

**AUDIT REPORT
OF
SEWARD COUNTY**

JULY 1, 2011 THROUGH JUNE 30, 2012

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the Auditor of Public Accounts.**

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Issued on January 18, 2013

SEWARD COUNTY

TABLE OF CONTENTS

	<u>Page</u>
List of County Officials	1
Financial Section	
Independent Auditor's Report	2 - 3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets - Cash Basis	4
Statement of Activities - Cash Basis	5
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds	6
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds	7
Statement of Fiduciary Assets and Liabilities - Cash Basis - Fiduciary Funds	8
Notes to Financial Statements	9 - 17
Combining Statements and Schedules:	
Budgetary Comparison Schedule - Budget and Actual - General Fund	18 - 19
Budgetary Comparison Schedule - Budget and Actual - Major Funds	20 - 21
Budgetary Comparison Schedule - Budget and Actual - Nonmajor Funds	22 - 26
Combining Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Nonmajor Governmental Funds	27 - 29
Schedule of Office Activities	30
Schedule of Taxes Certified and Collected for All Political Subdivisions in the County	31
Schedule of Expenditures of Federal Awards	32
Notes to the Schedule of Expenditures of Federal Awards	33
Government Auditing Standards Section	
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 <i>Government Auditing Standards</i>	34 - 35
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	36 - 37
Schedule of Findings and Questioned Costs	38 - 39

SEWARD COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2012

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Dedic	Board of Commissioners	Jan. 2013
Diana Garske		Jan. 2013
Mary Koci		Jan. 2015
Darrell Miller		Jan. 2015
Scott Stuhr		Jan. 2015
Marilyn Hladky	Assessor	Jan. 2015
Wendy Elston	Attorney	Jan. 2015
Sherry Schweitzer	Clerk Election Commissioner Register of Deeds	Jan. 2015
Jacquelyn Stewart	Clerk of the District Court	Jan. 2015
Joe Yocum	Sheriff	Jan. 2015
Bob Dahms	Treasurer	Jan. 2015
Jeff Baker	Veterans' Service Officer	Appointed
Glenn Callaway	Weed Superintendent	Appointed
Russell Daehling	Highway Superintendent	Appointed
Gary Petersen	Emergency Manager	Appointed
Dan Hansen	Planning and Zoning Superintendent	Appointed
David Kimble	Public Defender	Appointed



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SEWARD COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Seward County, Nebraska

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Seward County, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the County 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.

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 of Seward 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 January 8, 2013, on our consideration of Seward 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. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such 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

January 8, 2013

Deann Haeffner, CPA
Assistant Deputy Auditor

SEWARD COUNTY
STATEMENT OF NET ASSETS - CASH BASIS

June 30, 2012

		Governmental Activities
ASSETS		
Cash and Cash Equivalents (Note 1.D)	\$	8,047,608
TOTAL ASSETS	\$	8,047,608
NET ASSETS		
Restricted for:		
Visitor Promotion	\$	6,025
911 Emergency Services		189,492
Drug Education		10,579
Law Enforcement		828,782
Road Maintenance		48,090
Unrestricted		6,964,640
TOTAL NET ASSETS	\$	8,047,608

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

SEWARD COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS

For the Year Ended June 30, 2012

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (2,835,079)	\$ 506,669	\$ 72,995	\$ (2,255,415)
Public Safety	(3,353,158)	111,466	816,952	(2,424,740)
Public Works	(6,007,820)	2,196	1,585,197	(4,420,427)
Public Assistance	(447,711)	-	131,558	(316,153)
Culture and Recreation	(13,623)	-	-	(13,623)
Total Governmental Activities	<u>\$ (12,657,391)</u>	<u>\$ 620,331</u>	<u>\$ 2,606,702</u>	<u>(9,430,358)</u>

General Receipts:

Property Taxes	7,518,143
Grants and Contributions Not Restricted to Specific Programs	785,684
Investment Income	116,565
Licenses and Permits	95,224
Miscellaneous	66,907
Total General Receipts	<u>8,582,523</u>
Change in Net Assets	(847,835)
Net Assets - Beginning	8,895,443
Net Assets - Ending	<u>\$ 8,047,608</u>

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

SEWARD COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Road Fund	Inheritance Fund	Special Road Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents (Note 1.D)	\$ 2,070,080	\$ 632,029	\$ 4,015,839	\$ 97,611	\$ 1,232,049	\$ 8,047,608
TOTAL ASSETS	<u>\$ 2,070,080</u>	<u>\$ 632,029</u>	<u>\$ 4,015,839</u>	<u>\$ 97,611</u>	<u>\$ 1,232,049</u>	<u>\$ 8,047,608</u>
FUND BALANCES						
Restricted for:						
Visitor Promotion	\$ -	\$ -	\$ -	\$ -	\$ 6,025	\$ 6,025
911 Emergency Services	-	-	-	-	189,492	189,492
Drug Education	-	-	-	-	10,579	10,579
Law Enforcement	-	-	-	-	828,782	828,782
Road Maintenance	-	-	-	-	48,090	48,090
Committed to:						
Road Maintenance	-	632,029	-	97,611	-	729,640
Aid and Assistance	-	-	-	-	14,699	14,699
Equipment	-	-	-	-	134,382	134,382
Assigned to:						
Other Purposes	-	-	4,015,839	-	-	4,015,839
Unassigned	2,070,080	-	-	-	-	2,070,080
TOTAL CASH BASIS FUND BALANCES	<u>\$ 2,070,080</u>	<u>\$ 632,029</u>	<u>\$ 4,015,839</u>	<u>\$ 97,611</u>	<u>\$ 1,232,049</u>	<u>\$ 8,047,608</u>

