

**AUDIT REPORT
OF
NEMAHA COUNTY**

JULY 1, 2009 THROUGH JUNE 30, 2010

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the Auditor of Public Accounts.**

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Issued on April 6, 2011

NEMAHA COUNTY

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NEMAHA COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Monty Lovelace	Board of Commissioners	Jan. 2013
Randal Rohrs		Jan. 2011
Bob Hutton		Jan. 2011
Lila Gottula	Assessor	Jan. 2011
Louie Ligouri	Attorney	Jan. 2011
Joyce Oakley	Clerk Election Commissioner Register of Deeds	Jan. 2011
Amy Hector	Clerk of the District Court	Jan. 2011
Brent Lottman	Sheriff	Jan. 2011
Patricia Holtzman	Treasurer	Jan. 2011
Loras Baumhover	Veterans' Service Officer	Appointed
Marvin Palmer	Weed Superintendent	Appointed



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

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

NEMAHA COUNTY

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Nemaha County, Nebraska

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nemaha County, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The financial statements referred to above include only the primary government of Nemaha County, which consists of all funds, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Nemaha County as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Nemaha County, as of June 30, 2010, and the respective changes in cash balances thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2011, on our consideration of Nemaha County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The County has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statement, nonmajor budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Signed Original on File

March 28, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 1,762,126
Investments (Note 1.D)	325,119
TOTAL ASSETS	\$ 2,087,245
NET ASSETS	
Restricted for:	
E911 Services	\$ 42,993
Visitors Promotion	44,517
Debt Service	406,405
Unrestricted	1,593,330
TOTAL NET ASSETS	\$ 2,087,245

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

NEMAHA COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2010

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (1,348,403)	\$ 293,330	\$ 62,546	\$ (992,527)
Public Safety	(1,140,128)	132,586	170,318	(837,224)
Public Works	(2,144,903)	241,882	733,782	(1,169,239)
Health and Sanitation	(33,014)	-	-	(33,014)
Public Assistance	(61,342)	-	-	(61,342)
Culture and Recreation	(17,001)	-	-	(17,001)
Debt Payments	(383,765)	-	-	(383,765)
Total Governmental Activities	<u>\$ (5,128,556)</u>	<u>\$ 667,798</u>	<u>\$ 966,646</u>	<u>(3,494,112)</u>

General Receipts:	
Property Taxes	2,649,000
Grants and Contributions Not Restricted to Specific Programs	213,717
Investment Income	34,533
Licenses and Permits	25,983
Bond Reimbursement	379,587
Miscellaneous	87,812
Total General Receipts	<u>3,390,632</u>
Change in Net Assets	(103,480)
Net Assets - Beginning	2,190,725
Net Assets - Ending	<u>\$ 2,087,245</u>

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

NEMAHA COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	Road Fund	Inheritance Fund	Hospital Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents (Note 1.D)	\$ 619,805	\$ 216,397	\$ 414,889	\$ 406,405	\$ 104,630	\$ 1,762,126
Investments (Note 1.D)	-	-	325,119	-	-	325,119
TOTAL ASSETS	<u>\$ 619,805</u>	<u>\$ 216,397</u>	<u>\$ 740,008</u>	<u>\$ 406,405</u>	<u>\$ 104,630</u>	<u>\$ 2,087,245</u>
FUND BALANCES						
Unreserved, reported in:						
General fund	\$ 619,805	\$ -	\$ -	\$ -	\$ -	\$ 619,805
Special revenue funds	-	216,397	740,008	-	104,630	1,061,035
Debt service funds	-	-	-	406,405	-	406,405
TOTAL CASH BASIS FUND BALANCES	<u>\$ 619,805</u>	<u>\$ 216,397</u>	<u>\$ 740,008</u>	<u>\$ 406,405</u>	<u>\$ 104,630</u>	<u>\$ 2,087,245</u>

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

NEMAHA COUNTY
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General Fund	Road Fund	Inheritance Fund	Hospital Bond Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$2,361,500	\$ 1,296	\$ 227,138	\$ -	\$ 59,066	\$ 2,649,000
Licenses and Permits	25,983	-	-	-	-	25,983
Interest	34,533	-	-	-	-	34,533
Intergovernmental	275,871	766,003	-	-	138,489	1,180,363
Charges for Services	418,866	241,882	-	-	7,050	667,798
Miscellaneous	63,560	14,108	-	380,037	9,694	467,399
TOTAL RECEIPTS	<u>3,180,313</u>	<u>1,023,289</u>	<u>227,138</u>	<u>380,037</u>	<u>214,299</u>	<u>5,025,076</u>
DISBURSEMENTS						
General Government	1,303,126	-	-	450	44,827	1,348,403
Public Safety	952,775	-	-	-	187,353	1,140,128
Public Works	18,649	2,126,254	-	-	-	2,144,903
Health and Sanitation	33,014	-	-	-	-	33,014
Public Assistance	61,342	-	-	-	-	61,342
Culture and Recreation	-	-	-	-	17,001	17,001
Debt Service:						
Principal Payments	-	-	-	373,595	-	373,595
Interest and Fiscal Charges	-	-	-	10,170	-	10,170
TOTAL DISBURSEMENTS	<u>2,368,906</u>	<u>2,126,254</u>	<u>-</u>	<u>384,215</u>	<u>249,181</u>	<u>5,128,556</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>811,407</u>	<u>(1,102,965)</u>	<u>227,138</u>	<u>(4,178)</u>	<u>(34,882)</u>	<u>(103,480)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	127,910	818,521	-	-	10,000	956,431
Transfers out	(828,521)	-	(125,000)	-	(2,910)	(956,431)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(700,611)</u>	<u>818,521</u>	<u>(125,000)</u>	<u>-</u>	<u>7,090</u>	<u>-</u>
Net Change in Fund Balances	110,796	(284,444)	102,138	(4,178)	(27,792)	(103,480)
CASH BASIS FUND BALANCES - BEGINNING	<u>509,009</u>	<u>500,841</u>	<u>637,870</u>	<u>410,583</u>	<u>132,422</u>	<u>2,190,725</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 619,805</u>	<u>\$ 216,397</u>	<u>\$ 740,008</u>	<u>\$406,405</u>	<u>\$ 104,630</u>	<u>\$ 2,087,245</u>

