

**AUDIT REPORT
OF
BUFFALO COUNTY**

JULY 1, 2009 THROUGH JUNE 30, 2010

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the Auditor of Public Accounts.**

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Issued on January 27, 2011

BUFFALO COUNTY

TABLE OF CONTENTS

	<u>Page</u>
List of County Officials	1
Financial Section	
Independent Auditors' Report	2 - 3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets - Cash Basis	4
Statement of Activities - Cash Basis	5
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds	6
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds	7
Statement of Fiduciary Assets and Liabilities - Cash Basis - Fiduciary Funds	8
Notes to Financial Statements	9 - 17
Required Supplementary Information:	
Budgetary Comparison Schedule - Budget and Actual - General Fund	18 - 19
Budgetary Comparison Schedule - Budget and Actual - Major Funds	20 - 21
Notes to Required Supplementary Information	22
Combining Statements and Schedules:	
Combining Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Nonmajor Governmental Funds	23 - 24
Budgetary Comparison Schedule - Budget and Actual - Nonmajor Funds	25 - 32
Schedule of Office Activities	33 - 34
Schedule of Taxes Certified and Collected for All Political Subdivisions in the County	35
Government Auditing Standards Section	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36 - 37

BUFFALO COUNTY
LIST OF COUNTY OFFICIALS
At June 30, 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Horace Dannehl	Board of Supervisors	Jan. 2013
Kent Greder		Jan. 2011
Ivan Klein		Jan. 2011
Timothy Loewenstein		Jan. 2011
William McMullen		Jan. 2013
Sherry Morrow		Jan. 2011
Richard Pierce		Jan. 2013
Joe Woodward	Assessor	Jan. 2011
Shawn Eatherton	Attorney	Jan. 2011
Jan Giffin	Clerk	Jan. 2011
Glenda DeBrie	Election Commissioner	Jan. 2011
Kellie John	Register of Deeds	Jan. 2011
Sharon Mauler	Clerk of the District Court	Jan. 2011
Neil Miller	Sheriff	Jan. 2011
Jean Sidwell	Treasurer	Jan. 2011
William Williams	Veterans' Service Officer	Appointed
Richard Kincaid	Weed Superintendent	Appointed
Ronald Sklenar	Highway Superintendent	Appointed
LeAnn Klein	Planning/Zoning	Appointed



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BUFFALO COUNTY

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Buffalo County, Nebraska

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Buffalo 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 January 24, 2011, on our consideration of Buffalo 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

January 24, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor

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

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 16,594,449
Investments (Note 1.D)	<u>1,780,864</u>
TOTAL ASSETS	<u><u>\$ 18,375,313</u></u>
 NET ASSETS	
Restricted for:	
Visitors Promotion	\$ 72,732
911 Emergency Services	59,868
Other Purposes	104,303
Debt Service	527,978
 Unrestricted	 <u>17,610,432</u>
TOTAL NET ASSETS	<u><u>\$ 18,375,313</u></u>

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

BUFFALO 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	\$ (7,310,665)	\$ 1,297,489	\$ 306,891	\$ (5,706,285)
Public Safety	(5,537,493)	617,448	276,491	(4,643,554)
Public Works	(513,370)	188,105	2,356,831	2,031,566
Health and Sanitation	(6,535,489)	-	-	(6,535,489)
Public Assistance	(267,645)	-	-	(267,645)
Culture and Recreation	(1,139,271)	-	-	(1,139,271)
Debt Payments	(1,639,425)	-	-	(1,639,425)
Capital Outlay	(5,827,818)	-	-	(5,827,818)
Total Governmental Activities	<u>\$ (28,771,176)</u>	<u>\$ 2,103,042</u>	<u>\$ 2,940,213</u>	<u>(23,727,921)</u>
General Receipts:				
Property Taxes				15,727,918
Grants and Contributions Not Restricted to Specific Programs				2,125,832
Investment Income				371,915
Licenses and Permits				166,841
Bond Proceeds				1,998,880
Miscellaneous				232,468
Total General Receipts				<u>20,623,854</u>
Change in Net Assets				(3,104,067)
Net Assets - Beginning				<u>21,479,380</u>
Net Assets - Ending				<u>\$ 18,375,313</u>

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

BUFFALO COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS

June 30, 2010

	<u>General Fund</u>	<u>Road Fund</u>	<u>Recovery Project Fund</u>	<u>Justice Center Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents (Note 1.D)	\$ 685,902	\$ 313,915	\$ 1,998,880	\$ 11,191,056	\$ 2,404,696	\$ 16,594,449
Investments (Note 1.D)	1,780,864	-	-	-	-	1,780,864
TOTAL ASSETS	<u><u>\$ 2,466,766</u></u>	<u><u>\$ 313,915</u></u>	<u><u>\$ 1,998,880</u></u>	<u><u>\$ 11,191,056</u></u>	<u><u>\$ 2,404,696</u></u>	<u><u>\$ 18,375,313</u></u>
FUND BALANCES						
Unreserved, reported in:						
General fund	\$ 2,466,766	\$ -	\$ -	\$ -	\$ -	\$ 2,466,766
Special revenue funds	-	313,915	-	-	1,876,718	2,190,633
Debt service funds	-	-	-	-	527,978	527,978
Capital project funds	-	-	1,998,880	11,191,056	-	13,189,936
TOTAL CASH BASIS FUND BALANCES	<u><u>\$ 2,466,766</u></u>	<u><u>\$ 313,915</u></u>	<u><u>\$ 1,998,880</u></u>	<u><u>\$ 11,191,056</u></u>	<u><u>\$ 2,404,696</u></u>	<u><u>\$ 18,375,313</u></u>

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

BUFFALO 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	Recovery Project Fund	Justice Center Project Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$ 12,347,775	\$ -	\$ -	\$ -	\$ 3,380,143	\$ 15,727,918
Licenses and Permits	166,841	-	-	-	-	166,841
Interest	51,221	-	-	311,940	8,754	371,915
Intergovernmental	2,465,863	2,340,207	-	-	259,975	5,066,045
Charges for Services	1,784,336	-	-	-	318,706	2,103,042
Miscellaneous	42,386	126,129	1,998,880	-	63,953	2,231,348
TOTAL RECEIPTS	16,858,422	2,466,336	1,998,880	311,940	4,031,531	25,667,109
DISBURSEMENTS						
General Government	6,986,970	-	-	-	323,695	7,310,665
Public Safety	5,189,185	-	-	-	348,308	5,537,493
Public Works	200,152	-	-	-	313,218	513,370
Health and Sanitation	175,133	6,360,356	-	-	-	6,535,489
Public Assistance	142,891	-	-	-	124,754	267,645
Culture and Recreation	444,921	-	-	-	694,350	1,139,271
Debt Service:						
Principal Payments	-	-	-	-	280,000	280,000
Interest and Fiscal Charges	-	-	-	-	1,359,425	1,359,425
Capital Outlay	-	-	-	5,827,818	-	5,827,818
TOTAL DISBURSEMENTS	13,139,252	6,360,356	-	5,827,818	3,443,750	28,771,176
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	3,719,170	(3,894,020)	1,998,880	(5,515,878)	587,781	(3,104,067)
OTHER FINANCING SOURCES (USES)						
Transfers in	447,887	3,868,000	-	-	966,173	5,282,060
Transfers out	(3,366,173)	-	-	-	(1,915,887)	(5,282,060)
TOTAL OTHER FINANCING SOURCES (USES)	(2,918,286)	3,868,000	-	-	(949,714)	-
Net Change in Fund Balances	800,884	(26,020)	1,998,880	(5,515,878)	(361,933)	(3,104,067)
CASH BASIS FUND BALANCES - BEGINNING	1,665,882	339,935	-	16,706,934	2,766,629	21,479,380
CASH BASIS FUND BALANCES - ENDING	\$ 2,466,766	\$ 313,915	\$ 1,998,880	\$ 11,191,056	\$ 2,404,696	\$ 18,375,313

