

**AUDIT REPORT
OF
DUNDY COUNTY**

JULY 1, 2013 THROUGH JUNE 30, 2014

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the Auditor of Public Accounts.**

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Issued on April 29, 2015

DUNDY COUNTY

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DUNDY COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerry Fries	Board of Commissioners	Jan. 2015
Scott Hogeland		Jan. 2015
Scott Olson		Jan. 2017
Joanna Niblack	Assessor	Jan. 2015
Gary Burke	Attorney	Jan. 2015
Tony Lutz	Clerk Election Commissioner Register of Deeds Clerk of the District Court	Jan. 2015
Justin Nichols	Sheriff	Jan. 2015
Penny Denny	Treasurer	Jan. 2015
Barry Corder	Veterans' Service Officer	Appointed
Elaine Frasier	Planning / Zoning	Appointed



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DUNDY COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Dundy County, Nebraska

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dundy County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Discretely Presented Component Unit	Adverse
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements do not include financial data for the County's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for that component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, net position, receipts, and disbursements of the government-wide financial statements has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of Dundy County, as of June 30, 2014, or the change in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and aggregate remaining fund information of Dundy County, as of June 30, 2014, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole, which 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 combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, Pages 20 - 29, are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2015, on our consideration of Dundy 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 considering Dundy County's internal control over financial reporting and compliance.

April 20, 2015


Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

DUNDY COUNTY
STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 1,773,519
TOTAL ASSETS	<u><u>\$ 1,773,519</u></u>
NET POSITION	
Restricted for:	
Visitor Promotion	\$ 5,694
911 Emergency Services	159,683
Drug Education	1,784
Preservation of Records	5,315
Library Services	354
Aid and Assistance	11,399
Road Maintenance	50,739
Unrestricted	1,538,551
TOTAL NET POSITION	<u><u>\$ 1,773,519</u></u>

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

DUNDY COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2014

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (1,044,247)	\$ 169,485	\$ 2,020	\$ (872,742)
Public Safety	(652,526)	53,932	6,284	(592,310)
Public Works	(1,069,976)	156	655,578	(414,242)
Public Assistance	(26,259)	-	-	(26,259)
Culture and Recreation	(14,565)	-	-	(14,565)
Total Governmental Activities	<u>\$ (2,807,573)</u>	<u>\$ 223,573</u>	<u>\$ 663,882</u>	<u>(1,920,118)</u>

General Receipts:

Property Taxes	1,831,791
Grants and Contributions Not Restricted to Specific Programs	188,557
Investment Income	11,690
Licenses and Permits	8,480
Miscellaneous	10,132
Total General Receipts	<u>2,050,650</u>
 Increase in Net Position	 130,532
Net Position - Beginning of year	1,642,987
Net Position - End of year	<u>\$ 1,773,519</u>

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

DUNDY COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
 June 30, 2014

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents (Note 1.D)	\$ 490,503	\$ 237,297	\$ 758,727	\$ 286,992	\$ 1,773,519
TOTAL ASSETS	<u>\$ 490,503</u>	<u>\$ 237,297</u>	<u>\$ 758,727</u>	<u>\$ 286,992</u>	<u>\$ 1,773,519</u>
FUND BALANCES					
Restricted for:					
Visitor Promotion	-	-	-	5,694	5,694
911 Emergency Services	-	-	-	159,683	159,683
Drug Education	-	-	-	1,784	1,784
Preservation of Records	-	-	-	5,315	5,315
Library Services	-	-	-	354	354
Aid and Assistance	-	-	-	11,399	11,399
Road Maintenance	-	-	-	50,739	50,739
Committed to:					
Law Enforcement	-	-	-	4,129	4,129
Road Maintenance	-	237,297	-	-	237,297
Aid and Assistance	-	-	-	7,959	7,959
Ambulance Services	-	-	-	39,936	39,936
Assigned to:					
Other Purposes	-	-	758,727	-	758,727
Unassigned	490,503	-	-	-	490,503
TOTAL CASH BASIS FUND BALANCES	<u>\$ 490,503</u>	<u>\$ 237,297</u>	<u>\$ 758,727</u>	<u>\$ 286,992</u>	<u>\$ 1,773,519</u>

