

**AUDIT REPORT
OF
MERRICK COUNTY**

JULY 1, 2013 THROUGH JUNE 30, 2014

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The Auditor of Public Accounts.**

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Issued on March 5, 2015

MERRICK COUNTY

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MERRICK COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Helgoth	Board of Supervisors	Jan. 2015
D.L. Hahn		Jan. 2015
Jim Graves		Jan. 2015
Rex Weller		Jan. 2015
John Jefferson		Jan. 2017
Roger Wiegert		Jan. 2017
Carolyn Kucera		Jan. 2017
Jan Placke	Assessor	Jan. 2015
Lynelle Homolka	Attorney	Jan. 2015
Marcia Wichmann	Clerk Election Commissioner Register of Deeds	Jan. 2015
Theresa Good	Clerk of the District Court	Jan. 2015
Kevin Campbell	Sheriff	Jan. 2015
Patricia Bolte	Treasurer	Jan. 2015
Gary Berry	Veterans' Service Officer	Appointed
Kevin Koziol	Weed Superintendent	Appointed
Michael Meyer	Highway Superintendent	Appointed
Jennifer Meyer	Planning and Zoning	Appointed



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MERRICK COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Merrick 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 Merrick 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 Merrick 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 Merrick 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 21 - 32, 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 February 24, 2015, on our consideration of Merrick County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and considering Merrick County's internal control over financial reporting and compliance.

February 24, 2015


Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 2,446,993
Investments (Note 1.D)	100,098
TOTAL ASSETS	\$ 2,547,091
 NET POSITION	
Restricted for:	
Visitor Promotion	\$ 6,197
911 Emergency Services	132,051
Drug Education	394
Law Enforcement	5,508
Preservation of Records	9,259
Debt Service	58,569
Unrestricted	2,335,113
TOTAL NET POSITION	\$ 2,547,091

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

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

Functions:	Cash	Program Cash Receipts		Net (Disbursement)
Governmental Activities:	Disbursements	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Receipts and Changes in Net Position
General Government	\$ (1,809,174)	\$ 309,521	\$ 58,227	\$ (1,441,426)
Public Safety	(917,104)	96,575	30,823	(789,706)
Public Works	(2,569,613)	200	1,271,200	(1,298,213)
Health and Sanitation	(138,461)	-	-	(138,461)
Public Assistance	(90,107)	-	-	(90,107)
Culture and Recreation	(43,286)	-	-	(43,286)
Debt Payments	(267,915)	-	-	(267,915)
Capital Outlay	(20,167)	-	-	(20,167)
Total Governmental Activities	\$ (5,855,827)	\$ 406,296	\$ 1,360,250	(4,089,281)
General Receipts:				
				3,443,156
				541,969
				26,755
				30,173
				109,910
				4,151,963
				62,682
				2,484,409
				\$ 2,547,091

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

MERRICK COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 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)	\$ 168,238	\$ 444,257	\$ 1,431,821	\$ 402,677	\$ 2,446,993
Investments (Note 1.D)	-	-	100,098	-	100,098
TOTAL ASSETS	<u>\$ 168,238</u>	<u>\$ 444,257</u>	<u>\$ 1,531,919</u>	<u>\$ 402,677</u>	<u>\$ 2,547,091</u>
FUND BALANCES					
Restricted for:					
Visitor Promotion	-	-	-	6,197	6,197
911 Emergency Services	-	-	-	132,051	132,051
Drug Education	-	-	-	394	394
Law Enforcement	-	-	-	5,508	5,508
Preservation of Records	-	-	-	9,259	9,259
Debt Service	-	-	-	58,569	58,569
Committed to:					
Law Enforcement	-	-	-	17,812	17,812
Road Maintenance	-	444,257	-	-	444,257
Aid and Assistance	-	-	-	8,223	8,223
County Buildings	-	-	-	164,664	164,664
Assigned to:					
Other Purposes	-	-	1,531,919	-	1,531,919
Unassigned	168,238	-	-	-	168,238
TOTAL CASH BASIS FUND BALANCES	<u>\$ 168,238</u>	<u>\$ 444,257</u>	<u>\$ 1,531,919</u>	<u>\$ 402,677</u>	<u>\$ 2,547,091</u>

