

**AUDIT REPORT
OF
MERRICK COUNTY**

JULY 1, 2011 THROUGH JUNE 30, 2012

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the Auditor of Public Accounts.**

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Issued on April 11, 2013

MERRICK COUNTY

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MERRICK COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2012

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Helgoth	Board of Supervisors	Jan. 2015
D.L. Hahn		Jan. 2015
Jim Graves		Jan. 2015
Rex Weller		Jan. 2015
John Jefferson		Jan. 2013
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
Corwin Roscoe	Weed Superintendent	Appointed
Michael Meyer	Highway Superintendent	Appointed
Jennifer Myers	Planning and Zoning	Appointed



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MERRICK COUNTY

INDEPENDENT AUDITOR'S 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, 2012, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly we express no such opinion. 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 generally accepted in the United States of America.

The financial statements referred to above include only the primary government of the 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, as applied to the County's cash basis of accounting, 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 cash basis financial position of the reporting entity of the County as of June 30, 2012, and the changes in its cash basis financial position and its cash flows, where applicable, for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Merrick County, as of June 30, 2012, and the respective changes in cash basis financial position 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 April 9, 2013 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.

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, 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 information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

SIGNED ORIGINAL ON FILE

April 9, 2013

Deann Haeffner, CPA
Assistant Deputy Auditor

MERRICK COUNTY
STATEMENT OF NET ASSETS - CASH BASIS

June 30, 2012

		<u>Governmental Activities</u>
ASSETS		
Cash and Cash Equivalents (Note 1.D)	\$	1,860,479
Investments (Note 1.D)		140,098
TOTAL ASSETS	\$	<u>2,000,577</u>
 NET ASSETS		
Restricted for:		
Visitor Promotion	\$	5,733
911 Emergency Services		83,213
Drug Education		2,507
Law Enforcement		5,508
Debt Service		203,664
Unrestricted		1,699,952
TOTAL NET ASSETS	\$	<u>2,000,577</u>

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, 2012

Functions:	Cash	Program Cash Receipts		Net (Disbursement)
Governmental Activities:	Disbursements	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Receipts and Changes in Net Assets
General Government	\$ (1,755,756)	\$ 270,771	\$ 28,678	\$ (1,456,307)
Public Safety	(795,285)	20,664	18,992	(755,629)
Public Works	(2,441,883)	-	1,109,225	(1,332,658)
Health and Sanitation	(139,041)	-	-	(139,041)
Public Assistance	(71,140)	-	154	(70,986)
Culture and Recreation	(26,915)	-	-	(26,915)
Debt Payments	(129,404)	-	-	(129,404)
Capital Outlay	(10,400)	-	-	(10,400)
Total Governmental Activities	\$ (5,369,824)	\$ 291,435	\$ 1,157,049	(3,921,340)
General Receipts:				
				3,302,080
				403,602
				37,947
				36,489
				45,031
				3,825,149
				(96,191)
				2,096,768
				\$ 2,000,577

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, 2012

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Courthouse Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents (Note 1.D)	\$ 414,704	\$ 185,084	\$ 741,637	\$ 203,664	\$ 315,390	\$ 1,860,479
Investments (Note 1.D)	-	-	140,098	-	-	140,098
TOTAL ASSETS	<u>\$ 414,704</u>	<u>\$ 185,084</u>	<u>\$ 881,735</u>	<u>\$ 203,664</u>	<u>\$ 315,390</u>	<u>\$ 2,000,577</u>
FUND BALANCES						
Restricted for:						
Visitor Promotion	\$ -	\$ -	\$ -	\$ -	\$ 5,733	\$ 5,733
911 Emergency Services	-	-	-	-	83,213	83,213
Drug Education	-	-	-	-	2,507	2,507
Law Enforcement	-	-	-	-	5,508	5,508
Debt Service	-	-	-	203,664	-	203,664
Committed to:						
Law Enforcement	-	-	-	-	21,981	21,981
Road Maintenance	-	185,084	-	-	-	185,084
Aid and Assistance	-	-	-	-	8,223	8,223
County Buildings	-	-	-	-	183,162	183,162
Unemployment Benefits	-	-	-	-	5,063	5,063
Assigned to:						
Other Purposes	-	-	881,735	-	-	881,735
Unassigned	414,704	-	-	-	-	414,704
TOTAL CASH BASIS FUND BALANCES	<u>\$ 414,704</u>	<u>\$ 185,084</u>	<u>\$ 881,735</u>	<u>\$ 203,664</u>	<u>\$ 315,390</u>	<u>\$ 2,000,577</u>

