OF:											
Due to County Treasurer	\$ 833	\$ 7,695	\$ 2,150	\$ 8,483	\$ 7,952	\$ -	\$ 5,292	\$ 9,777	\$ 4,434	\$ -	\$ 46,616
Due to State Treasurer	115	7,784	3,152	-	-	-	-	-	-	-	11,051
Due to Others	-	-	126,982	786	1,155	-	-	-	2,315	-	131,238
BALANCE JUNE 30, 2011	<u>\$ 948</u>	<u>\$ 15,479</u>	<u>\$ 132,284</u>	<u>\$ 9,269</u>	<u>\$ 9,107</u>	<u>\$ -</u>	<u>\$ 5,292</u>	<u>\$ 9,777</u>	<u>\$ 6,749</u>	<u>\$ -</u>	<u>\$ 188,905</u>

GAGE COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2011

Item	2006	2007	2008	2009	2010
Tax Certified by Assessor					
Real Estate	\$ 26,302,548	\$ 27,152,399	\$ 30,134,830	\$ 32,852,773	\$ 33,131,569
Personal and Specials	1,070,687	1,492,040	2,172,274	1,955,232	1,673,742
Total	27,373,235	28,644,439	32,307,104	34,808,005	34,805,311
Corrections					
Additions	15,157	9,480	8,710	8,048	-
Deductions	(28,529)	(24,812)	(283,950)	(187,852)	(3,779)
Net Additions/ (Deductions)	(13,372)	(15,332)	(275,240)	(179,804)	(3,779)
Corrected Certified Tax	27,359,863	28,629,107	32,031,864	34,628,201	34,801,532
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2007	15,153,097	-	-	-	-
June 30, 2008	12,159,838	16,173,039	-	-	-
June 30, 2009	34,832	12,430,631	17,944,817	-	-
June 30, 2010	5,624	12,374	14,022,633	19,511,981	-
June 30, 2011	1,577	4,911	36,711	15,067,778	19,845,627
Total Net Collections	27,354,968	28,620,955	32,004,161	34,579,759	19,845,627
Total Uncollected Tax	\$ 4,895	\$ 8,152	\$ 27,703	\$ 48,442	\$ 14,955,905
Percentage Uncollected Tax	0.02%	0.03%	0.09%	0.14%	42.97%

GAGE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY		
Passed through Nebraska Military Department		
Disaster Grants - Public Assistance	97.036	\$ 258,117
Law Enforcement Terrorism Prevention Program	97.074	<u>11,827</u>
Total U.S. Department of Homeland Security		<u>269,944</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through Nebraska Department of Health and Human Services		
Child Support Enforcement	93.563	104,274
Medical Assistance Program	93.778	<u>455</u>
Total U.S. Department of Health and Human Services		<u>104,729</u>
U.S. DEPARTMENT OF TRANSPORTATION		
Passed through Nebraska Department of Motor Vehicles		
Highway Planning and Construction	ARRA 20.205	735,510 *
Highway Planning and Construction	20.205	5,684 *
Interagency Hazardous Materials	20.703	<u>150</u>
Total U.S. Department of Transportation		<u>741,344</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 1,116,017</u></u>

* Represents Major Programs

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

GAGE COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. General

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

2. Summary of Significant Accounting Policies

A. **Reporting Entity**

The County's reporting entity is defined in Note 1.A. to the financial statements. The accompanying Schedule includes the Federal awards programs administered by the County for the fiscal year ended June 30, 2011.

B. **Basis of Presentation**

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

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

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

C. **Basis of Accounting**

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

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



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

Board of Supervisors
Gage County, Nebraska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gage County as of and for the year ended June 30, 2011, and have issued our report thereon dated October 4, 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 Gage 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 Gage 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 a certain deficiency in internal control that we consider to be a material weakness.

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, detect, or 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, detected, or corrected on a timely basis. We consider the following deficiency to be a material weakness:

- 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gage 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*: Finding #2 in the accompanying Schedule of Findings and Questioned Costs.