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

NEMAHA COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS
FIDUCIARY FUNDS
June 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 800,595
 LIABILITIES	
Due to other governments	
State	96,435
Schools	573,770
Educational Service Units	2,899
Technical College	5,258
Natural Resource Districts	3,497
Fire Districts	1,938
Municipalities	48,024
Agricultural Society	573
Drainage Districts	54,248
Others	13,953
TOTAL LIABILITIES	800,595
 TOTAL NET ASSETS	 \$ -

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

NEMAHA COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2010

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

Nemaha County, Nebraska (County) is a governmental entity established under and governed by the laws of the State of Nebraska (State). The County is managed by elected county officials who are elected on a political ballot for four-year terms. As a political subdivision of the State, the County is exempt from State and Federal income taxes. The financial statements include all funds of the County that are not legally separate. The County has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the County, or the significance of their relationship with the County is such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

Component Unit. These financial statements present the County (the primary government). The Nemaha County Hospital (Hospital) is a component unit of the County because of the significance of its operational and financial relationships with the County. The financial statements do not include the data of the Hospital necessary for reporting in conformity with generally accepted accounting principles (GAAP). Complete financial statements of the Hospital can be obtained from the Hospital's administrative office.

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. The Region 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 the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of federal, state, local, and private funding. The County contributed \$26,115 toward the operation of the Region during fiscal year 2010.

NEMAHA COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Health and Human Services System requires the Region to be audited annually in accordance with State Statute. Financial information for the Region is available in those audit reports.

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

The Department's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County made no contributions toward the operation of the Department during fiscal year 2010. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is required to be audited annually in accordance with Neb. Rev. Stat. § 84-304. Financial information for the Department is available in that report.

B. Basis of Presentation

Government-wide Financial Statements. The Statement of Net Assets - Cash Basis and Statement of Activities - Cash Basis display information about the activities of the County, and are in the format of government-wide statements as required by GASB Statement Number 34. These statements include all the financial activities of the County, except for fiduciary activities and the Hospital. Internal activities in these statements was considered immaterial and have not been eliminated. Governmental GAAP would require internal activity to be eliminated to minimize double counting. The County reports governmental activities only. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange transactions. The County is reported separately from certain legally separate component units for which the primary government is financially accountable.

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.

NEMAHA COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Fund Financial Statements. The fund financial statements provide information about the County's funds, including its fiduciary funds. GAAP requires separate statements by fund category - governmental, proprietary, and fiduciary. The County uses only the governmental and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

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

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

Hospital Bond Fund. This fund accounts for the resources for, and the payment of, long-term debt principal, interest, and related costs associated with bonds issued for the construction of hospital renovations.

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.

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

NEMAHA COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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.

NEMAHA COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Compensated Absences. Vested or accumulated vacation leave that is liquidated with expendable available financial resources is reported as an disbursement of the County funds as paid. Upon termination, employees are paid for any unused vacation. Under the receipts and disbursements basis of accounting, the liabilities for compensated absences are not reported since they do not represent liabilities arising from cash transactions. Under GAAP, the compensated absences liability would be reported in the government-wide financial statements and would be recorded in accordance with the County's policy, which is to recognize the expense and accrued liability when vacation and compensatory leave is earned.

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 \$493,915 of restricted net assets, of which \$87,510 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 \$1,762,126 for County funds and \$800,595 for Fiduciary funds. The bank balances for all funds totaled \$2,652,385. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits as of June 30, 2010, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

The County's carrying value of investments are stated at cost, which approximates market. Investments consisted of \$325,119 deposited in the Nebraska Public Agency Investment Trust (NPAIT). NPAIT is a public entity investment pool operated under the direction of a seven member Board of Trustees. All net income of the trust is determined as of the close of business on each banking day and is credited thereafter pro rata to each participant's account. Net income which has accrued to each participant is converted as of the close of business of each calendar month into additional units which thereafter are held in each participant's trust account. Since net income of the fund is allocated among participant's each time net income is determined, the net asset value remains at \$1.00 per unit. Securities held by NPAIT are not held in the County's name.

NEMAHA COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Property Taxes

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

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

The levy set in October 2009, for the 2009 taxes which will be materially collected in May and September, 2010, was set at \$.389364/\$100 of assessed valuation. The levy set in October 2008, for the 2008 taxes which were materially collected in May and September, 2009, was set at \$.389365/\$100 of assessed valuation. The amount collected for motor vehicle tax is outlined in State Statute.

Additionally, there is currently a statutory lid limitation which limits taxation to the prior year's level, with provisions for growth. It may be increased by 1% by a three-fourths majority of the County Board.

4. Retirement System

The Retirement System for Nebraska Counties (the Plan) is a multiple-employer plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2335 and may be amended through legislative action.

