

**AUDIT REPORT
OF
OTOE COUNTY**

JULY 1, 2015 THROUGH JUNE 30, 2016

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the Auditor of Public Accounts.**

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Issued on September 9, 2016

OTOE 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

OTOE COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2016

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Commissioners	Timothy Nelsen	Jan. 2017
	Richard Freshman	Jan. 2019
	Ron Hauptman	Jan. 2019
	Jerad Sornson	Jan. 2019
	Steven Lade	Jan. 2017
Assessor	Therese Gruber	Jan. 2019
Attorney	David Partsch	Jan. 2019
Clerk Election Commissioner	Janene Bennett	Jan. 2019
Register of Deeds	Janet Reed	Jan. 2019
Clerk of the District Court	Janis Riege	Jan. 2019
Sheriff	James Gress	Jan. 2019
Treasurer	Nicki Kreifels	Jan. 2019
Public Defender	Michael Ziskey	Jan. 2019
Surveyor Planning & Zoning	David Schmitz	Jan. 2019
Emergency Manager	Gregg Goebel	Appointed
Veterans' Service Officer	Bill Hessler	Appointed



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OTOE COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Otoe 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 Otoe County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, 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.

Opinions

In our opinion, the financial statements referred to above 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 Otoe 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 August 22, 2016, on our consideration of Otoe 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* in considering Otoe County's internal control over financial reporting and compliance.

August 22, 2016



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 7,295,248
Investments (Note 1.D)	5,140
TOTAL ASSETS	\$ 7,300,388
NET POSITION	
Restricted for:	
Visitor Promotion	\$ 17,759
911 Emergency Services	307,872
Drug Education	1,450
Law Enforcement	16,025
Preservation of Records	17,126
Bridge/Road Projects	1,019,220
Unrestricted	5,920,936
TOTAL NET POSITION	\$ 7,300,388

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

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

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement)
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Receipts and Changes in Net Position
Governmental Activities:				
General Government	\$ (4,011,089)	\$ 604,692	\$ 84,768	\$ (3,321,629)
Public Safety	(2,556,836)	55,055	111,590	(2,390,191)
Public Works	(4,954,203)	808	2,127,225	(2,826,170)
Health and Sanitation	(743)	-	-	(743)
Public Assistance	(175,275)	-	-	(175,275)
Culture and Recreation	(101,860)	-	-	(101,860)
Debt Payments	(408,320)	-	-	(408,320)
Total Governmental Activities	<u><u>\$ (12,208,326)</u></u>	<u><u>\$ 660,555</u></u>	<u><u>\$ 2,323,583</u></u>	<u><u>(9,224,188)</u></u>

General Receipts:

Property Taxes	7,475,031
Grants and Contributions Not Restricted to Specific Programs	1,192,281
Investment Income	20,438
Licenses and Permits	71,586
Miscellaneous	249,482
Total General Receipts	<u><u>9,008,818</u></u>
 Increase in Net Position	 (215,370)
Net Position - Beginning of year	7,515,758
Net Position - End of year	<u><u>\$ 7,300,388</u></u>

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

OTOE COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Road Fund	Inheritance Fund	Highway Bridge Buyback Program Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents (Note 1.D)	\$1,615,492	\$ 9,628	\$3,762,729	\$ 1,019,220	\$ 888,179	\$ 7,295,248
Investments (Note 1.D)	-	-	5,140	-	-	5,140
TOTAL ASSETS	<u>\$1,615,492</u>	<u>\$ 9,628</u>	<u>\$3,767,869</u>	<u>\$ 1,019,220</u>	<u>\$ 888,179</u>	<u>\$ 7,300,388</u>
FUND BALANCES						
Restricted for:						
Visitor Promotion	-	-	-	-	17,759	17,759
911 Emergency Services	-	-	-	-	307,872	307,872
Drug Education	-	-	-	-	1,450	1,450
Law Enforcement	-	-	-	-	16,025	16,025
Preservation of Records	-	-	-	-	17,126	17,126
Bridge/Road Projects	-	-	-	1,019,220	-	1,019,220
Committed to:						
Law Enforcement	-	-	-	-	13,579	13,579
Road Maintenance	-	9,628	-	-	-	9,628
County Buildings	-	-	-	-	245,132	245,132
Special Projects	-	-	-	-	118,014	118,014
Landfill Closures	-	-	-	-	151,222	151,222
Assigned to:						
Other Purposes	-	-	3,767,869	-	-	3,767,869
Unassigned	1,615,492	-	-	-	-	1,615,492
TOTAL CASH BASIS FUND BALANCES	<u>\$1,615,492</u>	<u>\$ 9,628</u>	<u>\$3,767,869</u>	<u>\$ 1,019,220</u>	<u>\$ 888,179</u>	<u>\$ 7,300,388</u>