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

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

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS					
Property Taxes	\$ 2,877,413	\$ -	\$ 326,548	\$ 239,195	\$ 3,443,156
Licenses and Permits	30,173	-	-	-	30,173
Interest	26,754	-	-	1	26,755
Intergovernmental	283,952	1,573,122	-	45,145	1,902,219
Charges for Services	396,473	200	-	9,623	406,296
Miscellaneous	18,339	90,583	-	988	109,910
TOTAL RECEIPTS	<u>3,633,104</u>	<u>1,663,905</u>	<u>326,548</u>	<u>294,952</u>	<u>5,918,509</u>
DISBURSEMENTS					
General Government	1,730,613	-	78,561	-	1,809,174
Public Safety	800,101	-	-	117,003	917,104
Public Works	50,722	2,500,526	-	18,365	2,569,613
Health and Sanitation	138,461	-	-	-	138,461
Public Assistance	90,107	-	-	-	90,107
Culture and Recreation	39,232	-	-	4,054	43,286
Debt Service:					
Principal Payments	-	-	-	210,000	210,000
Interest and Fiscal Charges	-	-	-	57,915	57,915
Capital Outlay	-	-	-	20,167	20,167
TOTAL DISBURSEMENTS	<u>2,849,236</u>	<u>2,500,526</u>	<u>78,561</u>	<u>427,504</u>	<u>5,855,827</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>783,868</u>	<u>(836,621)</u>	<u>247,987</u>	<u>(132,552)</u>	<u>62,682</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	300,000	1,265,000	570,000	-	2,135,000
Transfers out	(1,395,000)	(170,000)	(570,000)	-	(2,135,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,095,000)</u>	<u>1,095,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(311,132)	258,379	247,987	(132,552)	62,682
CASH BASIS FUND BALANCES - BEGINNING					
	<u>479,370</u>	<u>185,878</u>	<u>1,283,932</u>	<u>535,229</u>	<u>2,484,409</u>
CASH BASIS FUND BALANCES - ENDING					
	<u>\$ 168,238</u>	<u>\$ 444,257</u>	<u>\$ 1,531,919</u>	<u>\$ 402,677</u>	<u>\$ 2,547,091</u>

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

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

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 669,450
 LIABILITIES	
Due to other governments	
State	100,141
Schools	268,627
Educational Service Units	1,882
Technical College	14,146
Natural Resource Districts	5,274
Fire Districts	5,114
Municipalities	21,000
Agricultural Society	494
Drainage Districts	2,578
Townships	234,271
Others	15,923
TOTAL LIABILITIES	669,450
 TOTAL NET ASSETS	 \$ -

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

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2014

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

Merrick County, Nebraska, (County) is a governmental entity established under and governed by the laws of the State of Nebraska (State). The County is managed by county officials who are elected on a political ballot for four-year terms. As a political subdivision of the State, the County is exempt from State and Federal income taxes. The financial statements include all funds of the County that are not legally separate. The County has also considered all potential component units for which it is financially accountable, as well as other organizations 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 Litzenberg Memorial County Hospital (Hospital) is a component unit of the County because of the significance of its operational and financial relationships with the County. The financial statements do not include the data of the Hospital necessary for reporting in conformity with generally accepted accounting principles (GAAP). Complete financial statements of the Hospital can be obtained from the Hospital's administrative office.

Joint Organization.

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

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$16,287 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 Central District 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 contributed \$27,685 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.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

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

The County reports the following major governmental funds:

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

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

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Capital Project Funds. The Courthouse Building Fund accounts for all resources received and used for the acquisition or development of major capital improvements.

Debt Service Fund. The Courthouse Bond Fund accounts for the resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 \$211,978 of restricted net position, of which \$153,409 is restricted by enabling legislation.

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

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

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

Excess of Disbursements Over Appropriations. For the year ended June 30, 2014, disbursements exceeded budgeted appropriations in the miscellaneous function of the General Fund by \$43,323. These over-expenditures were funded by the available fund balance in the General Fund.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. Deposits and Investments

The County has generally pooled the cash resources of the various funds for investment purposes. Interest earned on pooled funds is credited to the County General Fund in accordance with Neb. Rev. Stat. § 77-2315 (Reissue 2009).

At year end, the County's carrying amount of deposits was \$2,446,993 for County funds and \$669,450 for Fiduciary funds. The bank balances for all funds totaled \$3,151,291. 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.

The County's carrying value of investments is stated at cost, which approximates market. Investments consisted of \$100,000 in local Tax Increment Financing Bonds and of \$98 deposited in the Nebraska Public Agency Investment Trust (NPAIT). NPAIT is a public entity investment pool operated under the direction of a seven-member Board of Trustees. All net income of the trust is determined as of the close of business on each banking day and is credited thereafter pro rata to each participant's account. Net income that has accrued to each participant is converted as of the close of business of each calendar month into additional units, which thereafter are held in each participant's trust account. Since net income of the fund is allocated among participants each time net income is determined, the net asset value remains at \$1.00 per unit. Securities held by NPAIT are not held in the County's name. The Tax Increment Financing Bonds were held by the County or its agent in the name of the County.