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

SEWARD 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	Special Road Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$ 6,513,885	\$ -	\$ 900,000	\$ -	\$ 104,258	\$ 7,518,143
Licenses and Permits	95,224	-	-	-	-	95,224
Interest	99,907	-	16,658	-	-	116,565
Intergovernmental	752,173	1,569,536	18,800	-	1,051,877	3,392,386
Charges for Services	618,135	2,196	-	-	-	620,331
Miscellaneous	29,228	12,910	10,002	-	14,767	66,907
TOTAL RECEIPTS	<u>8,108,552</u>	<u>1,584,642</u>	<u>945,460</u>	<u>-</u>	<u>1,170,902</u>	<u>11,809,556</u>
DISBURSEMENTS						
General Government	2,540,060	-	168,409	-	126,610	2,835,079
Public Safety	2,170,647	-	-	-	1,182,511	3,353,158
Public Works	151,108	3,302,104	-	2,553,694	914	6,007,820
Public Assistance	372,236	-	-	-	75,475	447,711
Culture and Recreation	-	-	-	-	13,623	13,623
TOTAL DISBURSEMENTS	<u>5,234,051</u>	<u>3,302,104</u>	<u>168,409</u>	<u>2,553,694</u>	<u>1,399,133</u>	<u>12,657,391</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>2,874,501</u>	<u>(1,717,462)</u>	<u>777,051</u>	<u>(2,553,694)</u>	<u>(228,231)</u>	<u>(847,835)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,484,000	1,985,419	200,000	2,484,000	386,877	7,540,296
Transfers out	(4,919,465)	(100,000)	(2,504,000)	-	(16,831)	(7,540,296)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,435,465)</u>	<u>1,885,419</u>	<u>(2,304,000)</u>	<u>2,484,000</u>	<u>370,046</u>	<u>-</u>
Net Change in Fund Balances	439,036	167,957	(1,526,949)	(69,694)	141,815	(847,835)
CASH BASIS FUND BALANCES - BEGINNING	<u>1,631,044</u>	<u>464,072</u>	<u>5,542,788</u>	<u>167,305</u>	<u>1,090,234</u>	<u>8,895,443</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 2,070,080</u>	<u>\$ 632,029</u>	<u>\$ 4,015,839</u>	<u>\$ 97,611</u>	<u>\$ 1,232,049</u>	<u>\$ 8,047,608</u>

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

SEWARD COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS
FIDUCIARY FUNDS
 June 30, 2012

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 1,961,022
 LIABILITIES	
Due to other governments	
State	272,660
Schools	1,516,970
Educational Service Units	4,278
Technical College	17,881
Natural Resource Districts	7,647
Fire Districts	10,804
Municipalities	78,424
Agricultural Society	8,272
Cemetery Districts	1,562
Hospital	730
Others	41,794
TOTAL LIABILITIES	1,961,022
 TOTAL NET ASSETS	 \$ -

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

SEWARD 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 Seward County.

A. Reporting Entity

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

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

Joint Organization.

Behavioral Health Region V - The County has entered into an agreement with surrounding counties and the Nebraska 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 V (Region) consists of the following counties: Polk, Butler, Saunders, Seward, Lancaster, Otoe, Fillmore, Saline, Thayer, Jefferson, Gage, Johnson, Nemaha, Pawnee, York, and Richardson.

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of Federal, State, local, and private funding.

SEWARD COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The County contributed \$73,235 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 Four Corners 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 did not contribute 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. Internal activities in these statements were considered immaterial and have not been eliminated. Governmental Generally Accepted Accounting Principles (GAAP) requires internal activity to be eliminated to minimize double counting. The County reports governmental activities only. Governmental activities are generally financed through taxes, intergovernmental receipts, and other nonexchange transactions.

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

SEWARD COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements. The fund financial statements provide information about the County's funds, including its fiduciary funds. GAAP requires separate statements by fund category - governmental, proprietary, and fiduciary. The County uses only the governmental and fiduciary fund categories. The 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.

Special Road Fund. This fund is used to account for costs associated with specific road projects, which are primarily funded by property taxes.

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.

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.

SEWARD COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

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.

SEWARD COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 \$1,082,968 of restricted net assets, of which \$206,096 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

SEWARD COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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 \$8,047,608 for County funds and \$1,961,022 for Fiduciary funds. The bank balances for all funds totaled \$10,075,276. 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.

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 \$.358791/\$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 \$.346882/\$100 of assessed valuation. The amount collected for motor vehicle tax is outlined in State statute.

SEWARD 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 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, 132 employees contributed \$188,578, and the County contributed \$280,167. Contributions included \$6,050 in cash contributions towards the supplemental law enforcement plan for 14 law enforcement employees.

SEWARD 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 2013. The County has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

SEWARD 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	\$ 1,985,419	\$ -	\$ -	\$ -	\$ 1,985,419
Inheritance Fund	200,000	-	-	-	200,000
General Fund	-	2,484,000	-	-	2,484,000
Special Road Fund	2,384,000	-	100,000	-	2,484,000
Nonmajor Funds	350,046	20,000	-	16,831	386,877
Total	\$ 4,919,465	\$ 2,504,000	\$100,000	\$ 16,831	\$ 7,540,296

