

**AUDIT REPORT  
OF  
MERRICK COUNTY**

**JULY 1, 2010 THROUGH JUNE 30, 2011**

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the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original  
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**Issued on June 14, 2012**

MERRICK COUNTY

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MERRICK COUNTY

**LIST OF COUNTY OFFICIALS**

At June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Graves	Board of Supervisors	Jan. 2015
D.L. Hahn		Jan. 2015
James Helgoth		Jan. 2015
John Jefferson		Jan. 2013
Rex Weller		Jan. 2015
Roger Wiegert		Jan. 2013
Robert Husmann		Jan. 2013
Jan Placke	Assessor	Jan. 2015
Lynelle Homolka	Attorney	Jan. 2015
Marcia Wichmann	Clerk Election Commissioner Register of Deeds	Jan. 2015
Theresa Good	Clerk of the District Court	Jan. 2015
Kevin Campbell	Sheriff	Jan. 2015
Karen Dunham	Treasurer	Jan. 2015
Gary Berry	Veterans' Service Officer	Appointed
Jerry Willhoft	Weed Superintendent	Appointed
Michael Meyer	Highway Superintendent	Appointed
Jennifer Myers	Planning and Zoning	Appointed



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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### MERRICK COUNTY

### INDEPENDENT AUDITORS' REPORT

Board of Supervisors  
Merrick County, Nebraska

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merrick County, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the County's primary government, as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

The financial statements referred to above include only the primary government of Merrick 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 Merrick County as of June 30, 2011, 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 Merrick County, as of June 30, 2011, and the respective changes in cash balances thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2012, on our consideration of Merrick County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statement, nonmajor budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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

May 16, 2012

Deann Haeffner, CPA  
Assistant Deputy Auditor

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

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 1.D)	\$ 1,927,173
Investments (Note 1.D)	169,595
<b>TOTAL ASSETS</b>	<b>\$ 2,096,768</b>
<b>NET ASSETS</b>	
Restricted for:	
Visitor Promotion	\$ 6,285
911 Emergency Services	56,745
Drug Education	4,560
Law Enforcement	5,508
Debt Service	188,797
Unrestricted	1,834,873
<b>TOTAL NET ASSETS</b>	<b>\$ 2,096,768</b>

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

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

<b>Functions:</b>	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
General Government	\$ (1,688,206)	\$ 261,927	\$ 32,097	\$ (1,394,182)
Public Safety	(777,342)	31,595	39,053	(706,694)
Public Works	(2,221,101)	-	1,067,777	(1,153,324)
Health and Sanitation	(138,508)	-	-	(138,508)
Public Assistance	(70,405)	-	-	(70,405)
Culture and Recreation	(30,695)	-	-	(30,695)
Debt Payments	(142,544)	-	-	(142,544)
Capital Outlay	(9,546)	-	-	(9,546)
<b>Total Governmental Activities</b>	<b><u>\$ (5,078,347)</u></b>	<b><u>\$ 293,522</u></b>	<b><u>\$ 1,138,927</u></b>	<b><u>(3,645,898)</u></b>

General Receipts:	
Property Taxes	3,002,332
Grants and Contributions Not Restricted to Specific Programs	332,788
Investment Income	47,941
Licenses and Permits	34,699
Miscellaneous	43,831
<b>Total General Receipts</b>	<b><u>3,461,591</u></b>
Change in Net Assets	(184,307)
Net Assets - Beginning	2,281,075
Net Assets - Ending	<b><u>\$ 2,096,768</u></b>

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

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

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents (Note 1.D)	\$ 485,377	\$ 354,005	\$ 566,220	\$ 521,571	\$ 1,927,173
Investments (Note 1.D)	-	-	169,595	-	169,595
<b>TOTAL ASSETS</b>	<b>\$ 485,377</b>	<b>\$ 354,005</b>	<b>\$ 735,815</b>	<b>\$ 521,571</b>	<b>\$ 2,096,768</b>
<b>FUND BALANCES</b>					
Restricted for:					
Visitor Promotion	\$ -	\$ -	\$ -	\$ 6,285	\$ 6,285
911 Emergency Services	-	-	-	56,745	56,745
Drug Education	-	-	-	4,560	4,560
Law Enforcement	-	-	-	5,508	5,508
Debt Service	-	-	-	188,797	188,797
Committed to:					
Law Enforcement	-	-	-	42,897	42,897
Road Maintenance	-	354,005	-	-	354,005
Aid and Assistance	-	-	-	8,222	8,222
County Buildings	-	-	-	191,319	191,319
General Government	-	-	-	17,238	17,238
Assigned to:					
Other Purposes	-	-	735,815	-	735,815
Unassigned	485,377	-	-	-	485,377
<b>TOTAL CASH BASIS FUND BALANCES</b>	<b>\$ 485,377</b>	<b>\$ 354,005</b>	<b>\$ 735,815</b>	<b>\$ 521,571</b>	<b>\$ 2,096,768</b>

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

MERRICK COUNTY  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>RECEIPTS</b>					
Property Taxes	\$ 2,585,816	\$ -	\$ 196,782	\$ 219,734	\$ 3,002,332
Licenses and Permits	34,699	-	-	-	34,699
Interest	47,694	-	-	247	47,941
Intergovernmental	279,596	1,160,458	-	31,661	1,471,715
Charges for Services	284,811	-	-	8,711	293,522
Miscellaneous	20,859	21,560	-	1,412	43,831
<b>TOTAL RECEIPTS</b>	<u>3,253,475</u>	<u>1,182,018</u>	<u>196,782</u>	<u>261,765</u>	<u>4,894,040</u>
<b>DISBURSEMENTS</b>					
General Government	1,623,735	-	61,585	2,886	1,688,206
Public Safety	670,469	-	-	106,873	777,342
Public Works	39,753	2,181,348	-	-	2,221,101
Health and Sanitation	138,508	-	-	-	138,508
Public Assistance	70,405	-	-	-	70,405
Culture and Recreation	25,642	-	-	5,053	30,695
Debt Service:					
Principal Payments	-	-	-	70,000	70,000
Interest and Fiscal Charges	-	-	-	72,544	72,544
Capital Outlay	-	-	-	9,546	9,546
<b>TOTAL DISBURSEMENTS</b>	<u>2,568,512</u>	<u>2,181,348</u>	<u>61,585</u>	<u>266,902</u>	<u>5,078,347</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>684,963</u>	<u>(999,330)</u>	<u>135,197</u>	<u>(5,137)</u>	<u>(184,307)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	556,310	874,301	-	32,014	1,462,625
Transfers out	(906,315)	-	(455,000)	(101,310)	(1,462,625)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(350,005)</u>	<u>874,301</u>	<u>(455,000)</u>	<u>(69,296)</u>	<u>-</u>
Net Change in Fund Balances	334,958	(125,029)	(319,803)	(74,433)	(184,307)
<b>CASH BASIS FUND BALANCES - BEGINNING</b>	<u>150,419</u>	<u>479,034</u>	<u>1,055,618</u>	<u>596,004</u>	<u>2,281,075</u>
<b>CASH BASIS FUND BALANCES - ENDING</b>	<u>\$ 485,377</u>	<u>\$ 354,005</u>	<u>\$ 735,815</u>	<u>\$ 521,571</u>	<u>\$ 2,096,768</u>

