

**AUDIT REPORT
OF
CHERRY COUNTY**

JULY 1, 2016, THROUGH JUNE 30, 2017

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on October 11, 2017

CHERRY COUNTY

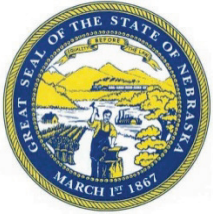
TABLE OF CONTENTS

	<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 - 18
Combining Statements and Schedules:	
Budgetary Comparison Schedule - Budget and Actual - General Fund	19 - 20
Budgetary Comparison Schedule - Budget and Actual - Major Funds	21 - 22
Budgetary Comparison Schedule - Budget and Actual - Nonmajor Funds	23 - 25
Combining Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Nonmajor Governmental Funds	26 - 28
Schedule of Office Activities	29
Schedule of Taxes Certified and Collected for All Political Subdivisions in the County	30
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>	31 - 32

CHERRY COUNTY
365 N Main St.
Valentine, NE 69201

LIST OF COUNTY OFFICIALS
At June 30, 2017

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Commissioners	Martin DeNaeyer Tanya Storer Jim Van Winkle	Jan. 2021 Jan. 2019 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	Kathy Hammond	Jan. 2019
Public Defender	Andrew Johnson	Jan. 2019
Veterans' Service Officer	Shawn Hamling	Appointed
Surveyor Highway Superintendent	Lloyd Smith	Jan. 2019 Appointed



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

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, 2017, 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, 2017, 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, 2017, 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 19-30, 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 10, 2017, 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 10, 2017

CHERRY COUNTY
STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2017

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 2,872,113
Investments (Note 1.D)	2,983,656
TOTAL ASSETS	\$ 5,855,769
NET POSITION	
Restricted for:	
Visitor Promotion	\$ 746,230
911 Emergency Services	53,512
Preservation of Records	10,092
Debt Service	41,054
Road Maintenance	525,207
Unrestricted	4,479,674
TOTAL NET POSITION	\$ 5,855,769

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, 2017

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (1,987,773)	\$ 292,015	\$ 16,440	\$ (1,679,318)
Public Safety	(1,377,567)	63,787	-	(1,313,780)
Public Works	(3,298,362)	10,512	1,290,718	(1,997,132)
Health and Sanitation	(49,000)	-	-	(49,000)
Public Assistance	(85,291)	-	-	(85,291)
Culture and Recreation	(275,992)	-	11,580	(264,412)
Debt Payments	(1,011,247)	-	-	(1,011,247)
Total Governmental Activities	\$ (8,085,232)	\$ 366,314	\$ 1,318,738	(6,400,180)

General Receipts:

Property Taxes	5,041,724
Grants and Contributions Not Restricted to Specific Programs	1,042,322
Investment Income	12,110
Licenses and Permits	23,864
Miscellaneous	82,832
Total General Receipts	6,202,852
Decrease in Net Position	(197,328)
Net Position - Beginning of year	6,053,097
Net Position - End of year	\$ 5,855,769

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, 2017

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Jail Public Safety Bond Fund</u>	<u>Visitor Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and Cash Equivalents (Note 1.D)	\$ 1,037,458	\$ 1,106,075	\$ -	\$ -	\$ -	\$ 728,580	\$ 2,872,113
Investments (Note 1.D)	-	-	1,361,210	41,054	673,711	907,681	2,983,656
TOTAL ASSETS	<u>\$ 1,037,458</u>	<u>\$ 1,106,075</u>	<u>\$ 1,361,210</u>	<u>\$ 41,054</u>	<u>\$ 673,711</u>	<u>\$ 1,636,261</u>	<u>\$ 5,855,769</u>
FUND BALANCES							
Restricted for:							
Visitor Promotion	-	-	-	-	673,711	72,519	746,230
911 Emergency Services	-	-	-	-	-	53,512	53,512
Preservation of Records	-	-	-	-	-	10,092	10,092
Debt Service	-	-	-	41,054	-	-	41,054
Road Maintenance	-	-	-	-	-	525,207	525,207
Committed to:							
Law Enforcement	-	-	-	-	-	21,499	21,499
Road Maintenance	-	1,106,075	-	-	-	303,297	1,409,372
Aid and Assistance	-	-	-	-	-	6,216	6,216
County Buildings	-	-	-	-	-	172,548	172,548
Health Insurance	-	-	-	-	-	380,784	380,784
Library Services	-	-	-	-	-	62,743	62,743
Emergency Services	-	-	-	-	-	5,365	5,365
Hospital Services	-	-	-	-	-	22,479	22,479
Assigned to:							
Other Purposes	-	-	1,361,210	-	-	-	1,361,210
Unassigned	1,037,458	-	-	-	-	-	1,037,458
TOTAL CASH BASIS FUND BALANCES	<u>\$ 1,037,458</u>	<u>\$ 1,106,075</u>	<u>\$ 1,361,210</u>	<u>\$ 41,054</u>	<u>\$ 673,711</u>	<u>\$ 1,636,261</u>	<u>\$ 5,855,769</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, 2017