3. Property Taxes

Property taxes are levied by the County Board on or before October 15 of each year for all political subdivisions in the County. Real estate and personal property taxes are due and attach as an enforceable lien on January 1 following the levy date, and 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 \$.236445/\$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 \$.258157/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Property Taxes** (Concluded)

Additionally, there is currently a statutory lid limitation, which limits taxation to the prior year's level, with provisions for growth. 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 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, 74 employees contributed \$81,523, and the County contributed \$120,823. Contributions included \$2,922 in cash contributions towards the supplemental law enforcement plan for eight law enforcement employees. Lastly, the County paid \$1,824 directly to 12 retired employees for prior service benefits.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

5. **Risk Management**

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

	NIRMA Coverage	Maximum Coverage
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.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Interfund Transfers

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfers to	General Fund	Inheritance Fund	Road Fund	Total
Road Fund	\$ 995,000	\$ 270,000	\$ -	\$ 1,265,000
Inheritance Fund	400,000	-	170,000	570,000
General Fund	-	300,000	-	300,000
Total	\$ 1,395,000	\$ 570,000	\$ 170,000	\$ 2,135,000

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, the County Attorney believes the resolution of these matters will not have a materially adverse effect on the financial condition of the County.

8. Long-Term Debt

The County issued bonds on May 24, 2011 in the amount of \$1,600,000 for the purpose of paying the costs of refunding Series 2006 Bonds, which were issued for paying the cost of constructing and equipping an addition to the courthouse. The bond payable balance, as of June 30, 2014, was \$1,395,000. The County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds. Future tax resources will be used to pay off the bonds.

Future Payments:			
Year	Principal	Interest	Total
2015	\$ 105,000	\$ 37,709	\$ 142,709
2016	105,000	36,343	141,343
2017	105,000	34,690	139,690
2018	110,000	32,642	142,642
2019	115,000	30,079	145,079
2020-2024	605,000	98,888	703,888
2025-2026	250,000	9,225	259,225
Total Payments	\$ 1,395,000	\$ 279,576	\$ 1,674,576

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

9. Hospital Bond

In June 2004, \$2,250,000 of Series 2004 general obligation bonds were issued by the Litzenberg Memorial County Hospital (Hospital) with the proceeds to be used to cover the costs of renovation and improvements to the Hospital. As the bonds are general obligation bonds of the County, the County has the authority to levy additional ad valorem taxes, if necessary, to make the required principal and interest payments on the bonds in the event the Hospital cannot meet the debt service obligation. As of June 30, 2014, no additional taxes have been levied by the County. The balance of bonds payable at June 30, 2014, was \$1,345,000. Full disclosure of the liability can be found in the separately issued Hospital audit report.

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,918,778	\$ 2,918,778	\$ 2,877,413	\$ (41,365)
Licenses and Permits	32,555	32,555	30,173	(2,382)
Interest	24,000	24,000	26,754	2,754
Intergovernmental	314,210	314,210	283,952	(30,258)
Charges for Services	300,350	300,350	396,473	96,123
Miscellaneous	6,550	6,550	18,339	11,789
TOTAL RECEIPTS	3,596,443	3,596,443	3,633,104	36,661
DISBURSEMENTS				
General Government:				
County Board	94,732	94,732	93,039	1,693
County Clerk	144,444	144,444	137,048	7,396
County Treasurer	139,520	139,520	108,218	31,302
County Assessor	132,194	132,194	120,645	11,549
Election Commissioner	39,585	39,585	32,139	7,446
Building and Zoning	72,860	72,860	40,824	32,036
Clerk of the District Court	90,406	90,406	81,844	8,562
County Court System	9,500	9,500	7,473	2,027
Building and Grounds	116,850	119,600	119,234	366
Reappraisal	45,440	42,690	22,737	19,953
Agricultural Extension Agent	93,361	93,361	93,165	196
Child Support	15,290	15,290	12,466	2,824
Miscellaneous	975,297	975,297	861,781	113,516
Public Safety				
County Sheriff	459,457	459,457	418,868	40,589
County Attorney	137,984	137,984	130,923	7,061
Communication Center	147,381	147,381	141,030	6,351
County Jail	91,400	91,400	81,291	10,109
Emergency Management	32,250	32,250	8,667	23,583
Civil Process	940	940	571	369
Miscellaneous	15,661	15,661	18,751	(3,090)
Public Works				
County Surveyor	39,548	39,548	37,964	1,584
Miscellaneous	15,400	15,400	12,758	2,642

(Continued)