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

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

	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 793,826
 <b>LIABILITIES</b>	
Due to other governments	
State	149,876
Schools	267,520
Educational Service Units	1,423
Technical College	10,629
Natural Resource Districts	4,659
Fire Districts	4,327
Municipalities	72,899
Agricultural Society	442
Drainage Districts	2,165
Townships	178,488
Others	101,398
<b>TOTAL LIABILITIES</b>	<b>793,826</b>
 <b>TOTAL NET ASSETS</b>	 <b>\$ -</b>

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

# MERRICK COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2011

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

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

These financial statements present the County (the primary government). The Litzenberg Memorial 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 III - The County has entered into an agreement with surrounding counties and the Nebraska Department of Health and Human Services to provide services to carry out the provisions of the Nebraska Behavioral Health Services Act (Act). Agreements were established under the authority of the Interlocal Cooperation Act for services to be provided under the Act. Region III (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.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$17,763 toward the operation of the Region during fiscal year 2011. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Department of Health and Human Services 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 Central 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 (Reissue 2009, Supp. 2011).

The Department's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$31,142 toward the operation of the Department during fiscal year 2011. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is required to be audited annually in accordance with Neb. Rev. Stat. § 84-304(4) (Reissue 2008). Financial information for the Department is available in that report.

**B. Basis of Presentation**

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

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

**Fund Financial Statements.** The fund financial statements provide information about the County's funds, including its fiduciary funds. GAAP requires separate statements by fund category - governmental, proprietary, and fiduciary. The County uses only the governmental and fiduciary fund categories. The County Board is the highest level of decision-making authority and has the authority, by resolution, to establish, modify or rescind the commitment or assignment of a fund balance to a specific purpose. When resources for a specific purpose are available in more than one fund balance classification, the County's policy is to use resources in the following order: restricted, committed, assigned, and unassigned. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

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

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

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.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The County designates fund balances as:

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

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

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

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

C. **Measurement Focus, Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the County are maintained and the government-wide financial statements were reported on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis. Receipts are recognized when received and disbursements are recognized when warrants are paid. This differs from governmental GAAP, which requires the government-wide and fiduciary fund financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting receipts are recorded when earned and disbursements are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used, as described above. This differs from governmental GAAP, which require governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, receipts are recognized as soon as they are both measurable and available. Receipts are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Disbursements generally are recorded when a liability is incurred, as under accrual accounting. However, disbursements related to compensated absences and claims and judgments are recorded only when payment is due.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

**D. Assets and Net Assets**

**Cash and Cash Equivalents.** The County's cash and cash equivalents are considered to be cash on hand and demand deposits.

**Investments.** The types of investments in which the County is authorized to invest funds are enumerated in Neb. Rev. Stat. §§ 77-2315, 77-2340, and 77-2341 (Reissue 2009), and generally include U.S. Government obligations, certificates of deposit, and time deposits and securities, which are authorized by the Nebraska Investment Council.

**Capital Assets.** Under the cash receipts and disbursements basis of accounting, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds. GAAP requires capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) to be reported in the applicable governmental activities columns in the government-wide financial statements.

Depreciation expenses on capital assets were not recorded on the cash basis financial statements. Under GAAP, depreciation expenses would be recorded in the Statement of Activities. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

**Compensated Absences.** Vested or accumulated vacation leave that is liquidated with expendable available financial resources is reported as 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 \$261,895 of restricted net assets, of which \$67,590 is restricted by enabling legislation.

## MERRICK COUNTY

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 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 \$1,927,173 for County funds and \$793,826 for Fiduciary funds. The bank balances for all funds totaled \$2,724,103. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2011, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

The County's carrying value of investments are stated at cost, which approximates market. Investments consisted of \$160,000 in local Tax Increment Financing Bonds and of \$9,595 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. The Tax Increment Financing bonds were held by the County or its agent in the name of the County.

#### 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 2010, for the 2010 taxes, which will be materially collected in May and September 2011, was set at \$.302306/\$100 of assessed valuation. The levy set in October 2009, for the 2009 taxes, which were materially collected in May and September 2010, was set at \$.304773/\$100 of assessed valuation. The amount collected for motor vehicle tax is outlined in State statute.

MERRICK COUNTY

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**3. Property Taxes** (Concluded)

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

**4. Retirement System**

The Retirement System for Nebraska Counties (the Plan) is a multiple-employer plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2335 (Reissue 2007, Cum. Supp. 2010, Supp. 2011) and may be amended through legislative action.

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

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

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

For the year ended June 30, 2011, 80 employees contributed \$77,368, and the County contributed \$116,053. Additionally, for the year ended June 30, 2011, 10 law enforcement employees and the County contributed \$2,283 in cash contributions for the supplemental law enforcement plan. Lastly, the County paid \$2,328 directly to 14 retired employees for prior service benefits.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

5. **Risk Management**

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

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

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

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

The County has not paid any additional assessments to the pool in the last three fiscal years, and no assessments are anticipated for fiscal year 2012. The County has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

MERRICK COUNTY

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**6. Interfund Transfers**

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

<b>Transfers to</b>	General Fund	Inheritance Fund	Nonmajor Funds	Total
General Fund	\$ -	\$ 455,000	\$ 101,310	\$ 556,310
Road Fund	874,301	-	-	874,301
Nonmajor Funds	32,014	-	-	32,014
Total	\$ 906,315	\$ 455,000	\$ 101,310	\$ 1,462,625

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**

The County issued bonds on May 24, 2011, in the amount of \$1,600,000 for the purpose of refunding Series 2006 bonds issued for the purpose of paying the costs of constructing and equipping an addition to the courthouse. The bond payable balance, as of June 30, 2011, was \$1,600,000. 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:			
<b>Year</b>	Principal	Interest	Total
2012	\$ 100,000	\$ 38,699	\$ 138,699
2013	105,000	39,205	144,205
2014	105,000	38,313	143,313
2015	105,000	37,105	142,105
2016	105,000	35,582	140,582
2017-2021	575,000	141,520	716,520
2022-2025	505,000	46,213	551,213
Total Payments	\$ 1,600,000	\$ 376,637	\$ 1,976,637

MERRICK COUNTY

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**8. Hospital Bonds**

In June 2004, \$2,250,000 of Series 2004 general obligation bonds were issued by the Litzenberg Memorial County Hospital (Hospital) with the proceeds to be used to cover the costs of renovation and improvements 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, 2011, no additional taxes have been levied by the County. The balance of bonds payable at June 30, 2011, was \$1,650,000. Full disclosure of the liability can be found in the separately issued Hospital report.

