

**AUDIT REPORT
OF
CHERRY COUNTY**

JULY 1, 2015 THROUGH JUNE 30, 2016

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the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
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Issued on October 14, 2016

CHERRY COUNTY

TABLE OF CONTENTS

	<u>Page</u>
List of County Officials	1
Financial Section	
Independent Auditor's Report	2 - 4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Cash Basis	5
Statement of Activities - Cash Basis	6
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds	7
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds	8
Statement of Fiduciary Assets and Liabilities - Cash Basis - Fiduciary Funds	9
Notes to Financial Statements	10 - 19
Combining Statements and Schedules:	
Budgetary Comparison Schedule - Budget and Actual - General Fund	20 - 21
Budgetary Comparison Schedule - Budget and Actual - Major Funds	22 - 23
Budgetary Comparison Schedule - Budget and Actual - Nonmajor Funds	24 - 26
Combining Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Nonmajor Governmental Funds	27 - 29
Schedule of Office Activities	30
Schedule of Taxes Certified and Collected for All Political Subdivisions in the County	31
Government Auditing Standards Section	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32 - 33

CHERRY COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2016

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Commissioners	Mark Adamson	Jan. 2017
	Tanya Storer	Jan. 2019
	Jim Van Winkle	Jan. 2019
Assessor	Betty Daugherty	Jan. 2019
Attorney	Eric Scott	Jan. 2019
Clerk Election Commissioner Register of Deeds	Tom Elliott	Jan. 2019
Clerk of the District Court	Lorana Eggert	Jan. 2019
Sheriff	Rusty Osburn	Jan. 2019
Treasurer	Janice Wiley	Jan. 2019
Veterans' Service Officer	Shawn Hamling	Appointed
Highway Superintendent	Lloyd Smith	Appointed



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CHERRY COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Cherry 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 Cherry County, as of and for the year ended June 30, 2016, 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 Cherry County, as of June 30, 2016, 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 Cherry County, as of June 30, 2016, 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.

Emphasis of Matters – 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.

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 20-31, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2016, on our consideration of Cherry 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 Cherry County's internal control over financial reporting and compliance.



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

October 13, 2016

CHERRY COUNTY
STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2016

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 2,777,782
Investments (Note 1.D)	3,275,315
TOTAL ASSETS	\$ 6,053,097
 NET POSITION	
Restricted for:	
Visitor Promotion	\$ 675,837
911 Emergency Services	84,857
Preservation of Records	7,131
Debt Service	717,397
Road Maintenance	470,386
Unrestricted	4,097,489
TOTAL NET POSITION	\$ 6,053,097

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

CHERRY COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2016

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	\$ (2,449,371)	\$ 267,697	\$ 70,050	\$ (2,111,624)
Public Safety	(1,156,380)	52,308	-	(1,104,072)
Public Works	(3,121,364)	12,590	1,417,577	(1,691,197)
Health and Sanitation	(34,000)	-	-	(34,000)
Public Assistance	(83,233)	-	-	(83,233)
Culture and Recreation	(213,053)	-	-	(213,053)
Debt Payments	(1,142,714)	-	-	(1,142,714)
Total Governmental Activities	<u><u>\$ (8,200,115)</u></u>	<u><u>\$ 332,595</u></u>	<u><u>\$ 1,487,627</u></u>	<u><u>(6,379,893)</u></u>

General Receipts:

Property Taxes	5,748,897
Grants and Contributions Not Restricted to Specific Programs	911,368
Investment Income	5,400
Licenses and Permits	23,206
Insurance Settlement	179,854
Miscellaneous	139,017
Total General Receipts	<u><u>7,007,742</u></u>
Increase in Net Position	627,849
Net Position - Beginning of year	5,425,248
Net Position - End of year	<u><u>\$ 6,053,097</u></u>

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

CHERRY COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Road Fund	Inheritance Fund	Jail Public Safety Bond Fund	Visitor Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents (Note 1.D)	\$ 1,136,061	\$ 1,108,660	\$ -	\$ -	\$ -	\$ 533,061	\$ 2,777,782
Investments (Note 1.D)	-	-	1,141,245	717,397	615,218	801,455	3,275,315
TOTAL ASSETS	<u>\$ 1,136,061</u>	<u>\$ 1,108,660</u>	<u>\$ 1,141,245</u>	<u>\$ 717,397</u>	<u>\$ 615,218</u>	<u>\$ 1,334,516</u>	<u>\$ 6,053,097</u>
FUND BALANCES							
Restricted for:							
Visitor Promotion	-	-	-	-	615,218	60,619	675,837
911 Emergency Services	-	-	-	-	-	84,857	84,857
Preservation of Records	-	-	-	-	-	7,131	7,131
Debt Service	-	-	-	717,397	-	-	717,397
Road Maintenance	-	-	-	-	-	470,386	470,386
Committed to:							
Law Enforcement	-	-	-	-	-	21,499	21,499
Road Maintenance	-	1,108,660	-	-	-	241,049	1,349,709
Aid and Assistance	-	-	-	-	-	6,216	6,216
County Buildings	-	-	-	-	-	163,507	163,507
Health Insurance	-	-	-	-	-	162,333	162,333
Library Services	-	-	-	-	-	72,548	72,548
Emergency Services	-	-	-	-	-	22,628	22,628
Hospital Services	-	-	-	-	-	21,743	21,743
Assigned to:							
Other Purposes	-	-	1,141,245	-	-	-	1,141,245
Unassigned	1,136,061	-	-	-	-	-	1,136,061
TOTAL CASH BASIS FUND BALANCES	<u>\$ 1,136,061</u>	<u>\$ 1,108,660</u>	<u>\$ 1,141,245</u>	<u>\$ 717,397</u>	<u>\$ 615,218</u>	<u>\$ 1,334,516</u>	<u>\$ 6,053,097</u>