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

OTOE 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	Highway Bridge Buyback Program Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$ 6,730,940	\$ -	\$ 518,951	\$ -	\$ 225,140	\$ 7,475,031
Licenses and Permits	70,561	1,025	-	-	-	71,586
Investment Income	20,265	-	-	-	173	20,438
Intergovernmental	989,878	1,955,728	146,898	414,210	9,150	3,515,864
Charges for Services	647,161	808	-	-	12,586	660,555
Miscellaneous	31,091	73,808	60,550	-	84,033	249,482
TOTAL RECEIPTS	8,489,896	2,031,369	726,399	414,210	331,082	11,992,956
DISBURSEMENTS						
General Government	3,328,619	-	561,194	-	121,276	4,011,089
Public Safety	2,385,504	-	-	-	171,332	2,556,836
Public Works	43,074	4,890,428	-	-	20,701	4,954,203
Health and Sanitation	743	-	-	-	-	743
Public Assistance	175,275	-	-	-	-	175,275
Culture and Recreation	5,214	-	-	-	96,646	101,860
Debt Service:						
Principal Payments	-	310,000	-	-	-	310,000
Interest and Fiscal Charges	-	98,320	-	-	-	98,320
TOTAL DISBURSEMENTS	5,938,429	5,298,748	561,194	-	409,955	12,208,326
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	2,551,467	(3,267,379)	165,205	414,210	(78,873)	(215,370)
OTHER FINANCING SOURCES (USES)						
Transfers in	16,131	2,500,000	-	-	140,818	2,656,949
Transfers out	(2,600,000)	-	(505)	-	(56,444)	(2,656,949)
TOTAL OTHER FINANCING SOURCES (USES)	(2,583,869)	2,500,000	(505)	-	84,374	-
Net Change in Fund Balances	(32,402)	(767,379)	164,700	414,210	5,501	(215,370)
CASH BASIS FUND BALANCES - BEGINNING						
	1,647,894	777,007	3,603,169	605,010	882,678	7,515,758
CASH BASIS FUND BALANCES - ENDING						
	\$ 1,615,492	\$ 9,628	\$ 3,767,869	\$ 1,019,220	\$ 888,179	\$ 7,300,388

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

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

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 2,190,049
 LIABILITIES	
Due to other governments	
State	263,302
Schools	771,743
Educational Service Units	2,771
Technical College	13,868
Natural Resource Districts	5,873
Fire Districts	2,420
Municipalities	61,236
Agricultural Society	1,272
Airport	1,980
Tentative Inheritance Tax	979,208
Sanitary and Improvement Districts	41,798
Hospital	807
Others	43,771
TOTAL LIABILITIES	2,190,049
 TOTAL NET ASSETS	 \$ -

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

OTOE 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 Otoe County.

A. Reporting Entity

Otoe 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.

As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the County (the primary government). No component units were identified.

Joint Organization.

Behavioral Health Region V – The County has entered into an agreement with surrounding counties and the Nebraska Department of Health and Human Services to provide services to carry out the provisions of the Nebraska Behavioral Health Services Act (Act). Agreements were established under the authority of the Interlocal Cooperation Act for services to be provided under the Act. Region V (Region) consists of the following counties: Polk, Butler, Saunders, Seward, Lancaster, Otoe, Fillmore, Saline, Thayer, Jefferson, Gage, Johnson, Nemaha, Pawnee, York, and Richardson.

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$60,470 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.

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Health Department – The County has entered into an agreement with Southeast 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. Internal activities in these statements were considered immaterial and have not been eliminated. Governmental Generally Accepted Accounting Principles (GAAP) requires internal activity to be eliminated to minimize double counting. The County reports governmental activities only. Governmental activities are generally financed through taxes, intergovernmental receipts, and other nonexchange transactions.

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 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.

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

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

Highway Bridge Buyback Program 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 purchase of federal aid transportation funds at a discounted rate.

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.

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.

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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.

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 \$1,379,452 of restricted net position, 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.

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.

OTOE 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 \$7,295,248 for County funds and \$2,190,049 for Fiduciary funds. The bank balances for all funds totaled \$9,532,291. 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 \$5,140 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.

The levy set in October 2015, for the 2015 taxes, which will be materially collected in May and September 2016, was set at \$.291276/\$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 \$.308183/\$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.

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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.

For the year ended June 30, 2016, 108 employees contributed \$198,117, and the County contributed \$292,651. Contributions included \$9,051 in cash contributions towards the supplemental law enforcement plan for 15 law enforcement employees. Lastly, the County paid \$1,974 directly to 17 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 has purchased commercial insurance to cover the risk of loss and believes adequate coverage exists for potential exposures. There was no significant reduction in insurance coverage from the prior year, and the County did not incur any expenses that exceeded the coverage amount for the year ended June 30, 2016.