MERRICK 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)
DISBURSEMENTS (Continued)				
Public Health				
Miscellaneous	139,686	139,686	138,461	1,225
Public Assistance				
Veterans' Service Officer	33,010	33,010	29,190	3,820
Miscellaneous	66,154	66,154	60,917	5,237
Culture and Recreation				
Miscellaneous	39,450	39,450	39,232	218
TOTAL DISBURSEMENTS	<u>3,187,800</u>	<u>3,187,800</u>	<u>2,849,236</u>	<u>338,564</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>408,643</u>	<u>408,643</u>	<u>783,868</u>	<u>375,225</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	125,100	125,100	300,000	174,900
Transfers out	(1,013,113)	(1,013,113)	(1,395,000)	(381,887)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(888,013)</u>	<u>(888,013)</u>	<u>(1,095,000)</u>	<u>(206,987)</u>
Net Change in Fund Balance	(479,370)	(479,370)	(311,132)	168,238
FUND BALANCE - BEGINNING	479,370	479,370	479,370	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,238</u>	<u>\$ 168,238</u>

(Concluded)

MERRICK 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				
Intergovernmental	\$ 1,384,008	\$ 1,384,008	\$ 1,573,122	\$ 189,114
Charges for Services	500	500	200	(300)
Miscellaneous	34,500	34,500	90,583	56,083
TOTAL RECEIPTS	1,419,008	1,419,008	1,663,905	244,897
DISBURSEMENTS	2,599,886	2,599,886	2,500,526	99,360
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,180,878)	(1,180,878)	(836,621)	344,257
OTHER FINANCING SOURCES (USES)				
Transfers in	995,000	995,000	1,265,000	270,000
Transfers out	-	-	(170,000)	(170,000)
TOTAL OTHER FINANCING SOURCES (USES)	995,000	995,000	1,095,000	100,000
Net Change in Fund Balance	(185,878)	(185,878)	258,379	444,257
FUND BALANCE - BEGINNING	185,878	185,878	185,878	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 444,257	\$ 444,257
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 80,000	\$ 80,000	\$ 326,548	\$ 246,548
TOTAL RECEIPTS	80,000	80,000	326,548	246,548
DISBURSEMENTS	1,238,832	1,238,832	78,561	1,160,271
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,158,832)	(1,158,832)	247,987	1,406,819
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	570,000	570,000
Transfers out	(125,100)	(125,100)	(570,000)	(444,900)
TOTAL OTHER FINANCING SOURCES (USES)	(125,100)	(125,100)	-	125,100
Net Change in Fund Balance	(1,283,932)	(1,283,932)	247,987	1,531,919
FUND BALANCE - BEGINNING	1,283,932	1,283,932	1,283,932	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 1,531,919	\$ 1,531,919

MERRICK 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)
VETERANS' AID FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(8,223)	(8,223)	-	8,223
Net Change in Fund Balance	(8,223)	(8,223)	-	8,223
Fund Balance - Beginning	8,223	8,223	8,223	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,223</u>	<u>\$ 8,223</u>
JUVENILE DIVERSION FUND				
Receipts	\$ 38,363	\$ 38,363	\$ 33,466	\$ (4,897)
Disbursements	(54,947)	(54,947)	(48,052)	6,895
Transfers in	16,000	16,000	-	(16,000)
Transfers out	-	-	-	-
Net Change in Fund Balance	(584)	(584)	(14,586)	(14,002)
Fund Balance - Beginning	18,307	18,307	18,307	-
Fund Balance - Ending	<u>\$ 17,723</u>	<u>\$ 17,723</u>	<u>\$ 3,721</u>	<u>\$ (14,002)</u>
STOP PROGRAM FUND				
Receipts	\$ 1,800	\$ 1,800	\$ 1,650	\$ (150)
Disbursements	(14,645)	(14,645)	(2,524)	12,121
Net Change in Fund Balance	(12,845)	(12,845)	(874)	11,971
Fund Balance - Beginning	12,845	12,845	12,845	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,971</u>	<u>\$ 11,971</u>
DRUG LAW ENFORCEMENT FUND				
Receipts	\$ 2,053	\$ 2,053	\$ -	\$ (2,053)
Disbursements	(4,560)	(4,560)	-	4,560
Transfers in	2,113	2,113	-	(2,113)
Transfers out	-	-	-	-
Net Change in Fund Balance	(394)	(394)	-	394
Fund Balance - Beginning	394	394	394	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 394</u>	<u>\$ 394</u>

(Continued)