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>7,340,007</u>
 LIABILITIES	
Due to other governments	
State	755,184
Schools	4,167,438
Educational Service Units	5,250
Technical College	34,695
Natural Resource Districts	16,276
Fire Districts	60,538
Municipalities	602,633
Agricultural Society	7,127
Townships	185,111
Sanitary and Improvement Districts	202,622
Others	1,303,133
TOTAL LIABILITIES	<u>7,340,007</u>
 TOTAL NET ASSETS	 <u><u>\$ -</u></u>

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

BUFFALO 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 Buffalo County.

A. Reporting Entity

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

As required by generally accepted accounting principles (GAAP), these financial statements present the County (the primary government). No component units were identified.

Joint Organization.

Behavioral Health Region III - The County has entered into an agreement with surrounding counties and the Nebraska Health and Human Services System to provide services to carry out the provisions of the Nebraska Behavioral Health Services Act (Act). Agreements were established under the authority of the Interlocal Cooperation Act for services to be provided under the Act. The Region consists of the following counties: Blaine, Loup, Garfield, Wheeler, Custer, Valley, Greeley, Sherman, Howard, Buffalo, Hall, Phelps, Kearney, Adams, Clay, Furnas, Harlan, Hamilton, Merrick, Franklin, Webster, and Nuckolls.

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of federal, state, local, and private funding. The County contributed \$184,059 toward the operation of the Region during fiscal year 2010.

BUFFALO 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 Buffalo County Community Health Partners (Department) to provide public health services. Agreements were established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636.

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

B. Basis of Presentation

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

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

BUFFALO 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.

Recovery Project Fund. This fund is used to account for bond proceeds and expenditures associated with various capital projects.

Justice Center Project Fund. This fund is used to account for bond proceeds and expenditures associated with constructing a new Justice Center.

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.

Capital Project Funds. These funds account for all resources received and used for the acquisition or development of major capital improvements.

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

BUFFALO COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

BUFFALO 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 \$764,881 of restricted net assets, of which \$236,903 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 \$16,594,449 for County funds and \$6,414,501 for Fiduciary funds. The bank balances for all funds totaled \$23,281,567. 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 \$1,780,864 for County funds and \$925,506 for Fiduciary funds 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

BUFFALO COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. **Deposits and Investments** (Concluded)

on each banking day and is credited thereafter pro rata to each participant's account. Net income which has accrued to each participant is converted as of the close of business of each calendar month into additional units which thereafter are held in each participant's trust account. Since net income of the fund is allocated among participant's each time net income is determined, the net asset value remains at \$1.00 per unit. Securities held by NPAIT are not held in the County's name.

3. **Property Taxes**

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

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

The levy set in October 2009, for the 2009 taxes which will be materially collected in May and September, 2010, was set at \$.429461/\$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 \$.461658/\$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.

BUFFALO COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

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

County employees and elected officials contribute 4.5% of their total compensation. In addition, the County contributes an amount equal to 150% of the employee's contribution. The contribution rates are established by Neb. Rev. Stat. §§ 23-2307 and 23-2308 (Reissue 2007), and may be amended through legislative action. The employee's and employer's contributions are kept in separate accounts. The employee's account is fully vested. The employer's account is fully vested after three years of participation in the system or credit for participation in another governmental plan prior to actual contribution to the Plan. Prior service benefits are paid directly by the County to the retired employee.

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

For the year ended June 30, 2010, 228 employees contributed \$330,141; the County contributed \$495,210. Additionally, for the year ended June 30, 2010, 27 law enforcement employees and the County contributed \$12,741 in cash contributions for the supplemental law enforcement plan. Lastly, the County paid \$1,129 directly to 13 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

BUFFALO COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. Risk Management (Concluded)

contribution of all participants for such year, times the amount of such deficiency. Each such assessment, and the manner of calculating the same, shall be sent to each county in writing, and each county shall thereafter have sixty (60) days in which to pay the amount of such assessment. Each county shall remain liable for such assessments, regardless of such county's withdrawal from participation or the termination of the agreement, and for liabilities of the Pool incurred during such county's period of membership.

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

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

The County has not paid any additional assessments to the Pool in the last three fiscal years and no assessments are anticipated for fiscal year 2011. The County has not had to pay out any amounts that exceeded coverage provided by the Pool in the last three fiscal years.

6. Interfund Transfers

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

	Transfers from		
<u>Transfers to</u>	General Fund	Nonmajor Funds	Total
Road Fund	\$ 2,400,000	\$ 1,468,000	\$ 3,868,000
General Fund	-	447,887	447,887
Nonmajor Funds	966,173	-	966,173
Total	<u>\$ 3,366,173</u>	<u>\$ 1,915,887</u>	<u>\$ 5,282,060</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 and to close various Special Revenue Funds into the General Fund.

BUFFALO COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. Contingent Liabilities

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney the resolution of these matters will not have a material, adverse effect on the financial condition of the County.

8. Long Term Debt

The County issued General Obligation bonds on November 20, 2008, in the amount of \$24,500,000 for the purpose of paying the construction costs of the Justice Center. The bond payable balance as of June 30, 2010, was \$24,220,000. 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.

Future Payments:

Year	Principal	Interest	Total
2011	\$ 385,000	\$ 1,345,775	\$ 1,730,775
2012	400,000	1,330,075	1,730,075
2013	415,000	1,313,775	1,728,775
2014	430,000	1,296,875	1,726,875
2015	450,000	1,279,275	1,729,275
2016-2020	2,535,000	6,097,063	8,632,063
2021-2038	19,605,000	13,035,662	32,640,662
Total Payments	<u>\$ 24,220,000</u>	<u>\$ 25,698,500</u>	<u>\$ 49,918,500</u>

On June 15, 2010, the County issued Recovery Zone Economic Development bonds in the amount of \$2,015,000 for the purpose of paying the costs of various capital improvements. The bond payable balance as of June 30, 2010, was \$2,015,000. 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.