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

County employees and elected officials contribute 4.5% of their total compensation. In addition, the County contributes an amount equal to 150% of the employee's contribution. The contribution rates are established by Neb. Rev. Stat. §§ 23-2307 and 23-2308 (Reissue 2007), and may be amended through legislative action. The employee's and employer's contributions are kept in separate accounts. The employee's account is fully vested. The employer's account is fully vested after three years of

NEMAHA COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. Retirement System (Concluded)

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

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

For the year ended June 30, 2010, 54 employees contributed \$69,957; the County contributed \$104,935. Additionally, for the year ended June 30, 2010, 10 law enforcement employees and the County contributed \$2,648 in cash contributions for the supplemental law enforcement plan. Lastly, the County paid \$348 directly to 4 retired employees for prior service benefits.

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of the Nebraska Intergovernmental Risk Management Association (NIRMA), a public entity risk pool currently operating as a common risk management and insurance program for 78 counties throughout Nebraska.

The County pays an annual deposit premium as calculated by the administrator of the pool. The premium is based on the losses and exposures of each County and the entire Pool. If the Pool becomes insolvent or is otherwise unable to discharge its legal liabilities and other obligations, the County may be assessed by the Board for an additional contribution equal to its contribution for the current fiscal year, divided by the contribution of all participants for such year, times the amount of such deficiency. Each such assessment, and the manner of calculating the same, shall be sent to each county in writing, and each county shall thereafter have sixty (60) days in which to pay the amount of such assessment. Each county shall remain liable for such assessments, regardless of such county's withdrawal from participation or the termination of the agreement, and for liabilities of the Pool incurred during such county's period of membership.

The agreement with NIRMA provides that NIRMA will provide coverage for up to a maximum amount per occurrence and purchase commercial insurance for claims in excess of coverage provided. In the event of a liability exceeding the commercial insurance, the County would be responsible for funding the excess amount.

NEMAHA COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Risk Management (Concluded)

	NIRMA Coverage	Maximum Coverage
General Liability Claim	\$ 300,000	\$ 5,000,000
Worker's Compensation Claim	\$ 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 2011. The County has not had to pay out any amounts that exceeded coverage provided by the Pool in the last three fiscal years.

6. Interfund Transfers

Interfund transfers for the year ended June 30, 2010, consisted of the following:

<u>Transfers to</u>	Transfers from			Total
	General Fund	Inheritance Fund	Nonmajor Funds	
General Fund	\$ -	\$ 125,000	\$ 2,910	\$ 127,910
Road Fund	818,521	-	-	818,521
Nonmajor Funds	10,000	-	-	10,000
Total	<u>\$ 828,521</u>	<u>\$ 125,000</u>	<u>\$ 2,910</u>	<u>\$ 956,431</u>

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

7. Long-Term Debt

On January 28, 2004, the County issued General Obligation Hospital and Refunding bonds in the aggregate principal amount of \$4,735,000. The County was to use the proceeds of the Bonds to: (1) provide for the payment and redemption of \$4,440,000 Series 2000 Hospital bonds and (2) pay the costs of renovations to the Hospital. As the bonds are general obligation bonds of the County, the County has the authority to levy additional ad valorem taxes, if necessary, to make the required principal and interest payments on the bonds in the event the Hospital cannot meet the debt service obligation. As of June 30, 2010, no additional taxes had been levied by the County. The balance of bonds payable at June 30, 2010, was \$3,030,000. Full disclosure of the liability can be found in the separately issued Hospital audit report.

NEMAHA COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,540,834	\$ 2,540,834	\$ 2,361,500	\$ (179,334)
Licenses and Permits	25,400	25,400	25,983	583
Interest	30,225	30,225	34,533	4,308
Intergovernmental	268,061	268,061	275,871	7,810
Charges for Services	374,360	374,360	418,866	44,506
Miscellaneous	7,500	7,500	63,560	56,060
TOTAL RECEIPTS	3,246,380	3,246,380	3,180,313	(66,067)
DISBURSEMENTS				
General Government:				
County Board	64,725	64,725	63,847	878
County Clerk	111,998	111,998	110,111	1,887
County Treasurer	116,718	116,718	111,877	4,841
County Assessor	121,755	121,755	117,698	4,057
Election Commissioner	20,130	20,130	15,685	4,445
Clerk of the District Court	68,918	68,918	61,751	7,167
County Court System	1,850	1,850	1,283	567
District Judge	44,338	44,338	43,265	1,073
Building and Grounds	257,569	257,569	214,769	42,800
Agricultural Extension Agent	47,142	47,142	47,088	54
Miscellaneous	671,577	671,577	515,752	155,825
Public Safety:				
County Sheriff	449,418	449,418	359,617	89,801
County Attorney	121,057	121,057	119,401	1,656
County Jail	465,099	465,099	393,003	72,096
Emergency Management	94,363	94,363	72,355	22,008
Miscellaneous	30,564	30,564	8,399	22,165
Public Works:				
County Surveyor	600	600	557	43
Miscellaneous	31,642	31,642	18,092	13,550
Public Health:				
Miscellaneous	29,160	29,160	33,014	(3,854)

(Continued)

NEMAHA COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
DISBURSEMENTS (Continued)				
Public Assistance:				
Veterans' Service Officer	37,010	37,010	35,282	1,728
Relief	16,950	16,950	4,913	12,037
Miscellaneous	18,395	18,395	18,330	65
Institutions	7,500	7,500	2,817	4,683
TOTAL DISBURSEMENTS	<u>2,828,478</u>	<u>2,828,478</u>	<u>2,368,906</u>	<u>459,572</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>417,902</u>	<u>417,902</u>	<u>811,407</u>	<u>393,505</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	125,000	125,000	127,910	2,910
Transfers out	(851,911)	(851,911)	(828,521)	23,390
TOTAL OTHER FINANCING SOURCES (USES)	<u>(726,911)</u>	<u>(726,911)</u>	<u>(700,611)</u>	<u>26,300</u>
Net Change in Fund Balances	(309,009)	(309,009)	110,796	419,805
FUND BALANCES - BEGINNING	509,009	509,009	509,009	-
FUND BALANCES - ENDING	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 619,805</u>	<u>\$ 419,805</u>