MERRICK 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)
DARE FUND				
Receipts	\$ 500	\$ 500	\$ 710	\$ 210
Disbursements	(3,271)	(3,271)	(1,692)	1,579
Net Change in Fund Balance	(2,771)	(2,771)	(982)	1,789
Fund Balance - Beginning	2,771	2,771	2,771	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,789</u>	<u>\$ 1,789</u>
CANINE FUND				
Receipts	\$ 2,170	\$ 2,170	\$ 278	\$ (1,892)
Disbursements	(2,500)	(2,500)	(277)	2,223
Net Change in Fund Balance	(330)	(330)	1	331
Fund Balance - Beginning	330	330	330	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 331</u>	<u>\$ 331</u>
JUVENILE SERVICE GRANT FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(5,508)	(5,508)	-	5,508
Net Change in Fund Balance	(5,508)	(5,508)	-	5,508
Fund Balance - Beginning	5,508	5,508	5,508	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,508</u>	<u>\$ 5,508</u>
911 WIRELESS SERVICE FUND				
Receipts	\$ 20,000	\$ 20,000	\$ 40,789	\$ 20,789
Disbursements	(7,793)	(7,793)	(64,458)	(56,665)
Transfers in	-	-	-	-
Transfers out	(81,000)	(81,000)	-	81,000
Net Change in Fund Balance	(68,793)	(68,793)	(23,669)	45,124
Fund Balance - Beginning	68,793	68,793	68,793	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,124</u>	<u>\$ 45,124</u>
COURTHOUSE BOND FUND				
Receipts	\$ 127,825	\$ 127,825	\$ 129,651	\$ 1,826
Disbursements	(324,658)	(324,658)	(267,915)	56,743
Net Change in Fund Balance	(196,833)	(196,833)	(138,264)	58,569
Fund Balance - Beginning	196,833	196,833	196,833	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,569</u>	<u>\$ 58,569</u>

MERRICK 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)
COURTHOUSE BUILDING PROJECT FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(7,261)	(7,261)	(7,261)	-
Net Change in Fund Balance	(7,261)	(7,261)	(7,261)	-
Fund Balance - Beginning	7,261	7,261	7,261	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COUNTY SINKING FUND				
Receipts	\$ 65,000	\$ 65,000	\$ 43,844	\$ (21,156)
Disbursements	(198,726)	(198,726)	(12,906)	185,820
Net Change in Fund Balance	(133,726)	(133,726)	30,938	164,664
Fund Balance - Beginning	133,726	133,726	133,726	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,664</u>	<u>\$ 164,664</u>
911 EMERGENCY SERVICE FUND				
Receipts	\$ 27,125	\$ 27,125	\$ 34,016	\$ 6,891
Disbursements	(43,500)	(43,500)	(18,365)	25,135
Net Change in Fund Balance	(16,375)	(16,375)	15,651	32,026
Fund Balance - Beginning	71,276	71,276	71,276	-
Fund Balance - Ending	<u>\$ 54,901</u>	<u>\$ 54,901</u>	<u>\$ 86,927</u>	<u>\$ 32,026</u>
911 WIRELESS SERVICE HELD FUND				
Receipts	\$ 59,000	\$ 59,000	\$ -	\$ (59,000)
Disbursements	(140,000)	(140,000)	-	140,000
Transfers in	81,000	81,000	-	(81,000)
Transfers out	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>VISITOR PROMOTION FUND</u>				
Receipts	\$ 4,000	\$ 4,000	\$ 4,067	\$ 67
Disbursements	(10,184)	(10,184)	(4,054)	6,130
Net Change in Fund Balance	(6,184)	(6,184)	13	6,197
Fund Balance - Beginning	6,184	6,184	6,184	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,197</u>	<u>\$ 6,197</u>
<u>PRESERVATION MODERNIZATION FUND</u>				
Receipts	\$ 2,500	\$ 2,500	\$ 6,481	\$ 3,981
Disbursements	(5,278)	(5,278)	-	5,278
Net Change in Fund Balance	(2,778)	(2,778)	6,481	9,259
Fund Balance - Beginning	2,778	2,778	2,778	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,259</u>	<u>\$ 9,259</u>

(Concluded)

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

	Veterans' Aid Fund	Juvenile Diversion Fund	STOP Program Fund	Drug Law Enforcement Fund	DARE Fund
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-
Intergovernmental	-	30,324	1,650	-	-
Charges for Services	-	3,142	-	-	-
Miscellaneous	-	-	-	-	710
TOTAL RECEIPTS	-	33,466	1,650	-	710
DISBURSEMENTS					
Public Safety	-	48,052	2,524	-	1,692
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal Payments	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Projects	-	-	-	-	-
TOTAL DISBURSEMENTS	-	48,052	2,524	-	1,692
Net Change in Fund Balances	-	(14,586)	(874)	-	(982)
FUND BALANCES - BEGINNING	8,223	18,307	12,845	394	2,771
FUND BALANCES - ENDING	\$ 8,223	\$ 3,721	\$ 11,971	\$ 394	\$ 1,789
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	-
911 Emergency Services	-	-	-	-	-
Drug Education	-	-	-	394	-
Law Enforcement	-	-	-	-	-
Preservation of Records	-	-	-	-	-
Debt Service	-	-	-	-	-
Committed to:					
Law Enforcement	-	3,721	11,971	-	1,789
Aid and Assistance	8,223	-	-	-	-
County Buildings	-	-	-	-	-
TOTAL FUND BALANCES	\$ 8,223	\$ 3,721	\$ 11,971	\$ 394	\$ 1,789