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, 2012

	General Fund	Road Fund	Inheritance Fund	Courthouse Bond Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$ 2,902,364	\$ -	\$ 202,574	\$ 132,646	\$ 64,496	\$ 3,302,080
Licenses and Permits	36,489	-	-	-	-	36,489
Interest	37,809	-	-	92	46	37,947
Intergovernmental	264,525	1,263,189	-	9,831	23,106	1,560,651
Charges for Services	289,669	-	-	-	1,766	291,435
Miscellaneous	17,723	23,349	-	1,702	2,257	45,031
TOTAL RECEIPTS	<u>3,548,579</u>	<u>1,286,538</u>	<u>202,574</u>	<u>144,271</u>	<u>91,671</u>	<u>5,273,633</u>
DISBURSEMENTS						
General Government	1,686,881	-	56,654	-	12,221	1,755,756
Public Safety	710,260	-	-	-	85,025	795,285
Public Works	38,421	2,403,462	-	-	-	2,441,883
Health and Sanitation	139,041	-	-	-	-	139,041
Public Assistance	71,140	-	-	-	-	71,140
Culture and Recreation	23,212	-	-	-	3,703	26,915
Debt Service:						
Principal Payments	-	-	-	75,000	-	75,000
Interest and Fiscal Charges	-	-	-	54,404	-	54,404
Capital Outlay	-	-	-	-	10,400	10,400
TOTAL DISBURSEMENTS	<u>2,668,955</u>	<u>2,403,462</u>	<u>56,654</u>	<u>129,404</u>	<u>111,349</u>	<u>5,369,824</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>879,624</u>	<u>(1,116,924)</u>	<u>145,920</u>	<u>14,867</u>	<u>(19,678)</u>	<u>(96,191)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1	1,123,003	175,000	-	30,439	1,328,443
Transfers out	(950,298)	(175,000)	(175,000)	-	(28,145)	(1,328,443)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(950,297)</u>	<u>948,003</u>	<u>-</u>	<u>-</u>	<u>2,294</u>	<u>-</u>
Net Change in Fund Balances	(70,673)	(168,921)	145,920	14,867	(17,384)	(96,191)
CASH BASIS FUND BALANCES - BEGINNING	<u>485,377</u>	<u>354,005</u>	<u>735,815</u>	<u>188,797</u>	<u>332,774</u>	<u>2,096,768</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 414,704</u>	<u>\$ 185,084</u>	<u>\$ 881,735</u>	<u>\$ 203,664</u>	<u>\$ 315,390</u>	<u>\$ 2,000,577</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, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 785,627
 LIABILITIES	
Due to other governments	
State	123,369
Schools	275,294
Educational Service Units	1,508
Technical College	11,675
Natural Resource Districts	5,298
Fire Districts	3,939
Municipalities	22,139
Agricultural Society	461
Drainage Districts	735
Townships	213,402
Others	127,807
TOTAL LIABILITIES	785,627
 TOTAL NET ASSETS	 \$ -

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, 2012

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.

Component Unit. 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.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 \$12,443 toward the operation of the Region during fiscal year 2012. 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 \$27,685 toward the operation of the Department during fiscal year 2012. 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.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

Fund Financial Statements. The fund financial statements provide information about the County's funds, including its fiduciary funds. GAAP requires separate statements by fund category – governmental, proprietary, and fiduciary. The County uses only the governmental and fiduciary fund categories. The County Board is the highest level of decision-making authority and has the authority, by resolution, to establish, modify or rescind the commitment or assignment of a fund balance to a specific purpose. When 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 which is primarily funded by State tax receipts.

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

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

The County reports the following additional non-major governmental 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.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Agency Funds. These funds account for assets held by the County as an agent for various local governments.

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

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

both measurable and available. Receipts are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Disbursements generally are recorded when a liability is incurred, as under accrual accounting. However, disbursements related to compensated absences and claims and judgments are recorded only when payment is due.

D. Assets and Net Assets

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

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

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

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

Compensated Absences. Vested or accumulated vacation leave that is liquidated with expendable available financial resources is reported as 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.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Restricted Net Assets. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net assets are reported as restricted when constraints placed on their use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$300,625 of restricted net assets, of which \$91,453 is restricted by enabling legislation.

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.

Excess of Disbursements Over Appropriations. For the year ended June 30, 2012, disbursements exceeded budgeted appropriations in the 911 Wireless Service Fund by \$13,995. These over-expenditures were funded by greater than anticipated receipts and the available fund balance in the 911 Wireless Service Fund.

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 \$1,860,479 for County funds and \$785,627 for Fiduciary funds. The bank balances for all funds totaled \$2,615,465. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2012, 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 \$140,000 in local Tax Increment Financing Bonds and of \$98 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 2011, for the 2011 taxes, which will be materially collected in May and September 2012, was set at \$.299233/\$100 of assessed valuation. The levy set in October 2010, for the 2010 taxes, which were materially collected in May and September 2011, was set at \$.302306/\$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 2012) 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 18. 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, 2012, 71 employees contributed \$79,510, and the County contributed \$118,013. Contributions included \$2,504 in cash contributions towards the supplemental law enforcement plan for 9 law enforcement employees. Lastly, the County paid \$2,040 directly to 13 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.