**MERRICK COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 2,799,396	\$ 2,799,396	\$ 2,585,816	\$ (213,580)
Licenses and Permits	33,195	33,195	34,699	1,504
Interest	35,010	35,010	47,694	12,684
Intergovernmental	262,630	262,630	279,596	16,966
Charges for Services	236,375	236,375	284,811	48,436
Miscellaneous	24,053	24,053	20,859	(3,194)
<b>TOTAL RECEIPTS</b>	<b>3,390,659</b>	<b>3,390,659</b>	<b>3,253,475</b>	<b>(137,184)</b>
<b>DISBURSEMENTS</b>				
General Government:				
County Board	88,482	88,482	86,873	1,609
County Clerk	133,267	133,267	126,009	7,258
County Treasurer	125,775	125,775	125,180	595
County Assessor	68,814	139,450	134,588	4,862
Election Commissioner	38,790	38,790	25,740	13,050
Planning and Zoning	26,392	26,392	23,660	2,732
Clerk of the District Court	90,130	90,130	80,091	10,039
County Court System	9,200	9,200	5,224	3,976
Building and Grounds	93,672	93,672	88,997	4,675
Reappraisal	60,060	55,260	38,977	16,283
Agricultural Extension Agent	84,450	84,450	81,644	2,806
Child Support	13,145	13,145	12,101	1,044
Miscellaneous	875,732	794,651	794,651	-
Public Safety:				
County Sheriff	360,324	360,324	358,442	1,882
County Attorney	60,200	144,925	114,818	30,107
Communication Center	104,297	109,097	108,881	216
County Jail	74,516	74,516	71,054	3,462
Emergency Management	3,800	3,800	2,182	1,618
Miscellaneous	26,593	15,092	15,092	-
Public Works:				
County Surveyor	32,469	32,469	24,839	7,630
Miscellaneous	17,500	17,500	14,914	2,586
Public Health:				
Miscellaneous	140,725	140,725	138,508	2,217

(Continued)

**MERRICK COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>DISBURSEMENTS (Continued)</b>				
Public Assistance:				
Veterans' Service Officer	29,785	29,785	26,550	3,235
Miscellaneous	125,651	62,872	43,855	19,017
Culture and Recreation:				
Miscellaneous	23,000	23,000	25,642	(2,642)
<b>TOTAL DISBURSEMENTS</b>	<u>2,706,769</u>	<u>2,706,769</u>	<u>2,568,512</u>	<u>138,257</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>683,890</u>	<u>683,890</u>	<u>684,963</u>	<u>1,073</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	223,116	223,116	556,310	333,194
Transfers out	(1,029,661)	(1,029,661)	(906,315)	123,346
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(806,545)</u>	<u>(806,545)</u>	<u>(350,005)</u>	<u>456,540</u>
Net Change in Fund Balance	(122,655)	(122,655)	334,958	457,613
<b>FUND BALANCE - BEGINNING</b>	150,419	150,419	150,419	-
<b>FUND BALANCE - ENDING</b>	<u>\$ 27,764</u>	<u>\$ 27,764</u>	<u>\$ 485,377</u>	<u>\$ 457,613</u>

(Concluded)

**MERRICK COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**MAJOR FUNDS**

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>ROAD FUND</b>				
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,107,950	\$ 1,107,950	\$ 1,160,458	\$ 52,508
Charges for Services	100	100	-	(100)
Miscellaneous	31,199	31,199	21,560	(9,639)
<b>TOTAL RECEIPTS</b>	<u>1,139,249</u>	<u>1,139,249</u>	<u>1,182,018</u>	<u>42,769</u>
<b>DISBURSEMENTS</b>	<u>2,492,583</u>	<u>2,492,583</u>	<u>2,181,348</u>	<u>311,235</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>(1,353,334)</u>	<u>(1,353,334)</u>	<u>(999,330)</u>	<u>354,004</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	874,300	874,300	874,301	1
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>874,300</u>	<u>874,300</u>	<u>874,301</u>	<u>1</u>
Net Change in Fund Balance	(479,034)	(479,034)	(125,029)	354,005
FUND BALANCE - BEGINNING	479,034	479,034	479,034	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 354,005</u>	<u>\$ 354,005</u>
<b>INHERITANCE FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ 81,200	\$ 81,200	\$ 196,782	\$ 115,582
<b>TOTAL RECEIPTS</b>	<u>81,200</u>	<u>81,200</u>	<u>196,782</u>	<u>115,582</u>
<b>DISBURSEMENTS</b>	<u>805,618</u>	<u>805,618</u>	<u>61,585</u>	<u>744,033</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>(724,418)</u>	<u>(724,418)</u>	<u>135,197</u>	<u>859,615</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	250,000	250,000	-	(250,000)
Transfers out	(250,000)	(250,000)	(455,000)	(205,000)
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(455,000)</u>	<u>(455,000)</u>
Net Change in Fund Balance	(724,418)	(724,418)	(319,803)	404,615
FUND BALANCE - BEGINNING	1,055,618	1,055,618	1,055,618	-
FUND BALANCE - ENDING	<u>\$ 331,200</u>	<u>\$ 331,200</u>	<u>\$ 735,815</u>	<u>\$ 404,615</u>