OTOE 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>	Transfers from			Total
	General Fund	Inheritance Fund	Nonmajor Funds	
Road Fund	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
General Fund	-	505	15,626	16,131
Nonmajor Funds	100,000	-	40,818	140,818
Total	\$ 2,600,000	\$ 505	\$ 56,444	\$ 2,656,949

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.

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:

	Kenworth Dump Truck and Plow – NACO Lease	Caterpillar Motor Graders – NACO Lease	Caterpillar Bulldozers – NACO Lease	Total
Balance July 1, 2015	\$ 12,646	\$ 360,834	\$ 203,062	\$ 576,542
Purchases	-	-	291,180	291,180
Payments	12,646	89,777	39,462	141,885
Balance June 30, 2016	\$ -	\$ 271,057	\$ 454,780	\$ 725,837

Future Payments:

Year				
2017	\$ -	\$ 74,937	\$ 102,678	\$ 177,615
2018	-	68,380	102,677	171,057
2019	-	68,380	102,677	171,057
2020	-	68,380	102,676	171,056
2021	-	-	60,385	60,385
2022-2026	-	-	-	-
Total Payments	-	280,077	471,093	751,170
Less Interest	-	9,020	16,313	25,333
Present Value of Future Minimum Lease Payments	\$ -	\$ 271,057	\$ 454,780	\$ 725,837
Carrying Value of the Related Fixed Asset	\$ 139,684	\$ 446,349	\$ 490,180	\$ 1,076,213

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

8. Landfill Postclosure Care Costs

The County owns a solid waste disposal area that discontinued operations in 1993. The County must adhere to certain closure and postclosure care requirements under legislation, including monitoring the groundwater conditions and general site maintenance. The County maintains a Landfill Fund to account for these disbursements. The Landfill Fund balance at June 30, 2016, totaled \$151,222. The County anticipates the Landfill Fund to have sufficient funds to cover future expenses of the disposal site.

9. 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.

10. Long-Term Debt

The County issued highway bonds in July 2009 in the amount of \$2,535,000 for the purpose of paying the costs associated with road projects in the County. In fiscal year 2015, these bonds were refinanced in the amount of \$1,885,000. The bond payable balance, as of June 30, 2016, was \$1,515,000. 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, although the County intends to use future highway allocation resources to pay off the bonds.

Future Payments:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 180,000	\$ 30,225	\$ 210,225
2018	180,000	28,875	208,875
2019	180,000	26,895	206,895
2020	180,000	24,285	204,285
2021	185,000	20,865	205,865
2022-2024	610,000	34,685	644,685
Total Payments	<u>\$ 1,515,000</u>	<u>\$ 165,830</u>	<u>\$ 1,680,830</u>

The County issued highway bonds in October 2011 in the amount of \$2,550,000 for the purpose of paying the costs associated with road projects in the County. The bond payable balance, as of June 30, 2016, was \$2,025,000. 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, although the County intends to use future highway allocation resources to pay off the bonds. In July 2016, the County Board approved the refinancing of these bonds and issuance of additional highway bonds.

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

10. Long-Term Debt (Concluded)

Future Payments:

Year	Principal	Interest	Total
2017	\$ 135,000	\$ 64,703	\$ 199,703
2018	140,000	61,867	201,867
2019	145,000	58,542	203,542
2020	150,000	54,700	204,700
2021	150,000	50,350	200,350
2022-2026	1,305,000	166,148	1,471,148
Total Payments	<u>\$ 2,025,000</u>	<u>\$ 456,310</u>	<u>\$ 2,481,310</u>

OTOE 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	\$ 6,941,106	\$ 6,941,106	\$ 6,730,940	\$ (210,166)
Licenses and Permits	63,000	63,000	70,561	7,561
Interest	15,000	15,000	20,265	5,265
Intergovernmental	564,797	564,797	989,878	425,081
Charges for Services	546,100	546,100	647,161	101,061
Miscellaneous	15,625	15,625	31,091	15,466
TOTAL RECEIPTS	8,145,628	8,145,628	8,489,896	344,268
DISBURSEMENTS				
General Government:				
County Board	126,200	126,327	126,327	-
County Clerk	140,602	140,602	139,537	1,065
County Treasurer	218,901	223,260	223,260	-
Register of Deeds	133,075	133,075	130,822	2,253
County Assessor	243,465	243,465	228,775	14,690
Election Commissioner	59,260	59,260	39,236	20,024
Planning Commission	55,261	55,261	48,490	6,771
Data Processing Department	201,005	201,005	189,886	11,119
Clerk of the District Court	107,550	107,550	101,408	6,142
County Court System	17,000	17,000	7,664	9,336
Public Defender	150,598	150,598	150,133	465
Coroner	21,200	21,200	17,742	3,458
Child Support	100,359	100,359	49,710	50,649
Building and Grounds	177,800	177,800	156,281	21,519
Agricultural Extension Agent	101,495	101,495	99,735	1,760
Miscellaneous	1,702,000	1,657,581	1,619,613	37,968
Public Safety				
County Sheriff	1,090,760	1,044,760	1,044,695	65
County Attorney	221,960	221,960	213,448	8,512
Juvenile Diversion	116,025	116,025	78,858	37,167
County Jail	739,500	825,433	825,433	-
Nuclear Accident-Emergency	46,807	46,807	40,547	6,260
Civil Defense	114,060	114,060	94,685	19,375
Emergency Equipment	25,020	25,020	25,018	2
Miscellaneous	84,500	84,500	62,820	21,680
Public Works				
County Surveyor	53,335	53,335	43,074	10,261
Public Health				
Miscellaneous	2,000	2,000	743	1,257