(Continued)

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

	Canine Fund	Juvenile Service Grant Fund	911 Wireless Service Fund	Courthouse Bond Fund	Courthouse Building Project Fund
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ 40,789	\$ 120,890	\$ -
Interest	-	-	-	1	-
Intergovernmental	-	-	-	8,760	-
Charges for Services	-	-	-	-	-
Miscellaneous	278	-	-	-	-
TOTAL RECEIPTS	<u>278</u>	<u>-</u>	<u>40,789</u>	<u>129,651</u>	<u>-</u>
DISBURSEMENTS					
Public Safety	277	-	64,458	-	-
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal Payments	-	-	-	210,000	-
Interest and Fiscal Charges	-	-	-	57,915	-
Capital Projects	-	-	-	-	7,261
TOTAL DISBURSEMENTS	<u>277</u>	<u>-</u>	<u>64,458</u>	<u>267,915</u>	<u>7,261</u>
Net Change in Fund Balances	1	-	(23,669)	(138,264)	(7,261)
FUND BALANCES - BEGINNING	<u>330</u>	<u>5,508</u>	<u>68,793</u>	<u>196,833</u>	<u>7,261</u>
FUND BALANCES - ENDING	<u>\$ 331</u>	<u>\$ 5,508</u>	<u>\$ 45,124</u>	<u>\$ 58,569</u>	<u>\$ -</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	-
911 Emergency Services	-	-	45,124	-	-
Drug Education	-	-	-	-	-
Law Enforcement	-	5,508	-	-	-
Preservation of Records	-	-	-	-	-
Debt Service	-	-	-	58,569	-
Committed to:					
Law Enforcement	331	-	-	-	-
Aid and Assistance	-	-	-	-	-
County Buildings	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 331</u>	<u>\$ 5,508</u>	<u>\$ 45,124</u>	<u>\$ 58,569</u>	<u>\$ -</u>

(Continued)

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

	County Sinking Fund	911 Emergency Service Fund	Visitor Promotion Fund	Preservation Modernization Fund	Total Nonmajor Governmental Funds
RECEIPTS					
Property Taxes	\$ 39,433	\$ 34,016	\$ 4,067	\$ -	\$ 239,195
Interest	-	-	-	-	1
Intergovernmental	4,411	-	-	-	45,145
Charges for Services	-	-	-	6,481	9,623
Miscellaneous	-	-	-	-	988
TOTAL RECEIPTS	<u>43,844</u>	<u>34,016</u>	<u>4,067</u>	<u>6,481</u>	<u>294,952</u>
DISBURSEMENTS					
Public Safety	-	-	-	-	117,003
Public Works	-	18,365	-	-	18,365
Culture and Recreation	-	-	4,054	-	4,054
Debt Service:					
Principal Payments	-	-	-	-	210,000
Interest and Fiscal Charges	-	-	-	-	57,915
Capital Projects	12,906	-	-	-	20,167
TOTAL DISBURSEMENTS	<u>12,906</u>	<u>18,365</u>	<u>4,054</u>	<u>-</u>	<u>427,504</u>
Net Change in Fund Balances	30,938	15,651	13	6,481	(132,552)
FUND BALANCES - BEGINNING	<u>133,726</u>	<u>71,276</u>	<u>6,184</u>	<u>2,778</u>	<u>535,229</u>
FUND BALANCES - ENDING	<u>\$ 164,664</u>	<u>\$ 86,927</u>	<u>\$ 6,197</u>	<u>\$ 9,259</u>	<u>\$ 402,677</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	6,197	-	6,197
911 Emergency Services	-	86,927	-	-	132,051
Drug Education	-	-	-	-	394
Law Enforcement	-	-	-	-	5,508
Preservation of Records	-	-	-	9,259	9,259
Debt Service	-	-	-	-	58,569
Committed to:					
Law Enforcement	-	-	-	-	17,812
Aid and Assistance	-	-	-	-	8,223
County Buildings	164,664	-	-	-	164,664
TOTAL FUND BALANCES	<u>\$ 164,664</u>	<u>\$ 86,927</u>	<u>\$ 6,197</u>	<u>\$ 9,259</u>	<u>\$ 402,677</u>

(Concluded)