	<u>NIRMA Coverage</u>	<u>Maximum Coverage</u>
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 2013. 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, 2012, consisted of the following:

Transfers to	Transfers from				Total
	General Fund	Inheritance Fund	Road Fund	Nonmajor Funds	
Road Fund	\$ 948,003	\$ 175,000	\$ -	\$ -	\$ 1,123,003
Inheritance Fund	-	-	175,000	-	175,000
General Fund	-	-	-	1	1
Nonmajor Funds	2,295	-	-	28,144	30,439
Total	\$ 950,298	\$ 175,000	\$ 175,000	\$ 28,145	\$ 1,328,443

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 which were issued for paying the costs of constructing and equipping an addition on to the courthouse. The bond payable balance, as of June 30, 2012, 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:

Year	Principal	Interest	Total
2013	\$ 100,000	\$ 39,505	\$ 139,505
2014	105,000	38,759	143,759
2015	105,000	37,709	142,709
2016	105,000	36,343	141,343
2017	105,000	34,690	139,690
2018-2022	575,000	133,730	708,730
2023-2026	505,000	37,104	542,104
Total Payments	\$ 1,600,000	\$ 357,840	\$ 1,957,840

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

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. Hospital Bonds (Concluded)

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, 2012, no additional taxes have been levied by the County. The balance of bonds payable at June 30, 2012, was \$1,550,000. Full disclosure of the liability can be found in the separately issued Hospital audit report.

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,977,074	\$ 2,977,074	\$2,902,364	\$ (74,710)
Licenses and Permits	32,370	32,370	36,489	4,119
Interest	46,000	46,000	37,809	(8,191)
Intergovernmental	214,530	214,530	264,525	49,995
Charges for Services	271,940	271,940	289,669	17,729
Miscellaneous	12,020	12,020	17,723	5,703
TOTAL RECEIPTS	3,553,934	3,553,934	3,548,579	(5,355)
DISBURSEMENTS				
General Government:				
County Board	90,681	90,681	87,200	3,481
County Clerk	138,744	138,744	132,848	5,896
County Treasurer	135,089	135,089	134,296	793
County Assessor	114,866	114,866	113,012	1,854
Election Commissioner	38,840	38,840	21,859	16,981
Building and Zoning	18,416	18,416	16,516	1,900
Clerk of the District Court	93,789	93,789	80,914	12,875
County Court System	9,200	9,200	8,567	633
Building and Grounds	96,689	96,689	88,686	8,003
Reappraisal	43,885	39,985	37,105	2,880
Agricultural Extension Agent	90,624	90,624	86,517	4,107
Child Support	13,872	13,872	12,328	1,544
Miscellaneous	951,046	951,046	867,033	84,013
Public Safety:				
County Sheriff	387,013	387,013	361,675	25,338
County Attorney	129,534	129,534	120,675	8,859
Communication Center	113,644	113,644	110,710	2,934
County Jail	86,320	90,220	89,497	723
Emergency Management	32,250	32,250	8,424	23,826
Civil Process	17,940	17,940	13,279	4,661
Miscellaneous	15,993	15,993	6,000	9,993
Public Works:				
County Surveyor	26,985	26,985	23,446	3,539
Miscellaneous	15,900	15,900	14,975	925
Public Health:				
Miscellaneous	139,685	139,685	139,041	644
Public Assistance:				
Veterans' Service Officer	30,181	30,181	28,456	1,725
Miscellaneous	57,894	57,894	42,684	15,210

(Continued)

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Culture and Recreation:				
Miscellaneous	23,100	23,100	23,212	(112)
TOTAL DISBURSEMENTS	2,912,180	2,912,180	2,668,955	243,225
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	641,754	641,754	879,624	237,870
OTHER FINANCING SOURCES (USES)				
Transfers in	125,000	125,000	1	(124,999)
Transfers out	(966,298)	(966,298)	(950,298)	16,000
TOTAL OTHER FINANCING SOURCES (USES)	(841,298)	(841,298)	(950,297)	(108,999)
Net Change in Fund Balance	(199,544)	(199,544)	(70,673)	128,871
FUND BALANCE - BEGINNING	485,377	485,377	485,377	-
FUND BALANCE - ENDING	\$ 285,833	\$ 285,833	\$ 414,704	\$ 128,871

(Concluded)

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Intergovernmental	\$ 1,158,550	\$ 1,158,550	\$1,263,189	\$ 104,639
Charges for Services	500	500	-	(500)
Miscellaneous	31,500	31,500	23,349	(8,151)
TOTAL RECEIPTS	<u>1,190,550</u>	<u>1,190,550</u>	<u>1,286,538</u>	<u>95,988</u>
DISBURSEMENTS	<u>2,492,558</u>	<u>2,492,558</u>	<u>2,403,462</u>	<u>89,096</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,302,008)</u>	<u>(1,302,008)</u>	<u>(1,116,924)</u>	<u>185,084</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	948,003	948,003	1,123,003	175,000
Transfers out	-	-	(175,000)	(175,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>948,003</u>	<u>948,003</u>	<u>948,003</u>	<u>-</u>
Net Change in Fund Balance	(354,005)	(354,005)	(168,921)	185,084
FUND BALANCE - BEGINNING	354,005	354,005	354,005	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,084</u>	<u>\$ 185,084</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 80,010	\$ 80,010	\$ 202,574	\$ 122,564
TOTAL RECEIPTS	<u>80,010</u>	<u>80,010</u>	<u>202,574</u>	<u>122,564</u>
DISBURSEMENTS	<u>76,533</u>	<u>76,533</u>	<u>56,654</u>	<u>19,879</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>3,477</u>	<u>3,477</u>	<u>145,920</u>	<u>142,443</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	175,000	175,000
Transfers out	(140,000)	(140,000)	(175,000)	(35,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>	<u>140,000</u>
Net Change in Fund Balance	(136,523)	(136,523)	145,920	282,443
FUND BALANCE - BEGINNING	735,815	735,815	735,815	-
FUND BALANCE - ENDING	<u>\$ 599,292</u>	<u>\$ 599,292</u>	<u>\$ 881,735</u>	<u>\$ 282,443</u>