(Concluded)

NEMAHA COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 1,296	\$ 1,296
Intergovernmental	815,861	815,861	766,003	(49,858)
Charges for Services	200	200	241,882	241,682
Miscellaneous	400	400	14,108	13,708
TOTAL RECEIPTS	816,461	816,461	1,023,289	206,828
DISBURSEMENTS	2,159,213	2,159,213	2,126,254	32,959
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,342,752)	(1,342,752)	(1,102,965)	239,787
OTHER FINANCING SOURCES (USES)				
Transfers in	841,911	841,911	818,521	(23,390)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	841,911	841,911	818,521	(23,390)
Net Change in Fund Balance	(500,841)	(500,841)	(284,444)	216,397
FUND BALANCE - BEGINNING	500,841	500,841	500,841	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,397</u>	<u>\$ 216,397</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 227,138	\$ 227,138
TOTAL RECEIPTS	-	-	227,138	227,138
DISBURSEMENTS	512,870	512,870	-	512,870
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(512,870)	(512,870)	227,138	740,008
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(125,000)	(125,000)	(125,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(125,000)	(125,000)	(125,000)	-
Net Change in Fund Balance	(637,870)	(637,870)	102,138	740,008
FUND BALANCE - BEGINNING	637,870	637,870	637,870	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 740,008</u>	<u>\$ 740,008</u>

(Continued)

NEMAHA COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HOSPITAL BOND FUND				
RECEIPTS				
Miscellaneous	\$ 754,494	\$ 754,494	\$ 380,037	\$ (374,457)
TOTAL RECEIPTS	<u>754,494</u>	<u>754,494</u>	<u>380,037</u>	<u>(374,457)</u>
DISBURSEMENTS	<u>751,907</u>	<u>751,907</u>	<u>384,215</u>	<u>367,692</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>2,587</u>	<u>2,587</u>	<u>(4,178)</u>	<u>(6,765)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	2,587	2,587	(4,178)	(6,765)
FUND BALANCE - BEGINNING	410,583	410,583	410,583	-
FUND BALANCE - ENDING	<u>\$ 413,170</u>	<u>\$ 413,170</u>	<u>\$ 406,405</u>	<u>\$ (6,765)</u>

(Concluded)

NEMAHA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2010

BUDGETARY COMPARISON SCHEDULES

GAAP Requirements

Generally Accepted Accounting Principles (GAAP) requires budgetary comparison schedules for the General Fund, and for each major special revenue fund that has a legally adopted annual budget. GAAP further requires the budgetary comparison schedules to include the *original budget* and *final budget* amounts. The *original budget* is the first complete appropriated budget adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes *before* the beginning of the fiscal year. The original budget would also include actual appropriation amounts automatically carried over from prior years when required by law. The *final budget* is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year as approved by the County Board or otherwise legally authorized.

Budgetary Process

The County adopts an annual budget in accordance with the statutory requirements of the Nebraska Budget Act. The budget is prepared on the cash receipts and disbursements basis of accounting. The budget contains only those receipts which have actually been received by the County Treasurer. The County does not utilize an encumbrance accounting system. All appropriated spending authority lapses at the end of the fiscal year.

On or before August 1, the county budget-making authority prepares and transmits a budget for each County fund to the County Board. The budget includes the requirements, the outstanding warrants, the operating reserves to be maintained, the cash on hand at the close of the preceding fiscal year, the receipts from sources other than taxation, and the amount to be raised by taxation. The County Board must hold at least one public hearing on the proposed budget. On or before September 20, the County Board shall adopt the budget and appropriate the amounts specified in the budget for the departments, offices, activities, and funds of the County.

The County Board is authorized to transfer budgeted amounts between departments within any fund through resolution; however, if revisions are made that alter the total disbursements of any fund, an additional public hearing be held. The legal level of budgetary control for the General Fund is at the function level, and the special revenue fund types are at the fund level. The County Board is also authorized to budget for the transfer of money between County funds.

NEMAHA COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	Child Support Agreement Fund	County Visitors Promotion Fund	County Visitors Improvement Fund	Diversion Program STOP Fund	Drug Coalition Fund	Federal Drug Law Enforcement Forfeiture Fund	Canine (K-9) Dog Fund	911 Emergency Services Fund	Total Nonmajor Governmental Funds
RECEIPTS									
Property Taxes	\$ -	\$ 11,251	\$ 11,250	\$ -	\$ -	\$ -	\$ -	\$ 36,565	\$ 59,066
Intergovernmental	33,386	-	-	-	105,103	-	-	-	138,489
Charges for Services	-	-	-	6,050	-	-	1,000	-	7,050
Miscellaneous	-	-	-	-	9,694	-	-	-	9,694
TOTAL RECEIPTS	33,386	11,251	11,250	6,050	114,797	-	1,000	36,565	214,299
DISBURSEMENTS									
General Government	44,827	-	-	-	-	-	-	-	44,827
Public Safety	-	-	-	6,182	150,185	1,178	1,610	28,198	187,353
Culture and Recreation	-	9,501	7,500	-	-	-	-	-	17,001
TOTAL DISBURSEMENTS	44,827	9,501	7,500	6,182	150,185	1,178	1,610	28,198	249,181
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(11,441)	1,750	3,750	(132)	(35,388)	(1,178)	(610)	8,367	(34,882)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	10,000	-	-	-	10,000
Transfers out	-	-	-	-	(2,910)	-	-	-	(2,910)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	7,090	-	-	-	7,090
Net Change in Fund Balances	(11,441)	1,750	3,750	(132)	(28,298)	(1,178)	(610)	8,367	(27,792)
FUND BALANCES - BEGINNING	13,090	24,059	14,958	6,213	34,665	1,178	3,633	34,626	132,422
FUND BALANCES - ENDING	\$ 1,649	\$ 25,809	\$ 18,708	\$ 6,081	\$ 6,367	\$ -	\$ 3,023	\$ 42,993	\$ 104,630