(Continued)

OTOE 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)
DISBURSEMENTS (Continued)				
Public Assistance				
County Relief	20,300	20,300	2,944	17,356
Veteran's Aid	6,100	6,100	437	5,663
Veteran's Service Officer	48,522	48,522	39,258	9,264
Welfare Ass't Administration	47,600	47,600	45,770	1,830
Miscellaneous	90,795	90,795	86,866	3,929
Culture and Recreation				
County Museum	5,225	5,225	5,214	11
TOTAL DISBURSEMENTS	<u>6,268,280</u>	<u>6,268,280</u>	<u>5,938,429</u>	<u>329,851</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>1,877,348</u>	<u>1,877,348</u>	<u>2,551,467</u>	<u>674,119</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	16,131	16,131
Transfers out	(2,825,242)	(2,825,242)	(2,600,000)	225,242
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,825,242)</u>	<u>(2,825,242)</u>	<u>(2,583,869)</u>	<u>241,373</u>
Net Change in Fund Balance	(947,894)	(947,894)	(32,402)	915,492
FUND BALANCE - BEGINNING	<u>1,647,894</u>	<u>1,647,894</u>	<u>1,647,894</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ 1,615,492</u>	<u>\$ 915,492</u>

(Concluded)

OTOE 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				
Licenses and Permits	1,000	1,000	1,025	25
Intergovernmental	1,820,000	1,820,000	1,955,728	135,728
Charges for Services	1,000	1,000	808	(192)
Miscellaneous	11,700	11,700	73,808	62,108
TOTAL RECEIPTS	1,833,700	1,833,700	2,031,369	197,669
DISBURSEMENTS	5,335,949	5,335,949	5,298,748	37,201
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(3,502,249)	(3,502,249)	(3,267,379)	234,870
OTHER FINANCING SOURCES (USES)				
Transfers in	2,725,242	2,725,242	2,500,000	(225,242)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,725,242	2,725,242	2,500,000	(225,242)
Net Change in Fund Balance	(777,007)	(777,007)	(767,379)	9,628
FUND BALANCE - BEGINNING	777,007	777,007	777,007	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 9,628	\$ 9,628
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 1,000,000	\$ 1,000,000	\$ 518,951	\$ (481,049)
Intergovernmental	-	-	146,898	146,898
Miscellaneous	-	-	60,550	60,550
TOTAL RECEIPTS	1,000,000	1,000,000	726,399	(273,601)
DISBURSEMENTS	4,603,169	4,603,169	561,194	4,041,975
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(3,603,169)	(3,603,169)	165,205	3,768,374
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(505)	(505)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(505)	(505)
Net Change in Fund Balance	(3,603,169)	(3,603,169)	164,700	3,767,869
FUND BALANCE - BEGINNING	3,603,169	3,603,169	3,603,169	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 3,767,869	\$ 3,767,869

OTOE 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)
HIGHWAY BRIDGE BUYBACK PROGRAM FUND				
Intergovernmental	382,000	382,000	414,210	32,210
TOTAL RECEIPTS	<u>382,000</u>	<u>382,000</u>	<u>414,210</u>	<u>32,210</u>
DISBURSEMENTS	<u>987,010</u>	<u>987,010</u>	-	<u>987,010</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(605,010)</u>	<u>(605,010)</u>	<u>414,210</u>	<u>1,019,220</u>
Net Change in Fund Balance	(605,010)	(605,010)	414,210	1,019,220
FUND BALANCE - BEGINNING	605,010	605,010	605,010	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,019,220</u>	<u>\$ 1,019,220</u>

(Concluded)