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

DUNDY COUNTY
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS					
Property Taxes	\$ 1,107,802	\$ 339,708	\$ 302,822	\$ 81,459	\$ 1,831,791
Licenses and Permits	8,480	-	-	-	8,480
Interest	11,690	-	-	-	11,690
Intergovernmental	165,296	628,495	-	58,648	852,439
Charges for Services	171,942	156	-	51,475	223,573
Miscellaneous	4,840	4,510	-	782	10,132
TOTAL RECEIPTS	<u>1,470,050</u>	<u>972,869</u>	<u>302,822</u>	<u>192,364</u>	<u>2,938,105</u>
DISBURSEMENTS					
General Government	838,173	-	204,527	1,547	1,044,247
Public Safety	567,417	-	-	85,109	652,526
Public Works	28,912	1,041,064	-	-	1,069,976
Public Assistance	12,168	-	-	14,091	26,259
Culture and Recreation	-	-	-	14,565	14,565
TOTAL DISBURSEMENTS	<u>1,446,670</u>	<u>1,041,064</u>	<u>204,527</u>	<u>115,312</u>	<u>2,807,573</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>23,380</u>	<u>(68,195)</u>	<u>98,295</u>	<u>77,052</u>	<u>130,532</u>
Net Change in Fund Balances	23,380	(68,195)	98,295	77,052	130,532
CASH BASIS FUND					
BALANCES - BEGINNING	<u>467,123</u>	<u>305,492</u>	<u>660,432</u>	<u>209,940</u>	<u>1,642,987</u>
CASH BASIS FUND					
BALANCES - ENDING	<u>\$ 490,503</u>	<u>\$ 237,297</u>	<u>\$ 758,727</u>	<u>\$ 286,992</u>	<u>\$ 1,773,519</u>

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

DUNDY COUNTY
**STATEMENT OF FIDUCIARY ASSETS AND
 LIABILITIES - CASH BASIS
 FIDUCIARY FUNDS**
 June 30, 2014

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 326,085
 LIABILITIES	
Due to other governments	
State	68,619
Schools	128,067
Educational Service Units	2,139
Technical College	12,396
Natural Resource Districts	57,200
Fire Districts	42,235
Municipalities	7,430
Agricultural Society	877
Cemetery Districts	1,044
Historical Society	48
Hospital	6,030
TOTAL LIABILITIES	326,085
 TOTAL NET ASSETS	 \$ -

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

DUNDY COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2014

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

Dundy 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 that 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 Dundy 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 II – 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 II (Region) consists of the following counties: Grant, Hooker, Thomas, Arthur, McPherson, Logan, Keith, Lincoln, Perkins, Chase, Hayes, Frontier, Dawson, Gosper, Dundy, Hitchcock, and Red Willow.

DUNDY 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 \$9,318 toward the operation of the Region during fiscal year 2014. 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 Southwest Nebraska Public Health Department (Department) to provide public health services. The agreement was established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636 (Reissue 2009, Cum. Supp. 2014).

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 2014. 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 audited in accordance with Neb. Rev. Stat. § 84-304(4) (Reissue 2014). Financial information for the Department is available in that report.

B. Basis of Presentation

Government-Wide Financial Statements. The Statement of Net Position - 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.

DUNDY 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 and 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.

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.

DUNDY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The County designates fund balances as:

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

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

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

Unassigned. This portion of the General Fund is 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 Position - 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 requires 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 are generally 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.

DUNDY COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

D. Assets and Net Position

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

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

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

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

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

Restricted Net Position. 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 position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$234,968 of restricted net position, of which \$172,830 is restricted by enabling legislation.

DUNDY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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 \$1,773,519 for County funds and \$326,085 for Fiduciary funds. The bank balances for all funds totaled \$2,107,158. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2014, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

DUNDY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Property Taxes**

Property taxes are levied by the County Board on or before October 15 of each year for all political subdivisions in the County. Real estate and personal property taxes are due and attach as an enforceable lien on January 1 following the levy date, and they 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. Counties may levy taxes in addition to the 50-cent limitation upon a vote of the people.

The levy set in October 2013, for the 2013 taxes, which will be materially collected in May and September 2014, was set at \$.290768/\$100 of assessed valuation. The levy set in October 2012, for the 2012 taxes, which were materially collected in May and September 2013, was set at \$.347467/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

Additionally, there is currently a statutory lid limitation, which limits taxation to the prior year's level, with provisions for growth. The lid may be increased by 1% upon the approval of 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 23-2334 (Reissue 2012, Cum. Supp. 2014) 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

DUNDY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

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, 2014, 36 employees contributed \$46,292, and the County contributed \$68,582. Contributions included \$1,713 in cash contributions towards the supplemental law enforcement plan for four law enforcement employees. Lastly, the County paid \$828 directly to four retired employees for prior service benefits.

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 79 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 60 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.