We also noted certain matters that we reported to management of Gage County in a separate letter dated October 4, 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

October 4, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor



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GAGE COUNTY

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Supervisors
Gage County, Nebraska

Compliance

We have audited Gage County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Gage County's major Federal programs for the year ended June 30, 2011. Gage County's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Gage County's management. Our responsibility is to express an opinion on Gage County's compliance based on our audit.

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

In our opinion, Gage County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding #2.

Internal Control Over Compliance

Management of Gage County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Gage County's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gage County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the County Board, others within the entity, citizens of the State of Nebraska, the State Legislature, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

October 4, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor

GAGE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

SECTION I. SUMMARY OF AUDITORS' RESULTS

Type of auditors' report issued:	Unqualified			
Internal control over financial reporting:				
Material weaknesses identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiencies identified?	<u> </u>	Yes	<u> X </u>	None Reported
Noncompliance material to financial statements noted?	<u> X </u>	Yes	<u> </u>	No
Internal control over major programs:				
Material weaknesses identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiencies identified?	<u> </u>	Yes	<u> X </u>	None Reported
Type of auditors' report issued on compliance for major programs:	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133:	<u> X </u>	Yes	<u> </u>	No
Major programs: Highway Planning and Construction, CFDA # 20.205				
Dollar threshold used to distinguish between type A and type B programs:	\$300,000			
Auditee qualified as low-risk auditee:	<u> </u>	Yes	<u> X </u>	No

SECTION II. FINANCIAL STATEMENT FINDINGS

Finding #2011-1

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

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

GAGE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION II. FINANCIAL STATEMENT FINDINGS (Concluded)

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

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

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

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding #2011-2

Program - CFDA 20.205 - Highway Planning and Construction

Federal Grantor Agency - U.S. Department of Transportation passed through Nebraska Department of Roads.

Condition - The receipts and disbursements related to the Highway Planning and Construction Grant were not approved by the County Board or reflected in the County budget.

Criteria - Neb. Rev. Stat. § 23-109 states, "The county board shall have power to examine and settle all accounts against the county and all accounts concerning the receipts and expenditures of the county." Neb. Rev. Stat. § 23-903 requires the budget of the County to present a complete financial plan of all expenditures and anticipated income. OMB Circular A-87 (C.1.e.) requires expenditures to be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.

Questioned Costs - None

Context - The grant was administered by the Nebraska Department of Roads, the County did not receive or disburse the Federal funds. The County oversaw the work performed on the project and signed the agreement with the vendor to perform the work.

Cause - The Nebraska Department of Roads established procedures to be followed by the County, but failed to consider all applicable State statutes.

GAGE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Concluded)

Effect - The County was not in compliance with State statutes.

Recommendation - We recommend the County Board approve all payments to the vendor and record all expenditures and income in the County budget.

Management's Response – We intend to work with the Department of Roads to resolve this issue in the future.



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October 4, 2011

Board of Supervisors
Gage County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Gage County (County) for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 4, 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 may not be 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.

Petty Cash

Neb. Rev. Stat. § 23-106 (Reissue 2007) states, in part, “The county board shall have the authority to establish a petty cash fund for such county ... board shall set, by resolution of the board, the amount of money to be carried in such petty cash fund and the dollar limit of an expenditure from such fund and such amount shall be stated in the fiscal policy of the county board budget message.”

We noted several offices that had cash on hand for which the County Board had not established petty cash funds, and such amounts were not stated in the County’s budget message. The offices and the respective amounts, as of June 30, 2011, were:

- County Clerk: \$250
- Register of Deeds: \$189
- Extension Office: \$4,434
- Sheriff Office: \$2,000
- Veterans’ Service Officer: \$9,777

When all monies received are not remitted to the County Treasurer and paid out through an established claim and warrant process, there is an increased risk of loss, theft, or misuse of funds.

We recommend the County Board determine the authority for petty cash funds and the amounts be documented in the County’s budget message.

County’s Response: The Gage County Board is taking the Petty Cash funds into consideration and will be establishing a policy as to the creation of said fund and the dollar amount allowed in each fund.