Future Payments:

Year	Principal	Interest	Total
2011	\$ -	\$ 85,501	\$ 85,501
2012	140,000	84,406	224,406
2013	145,000	81,972	226,972
2014	145,000	78,831	223,831
2015	145,000	74,722	219,722
2016-2020	780,000	274,259	1,054,259
2021-2023	660,000	66,154	726,154
Total Payments	<u>\$ 2,015,000</u>	<u>\$ 745,845</u>	<u>\$ 2,760,845</u>

BUFFALO 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	\$ 12,987,081	\$ 12,987,081	\$ 12,347,775	\$ (639,306)
Licenses and Permits	162,785	162,785	166,841	4,056
Interest	100,000	100,000	51,221	(48,779)
Intergovernmental	1,452,450	1,452,450	2,465,863	1,013,413
Charges for Services	1,567,105	1,567,105	1,784,336	217,231
Miscellaneous	270,000	270,000	42,386	(227,614)
TOTAL RECEIPTS	16,539,421	16,539,421	16,858,422	319,001
DISBURSEMENTS				
General Government:				
County Board	222,741	222,741	208,815	13,926
County Clerk	127,694	127,694	122,211	5,483
County Treasurer	340,000	340,000	331,701	8,299
Register of Deeds	206,731	206,731	205,240	1,491
County Assessor	489,957	489,957	437,433	52,524
Election Commissioner	191,630	191,630	184,931	6,699
Data Processing	474,801	485,801	485,550	251
Zoning	76,617	76,617	72,139	4,478
Clerk of the District Court	463,543	463,543	414,010	49,533
County Court System	280,650	345,650	313,720	31,930
Public Defender	449,356	454,356	452,043	2,313
Building and Grounds	503,651	563,651	561,145	2,506
Agricultural Extension Agent	180,088	180,088	167,046	13,042
Miscellaneous	3,259,395	3,083,395	3,030,986	52,409
Public Safety:				
County Sheriff	1,895,526	1,895,526	1,868,328	27,198
County Attorney	1,068,768	1,068,768	1,045,598	23,170
Communication Center	756,685	756,685	755,004	1,681
County Jail	1,239,470	1,274,470	1,269,165	5,305
Emergency Management	96,122	96,122	90,768	5,354
County Probation	-	-	(40)	40
Miscellaneous	113,350	113,350	160,362	(47,012)
Public Works:				
County Surveyor	119,223	119,223	105,790	13,433
Miscellaneous	100,000	100,000	94,362	5,638

(Continued)

BUFFALO 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 Health:				
Miscellaneous	172,259	172,259	175,133	(2,874)
Public Assistance:				
Veterans' Service Officer	122,218	122,218	120,308	1,910
Miscellaneous	83,645	83,645	22,583	61,062
Culture and Recreation:				
Miscellaneous	385,493	385,493	444,921	(59,428)
TOTAL DISBURSEMENTS	<u>13,419,613</u>	<u>13,419,613</u>	<u>13,139,252</u>	<u>280,361</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>3,119,808</u>	<u>3,119,808</u>	<u>3,719,170</u>	<u>599,362</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,279,778	3,279,778	447,887	(2,831,891)
Transfers out	<u>(5,065,499)</u>	<u>(5,065,499)</u>	<u>(3,366,173)</u>	<u>1,699,326</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,785,721)</u>	<u>(1,785,721)</u>	<u>(2,918,286)</u>	<u>(1,132,565)</u>
Net Change in Fund Balance	1,334,087	1,334,087	800,884	(533,203)
FUND BALANCES - BEGINNING	<u>1,665,882</u>	<u>1,665,882</u>	<u>1,665,882</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,999,969</u>	<u>\$ 2,999,969</u>	<u>\$ 2,466,766</u>	<u>\$ (533,203)</u>
				(Concluded)

BUFFALO 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				
Intergovernmental	\$ 2,110,500	\$ 2,110,500	\$ 2,340,207	\$ 229,707
Miscellaneous	85,000	85,000	126,129	41,129
TOTAL RECEIPTS	2,195,500	2,195,500	2,466,336	270,836
DISBURSEMENTS	6,595,763	6,595,763	6,360,356	235,407
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(4,400,263)	(4,400,263)	(3,894,020)	506,243
OTHER FINANCING SOURCES (USES)				
Transfers in	4,060,328	4,060,328	3,868,000	(192,328)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	4,060,328	4,060,328	3,868,000	(192,328)
Net Change in Fund Balance	(339,935)	(339,935)	(26,020)	313,915
FUND BALANCE - BEGINNING	339,935	339,935	339,935	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 313,915	\$ 313,915

RECOVERY PROJECT FUND				
RECEIPTS				
Miscellaneous	\$ -	\$ -	\$ 1,998,880	\$ 1,998,880
TOTAL RECEIPTS	-	-	1,998,880	1,998,880
DISBURSEMENTS	-	-	-	-
Net Change in Fund Balance	-	-	1,998,880	1,998,880
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 1,998,880	\$ 1,998,880

(Continued)

BUFFALO 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)
<u>JUSTICE CENTER PROJECT FUND</u>				
RECEIPTS				
Interest	\$ -	\$ -	\$ 311,940	\$ 311,940
TOTAL RECEIPTS	-	-	311,940	311,940
DISBURSEMENTS	8,390,000	8,390,000	5,827,818	2,562,182
Net Change in Fund Balance	(8,390,000)	(8,390,000)	(5,515,878)	2,874,122
FUND BALANCE - BEGINNING	16,706,934	16,706,934	16,706,934	-
FUND BALANCE - ENDING	<u>\$ 8,316,934</u>	<u>\$ 8,316,934</u>	<u>\$ 11,191,056</u>	<u>\$ 2,874,122</u>

(Concluded)

BUFFALO 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.

Excess of Disbursements Over Appropriations

For the year ended June 30, 2010, disbursements exceeded budgeted appropriations in the Bond Debt Fund by \$350. The over-expenditure was funded by the available fund balance.

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

For the Year Ended June 30, 2010

	Special Road Fund	Visitor Promotion Fund	Promotion Improvement Fund	Unemployment Fund	Medical Relief Fund	Institutions Fund	Veterans' Aid Fund	Stop Program Fund	Drug Fund
RECEIPTS									
Property Taxes	\$ -	\$ 356,604	\$ 356,604	\$ -	\$ -	\$ -	\$ 26,991	\$ -	\$ -
Interest	-	59	59	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	2,717	-	-
Charges for Services	-	-	-	-	-	-	-	19,104	111,497
Miscellaneous	-	-	-	-	15,813	-	-	-	-
TOTAL RECEIPTS	-	356,663	356,663	-	15,813	-	29,708	19,104	111,497
DISBURSEMENTS									
General Government	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	15,203	80,478
Public Works	-	-	-	-	-	-	-	-	-
Public Assistance	-	-	-	-	86,347	8,407	30,000	-	-
Culture and Recreation	-	347,550	346,800	-	-	-	-	-	-
Debt Service:									
Principal Payments	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	-	347,550	346,800	-	86,347	8,407	30,000	15,203	80,478
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	-	9,113	9,863	-	(70,534)	(8,407)	(292)	3,901	31,019
OTHER FINANCING SOURCES (USES)									
Transfers in	166,668	-	-	-	85,000	-	-	-	-
Transfers out	(226,292)	-	-	(5,967)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(59,624)	-	-	(5,967)	85,000	-	-	-	-
Net Change in Fund Balances	(59,624)	9,113	9,863	(5,967)	14,466	(8,407)	(292)	3,901	31,019
FUND BALANCES - BEGINNING	59,624	27,186	26,570	5,967	3,727	16,716	5,506	22,921	27,812
FUND BALANCES - ENDING	\$ -	\$ 36,299	\$ 36,433	\$ -	\$18,193	\$ 8,309	\$ 5,214	\$ 26,822	\$ 58,831