DUNDY COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Risk Management (Concluded)

	<u>NIRMA Coverage</u>	<u>Maximum Coverage</u>
General Liability Claim	\$ 300,000	\$ 5,000,000
Workers' 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 2015. The County has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

6. Capital Leases Payable

Changes to the commitments under a lease agreement for equipment and amounts to provide for annual rental payments are as follows:

	<u>Caterpillar Motorgraders</u>
Balance July 1, 2013	\$ 246,010
Purchases	-
Payments	<u>(210,816)</u>
Balance June 30, 2014	<u>\$ 35,194</u>
Future Payments:	
Year	
2015	\$ 30,166
2016	<u>5,028</u>
Total Payments	35,194
Less Interest	<u>702</u>
Present Value of Future Minimum Lease Payments	<u>\$ 34,492</u>

7. Contingent Liabilities

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

DUNDY COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

8. Long-Term Debt

The Dundy County Hospital issued general obligation bonds Series 2011A and 2011B in 2011. The bond payable balance, as of February 28, 2014, was \$1,186,738 and \$313,471, respectfully. As the bonds are general obligation bonds of the County, the County has the authority to levy additional ad valorem taxes, if necessary, to cover the annual required principal and interest payments on the bonds in the event the Hospital cannot meet the debt service obligation. It is the intent of the County to repay the debt from Hospital revenues. Full disclosure of the liability can be found in the separately issued Hospital audit report.

DUNDY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,071,707	\$ 1,071,707	\$ 1,107,802	\$ 36,095
Licenses and Permits	10,000	10,000	8,480	(1,520)
Interest	10,000	10,000	11,690	1,690
Intergovernmental	64,300	64,300	165,296	100,996
Charges for Services	204,128	204,128	171,942	(32,186)
Miscellaneous	4,000	4,000	4,840	840
TOTAL RECEIPTS	<u>1,364,135</u>	<u>1,364,135</u>	<u>1,470,050</u>	<u>105,915</u>
DISBURSEMENTS				
General Government:				
County Board	46,500	46,500	43,211	3,289
County Clerk	88,760	88,760	86,596	2,164
County Treasurer	89,074	89,074	83,081	5,993
County Assessor	95,200	95,200	91,450	3,750
Election Commissioner	16,450	16,450	12,459	3,991
Clerk of the District Court	3,000	3,000	2,786	214
County Court System	6,500	6,500	6,403	97
Building and Grounds	67,200	67,200	54,812	12,388
Agricultural Extension Agent	56,050	56,050	37,129	18,921
Miscellaneous	439,700	433,400	420,246	13,154
Public Safety				
County Sheriff	312,900	312,900	301,529	11,371
County Attorney	66,265	68,265	67,225	1,040
Communication Center	148,300	148,300	146,715	1,585
County Jail	13,000	15,400	15,022	378
Emergency Management	30,950	30,950	23,213	7,737
Miscellaneous	10,951	10,951	13,713	(2,762)
Public Works				
Noxious Weed Control	17,532	18,932	18,910	22
Miscellaneous	9,500	9,500	10,002	(502)
Public Assistance				
Veterans' Service Officer	11,626	12,126	12,063	63
General Assistance	1,800	1,800	105	1,695
TOTAL DISBURSEMENTS	<u>1,531,258</u>	<u>1,531,258</u>	<u>1,446,670</u>	<u>84,588</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS				
	<u>(167,123)</u>	<u>(167,123)</u>	<u>23,380</u>	<u>190,503</u>
Net Change in Fund Balance	(167,123)	(167,123)	23,380	190,503
FUND BALANCE - BEGINNING	467,123	467,123	467,123	-
FUND BALANCE - ENDING	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 490,503</u>	<u>\$ 190,503</u>

DUNDY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Taxes	\$ 404,860	\$ 404,860	\$ 339,708	\$ (65,152)
Intergovernmental	594,827	594,827	628,495	33,668
Charges for Services	1,512	1,512	156	(1,356)
Miscellaneous	36,297	36,297	4,510	(31,787)
TOTAL RECEIPTS	<u>1,037,496</u>	<u>1,037,496</u>	<u>972,869</u>	<u>(64,627)</u>
DISBURSEMENTS	<u>1,192,988</u>	<u>1,192,988</u>	<u>1,041,064</u>	<u>151,924</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(155,492)</u>	<u>(155,492)</u>	<u>(68,195)</u>	<u>87,297</u>
Net Change in Fund Balance	(155,492)	(155,492)	(68,195)	87,297
FUND BALANCE - BEGINNING	305,492	305,492	305,492	-
FUND BALANCE - ENDING	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 237,297</u>	<u>\$ 87,297</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 50,000	\$ 50,000	\$ 302,822	\$ 252,822
TOTAL RECEIPTS	<u>50,000</u>	<u>50,000</u>	<u>302,822</u>	<u>252,822</u>
DISBURSEMENTS	<u>210,432</u>	<u>210,432</u>	<u>204,527</u>	<u>5,905</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(160,432)</u>	<u>(160,432)</u>	<u>98,295</u>	<u>258,727</u>
Net Change in Fund Balance	(160,432)	(160,432)	98,295	258,727
FUND BALANCE - BEGINNING	660,432	660,432	660,432	-
FUND BALANCE - ENDING	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 758,727</u>	<u>\$ 258,727</u>