	General Fund	Road Fund	Inheritance Fund	Jail Public Safety Bond Fund	Visitor Improvement Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS							
Property Taxes	\$2,116,685	\$ 1,718,211	\$ 319,808	\$ 333,027	\$ 130,191	\$ 423,802	\$ 5,041,724
Licenses and Permits	23,864	-	-	-	-	-	23,864
Investment Income	12,110	-	-	-	-	-	12,110
Intergovernmental	665,548	1,448,925	-	1,877	-	244,710	2,361,060
Charges for Services	351,446	10,512	-	-	-	4,356	366,314
Miscellaneous	8,381	59,311	-	-	-	15,140	82,832
TOTAL RECEIPTS	3,178,034	3,236,959	319,808	334,904	130,191	688,008	7,887,904
DISBURSEMENTS							
General Government	1,585,683	-	-	-	-	402,090	1,987,773
Public Safety	1,135,473	-	99,843	-	-	142,251	1,377,567
Public Works	108,622	3,041,973	-	-	-	147,767	3,298,362
Health and Sanitation	-	-	-	-	-	49,000	49,000
Public Assistance	85,291	-	-	-	-	-	85,291
Culture and Recreation	-	-	-	-	71,698	204,294	275,992
Debt Service:							
Principal Payments	-	-	-	1,008,000	-	-	1,008,000
Interest and Fiscal Charges	-	-	-	3,247	-	-	3,247
Capital Outlay	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	2,915,069	3,041,973	99,843	1,011,247	71,698	945,402	8,085,232
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	262,965	194,986	219,965	(676,343)	58,493	(257,394)	(197,328)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	559,139	559,139
Transfers out	(361,568)	(197,571)	-	-	-	-	(559,139)
TOTAL OTHER FINANCING SOURCES (USES)	(361,568)	(197,571)	-	-	-	559,139	-
Net Change in Fund Balances	(98,603)	(2,585)	219,965	(676,343)	58,493	301,745	(197,328)
CASH BASIS FUND BALANCES - BEGINNING							
	1,136,061	1,108,660	1,141,245	717,397	615,218	1,334,516	6,053,097
CASH BASIS FUND BALANCES - ENDING							
	<u>\$1,037,458</u>	<u>\$ 1,106,075</u>	<u>\$ 1,361,210</u>	<u>\$ 41,054</u>	<u>\$ 673,711</u>	<u>\$ 1,636,261</u>	<u>\$ 5,855,769</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, 2017

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 263,081
 LIABILITIES	
Due to other governments	
State	100,132
Schools	118,166
Educational Service Units	1,227
Technical College	7,773
Natural Resource Districts	3,015
Fire Districts	1,104
Municipalities	12,024
Agricultural Society	421
Historical Society	1,324
Hospital	610
Others	17,285
TOTAL LIABILITIES	263,081
 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, 2017

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 County contributed \$28,059 toward the operation of the Region during fiscal year 2017.

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 the 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. 2016, Supp. 2017).

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 2017. 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. 2017). 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 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 \$1,376,095 of restricted net position, which is fully 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 \$2,872,113 for County funds and \$263,081 for Fiduciary funds. The bank balances for all funds totaled \$2,839,838. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2017, were either entirely insured or collateralized with securities held by the County's agent in the County's name, but the County did not have sufficient collateral securities to protect deposits at all times during the fiscal year.

The County's carrying value of investments is stated at cost, which approximates market. Investments consisted of \$2,983,656 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 2016, for the 2016 taxes, which will be materially collected in May and September 2017, was set at \$.212242/\$100 of assessed valuation. The levy set in October 2015, for the 2015 taxes, which were materially collected in May and September 2016, was set at \$.319077/\$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. 2016, Supp. 2017) 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. The Plan's financial statements, including pension costs and obligations, are audited annually and can be obtained from the State of Nebraska Public Employees Retirement System.

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, 2017, 85 employees contributed \$103,715, and the County contributed \$154,221. Contributions included \$2,081 in cash contributions towards the supplemental law enforcement plan for five law enforcement employees. Lastly, the County paid \$2,475 directly to 15 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 89 counties and local governments 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 2018. 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
(Concluded)

6. Interfund Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfers to	Transfers from		Total
	General Fund	Road Fund	
Nonmajor Funds	\$ 361,568	\$ 197,571	\$ 559,139
Total	\$ 361,568	\$ 197,571	\$ 559,139

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:

	Road Equipment
Balance July 1, 2016	\$ 196,819
Purchases	-
Payments	77,284
Balance June 30, 2017	<u>\$ 119,535</u>
Future Payments:	
Year	
2018	\$ 37,312
2019	37,312
2020	37,311
2021	12,437
Total Payments	<u>124,372</u>
Less Interest	4,837
Present Value of Future Minimum Lease Payments	<u>\$ 119,535</u>
Carrying Value of the Related Fixed Asset	<u>\$ 490,671</u>

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, 2017, was \$0, as the County elected to make an early payment to pay the bond off in fiscal year 2017.