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

CHERRY COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Road Fund	Inheritance Fund	Jail Public Safety Bond Fund	Visitor Improvement Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS							
Property Taxes	\$2,306,026	\$ 1,813,538	\$ 381,680	\$ 738,484	\$ 119,245	\$ 389,924	\$ 5,748,897
Licenses and Permits	23,206	-	-	-	-	-	23,206
Investment Income	5,381	-	-	-	-	19	5,400
Intergovernmental	658,200	1,406,689	-	67,687	-	266,419	2,398,995
Charges for Services	316,088	12,590	-	-	-	3,917	332,595
Miscellaneous	214,893	93,751	-	-	-	10,227	318,871
TOTAL RECEIPTS	<u>3,523,794</u>	<u>3,326,568</u>	<u>381,680</u>	<u>806,171</u>	<u>119,245</u>	<u>670,506</u>	<u>8,827,964</u>
DISBURSEMENTS							
General Government	1,459,784	-	379,652	-	-	609,935	2,449,371
Public Safety	1,051,492	-	-	-	-	104,888	1,156,380
Public Works	108,358	2,998,978	-	-	-	14,028	3,121,364
Health and Sanitation	-	-	-	-	-	34,000	34,000
Public Assistance	81,633	-	-	-	-	1,600	83,233
Culture and Recreation	-	-	-	-	14,494	198,559	213,053
Debt Service:							
Principal Payments	137,601	-	-	993,000	-	-	1,130,601
Interest and Fiscal Charges	379	-	-	11,734	-	-	12,113
TOTAL DISBURSEMENTS	<u>2,839,247</u>	<u>2,998,978</u>	<u>379,652</u>	<u>1,004,734</u>	<u>14,494</u>	<u>963,010</u>	<u>8,200,115</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>684,547</u>	<u>327,590</u>	<u>2,028</u>	<u>(198,563)</u>	<u>104,751</u>	<u>(292,504)</u>	<u>627,849</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	516,906	516,906
Transfers out	(325,630)	(191,276)	-	-	-	-	(516,906)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(325,630)</u>	<u>(191,276)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>516,906</u>	<u>-</u>
Net Change in Fund Balances	358,917	136,314	2,028	(198,563)	104,751	224,402	627,849
CASH BASIS FUND BALANCES - BEGINNING							
	<u>777,144</u>	<u>972,346</u>	<u>1,139,217</u>	<u>915,960</u>	<u>510,467</u>	<u>1,110,114</u>	<u>5,425,248</u>
CASH BASIS FUND BALANCES - ENDING							
	<u>\$1,136,061</u>	<u>\$ 1,108,660</u>	<u>\$ 1,141,245</u>	<u>\$ 717,397</u>	<u>\$ 615,218</u>	<u>\$ 1,334,516</u>	<u>\$ 6,053,097</u>

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

CHERRY COUNTY
**STATEMENT OF FIDUCIARY ASSETS AND
 LIABILITIES - CASH BASIS
 FIDUCIARY FUNDS**
 June 30, 2016

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 622,055
 LIABILITIES	
Due to other governments	
State	102,476
Schools	182,268
Educational Service Units	2,141
Technical College	13,507
Natural Resource Districts	7,169
Fire Districts	4,528
Municipalities	17,379
Agricultural Society	915
Drainage Districts	29
Historical Society	1,285
Hospital	146
Others	290,212
TOTAL LIABILITIES	622,055
 TOTAL NET ASSETS	 \$ -

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

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2016

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

Cherry 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 Cherry 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 IV – 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 IV (Region) consists of the following counties: Cherry, Keya Paha, Boyd, Brown, Rock, Holt, Knox, Cedar, Dixon, Dakota, Thurston, Wayne, Pierce, Antelope, Boone, Nance, Madison, Stanton, Cuming, Burt, Colfax, and Platte.

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

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

County contributed \$24,001 toward the operation of the Region during fiscal year 2016. 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 North 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 did not contribute toward the operation of the Department during fiscal year 2016. 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) (Supp. 2015). 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.

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 the following: 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.

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

The County reports the following major governmental funds:

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

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

Jail Public Safety Bond Fund. This fund is used to account for the receipts for, and the payment of, general long-term debt principal, interest, and related costs.

Visitor Improvement Fund. This fund is used to account for the receipts generated from lodging taxes and is used to improve the visitor attractions and facilities in the county.

The County reports the following additional non-major governmental fund types:

Special Revenue Funds. These funds account for the proceeds from a specific receipt source that is restricted to disbursements for a specified purpose.

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

The County designates fund balances as follows:

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

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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.

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.

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

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

Restricted Net 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 \$1,955,608 of restricted net position, all of which 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.

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 \$2,777,782 for County funds and \$622,055 for Fiduciary funds. The bank balances for all funds totaled \$2,865,150. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2016, 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 \$3,275,315 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.

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.

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Property Taxes** (Concluded)

The levy set in October 2015, for the 2015 taxes, which will be materially collected in May and September 2016, was set at \$.319077/\$100 of assessed valuation. The levy set in October 2014, for the 2014 taxes, which were materially collected in May and September 2015, was set at \$.372736/\$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, Supp. 2015) 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. Non-vested County contributions are forfeited upon termination. Forfeitures are used to cover a portion of the pension plan's administrative expenses. 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.

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

For the year ended June 30, 2016, 72 employees contributed \$96,074, and the County contributed \$143,097. Contributions included \$2,026 in cash contributions towards the supplemental law enforcement plan for five law enforcement employees. Lastly, the County paid \$2,340 directly to 16 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 80 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	\$ 550,000	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 2017. The County has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6. **Interfund Transfers**

Interfund transfers for the year ended June 30, 2016, consisted of the following:

<u>Transfers to</u>	<u>Transfers from</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Total</u>
Nonmajor Funds	\$ 325,630	\$ 191,276	\$ 516,906
Total	<u>\$ 325,630</u>	<u>\$ 191,276</u>	<u>\$ 516,906</u>

Transfers are used to move unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers from the Road Fund were to finance the Health Insurance Fund.