NEMAHA COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
CHILD SUPPORT AGREEMENT FUND				
RECEIPTS				
Intergovernmental	\$ 34,150	\$ 34,150	\$ 33,386	\$ (764)
TOTAL RECEIPTS	<u>34,150</u>	<u>34,150</u>	<u>33,386</u>	<u>(764)</u>
 DISBURSEMENTS	 <u>47,240</u>	 <u>47,240</u>	 <u>44,827</u>	 <u>2,413</u>
Net Change in Fund Balance	(13,090)	(13,090)	(11,441)	1,649
FUND BALANCE - BEGINNING	13,090	13,090	13,090	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,649</u>	<u>\$ 1,649</u>
 COUNTY VISITORS PROMOTION FUND				
RECEIPTS				
Taxes	\$ 7,000	\$ 7,000	\$ 11,251	\$ 4,251
TOTAL RECEIPTS	<u>7,000</u>	<u>7,000</u>	<u>11,251</u>	<u>4,251</u>
 DISBURSEMENTS	 <u>31,059</u>	 <u>31,059</u>	 <u>9,501</u>	 <u>21,558</u>
Net Change in Fund Balance	(24,059)	(24,059)	1,750	25,809
FUND BALANCE - BEGINNING	24,059	24,059	24,059	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,809</u>	<u>\$ 25,809</u>
 COUNTY VISITORS IMPROVEMENT FUND				
RECEIPTS				
Taxes	\$ 7,000	\$ 7,000	\$ 11,250	\$ 4,250
TOTAL RECEIPTS	<u>7,000</u>	<u>7,000</u>	<u>11,250</u>	<u>4,250</u>
 DISBURSEMENTS	 <u>21,958</u>	 <u>21,958</u>	 <u>7,500</u>	 <u>14,458</u>
Net Change in Fund Balance	(14,958)	(14,958)	3,750	18,708
FUND BALANCE - BEGINNING	14,958	14,958	14,958	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,708</u>	<u>\$ 18,708</u>

(Continued)

NEMAHA COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>DIVERSION PROGRAM STOP FUND</u>				
RECEIPTS				
Charges for Services	\$ 6,000	\$ 6,000	\$ 6,050	\$ 50
TOTAL RECEIPTS	6,000	6,000	6,050	50
DISBURSEMENTS				
Net Change in Fund Balance	(6,213)	(6,213)	(132)	6,081
FUND BALANCE - BEGINNING	6,213	6,213	6,213	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,081</u>	<u>\$ 6,081</u>
<u>DRUG COALITION FUND</u>				
RECEIPTS				
Intergovernmental	\$ 164,062	\$ 164,062	\$ 105,103	\$ (58,959)
Miscellaneous	32,178	32,178	9,694	(22,484)
TOTAL RECEIPTS	196,240	196,240	114,797	(81,443)
DISBURSEMENTS				
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	10,000	10,000	-
Transfers out	-	-	(2,910)	(2,910)
TOTAL OTHER FINANCING SOURCES (USES)	10,000	10,000	7,090	(2,910)
Net Change in Fund Balance	(34,665)	(34,665)	(28,298)	6,367
FUND BALANCE - BEGINNING	34,665	34,665	34,665	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,367</u>	<u>\$ 6,367</u>
<u>FEDERAL DRUG LAW ENFORCEMENT FORFEITURE FUND</u>				
RECEIPTS				
Miscellaneous	\$ 60,000	\$ 60,000	\$ -	\$ (60,000)
TOTAL RECEIPTS	60,000	60,000	-	(60,000)
DISBURSEMENTS				
Net Change in Fund Balance	(1,178)	(1,178)	(1,178)	-
FUND BALANCE - BEGINNING	1,178	1,178	1,178	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

NEMAHA COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
CANINE (K-9) DOG FUND				
RECEIPTS				
Charges for Services	\$ -	\$ -	\$ 1,000	\$ 1,000
Miscellaneous	5,000	5,000	-	(5,000)
TOTAL RECEIPTS	<u>5,000</u>	<u>5,000</u>	<u>1,000</u>	<u>(4,000)</u>
DISBURSEMENTS	<u>8,633</u>	<u>8,633</u>	<u>1,610</u>	<u>7,023</u>
Net Change in Fund Balance	(3,633)	(3,633)	(610)	3,023
FUND BALANCE - BEGINNING	3,633	3,633	3,633	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,023</u>	<u>\$ 3,023</u>
911 EMERGENCY SERVICES FUND				
RECEIPTS				
Taxes	\$ 79,760	\$ 79,760	\$ 36,565	\$ (43,195)
Intergovernmental	20,000	20,000	-	(20,000)
Miscellaneous	150,000	150,000	-	(150,000)
TOTAL RECEIPTS	<u>249,760</u>	<u>249,760</u>	<u>36,565</u>	<u>(213,195)</u>
DISBURSEMENTS	<u>284,386</u>	<u>284,386</u>	<u>28,198</u>	<u>256,188</u>
Net Change in Fund Balance	(34,626)	(34,626)	8,367	42,993
FUND BALANCE - BEGINNING	34,626	34,626	34,626	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,993</u>	<u>\$ 42,993</u>
FEDERAL CRIME GRANT FUND				
RECEIPTS				
Intergovernmental	\$ 1,200	\$ 1,200	\$ -	\$ (1,200)
TOTAL RECEIPTS	<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>(1,200)</u>
DISBURSEMENTS	<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Net Change in Fund Balance	-	-	-	-
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Concluded)