DUNDY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
INSTITUTIONS FUND				
Receipts	\$ 15,085	\$ 15,085	\$ 14,693	\$ (392)
Disbursements	(16,442)	(16,442)	(14,091)	2,351
Net Change in Fund Balance	(1,357)	(1,357)	602	1,959
Fund Balance - Beginning	7,357	7,357	7,357	-
Fund Balance - Ending	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 7,959</u>	<u>\$ 1,959</u>
VETERANS' AID FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(1,000)	(1,000)	-	1,000
Net Change in Fund Balance	(1,000)	(1,000)	-	1,000
Fund Balance - Beginning	11,399	11,399	11,399	-
Fund Balance - Ending	<u>\$ 10,399</u>	<u>\$ 10,399</u>	<u>\$ 11,399</u>	<u>\$ 1,000</u>
HIGHWAY BUYBACK FUND				
Receipts	\$ -	\$ -	\$ 50,739	\$ 50,739
Net Change in Fund Balance	-	-	50,739	50,739
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,739</u>	<u>\$ 50,739</u>
VISITOR'S PROMOTION FUND				
Receipts	\$ 4,000	\$ 4,000	\$ 3,171	\$ (829)
Disbursements	(4,000)	(4,000)	(648)	3,352
Net Change in Fund Balance	-	-	2,523	2,523
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,523</u>	<u>\$ 2,523</u>
VISITOR'S IMPROVEMENT FUND				
Receipts	\$ 4,000	\$ 4,000	\$ 3,171	\$ (829)
Disbursements	(4,000)	(4,000)	-	4,000
Net Change in Fund Balance	-	-	3,171	3,171
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,171</u>	<u>\$ 3,171</u>

(Continued)

DUNDY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REGISTER OF DEEDS PRESERVATION FUND				
Receipts	\$ 7,200	\$ 7,200	\$ 4,978	\$ (2,222)
Disbursements	(9,084)	(9,084)	(1,547)	7,537
Net Change in Fund Balance	(1,884)	(1,884)	3,431	5,315
Fund Balance - Beginning	1,884	1,884	1,884	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,315</u>	<u>\$ 5,315</u>
LIBRARY FUND				
Receipts	\$ 19,458	\$ 19,458	\$ 14,192	\$ (5,266)
Disbursements	(31,630)	(31,630)	(13,917)	17,713
Net Change in Fund Balance	(12,172)	(12,172)	275	12,447
Fund Balance - Beginning	12,364	12,364	79	(12,285)
Fund Balance - Ending	<u>\$ 192</u>	<u>\$ 192</u>	<u>\$ 354</u>	<u>\$ 162</u>
STOP PROGRAM FUND				
Receipts	\$ 1,000	\$ 1,000	\$ 1,150	\$ 150
Disbursements	(3,128)	(3,128)	-	3,128
Net Change in Fund Balance	(2,128)	(2,128)	1,150	3,278
Fund Balance - Beginning	2,128	2,128	2,128	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,278</u>	<u>\$ 3,278</u>
DRUG EDUCATION FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(1,784)	(1,784)	-	1,784
Net Change in Fund Balance	(1,784)	(1,784)	-	1,784
Fund Balance - Beginning	1,784	1,784	1,784	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,784</u>	<u>\$ 1,784</u>
STATE GRANTS FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(851)	(851)	-	851
Net Change in Fund Balance	(851)	(851)	-	851
Fund Balance - Beginning	851	851	851	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 851</u>	<u>\$ 851</u>

DUNDY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
WIRELESS 911 FUND				
Receipts	\$ 41,909	\$ 41,909	\$ 34,383	\$ (7,526)
Disbursements	(110,708)	(110,708)	(10,090)	100,618
Net Change in Fund Balance	(68,799)	(68,799)	24,293	93,092
Fund Balance - Beginning	68,799	68,799	64,279	(4,520)
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,572</u>	<u>\$ 88,572</u>
EMERGENCY 911 FUND				
Receipts	\$ 13,000	\$ 13,000	\$ 13,474	\$ 474
Disbursements	(78,565)	(78,565)	(7,928)	70,637
Net Change in Fund Balance	(65,565)	(65,565)	5,546	71,111
Fund Balance - Beginning	65,565	65,565	65,565	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,111</u>	<u>\$ 71,111</u>
AMBULANCE FUND				
Receipts	\$ 40,000	\$ 40,000	\$ 52,413	\$ 12,413
Disbursements	(84,614)	(84,614)	(67,091)	17,523
Net Change in Fund Balance	(44,614)	(44,614)	(14,678)	29,936
Fund Balance - Beginning	54,614	54,614	54,614	-
Fund Balance - Ending	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 39,936</u>	<u>\$ 29,936</u>