7. **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>Road Equipment</u>	<u>Jail Furnishings</u>	<u>Total</u>
Balance July 1, 2015	\$ 89,286	\$ 137,601	\$ 226,887
Purchases	176,165	-	176,165
Payments	68,632	137,601	206,233
Balance June 30, 2016	<u>\$ 196,819</u>	<u>\$ -</u>	<u>\$ 196,819</u>
Future Payments:			
Year			
2017	\$ 80,973	\$ -	\$ 80,973
2018	37,312	-	37,312
2019	37,311	-	37,311
2020	37,312	-	37,312
2021	12,438	-	12,438
Total Payments	<u>205,346</u>	<u>-</u>	<u>205,346</u>
Less Interest	<u>8,527</u>	<u>-</u>	<u>8,527</u>
Present Value of Future Minimum Lease Payments	<u>\$ 196,819</u>	<u>\$ -</u>	<u>\$ 196,819</u>
Carrying Value of the Related Fixed Asset	<u>\$ 490,671</u>	<u>\$ 819,457</u>	<u>\$ 1,310,128</u>

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

8. Long-Term Debt

The County issued bonds in 2012 in the amount of \$3,481,000 for the purpose of paying the costs of refunding a 2008 series bonds which were used for paying the costs of a jail facility. The bond payable balance, as of June 30, 2016, was \$1,008,000, as the County elected to make an early payment of the fiscal year 2017 amount. 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
2017	\$ -	\$ -	\$ -
2018	\$ 502,000	\$ 7,574	\$ 509,574
2019	\$ 506,000	\$ 2,783	\$ 508,783
Total Payments	<u>\$ 1,008,000</u>	<u>\$ 10,357</u>	<u>\$ 1,018,237</u>

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,395,724	\$ 2,395,724	\$ 2,306,026	\$ (89,698)
Licenses and Permits	23,556	23,556	23,206	(350)
Interest	4,050	4,050	5,381	1,331
Intergovernmental	342,800	342,800	658,200	315,400
Charges for Services	384,450	384,450	316,088	(68,362)
Miscellaneous	9,000	9,000	214,893	205,893
TOTAL RECEIPTS	<u>3,159,580</u>	<u>3,159,580</u>	<u>3,523,794</u>	<u>364,214</u>
DISBURSEMENTS				
General Government:				
County Commissioners	72,000	72,000	69,178	2,822
County Clerk	126,600	126,600	122,561	4,039
County Treasurer	156,090	156,090	147,951	8,139
County Assessor	140,565	140,565	129,876	10,689
Election Commissioner	54,000	54,000	24,602	29,398
Building and Zoning	16,050	16,050	10,891	5,159
Clerk of the District Court	82,032	82,032	80,379	1,653
County Court System	99,200	99,200	69,788	29,412
District Judge	51,500	51,500	37,677	13,823
Public Defender	9,500	9,500	-	9,500
Building and Grounds	167,670	167,670	139,950	27,720
Reappraisal	45,600	45,600	34,406	11,194
Agricultural Extension Agent	61,080	61,080	56,129	4,951
Miscellaneous	981,000	967,000	536,396	430,604
Public Safety				
County Sheriff	314,000	314,000	290,765	23,235
County Attorney	164,400	164,400	154,374	10,026
Disbatch Center	184,550	184,550	179,061	5,489
County Jail	421,750	421,750	368,606	53,144
Communications	44,800	58,800	58,686	114
Miscellaneous	3,200	3,200	-	3,200
Public Works				
County Surveyor	63,900	63,900	60,976	2,924
Noxious Weed Control	65,000	65,000	47,382	17,618
Public Assistance				
Veterans' Service Officer	61,437	61,437	52,006	9,431
Institutions	35,000	35,000	25,009	9,991
Relief/Medical	25,000	25,000	3,000	22,000
Miscellaneous	2,000	2,000	1,618	382
Debt Service				
Principal Payments	138,000	138,000	137,601	399
Interest and Fiscal Charges	800	800	379	421
TOTAL DISBURSEMENTS	<u>3,586,724</u>	<u>3,586,724</u>	<u>2,839,247</u>	<u>747,477</u>

(Continued)

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(427,144)	(427,144)	684,547	1,111,691
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	-	(50,000)
Transfers out	-	-	(325,630)	(325,630)
TOTAL OTHER FINANCING SOURCES (USES)	50,000	50,000	(325,630)	(375,630)
Net Change in Fund Balance	(377,144)	(377,144)	358,917	736,061
FUND BALANCE - BEGINNING	777,144	777,144	777,144	-
FUND BALANCE - ENDING	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 1,136,061</u>	<u>\$ 736,061</u>

(Concluded)