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

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Highway Superintendent	Veterans' Service Officer	County Surveyor	County Extension	County Planning and Zoning	Total
BALANCES JULY 1, 2013	\$ 12,009	\$ 33,758	\$ 13,211	\$ 50	\$ 102,955	\$ 776	\$ 7,227	\$ 1,014	\$ 15	\$ 171,015
RECEIPTS										
Licenses and Permits	645	-	785	-	-	-	-	-	1,875	3,305
Intergovernmental	-	-	-	25,823	73,608	-	-	-	-	99,431
Charges for Services	59,889	7,097	61,406	9,633	271,043	-	18,958	-	-	428,026
Miscellaneous	-	-	763	25	-	-	-	28,393	-	29,181
State Fees	56,857	19,167	-	-	-	-	-	-	-	76,024
Other Liabilities	-	403,171	129,582	4,253	-	-	-	-	-	537,006
TOTAL RECEIPTS	117,391	429,435	192,536	39,734	344,651	-	18,958	28,393	1,875	1,172,973
DISBURSEMENTS										
Payments to County Treasurer	59,768	9,415	59,100	35,511	216,623	-	17,782	-	1,890	400,089
Payments to State Treasurer	58,959	21,897	-	-	-	-	-	-	-	80,856
Other Liabilities	-	387,340	132,848	4,253	-	-	-	27,407	-	551,848
TOTAL DISBURSEMENTS	118,727	418,652	191,948	39,764	216,623	-	17,782	27,407	1,890	1,032,793
BALANCES JUNE 30, 2014	\$ 10,673	\$ 44,541	\$ 13,799	\$ 20	\$ 230,983	\$ 776	\$ 8,403	\$ 2,000	\$ -	\$ 311,195
BALANCES CONSIST OF:										
Due to County Treasurer	\$ 7,613	\$ 909	\$ 12,371	\$ 20	\$ 230,883	\$ 776	\$ 8,403	\$ -	\$ -	\$ 260,975
Petty Cash	1,100	-	500	-	100	-	-	2,000	-	3,700
Due to State Treasurer	1,960	1,060	-	-	-	-	-	-	-	3,020
Due to Others	-	42,572	928	-	-	-	-	-	-	43,500
BALANCES JUNE 30, 2014	\$ 10,673	\$ 44,541	\$ 13,799	\$ 20	\$ 230,983	\$ 776	\$ 8,403	\$ 2,000	\$ -	\$ 311,195

MERRICK 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	\$ 13,252,368	\$ 14,299,033	\$ 15,140,592	\$ 15,575,876	\$ 17,732,188
Personal and Specials	779,390	1,955,319	1,442,935	1,416,687	1,551,822
Total	14,031,758	16,254,352	16,583,527	16,992,563	19,284,010
Corrections					
Additions	10,602	28,304	9,859	7,486	277
Deductions	(18,331)	(53,836)	(1,269)	(1,269)	(275,100)
Net Additions/ (Deductions)	(7,729)	(25,532)	8,590	6,217	(274,823)
Corrected Certified Tax	14,024,029	16,228,820	16,592,117	16,998,780	19,009,187
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2010	8,251,109	-	-	-	-
June 30, 2011	5,737,226	9,496,038	-	-	-
June 30, 2012	31,683	6,718,218	9,961,699	-	-
June 30, 2013	1,247	10,963	6,601,357	10,266,367	-
June 30, 2014	51	713	14,386	6,706,483	11,589,152
Total Net Collections	14,021,316	16,225,932	16,577,442	16,972,850	11,589,152
Total Uncollected Tax	\$ 2,713	\$ 2,888	\$ 14,675	\$ 25,930	\$ 7,420,035
Percentage Uncollected Tax	0.02%	0.02%	0.09%	0.15%	39.03%

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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MERRICK COUNTY

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Supervisors
Merrick County, Nebraska

We have audited, 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 Merrick County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Merrick County's basic financial statements, and have issued our report thereon dated February 24, 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 Merrick County Hospital, a component unit of Merrick County.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be 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.

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. Due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Merrick County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Additional Items

We also noted certain matters that we reported to the management of Merrick County in a separate letter dated February 24, 2015.


Merrick County's Response to Findings

Merrick County declined to respond to the finding described above.

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.