(Concluded)

DUNDY COUNTY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Institutions Fund	Veterans' Aid Fund	Highway Buyback Fund	Visitor's Promotion Fund	Visitor's Improvement Fund
RECEIPTS					
Property Taxes	\$ 13,856	\$ -	\$ -	\$ 3,171	\$ 3,171
Intergovernmental	837	-	50,739	-	-
Charges for Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
TOTAL RECEIPTS	<u>14,693</u>	<u>-</u>	<u>50,739</u>	<u>3,171</u>	<u>3,171</u>
DISBURSEMENTS					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Assistance	14,091	-	-	-	-
Culture and Recreation	-	-	-	648	-
TOTAL DISBURSEMENTS	<u>14,091</u>	<u>-</u>	<u>-</u>	<u>648</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>602</u>	<u>-</u>	<u>50,739</u>	<u>2,523</u>	<u>3,171</u>
Net Change in Fund Balances	602	-	50,739	2,523	3,171
FUND BALANCES - BEGINNING	<u>7,357</u>	<u>11,399</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 7,959</u>	<u>\$ 11,399</u>	<u>\$ 50,739</u>	<u>\$ 2,523</u>	<u>\$ 3,171</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	2,523	3,171
911 Emergency Services	-	-	-	-	-
Drug Education	-	-	-	-	-
Preservation of Records	-	-	-	-	-
Library Services	-	-	-	-	-
Aid and Assistance	-	11,399	-	-	-
Road Maintenance	-	-	50,739	-	-
Committed to:					
Law Enforcement	-	-	-	-	-
Aid and Assistance	7,959	-	-	-	-
Ambulance Services	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 7,959</u>	<u>\$ 11,399</u>	<u>\$ 50,739</u>	<u>\$ 2,523</u>	<u>\$ 3,171</u>

(Continued)

DUNDY COUNTY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Register of Deeds Preservation Fund	Library Fund	STOP Program Fund	Drug Education Fund	State Grants Fund
RECEIPTS					
Property Taxes	\$ -	\$ 13,404	\$ -	\$ -	\$ -
Intergovernmental	-	788	-	-	-
Charges for Services	4,978	-	1,150	-	-
Miscellaneous	-	-	-	-	-
TOTAL RECEIPTS	<u>4,978</u>	<u>14,192</u>	<u>1,150</u>	<u>-</u>	<u>-</u>
DISBURSEMENTS					
General Government	1,547	-	-	-	-
Public Safety	-	-	-	-	-
Public Assistance	-	-	-	-	-
Culture and Recreation	-	13,917	-	-	-
TOTAL DISBURSEMENTS	<u>1,547</u>	<u>13,917</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>3,431</u>	<u>275</u>	<u>1,150</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	3,431	275	1,150	-	-
FUND BALANCES - BEGINNING	<u>1,884</u>	<u>79</u>	<u>2,128</u>	<u>1,784</u>	<u>851</u>
FUND BALANCES - ENDING	<u>\$ 5,315</u>	<u>\$ 354</u>	<u>\$ 3,278</u>	<u>\$ 1,784</u>	<u>\$ 851</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	-
911 Emergency Services	-	-	-	-	-
Drug Education	-	-	-	1,784	-
Preservation of Records	5,315	-	-	-	-
Library Services	-	354	-	-	-
Aid and Assistance	-	-	-	-	-
Road Maintenance	-	-	-	-	-
Committed to:					
Law Enforcement	-	-	3,278	-	851
Aid and Assistance	-	-	-	-	-
Ambulance Services	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 5,315</u>	<u>\$ 354</u>	<u>\$ 3,278</u>	<u>\$ 1,784</u>	<u>\$ 851</u>

(Continued)