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

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Nemaha Against Drug & Alcohol Abuse	Veterans' Service Officer	Total
BALANCE JULY 1, 2009	\$ 11,059	\$ 33,126	\$ 6,235	\$ 7,250	\$ -	\$ 1,611	\$ 59,281
RECEIPTS							
Licenses and Permits	-	-	355	-	-	-	355
Intergovernmental	-	-	29,863	-	-	-	29,863
Charges for Services	36,670	7,600	71,871	600	-	-	116,741
Miscellaneous	-	-	1,000	-	500	166	1,666
State Fees	30,610	15,221	-	-	-	-	45,831
Other Liabilities	-	105,526	101,236	9,261	-	-	216,023
TOTAL RECEIPTS	<u>67,280</u>	<u>128,347</u>	<u>204,325</u>	<u>9,861</u>	<u>500</u>	<u>166</u>	<u>410,479</u>
DISBURSEMENTS							
Payments to County Treasurer	38,302	8,256	101,926	590	-	-	149,074
Payments to State Treasurer	33,095	15,538	-	-	-	-	48,633
Other Liabilities	-	104,507	97,859	10,036	-	-	212,402
TOTAL DISBURSEMENTS	<u>71,397</u>	<u>128,301</u>	<u>199,785</u>	<u>10,626</u>	<u>-</u>	<u>-</u>	<u>410,109</u>
BALANCE JUNE 30, 2010	<u>\$ 6,942</u>	<u>\$ 33,172</u>	<u>\$ 10,775</u>	<u>\$ 6,485</u>	<u>\$ 500</u>	<u>\$ 1,777</u>	<u>\$ 59,651</u>
BALANCE CONSISTS OF:							
Due to County Treasurer	\$ 3,484	\$ 610	\$ 9,855	\$ 6,026	\$ -	\$ 1,777	\$ 21,752
Petty Cash	-	-	920	-	500	-	1,420
Due to State Treasurer	3,458	1,682	-	-	-	-	5,140
Due to Others	-	30,880	-	459	-	-	31,339
BALANCE JUNE 30, 2010	<u>\$ 6,942</u>	<u>\$ 33,172</u>	<u>\$ 10,775</u>	<u>\$ 6,485</u>	<u>\$ 500</u>	<u>\$ 1,777</u>	<u>\$ 59,651</u>

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

Item	2005	2006	2007	2008	2009
Tax Certified by Assessor					
Real Estate	\$ 7,669,170	\$ 7,884,605	\$ 8,476,319	\$ 9,104,053	\$ 9,544,946
Personal and Specials	459,396	491,719	562,375	607,826	658,775
Total	8,128,566	8,376,324	9,038,694	9,711,879	10,203,721
Corrections					
Additions	8,225	26,838	2,477	3,289	2,500
Deductions	(1,678)	(2,426)	(1,705)	(6,730)	(4,002)
Net Additions/ (Deductions)	6,547	24,412	772	(3,441)	(1,502)
Corrected Certified Tax	8,135,113	8,400,736	9,039,466	9,708,438	10,202,219
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2006	4,700,565	-	-	-	-
June 30, 2007	3,412,765	4,823,547	-	-	-
June 30, 2008	17,820	3,564,333	5,307,067	-	-
June 30, 2009	1,362	8,901	3,718,219	5,803,436	-
June 30, 2010	1,408	3,115	11,371	3,889,259	6,072,502
Total Net Collections	8,133,920	8,399,896	9,036,657	9,692,695	6,072,502
Total Uncollected Tax	\$ 1,193	\$ 840	\$ 2,809	\$ 15,743	\$ 4,129,717
Percentage Uncollected Tax	0.01%	0.01%	0.03%	0.16%	40.48%



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

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

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

Board of Commissioners
Nemaha County, Nebraska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nemaha County as of and for the year ended June 30, 2010, and have issued our report thereon dated March 28, 2011. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and do not include the financial data of the Nemaha County Hospital, a component unit of Nemaha County. 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 Nemaha 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 Nemaha 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 or detect, and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable

possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following 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 Nemaha County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of Nemaha County in a separate letter dated March 28, 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

March 28, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

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

March 28, 2011

Board of Commissioners
Nemaha County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Nemaha County (County) for the fiscal year ended June 30, 2010, and have issued our report thereon dated March 28, 2011. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

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

COUNTY OVERALL

Segregation of Duties

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

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

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

COUNTY BOARD

Supplemental Retirement

Neb. Rev. Stat. § 23-2332.01 (Reissue 2007) states, in part, that counties “shall establish and fund a supplemental retirement plan for the benefit of all present and future commissioned law enforcement personnel employed by such county who possess a valid law enforcement officer certificate or diploma, as established by the Nebraska Police Standards Advisory Council.”

It was noted during our audit, that one of the ten employees contributing an additional 1% towards the supplemental retirement plan did not have a valid law enforcement officer certificate or diploma and was actually working in the County Attorney’s office. The employee and the County incorrectly contributed \$114 each to the supplemental retirement plan during fiscal year 2010.

We recommend procedures be implemented to ensure that individuals contributing to the supplemental retirement plan are certified law enforcement officers and the County seek a refund for the amounts incorrectly contributed.