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Taxes	\$ 2,023,650	\$ 2,023,650	\$ 1,813,538	\$ (210,112)
Intergovernmental	1,259,654	1,259,654	1,406,689	147,035
Charges for Services	10,000	10,000	12,590	2,590
Miscellaneous	153,000	153,000	93,751	(59,249)
TOTAL RECEIPTS	3,446,304	3,446,304	3,326,568	(119,736)
DISBURSEMENTS	3,943,650	3,943,650	2,998,978	944,672
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(497,346)	(497,346)	327,590	824,936
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	-	(100,000)
Transfers out	(75,000)	(75,000)	(191,276)	(116,276)
TOTAL OTHER FINANCING SOURCES (USES)	25,000	25,000	(191,276)	(216,276)
Net Change in Fund Balance	(472,346)	(472,346)	136,314	608,660
FUND BALANCE - BEGINNING	972,346	972,346	972,346	-
FUND BALANCE - ENDING	\$ 500,000	\$ 500,000	\$ 1,108,660	\$ 608,660
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 255,783	\$ 255,783	\$ 381,680	\$ 125,897
TOTAL RECEIPTS	255,783	255,783	381,680	125,897
DISBURSEMENTS	1,120,000	1,120,000	379,652	740,348
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(864,217)	(864,217)	2,028	866,245
OTHER FINANCING SOURCES (USES)				
Transfers in	75,000	75,000	-	(75,000)
Transfers out	(350,000)	(350,000)	-	350,000
TOTAL OTHER FINANCING SOURCES (USES)	(275,000)	(275,000)	-	275,000
Net Change in Fund Balance	(1,139,217)	(1,139,217)	2,028	1,141,245
FUND BALANCE - BEGINNING	1,139,217	1,139,217	1,139,217	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 1,141,245	\$ 1,141,245

(Continued)

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>JAIL PUBLIC SAFETY BOND FUND</u>				
RECEIPTS				
Taxes	\$ 845,000	\$ 845,000	\$ 738,484	\$ (106,516)
Intergovernmental	5,040	5,040	67,687	62,647
TOTAL RECEIPTS	850,040	850,040	806,171	(43,869)
DISBURSEMENTS	1,766,000	1,766,000	1,004,734	761,266
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(915,960)	(915,960)	(198,563)	717,397
Net Change in Fund Balance	(915,960)	(915,960)	(198,563)	717,397
FUND BALANCE - BEGINNING	915,960	915,960	915,960	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 717,397</u>	<u>\$ 717,397</u>
<u>VISITOR IMPROVEMENT FUND</u>				
RECEIPTS				
Taxes	\$ 109,533	\$ 109,533	\$ 119,245	\$ 9,712
TOTAL RECEIPTS	109,533	109,533	119,245	9,712
DISBURSEMENTS	620,000	620,000	14,494	605,506
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(510,467)	(510,467)	104,751	615,218
Net Change in Fund Balance	(510,467)	(510,467)	104,751	615,218
FUND BALANCE - BEGINNING	510,467	510,467	510,467	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615,218</u>	<u>\$ 615,218</u>

(Concluded)

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EMERGENCY BRIDGE FUND				
Receipts	\$ 68,652	\$ 68,652	\$ 73,729	\$ 5,077
Disbursements	(300,000)	(300,000)	(14,028)	285,972
Transfers in	50,000	50,000	-	(50,000)
Transfers out	-	-	-	-
Net Change in Fund Balance	(181,348)	(181,348)	59,701	241,049
Fund Balance - Beginning	181,348	181,348	181,348	-
Fund Balance - Ending	\$ -	\$ -	\$ 241,049	\$ 241,049
HIGHWAY BUYBACK FUND				
Receipts	\$ 150,877	\$ 150,877	\$ 168,263	\$ 17,386
Disbursements	(453,000)	(453,000)	-	453,000
Net Change in Fund Balance	(302,123)	(302,123)	168,263	470,386
Fund Balance - Beginning	302,123	302,123	302,123	-
Fund Balance - Ending	\$ -	\$ -	\$ 470,386	\$ 470,386
VISITOR PROMOTION FUND				
Receipts	\$ 88,603	\$ 88,603	\$ 123,888	\$ 35,285
Disbursements	(144,000)	(144,000)	(118,666)	25,334
Net Change in Fund Balance	(55,397)	(55,397)	5,222	60,619
Fund Balance - Beginning	55,397	55,397	55,397	-
Fund Balance - Ending	\$ -	\$ -	\$ 60,619	\$ 60,619
REGISTER OF DEEDS PRESERVATION FUND				
Receipts	\$ 3,514	\$ 3,514	\$ 3,917	\$ 403
Disbursements	(10,000)	(10,000)	(3,272)	6,728
Net Change in Fund Balance	(6,486)	(6,486)	645	7,131
Fund Balance - Beginning	6,486	6,486	6,486	-
Fund Balance - Ending	\$ -	\$ -	\$ 7,131	\$ 7,131
HEALTH INSURANCE FUND				
Receipts	\$ 560,267	\$ 560,267	\$ 5,603	\$ (554,664)
Disbursements	(896,000)	(896,000)	(595,909)	300,091
Transfers in	100,000	100,000	516,906	416,906
Transfers out	-	-	-	-
Net Change in Fund Balance	(235,733)	(235,733)	(73,400)	162,333
Fund Balance - Beginning	235,733	235,733	235,733	-
Fund Balance - Ending	\$ -	\$ -	\$ 162,333	\$ 162,333

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
VETERANS' AID FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(7,816)	(7,816)	(1,600)	6,216
Net Change in Fund Balance	(7,816)	(7,816)	(1,600)	6,216
Fund Balance - Beginning	7,816	7,816	7,816	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,216</u>	<u>\$ 6,216</u>
BOOKMOBILE FUND				
Receipts	\$ 100,079	\$ 100,079	\$ 100,520	\$ 441
Disbursements	(152,000)	(152,000)	(79,893)	72,107
Net Change in Fund Balance	(51,921)	(51,921)	20,627	72,548
Fund Balance - Beginning	51,921	51,921	51,921	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,548</u>	<u>\$ 72,548</u>
DRUG AND ALCOHOL FUND				
Receipts	\$ -	\$ -	\$ 1	\$ 1
Disbursements	(21,498)	(21,498)	-	21,498
Net Change in Fund Balance	(21,498)	(21,498)	1	21,499
Fund Balance - Beginning	21,498	21,498	21,498	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,499</u>	<u>\$ 21,499</u>
GRANT FUND				
Receipts	\$ 300,000	\$ 300,000	\$ -	\$ (300,000)
Disbursements	(300,000)	(300,000)	-	300,000
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EMERGENCY MANAGEMENT FUND				
Receipts	\$ 66,742	\$ 66,742	\$ 97,612	\$ 30,870
Disbursements	(108,550)	(108,550)	(91,792)	16,758
Transfers in	25,000	25,000	-	(25,000)
Transfers out	-	-	-	-
Net Change in Fund Balance	(16,808)	(16,808)	5,820	22,628
Fund Balance - Beginning	16,808	16,808	16,808	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,628</u>	<u>\$ 22,628</u>