DUNDY COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Wireless 911 Fund	Emergency 911 Fund	Ambulance Fund	Total Nonmajor Governmental Funds
RECEIPTS				
Property Taxes	\$ 34,383	\$ 13,474	\$ -	\$ 81,459
Intergovernmental	-	-	6,284	58,648
Charges for Services	-	-	45,347	51,475
Miscellaneous	-	-	782	782
TOTAL RECEIPTS	<u>34,383</u>	<u>13,474</u>	<u>52,413</u>	<u>192,364</u>
DISBURSEMENTS				
General Government	-	-	-	1,547
Public Safety	10,090	7,928	67,091	85,109
Public Assistance	-	-	-	14,091
Culture and Recreation	-	-	-	14,565
TOTAL DISBURSEMENTS	<u>10,090</u>	<u>7,928</u>	<u>67,091</u>	<u>115,312</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>24,293</u>	<u>5,546</u>	<u>(14,678)</u>	<u>77,052</u>
Net Change in Fund Balances	24,293	5,546	(14,678)	77,052
FUND BALANCES - BEGINNING	<u>64,279</u>	<u>65,565</u>	<u>54,614</u>	<u>209,940</u>
FUND BALANCES - ENDING	<u>\$ 88,572</u>	<u>\$ 71,111</u>	<u>\$ 39,936</u>	<u>\$ 286,992</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	-	-	-	5,694
911 Emergency Services	88,572	71,111	-	159,683
Drug Education	-	-	-	1,784
Preservation of Records	-	-	-	5,315
Library Services	-	-	-	354
Aid and Assistance	-	-	-	11,399
Road Maintenance	-	-	-	50,739
Committed to:				
Law Enforcement	-	-	-	4,129
Aid and Assistance	-	-	-	7,959
Ambulance Services	-	-	39,936	39,936
TOTAL FUND BALANCES	<u>\$ 88,572</u>	<u>\$ 71,111</u>	<u>\$ 39,936</u>	<u>\$ 286,992</u>

(Concluded)

DUNDY COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2014

	County Clerk	Clerk of the District Court	County Sheriff	Veterans' Service Officer	County Library	County Ambulance	Total
BALANCES JULY 1, 2013	\$ 13,225	\$ 4,839	\$ 6,993	\$ 993	\$ 12,284	\$ 6,011	\$ 44,345
RECEIPTS							
Property Taxes	-	-	10,703	-	-	-	10,703
Licenses and Permits	-	-	2,410	-	-	-	2,410
Intergovernmental	-	-	106,747	-	14,826	-	121,573
Charges for Services	61,124	3,438	2,912	-	-	-	67,474
Miscellaneous	2	-	36	-	4,654	1	4,693
State Fees	67,230	1,952	-	-	-	-	69,182
Other Liabilities	-	26,392	18,885	-	-	527	45,804
TOTAL RECEIPTS	128,356	31,782	141,693	-	19,480	528	321,839
DISBURSEMENTS							
Payments to County Treasurer	57,284	2,621	114,366	-	-	-	174,271
Payments to State Treasurer	56,392	1,876	-	-	-	-	58,268
Other Liabilities	-	26,536	18,063	98	24,934	2,198	71,829
TOTAL DISBURSEMENTS	113,676	31,033	132,429	98	24,934	2,198	304,368
BALANCES JUNE 30, 2014	<u>\$ 27,905</u>	<u>\$ 5,588</u>	<u>\$ 16,257</u>	<u>\$ 895</u>	<u>\$ 6,830</u>	<u>\$ 4,341</u>	<u>\$ 61,816</u>
BALANCES CONSIST OF:							
Due to County Treasurer	\$ 9,244	\$ 1,017	\$ 9,145	\$ 895	\$ -	\$ 3,541	\$ 23,842
Petty Cash	-	-	2,500	-	-	800	3,300
Due to State Treasurer	18,661	204	-	-	-	-	18,865
Due to Others	-	4,367	4,612	-	6,830	-	15,809
BALANCES JUNE 30, 2014	<u>\$ 27,905</u>	<u>\$ 5,588</u>	<u>\$ 16,257</u>	<u>\$ 895</u>	<u>\$ 6,830</u>	<u>\$ 4,341</u>	<u>\$ 61,816</u>

DUNDY COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2014

Item	2009	2010	2011	2012	2013
Tax Certified by Assessor					
Real Estate	\$ 5,071,241	\$ 5,062,464	\$ 5,789,457	\$ 5,832,075	\$ 6,239,835
Personal and Specials	558,645	550,945	553,894	596,886	591,607
Total	5,629,886	5,613,409	6,343,351	6,428,961	6,831,442
Corrections					
Additions	-	-	-	444	291
Deductions	(346)	(335)	(332)	(315)	(285)
Net Additions/ (Deductions)	(346)	(335)	(332)	129	6
Corrected Certified Tax	5,629,540	5,613,074	6,343,019	6,429,090	6,831,448
Net Tax Collected by					
County Treasurer during					
Fiscal Year Ending:					
June 30, 2010	3,374,789	-	-	-	-
June 30, 2011	2,240,791	3,499,388	-	-	-
June 30, 2012	5,413	2,100,857	3,894,644	-	-
June 30, 2013	2,111	4,800	2,433,696	4,047,461	-
June 30, 2014	3,346	4,131	8,885	2,369,214	4,400,608
Total Net Collections	5,626,450	5,609,176	6,337,225	6,416,675	4,400,608
Total Uncollected Tax	\$ 3,090	\$ 3,898	\$ 5,794	\$ 12,415	\$ 2,430,840
Percentage Uncollected Tax	0.05%	0.07%	0.09%	0.19%	35.58%