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. Contingent Liabilities

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

SEWARD 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	\$ 7,013,133	\$ 7,013,133	\$ 6,513,885	\$ (499,248)
Licenses and Permits	55,000	55,000	95,224	40,224
Interest	55,000	55,000	99,907	44,907
Intergovernmental	480,000	480,000	752,173	272,173
Charges for Services	345,000	345,000	618,135	273,135
Miscellaneous	-	-	29,228	29,228
TOTAL RECEIPTS	7,948,133	7,948,133	8,108,552	160,419
DISBURSEMENTS				
General Government:				
County Board	133,631	133,631	122,706	10,925
County Clerk	162,230	162,230	158,907	3,323
County Treasurer	241,134	241,134	240,938	196
County Assessor	255,570	255,570	247,184	8,386
Election Commissioner	51,421	51,421	38,572	12,849
Building and Zoning	50,320	50,320	49,817	503
Clerk of the District Court	224,360	224,360	208,184	16,176
County Court System	30,550	30,550	20,347	10,203
District Judge	18,633	18,633	16,505	2,128
Public Defender	105,522	105,522	100,915	4,607
Building and Grounds	173,351	173,351	147,177	26,174
Agricultural Extension Agent	135,101	135,101	134,846	255
Cemetery	5,000	5,000	4,759	241
Miscellaneous	1,539,225	1,539,225	1,049,203	490,022
Public Safety:				
County Sheriff	853,804	853,804	821,391	32,413
County Attorney	509,546	509,546	465,056	44,490
County Jail	641,948	674,948	674,437	511
Emergency Management	117,391	117,391	109,433	7,958
Miscellaneous	153,000	120,000	100,330	19,670
Public Works:				
County Surveyor	9,000	9,000	3,521	5,479
Noxious Weed Control	57,959	57,959	50,962	6,997
Highway Department	100,384	100,384	96,625	3,759

(Continued)

SEWARD COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
DISBURSEMENTS (Continued)				
Public Assistance:				
Veterans' Service Officer	59,793	59,793	59,533	260
Public Transit	139,949	139,949	137,279	2,670
Miscellaneous	176,640	176,640	175,424	1,216
TOTAL DISBURSEMENTS	<u>5,945,462</u>	<u>5,945,462</u>	<u>5,234,051</u>	<u>711,411</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>2,002,671</u>	<u>2,002,671</u>	<u>2,874,501</u>	<u>871,830</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,900,000	2,900,000	2,484,000	(416,000)
Transfers out	(5,533,715)	(5,533,715)	(4,919,465)	614,250
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,633,715)</u>	<u>(2,633,715)</u>	<u>(2,435,465)</u>	<u>198,250</u>
Net Change in Fund Balance	(631,044)	(631,044)	439,036	1,070,080
FUND BALANCE - BEGINNING	<u>1,631,044</u>	<u>1,631,044</u>	<u>1,631,044</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 2,070,080</u>	<u>\$ 1,070,080</u>

(Concluded)

SEWARD 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	\$ 1,400,000	\$ 1,400,000	\$1,569,536	\$ 169,536
Charges for Services	-	-	2,196	2,196
Miscellaneous	-	-	12,910	12,910
TOTAL RECEIPTS	1,400,000	1,400,000	1,584,642	184,642
DISBURSEMENTS	3,499,491	3,499,491	3,302,104	197,387
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(2,099,491)	(2,099,491)	(1,717,462)	382,029
OTHER FINANCING SOURCES (USES)				
Transfers in	1,985,419	1,985,419	1,985,419	-
Transfers out	(50,000)	(50,000)	(100,000)	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	1,935,419	1,935,419	1,885,419	(50,000)
Net Change in Fund Balance	(164,072)	(164,072)	167,957	332,029
FUND BALANCE - BEGINNING	464,072	464,072	464,072	-
FUND BALANCE - ENDING	\$ 300,000	\$ 300,000	\$ 632,029	\$ 332,029
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 900,000	\$ 900,000
Interest	-	-	16,658	16,658
Intergovernmental	-	-	18,800	18,800
Miscellaneous	-	-	10,002	10,002
TOTAL RECEIPTS	-	-	945,460	945,460
DISBURSEMENTS	3,022,788	3,022,788	168,409	2,854,379
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(3,022,788)	(3,022,788)	777,051	3,799,839
OTHER FINANCING SOURCES (USES)				
Transfers in	400,000	400,000	200,000	(200,000)
Transfers out	(2,920,000)	(2,920,000)	(2,504,000)	416,000
TOTAL OTHER FINANCING SOURCES (USES)	(2,520,000)	(2,520,000)	(2,304,000)	216,000
Net Change in Fund Balance	(5,542,788)	(5,542,788)	(1,526,949)	4,015,839
FUND BALANCE - BEGINNING	5,542,788	5,542,788	5,542,788	-
FUND BALANCE - ENDING	\$ -	\$ -	\$4,015,839	\$ 4,015,839

(Continued)

SEWARD 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)
<u>SPECIAL ROAD FUND</u>				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	<u>3,017,305</u>	<u>3,017,305</u>	<u>2,553,694</u>	<u>463,611</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(3,017,305)</u>	<u>(3,017,305)</u>	<u>(2,553,694)</u>	<u>463,611</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,850,000	2,850,000	2,484,000	(366,000)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,850,000</u>	<u>2,850,000</u>	<u>2,484,000</u>	<u>(366,000)</u>
Net Change in Fund Balance	(167,305)	(167,305)	(69,694)	97,611
FUND BALANCE - BEGINNING	<u>167,305</u>	<u>167,305</u>	<u>167,305</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,611</u>	<u>\$ 97,611</u>

(Concluded)