(Continued)

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COURTHOUSE BUILDING FUND				
Receipts	\$ 31,073	\$ 31,073	\$ 25,334	\$ (5,739)
Disbursements	(205,000)	(205,000)	(10,754)	194,246
Transfers in	25,000	25,000	-	(25,000)
Transfers out	-	-	-	-
Net Change in Fund Balance	(148,927)	(148,927)	14,580	163,507
Fund Balance - Beginning	148,927	148,927	148,927	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,507</u>	<u>\$ 163,507</u>
HOSPITAL FUND				
Receipts	\$ 50,330	\$ 50,330	\$ 50,673	\$ 343
Disbursements	(55,400)	(55,400)	(34,000)	21,400
Net Change in Fund Balance	(5,070)	(5,070)	16,673	21,743
Fund Balance - Beginning	5,070	5,070	5,070	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,743</u>	<u>\$ 21,743</u>
EMERGENCY 911 FUND				
Receipts	\$ 21,013	\$ 21,013	\$ 20,966	\$ (47)
Disbursements	(98,000)	(98,000)	(13,096)	84,904
Net Change in Fund Balance	(76,987)	(76,987)	7,870	84,857
Fund Balance - Beginning	76,987	76,987	76,987	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,857</u>	<u>\$ 84,857</u>

(Concluded)

CHERRY COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Emergency Bridge Fund	Highway Buyback Fund	Visitor Promotion Fund	Register of Deeds Preservation Fund	Health Insurance Fund
RECEIPTS					
Property Taxes	\$ 68,225	\$ -	\$ 119,245	\$ -	\$ -
Investment Income	-	-	19	-	-
Intergovernmental	5,504	168,263	-	-	-
Charges for Services	-	-	-	3,917	-
Miscellaneous	-	-	4,624	-	5,603
TOTAL RECEIPTS	<u>73,729</u>	<u>168,263</u>	<u>123,888</u>	<u>3,917</u>	<u>5,603</u>
DISBURSEMENTS					
General Government	-	-	-	3,272	595,909
Public Safety	-	-	-	-	-
Public Works	14,028	-	-	-	-
Health and Sanitation	-	-	-	-	-
Public Assistance	-	-	-	-	-
Culture and Recreation	-	-	118,666	-	-
TOTAL DISBURSEMENTS	<u>14,028</u>	<u>-</u>	<u>118,666</u>	<u>3,272</u>	<u>595,909</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>59,701</u>	<u>168,263</u>	<u>5,222</u>	<u>645</u>	<u>(590,306)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	516,906
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>516,906</u>
Net Change in Fund Balances	59,701	168,263	5,222	645	(73,400)
FUND BALANCES - BEGINNING	<u>181,348</u>	<u>302,123</u>	<u>55,397</u>	<u>6,486</u>	<u>235,733</u>
FUND BALANCES - ENDING	<u>\$ 241,049</u>	<u>\$ 470,386</u>	<u>\$ 60,619</u>	<u>\$ 7,131</u>	<u>\$ 162,333</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	60,619	-	-
911 Emergency Services	-	-	-	-	-
Preservation of Records	-	-	-	7,131	-
Road Maintenance	-	470,386	-	-	-
Committed to:					
Law Enforcement	-	-	-	-	-
Road Maintenance	241,049	-	-	-	-
Aid and Assistance	-	-	-	-	-
County Buildings	-	-	-	-	-
Health Insurance	-	-	-	-	162,333
Library Services	-	-	-	-	-
Emergency Services	-	-	-	-	-
Hospital Services	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 241,049</u>	<u>\$ 470,386</u>	<u>\$ 60,619</u>	<u>\$ 7,131</u>	<u>\$ 162,333</u>

(Continued)

CHERRY COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Veterans' Aid Fund	Bookmobile Fund	Drug and Alcohol Fund	Emergency Management Fund
RECEIPTS				
Property Taxes	\$ -	\$ 56,226	\$ 1	\$ 55,290
Investment Income	-	-	-	-
Intergovernmental	-	44,294	-	42,322
Charges for Services	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL RECEIPTS	<u>-</u>	<u>100,520</u>	<u>1</u>	<u>97,612</u>
DISBURSEMENTS				
General Government	-	-	-	-
Public Safety	-	-	-	91,792
Public Works	-	-	-	-
Health and Sanitation	-	-	-	-
Public Assistance	1,600	-	-	-
Culture and Recreation	-	79,893	-	-
TOTAL DISBURSEMENTS	<u>1,600</u>	<u>79,893</u>	<u>-</u>	<u>91,792</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,600)</u>	<u>20,627</u>	<u>1</u>	<u>5,820</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,600)	20,627	1	5,820
FUND BALANCES - BEGINNING	<u>7,816</u>	<u>51,921</u>	<u>21,498</u>	<u>16,808</u>
FUND BALANCES - ENDING	<u>\$ 6,216</u>	<u>\$ 72,548</u>	<u>\$ 21,499</u>	<u>\$ 22,628</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	-	-	-	-
911 Emergency Services	-	-	-	-
Preservation of Records	-	-	-	-
Road Maintenance	-	-	-	-
Committed to:				
Law Enforcement	-	-	21,499	-
Road Maintenance	-	-	-	-
Aid and Assistance	6,216	-	-	-
County Buildings	-	-	-	-
Health Insurance	-	-	-	-
Library Services	-	72,548	-	-
Emergency Services	-	-	-	22,628
Hospital Services	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 6,216</u>	<u>\$ 72,548</u>	<u>\$ 21,499</u>	<u>\$ 22,628</u>