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

For the Year Ended June 30, 2010

	Federal Grant Fund	Inheritance Fund	Re-Use Economic Development Fund	Bond Debt Fund	Building and Repair Fund	Noxious Weed Fund	911 Emergency Service Fund	Total Nonmajor Governmental Funds
RECEIPTS								
Property Taxes	\$ -	\$ 875,656	\$ -	\$ 1,635,188	\$ -	\$ -	\$ 129,100	\$ 3,380,143
Interest	-	-	-	821	7,815	-	-	8,754
Intergovernmental	32,555	-	-	170,938	-	-	53,765	259,975
Charges for Services	-	-	-	-	-	188,105	-	318,706
Miscellaneous	-	-	33,758	-	-	-	14,382	63,953
TOTAL RECEIPTS	32,555	875,656	33,758	1,806,947	7,815	188,105	197,247	4,031,531
DISBURSEMENTS								
General Government	-	323,695	-	-	-	-	-	323,695
Public Safety	26,055	-	-	-	-	-	226,572	348,308
Public Works	-	-	-	-	-	313,218	-	313,218
Public Assistance	-	-	-	-	-	-	-	124,754
Culture and Recreation	-	-	-	-	-	-	-	694,350
Debt Service:								
Principal Payments	-	-	-	280,000	-	-	-	280,000
Interest and Fiscal Charges	-	-	-	1,359,425	-	-	-	1,359,425
TOTAL DISBURSEMENTS	26,055	323,695	-	1,639,425	-	313,218	226,572	3,443,750
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	6,500	551,961	33,758	167,522	7,815	(125,113)	(29,325)	587,781
OTHER FINANCING SOURCES (USES)								
Transfers in	-	599,505	-	-	-	115,000	-	966,173
Transfers out	-	(1,468,000)	(38,681)	-	(176,947)	-	-	(1,915,887)
TOTAL OTHER FINANCING SOURCES (USES)	-	(868,495)	(38,681)	-	(176,947)	115,000	-	(949,714)
Net Change in Fund Balances	6,500	(316,534)	(4,923)	167,522	(169,132)	(10,113)	(29,325)	(361,933)
FUND BALANCES - BEGINNING	-	1,836,915	38,681	360,456	169,132	76,223	89,193	2,766,629
FUND BALANCES - ENDING	\$ 6,500	\$ 1,520,381	\$ 33,758	\$ 527,978	\$ -	\$ 66,110	\$ 59,868	\$ 2,404,696

BUFFALO 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)
SPECIAL ROAD FUND				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	166,667	166,667	166,668	1
Transfers out	(226,291)	(226,291)	(226,292)	(1)
TOTAL OTHER FINANCING SOURCES (USES)	(59,624)	(59,624)	(59,624)	-
Net Change in Fund Balance	(59,624)	(59,624)	(59,624)	-
FUND BALANCE - BEGINNING	59,624	59,624	59,624	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ -	\$ -

VISITOR PROMOTION FUND				
RECEIPTS				
Taxes	\$ 408,814	\$ 408,814	\$ 356,604	\$ (52,210)
Interest	-	-	59	59
TOTAL RECEIPTS	408,814	408,814	356,663	(52,151)
DISBURSEMENTS	436,000	436,000	347,550	88,450
Net Change in Fund Balance	(27,186)	(27,186)	9,113	36,299
FUND BALANCE - BEGINNING	27,186	27,186	27,186	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 36,299	\$ 36,299

(Continued)

BUFFALO 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)
VISITOR PROMOTION IMPROVEMENT FUND				
RECEIPTS				
Taxes	\$ 420,430	\$ 420,430	\$ 356,604	\$ (63,826)
Interest	-	-	59	59
TOTAL RECEIPTS	420,430	420,430	356,663	(63,767)
DISBURSEMENTS	447,000	447,000	346,800	100,200
Net Change in Fund Balance	(26,570)	(26,570)	9,863	36,433
FUND BALANCE - BEGINNING	26,570	26,570	26,570	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 36,433	\$ 36,433
UNEMPLOYMENT FUND				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(5,967)	(5,967)	(5,967)	-
TOTAL OTHER FINANCING SOURCES (USES)	(5,967)	(5,967)	(5,967)	-
Net Change in Fund Balance	(5,967)	(5,967)	(5,967)	-
FUND BALANCE - BEGINNING	5,967	5,967	5,967	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ -	\$ -

(Continued)

BUFFALO 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)
MEDICAL RELIEF FUND				
RECEIPTS				
Miscellaneous	\$ 10,000	\$ 10,000	\$ 15,813	\$ 5,813
TOTAL RECEIPTS	10,000	10,000	15,813	5,813
DISBURSEMENTS	126,500	126,500	86,347	40,153
OTHER FINANCING SOURCES (USES)				
Transfers in	112,773	112,773	85,000	(27,773)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	112,773	112,773	85,000	(27,773)
Net Change in Fund Balance	(3,727)	(3,727)	14,466	18,193
FUND BALANCE - BEGINNING	3,727	3,727	3,727	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 18,193	\$ 18,193

INSTITUTIONS FUND				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	21,000	21,000	8,407	12,593
OTHER FINANCING SOURCES (USES)				
Transfers in	4,284	4,284	-	(4,284)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	4,284	4,284	-	(4,284)
Net Change in Fund Balance	(16,716)	(16,716)	(8,407)	8,309
FUND BALANCE - BEGINNING	16,716	16,716	16,716	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 8,309	\$ 8,309

(Continued)

BUFFALO 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)
VETERANS' AID FUND				
RECEIPTS				
Taxes	\$ 27,759	\$ 27,759	\$ 26,991	\$ (768)
Intergovernmental	1,735	1,735	2,717	982
TOTAL RECEIPTS	29,494	29,494	29,708	214
DISBURSEMENTS	30,000	30,000	30,000	-
Net Change in Fund Balance	(506)	(506)	(292)	214
FUND BALANCE - BEGINNING	5,506	5,506	5,506	-
FUND BALANCE - ENDING	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 5,214</u>	<u>\$ 214</u>
STOP PROGRAM FUND				
RECEIPTS				
Charges for Services	\$ 16,579	\$ 16,579	\$ 19,104	\$ 2,525
TOTAL RECEIPTS	16,579	16,579	19,104	2,525
DISBURSEMENTS	39,500	39,500	15,203	24,297
Net Change in Fund Balance	(22,921)	(22,921)	3,901	26,822
FUND BALANCE - BEGINNING	22,921	22,921	22,921	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,822</u>	<u>\$ 26,822</u>
DRUG FUND				
RECEIPTS				
Charges for Services	\$ 122,688	\$ 122,688	\$ 111,497	\$ (11,191)
TOTAL RECEIPTS	122,688	122,688	111,497	(11,191)
DISBURSEMENTS	150,500	150,500	80,478	70,022
Net Change in Fund Balance	(27,812)	(27,812)	31,019	58,831
FUND BALANCE - BEGINNING	27,812	27,812	27,812	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,831</u>	<u>\$ 58,831</u>