SEWARD 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)
<u>EQUIPMENT SINKING FUND</u>				
RECEIPTS	\$ -	\$ -	\$ 50	\$ 50
DISBURSEMENTS	222,449	222,449	94,867	127,582
OTHER FINANCING SOURCES (USES)				
Transfers in	33,950	33,950	40,700	6,750
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	33,950	33,950	40,700	6,750
Net Change in Fund Balance	(188,499)	(188,499)	(54,117)	134,382
FUND BALANCE - BEGINNING	188,499	188,499	188,499	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,382</u>	<u>\$ 134,382</u>
<u>VISITOR PROMOTION FUND</u>				
RECEIPTS	\$ 16,398	\$ 16,398	\$ 11,046	\$ (5,352)
DISBURSEMENTS	25,000	25,000	13,623	11,377
Net Change in Fund Balance	(8,602)	(8,602)	(2,577)	6,025
FUND BALANCE - BEGINNING	8,602	8,602	8,602	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,025</u>	<u>\$ 6,025</u>
<u>VETERANS AID FUND</u>				
RECEIPTS	\$ 434	\$ 434	\$ 1,507	\$ 1,073
DISBURSEMENTS	5,000	5,000	-	5,000
Net Change in Fund Balance	(4,566)	(4,566)	1,507	6,073
FUND BALANCE - BEGINNING	4,566	4,566	4,566	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,073</u>	<u>\$ 6,073</u>

(Continued)

SEWARD 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)
AGING SERVICES FUND				
RECEIPTS	\$ 55,474	\$ 55,474	\$ 50,944	\$ (4,530)
DISBURSEMENTS	83,631	83,631	75,475	8,156
OTHER FINANCING SOURCES (USES)				
Transfers in	23,746	23,746	23,746	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	23,746	23,746	23,746	-
Net Change in Fund Balance	(4,411)	(4,411)	(785)	3,626
FUND BALANCE - BEGINNING	9,411	9,411	9,411	-
FUND BALANCE - ENDING	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 8,626</u>	<u>\$ 3,626</u>
DRUG LAW ENFORCEMENT FUND				
RECEIPTS	\$ 189,421	\$ 189,421	\$ -	\$ (189,421)
DISBURSEMENTS	200,000	200,000	-	200,000
Net Change in Fund Balance	(10,579)	(10,579)	-	10,579
FUND BALANCE - BEGINNING	10,579	10,579	10,579	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,579</u>	<u>\$ 10,579</u>
ATTORNEY FEDERAL DRUG LAW ENFORCEMENT FUND				
RECEIPTS	\$ 74,928	\$ 74,928	\$ 125,024	\$ 50,096
DISBURSEMENTS	200,000	200,000	69,099	130,901
Net Change in Fund Balance	(125,072)	(125,072)	55,925	180,997
FUND BALANCE - BEGINNING	125,072	125,072	125,072	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,997</u>	<u>\$ 180,997</u>

(Continued)

SEWARD 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)
SHERIFF FEDERAL DRUG LAW ENFORCEMENT FUND				
RECEIPTS	\$ 209,133	\$ 209,133	\$ 588,888	\$ 379,755
DISBURSEMENTS	681,200	681,200	458,341	222,859
Net Change in Fund Balance	(472,067)	(472,067)	130,547	602,614
FUND BALANCE - BEGINNING	472,067	472,067	472,067	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 602,614</u>	<u>\$ 602,614</u>
ATTORNEY GRANT FUND				
RECEIPTS	\$ 107,447	\$ 107,447	\$ 23,929	\$ (83,518)
DISBURSEMENTS	159,655	159,655	30,966	128,689
Net Change in Fund Balance	(52,208)	(52,208)	(7,037)	45,171
FUND BALANCE - BEGINNING	52,208	52,208	52,208	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,171</u>	<u>\$ 45,171</u>
EMERGENCY MANAGER GRANT FUND				
RECEIPTS	\$ 455,547	\$ 455,547	\$ 61,526	\$ (394,021)
DISBURSEMENTS	500,000	500,000	34,413	465,587
Net Change in Fund Balance	(44,453)	(44,453)	27,113	71,566
FUND BALANCE - BEGINNING	44,453	44,453	44,453	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,566</u>	<u>\$ 71,566</u>
E911 GRANT FUND				
RECEIPTS	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)
DISBURSEMENTS	200,000	200,000	-	200,000
Net Change in Fund Balance	-	-	-	-
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

SEWARD 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)
ROAD GRANT FUND				
RECEIPTS	\$ 2,952,227	\$ 2,952,227	\$ 1,231	\$ (2,950,996)
DISBURSEMENTS	3,000,000	3,000,000	914	2,999,086
Net Change in Fund Balance	(47,773)	(47,773)	317	48,090
FUND BALANCE - BEGINNING	47,773	47,773	47,773	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,090</u>	<u>\$ 48,090</u>
MISCELLANEOUS GRANTS FUND				
RECEIPTS	\$ 500,000	\$ 500,000	\$ 17,747	\$ (482,253)
DISBURSEMENTS	500,000	500,000	17,747	482,253
Net Change in Fund Balance	-	-	-	-
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ECONOMIC DEVELOPMENT FUND				
RECEIPTS	\$ 32,080	\$ 32,080	\$ 13,823	\$ (18,257)
DISBURSEMENTS	50,000	50,000	31,743	18,257
Net Change in Fund Balance	(17,920)	(17,920)	(17,920)	-
FUND BALANCE - BEGINNING	17,920	17,920	17,920	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
911 WIRELESS SERVICE FUND				
RECEIPTS	\$ 47,626	\$ 47,626	\$ 22,737	\$ (24,889)
DISBURSEMENTS	50,000	50,000	7,352	42,648
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(11,831)	(11,831)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(11,831)	(11,831)
Net Change in Fund Balance	(2,374)	(2,374)	3,554	5,928
FUND BALANCE - BEGINNING	2,374	2,374	2,374	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,928</u>	<u>\$ 5,928</u>

(Continued)