(Continued)

CHERRY COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Courthouse Building Fund	Hospital Fund	Emergency 911 Fund	Total Nonmajor Governmental Funds
RECEIPTS				
Property Taxes	\$ 23,322	\$ 46,649	\$ 20,966	\$ 389,924
Investment Income	-	-	-	19
Intergovernmental	2,012	4,024	-	266,419
Charges for Services	-	-	-	3,917
Miscellaneous	-	-	-	10,227
TOTAL RECEIPTS	<u>25,334</u>	<u>50,673</u>	<u>20,966</u>	<u>670,506</u>
DISBURSEMENTS				
General Government	10,754	-	-	609,935
Public Safety	-	-	13,096	104,888
Public Works	-	-	-	14,028
Health and Sanitation	-	34,000	-	34,000
Public Assistance	-	-	-	1,600
Culture and Recreation	-	-	-	198,559
TOTAL DISBURSEMENTS	<u>10,754</u>	<u>34,000</u>	<u>13,096</u>	<u>963,010</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>14,580</u>	<u>16,673</u>	<u>7,870</u>	<u>(292,504)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	516,906
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>516,906</u>
Net Change in Fund Balances	14,580	16,673	7,870	224,402
FUND BALANCES - BEGINNING	<u>148,927</u>	<u>5,070</u>	<u>76,987</u>	<u>1,110,114</u>
FUND BALANCES - ENDING	<u>\$ 163,507</u>	<u>\$ 21,743</u>	<u>\$ 84,857</u>	<u>\$ 1,334,516</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	-	-	-	60,619
911 Emergency Services	-	-	84,857	84,857
Preservation of Records	-	-	-	7,131
Road Maintenance	-	-	-	470,386
Committed to:				
Law Enforcement	-	-	-	21,499
Road Maintenance	-	-	-	241,049
Aid and Assistance	-	-	-	6,216
County Buildings	163,507	-	-	163,507
Health Insurance	-	-	-	162,333
Library Services	-	-	-	72,548
Emergency Services	-	-	-	22,628
Hospital Services	-	21,743	-	21,743
TOTAL FUND BALANCES	<u>\$ 163,507</u>	<u>\$ 21,743</u>	<u>\$ 84,857</u>	<u>\$ 1,334,516</u>

(Concluded)

CHERRY COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2016

	County Clerk	Health Insurance Account	Clerk of the District Court	County Sheriff	County Attorney	Highway Superintendent	Veterans' Service Officer	Visitor's Center	Extension Office	Total
BALANCES JULY 1, 2015	\$ 9,185	\$ 48,747	\$ 60,295	\$ 1,320	\$ -	\$ 4,919	\$ 3,832	\$ 7,073	\$ 27	\$ 135,398
RECEIPTS										
Property Taxes	-	-	-	-	-	-	-	-	-	-
Licenses and Permits	800	-	-	1,240	-	-	-	-	-	2,040
Intergovernmental	-	-	-	-	-	-	1,600	20,094	-	21,694
Charges for Services	57,608	-	8,278	52,199	320	116,267	-	-	-	234,672
Miscellaneous	1,500	858,513	-	325	-	-	1,450	4	-	861,792
State Fees	101,177	-	9,186	-	-	2,137	-	-	-	112,500
Other Liabilities	1,231	-	975,032	41,868	4,975	-	-	-	-	1,023,106
TOTAL RECEIPTS	162,316	858,513	992,496	95,632	5,295	118,404	3,050	20,098	-	2,255,804
DISBURSEMENTS										
Payments to County Treasurer	58,913	-	8,084	53,130	320	104,827	-	3,666	-	228,940
Payments to State Treasurer	103,755	-	9,093	-	-	2,360	-	-	-	115,208
Other Liabilities	1,300	839,719	745,342	41,294	4,975	-	1,951	16,553	8	1,651,142
TOTAL DISBURSEMENTS	163,968	839,719	762,519	94,424	5,295	107,187	1,951	20,219	8	1,995,290
BALANCES JUNE 30, 2016	<u>\$ 7,533</u>	<u>\$ 67,541</u>	<u>\$ 290,272</u>	<u>\$ 2,528</u>	<u>\$ -</u>	<u>\$ 16,136</u>	<u>\$ 4,931</u>	<u>\$ 6,952</u>	<u>\$ 19</u>	<u>\$ 395,912</u>
BALANCES CONSIST OF:										
Due to County Treasurer	\$ 3,416	\$ 67,541	\$ 566	\$ 1,954	\$ -	\$ 16,136	\$ 4,931	\$ 6,952	\$ 19	\$ 101,515
Petty Cash	1,500	-	-	-	-	-	-	-	-	1,500
Due to State Treasurer	2,543	-	547	-	-	-	-	-	-	3,090
Due to Others	74	-	289,159	574	-	-	-	-	-	289,807
BALANCES JUNE 30, 2016	<u>\$ 7,533</u>	<u>\$ 67,541</u>	<u>\$ 290,272</u>	<u>\$ 2,528</u>	<u>\$ -</u>	<u>\$ 16,136</u>	<u>\$ 4,931</u>	<u>\$ 6,952</u>	<u>\$ 19</u>	<u>\$ 395,912</u>