OTOE 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)
VISITOR PROMOTION FUND				
Receipts	\$ 94,182	\$ 94,182	\$ 100,087	\$ 5,905
Disbursements	(108,500)	(108,500)	(96,646)	11,854
Net Change in Fund Balance	(14,318)	(14,318)	3,441	17,759
Fund Balance - Beginning	14,318	14,318	14,318	-
Fund Balance - Ending	\$ -	\$ -	\$ 17,759	\$ 17,759
PRESERVATION & MODERNIZATION FUND				
Receipts	\$ 10,460	\$ 10,460	\$ 12,586	\$ 2,126
Disbursements	(15,000)	(15,000)	-	15,000
Net Change in Fund Balance	(4,540)	(4,540)	12,586	17,126
Fund Balance - Beginning	4,540	4,540	4,540	-
Fund Balance - Ending	\$ -	\$ -	\$ 17,126	\$ 17,126
DIVERSION PROGRAMS FUND				
Receipts	\$ 7,903	\$ 7,903	\$ 9,150	\$ 1,247
Disbursements	(8,581)	(8,581)	(8,515)	66
Net Change in Fund Balance	(678)	(678)	635	1,313
Fund Balance - Beginning	678	678	678	-
Fund Balance - Ending	\$ -	\$ -	\$ 1,313	\$ 1,313
COUNTY DRUG LAW ENFORCEMENT FUND				
Receipts	\$ 47,953	\$ 47,953	\$ 2,401	\$ (45,552)
Disbursements	(50,000)	(50,000)	(2,998)	47,002
Net Change in Fund Balance	(2,047)	(2,047)	(597)	1,450
Fund Balance - Beginning	2,047	2,047	2,047	-
Fund Balance - Ending	\$ -	\$ -	\$ 1,450	\$ 1,450
FEDERAL DRUG LAW ENFORCEMENT FUND				
Receipts	\$ 38,266	\$ 38,266	\$ -	\$ (38,266)
Disbursements	(50,000)	(50,000)	-	50,000
Net Change in Fund Balance	(11,734)	(11,734)	-	11,734
Fund Balance - Beginning	11,734	11,734	11,734	-
Fund Balance - Ending	\$ -	\$ -	\$ 11,734	\$ 11,734

OTOE 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)
LOCAL GRANTS - SHERIFF FUND				
Receipts	\$ 97,930	\$ 97,930	\$ 34,745	\$ (63,185)
Disbursements	(100,000)	(100,000)	(24,549)	75,451
Net Change in Fund Balance	(2,070)	(2,070)	10,196	12,266
Fund Balance - Beginning	2,070	2,070	2,070	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,266</u>	<u>\$ 12,266</u>
HOMELAND SECURITY GRANT FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(90)	(90)	(90)	-
Net Change in Fund Balance	(90)	(90)	(90)	-
Fund Balance - Beginning	90	90	90	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FEDERAL GRANT SHERIFF FUND				
Receipts	\$ 45,709	\$ 45,709	\$ -	\$ (45,709)
Disbursements	(50,000)	(50,000)	-	50,000
Net Change in Fund Balance	(4,291)	(4,291)	-	4,291
Fund Balance - Beginning	4,291	4,291	4,291	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,291</u>	<u>\$ 4,291</u>
KENO LOTTERY FUND				
Receipts	\$ 30,000	\$ 30,000	\$ 47,060	\$ 17,060
Disbursements	(112,317)	(112,317)	(11,363)	100,954
Net Change in Fund Balance	(82,317)	(82,317)	35,697	118,014
Fund Balance - Beginning	82,317	82,317	82,317	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,014</u>	<u>\$ 118,014</u>
911 WIRELESS SERVICE FUND				
Receipts	\$ 57,808	\$ 57,808	\$ 57,808	\$ -
Disbursements	(49,308)	(49,308)	(16,990)	32,318
Transfers in	-	-	-	-
Transfers out	(43,350)	(43,350)	(40,818)	2,532
Net Change in Fund Balance	(34,850)	(34,850)	-	34,850
Fund Balance - Beginning	34,850	34,850	34,850	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,850</u>	<u>\$ 34,850</u>

(Continued)

OTOE 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)
911 WIRELESS SERVICE HOLDING FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(194,694)	(194,694)	-	194,694
Transfers in	43,350	43,350	40,818	(2,532)
Transfers out	-	-	(15,626)	(15,626)
Net Change in Fund Balance	(151,344)	(151,344)	25,192	176,536
Fund Balance - Beginning	151,344	151,344	151,344	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,536</u>	<u>\$ 176,536</u>
 COUNTY BUILDINGS MAINTENANCE FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(355,045)	(355,045)	(109,913)	245,132
Transfers in	100,000	100,000	100,000	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(255,045)	(255,045)	(9,913)	245,132
Fund Balance - Beginning	255,045	255,045	255,045	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 245,132</u>	<u>\$ 245,132</u>
 COUNTY LANDFILL FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(171,923)	(171,923)	(20,701)	151,222
Net Change in Fund Balance	(171,923)	(171,923)	(20,701)	151,222
Fund Balance - Beginning	171,923	171,923	171,923	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,222</u>	<u>\$ 151,222</u>
 911 SURCHARGE FUND				
Receipts	\$ 65,000	\$ 65,000	\$ 67,245	\$ 2,245
Disbursements	(212,431)	(212,431)	(118,190)	94,241
Net Change in Fund Balance	(147,431)	(147,431)	(50,945)	96,486
Fund Balance - Beginning	147,431	147,431	147,431	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,486</u>	<u>\$ 96,486</u>