(Continued)

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COURTHOUSE BOND FUND				
RECEIPTS				
Taxes	\$ 129,404	\$ 129,404	\$ 132,646	\$ 3,242
Interest	125	125	92	(33)
Intergovernmental	9,200	9,200	9,831	631
Miscellaneous	-	-	1,702	1,702
TOTAL RECEIPTS	<u>138,729</u>	<u>138,729</u>	<u>144,271</u>	<u>5,542</u>
DISBURSEMENTS	<u>318,201</u>	<u>318,201</u>	<u>129,404</u>	<u>188,797</u>
Net Change in Fund Balance	(179,472)	(179,472)	14,867	194,339
FUND BALANCE - BEGINNING	<u>188,797</u>	<u>188,797</u>	<u>188,797</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 9,325</u>	<u>\$ 9,325</u>	<u>\$ 203,664</u>	<u>\$ 194,339</u>

(Concluded)

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

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
VISITOR PROMOTION FUND				
RECEIPTS	\$ 3,000	\$ 3,000	\$ 3,151	\$ 151
DISBURSEMENTS	6,285	6,285	3,703	2,582
Net Change in Fund Balance	(3,285)	(3,285)	(552)	2,733
FUND BALANCE - BEGINNING	6,285	6,285	6,285	-
FUND BALANCE - ENDING	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 5,733</u>	<u>\$ 2,733</u>
UNEMPLOYMENT FUND				
RECEIPTS	\$ -	\$ -	\$ 46	\$ 46
DISBURSEMENTS	32,238	32,238	12,221	20,017
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	-	(15,000)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	15,000	15,000	-	(15,000)
Net Change in Fund Balance	(17,238)	(17,238)	(12,175)	5,063
FUND BALANCE - BEGINNING	17,238	17,238	17,238	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,063</u>	<u>\$ 5,063</u>
INSTITUTIONAL FUND				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(1)	(1)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(1)	(1)
Net Change in Fund Balance	-	-	(1)	(1)
FUND BALANCE - BEGINNING	1	1	1	-
FUND BALANCE - ENDING	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ (1)</u>

(Continued)

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

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
VETERANS' AID FUND				
RECEIPTS	\$ -	\$ -	\$ 2	\$ 2
DISBURSEMENTS	8,221	8,221	-	8,221
Net Change in Fund Balance	(8,221)	(8,221)	2	8,223
FUND BALANCE - BEGINNING	8,221	8,221	8,221	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,223</u>	<u>\$ 8,223</u>
JUVENILE DIVERSION FUND				
RECEIPTS	\$ 28,181	\$ 28,181	\$ 23,244	\$ (4,937)
DISBURSEMENTS	44,181	44,181	41,112	3,069
OTHER FINANCING SOURCES (USES)				
Transfers in	16,000	16,000	-	(16,000)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	16,000	16,000	-	(16,000)
Net Change in Fund Balance	-	-	(17,868)	(17,868)
FUND BALANCE - BEGINNING	23,364	23,364	23,364	-
FUND BALANCE - ENDING	<u>\$ 23,364</u>	<u>\$ 23,364</u>	<u>\$ 5,496</u>	<u>\$ (17,868)</u>
STOP PROGRAM FUND				
RECEIPTS	\$ 2,000	\$ 2,000	\$ 1,750	\$ (250)
DISBURSEMENTS	18,847	18,847	7,210	11,637
Net Change in Fund Balance	(16,847)	(16,847)	(5,460)	11,387
FUND BALANCE - BEGINNING	18,847	18,847	18,847	-
FUND BALANCE - ENDING	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 13,387</u>	<u>\$ 11,387</u>
DRUG LAW ENFORCEMENT FUND				
RECEIPTS	\$ 500	\$ 500	\$ -	\$ (500)
DISBURSEMENTS	4,560	4,560	2,053	2,507
Net Change in Fund Balance	(4,060)	(4,060)	(2,053)	2,007
FUND BALANCE - BEGINNING	4,560	4,560	4,560	-
FUND BALANCE - ENDING	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 2,507</u>	<u>\$ 2,007</u>

(Continued)