Employee Classification

The Nemaha County Employee Handbook states that an employee will either be classified as exempt or nonexempt. The classification description for an exempt employee is; employee paid on a salaried basis, regardless of the number of hours worked, and is not eligible to earn overtime or compensatory time. The classification description for a nonexempt employee is; employee paid on an hourly basis, who is eligible to earn overtime or compensatory time.

During our audit we noted one employee classified as nonexempt who earned compensatory time when more than 40 hours were worked in one week. However, when the employee worked less than 40 hours per week, they received the full salary amount, as an exempt employee would. Although payment was approved by the County Board, this approval conflicts with the Employee Handbook policy as it states an employee is classified as either exempt or nonexempt.

We recommend the County Board implement procedures to ensure employees are properly paid based upon classification.

Emergency Management Vehicle

During our audit it was noted the County Emergency Manager was allowed to use a County vehicle for personal use, including commuting to and from work.

Internal Revenue Service (IRS) Publication 15-B outlines that employees allowed to use County vehicles for commuting and personal use must have the benefit added as a taxable wage to the employee unless the vehicle meets specific qualifications. The vehicle driven by the County

Emergency Manager does not meet the specific qualifications outlined by the IRS and; therefore, should be included as a taxable wage. The IRS requires employees who commute utilizing nonqualified vehicles be assessed \$1.50 for each commute trip, or basically \$3 per day.

We recommend the County Board follow IRS requirements and include the \$3 per day as a wage, or discontinue allowing the employee to use a County vehicle for personal/commuting purposes.

Inventory Policy and Procedures

Good internal controls 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. A lack of guidance for completing the inventory statements may lead to an inaccurate accounting of the County's personal property.

We recommend the County Board establish a policy for all officers to follow when completing inventory statements.

Delinquent Property Tax

Neb. Rev. Stat. § 23-143 (Reissue 2007) states, "The county board of any county, whenever the account or claim of any person, firm or corporation against the county is presented to them for allowance, shall procure from the county treasurer a certificate of the amount of delinquent personal taxes assessed against the person, firm or corporation in whose favor the account or claim is presented, and shall deduct from any amount found due upon such account or claim the amount of such tax, and shall forthwith issue a warrant for the balance remaining, if any."

During our audit of the County's claim procedures, we noted the County was not consistently verifying whether the payee had delinquent personal property taxes. When the County does not verify that the payees do not have delinquent personal property taxes, they are in noncompliance with State Statute and there is an increased risk that claims are being paid when delinquent taxes should be deducted.

We recommend the County implement procedures to ensure all payees do not have delinquent personal property taxes prior to claim payment.

Documentation for I-9 and W-4 Forms

The Department of Homeland Security – U.S. Citizenship and Immigration Services require that Form I-9, Employment Eligibility Verification, be completed to document that an employee, hired after November 6, 1986, is eligible to work in the United States. Form I-9 must be maintained for three years after the date of hire or one year after the date the employee

is terminated, whichever is later. IRS Publication 15 requires the County obtain Form W-4, Employee's Withholding Allowance Certificate, for all employees to ensure the proper Federal income tax is withheld, these forms must be maintained for four years.

During our audit, it was noted that three of five employees tested did not have Form I-9 on file; additionally, one of five employees tested did not have Form W-4 on file.

When Form I-9 is not completed, unauthorized individuals may be able to gain employment and benefits that they should not have access to in the United States. Additionally, when Form W-4 is not maintained by the County, there is an increased risk Federal tax withholdings are incorrect.

We recommend the County review their procedures to ensure Form I-9 is completed and maintained for all employees hired after November 6, 1986, and Form W-4 be completed and maintained for all employees.

Authorized Petty Cash Amounts

Neb. Rev. Stat. § 23-106 (Reissue 2007) requires the County Board, when establishing a petty cash fund, state such amount in the fiscal policy of the County Board budget message.

During our audit, we noted the following petty cash accounts were not specified in the budget message:

- Nemaha Against Drug and Alcohol Abuse (NADAA) - \$500
- County Sherriff - \$920
- County Health Insurance Fund - \$4,936

When the budget message does not reflect the authorized petty cash amounts, the County is in noncompliance with State Statute and the public has not been informed of amounts being held in County offices.

We recommend the County Board review the petty cash amounts authorized and ensure they are reflected in the annual budget message.

COUNTY SHERIFF

Sheriff Balancing Procedures

Sound accounting practice and good internal control require procedures be in place to ensure office assets (cash on hand, reconciled bank balance, accounts receivable, etc.) are in agreement with office liabilities (fees and trust accounts) on at least a monthly basis. Balancing procedures should include the timely identification and resolution of all variances noted. Additionally, book balances should be reconciled to bank balances on a monthly basis.

We noted at June 30, 2010, office records indicated assets exceeded liabilities by \$5,600. Failure to determine asset-to-liability balancing variances can result in an increased risk of loss, theft, or misuse of funds, allowing errors to more easily go undetected. We also noted the book balance of the checking account maintained by the County Sheriff was not accurate; therefore, the reconciliations between the bank balance and book balance were not correct.

We recommend the County Sheriff implement documented monthly balancing procedures and follow up on all unexplained variances in a timely manner, and amounts determined to be excess or unknown balances should be remitted to the County General Fund. Additionally, the book balance in the checking account should be reviewed for accuracy, and only valid transactions should be entered.

Sheriff Disbursements

Neb. Rev. Stat. § 23-109 (Reissue 2007) states, in part “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. § 23-1601 (Reissue 2007) requires all money received from whatever source be deposited with the County Treasurer and paid out only on warrants issued by the County Board.