Unclaimed Property

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009) states that personal property held by public entities or political subdivisions which remained unclaimed for more than three years is presumed abandoned. Neb. Rev. Stat. § 69-1310 (Reissue 2009) requires such items be reported to the Nebraska State Treasurer before November 1st of each year as of June 30 next preceding.

During our audit, we noted the following offices had outstanding checks, which had remained unclaimed for more than three years:

- County Board Vendor Imprest Account, two checks totaling \$51
- County Sheriff Fee Account, 38 checks totaling \$272
- County Sheriff Commissary Account, 94 checks totaling \$174
- Clerk of the District Court, two checks totaling \$29
- County Attorney, 12 checks totaling \$740

We recommend all personal property remaining unclaimed for more than three years be remitted to the Nebraska State Treasurer, as required by statute.

County's Response: The two outstanding checks in the amount of \$51 in the County Board Vendor Imprest Account have been resolved.

COUNTY ATTORNEY

Accounting Procedures

During the term of the prior County Attorney, January 2007 through January 2011, a traffic diversion program, an adult diversion program, and a juvenile diversion program were operated by the County Attorney's office. We noted the following issues regarding the programs:

- Receipts and expenditures for the programs were made directly into and out of bank accounts without review and approval of the County Board. Receipts included program fees and expenditures, such as supplies, services, and payroll expenses, to operate the program.
 - Expenditures of \$56,221 were paid out of the adult/juvenile diversion bank account between August 2009 and March 2011.
 - Expenditures of \$8,055 were paid out of the traffic diversion bank account during fiscal year 2011.
- Deposits to the adult/juvenile bank account were not made timely. Specifically, a check for \$85 received on August 5, 2009, was not deposited until December 10, 2009, a period of 127 days. Other long periods of time noted between receipt date and deposit date included 99 days, 58 days and 45 days.
- No documentation was on file to support payroll costs and payroll withholdings for an employee hired to manage the adult/juvenile diversion programs. The employee was paid \$890 in net wages biweekly for a total of \$32,936 during the period August 2009 to December 2010.

We noted the following issues during the entire fiscal year:

- Receipts were not remitted to the County Treasurer. The balances in the County Attorney bank accounts at June 30, 2011, were as follows:
 - Adult/Juvenile diversion account - \$1,301
 - Traffic diversion account - \$2,462
 - Bad check collection fees account - \$460
- Receipts were not consistently written for all money received. We noted bank deposits totaling \$9,089, which could not be traced to specific receipts. We also noted checks on hand during the audit, which could not be traced to receipts.
- Checks received were not restrictively endorsed immediately upon receipt.

Neb. Rev. Stat. § 23-1601(1) (Reissue 2007) states, in part: "It is the duty of the county treasurer to receive all money belonging to the county, from whatsoever source derived and by any method of payment provided by section 77-1702, and all other money which is by law directed to be paid to him or her." Neb. Rev. Stat. § 23-109 (Reissue 2007) states, "The county board shall have power to examine and settle all accounts against the county and all accounts concerning the receipts and expenditures of the county." Neb. Rev. Stat. § 23-1207 (Reissue

2007) states, “It shall be the duty of the county attorney, whenever he or she shall receive any money or other property in his or her official capacity, to give to the person paying or depositing such money or other property duplicate receipts one of which shall be filed by such person with the County Clerk.”

When all monies received by the County Attorney are not properly remitted to the County Treasurer and paid out by claim and warrant procedures of the County Board, the County Attorney is not in compliance with State statute. Additionally, when procedures are not in place to ensure adequate control of all money received there is an increase risk of loss or misuse of County funds.

We recommend the County Attorney ensure that all money due to the County be remitted to the County Treasurer, and that all expenses be paid out only by claims approved by the County Board. Additionally, procedures should be implemented to ensure all money is properly controlled at time of receipt, including the issuance of a receipt, and the restrictive endorsement of checks.

Trust Accountability

As of June 30, 2011, the County Attorney’s trust accounts had \$3,730. The individuals to whom those funds were owed could not be determined.

Sound accounting practices and good internal control require that all monies held in trust by the County Attorney be adequately detailed as to whom those funds are owed. When monies held in trust by the County Attorney are not adequately accounted for, there is an increased risk of loss, theft, or misuse of such trust funds.