## MERRICK COUNTY

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2011

#### BUDGETARY COMPARISON SCHEDULES

##### **GAAP Requirements**

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

##### **Budgetary Process**

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

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

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

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

	Visitor Promotion Fund	Unemployment Fund	Medical Relief Fund	Institutions Fund	Veterans' Aid Fund	Juvenile Diversion Fund
<b>RECEIPTS</b>						
Property Taxes	\$ 3,538	\$ -	\$ -	\$ 3,112	\$ -	\$ 11,528
Interest	-	92	-	-	-	-
Intergovernmental	-	-	12	59	-	20,855
Charges for Services	-	-	-	-	-	5,878
Miscellaneous	-	-	-	-	-	500
<b>TOTAL RECEIPTS</b>	<u>3,538</u>	<u>92</u>	<u>12</u>	<u>3,171</u>	<u>-</u>	<u>38,761</u>
<b>DISBURSEMENTS</b>						
General Government	-	2,264	-	-	-	-
Public Safety	-	-	-	-	-	49,940
Culture and Recreation	5,053	-	-	-	-	-
Debt Service:						
Principal Payments	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<u>5,053</u>	<u>2,264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,940</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>(1,515)</u>	<u>(2,172)</u>	<u>12</u>	<u>3,171</u>	<u>-</u>	<u>(11,179)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	16,000
Transfers out	-	-	(40,399)	(46,538)	-	(11,776)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(40,399)</u>	<u>(46,538)</u>	<u>-</u>	<u>4,224</u>
Net Change in Fund Balances	(1,515)	(2,172)	(40,387)	(43,367)	-	(6,955)
<b>FUND BALANCES - BEGINNING</b>	<u>7,800</u>	<u>19,410</u>	<u>40,387</u>	<u>43,368</u>	<u>8,221</u>	<u>30,319</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 6,285</u>	<u>\$ 17,238</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 8,221</u>	<u>\$ 23,364</u>
<b>FUND BALANCES:</b>						
Restricted for:						
Visitor Promotion	\$ 6,285	\$ -	\$ -	\$ -	\$ -	\$ -
911 Emergency Services	-	-	-	-	-	-
Drug Education	-	-	-	-	-	-
Law Enforcement	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Committed to:						
Law Enforcement	-	-	-	-	-	23,364
Aid and Assistance	-	-	-	1	8,221	-
County Buildings	-	-	-	-	-	-
General Government	-	17,238	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>\$ 6,285</u>	<u>\$ 17,238</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 8,221</u>	<u>\$ 23,364</u>

(Continued)

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

For the Year Ended June 30, 2011

	Drug Law Enforcement Fund	Canine Fund	Juvenile Services Grant Fund	Courthouse Bond Fund	Courthouse Building Project Fund	County Building Fund
<b>RECEIPTS</b>						
Property Taxes	\$ -	\$ -	\$ -	\$ 139,070	\$ -	\$ 5
Interest	-	-	-	155	-	-
Intergovernmental	-	-	-	10,735	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	912	-	-	-	-	-
<b>TOTAL RECEIPTS</b>	<u>912</u>	<u>-</u>	<u>-</u>	<u>149,960</u>	<u>-</u>	<u>5</u>
<b>DISBURSEMENTS</b>						
General Government	-	-	-	-	-	622
Public Safety	1,191	30	650	-	-	-
Culture and Recreation	-	-	-	-	-	-
Debt Service:						
Principal Payments	-	-	-	70,000	-	-
Interest and Fiscal Charges	-	-	-	72,544	-	-
Capital Projects	-	-	-	-	9,546	-
<b>TOTAL DISBURSEMENTS</b>	<u>1,191</u>	<u>30</u>	<u>650</u>	<u>142,544</u>	<u>9,546</u>	<u>622</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>(279)</u>	<u>(30)</u>	<u>(650)</u>	<u>7,416</u>	<u>(9,546)</u>	<u>(617)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(279)	(30)	(650)	7,416	(9,546)	(617)
<b>FUND BALANCES - BEGINNING</b>	<u>4,839</u>	<u>716</u>	<u>6,158</u>	<u>181,381</u>	<u>67,312</u>	<u>134,170</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 4,560</u>	<u>\$ 686</u>	<u>\$ 5,508</u>	<u>\$ 188,797</u>	<u>\$ 57,766</u>	<u>\$133,553</u>
<b>FUND BALANCES:</b>						
Restricted for:						
Visitor Promotion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
911 Emergency Services	-	-	-	-	-	-
Drug Education	4,560	-	-	-	-	-
Law Enforcement	-	-	5,508	-	-	-
Debt Service	-	-	-	188,797	-	-
Committed to:						
Law Enforcement	-	686	-	-	-	-
Aid and Assistance	-	-	-	-	-	-
County Buildings	-	-	-	-	57,766	133,553
General Government	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>\$ 4,560</u>	<u>\$ 686</u>	<u>\$ 5,508</u>	<u>\$ 188,797</u>	<u>\$ 57,766</u>	<u>\$133,553</u>

(Continued)

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

For the Year Ended June 30, 2011

	Groundwater Management Fund	911 Emergency Services Fund	911 Wireless Service Fund	STOP Program Fund	Total Nonmajor Governmental Funds
<b>RECEIPTS</b>					
Property Taxes	\$ -	\$ 34,285	\$ 28,196	\$ -	\$ 219,734
Interest	-	-	-	-	247
Intergovernmental	-	-	-	-	31,661
Charges for Services	-	-	-	2,833	8,711
Miscellaneous	-	-	-	-	1,412
<b>TOTAL RECEIPTS</b>	<u>-</u>	<u>34,285</u>	<u>28,196</u>	<u>2,833</u>	<u>261,765</u>
<b>DISBURSEMENTS</b>					
General Government	-	-	-	-	2,886
Public Safety	-	55,062	-	-	106,873
Culture and Recreation	-	-	-	-	5,053
Debt Service:					
Principal Payments	-	-	-	-	70,000
Interest and Fiscal Charges	-	-	-	-	72,544
Capital Projects	-	-	-	-	9,546
<b>TOTAL DISBURSEMENTS</b>	<u>-</u>	<u>55,062</u>	<u>-</u>	<u>-</u>	<u>266,902</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>-</u>	<u>(20,777)</u>	<u>28,196</u>	<u>2,833</u>	<u>(5,137)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	16,014	32,014
Transfers out	(2,597)	-	-	-	(101,310)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,597)</u>	<u>-</u>	<u>-</u>	<u>16,014</u>	<u>(69,296)</u>
Net Change in Fund Balances	(2,597)	(20,777)	28,196	18,847	(74,433)
<b>FUND BALANCES - BEGINNING</b>	<u>2,597</u>	<u>49,326</u>	<u>-</u>	<u>-</u>	<u>596,004</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ 28,549</u>	<u>\$ 28,196</u>	<u>\$ 18,847</u>	<u>\$ 521,571</u>
<b>FUND BALANCES:</b>					
Restricted for:					
Visitor Promotion	\$ -	\$ -	\$ -	\$ -	\$ 6,285
911 Emergency Services	-	28,549	28,196	-	56,745
Drug Education	-	-	-	-	4,560
Law Enforcement	-	-	-	-	5,508
Debt Service	-	-	-	-	188,797
Committed to:					
Law Enforcement	-	-	-	18,847	42,897
Aid and Assistance	-	-	-	-	8,222
County Buildings	-	-	-	-	191,319
General Government	-	-	-	-	17,238
<b>TOTAL FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 28,549</u>	<u>\$ 28,196</u>	<u>\$ 18,847</u>	<u>\$ 521,571</u>