SEWARD 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)
911 WIRELESS HOLDING FUND				
RECEIPTS	\$ -	\$ -	\$ 5,908	\$ 5,908
DISBURSEMENTS	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	11,831	11,831
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	11,831	11,831
Net Change in Fund Balance	-	-	17,739	17,739
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,739</u>	<u>\$ 17,739</u>
E911 FUND				
RECEIPTS	\$ 242,415	\$ 242,415	\$ 246,542	\$ 4,127
DISBURSEMENTS	599,725	599,725	564,593	35,132
OTHER FINANCING SOURCES (USES)				
Transfers in	310,600	310,600	310,600	-
Transfers out	-	-	(5,000)	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	310,600	310,600	305,600	(5,000)
Net Change in Fund Balance	(46,710)	(46,710)	(12,451)	34,259
FUND BALANCE - BEGINNING	106,710	106,710	106,710	-
FUND BALANCE - ENDING	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 94,259</u>	<u>\$ 34,259</u>
RIGHT OF WAY HOLDING FUND				
RECEIPTS	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)
DISBURSEMENTS	200,000	200,000	-	200,000
Net Change in Fund Balance	-	-	-	-
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Concluded)

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

	Equipment Sinking Fund	Visitor Promotion Fund	Veterans Aid Fund	Aging Services Fund	Drug Law Enforcement Fund	Attorney Federal Drug Law Enforcement Fund
RECEIPTS						
Property Taxes	\$ -	\$ 11,046	\$ 1,462	\$ -	\$ -	\$ -
Intergovernmental	-	-	45	49,518	-	124,905
Miscellaneous	50	-	-	1,426	-	119
TOTAL RECEIPTS	<u>50</u>	<u>11,046</u>	<u>1,507</u>	<u>50,944</u>	<u>-</u>	<u>125,024</u>
DISBURSEMENTS						
General Government	94,867	-	-	-	-	-
Public Safety	-	-	-	-	-	69,099
Public Works	-	-	-	-	-	-
Public Assistance	-	-	-	75,475	-	-
Culture and Recreation	-	13,623	-	-	-	-
TOTAL DISBURSEMENTS	<u>94,867</u>	<u>13,623</u>	<u>-</u>	<u>75,475</u>	<u>-</u>	<u>69,099</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(94,817)</u>	<u>(2,577)</u>	<u>1,507</u>	<u>(24,531)</u>	<u>-</u>	<u>55,925</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	40,700	-	-	23,746	-	-
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>40,700</u>	<u>-</u>	<u>-</u>	<u>23,746</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(54,117)	(2,577)	1,507	(785)	-	55,925
FUND BALANCES - BEGINNING	<u>188,499</u>	<u>8,602</u>	<u>4,566</u>	<u>9,411</u>	<u>10,579</u>	<u>125,072</u>
FUND BALANCES - ENDING	<u>\$ 134,382</u>	<u>\$ 6,025</u>	<u>\$ 6,073</u>	<u>\$ 8,626</u>	<u>\$ 10,579</u>	<u>\$ 180,997</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	\$ -	\$ 6,025	\$ -	\$ -	\$ -	\$ -
911 Emergency Services	-	-	-	-	-	-
Drug Education	-	-	-	-	10,579	-
Law Enforcement	-	-	-	-	-	180,997
Road Maintenance	-	-	-	-	-	-
Committed to:						
Aid and Assistance	-	-	6,073	8,626	-	-
Equipment	134,382	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 134,382</u>	<u>\$ 6,025</u>	<u>\$ 6,073</u>	<u>\$ 8,626</u>	<u>\$ 10,579</u>	<u>\$ 180,997</u>

(Continued)

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

	Sheriff Federal Drug Law Enforcement Fund	Attorney Grant Fund	Emergency Manager Grant Fund	E911 Grant Fund	Road Grant Fund	Miscellaneous Grants Fund
RECEIPTS						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	588,238	23,929	49,004	-	1,231	17,747
Miscellaneous	650	-	12,522	-	-	-
TOTAL RECEIPTS	<u>588,888</u>	<u>23,929</u>	<u>61,526</u>	<u>-</u>	<u>1,231</u>	<u>17,747</u>
DISBURSEMENTS						
General Government	-	-	-	-	-	-
Public Safety	458,341	30,966	34,413	-	-	17,747
Public Works	-	-	-	-	914	-
Public Assistance	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>458,341</u>	<u>30,966</u>	<u>34,413</u>	<u>-</u>	<u>914</u>	<u>17,747</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>130,547</u>	<u>(7,037)</u>	<u>27,113</u>	<u>-</u>	<u>317</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	130,547	(7,037)	27,113	-	317	-
FUND BALANCES - BEGINNING	<u>472,067</u>	<u>52,208</u>	<u>44,453</u>	<u>-</u>	<u>47,773</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 602,614</u>	<u>\$ 45,171</u>	<u>\$ 71,566</u>	<u>\$ -</u>	<u>\$ 48,090</u>	<u>\$ -</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
911 Emergency Services	-	-	71,566	-	-	-
Drug Education	-	-	-	-	-	-
Law Enforcement	602,614	45,171	-	-	-	-
Road Maintenance	-	-	-	-	48,090	-
Committed to:						
Aid and Assistance	-	-	-	-	-	-
Equipment	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 602,614</u>	<u>\$ 45,171</u>	<u>\$ 71,566</u>	<u>\$ -</u>	<u>\$ 48,090</u>	<u>\$ -</u>

(Continued)