We recommend the County Attorney review the monies held in trust to insure those funds are returned to the correct parties. If the proper identification cannot be determined, we recommend the money be remitted to the County Treasurer.

Diversion Program Agreement

Currently the adult/juvenile diversion program is managed by an employee of the Beatrice School District. All money collected for diversion services is deposited into the school bank account; the school uses this to cover the cost of the employee’s time used operating the program. The school submits a monthly report to the County Attorney showing collections and expenses for the program. There is no formal agreement or contract in place regarding this arrangement.

Good internal controls and sound business practices require that all agreements between the County and other entities be documented and approved by the County Board.

We recommend the County document and approve its agreement with the Beatrice School District regarding the management of the adult/juvenile diversion program.

COUNTY EXTENSION OFFICE

Accounting Procedures

The County Extension Office maintained two bank accounts during the fiscal year, one for County activities and one for activities associated with the University of Nebraska (University). We noted the following:

- The Extension Office deposited \$603 of receipts during the fiscal year into the County Extension bank account instead of depositing such receipts with the County Treasurer. These funds were expended by applying \$30 to a bank overdraft fee and deducting the remaining \$573 from reimbursement requests to the County Board to cover general operating expenses.
- During the fiscal year, the Extension office collected \$1,170 in County funds that were incorrectly deposited into the University Extension bank account. These collections consisted of the following:
 - Postage reimbursements from other entities totaling \$371.
 - Collections for photocopies totaling \$149.
 - Rental charges for a conference room totaling \$50.
 - Rent collected from a private firm for the use of office space totaling \$600.
- In June 2011, the University directed the Extension Office to remit all funds in the University Extension bank account to the University. Compliance with that request resulted in \$1,170 of County funds being incorrectly remitted to the University.
- The Extension Office entered into a rental agreement with a private firm without the knowledge or approval of the County Board. This agreement was for \$50 per month and included the use of office space, as well as computers and other supplies, at the County Extension Office building.

Neb. Rev. Stat. § 23-1601 (Reissue 2007) states, in part, "... it is the duty of the county treasurer to receive all money belonging to the county, from whatsoever source derived and by any method of payment provided by section 77-1702, and all other money which is by law directed to be paid to him or her." Neb. Rev. Stat. § 23-109 (Reissue 2007) states, "The county board shall have power to examine and settle all accounts against the county and all accounts concerning the receipts and expenditures of the county."

When all monies received are not remitted to the County Treasurer, the Extension Office is not in compliance with State statute. Additionally, when the County Board has not approved contracts, there is an increased risk of loss, theft, or misuse of County funds and assets.

We recommend that all money received that is due to the County be remitted to the County Treasurer. Additionally, we recommend the County request that all money incorrectly remitted to the

University be returned. We also recommend all contracts that allow for use of County-owned assets be reviewed and approved by the County Board.

COUNTY BOARD

Overpayments

We noted a lack of procedures to insure claims were not filed in duplicate. Additionally, we noted seven instances, totaling \$2,490, where the payee returned the check to the County, indicating the claim was paid twice.

A good internal control plan requires that procedures be in place to insure the County is only paying bills once. Without adequate procedures in place, there is an increased risk for loss or misuse of the County funds.

We recommend procedures be implemented to insure claims are reviewed for appropriateness and that they are not double claimed.

County's Response: Procedures have been implemented to insure claims are reviewed for appropriateness and that they are not double claimed.

Payroll Procedures

A good internal control plan requires that sufficient records be on file to support payroll transactions.

During testing of payroll, we noted the following:

- Wage authorizations with County Board approval were difficult to locate due to records for salaried and hourly employee wages being maintained in different locations. It appeared that, in some instances, department heads authorized pay changes without proper County Board approval.
- Timesheets were not always completely filled out or signed by employees.
- Highway employees completed three timesheets with various and some repetitive information. These timesheets included a bi-weekly report, a monthly report, and an accrual of vacation and sick leave report.
- Vacation and sick leave usage were not always documented on the timesheet submitted to the County Board, and accumulated leave balances were not reported to the County Board on a regular basis.
- Health insurance rates were not adequately documented with approval by the County Board.
- Federal tax withholdings did not agree to the W-4 form on file for one employee.
- The deduction for one employee's flex spending plan did not agree to supporting documentation on file.