CHERRY COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2016

Item	2011	2012	2013	2014	2015
Tax Certified by Assessor					
Real Estate	\$ 15,923,616	\$ 16,942,168	\$ 17,689,237	\$ 18,431,921	\$ 19,241,332
Personal and Specials	644,255	707,004	745,101	916,505	1,067,577
Total	16,567,871	17,649,172	18,434,338	19,348,426	20,308,909
Corrections					
Additions	9,980	9,920	26,440	4,574	3,462
Deductions	(691)	(2,122)	(4,072)	(1,921)	(8,997)
Net Additions/ (Deductions)	9,289	7,798	22,368	2,653	(5,535)
Corrected Certified Tax	16,577,160	17,656,970	18,456,706	19,351,079	20,303,374
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2012	9,039,663	-	-	-	-
June 30, 2013	7,523,915	9,811,682	-	-	-
June 30, 2014	8,170	7,835,962	10,428,463	-	-
June 30, 2015	4,246	6,368	8,019,570	11,199,628	-
June 30, 2016	599	1,587	5,926	8,145,572	11,648,722
Total Net Collections	16,576,593	17,655,599	18,453,959	19,345,200	11,648,722
Total Uncollected Tax	\$ 567	\$ 1,371	\$ 2,747	\$ 5,879	\$ 8,654,652
Percentage Uncollected Tax	0.00%	0.01%	0.01%	0.03%	42.63%

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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CHERRY 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
Cherry 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 Cherry County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Cherry County's basic financial statements, and have issued our report thereon dated October 13, 2016. 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 Cherry County Hospital, a component unit of Cherry County.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cherry 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 Cherry 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. 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: Cherry County has implemented a series of measures that include oversight from the County Board, County Clerk, Deputy Clerk, and staff members that reconcile and review each transaction of Cherry County.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cherry 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 Cherry County in a separate letter dated October 13, 2016.

Cherry County's Response to Findings

Cherry County's response to the findings identified in our audit is described above. Cherry 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

October 13, 2016



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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October 13, 2016

Board of Commissioners
Cherry County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Cherry County (County) for the fiscal year ended June 30, 2016, and have issued our report thereon dated October 13, 2016. 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. A lack of segregation of duties increases the risk of possible errors or irregularities; however, due to a limited number of personnel, an adequate segregation of duties may not be 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: Cherry County has implemented a series of measures that include oversight from the County Board, County Clerk, Deputy Clerk, and staff members that reconcile and review each transaction of Cherry County.

Deposit Coverage

During our audit period, we noted deposits at two local banks were not fully insured by the Federal Deposit Insurance Corporation (FDIC) or additional securities:

- The balances in the County Board’s imprest bank accounts exceeded coverage for 14 days, undercovered amounts ranged between \$401,237 and \$836,760.
- The County Clerk of the District Court’s checking account was uncollateralized for 15 days, ranging from \$62,385 to \$93,196, due to receiving a large investment.

Neb. Rev. Stat. § 77-2395(1) (Reissue 2009) states, in relevant part, the following:

[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 [FDIC], 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, County offices are not in compliance with State statute, and there is an increased risk of loss should the financial institutions holding County deposits fail.

We recommend the County Board and County Clerk of the District Court implement procedures to ensure bank deposits are adequately secured at all times.

County’s Response: The County Board intends to have all Cherry County deposits insured or guaranteed.

COUNTY BOARD

Inventory Listing

During our audit, we noted inventory listings for County real estate, the County Judge, the Justice Center, the Communications Center, and the County Weed Superintendent were not filed by the statutory deadline of August 31. Additionally, we noted one asset purchased during our audit period was not properly added to the inventory listing. A similar finding was noted in the prior audit.

Neb. Rev. Stat. § 23-348.01 (Reissue 2012) states the following:

Within two calendar months after the close of each fiscal year, each county board shall make, or cause to be made, acknowledged under oath, and filed with the county clerk of such county, an inventory statement of all real estate and real property in which such county has any interest of any kind.

Additionally, an Inventory Policy was adopted by the County Board on August 30, 2011, “requiring items valued at \$100 or more to be listed on the annual inventories of each County office.”

When inventory listings are not on file and do not contain an accurate accounting of assets within the County, there is an apparent violation of both State statute and the County Board's own Inventory Policy, as well as an increased risk of loss, theft, or misuse of assets.

We recommend the County Board implement procedures to ensure that all inventory lists are on file with the County Clerk and contain an accurate listing of the County's assets.

County's Response: The County Board has asked each department to update their inventories in a timely manner. All inventory lists will be filed with the County Clerk and verified with the County Board.

County Contracts

During the audit, we noted the following:

- An individual was paid \$12,350 for surveying services during the fiscal year that could not be supported by a contract or an agreement with the County.
- Claims paid to the County Attorney for office expenses did not have supporting documentation attached to the claim, and payments for clerical salaries, equipment rental, and office space were not supported by a written agreement. Supporting documentation for the office expenses were on file at the County Attorney's office, but were not attached to the claim so the County Board could review them. Additionally, we recognize that the County Board had budgeted for clerical salaries, equipment rental, and office space in the annual budget, but the County Attorney is not restricted to a line item budget, therefore claims should be supported with either documentation of the actual disbursement being reimbursed or an agreement outlining costs to be reimbursed. Reimbursements to the County Attorney for the fiscal year totaled \$98,247.

Good internal controls and sound accounting practices require a written agreement signed by both parties when monthly payments are made for services provided. Also, good internal controls require that procedures be in place to ensure all claims are supported with adequate documentation. Without such a written agreement and accompanying documentation procedures, there is an increased risk for the loss, theft, or misuse of County funds.

We recommend the County Board enter into a written contract, as well as obtain documentation of all related expenditures, when payments are made to any vendor.