(Concluded)

**MERRICK COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**NONMAJOR FUNDS**

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>VISITOR PROMOTION FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ 3,500	\$ 3,500	\$ 3,538	\$ 38
<b>TOTAL RECEIPTS</b>	<u>3,500</u>	<u>3,500</u>	<u>3,538</u>	<u>38</u>
<b>DISBURSEMENTS</b>				
	<u>7,800</u>	<u>7,800</u>	<u>5,053</u>	<u>2,747</u>
Net Change in Fund Balance	(4,300)	(4,300)	(1,515)	2,785
FUND BALANCE - BEGINNING	7,800	7,800	7,800	-
FUND BALANCE - ENDING	<u>\$ 3,500</u>	<u>\$ 3,500</u>	<u>\$ 6,285</u>	<u>\$ 2,785</u>
<b>UNEMPLOYMENT FUND</b>				
<b>RECEIPTS</b>				
Interest	\$ 100	\$ 100	\$ 92	\$ (8)
<b>TOTAL RECEIPTS</b>	<u>100</u>	<u>100</u>	<u>92</u>	<u>(8)</u>
<b>DISBURSEMENTS</b>				
	<u>19,410</u>	<u>19,410</u>	<u>2,264</u>	<u>17,146</u>
Net Change in Fund Balance	(19,310)	(19,310)	(2,172)	17,138
FUND BALANCE - BEGINNING	19,410	19,410	19,410	-
FUND BALANCE - ENDING	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 17,238</u>	<u>\$ 17,138</u>
<b>MEDICAL RELIEF FUND</b>				
<b>RECEIPTS</b>				
Intergovernmental	\$ -	\$ -	\$ 12	\$ 12
<b>TOTAL RECEIPTS</b>	<u>-</u>	<u>-</u>	<u>12</u>	<u>12</u>
<b>DISBURSEMENTS</b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(40,387)	(40,387)	(40,399)	(12)
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>(40,387)</u>	<u>(40,387)</u>	<u>(40,399)</u>	<u>(12)</u>
Net Change in Fund Balance	(40,387)	(40,387)	(40,387)	-
FUND BALANCE - BEGINNING	40,387	40,387	40,387	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**MERRICK COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**NONMAJOR FUNDS**

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>INSTITUTIONS FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ -	\$ -	\$ 3,112	\$ 3,112
Intergovernmental	-	-	59	59
<b>TOTAL RECEIPTS</b>	<b>-</b>	<b>-</b>	<b>3,171</b>	<b>3,171</b>
<b>DISBURSEMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(43,368)	(43,368)	(46,538)	(3,170)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(43,368)</b>	<b>(43,368)</b>	<b>(46,538)</b>	<b>(3,170)</b>
Net Change in Fund Balance	(43,368)	(43,368)	(43,367)	1
FUND BALANCE - BEGINNING	43,368	43,368	43,368	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>
<b>VETERANS' AID FUND</b>				
<b>RECEIPTS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>DISBURSEMENTS</b>	<b>8,221</b>	<b>8,221</b>	<b>-</b>	<b>8,221</b>
Net Change in Fund Balance	(8,221)	(8,221)	-	8,221
FUND BALANCE - BEGINNING	8,221	8,221	8,221	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,221</u>	<u>\$ 8,221</u>

(Continued)

**MERRICK COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**NONMAJOR FUNDS**

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>JUVENILE DIVERSION FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ -	\$ -	\$ 11,528	\$ 11,528
Intergovernmental	23,650	23,650	20,855	(2,795)
Charges for Services	3,668	3,668	5,878	2,210
Miscellaneous	-	-	500	500
<b>TOTAL RECEIPTS</b>	<u>27,318</u>	<u>27,318</u>	<u>38,761</u>	<u>11,443</u>
<b>DISBURSEMENTS</b>	<u>50,592</u>	<u>50,592</u>	<u>49,940</u>	<u>652</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	16,000	16,000	16,000	-
Transfers out	-	-	(11,776)	(11,776)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>16,000</u>	<u>16,000</u>	<u>4,224</u>	<u>(11,776)</u>
Net Change in Fund Balance	(7,274)	(7,274)	(6,955)	319
FUND BALANCE - BEGINNING	30,319	30,319	30,319	-
FUND BALANCE - ENDING	<u>\$ 23,045</u>	<u>\$ 23,045</u>	<u>\$ 23,364</u>	<u>\$ 319</u>
<b>DRUG LAW ENFORCEMENT FUND</b>				
<b>RECEIPTS</b>				
Miscellaneous	\$ -	\$ -	\$ 912	\$ 912
<b>TOTAL RECEIPTS</b>	<u>-</u>	<u>-</u>	<u>912</u>	<u>912</u>
<b>DISBURSEMENTS</b>	<u>4,839</u>	<u>4,839</u>	<u>1,191</u>	<u>3,648</u>
Net Change in Fund Balance	(4,839)	(4,839)	(279)	4,560
FUND BALANCE - BEGINNING	4,839	4,839	4,839	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,560</u>	<u>\$ 4,560</u>

(Continued)

**MERRICK COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**NONMAJOR FUNDS**

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>CANINE FUND</u></b>				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	716	716	30	686
Net Change in Fund Balance	(716)	(716)	(30)	686
FUND BALANCE - BEGINNING	716	716	716	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 686</u>	<u>\$ 686</u>
<b><u>JUVENILE SERVICES GRANT FUND</u></b>				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	6,158	6,158	650	5,508
Net Change in Fund Balance	(6,158)	(6,158)	(650)	5,508
FUND BALANCE - BEGINNING	6,158	6,158	6,158	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,508</u>	<u>\$ 5,508</u>
<b><u>COURTHOUSE BOND FUND</u></b>				
<b>RECEIPTS</b>				
Taxes	\$ 143,500	\$ 143,500	\$ 139,070	\$ (4,430)
Interest	125	125	155	30
Intergovernmental	11,200	11,200	10,735	(465)
TOTAL RECEIPTS	<u>154,825</u>	<u>154,825</u>	<u>149,960</u>	<u>(4,865)</u>
DISBURSEMENTS	<u>142,544</u>	<u>142,544</u>	<u>142,544</u>	<u>-</u>
Net Change in Fund Balance	12,281	12,281	7,416	(4,865)
FUND BALANCE - BEGINNING	181,381	181,381	181,381	-
FUND BALANCE - ENDING	<u>\$ 193,662</u>	<u>\$ 193,662</u>	<u>\$ 188,797</u>	<u>\$ (4,865)</u>