(Continued)

BUFFALO 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)
FEDERAL GRANT FUND				
RECEIPTS				
Intergovernmental	\$ 176,400	\$ 176,400	\$ 32,555	\$ (143,845)
TOTAL RECEIPTS	176,400	176,400	32,555	(143,845)
DISBURSEMENTS	176,400	176,400	26,055	150,345
Net Change in Fund Balance	-	-	6,500	6,500
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 6,500	\$ 6,500
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 400,000	\$ 400,000	\$ 875,656	\$ 475,656
TOTAL RECEIPTS	400,000	400,000	875,656	475,656
DISBURSEMENTS	2,500	2,500	323,695	(321,195)
OTHER FINANCING SOURCES (USES)				
Transfers in	600,000	600,000	599,505	(495)
Transfers out	(2,834,415)	(2,834,415)	(1,468,000)	1,366,415
TOTAL OTHER FINANCING SOURCES (USES)	(2,234,415)	(2,234,415)	(868,495)	1,365,920
Net Change in Fund Balance	(1,836,915)	(1,836,915)	(316,534)	1,520,381
FUND BALANCE - BEGINNING	1,836,915	1,836,915	1,836,915	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 1,520,381	\$ 1,520,381

(Continued)

BUFFALO 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)
RE-USE ECONOMIC DEVELOPMENT FUND				
RECEIPTS				
Miscellaneous	\$ 50,000	\$ 50,000	\$ 33,758	\$ (16,242)
TOTAL RECEIPTS	50,000	50,000	33,758	(16,242)
DISBURSEMENTS	50,000	50,000	-	50,000
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(38,681)	(38,681)	(38,681)	-
TOTAL OTHER FINANCING SOURCES (USES)	(38,681)	(38,681)	(38,681)	-
Net Change in Fund Balance	(38,681)	(38,681)	(4,923)	33,758
FUND BALANCE - BEGINNING	38,681	38,681	38,681	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 33,758	\$ 33,758
BOND DEBT FUND				
RECEIPTS				
Taxes	\$ 1,738,475	\$ 1,738,475	\$ 1,635,188	\$ (103,287)
Interest	4,000	4,000	821	(3,179)
Intergovernmental	-	-	170,938	170,938
TOTAL RECEIPTS	1,742,475	1,742,475	1,806,947	64,472
DISBURSEMENTS	1,639,075	1,639,075	1,639,425	(350)
Net Change in Fund Balance	103,400	103,400	167,522	64,122
FUND BALANCE - BEGINNING	360,456	360,456	360,456	-
FUND BALANCE - ENDING	\$ 463,856	\$ 463,856	\$ 527,978	\$ 64,122

(Continued)

BUFFALO 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)
BUILDING AND REPAIR FUND				
RECEIPTS				
Interest	\$ 5,291	\$ 5,291	\$ 7,815	\$ 2,524
TOTAL RECEIPTS	5,291	5,291	7,815	2,524
DISBURSEMENTS				
	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(174,423)	(174,423)	(176,947)	(2,524)
TOTAL OTHER FINANCING SOURCES (USES)	(174,423)	(174,423)	(176,947)	(2,524)
Net Change in Fund Balance	(169,132)	(169,132)	(169,132)	-
FUND BALANCE - BEGINNING	169,132	169,132	169,132	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ -	\$ -
NOXIOUS WEED FUND				
RECEIPTS				
Charges for Services	\$ 145,000	\$ 145,000	\$ 188,105	\$ 43,105
TOTAL RECEIPTS	145,000	145,000	188,105	43,105
DISBURSEMENTS				
	342,669	342,669	313,218	29,451
OTHER FINANCING SOURCES (USES)				
Transfers in	121,446	121,446	115,000	(6,446)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	121,446	121,446	115,000	(6,446)
Net Change in Fund Balance	(76,223)	(76,223)	(10,113)	66,110
FUND BALANCE - BEGINNING	76,223	76,223	76,223	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 66,110	\$ 66,110

(Continued)

BUFFALO 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>911 EMERGENCY SERVICE FUND</u>				
RECEIPTS				
Taxes	\$ 96,592	\$ 96,592	\$ 129,100	\$ 32,508
Intergovernmental	-	53,764	53,765	1
Miscellaneous	-	-	14,382	14,382
TOTAL RECEIPTS	<u>96,592</u>	<u>150,356</u>	<u>197,247</u>	<u>46,891</u>
DISBURSEMENTS	<u>185,785</u>	<u>239,549</u>	<u>226,572</u>	<u>12,977</u>
Net Change in Fund Balance	(89,193)	(89,193)	(29,325)	59,868
FUND BALANCE - BEGINNING	<u>89,193</u>	<u>89,193</u>	<u>89,193</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,868</u>	<u>\$ 59,868</u>

(Concluded)

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

	County Clerk	Register of Deeds	Clerk of the District Court	County Sheriff	County Attorney	Weed Superintendent	Highway Superintendent
BALANCE JULY 1, 2009	\$ 115	\$ 59,460	\$ 1,076,212	\$ 69,431	\$ 50,322	\$ 86,850	\$ 39,995
RECEIPTS							
Property Taxes	-	-	-	155,746	-	-	-
Licenses and Permits	10,825	-	-	-	-	-	-
Intergovernmental	-	-	-	132,183	-	-	-
Charges for Services	3,670	245,869	153,985	1,000,573	-	138,915	98,564
Miscellaneous	-	-	-	-	-	-	9,015
State Fees	-	259,912	83,305	-	-	948	76
Other Liabilities	-	-	1,377,781	142,556	120,706	-	-
TOTAL RECEIPTS	14,495	505,781	1,615,071	1,431,058	120,706	139,863	107,655
DISBURSEMENTS							
Payments to County Treasurer	11,610	244,437	162,206	1,283,440	-	188,105	126,107
Payments to State Treasurer	2,690	256,576	78,617	-	-	948	76
Other Liabilities	-	4,177	1,385,477	143,014	84,080	-	-
TOTAL DISBURSEMENTS	14,300	505,190	1,626,300	1,426,454	84,080	189,053	126,183
BALANCE JUNE 30, 2010	\$ 310	\$ 60,051	\$ 1,064,983	\$ 74,035	\$ 86,948	\$ 37,660	\$ 21,467
BALANCE CONSISTS OF:							
Due to County Treasurer	\$ 310	\$ 25,546	\$ 3,708	\$ 68,896	\$ 84,930	\$ 37,660	\$ 21,467
Petty Cash	-	-	1,000	2,500	1,500	-	-
Due to State Treasurer	-	32,777	10,082	-	-	-	-
Due to Others	-	1,728	1,050,193	2,639	518	-	-
BALANCE JUNE 30, 2010	\$ 310	\$ 60,051	\$ 1,064,983	\$ 74,035	\$ 86,948	\$ 37,660	\$ 21,467

(Continued)