County's Response: Cherry County elected Surveyor and elected County Attorney have requested to submit an agreement of approval with the County Board for all reimbursements.

County Attorney's Response: The Cherry County Attorney's office has complied with the Interlocal customs of the previous County attorney's and auditor recommendations. All expenditures are approved in advance through the budget process and documentation for all claims are available at this office. As this office receives partial employee reimbursement the checks issued to employees are not attached for security reasons.

COUNTY HIGHWAY DEPARTMENT

Fee Rate Approval

During the audit, we noted that the County Highway Department charged fees for millings, rock purchases, culvert sales, and labor for services provided; however, the amount of the fees were not set by either State statute or the County Board. Rates were not properly approved by the County Board due to the road foreman being permitted to determine the amounts to charge.

Neb. Rev. Stat. § 23-106(1) (Reissue 2012) assigns to the County Board the responsibility of managing the County's funds and business activities. In addition, good internal control and sound accounting practice requires fees to be set by the County Board and documented in the meeting minutes. Failure by the County Board to approve such fees not only runs counter to statute but also increases the risk of loss or misuse of County funds.

We recommend the County Board approve or authorize any fees collected.

County's Response: Road Foremen will be notified that the County Board must approve or authorize fees collected prior to any sale of County property.

COUNTY VISITOR CENTER

Petty Cash Account

We noted the County Visitor Center maintains a petty cash account that was not properly reconciled to the County Board's authorized amount of \$8,000. The balance at June 30, 2016, was \$6,952. Staff at the County Visitor Center was unaware that such reconciliation was necessary.

Further, payments from the petty cash account did not have adequate follow-up procedures performed to ensure that County funds were spent properly. The County approves grants for the promotion of tourism. The grant application forms state, "A follow-up report is required within 60 days of the event." The County did not require this report to be submitted by grant recipients, however. The grant recipients tested received the following amounts:

Name of Organization	Event	Grant Amount
Sparks Nebraska Spurs	CFDA NE State Shoot	\$ 750
Sparks Nebraska Spurs	2015 Great Plains CFDA Territorial Shoot	\$ 1,000
Mid-States Rodeo Association	Mid-States Rodeo Finals	\$ 750
Outlaw Trail Scenic Byway 12	See the Byway the Quilt Way	\$ 300
Old West Days	Nebraska Cowboy Poetry Gathering	\$ 750
Sandhills Summit	Sandhills Summit	\$ 300
Valentine Rural High School	Class C5 District Golf	\$ 400

Neb. Rev. Stat. § 23-106(2) (Reissue 2012) gives the County Board the sole authority to establish petty cash funds “for the purpose of making payments for subsidiary general operational expenditures and purchases.” Furthermore, good internal controls require procedures to be implemented to ensure all petty cash funds are maintained at the authorized amounts, and all reimbursements are supported with original, complete documentation. Additionally, good internal controls require that appropriate procedures be in place to ensure grant funds are spent properly.

Failure to reconcile petty cash accounts to the authorized amounts leaves the County susceptible to intentional and/or unintentional errors or omissions and increases the risk of loss, theft, or misuse of public funds. Additionally, the potential for these concerns is exacerbated by a lack of adequate follow-up procedures to ensure that petty cash account monies were spent properly.

We recommend the County Visitor Center ensure petty cash funds are reconciled to the authorized amounts in a timely manner and implement adequate follow-up procedures to ensure that grant funds awarded are spent properly.

County’s Response: Cherry County Visitors Center has been notified that Petty Cash funds need to be reconciled in a timely manner, receipts for souvenirs need to be documented and approved by the County Board as per State Statutes. The County Board will require an event report to be submitted within 60 days as required for grants.

Cash Procedures

During testing, we noted the County Visitor Center sells souvenirs; however, the following insufficient cash procedures over souvenir sales were noted:

- No records were maintained regarding the sales made or amounts collected for souvenirs.
- Cash on hand of \$560 could not be traced to supporting souvenir sales documentation.
- Rates charged for souvenir sales were not set by State statute or approved by the County Board.

County Visitor Center staff was unaware that the maintenance of sales records is necessary to document the marketing of souvenirs.

Per Neb. Rev. Stat. § 23-106(1) (Reissue 2012), the County Board is responsible for managing the County’s funds and business activities. In addition, good internal control and sound accounting practices require adequate sales records to be maintained.

When fees charged are not approved by the County Board, and adequate sales records are not maintained, there is an increased risk for the loss or misuse of County funds.

We recommend the County Visitor Center ensure complete records for souvenir sales are maintained, and all fees charged are approved by the County Board.

COUNTY VETERANS' SERVICE OFFICER

Remittance to County Treasurer

During the fiscal year, the Veterans' Service Officer received \$1,450 in donations that was not properly remitted to the County Treasurer. The amount in the Veterans' Service Officer's bank account designated as being from donations received was \$1,920 at June 30, 2016.

Neb. Rev. Stat. § 23- 1601(1) (Reissue 2012) states the following:

It is the duty of the county treasurer to receive all money belonging to the county, from whatsoever source derived and by any method of payment provided by section 77-1702, and all other money which is by law directed to be paid to him or her. All money received by the county treasurer for the use of the county shall be paid out by him or her only on warrants issued by the county board according to law, except when special provision for payment of county money is otherwise made by law.

Failure to remit donations received by the Veterans' Service Officer to the County Treasurer not only runs contrary to State statute but also increases the risk of loss, theft, or misuse of public funds.

We recommend the Veterans' Service Officer remit all donations received to the County Treasurer in a timely manner.

County's Response: The County Service Officer has been notified that all donations will be forwarded to the County Treasurer.

* * * * *

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. Where no response has been included, the County declined to respond. Responses that indicate corrective action has been taken were not verified at this time, but 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,



Deann Haeffner
Assistant Deputy Auditor