(Continued)

**MERRICK COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**NONMAJOR FUNDS**

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>COURTHOUSE BUILDING PROJECT FUND</b>				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	67,312	67,312	9,546	57,766
Net Change in Fund Balance	(67,312)	(67,312)	(9,546)	57,766
FUND BALANCE - BEGINNING	67,312	67,312	67,312	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,766</u>	<u>\$ 57,766</u>
<b>COUNTY BUILDING FUND</b>				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 5	\$ 5
TOTAL RECEIPTS	-	-	5	5
DISBURSEMENTS	134,170	134,170	622	133,548
Net Change in Fund Balance	(134,170)	(134,170)	(617)	133,553
FUND BALANCE - BEGINNING	134,170	134,170	134,170	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,553</u>	<u>\$ 133,553</u>
<b>GROUNDWATER MANAGEMENT FUND</b>				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	2,597	2,597	-	2,597
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(2,597)	(2,597)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(2,597)	(2,597)
Net Change in Fund Balance	(2,597)	(2,597)	(2,597)	-
FUND BALANCE - BEGINNING	2,597	2,597	2,597	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**MERRICK COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**NONMAJOR FUNDS**

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>911 EMERGENCY SERVICES FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ 36,410	\$ 36,410	\$ 34,285	\$ (2,125)
<b>TOTAL RECEIPTS</b>	<u>36,410</u>	<u>36,410</u>	<u>34,285</u>	<u>(2,125)</u>
<b>DISBURSEMENTS</b>				
	<u>49,326</u>	<u>62,326</u>	<u>55,062</u>	<u>7,264</u>
Net Change in Fund Balance	(12,916)	(25,916)	(20,777)	5,139
FUND BALANCE - BEGINNING	49,326	49,326	49,326	-
FUND BALANCE - ENDING	<u>\$ 36,410</u>	<u>\$ 23,410</u>	<u>\$ 28,549</u>	<u>\$ 5,139</u>
<b>911 WIRELESS SERVICE FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ 29,640	\$ 29,640	\$ 28,196	\$ (1,444)
<b>TOTAL RECEIPTS</b>	<u>29,640</u>	<u>29,640</u>	<u>28,196</u>	<u>(1,444)</u>
<b>DISBURSEMENTS</b>				
	<u>29,640</u>	<u>29,640</u>	<u>-</u>	<u>29,640</u>
Net Change in Fund Balance	-	-	28,196	28,196
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,196</u>	<u>\$ 28,196</u>
<b>STOP PROGRAM FUND</b>				
<b>RECEIPTS</b>				
Charges for Services	\$ -	\$ -	\$ 2,833	\$ 2,833
<b>TOTAL RECEIPTS</b>	<u>-</u>	<u>-</u>	<u>2,833</u>	<u>2,833</u>
<b>DISBURSEMENTS</b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	16,014	16,014
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>16,014</u>	<u>16,014</u>
Net Change in Fund Balance	-	-	18,847	18,847
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,847</u>	<u>\$ 18,847</u>

(Concluded)

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

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Highway Superintendent	Veterans' Service Officer	County Surveyor	County Extension	County Planning and Zoning	Total
BALANCE JULY 1, 2010	\$ 13,178	\$ 24,112	\$ 5,983	\$ 45,302	\$ 57,963	\$ 776	\$ 6,126	\$ 2,392	\$ -	\$ 155,832
<b>RECEIPTS</b>										
Property Taxes	-	-	-	-	-	-	-	-	-	-
Licenses and Permits	495	-	-	-	-	-	-	-	2,053	2,548
Intergovernmental	-	-	-	-	117,939	-	-	-	-	117,939
Charges for Services	52,315	12,761	15,992	10,049	18,881	-	20,791	-	-	130,789
Miscellaneous	-	-	450	22	40	-	-	34,562	-	35,074
State Fees	59,173	15,576	-	-	-	-	-	-	-	74,749
Other Liabilities	-	153,662	125,454	11,896	-	-	-	-	-	291,012
<b>TOTAL RECEIPTS</b>	<b>111,983</b>	<b>181,999</b>	<b>141,896</b>	<b>21,967</b>	<b>136,860</b>	<b>-</b>	<b>20,791</b>	<b>34,562</b>	<b>2,053</b>	<b>652,111</b>
<b>DISBURSEMENTS</b>										
Payments to County Treasurer	54,261	13,338	9,172	51,035	109,607	-	19,175	-	2,053	258,641
Payments to State Treasurer	63,865	16,826	-	-	-	-	-	-	-	80,691
Other Liabilities	-	143,745	124,092	15,936	58	-	-	36,616	-	320,447
<b>TOTAL DISBURSEMENTS</b>	<b>118,126</b>	<b>173,909</b>	<b>133,264</b>	<b>66,971</b>	<b>109,665</b>	<b>-</b>	<b>19,175</b>	<b>36,616</b>	<b>2,053</b>	<b>659,779</b>
BALANCES JUNE 30, 2011	<u>\$ 7,035</u>	<u>\$ 32,202</u>	<u>\$ 14,615</u>	<u>\$ 298</u>	<u>\$ 85,158</u>	<u>\$ 776</u>	<u>\$ 7,742</u>	<u>\$ 338</u>	<u>\$ -</u>	<u>\$ 148,164</u>
<b>BALANCES CONSISTS OF:</b>										
Due to County Treasurer	\$ 3,562	\$ 772	\$ 13,253	\$ 298	\$ 85,098	\$ 776	\$ 7,742	\$ 338	\$ -	\$ 111,839
Petty Cash	1,100	-	-	-	60	-	-	-	-	1,160
Due to State Treasurer	2,373	883	-	-	-	-	-	-	-	3,256
Due to Others	-	30,547	1,362	-	-	-	-	-	-	31,909
BALANCES JUNE 30, 2011	<u>\$ 7,035</u>	<u>\$ 32,202</u>	<u>\$ 14,615</u>	<u>\$ 298</u>	<u>\$ 85,158</u>	<u>\$ 776</u>	<u>\$ 7,742</u>	<u>\$ 338</u>	<u>\$ -</u>	<u>\$ 148,164</u>