Without adequate documentation on file, there is an increased risk that payroll and deductions will be paid improperly.

We recommend the following:

- All wages be approved by the proper management authority and documented in a centralized location.
- Timesheets, which include vacation and sick leave usage, and signatures by both the employee and supervisor, be submitted to the County Board.
- Highway employees turn in one bi-weekly time sheet that contains vacation and sick leave usage and balances.
- Leave balances be reported to the County Board on a regular basis.
- All salary deductions be supported by documentation of employee elections.

County's Response: Procedures are being established in order to have adequate documentation on file to support payroll transactions.

Inventory Policy and Procedures

Neb. Rev. Stat. § 23-347 (Reissue 2007) states, “within two calendar months after the close of each fiscal year, each county officer shall make, acknowledge under oath, and file with the county board of his or her county an inventory statement of all county personal property in the custody and possession of said county officer.” Good accounting procedures require standardized policies be established to ensure all offices use the same guidelines when filing an inventory statement of the personal property in the possession of the officer.

During our audit, we noted:

- The County Board had not established a policy for all officers to follow when completing the annual inventory statements.
- One of the 31 inventory statements on file were filed late. The County Highway Department was filed 36 days late.

When inventory statements are not filed on time, the county officer is not in compliance with State statute. Additionally, a lack of guidance for completing the inventory statements may lead to an inaccurate accounting of the County's personal property.

We recommend all county officers file an accurate inventory statement within two calendar months after the close of the fiscal year, and the County Board establish a policy for all officers to follow when completing such inventory statements.

County's Response: An inventory policy has been established and will be implemented.

COUNTY SHERIFF

Deposit Procedures

Good internal controls and sound business practices require entities to deposit funds into their respective bank accounts on a regular basis prior to making disbursements therefrom to ensure those accounts do not become overdrawn and incur unnecessary bank fees.

During review of the County Sheriff's office procedures, we noted the following:

- Money received for everything other than bonds and inmate trust was deposited once a month. The office averaged \$12,996 in collections per month. Money received from inmates and money for bonds was deposited weekly or more often than once a month.
- The Detention Center's Fees Account was overdrawn by \$1,847 in December 2010, as checks were written before money was deposited.
- There was \$7,896 in cash on hand during a cash count performed July 19, 2011. One hundred and fifty dollars of this amount was from six checks with June 2011 dates.

Without adequate controls in place to ensure money is deposited on a timely basis, there is an increased risk of loss or misuse of the County's funds.

We recommend the County Sheriff's office make deposits to its accounts at least weekly to ensure funds are adequate to cover checks written and to reduce the risk of loss or misuse of funds.

COUNTY REGISTER OF DEEDS

Accounting Practices

Sound accounting practices and a good internal control policy require that checks be restrictively endorsed upon receipt. They also require that refunds in large amounts be made by check and not cash.

It was noted that 13 checks totaling \$334, dated between June 30 and July 18 of 2011, were not restrictively endorsed. Additionally, cash refunds, some as much as \$45, are being issued instead of writing a check for the refund amount.

When checks are not restrictively endorsed, and cash is used as the monetary unit for making large dollar refunds, there is a possible misuse or loss of money.

We recommend that the County Register of Deed's restrictively endorse checks upon receiving them. We also recommend that refunds be issued in check if the dollar amount is over five dollars.

County Register of Deeds' Response: Our office is changing the way we are doing our refunds and also endorsing the checks upon receiving documents.

COUNTY HIGHWAY SUPERINTENDENT

Unit Price Charges

A good internal control plan requires that all prices charged for surplus supplies be adequately documented and/or approved by the County Board.

During testing, we noted two receipts where unit prices charged for supplies could not be traced to supporting documentation or approval by the County Board.

When rates charged to customers for the sale of surplus supplies are not adequately supported and/or approved, there is an increased risk of loss, theft, or misuse of funds.

We recommend the County Highway Superintendent have County Board approval for all unit prices charged.

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