Note: Tax refunds are netted against tax collections to determine Net Tax Collected.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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DUNDY 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
Dundy County, Nebraska

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dundy County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Dundy County's basic financial statements, and have issued our report thereon dated April 20, 2015. 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 Dundy County Hospital, a component unit of Dundy County.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dundy County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dundy 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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

- The County offices lacked a segregation of duties, as 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. An inadequate segregation of duties could lead to the misappropriation of assets or improper reporting. Due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost.

County's Response: The County Commissioners have no dispute with good internal controls which include a plan of organization, procedures and records designed to safeguard assets and provide reliable financial records. Additionally, they concur that there should be a proper segregation of duties, so no one individual is capable of handling all phases of a transaction from beginning to end. However, as noted in your draft recommendation, the County is not in a position to hire additional personnel to see to the proper segregation of duties.

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

- The County did not have good controls in place over the salary payments to the Highway Superintendent. The salaries paid were not supported with a time clock record, and the number of hours paid appeared unreasonable. Good internal control includes procedures and records designed to safeguard assets and provide reliable financial records. Without good controls, there is an increased risk of the misappropriation of assets.

County's Response: As you are no doubt aware, the County Board became aware of your requested internal control procedures following the review of your report letter dated June 10, 2014. The County Board, through the various elected officials and supervisory personnel, reviewed employee time keeping records and payroll procedures and feel confident that the County is now compliant with applicable federal and state statutes and County policies and procedures.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dundy 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*.

Additional Items

We also noted certain matters that we reported to the management of Dundy County in a separate letter dated April 20, 2015.

Dundy County's Response to Findings

Dundy County's response to the findings identified in our audit is described above. Dundy County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

April 20, 2015



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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April 20, 2015

Board of Commissioners
Dundy County, Nebraska

Dear Commissioners (Supervisors):

We have audited the basic financial statements of Dundy County (County) for the fiscal year ended June 30, 2014, and have issued our report thereon dated April 20, 2015. 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 lacked a segregation of duties, as 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's Response: The County Commissioners have no dispute with good internal controls which include a plan of organization, procedures and records designed to safeguard assets and provide reliable financial records. Additionally, they concur that there should be a proper segregation of duties, so no one individual is capable of handling all phases of a transaction from beginning to end. However, as noted in your draft recommendation, the County is not in a position to hire additional personnel to see to the proper segregation of duties.

COUNTY BOARD

Highway Superintendents Payroll

We identified a significant number of payroll-related issues, including a lack of review of the Highway Superintendent's time worked, failure of the Superintendent to use the electronic time clock, no support for overtime and holiday pay, improper recording of sick and vacation hours used, and lack of adequate approval of bonuses paid to Department employees. This matter was reported in detail to the County Board in a letter dated June 10, 2014.

Good internal control requires that procedures be in place to insure documentation is maintained to support the amount paid to employees. When an hourly employee's actual time worked, including overtime, is not adequately documented, reviewed, and approved, there is an increased risk for the abuse of hours recorded and paid by the County.

We recommend the County Board ensure all employee time is recorded, approved, paid, and compliant with applicable State statutes and County policies and procedures.

County's Response: As you are no doubt aware, the County Board became aware of your requested internal control procedures following the review of your report letter dated June 10, 2014. The County Board, through the various elected officials and supervisory personnel, reviewed employee time keeping records and payroll procedures and feel confident that the County is now compliant with applicable federal and state statutes and County policies and procedures.

Sale of Scrap Metal

Between January 1, 2012, and June 30, 2014, the Highway Department collected \$203 from the sale of scrap metal. During that same period, the Highway Superintendent sold over 22,000 pounds of "personal" scrap in Kearney on three separate days; he recorded 10 hours of time worked to the County on two of those days and seven hours on the other day. This matter was reported in detail to the County Board in a letter dated June 10, 2014.

In September and December 2014, after the Highway Superintendent resigned, the County collected a total of \$3,259 from the sale of scrap metal.