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

Item	2006	2007	2008	2009	2010
<b>Tax Certified by Assessor</b>					
Real Estate	\$ 11,735,819	\$ 11,971,513	\$ 12,379,213	\$ 13,252,368	\$ 14,299,033
Personal and Specials	750,375	749,466	1,177,678	779,390	1,955,319
<b>Total</b>	<b>12,486,194</b>	<b>12,720,979</b>	<b>13,556,891</b>	<b>14,031,758</b>	<b>16,254,352</b>
<b>Corrections</b>					
Additions	5,964	9,814	367,455	10,602	27,327
Deductions	(1,960)	(926)	(853)	(18,240)	(53,421)
Net Additions/ (Deductions)	4,004	8,888	366,602	(7,638)	(26,094)
<b>Corrected Certified Tax</b>	<b>12,490,198</b>	<b>12,729,867</b>	<b>13,923,493</b>	<b>14,024,120</b>	<b>16,228,258</b>
<b>Net Tax Collected by County Treasurer during Fiscal Year Ending:</b>					
June 30, 2007	7,119,004	-	-	-	-
June 30, 2008	5,347,385	7,279,047	-	-	-
June 30, 2009	19,449	5,420,381	7,805,176	-	-
June 30, 2010	741	11,230	6,095,987	8,251,109	-
June 30, 2011	22	829	15,162	5,737,226	9,496,038
<b>Total Net Collections</b>	<b>12,486,601</b>	<b>12,711,487</b>	<b>13,916,325</b>	<b>13,988,335</b>	<b>9,496,038</b>
<b>Total Uncollected Tax</b>	<b>\$ 3,597</b>	<b>\$ 18,380</b>	<b>\$ 7,168</b>	<b>\$ 35,785</b>	<b>\$ 6,732,220</b>
<b>Percentage Uncollected Tax</b>	<b>0.03%</b>	<b>0.14%</b>	<b>0.05%</b>	<b>0.26%</b>	<b>41.48%</b>



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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MERRICK COUNTY  
**INDEPENDENT AUDITOR'S 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  
Merrick County, Nebraska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merrick County as of and for the year ended June 30, 2011, and have issued our report thereon dated May 16, 2012. 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 Litzenberg Memorial County Hospital, a component unit of Merrick 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 Merrick 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 Merrick 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 and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect, or correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, detected or corrected on a timely basis. We consider the following deficiency to be a material weakness:

- The County offices had a lack of segregation of duties since one person could handle all aspects of processing a transaction from beginning to end. Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. Due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the County's internal control to be a significant deficiency.

- The County Sheriff's office had a lack of adequate accounting procedures, which resulted in unaccounted funds of \$5,891. Money was not deposited or remitted to the County Treasurer in a timely manner and accounting records did not support earnings.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Merrick 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 Merrick County in a separate letter dated May 16, 2012.

Merrick County's response to the findings identified in our audit are described in the separate letter. We did not audit Merrick County's response and, accordingly, we express no opinion on it.

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

SIGNED ORIGINAL ON FILE

May 16, 2012

Deann Haeffner, CPA  
Assistant Deputy Auditor

**MANAGEMENT LETTER  
OF  
MERRICK COUNTY**

**JULY 1, 2010 THROUGH JUNE 30, 2011**

**This document is an official public record of the State of Nebraska, issued by  
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original  
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**Issued on June 14, 2012**



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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May 16, 2012

Board of Supervisors  
Merrick County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Merrick County (County) for the fiscal year ended June 30, 2011, and have issued our report thereon dated May 16, 2012. 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**

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#### **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 SHERIFF

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### Cash Accountability

The audit discovered a cash shortage of \$5,891. During the time period of January 21, 2011, through March 22, 2012, a total of \$17,252 of cash receipts and 29 checks totaling \$6,434 were not deposited to the bank. The cash and checks were located subsequent to a cash count conducted on March 22, 2012, and were found in various drawers and files in the County Sheriff's office. We noted:

- \$ 17,252 Undeposited Cash Receipts between January 21, 2011, through March 22, 2012
  - (1,341) Cash located on March 26, 2012
  - (6,962) Cash located on April 9, 2012
  - (3,058) Cash located on April 11, 2012
- \$ 5,891 Unlocated cash shortage
- The dates on the checks ranged from January 19, 2011, through March 19, 2012.
- Nine of the checks had not been receipted.
- Twelve of the checks were payable to others and should have been mailed out or taken to the County Treasurer.

During a cash count on March 22, 2012, we noted the following:

- A commissary bag containing \$73.60 could not be reconciled to records, as no records were maintained for how much had been earned from commissary sales.
- A fee bag was long \$21.60 when compared to fee receipts.
- Two inmate commissary boxes did not reconcile to the account balance per the inmate records, one was \$4 short, and the other was \$2 long.
- The two checks on hand were not restrictively endorsed.

Additionally, we noted the County Sheriff did not deposit checks to the bank account timely throughout the year. The longest period noted between deposits was 49 days from July 25, 2011, to September 12, 2011. We noted two months, August 2011 and January 2012, where no deposits were made to the bank.

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, accounts payable, and trust accounts) on at least a monthly basis. Balancing procedures should include the timely identification and resolution of all variances noted. Additionally, procedures should be in place to ensure all assets are properly accounted for and records are adequately maintained to support all accounting transactions.

Failure to determine asset-to-liability balancing variances along with inadequate procedures to ensure all money is properly recorded and accounted for can result in an increased risk of loss, theft, or misuse of funds and allows errors to more easily go undetected.

We recommend the County Sheriff implement documented monthly balancing procedures, including the timely depositing of money, remittance to the County Treasurer, and follow-up on any unexplained variances. Additionally, procedures should be put in place to adequately control and record all money received. We recommend the County Board follow up to recover the missing funds from the County's insurance policy or the County Sheriff personally. The issues noted above have been forwarded to the County Attorney for consideration.

*County Sheriff's Response: I want to start by saying most of the practices we used (or what I believed we were using) in handling Commissary, Inmate money, Fee's, Bond's including handling of cash and checks were the same ones that had been used by prior administrators. This response is not meant to pass blame or minimize the situation in any way; I am taking this very seriously.*

*State auditors arrived in Merrick County in March and, informed me our (Sheriff's Office) books were not balancing. I was angry and felt as though I was going to be sick, I couldn't believe we didn't balance and more, I couldn't believe the amount we may be off. I took it (and still take it) very personally, I was paid to keep our county safe from crime and to find out we had a problem in my department makes me mad. After, they left I immediately called the County Attorney. That night I racked my brain trying to figure out what could have happened and the following day called the Nebraska State Patrol. I explained what I had learned and I believed it could be criminal in nature, but would have to wait until the audit was complete. I also called the Attorney General's Office and discussed my desire to have the NE State Patrol come in to investigate.*