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

	Economic Development Fund	911 Wireless Service Fund	911 Wireless Holding Fund	E911 Fund	Right of Way Holding Fund	Total Nonmajor Governmental Funds
RECEIPTS						
Property Taxes	\$ -	\$ 22,737	\$ 5,908	\$ 63,105	\$ -	\$ 104,258
Intergovernmental	13,823	-	-	183,437	-	1,051,877
Miscellaneous	-	-	-	-	-	14,767
TOTAL RECEIPTS	<u>13,823</u>	<u>22,737</u>	<u>5,908</u>	<u>246,542</u>	<u>-</u>	<u>1,170,902</u>
DISBURSEMENTS						
General Government	31,743	-	-	-	-	126,610
Public Safety	-	7,352	-	564,593	-	1,182,511
Public Works	-	-	-	-	-	914
Public Assistance	-	-	-	-	-	75,475
Culture and Recreation	-	-	-	-	-	13,623
TOTAL DISBURSEMENTS	<u>31,743</u>	<u>7,352</u>	<u>-</u>	<u>564,593</u>	<u>-</u>	<u>1,399,133</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(17,920)</u>	<u>15,385</u>	<u>5,908</u>	<u>(318,051)</u>	<u>-</u>	<u>(228,231)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	11,831	310,600	-	386,877
Transfers out	-	(11,831)	-	(5,000)	-	(16,831)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(11,831)</u>	<u>11,831</u>	<u>305,600</u>	<u>-</u>	<u>370,046</u>
Net Change in Fund Balances	(17,920)	3,554	17,739	(12,451)	-	141,815
FUND BALANCES - BEGINNING	<u>17,920</u>	<u>2,374</u>	<u>-</u>	<u>106,710</u>	<u>-</u>	<u>1,090,234</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 5,928</u>	<u>\$ 17,739</u>	<u>\$ 94,259</u>	<u>\$ -</u>	<u>\$ 1,232,049</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,025
911 Emergency Services	-	5,928	17,739	94,259	-	189,492
Drug Education	-	-	-	-	-	10,579
Law Enforcement	-	-	-	-	-	828,782
Road Maintenance	-	-	-	-	-	48,090
Committed to:						
Aid and Assistance	-	-	-	-	-	14,699
Equipment	-	-	-	-	-	134,382
TOTAL FUND BALANCES	<u>\$ -</u>	<u>\$ 5,928</u>	<u>\$ 17,739</u>	<u>\$ 94,259</u>	<u>\$ -</u>	<u>\$ 1,232,049</u>

(Concluded)

SEWARD 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 Health Insurance	County Planning and Zoning	County Aging Services	County Public Transit	Total
BALANCES JULY 1, 2011	\$ 28,326	\$ 116,543	\$10,830	\$ 401	\$ 886	\$ 1,618	\$ 262,150	\$ -	\$ -	\$ -	\$ 420,754
RECEIPTS											
Licenses and Permits	1,902	-	960	-	675	-	-	-	-	-	3,537
Intergovernmental	-	-	9,774	-	-	-	-	-	49,519	-	59,293
Charges for Services	121,561	24,656	68,271	42,519	2,196	-	-	29,143	-	8,484	296,830
Miscellaneous	-	-	-	-	13,409	1	1,131,902	-	845	-	1,146,157
State Fees	122,668	20,845	-	-	-	-	-	-	-	-	143,513
Other Liabilities	-	502,646	406,810	7,488	-	-	-	-	-	-	916,944
TOTAL RECEIPTS	246,131	548,147	485,815	50,007	16,280	1	1,131,902	29,143	50,364	8,484	2,566,274
DISBURSEMENTS											
Payments to County Treasurer	126,391	24,881	80,154	42,484	17,091	-	-	29,143	50,364	8,484	378,992
Payments to State Treasurer	126,980	20,231	-	-	-	-	-	-	-	-	147,211
Other Liabilities	-	481,067	401,777	7,589	-	427	1,036,921	-	-	-	1,927,781
TOTAL DISBURSEMENTS	253,371	526,179	481,931	50,073	17,091	427	1,036,921	29,143	50,364	8,484	2,453,984
BALANCES JUNE 30, 2012	\$ 21,086	\$ 138,511	\$14,714	\$ 335	\$ 75	\$ 1,192	\$ 357,131	\$ -	\$ -	\$ -	\$ 533,044
BALANCES CONSIST OF:											
Due to County Treasurer	\$ 8,822	\$ 2,494	\$ 4,171	\$ 335	\$ 75	\$ 1,192	\$ 357,131	\$ -	\$ -	\$ -	\$ 374,220
Petty Cash	7,500	-	-	-	-	-	-	-	-	-	7,500
Due to State Treasurer	4,764	1,757	-	-	-	-	-	-	-	-	6,521
Due to Others	-	134,260	10,543	-	-	-	-	-	-	-	144,803
BALANCES JUNE 30, 2012	\$ 21,086	\$ 138,511	\$14,714	\$ 335	\$ 75	\$ 1,192	\$ 357,131	\$ -	\$ -	\$ -	\$ 533,044

SEWARD 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	\$ 21,784,393	\$ 22,904,670	\$ 23,476,255	\$ 25,368,473	\$ 26,900,926
Personal and Specials	1,567,628	1,609,015	1,819,239	2,139,532	2,220,078
Total	23,352,021	24,513,685	25,295,494	27,508,005	29,121,004
Corrections					
Additions	43,619	5,940	7,624	7,645	3,064
Deductions	(16,194)	(5,678)	(5,293)	(34,947)	(2,451)
Net Additions/ (Deductions)	27,425	262	2,331	(27,302)	613
Corrected Certified Tax	23,379,446	24,513,947	25,297,825	27,480,703	29,121,617
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2008	13,291,512	-	-	-	-
June 30, 2009	10,073,198	14,120,701	-	-	-
June 30, 2010	9,898	10,374,715	14,763,732	-	-
June 30, 2011	1,716	6,761	10,516,649	16,370,852	-
June 30, 2012	1,556	4,824	7,581	11,093,969	17,540,097
Total Net Collections	23,377,880	24,507,001	25,287,962	27,464,821	17,540,097
Total Uncollected Tax	\$ 1,566	\$ 6,946	\$ 9,863	\$ 15,882	\$ 11,581,520
Percentage Uncollected Tax	0.01%	0.03%	0.04%	0.06%	39.77%