BUFFALO COUNTY
SCHEDULE OF OFFICE ACTIVITIES

For the Year Ended June 30, 2010

	Veterans' Service Officer	County Planning and Zoning	County Probation Officer	County Public Defender	County Extension Office	County Election Commissioner	Total
BALANCE JULY 1, 2009	\$ 36,244	\$ 50	\$ 50	\$ 2,000	\$ 2,000	\$ -	\$ 1,422,729
RECEIPTS							
Property Taxes	-	-	-	-	-	-	155,746
Licenses and Permits	-	5,800	-	-	-	-	16,625
Intergovernmental	-	-	-	-	-	-	132,183
Charges for Services	-	-	-	-	18,603	30,294	1,690,473
Miscellaneous	2,935	9	-	-	-	-	11,959
State Fees	-	-	-	-	-	-	344,241
Other Liabilities	30,030	-	-	-	61,153	-	1,732,226
TOTAL RECEIPTS	32,965	5,809	-	-	79,756	30,294	4,083,453
DISBURSEMENTS							
Payments to County Treasurer	-	5,809	-	-	18,603	30,171	2,070,488
Payments to State Treasurer	-	-	-	-	-	-	338,907
Other Liabilities	16,800	-	-	-	56,079	-	1,689,627
TOTAL DISBURSEMENTS	16,800	5,809	-	-	74,682	30,171	4,099,022
BALANCE JUNE 30, 2010	\$ 52,409	\$ 50	\$ 50	\$ 2,000	\$ 7,074	\$ 123	\$ 1,407,160
BALANCE CONSISTS OF:							
Due to County Treasurer	\$ 52,409	\$ -	\$ -	\$ -	\$ 5,074	\$ 123	\$ 300,123
Petty Cash	-	50	50	2,000	2,000	-	9,100
Due to State Treasurer	-	-	-	-	-	-	42,859
Due to Others	-	-	-	-	-	-	1,055,078
BALANCE JUNE 30, 2010	\$ 52,409	\$ 50	\$ 50	\$ 2,000	\$ 7,074	\$ 123	\$ 1,407,160

(Concluded)

BUFFALO 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	\$ 38,873,647	\$ 42,957,626	\$ 45,004,273	\$ 49,022,597	\$ 54,397,215
Personal and Specials	4,434,737	4,768,422	5,157,510	6,984,347	7,917,255
Total	<u>43,308,384</u>	<u>47,726,048</u>	<u>50,161,783</u>	<u>56,006,944</u>	<u>62,314,470</u>
Corrections					
Additions	69,398	306,779	81,398	122,972	13,470
Deductions	<u>(41,638)</u>	<u>(84,581)</u>	<u>(41,792)</u>	<u>(79,984)</u>	<u>(575,153)</u>
Net Additions/ (Deductions)	<u>27,760</u>	<u>222,198</u>	<u>39,606</u>	<u>42,988</u>	<u>(561,683)</u>
Corrected Certified Tax	<u>43,336,144</u>	<u>47,948,246</u>	<u>50,201,389</u>	<u>56,049,932</u>	<u>61,752,787</u>
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2006	24,552,758	-	-	-	-
June 30, 2007	18,688,690	26,945,193	-	-	-
June 30, 2008	20,403	20,975,561	28,518,619	-	-
June 30, 2009	(455)	2,100	21,607,072	32,820,424	-
June 30, 2010	<u>240</u>	<u>5,574</u>	<u>18,376</u>	<u>23,159,264</u>	<u>35,226,436</u>
Total Net Collections	<u>43,261,636</u>	<u>47,928,428</u>	<u>50,144,067</u>	<u>55,979,688</u>	<u>35,226,436</u>
Total Uncollected Tax	<u>\$ 74,508</u>	<u>\$ 19,818</u>	<u>\$ 57,322</u>	<u>\$ 70,244</u>	<u>\$ 26,526,351</u>
Percentage Uncollected Tax	<u>0.17%</u>	<u>0.04%</u>	<u>0.11%</u>	<u>0.13%</u>	<u>42.96%</u>



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

Board of Supervisors
Buffalo County, Nebraska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buffalo County as of and for the year ended June 30, 2010, and have issued our report thereon dated January 24, 2011. The report notes the financial statements were prepared on the basis of cash receipts and disbursements. Except as noted above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Buffalo 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 Buffalo County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable

possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies to be material weaknesses:

- The County offices had a lack of segregation of duties since one person could handle all aspects of processing a transaction from beginning to end. Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. Due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost.
- The County Board did not have adequate procedures in place to ensure claims presented for payment were complete, accurate, and reasonable in order to safeguard Buffalo County assets.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Buffalo 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 Buffalo County in a separate letter dated January 24, 2011.

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

Signed Original on File

January 24, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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January 24, 2011

Board of Supervisors
Buffalo County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Buffalo County (County) for the fiscal year ended June 30, 2010, and have issued our report thereon dated January 24, 2011. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

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

COUNTY OVERALL

Segregation of Duties

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

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

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

COUNTY BOARD

Grant Writer Commission Claim

Neb. Rev. Stat. § 84-1413(1) (Supp. 2009) requires each public body to keep minutes of all meetings, including the substance of all matters discussed. Subsection (2) of that same statute requires action taken on any question or motion to be duly moved and seconded by roll call vote in open session, the record indicating how each member voted.

Neb. Rev. Stat. § 23-135 (Reissue 2007) states, in relevant part: “All claims against a county shall be filed with the county clerk within ninety days from the time when any materials or labor, which form the basis of the claims, have been furnished or performed...”

Neb. Rev. Stat. § 23-135.01 (Reissue 2007) provides, in relevant part: “Whoever shall file any claim against any county as provided in section 23-135, knowing said claim to contain any false statement or representation as to a material fact or whoever shall obtain or receive any money or any warrant for money from any county knowing that the claim therefor was based on a false statement or representation as to a material fact, if the amount claimed or money obtained or received, or if the face value of the warrant for money shall be one thousand dollars or more shall be guilty of a Class IV felony.”

Neb. Rev. Stat. § 49-1499.03(1)(a) (Supp. 2009) says: “An official of a political subdivision designated in section 49-1493 who would be required to take any action or make any decision in the discharge of his or her official duties that may cause financial benefit or detriment to him or her, a member of his or her immediate family, or a business with which he or she is associated, which is distinguishable from the effects of such action on the public generally or a broad segment of the public, shall take the following actions as soon as he or she is aware of such potential conflict or should reasonably be aware of such potential conflict, whichever is sooner: (i) Prepare a written statement describing the matter requiring action or decision and the nature of the potential conflict; and (ii) Deliver a copy of the statement to the commission and to the person in charge of keeping records for the political subdivision who shall enter the statement onto the public records of the subdivision.”

During our testing of County claims, we noted the following:

- On June 22, 2010, five of seven members of the County Board of Supervisors, Horace Dannehl, Ivan Klein, William McMullen, Sherry Morrow, and Richard Pierce (Kent Greder and Timothy Loewenstein were absent), approved, without a roll call vote, a consent agenda which included a \$158,711 claim payable to Blue Sky Ink, Inc. That particular claim was derived from a grant writer contract entered into for the period July 1, 2003, to June 30, 2004. Blue Sky Ink, Inc. is a company owned by Janna Pierce,

the spouse of Board Chairman Richard Pierce. This grant writer contract related to searching for and obtaining grant funding that would benefit the citizens of Buffalo County. In addition to a flat fee, the contract included a commission on grant funding secured. The undated \$158,711 invoice was reportedly hand-delivered to the County Board's office for filing by Board Chairman Richard Pierce.