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

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
DARE FUND				
RECEIPTS	\$ 2,000	\$ 2,000	\$ 187	\$ (1,813)
DISBURSEMENTS	1,750	1,750	-	1,750
OTHER FINANCING SOURCES (USES)				
Transfers in	2,295	2,295	2,295	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,295	2,295	2,295	-
Net Change in Fund Balance	2,545	2,545	2,482	(63)
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ 2,545</u>	<u>\$ 2,545</u>	<u>\$ 2,482</u>	<u>\$ (63)</u>
CANINE FUND				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	686	686	70	616
Net Change in Fund Balance	(686)	(686)	(70)	616
FUND BALANCE - BEGINNING	686	686	686	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 616</u>	<u>\$ 616</u>
JUVENILE SERVICES GRANT FUND				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	5,508	5,508	-	5,508
Net Change in Fund Balance	(5,508)	(5,508)	-	5,508
FUND BALANCE - BEGINNING	5,508	5,508	5,508	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,508</u>	<u>\$ 5,508</u>
911 WIRELESS SERVICE FUND				
RECEIPTS	\$ 20,000	\$ 20,000	\$ 26,184	\$ 6,184
DISBURSEMENTS	28,196	28,196	14,047	14,149
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(28,144)	(28,144)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(28,144)	(28,144)
Net Change in Fund Balance	(8,196)	(8,196)	(16,007)	(7,811)
FUND BALANCE - BEGINNING	28,196	28,196	28,196	-
FUND BALANCE - ENDING	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 12,189</u>	<u>\$ (7,811)</u>

(Continued)

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

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COURTHOUSE BUILDING PROJECT FUND				
RECEIPTS	\$ -	\$ -	\$ 2,070	\$ 2,070
DISBURSEMENTS	57,766	57,766	10,400	47,366
Net Change in Fund Balance	(57,766)	(57,766)	(8,330)	49,436
FUND BALANCE - BEGINNING	57,766	57,766	57,766	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 49,436	\$ 49,436
COUNTY SINKING FUND				
RECEIPTS	\$ -	\$ -	\$ 173	\$ 173
DISBURSEMENTS	133,553	133,553	-	133,553
Net Change in Fund Balance	(133,553)	(133,553)	173	133,726
FUND BALANCE - BEGINNING	133,553	133,553	133,553	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 133,726	\$ 133,726
911 EMERGENCY SERVICE FUND				
RECEIPTS	\$ 31,995	\$ 31,995	\$ 34,864	\$ 2,869
DISBURSEMENTS	45,500	45,500	20,533	24,967
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	28,144	28,144
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	28,144	28,144
Net Change in Fund Balance	(13,505)	(13,505)	42,475	55,980
FUND BALANCE - BEGINNING	28,549	28,549	28,549	-
FUND BALANCE - ENDING	\$ 15,044	\$ 15,044	\$ 71,024	\$ 55,980

(Concluded)

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

For the Year Ended June 30, 2012

	Visitor Promotion Fund	Unemployment Fund	Institutional Fund	Veterans' Aid Fund	Juvenile Diversion Fund
RECEIPTS					
Property Taxes	\$ 3,151	\$ -	\$ -	\$ 2	\$ 122
Interest	-	46	-	-	-
Intergovernmental	-	-	-	-	21,356
Charges for Services	-	-	-	-	1,766
Miscellaneous	-	-	-	-	-
TOTAL RECEIPTS	3,151	46	-	2	23,244
DISBURSEMENTS					
General Government	-	12,221	-	-	-
Public Safety	-	-	-	-	41,112
Culture and Recreation	3,703	-	-	-	-
Capital Projects	-	-	-	-	-
TOTAL DISBURSEMENTS	3,703	12,221	-	-	41,112
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(552)	(12,175)	-	2	(17,868)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(1)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(1)	-	-
Net Change in Fund Balances	(552)	(12,175)	(1)	2	(17,868)
FUND BALANCES - BEGINNING	6,285	17,238	1	8,221	23,364
FUND BALANCES - ENDING	\$ 5,733	\$ 5,063	\$ -	\$ 8,223	\$ 5,496
FUND BALANCES:					
Restricted for:					
Visitor Promotion	\$ 5,733	\$ -	\$ -	\$ -	\$ -
911 Emergency Services	-	-	-	-	-
Drug Education	-	-	-	-	-
Law Enforcement	-	-	-	-	-
Committed to:					
Law Enforcement	-	-	-	-	5,496
Aid and Assistance	-	-	-	8,223	-
County Buildings	-	-	-	-	-
Unemployment Benefits	-	5,063	-	-	-
TOTAL FUND BALANCES	\$ 5,733	\$ 5,063	\$ -	\$ 8,223	\$ 5,496

(Continued)