February 24, 2015


Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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February 24, 2015

Board of Supervisors
Merrick County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Merrick County (County) for the fiscal year ended June 30, 2014, and have issued our report thereon dated February 24, 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 following areas:

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 TREASURER

Tax Distributions

During testing, it was noted that the 2013 certified tax rates for the High Plains Community School District were initially set incorrectly at the rate of \$.841283/\$100 of assessed valuation. The tax rate was later amended to the correct levy of \$.719716/\$100 of assessed valuation. Subsequent to the correction, the following distributions and collections were not accurately revised for the amendment:

- **Homestead Distribution.** All tax districts received an incorrect portion of the Homestead Tax Loss payments from the State; variances ranged from \$2 to \$699.
- **Motor Vehicle Pro-Rate Distribution.** All tax districts received an incorrect portion of the Motor Vehicle Pro-Rate tax payments from the State; variances ranged from less than one dollar to one school district being underpaid by \$603.
- **Personal Property Tax Penalty.** The tax penalty assessed on 10 personal properties within the High Plains Community School District was incorrectly deducted from the tax amount owed, causing personal property taxes to be under collected by \$7,457.

When information relating to a tax levy correction is not appropriately reviewed, there is an increased risk for errors in collections and distributions.

We recommend the County Treasurer correct the erroneous distributions and implement procedures to ensure all distributions are correct in the future. We further recommend, when a tax correction is approved, the County Treasurer ensure all calculations related to the correction are accurate.

Bond Payments

During testing, we noted the following bond payments were not approved by the Board prior to payment being made:

- Payment on July 1, 2013, of \$105,000 in principal and \$19,603 in interest.
- Payment on January 2, 2014, of \$19,156 in interest
- Payment on June 27, 2014, of \$105,000 in principal and \$19,156 in interest.

Neb. Rev. Stat. § 23-106 (Reissue 2012) requires the County Board to manage the County funds and County business, except as specifically provided under other statutes. Without good internal controls over payment procedures, there is an increased risk for fraud, abuse, or misuse of funds.

We recommend the County Treasurer implement appropriate measures to ensure the County Board approves all disbursements prior to payment.

COUNTY BOARD

Deposit Coverage

During our audit, we noted the County Board's imprest bank account exceeded FDIC coverage for 28 days during the fiscal year, with unsecured funds ranging between \$1,373 and \$315,484 during that period.

Neb. Rev. Stat. § 77-2395(1) (Reissue 2009) states:

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

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

We recommend the County Board implement procedures to ensure bank accounts are adequately collateralized at all times.

Imprest Bank Account Reconciliation

During the audit, we noted the imprest bank account was not reconciled to the authorized amount of \$1,000 on a monthly basis. The account had an excess amount of \$16,612 at June 30, 2014, consisting of voided checks, totaling \$12,424, and an unknown variance of \$4,188.

Sound accounting practices and good internal control require procedures be in place to ensure office records reconcile with bank activity on at least a monthly basis. Reconciliation procedures should include the timely identification and resolution of all variances noted. Failure to perform accurate and timely bank reconciliations leaves the County susceptible to intentional and/or unintentional errors or omissions and increases the risk of loss, theft, or misuse.

We recommend procedures be implemented to completely and accurately reconcile the County's imprest bank account and identify and resolve any variances that exist in a timely manner.

COUNTY SHERIFF

Balancing Procedures

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

We noted the following during our audit:

- Fees and mileage totaling \$1,640 were not timely paid to the County due to issues associated with a new software system implemented by the office.
- Accounts payable, totaling \$13, could not be supported for June 30, 2014.
- Accounts receivable, totaling \$21, could not be supported for June 30, 2014.

When documentation is not maintained to support balancing procedures, there is an increased risk of loss, theft, or misuse of funds allowing errors to go undetected more easily.

We recommend the County Sheriff implement procedures to ensure adequate records are being used to remit fee and mileage earned and continue to work on identifying all variances.

COUNTY CLERK

Office Accountability

During review of the County Clerk's office, accountability for the fiscal year ended June 30, 2014, the following was noted:

- Documentary Stamp Tax collections for April 2014, totaling \$2,864, were not remitted to the County Treasurer until January 2015.
- The bank account balance exceeded the accounting records by an unknown amount of \$666.

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 and documentation to support balances.

When fees are not remitted to the appropriate authorities in a timely manner, and assets are not reconciled to liabilities, there is an increased risk of loss, theft, or misuse.

We recommend procedures be implemented to insure all monies received are remitted in accordance with State statute and a reconciliation be done to resolve the variance.

HIGHWAY DEPARTMENT / SURVEYOR

Accounts Receivable

During our audit, we noted numerous delinquent accounts receivable, which remained uncollected at June 30, 2014:

- County Highway Department had 10 accounts receivable, totaling \$1,808, which were over two years old.
- County Surveyor had 28 accounts receivable, totaling \$3,983, which were over two years old.

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

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

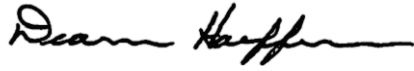
* * * * *

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. The County declined to respond.

This report is intended solely for the information and use of the County, the appropriate Federal and regulatory agencies, and the 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