- The Blue Sky Ink, Inc. claim, dated June 11, 2010, was presented to the County Board on June 22, 2010. Despite being married to the owner of that company, Richard Pierce did not recuse himself from the process of approving the claim. Rather, he inquired if there was anything to be removed from the Board's consent agenda for that day. Hearing nothing, Chairman Pierce declared the general county business approved without either further hearing or a roll call vote by the Board. The Board minutes noted *no* discussion as to the \$158,711 claim and its merits.
- County personnel indicated the claim was filed without supporting documentation, and there was insufficient time to investigate properly the merits of the claim prior to its presentation to and approval by the County Board. In the five months subsequent to approval, moreover, no further investigation was made into the validity of the claim.
- A copy of the invoice follows:

Blue Sky Ink, Inc.
Janna Pierce
33560 Hwy 183
Miller, NE 68858
308-457-3605

Blue Sky Ink, dba Blue Sky Writing Services at the time, had a contract with Buffalo County that was in full force from July 1, 2003 to June 30, 2004. The contract was for grant writing services that were successfully delivered by Blue Sky. That contract was written with a commission scale figured in.

The following grants were written by Blue Sky and awarded between July 1, 2003 and June 30, 2004. These amounts do not include any match money.

DEQ Tire Cleanup Grant	\$36,000.00
Emergency Management Radio System grant	\$4,400,000.00
Buffalo County Community Health Partners	\$125,000.00
Ravenna Fire Department	\$62,493.00
Miller Community Hall	\$25,400.00
Total:	\$4,648,893.00

Of that amount, the first \$100,000.00 is left out leaving	\$4,548,893.00	
For amount between \$100,001 and \$300,000: 199,999.00 x 5%		\$10,000.00
For amount over \$300,001: 4,548,893.00-300,001.00= 4,248,892.00 x 3.5%		\$148,711.22
Total owed Blue Sky		\$158,711.22

This should explain the bill sufficiently. If you have any questions concerning this please call me and visit about it so everything can be talked out before the board meeting on Tuesday. Thank you.

- The Blue Sky Ink, Inc. claim included \$4.4 million related to an “Emergency Management Radio System grant.” That amount was taken from a June 2004 Nebraska Emergency Management Agency (NEMA) press release, which stated: “The Central Nebraska region of Dawson, Buffalo, Hall, Hamilton, Frontier, Gosper, Phelps, Kearney, Adams, and Harlan Counties will be receiving \$4.4 million to develop regional interoperability and to create a microwave backbone system to provide for redundant capability.” NEMA awarded a total of \$4,368,495 in 2004 Law Enforcement Terrorism Prevention Program (LETPP) and 2004 State Homeland Security Program (SHSP) grants to various grantee counties for the 2004 grant year. Buffalo County’s award as a subrecipient was \$1,238,336. The Subgrantee Grant Award Report below indicates that the \$4.4 million claim provision appears to be unsupportable, as Buffalo County’s share of the original grant amount was \$1.2 million, only a portion of that overall grant amount.

Subgrantee Grant Award Report
State of Nebraska
All Subgrantees
GRANT YEAR 2004
All Dates
12/07/2010 10:49 AM CST

Subgrantee	Grant Year	2004 LETPP		2004 SHSP		2004 Totals	
		Original Award	Final Award	Original Award	Final Award	Original Total	Final Total
Adams County	2004	\$56,200.00	\$53,415.00	\$628,877.00	\$505,180.02	\$685,077.00	\$558,595.02
Buffalo County	2004	\$1,012,203.00	\$1,011,070.16	\$226,133.00	\$197,674.16	\$1,238,336.00	\$1,208,744.32
Dawson County	2004	\$0.00	\$0.00	\$328,436.00	\$291,130.75	\$328,436.00	\$291,130.75
Frontier County	2004	\$20,093.00	\$14,137.56	\$347,678.00	\$325,152.38	\$367,771.00	\$339,289.94
Gosper County/Region 15	2004	\$0.00	\$0.00	\$45,782.00	\$45,155.00	\$45,782.00	\$45,155.00
Hall County	2004	\$269,789.00	\$259,898.37	\$263,355.00	\$233,941.13	\$533,144.00	\$493,839.50
Hamilton County	2004	\$46,203.00	\$45,814.92	\$168,196.00	\$130,096.12	\$214,399.00	\$175,911.04
Harlan County	2004	\$0.00	\$0.00	\$151,877.00	\$149,024.85	\$151,877.00	\$149,024.85
Kearney County	2004	\$99,188.00	\$98,865.00	\$286,367.00	\$239,618.31	\$385,555.00	\$338,483.31
Phelps County	2004	\$0.00	\$0.00	\$418,118.00	\$353,181.44	\$418,118.00	\$353,181.44
		\$1,503,676.00	\$1,483,201.01	\$2,864,819.00	\$2,470,154.16	\$4,368,495.00	\$3,953,355.17

The difference between the original award and final award is the result of reallocating unused grant funds to other counties in the State so they were used before the grant closed

- In response to the approximately six-year delay in submitting her claim, Janna Pierce was quoted in the July 21, 2010, *Kearney Hub* newspaper as saying: “I was trying to be kind to the county. I was waiting for them to get over a big budget crunch they had for a couple years there, and then they did the jail, so I was trying to hold off on it to give them the chance to get their feet under them. It just came time I had to give up and say, ‘That’s not going to happen.’”
- On June 12, 2003, Richard L. and Janna M. Pierce filed for Voluntary Joint Chapter 12 bankruptcy in Nebraska U.S. Bankruptcy Court, Case No. 03-42048-TLS. The Court issued a Discharge of Debtor Order on April 17, 2007. The bankruptcy case records available to the public through LexisNexis, as of January 12, 2011, contain *no* mention of any interest in or anticipated income related to Blue Sky Ink, Inc.’s July 1, 2003, to June 30, 2004, contract with Buffalo County.

Without proper roll call votes by the County Board and detailed scrutiny of the merits and supporting documentation of all submitted claims, including documented open meeting discussion of large and/or unusual claims, as well as those involving related-party transactions,

county government may be perceived as lacking both transparency and accountability to its citizens. Buffalo County paid for services that were provided over six years prior to the submission of the invoice and lacked adequate documentation to support the validity of the claim presented.

We recommend that, based on the issues raised herein, the County Attorney pursue any and all legal financial remedies, either individually, collectively, or through the county's public entity risk pool insurance, to address any issues raised herein and recover money belonging to the County. We are also referring this issue to the U.S Department of Justice, the Nebraska Attorney General, and the Nebraska Accountability and Disclosure Commission for further investigation.

FLSA Overtime

Under the Fair Labor Standards Act (FLSA) "overtime" means time ***actually worked*** beyond a prescribed threshold with the normal FLSA work period being a standard "work week" – 7 consecutive days – and the normal FLSA overtime threshold being a 40 hour work week. Accordingly, time ***actually worked*** over 40 hours in a work week is "FLSA" overtime and, generally, time not worked, including leave time for whatever reason, is not required to be included in the computation of FLSA overtime pay due.