(Concluded)

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

	Visitor Promotion Fund	Preservation & Modernization Fund	Diversion Programs Fund	County Drug Law Enforcement Fund	Federal Drug Law Enforcement Fund
RECEIPTS					
Property Taxes	\$ 100,087	\$ -	\$ -	\$ -	\$ -
Investment Income	-	-	-	2	-
Intergovernmental	-	-	9,150	-	-
Charges for Services	-	12,586	-	-	-
Miscellaneous	-	-	-	2,399	-
TOTAL RECEIPTS	<u>100,087</u>	<u>12,586</u>	<u>9,150</u>	<u>2,401</u>	<u>-</u>
DISBURSEMENTS					
General Government	-	-	-	-	-
Public Safety	-	-	8,515	2,998	-
Public Works	-	-	-	-	-
Culture and Recreation	96,646	-	-	-	-
TOTAL DISBURSEMENTS	<u>96,646</u>	<u>-</u>	<u>8,515</u>	<u>2,998</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>3,441</u>	<u>12,586</u>	<u>635</u>	<u>(597)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	3,441	12,586	635	(597)	-
FUND BALANCES - BEGINNING	<u>14,318</u>	<u>4,540</u>	<u>678</u>	<u>2,047</u>	<u>11,734</u>
FUND BALANCES - ENDING	<u>\$ 17,759</u>	<u>\$ 17,126</u>	<u>\$ 1,313</u>	<u>\$ 1,450</u>	<u>\$ 11,734</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	17,759	-	-	-	-
911 Emergency Services	-	-	-	-	-
Drug Education	-	-	-	1,450	-
Law Enforcement	-	-	-	-	11,734
Preservation of Records	-	17,126	-	-	-
Committed to:					
Law Enforcement	-	-	1,313	-	-
County Buildings	-	-	-	-	-
Special Projects	-	-	-	-	-
Landfill Closures	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 17,759</u>	<u>\$ 17,126</u>	<u>\$ 1,313</u>	<u>\$ 1,450</u>	<u>\$ 11,734</u>

(Continued)

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

	Local Grants - Sheriff Fund	Homeland Security Grant Fund	Federal Grant Sheriff Fund	Keno Lottery Fund	911 Wireless Service Fund
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 57,808
Investment Income	-	-	-	171	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Miscellaneous	34,745	-	-	46,889	-
TOTAL RECEIPTS	<u>34,745</u>	<u>-</u>	<u>-</u>	<u>47,060</u>	<u>57,808</u>
DISBURSEMENTS					
General Government	-	-	-	11,363	-
Public Safety	24,549	90	-	-	16,990
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>24,549</u>	<u>90</u>	<u>-</u>	<u>11,363</u>	<u>16,990</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>10,196</u>	<u>(90)</u>	<u>-</u>	<u>35,697</u>	<u>40,818</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(40,818)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,818)</u>
Net Change in Fund Balances	10,196	(90)	-	35,697	-
FUND BALANCES - BEGINNING	<u>2,070</u>	<u>90</u>	<u>4,291</u>	<u>82,317</u>	<u>34,850</u>
FUND BALANCES - ENDING	<u>\$ 12,266</u>	<u>\$ -</u>	<u>\$ 4,291</u>	<u>\$ 118,014</u>	<u>\$ 34,850</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	-
911 Emergency Services	-	-	-	-	34,850
Drug Education	-	-	-	-	-
Law Enforcement	-	-	4,291	-	-
Preservation of Records	-	-	-	-	-
Committed to:					
Law Enforcement	12,266	-	-	-	-
County Buildings	-	-	-	-	-
Special Projects	-	-	-	118,014	-
Landfill Closures	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 12,266</u>	<u>\$ -</u>	<u>\$ 4,291</u>	<u>\$ 118,014</u>	<u>\$ 34,850</u>

(Continued)