*I made changes in policy and procedures. I made it Policy any cash or checks brought in or mailed to the Sheriff's Office be logged, receipted, and deposited as soon as possible. Inmate and Bond Money is to be counted by more than one individual, logged, and receipted. If the money cannot be deposited immediately it is to be placed in a lockbox until it can be deposited. In placing these safeguards, I hope to keep less cash in the Office and have it secured in the bank. I believe by making changes on how we receive, count and secure money it will make it less available for someone to remove funds and make it safer for employees of the Sheriff's Office and Merrick County. Money on hand is kept at a minimum and counted at shift change. This internal audit will keep things running smoothly, and make accountability a priority. In addition to these safeguards, the bank statement is to be reconciled on a monthly basis to locate any discrepancies in a timely manner.*

*Changes in personnel have also been made. Employees, who understand how to more accurately and efficiently handle the bookkeeping duties, have taken over those responsibilities. After the audit was completed, I again contacted the County Attorney and we jointly wrote the Attorney General's Office and requested them assign the Nebraska State Patrol to do a criminal investigation. I hope the investigation will conclude with the prosecution of person(s) who did this.*

*Since taking on the position as Sheriff I have tried to lead by example in my work ethic, my honesty, and my integrity. I have strived to hire and/ or promote the best candidates for the job. When hiring a person or person(s) you have to be able to trust in the fact they are going to do their best to do their job honestly and with integrity. It is impossible to know what every employee is doing all of the time. I have tried to make it clear how important it is to be accurate with all facets of our jobs and place an emphasis on being honest and doing their jobs with integrity so we can try to be beyond reproach. I have tried to make our facility safer and more secure by the above changes and also by adding combination locks to the exterior of the building; I am also looking at updating our camera system. I apologize for not catching this, it truly sickens me, but I don't believe I should be held personally financially responsible for this loss. I did not take any of this money and believe I have done what I could to make it much more difficult for anyone to do this to Merrick County again. I have made changes above and beyond what the auditors have suggested to try and accomplish this. I have taken an oath to protect the United States and Merrick County in particular and do not do it lightly.*

### **Accounting Procedures**

During the audit, we noted the following regarding the County Sheriff's accounting records and procedures:

- An accurate record of paper service earnings was not maintained. This activity was entered into a computer system, however prior to August 2011, the County Sheriff was unsure of the accuracy of the amounts entered. The fee reports submitted to the County Board did not include earnings for paper services performed and paper service earnings were not remitted to the County Treasurer.
- The County Sheriff did not maintain a book balance in the check register, and was missing a check register book for the period of July 2010 through October 2010.
- We noted 59 checks totaling \$9,118 which were deposited to the bank, but were never receipted in the County Sheriff's office.
- After January 2011, fees for vehicle inspections, gun permits and other miscellaneous items were not timely remitted to the County Treasurer.
  - Fees for January 2011 through May 2011 were remitted in July 2011. The checks for January 2011 through March 2011 were written in April 2011, but were not given to the County Treasurer until July 2011.
  - Fees for May 2011 through December 2011 were remitted in March 2012 (May 2011 fees were remitted twice). These checks were all written in January 2012, but not given to the County Treasurer until March 2012.

Neb. Rev. Stat. § 33-117 (Reissue 2008) requires the County Sheriff to remit all fees earned to the County Treasurer on a quarterly basis as well as make a report to the County Board of all fees earned and collected. Sound accounting practice and good internal control require procedures be in place to ensure all assets are properly accounted for and records are adequately maintained to support all accounting transactions.

Failure to implement adequate procedures to ensure all money is properly recorded and accounted for can result in an increased risk of loss, theft, or misuse of funds and allows errors to more easily go undetected.

We recommend the County Sheriff implement documented monthly balancing procedures, including the timely remittance to the County Treasurer. Additionally, procedures should be put in place to adequately control and record all money received. We further recommend the County Sheriff maintain accurate and complete accounting records and report to the County Board all fees earned and collected.

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## **COUNTY BOARD**

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### **2010 Tax Levies**

Neb. Rev. Stat. § 77-1601 (Reissue 2009) states, “The county board of equalization shall each year, on or before October 15, levy the necessary taxes for the current year if within the limit of the law.”

We noted the resolution setting tax levies for the 2010 tax year was not approved by the County Board until October 26, 2010.

When levies for the current tax year are not set by October 15, the County is not in compliance with State Statute.

We recommend the County Board set tax levies by October 15 each year to ensure compliance with State statute.

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## **COUNTY EXTENSION AGENT**

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### **County Extension Bank Account**

During our audit, we noted the following:

- The County Extension Office maintains an office bank account. The office makes payments from this account and submits claims to the County Board for reimbursement. The County Board has not authorized the account as a petty cash fund. The balance of this account as of June 30, 2011, was \$338.
- Claims submitted to the County Board for reimbursement from July 2010 through April 2011 did not include original invoices or receipts.

When all monies are not paid out through an authorized petty cash fund or the claim and warrant process, there is an increased risk of loss, theft, or misuse of funds. This was also noted in prior audit reports.

We recommend the County Board determine the authority for all petty cash funds.

*County Extension Agent's Response: At the Merrick County Board of Supervisors' meeting on May 8, the Board approved the petty cash fund, to be reconciled to a balance of \$2,000, for the next six months.*

## **HIGHWAY DEPARTMENT / SURVEYOR**

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### **Accounts Receivable**

During our audit we noted numerous delinquent accounts receivables, which remained uncollected:

- At June 30, 2011, the County Highway Department had 10 accounts receivables totaling \$922 which were over two years old.
- At June 30, 2011, the County Surveyor had 30 accounts receivables totaling \$3,260 which were over two years old.

Sound accounting practice and good internal controls require procedures be in place to maintain complete and adequate records including the review of overdue accounts receivables on a regular basis to determine what action should be taken on those accounts. Without a regular review of overdue accounts receivables, there is an increased risk delinquent amounts will not be collected and/or resolved in a timely manner. This issue was noted in prior audit reports.

We recommend the County Highway Department/Surveyor implement procedures which include, at a minimum, annual discussions with the County Board to consider the feasibility of collection and/or the need for write-off approval if accounts receivables appear to be uncollectible.

### **Rates Charged**

During our testing of receipts, we noted 6 of 7 invoices tested in the County Highway Department/Surveyor could not be traced to rates authorized by the County Board.

Good internal controls and sound accounting practices require that all rates charged be set and approved by the County Board. When rates are not authorized by the County Board there is an increased risk that rates charged will not cover the County's costs, and that different rates will be charged to different parties for the same work.

We recommend the County Highway Department/Surveyor document all rates charged, either in signed contracts or on a rate sheet approved by the County Board.

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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.

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