During our review of payroll, the following was noted:

- ***Leave*** hours (hours not actually worked) were generally calculated into a 40-hour work week for purposes of determining employee eligibility for overtime pay for Road Department employees.
- The Buffalo County employee manual adopted July 1, 2007, addressed overtime, however, did not address whether certain types of leave hours were to be counted into a 40-hour workweek for purposes of determining employee overtime pay eligibility.

Potential noncompliance with the Fair Labor Standards Act (FLSA) provisions increases the County's risk of liability.

We recommend the County Board of Supervisors, together with the County Attorney; review how all County offices and Departments compute a 40-hour workweek for purposes of determining employee overtime pay eligibility in relation to the FLSA and the current Buffalo County employee manual.

Accrued Employee Leave Liabilities

Sound accounting practices and good internal control require employers have adequate procedures in place to identify and quantify basic employee leave liabilities and their potential impact on the finances of the County government.

During our review of payroll, it was noted that while the County Board had a working knowledge of, and control over, the employee leave balances for appointed officials and employees of those appointed offices, the County Board lacked any knowledge of the leave accrual policies in place in the offices of its various elected officials.

Accrued, but unused employee leave, could represent a significant financial liability potentially affecting cash flow and the County's fund balances based on the size of the liability exposure.

We recommend the County Board establish, at a minimum, a basic, working understanding of its potential employee leave liability, including an understanding of the leave policies being employed in the offices of its various elected officials.

County Claims

Neb. Rev. Stat. § 23-109 (Reissue 2007) gives the County Board the power alone to examine and settle all accounts against the county. Good internal control requires all claims approved by the County Board be supported by adequate documentation. Neb. Rev. Stat. § 23-106(2) (Reissue 2007) gives the County Board the authority to establish petty cash funds for the purpose of making payments for subsidiary general operational expenditures and purchases.

During testing of County claims, we noted the following:

- One of twenty-five claims tested was for a \$9 reimbursement of meal expense and was not supported by an itemized credit card receipt.
- One of twenty-five claims tested was for \$1,031 in computer support services; however, this claim was not a valid expense of Buffalo County as such computer support services were already provided for under a separate agreement with ESU 10.
- Petty cash reimbursement claims submitted to the County Board by the Public Defender for various office expenses, including support service personnel, lacked supporting documentation.

When claims are not adequately supported the County is exposed to an increased risk of loss, theft, or misuse of County funds.

We recommend the County Board implement procedures to ensure all claims paid, including petty cash fund reimbursements to authorized accounts, are supported with adequate documentation.

Over Expended Budget

Neb. Rev. Stat. § 23-916 (Reissue 2007) states "After the adoption of the county budget, no officer, department or other expending agency shall expend or contract to be expended any money, or incur any liability, or enter into any contract which, by its terms, involves the expenditure of money not provided for in the budget, or which involves the expenditure of any

money for any of the purposes for which provision is made in the budget in excess of the amounts provided in said budget for such office, department or other expending agency, or purpose, for such fiscal year.”

During our audit we noted the Bond Debt Fund over expended their budget by \$350.

When expenditures are made in excess of amounts budgeted with no appropriation adjustments by the County Board to address those excesses; the County is non-compliant with State statute.

We recommend the County implement procedures to closely monitor its budget status on an ongoing basis to avoid individual funds from incurring expenses in excess of amounts budgeted.

VETERANS’ SERVICE OFFICER

Veterans’ Service Officer Bank Accounts

Op. Att’y Gen. No. 98028 (June 22, 1998) states “neither the veterans service committee nor the veterans service officer has authority to invest those funds in certificates of deposit or otherwise. That responsibility for county funds rests with the county treasurer.” The opinion goes on to instruct “the veterans service committees or veterans service officers in the counties at issue to voluntarily return any excess funds which have accumulated in their veterans aid checking accounts to the county treasurer in their county.”

During our review of the Veterans’ Service Officer financial activity, the following was noted:

- The Veterans’ Service Officer had one bank account, which at June 30, 2010, had a reconciled balance of \$51,400.
- The County Board has historically budgeted and paid \$30,000 annually to the Veterans’ Service Officer from the Veterans’ Aid Fund with no detailed accountability of actual expenditures.
- During the fiscal year audited, the Veterans’ Service Officer disbursed a total of \$13,771 providing aid to veterans; approximately 46% of the \$30,000 annual amount received from the County Board, resulting in a gradual build-up of the Officer’s bank account balance.

When funds are not properly held by the County Treasurer, there is an increased risk of the loss, theft, or misuse of County funds.

We recommend the County Board establish a reasonable, imprest petty cash fund for the County Veterans’ Service Officer and that all funds in excess of the established amount be remitted to the County Treasurer for deposit into the Veterans’ Aid Fund.

COUNTY ATTORNEY

County Attorney Bank Accounts

Neb. Rev. Stat. § 23-1601 (Reissue 2007) states, “it is the duty of the county treasurer to receive all money belonging to the county, from whatsoever source derived...All money received by the county treasurer for the use of the county shall be paid out by him or her only on warrants issued by the county board in accordance with law.” In addition, Neb. Rev. Stat. § 23-109 gives the County Board the power alone to examine and settle all accounts against the county. Good internal control requires all claims approved by the County Board be supported by adequate documentation.

During review of the financial activity of the office of the County Attorney it was noted the office maintains several different bank accounts which are used for various purposes, including Federal drug forfeiture collections and related equipment purchases. As of June 30, 2010, the balance of these accounts totaled \$84,930 and included one \$6,944 certificate of deposit. Interest earned on these various accounts is not remitted to the County Treasurer.

When funds are not properly held by the County Treasurer, there is an increased risk of the loss, theft, or misuse of County funds.

We recommend the County Board establish reasonable, imprest petty cash funds where necessary for the County Attorney and that all funds in excess of the established amount be remitted to the County Treasurer for deposit into the appropriate County funds.

HIGHWAY & WEED SUPERINTENDENTS

Personal Use of County-owned Equipment

Section 49-14,101 (Reissue 2004) of the Nebraska Political Accountability and Disclosure Act provides that no public official or public employee shall use personnel, resources, property, or funds under that individual’s official care and control, other than in accordance with prescribed constitutional, statutory, and regulatory procedures, or use such items, other than compensation provided by law, for personal financial gain. Simply stated, the personnel, resources, property, or funds of a political subdivision may be used for government purposes only.

During our audit, the following was noted:

- Buffalo County employees, landowners, and local businesses would use county-owned equipment for personal purposes with such use documented by a check-out/return log book.
- On November 2, 2010, the Buffalo County Board of Supervisors formally ordered that the practice of non-governmental use of county-owned equipment, supplies, and inventory cease.

When county-owned personnel, resources, property, or funds are used for non-government purposes the County is noncompliant with State Statute and subject to an increased risk of loss, theft, or misuse of such items.

While the Board of Supervisors have been proactive in addressing this issue we would recommend the Board's continued vigilance and reaction whenever it becomes aware of such activities in the future.

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

Draft copies of this report were furnished to the County to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. The County declined to respond.

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

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

Sincerely,

Signed Original on File

Deann Haeffner, CPA
Assistant Deputy Auditor