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

For the Year Ended June 30, 2016

	911 Wireless Service Holding Fund	County Buildings Maintenance Fund	County Landfill Fund	911 Surcharge Fund	Total Nonmajor Governmental Funds
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ -	\$ 67,245	\$ 225,140
Investment Income	-	-	-	-	173
Intergovernmental	-	-	-	-	9,150
Charges for Services	-	-	-	-	12,586
Miscellaneous	-	-	-	-	84,033
TOTAL RECEIPTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,245</u>	<u>331,082</u>
DISBURSEMENTS					
General Government	-	109,913	-	-	121,276
Public Safety	-	-	-	118,190	171,332
Public Works	-	-	20,701	-	20,701
Culture and Recreation	-	-	-	-	96,646
TOTAL DISBURSEMENTS	<u>-</u>	<u>109,913</u>	<u>20,701</u>	<u>118,190</u>	<u>409,955</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>-</u>	<u>(109,913)</u>	<u>(20,701)</u>	<u>(50,945)</u>	<u>(78,873)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	40,818	100,000	-	-	140,818
Transfers out	(15,626)	-	-	-	(56,444)
TOTAL OTHER FINANCING SOURCES (USES)	<u>25,192</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>84,374</u>
Net Change in Fund Balances	25,192	(9,913)	(20,701)	(50,945)	5,501
FUND BALANCES - BEGINNING	<u>151,344</u>	<u>255,045</u>	<u>171,923</u>	<u>147,431</u>	<u>882,678</u>
FUND BALANCES - ENDING	<u>\$ 176,536</u>	<u>\$ 245,132</u>	<u>\$ 151,222</u>	<u>\$ 96,486</u>	<u>\$ 888,179</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	17,759
911 Emergency Services	176,536	-	-	96,486	307,872
Drug Education	-	-	-	-	1,450
Law Enforcement	-	-	-	-	16,025
Preservation of Records	-	-	-	-	17,126
Committed to:					
Law Enforcement	-	-	-	-	13,579
County Buildings	-	245,132	-	-	245,132
Special Projects	-	-	-	-	118,014
Landfill Closures	-	-	151,222	-	151,222
TOTAL FUND BALANCES	<u>\$ 176,536</u>	<u>\$ 245,132</u>	<u>\$ 151,222</u>	<u>\$ 96,486</u>	<u>\$ 888,179</u>

(Concluded)

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

	County Clerk	Register of Deeds	Clerk of the District Court	County Sheriff	County Attorney	Child Support Enforcement	County Keno	Emergency Manager	Total
BALANCES JULY 1, 2015	\$ 1,280	\$ 22,303	\$ 29,657	\$ 7,981	\$ 880	\$ 300	\$ 8,679	\$ 275	\$ 71,355
RECEIPTS									
Licenses and Permits	2,280	-	-	1,245	-	-	-	-	3,525
Charges for Services	2,923	125,117	25,392	49,260	1,450	-	-	-	204,142
Miscellaneous	494	-	-	-	736	-	35,556	651	37,437
State Fees	77	128,982	21,716	-	-	-	12,299	-	163,074
Other Liabilities	-	-	526,463	14,293	15,001	1,426	595,346	-	1,152,529
TOTAL RECEIPTS	5,774	254,099	573,571	64,798	17,187	1,426	643,201	651	1,560,707
DISBURSEMENTS									
Payments to County Treasurer	5,271	126,244	24,091	51,140	2,097	-	34,813	-	243,656
Payments to State Treasurer	84	129,801	19,876	-	-	-	12,076	-	161,837
Other Liabilities	494	-	522,635	14,412	14,920	1,398	583,051	651	1,137,561
TOTAL DISBURSEMENTS	5,849	256,045	566,602	65,552	17,017	1,398	629,940	651	1,543,054
BALANCES JUNE 30, 2016	\$ 1,205	\$ 20,357	\$ 36,626	\$ 7,227	\$ 1,050	\$ 328	\$ 21,940	\$ 275	\$ 89,008
BALANCES CONSIST OF:									
Due to County Treasurer	\$ 205	\$ 10,603	\$ 3,854	\$ 6,080	\$ 172	\$ 28	\$ 3,665	\$ -	\$ 24,607
Petty Cash	1,000	50	100	1,000	500	300	-	275	3,225
Due to State Treasurer	-	9,704	3,029	-	-	-	1,144	-	13,877
Due to Others	-	-	29,643	147	378	-	17,131	-	47,299
BALANCES JUNE 30, 2016	\$ 1,205	\$ 20,357	\$ 36,626	\$ 7,227	\$ 1,050	\$ 328	\$ 21,940	\$ 275	\$ 89,008