During our audit we noted the following:

- The County Sheriff maintains a checking account for the sale and purchase of phone cards to inmates.
 - All purchases of phone cards are made from this checking account and are not approved by the County Board through the claim and warrant process.
 - All revenue from the sale of phone cards was deposited to this checking account and not remitted to the County Treasurer.
 - Total activity in the checking account during fiscal year 2010 was \$8,447 in receipts and \$8,311 in expenditures.
- An \$800 expenditure related to training was paid out of the checking account, which was never submitted to the County Board as a petty cash reimbursement claim.

When all funds are not properly turned over to the County Treasurer and all purchases are not approved by the County Board, the County Sheriff is not in compliance with State Statute. In addition, there is an increased risk of loss or misuse of County funds.

We recommend the County Sheriff turn over all funds to the County Treasurer and all disbursements be submitted to the County Board for approval.

County Sheriff's Response: Regarding the sale and purchase of phone cards – a line item will be put into the Jail budget for the purchase of phone cards, all invoices for phone cards will be submitted to the Board of Commissioners for approval and all funds received for said phone

cards will be forwarded to the County Treasurer. While this will increase the budget, the offset should be in a like amount and net income should continue as has been budgeted and remitted in the past. Sales tax on those cards will be handled in one of two ways, and I am open to a recommendation regarding sales tax. Either the sales tax will be held in the separate account and remitted to the Nebraska Department of Revenue annually, or I will discuss the matter with the County Treasurer and sales tax will be remitted to her to be forwarded to the Department of Revenue.

Regarding the check for \$800 to Afternooners – this expenditure was for the meal contract for a deputy attending basic training at the Nebraska Law Enforcement Training Center. In the past the vendor holding the meal contract with the Training Center would charge and the bill would be submitted for payment. Currently the vendor requires payment prior to attendance, and as I recall, the receipt of the invoice and the commencement of training did not allow for the submittal of the claim directly to the Commissioners to be paid prior to the start of training and therefore it was paid out of the Sheriff’s Trust Account. A copy of the returned check is contained within the bank statements and the invoice is being looked for and will be submitted to the County Board for reimbursement.

Sheriff Cash Accountability

Good internal control procedures require that receipts be written for all money immediately upon receipt to ensure a proper accounting of all cash on hand.

During a cash count on February 22, 2011, we noted \$174 which could not be traced to written receipts. When monies held are not properly receipted and accounted for, there is an increased risk of loss or misuse of County funds.

We recommend the County Sheriff implement procedures to ensure receipts are written for all money received.

County Sheriff’s Response: Regarding the \$174 on hand that did not have accompanying receipts – without knowing the location of this overage, it is tough to determine the cause. If this overage is in fees, the difference was likely reconciled at the end of the month where funds were counted, reconciled with receipts and paid over to the Treasurer. If the overage was in phone card moneys, since lockboxes are issued to individual jailers, I could look at individual boxes and attempt to locate the issue. One of the pitfalls of operating an office 24/7 is that there is no “end of the business day” which allows for an easy cessation of transactions and time enough to make a full count while still performing those duties required by statute.

CLERK OF THE DISTRICT COURT

Case Balances

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009) states that personal property held by public entities or political subdivisions which has 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. Good internal controls and sound business practice require case balances of the District Court be reviewed on an ongoing, timely basis to determine what action should be taken to remit them to the proper payee, or submit to unclaimed property on a timely basis.

It was noted during our audit that six of seven case balances tested, totaling \$8,467, were not remitted to the payee, or to unclaimed property in a timely manner. The total of all case balances at June 30, 2010, was \$32,961. When case balances held by the District Court are not reviewed on an ongoing basis, balances are not paid out to the proper payees in a timely manner.

We recommend the Clerk of the District Court review the Monthly Case Balance Report on a monthly basis to ensure that all case balances are proper and current.

Clerk of the District Court's Response: It is difficult to accomplish at times due to lack of staff and training for staff. I was able to get a \$6,750 bond forfeited and paid out to the County Treasurer with February's check.

District Court Receipt Procedures

Good internal controls require judgments be properly entered in the JUSTICE system (the computerized accounting and case management system of the District Court) to reflect amount due per the court order and that supporting documentation be maintained for all receipts issued.

During our audit we noted the following:

- One judgment which was incorrectly entered into the JUSTICE system. Per the court order signed by the judge, a judgment amount of \$8,489 was ordered; however, a judgement of \$7,489 was entered into the JUSTICE system.
- One non-monetary garnishment receipt for \$1,014 had no supporting documentation on file.

When proper supporting documentation is not maintained and amounts are not properly entered into the JUSTICE system, there is an increased risk that receipts are not in accordance with judgment requirements, or are not properly recorded.

We recommend the Clerk of the District Court work to ensure all judgments are properly entered in the JUSTICE system and that supporting documentation be maintained for all receipts issued.

COUNTY ATTORNEY

Attorney Excess Balance

Sound accounting practice and good internal control require procedures be in place to ensure office assets (cash on hand, reconciled bank balance, accounts receivable, etc.) are in agreement with office liabilities (fees and trust accounts) on at least a monthly basis. Balancing procedures should include the timely identification and resolution of all variances noted.

At June 30, 2010, the trust fund balance, per the County Attorney's records, was \$5,261; however, we could only identify individual balances totaling \$459, resulting in an unexplained variance of \$4,802. When all monies received are not appropriately accounted for and there is a failure to determine asset-to-liability balancing variances, there is an increased risk of loss, theft, or misuse of funds allowing errors to more easily go undetected.

We recommend the County Attorney review monies held in trust and remit any balance which cannot be accounted for to the County General Fund.

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