MERRICK COUNTY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	STOP Program Fund	Drug Law Enforcement Fund	DARE Fund	Canine Fund	Juvenile Services Grant Fund
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-
Intergovernmental	1,750	-	-	-	-
Charges for Services	-	-	-	-	-
Miscellaneous	-	-	187	-	-
TOTAL RECEIPTS	<u>1,750</u>	<u>-</u>	<u>187</u>	<u>-</u>	<u>-</u>
DISBURSEMENTS					
General Government	-	-	-	-	-
Public Safety	7,210	2,053	-	70	-
Culture and Recreation	-	-	-	-	-
Capital Projects	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>7,210</u>	<u>2,053</u>	<u>-</u>	<u>70</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(5,460)</u>	<u>(2,053)</u>	<u>187</u>	<u>(70)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	2,295	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>2,295</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(5,460)	(2,053)	2,482	(70)	-
FUND BALANCES - BEGINNING	<u>18,847</u>	<u>4,560</u>	<u>-</u>	<u>686</u>	<u>5,508</u>
FUND BALANCES - ENDING	<u>\$ 13,387</u>	<u>\$ 2,507</u>	<u>\$ 2,482</u>	<u>\$ 616</u>	<u>\$ 5,508</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	\$ -	\$ -	\$ -	\$ -	\$ -
911 Emergency Services	-	-	-	-	-
Drug Education	-	2,507	-	-	-
Law Enforcement	-	-	-	-	5,508
Committed to:					
Law Enforcement	13,387	-	2,482	616	-
Aid and Assistance	-	-	-	-	-
County Buildings	-	-	-	-	-
Unemployment Benefits	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 13,387</u>	<u>\$ 2,507</u>	<u>\$ 2,482</u>	<u>\$ 616</u>	<u>\$ 5,508</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, 2012

	911 Wireless Service Fund	Courthouse Building Project Fund	County Sinking Fund	911 Emergency Service Fund	Total Nonmajor Governmental Funds
RECEIPTS					
Property Taxes	\$ 26,184	\$ -	\$ 173	\$ 34,864	\$ 64,496
Interest	-	-	-	-	46
Intergovernmental	-	-	-	-	23,106
Charges for Services	-	-	-	-	1,766
Miscellaneous	-	2,070	-	-	2,257
TOTAL RECEIPTS	26,184	2,070	173	34,864	91,671
DISBURSEMENTS					
General Government	-	-	-	-	12,221
Public Safety	14,047	-	-	20,533	85,025
Culture and Recreation	-	-	-	-	3,703
Capital Projects	-	10,400	-	-	10,400
TOTAL DISBURSEMENTS	14,047	10,400	-	20,533	111,349
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	12,137	(8,330)	173	14,331	(19,678)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	28,144	30,439
Transfers out	(28,144)	-	-	-	(28,145)
TOTAL OTHER FINANCING SOURCES (USES)	(28,144)	-	-	28,144	2,294
Net Change in Fund Balances	(16,007)	(8,330)	173	42,475	(17,384)
FUND BALANCES - BEGINNING	28,196	57,766	133,553	28,549	332,774
FUND BALANCES - ENDING	\$ 12,189	\$ 49,436	\$ 133,726	\$ 71,024	\$ 315,390
FUND BALANCES:					
Restricted for:					
Visitor Promotion	\$ -	\$ -	\$ -	\$ -	\$ 5,733
911 Emergency Services	12,189	-	-	71,024	83,213
Drug Education	-	-	-	-	2,507
Law Enforcement	-	-	-	-	5,508
Committed to:					
Law Enforcement	-	-	-	-	21,981
Aid and Assistance	-	-	-	-	8,223
County Buildings	-	49,436	133,726	-	183,162
Unemployment Benefits	-	-	-	-	5,063
TOTAL FUND BALANCES	\$ 12,189	\$ 49,436	\$ 133,726	\$ 71,024	\$ 315,390

(Concluded)

MERRICK COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2012

	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
BALANCES JULY 1, 2011	\$ 7,035	\$ 32,202	\$14,615	\$ 298	\$ 85,158	\$ 776	\$ 7,742	\$ 338	\$ -	\$ 148,164
RECEIPTS										
Licenses and Permits	735	-	-	-	-	-	-	-	2,809	3,544
Intergovernmental	-	-	-	11,200	109,371	-	-	-	-	120,571
Charges for Services	55,923	11,295	30,360	5,010	18,754	-	12,229	-	-	133,571
Miscellaneous	-	-	-	1	41	-	-	31,218	-	31,260
State Fees	60,401	18,094	-	-	-	-	-	-	-	78,495
Other Liabilities	-	712,808	111,078	9,804	-	-	-	-	-	833,690
TOTAL RECEIPTS	117,059	742,197	141,438	26,015	128,166	-	12,229	31,218	2,809	1,201,131
DISBURSEMENTS										
Payments to County Treasurer	55,925	9,940	12,579	16,369	171,645	-	12,924	-	2,809	282,191
Payments to State Treasurer	60,653	16,742	-	-	-	-	-	-	-	77,395
Other Liabilities	60	696,897	112,439	9,784	52	-	-	30,134	-	849,366
TOTAL DISBURSEMENTS	116,638	723,579	125,018	26,153	171,697	-	12,924	30,134	2,809	1,208,952
BALANCES JUNE 30, 2012	\$ 7,456	\$ 50,820	\$31,035	\$ 160	\$ 41,627	\$ 776	\$ 7,047	\$ 1,422	\$ -	\$ 140,343
BALANCES CONSIST OF:										
Due to County Treasurer	\$ 4,235	\$ 2,126	\$30,535	\$ 140	\$ 41,578	\$ 776	\$ 7,047	\$ 1,422	\$ -	\$ 87,859
Petty Cash	1,100	-	500	-	49	-	-	-	-	1,649
Due to State Treasurer	2,121	2,235	-	-	-	-	-	-	-	4,356
Due to Others	-	46,459	-	20	-	-	-	-	-	46,479
BALANCES JUNE 30, 2012	\$ 7,456	\$ 50,820	\$31,035	\$ 160	\$ 41,627	\$ 776	\$ 7,047	\$ 1,422	\$ -	\$ 140,343