OTOE 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	\$ 24,897,595	\$ 26,850,086	\$ 28,748,781	\$ 30,300,882	\$ 32,426,068
Personal and Specials	2,056,157	2,212,648	2,303,383	2,299,766	2,294,975
Total	26,953,752	29,062,734	31,052,164	32,600,648	34,721,043
Corrections					
Additions	11,997	10,552	18,648	6,079	2,619
Deductions	(17,134)	(10,598)	(8,661)	(2,783)	(2,405)
Net Additions/ (Deductions)	(5,137)	(46)	9,987	3,296	214
Corrected Certified Tax	26,948,615	29,062,688	31,062,151	32,603,944	34,721,257
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2012	16,535,584	-	-	-	-
June 30, 2013	10,374,964	18,113,102	-	-	-
June 30, 2014	24,028	10,929,958	19,760,814	-	-
June 30, 2015	4,008	8,009	11,273,951	20,818,773	-
June 30, 2016	1,635	2,707	10,746	11,756,706	22,140,894
Total Net Collections	26,940,219	29,053,776	31,045,511	32,575,479	22,140,894
Total Uncollected Tax	\$ 8,396	\$ 8,912	\$ 16,640	\$ 28,465	\$ 12,580,363
Percentage Uncollected Tax	0.03%	0.03%	0.05%	0.09%	36.23%

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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OTOE 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
Otoe 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 Otoe County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Otoe County's basic financial statements, and have issued our report thereon dated August 22, 2016. The report notes the financial statements were prepared on the basis of cash receipts and disbursements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Otoe 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 Otoe 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Otoe 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 Otoe County in a separate letter dated August 22, 2016.

Otoe County's Response to Findings

Otoe 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.



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

August 22, 2016



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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August 22, 2016

Board of Commissioners
Otoe County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Otoe County (County) for the fiscal year ended June 30, 2016, and have issued our report thereon dated August 22, 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 BOARD

Personal Property Tax Penalty

During the County Board of Equalization meeting on August 11, 2015, the Board voted to reduce the penalty from 25% to 10% on one personal property return for failure to file by the statutory deadline of May 1st. The return was filed in the County Assessor's office on July 28, 2015. There was no documentation given by the taxpayer to support the original return was filed or faxed prior to the deadline. The original penalty calculated by the County Assessor was \$1,015, and the approved reduction to a penalty of \$406 resulted in a \$609 decrease in the amount of taxes owed.

Neb. Rev. Stat. § 77-1233.06(3) (Reissue 2009) states, in part, "The county board of equalization shall have no authority to waive or reduce any penalty which was correctly imposed and calculated."

When the County Board of Equalization changes personal property tax penalties without proper support, there is an increased risk of loss or misuse of County funds.

We recommend the County Board of Equalization review and comply with State statute when considering a change to personal property tax penalties assessed.

Publication of Board Minutes

Neb. Rev. Stat. § 23-122 (Reissue 2012) requires the County Board to publish, within 10 working days after the close of each meeting, a brief statement of the proceedings. Such statement must include "the amount of each claim allowed, the purpose of the claim, and the name of the claimant."

During our audit, we noted three of five County Board minutes selected for testing were not published in the newspaper.

When meeting minutes or a brief statement of the proceedings are not published within 10 days of a Board meeting, not only has the County failed to comply with § 23-122, but also the general public is not made aware of relevant Board discussions and/or actions in a timely manner.

We recommend the County Board ensure a brief statement of the proceedings are published within 10 working days of the close of a meeting.

Claim Procedures

During our audit, we noted two instances in which the County paid the same expense twice and one instance of an overpayment being made:

- Claim numbers 15110229 and 15120276 both paid \$246 to a vender for invoice 155269.

- Claim numbers 16040204 and 16040013 both paid a vendor \$358 for invoice 81626673. The vendor noticed it was a duplicate payment and issued a refund check to the County for the overpayment.
- Claim number 16070096 was paid from multiple County funds and functions, which totaled \$31,283, but the invoice from the vendor totaled only \$30,848, resulting in an overpayment of \$435.

Good internal controls require a process to be in place for the review of all claims prior to approval to ensure the claims are supported with adequate documentation and are not duplicate payments. Without such a process, there is an increased risk of loss or misuse of funds.

We recommend the County Board implement a process to ensure claims are not paid twice for the same invoice, and the claim paid is not for more than the invoice.

COUNTY SHERIFF

Accounting Procedures – Accounts Receivable

The County Sheriff does not have procedures in place to follow up on or account for account receivables in a timely manner. We noted the listing of accounts receivables contained 71 balances, totaling \$1,548, which were outstanding for over a year. Additionally, the County Sheriff had an unknown long balance of \$112 at June 30, 2016.

The following table summarizes the overdue accounts receivable from fiscal year 2011 to fiscal year 2015.

Fiscal Year	No. of Accounts	Amount Receivable
2011	20	\$ 435.86
2012	20	\$ 401.57
2013	6	\$ 207.41
2014	10	\$ 175.57
2015	15	\$ 327.22
Total	71	\$ 1,547.63

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

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

We recommend the County Sheriff maintain adequate records at all time to support all balances and follow-up on old accounts receivable.

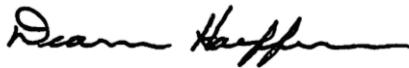
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It should be noted this report is critical in nature, as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strong features of the County.

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 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