SEWARD COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE		
Asset Forfeiture Program	16.Unknown	* \$ 521,335
Passed through State Commission on Law Enforcement and Criminal Justice		
Juvenile Justice and Delinquency Prevention	16.540	4,168
Crime Victim Assistance	16.575	14,090
		<hr/>
Total U.S. Department of Justice		539,593
		<hr/>
U.S. DEPARTMENT OF HOMELAND SECURITY		
Passed through Nebraska Military Department Emergency Management Performance Grants	97.042	53,213
		<hr/>
Total U.S. Department of Homeland Security		53,213
		<hr/>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through Nebraska Department of Health and Human Services		
Child Support Enforcement	93.563	83,755
Medical Assistance Program	93.778	467
Passed through City of Lincoln	93.045	31,658
		<hr/>
Total U.S. Department of Health and Human Services		115,880
		<hr/>
U.S. DEPARTMENT OF TRANSPORTATION		
Passed through Nebraska Department of Roads		
Formula Grants for Other than Urbanized Areas	20.509	55,049
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	7,000
		<hr/>
Total U.S. Department of Transportation		62,049
		<hr/>
U.S. DEPARTMENT OF TREASURY		
Asset Forfeiture Program	21.Unknown	6,105
		<hr/>
Total U.S. Department of Treasury		6,105
		<hr/>
U.S. DEPARTMENT OF COMMERCE		
Economic Development Adjustment Assistance	11.307	80,046
Passed through Nebraska Military Department Public Safety Interoperable Communications Grant Program	11.555	2,526
		<hr/>
Total U.S. Department of Commerce		82,572
		<hr/>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 859,412
		<hr/> <hr/>

* Represents Major Program
See accompanying Notes to the Schedule of Expenditures of Federal Awards

SEWARD COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. General

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

2. Summary of Significant Accounting Policies

A. Reporting Entity

The County's reporting entity is defined in Note 1.A. to the financial statements. The accompanying Schedule includes the Federal awards programs administered by the County for the fiscal year ended June 30, 2012.

B. Basis of Presentation

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

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

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

C. Basis of Accounting

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

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



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SEWARD 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 Commissioners
Seward County, Nebraska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Seward County as of and for the year ended June 30, 2012, and have issued our report thereon dated January 8, 2013. The report notes the financial statements were prepared on the basis of cash receipts and disbursements. Except as noted above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Seward 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 Seward 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 Seward 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 Seward County in a separate letter dated January 8, 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

January 8, 2013

Deann Haeffner, CPA
Assistant Deputy Auditor



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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SEWARD COUNTY

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

Board of Commissioners
Seward County, Nebraska

Compliance

We have audited Seward County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Seward County's major Federal programs for the year ended June 30, 2012. Seward County's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Seward County's management. Our responsibility is to express an opinion on Seward County's compliance based on our audit.

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

As described in Finding #2012-2 in the accompanying schedule of findings and questioned costs, Seward County did not comply with requirements regarding reporting that are applicable to its Asset Forfeiture Program. Compliance with such requirements is necessary, in our opinion, for Seward County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Seward County complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs at Finding #2012-2 to be a material weakness.

Seward County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Seward County's responses and, accordingly, we express no opinion on the responses.

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

SIGNED ORIGINAL ON FILE

January 8, 2013

Deann Haeffner, CPA
Assistant Deputy Auditor

SEWARD COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	<u> X </u> Yes <u> </u> No
Significant deficiencies identified?	<u> </u> Yes <u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes <u> X </u> No
Internal control over major programs:	
Material weaknesses identified?	<u> X </u> Yes <u> </u> No
Significant deficiencies identified?	<u> </u> Yes <u> X </u> None Reported
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133:	<u> X </u> Yes <u> </u> No
Major programs: Asset Forfeiture Program, CFDA #16.Unknown	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee:	<u> </u> Yes <u> X </u> No

SEWARD COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

SECTION II. FINANCIAL STATEMENT FINDINGS

Finding # 2012-1

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

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

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

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

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

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding # 2012-2

Condition - The amount of disbursements reported on the annual certification report filed for the Federal Asset Forfeiture Program could not be supported. Disbursements from the Sheriff Federal Drug Law Enforcement Fund for the fiscal year ending June 30, 2012, were \$458,341, but the disbursement amount reported on the certification report was \$520,061, an excess of \$61,720.

Criteria - The U.S. Department of Justice Guide to Equitable Sharing for State and Local Law Enforcement Agencies requires an accurate certification report be filed annually. Additionally, good internal controls require procedures be in place to ensure reports are accurate and complete.

Effect of the Condition - When reports are not filed accurately, there is an increased risk of loss or misuse of funds as well as noncompliance with requirements.

Cause of the Condition - The County did not have adequate review procedures in place to ensure amounts reported were reviewed prior to submission.

Recommendation - We recommend the County Sheriff implement procedures to insure the report is filed and completed accurately.