MERRICK COUNTY
**SCHEDULE OF TAXES CERTIFIED AND COLLECTED FOR
 ALL POLITICAL SUBDIVISIONS IN THE COUNTY**

June 30, 2012

Item	2007	2008	2009	2010	2011
Tax Certified by Assessor					
Real Estate	\$ 11,971,513	\$ 12,379,213	\$ 13,252,368	\$ 14,299,033	\$ 15,140,592
Personal and Specials	749,466	1,177,678	779,390	1,955,319	1,442,935
Total	<u>12,720,979</u>	<u>13,556,891</u>	<u>14,031,758</u>	<u>16,254,352</u>	<u>16,583,527</u>
Corrections					
Additions	9,814	367,455	10,602	28,304	3,075
Deductions	(1,792)	(995)	(18,240)	(53,500)	(584)
Net Additions/ (Deductions)	<u>8,022</u>	<u>366,460</u>	<u>(7,638)</u>	<u>(25,196)</u>	<u>2,491</u>
Corrected Certified Tax	<u>12,729,001</u>	<u>13,923,351</u>	<u>14,024,120</u>	<u>16,229,156</u>	<u>16,586,018</u>
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2008	7,279,047	-	-	-	-
June 30, 2009	5,420,381	7,805,176	-	-	-
June 30, 2010	11,230	6,095,987	8,251,109	-	-
June 30, 2011	829	15,162	5,737,226	9,496,038	-
June 30, 2012	17,306	5,592	31,683	6,718,218	9,961,699
Total Net Collections	<u>12,728,793</u>	<u>13,921,917</u>	<u>14,020,018</u>	<u>16,214,256</u>	<u>9,961,699</u>
Total Uncollected Tax	<u>\$ 208</u>	<u>\$ 1,434</u>	<u>\$ 4,102</u>	<u>\$ 14,900</u>	<u>\$ 6,624,319</u>
Percentage Uncollected Tax	<u>0.00%</u>	<u>0.01%</u>	<u>0.03%</u>	<u>0.09%</u>	<u>39.94%</u>



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, 2012, and have issued our report thereon dated April 9, 2013. 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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 the management of Merrick County in a separate letter dated April 9, 2013.

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. However, this report is a matter of public record and its distribution is not limited.

SIGNED ORIGINAL ON FILE

Deann Haeffner, CPA
Assistant Deputy Auditor

April 9, 2013



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

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April 9, 2013

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, 2012, and have issued our report thereon dated April 9, 2013. 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

Claim Procedures

During testing of claims, we noted the following:

- Credit card claims from the County Sheriff's office did not have proper documentation attached to support the amount claimed. Of the three credit card statements tested, we noted 25 charges, totaling \$1,926, did not have receipts attached.
- Payments of \$620 per month were made to the County Extension office for the 4-H building upkeep and utility expenses, but support for the amount or how the funds were spent was not maintained with the claims

A good internal control plan requires the County Board to ensure that adequate, original supporting documentation be maintained to support all expenditures approved by the County Board, including all credit card purchases. Such a plan would include adequate monitoring and review of supporting documentation for reasonableness and accuracy of charges and payments.

Without complete and accurate purchase documentation and payment procedures, there is an increased risk for fraud, abuse, or misuse of funds.

We recommend the County Board review its overall purchasing policies and procedures, including credit card transactions, and implement procedures adequate to ensure proper documentation is received before payment is made.

Expenditures in Excess of Budget

The 911 Wireless Service Fund expenditures exceeded the adopted budget by \$13,995 with no budget amendments adopted by the County Board.

Neb. Rev. Stat. § 23-916 (Reissue 2012) 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. Any contract, verbal or written, made in violation of this section shall be null and void as to the county, and no money belonging thereto shall be paid thereon.”

When expenditures are made in excess of the County's adopted budget, the County is not in compliance with State statute.

We recommend the County implement procedures to closely monitor expenditures throughout the year and, if necessary, amend the County's budget prior to the fiscal year end to avoid having expenditures in excess of the County's adopted budget.

Bidding Requirements

During testing of vendor claims, we noted a purchase for a Dump truck, totaling \$83,400, did not have adequate evidence of the County having secured appropriate bids.