Good internal control requires that procedures be in place to insure the County receives all receipts from the sale of assets. The lack of documentation and procedures for tracking and safeguarding scrap collected within the Highway Department increases the risk for the loss or misuse of County property and funds.

We recommend the County Board monitor the collection and sale of scrap metal to insure all money owed to the County is received.

County's Response: As previously noted in your June 10, 2014 audit letter, it appeared there may have been a possible misappropriation of scrap metal. The Board has responded by ensuring that there will be no significant accumulation of scrap metal by reviewing on a quarterly basis the amount of scrap metal available for sale and will see to the sale of the scrap metal in a cost-effective manner. The County's Highway Department will be responsible for the disposition of and the proper accounting concerning of any sale.

Inventory Policy and Records

During our audit, we noted the following:

- The County does not have a policy for the inventorying of assets.
- The County Sheriff filed an inventory listing on October 6, 2014, not within two calendar months after the close of the fiscal year end, August 31, 2014, as required by State statute.
- The County Ambulance Department did not file an inventory listing for 2014.

Neb. Rev. Stat. § 23-347 (Reissue 2012) states, in relevant part, "Within two calendar months after the close of each fiscal year, each county officer shall make, acknowledge under oath, and file with the county board of his or her county an inventory statement of all county personal property in the custody and possession of said officer." Good internal controls require standardized policies be established to ensure all offices use the same guidelines when filing inventory statements of the personal property in the possession of County officers.

A lack of guidance for completing inventory statements increases the risk of inaccurate accounting of the County's personal property. Moreover, when inventory statements are not filed within two calendar months after the end of the fiscal year, the County is not in compliance with State statute.

We recommend the County Board develop policies for the inventorying of assets. We further recommend the County Board implement procedures to ensure inventory statements are properly filed within two months after the end of the fiscal year.

County's Response: Over the next several weeks, the County Board will see to the following:

- *Creation of a policy for inventorying of County assets.*
- *Ensure that the County Sheriff files his inventory listing according to state statutory requirements.*
- *Ensure that the County Ambulance Department files its appropriate inventory listing according to state statutory requirements.*

Petty Cash

We noted the following Petty Cash funds were not included in the budget message at the correct amounts:

- County Sheriff – \$2,500
- County Ambulance – \$800
- County Treasurer – \$300

Neb. Rev. Stat. § 23-106(2) (Reissue 2012) provides the following:

The county board shall have the authority to establish a petty cash fund for such county for the purpose of making payments for subsidiary general operational expenditures and purchases. Such county board shall set, by resolution of the board, the amount of money to be carried in such petty cash fund and the dollar limit of an expenditure from such fund and such amount shall be stated in the fiscal policy of the county board budget message.

When petty cash funds are not properly authorized by the County Board and disclosed in the budget message of the County budget document, the County is not in compliance with State statute. In addition, the County is exposed to an increased risk of loss, theft, or misuse of County funds.

We recommend all authorized petty cash funds be properly stated in the budget message of the County budget document.

County's Response: It has been brought to the attention of the County Commissioners that the respective petty cash funds held by the County Sheriff, County Ambulance, and County Treasurer can be specifically delineated for each department's use. Each department will revise its budgets to clarify the specific use of these funds and, if necessary, if there is a requirement for a petty cash fund, the County Board will establish a resolution for identification of petty cash.

COUNTY SHERIFF

Balancing Procedures

At June 30, 2014, we noted office assets exceeded office liabilities by \$175. 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. Additionally, a lack of appropriate balancing procedures permits such problems to go undetected more easily.

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

County's Response: The County Sheriff, with the assistance of the County Attorney, will implement documented monthly balancing procedures and follow up on any variances in a timely manner.

Distress Warrant Report

Neb. Rev. Stat. § 77-1719.01 (Reissue 2009) states, "On or before August 1 of each year, the sheriff shall report to the county board showing the total amount collected on current distress warrants and the amount remaining uncollected."

The County Sheriff did not file a distress warrant report with the County Board prior to August 1, 2013.

When a distress warrant report is not filed with the County Board in accordance with State statute, there is an increased risk County funds will be lost or misused.

We recommend the County Sheriff file a distress warrant report with the County Board as required by State statute.

County's Response: The County Sheriff, with the assistance of the County Attorney, will review all procedures required for filing a distress warrant report with the County Board and confirm current and future compliance as required by state statute.

* * * * *

It should be noted this report is critical in nature, as 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 management with 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. Responses that indicate corrective action has been taken were not verified at this time, but they 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 it 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,

A handwritten signature in black ink, appearing to read "Deann Haeffner". The signature is fluid and cursive, with a long horizontal stroke at the end.

Deann Haeffner
Assistant Deputy Auditor