SEWARD COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

County Response – The County Sheriff has notified the Department of Justice of the discrepancy regarding the reported amount of Federal Equitable Funds used during the last reporting period and plan to resubmit the report with the corrections made to the actual amount of Funds expended by the agency.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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January 8, 2013

Board of Commissioners
Seward County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Seward County (County) for the fiscal year ended June 30, 2012, and have issued our report thereon dated January 8, 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 various offices which collect and remit money to the County Treasurer each had a lack of segregation of duties since one person could handle all aspects of processing a transaction from beginning to end. Due to a limited number of personnel, an adequate segregation of duties may not be possible in those offices 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

Health Insurance Bank Account

During our audit we noted that there was no oversight or reconciliation of a bank account maintained to pay self insured health insurance claims. We noted:

- The County did not receive or request the bank statements for the health insurance account and; therefore, did not reconcile the account to records.
- The County did not receive any reports from Mid America, the third party administrator of the insurance claims. Mid America had authority to disburse checks out of the bank account without County approval.
- The bank account balance exceeded the Federal Deposit Insurance Corporation (FDIC) coverage and did not have sufficient securities filed to protect the account balance.

Sound accounting practice and good internal controls require procedures be in place to provide appropriate oversight of accounts and safeguard assets. Neb. Rev. Stat. § 77-2395 requires deposits in excess of FDIC coverage be protected at all times with authorized securities.

We recommend the County receive bank statements for the health insurance account, reconcile the account to office records, receive reports from Mid America on paid insurance claims, and obtain the necessary securities to fully protect the account.

Duplicate Payment

An invoice for the purchase of County Sheriff radios, totaling \$51,122, was paid twice, once in July 2011 and again in November 2011. The vendor the radios were purchased from notified the County of the overpayment and reduced subsequent invoices.

Good internal control requires procedures be in place to ensure invoices are only paid once. When invoices can be submitted and paid twice without being detected by the County, there is an increased risk of loss or misuse of funds, additionally, the County Board is not aware of items being purchased when invoices are deducted from a credit balance on hand at a vendor.

We recommend the County Board implement procedures to ensure invoices are reviewed prior to approval to determine if they were previously paid.

County Sheriff's Response: We have implemented an Excel Spreadsheet to monitor the monthly tracking of pay claims. The spreadsheet includes tabs for Sheriff, Drug Fund, and Jail Claims. The spreadsheet includes the company name, invoice date and number and the amount of the claim. We are monitoring this spreadsheet as we pay new invoices so that we can ensure we are catching invoices before they are duplicated.

COUNTY SHERIFF

Balancing Procedures

We noted at June 30, 2012, office records indicated liabilities exceeded assets by \$570 and a detailed list of account balances was not maintained. Failure to identify and resolve asset-to-liability balancing variances increases risk of loss, theft, or misuse of funds, and allows errors to more easily go undetected.

During our audit we also noted the following:

- Receipts submitted to the County Treasurer were overstated by a total of \$36.
- Mileage charged for serving papers on three of five receipts tested had no documentation to support the number of miles traveled.
- A complete list of all receipts issued for the audit period was not available due to a computer loss of records.
- Forty-nine outstanding checks, totaling \$344, should have been remitted to Unclaimed Property.

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 (fee and trust accounts) on at least a monthly basis. Balancing procedures should include the timely identification and resolution of all variances noted.

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

We recommend the County Sheriff implement documented monthly balancing procedures and follow up on all unexplained variances in a timely manner, amounts determined to be excess or unknown balances should be remitted to the County General Fund. Additionally, receipts should be issued for all money received, supported with documentation for the amount received, and recorded in a ledger which is available for inspection. We further recommend the County Sheriff remit all old outstanding checks to the State Treasurer.

County Sheriff's Response: Our review of the issues associated with this section of the report are due, in part, to a loss of records or files that occurred during an incident in which data was lost or corrupted when the system "crashed". The staff member responsible for maintaining these files and records is working with an IT individual to ensure a frequent backup of all files associated with Sheriff's Office records, files, checks, etc. occurs. We are also implementing and "off-site" backup so these records are stored outside our jurisdiction in a secure facility and easily accessed in the event that an incident similar to what occurred does not compromise our ability to be able to account for funds, expenditures, records, etc.

I have asked the Civil Process Sergeant to develop a ledger-type recording and record keeping system for all funds or money received regarding fees, transfers, etc. and that a regular report reflects the monies are properly accounted for by our staff.

Our goal is to comply with the recommendations made by your staff to overcome the deficiencies noted in the report and management letter. We will strive to correct the issues noted in the report to ensure that accurate, concise and efficient processing of Sheriff's Office financial instruments and record keeping occurs.

Federal Reporting

The amount of disbursements reported on the annual certification report filed for the Federal Asset Forfeiture Program could not be supported. Disbursements from the Sheriff Federal Drug Law Enforcement Fund for the fiscal year ending June 30, 2012, were \$458,341, but the disbursement amount reported on the certification report was \$520,061, an excess of \$61,720.

The U.S. Department of Justice Guide to Equitable Sharing for State and Local Law Enforcement Agencies requires an accurate certification report be filed annually. Additionally, good internal controls require procedures be in place to ensure reports are accurate and complete. When reports are not filed accurately, there is an increased risk of loss or misuse of funds as well as noncompliance with requirements.

We recommend the County Sheriff implement procedures to ensure the report is filed and completed accurately.

County Sheriff's Response: The Sheriff's Office has notified the Department of Justice that we are submitting an amended Annual Certification Report to them in regards to this discrepancy in order to remain in compliance with the certification program and the audit findings.

COUNTY HIGHWAY SUPERINTENDENT

Office Accountability

During our audit we noted:

- The Highway Superintendent did not use pre-numbered receipts / invoices or maintain a log of invoiced amounts and receipts to ensure all monies due the County were collected.
- Three moving permits issued, totaling \$75, could not be traced to remittances to the County Treasurer.

A good system of internal control requires procedures and records designed to safeguard assets and provide reliable financial records. There is an increase in the risk of possible loss or misuse of funds when adequate controls are not in place.

We recommend the County Highway Superintendent issue pre-numbered receipts for all money received and record receipts in a ledger.

* * * * *

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