Neb. Rev. Stat. § 23-3108 (Reissue 2012) states, "...purchases of personal property or services by the county board or purchasing agent shall be made: (a) Through the competitive sealed bidding process prescribed in section 23-3111 if the estimated value of the purchase is twenty thousand dollars or more."

When bidding requirements are not followed, the County is not in compliance with State statute and there is an increased risk of misuse of funds.

We recommend the County Board ensure bidding procedures are followed on all purchases requiring bids.

Inventory Statements

During our audit we noted the following offices' inventory statements were not on file as being approved by the County Board:

- Highway Department
- Veterans' Service Department
- Planning and Zoning Department

Neb. Rev. Stat. § 23-347 (Reissue 2012) requires county officers to file with the County Board within two calendar months after the close of each fiscal year an inventory statement of all County personal property in their custody and possession.

When annual inventory statements are not filed completely, accurately, and timely, the County is not in compliance with State statute, and there is an increased risk of loss, theft, or misuse of County property.

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

CLERK OF THE DISTRICT COURT

Deposit Coverage

We noted a total of 36 days during our audit period where the Clerk of the District Court did not have adequate pledged securities to fully secure bank deposits. The uncollateralized deposits ranged from \$46,187 to \$306,959.

Neb. Rev. Stat. § 77-2395 (Reissue 2009) states,

“the custodial official shall not have on deposit in such depository any public money or public funds in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation, unless and until the depository has furnished to the custodial official securities, the market value of which are in an amount not less than one hundred two percent of the amount on deposit which is in excess of the amount so insured or guaranteed.”

When deposits are not fully secured at all times, the offices are not in compliance with State statute, and there is an increased risk of loss should financial institutions holding County deposits fail.

We recommend the Clerk of the District Court implement procedures to ensure bank accounts are adequately collateralized at all times.

HIGHWAY DEPARTMENT / SURVEYOR

Accounts Receivable

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

- At June 30, 2012, the County Highway Department had 12 accounts receivables, totaling \$2,362, which were over two years old.
- At June 30, 2012, the County Surveyor had 27 accounts receivables, totaling \$3,390, 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, an annual discussion 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.

COUNTY ATTORNEY

Accounting Procedures

During testing it was noted that the accounting procedures over cash receipts and disbursements for the diversion office were not adequate. Procedures for restitution cases included hand delivered cash or money orders without obtaining documentation to support the amount disbursed went to the correct party. Additionally, cash received as a partial payment was kept on hand, sometimes for months, until the full amount of restitution was received.

Good internal controls require that when cash or money orders are disbursed that a corresponding receipt or documentation be obtained to support the amount went to the correct party.

When sufficient documentation is not maintained, there is an increased risk of fraud or the misuse of funds.

We recommend the County Attorney adequately document restitution monies being received and disbursed to individuals.

County Attorney's Response: I have instructed the diversion officer to make the following changes effective immediately:

Cash is no longer accepted for restitution. Clients are now required to write a check payable directly to the victim or present a money order payable directly to the victim. Clients will be issued a receipt immediately upon acceptance of check or money order. A photocopy of the same will be made and kept with the client's file. The check or money order will then be sent immediately to the victim along with a receipt to be signed and returned back to the office in an enclosed self-addressed, stamped envelope. The date restitution is forwarded to the victim will be documented in the client's file. Any partial payments of restitution will now be forwarded immediately to the victim using this methodology rather than holding it until the full amount of restitution is received.

COUNTY SHERIFF

Balancing Procedures

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

We noted the following during our audit:

- A cash shortage of \$5,891 noted during the prior audit has not been recovered.
- An accurate record of paper service earnings was not maintained during the period July 2011 through March 2012 and no remittances were made to the County Treasurer. Bank records indicated an unremitted balance of \$21,908 at June 30, 2012.
- May 2011 earnings for permits and inspections were remitted to the County Treasurer twice, once in July 2011 and again in March 2012.
- January 2012 and February 2012 earnings for permits and inspections were not remitted to the County Treasurer.

When all monies received are not appropriately accounted for and there is a failure to determine asset-to-liability balancing variances, there is an increased risk of loss, theft, or misuse of funds allowing errors to more easily go undetected.

We recommend the County Sheriff implement documented monthly balancing procedures and follow up on variances in a timely manner.

County Sheriff's Response: As we discussed, I understand the majority of this report reflects the prior years audit. I am pleased we have corrected many of the issues you had reported to me at that time. We continue to strive to be error free. I have taken all of your suggestions seriously as we have moved forward. We, remit our fees to the County Treasurer's Office monthly, balancing our in office books with bank statements and records, we make bank deposits in a timely manner. I have put into place several internal safeguards to help keep track of all money brought into our facility. I have kept the old bank account open and plan on closing it prior to June 1st as you have suggested. We will then remit those remaining funds to the County Treasurer.

* * * * *

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 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. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

SIGNED ORIGINAL ON FILE

Deann Haeffner, CPA
Assistant Deputy Auditor