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,190,591	\$ 2,190,591	\$ 2,116,685	\$ (73,906)
Licenses and Permits	24,000	24,000	23,864	(136)
Interest	5,100	5,100	12,110	7,010
Intergovernmental	487,300	487,300	665,548	178,248
Charges for Services	309,200	309,200	351,446	42,246
Miscellaneous	14,879	14,879	8,381	(6,498)
TOTAL RECEIPTS	3,031,070	3,031,070	3,178,034	146,964
DISBURSEMENTS				
General Government:				
County Commissioners	73,500	73,500	71,769	1,731
County Clerk	128,800	128,800	121,420	7,380
County Treasurer	163,900	163,900	152,657	11,243
County Assessor	145,139	145,139	136,082	9,057
Election Commissioner	47,000	47,000	32,924	14,076
Zoning	14,825	14,825	9,814	5,011
Clerk of the District Court	85,360	85,360	83,111	2,249
County Court System	73,800	73,800	72,088	1,712
District Judge	104,968	104,968	95,069	9,899
Public Defender	58,050	58,050	48,724	9,326
Building and Grounds	168,870	168,870	137,529	31,341
Reappraisal	47,000	47,000	33,600	13,400
Agricultural Extension Agent	61,080	61,080	52,795	8,285
Miscellaneous	997,000	997,000	538,101	458,899
Public Safety				
County Sheriff	329,600	329,600	290,942	38,658
County Attorney	164,400	164,400	161,401	2,999
Dispatch Center	236,550	236,550	183,883	52,667
County Jail	467,250	467,250	429,309	37,941
Communications	74,320	74,320	69,938	4,382
Public Works				
County Surveyor	65,600	65,600	60,040	5,560
Noxious Weed Control	62,000	62,000	48,582	13,418
Public Assistance				
Veterans' Service Officer	60,637	60,637	49,230	11,407
Institutions	35,000	35,000	33,811	1,189
Relief/Medical	25,000	25,000	2,250	22,750
TOTAL DISBURSEMENTS	3,689,649	3,689,649	2,915,069	774,580

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(658,579)	(658,579)	262,965	921,544
OTHER FINANCING SOURCES (USES)				
Transfers in	55,000	55,000	-	(55,000)
Transfers out	-	-	(361,568)	(361,568)
TOTAL OTHER FINANCING SOURCES (USES)	55,000	55,000	(361,568)	(416,568)
Net Change in Fund Balance	(603,579)	(603,579)	(98,603)	504,976
FUND BALANCE - BEGINNING	1,003,579	1,003,579	1,136,061	132,482
FUND BALANCE - ENDING	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 1,037,458</u>	<u>\$ 637,458</u>

(Concluded)

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Taxes	\$ 1,950,000	\$ 1,950,000	\$ 1,718,211	\$ (231,789)
Intergovernmental	1,319,510	1,319,510	1,448,925	129,415
Charges for Services	10,000	10,000	10,512	512
Miscellaneous	118,000	118,000	59,311	(58,689)
TOTAL RECEIPTS	3,397,510	3,397,510	3,236,959	(160,551)
DISBURSEMENTS	4,031,170	4,031,170	3,041,973	989,197
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(633,660)	(633,660)	194,986	828,646
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	-	(100,000)
Transfers out	(75,000)	(75,000)	(197,571)	(122,571)
TOTAL OTHER FINANCING SOURCES (USES)	25,000	25,000	(197,571)	(222,571)
Net Change in Fund Balance	(608,660)	(608,660)	(2,585)	606,075
FUND BALANCE - BEGINNING	1,108,660	1,108,660	1,108,660	-
FUND BALANCE - ENDING	\$ 500,000	\$ 500,000	\$ 1,106,075	\$ 606,075
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 226,002	\$ 226,002	\$ 319,808	\$ 93,806
TOTAL RECEIPTS	226,002	226,002	319,808	93,806
DISBURSEMENTS	648,750	648,750	99,843	548,907
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(422,748)	(422,748)	219,965	642,713
OTHER FINANCING SOURCES (USES)				
Transfers in	75,000	75,000	-	(75,000)
Transfers out	(639,250)	(639,250)	-	639,250
TOTAL OTHER FINANCING SOURCES (USES)	(564,250)	(564,250)	-	564,250
Net Change in Fund Balance	(986,998)	(986,998)	219,965	1,206,963
FUND BALANCE - BEGINNING	986,998	986,998	1,141,245	154,247
FUND BALANCE - ENDING	\$ -	\$ -	\$ 1,361,210	\$ 1,361,210

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
JAIL PUBLIC SAFETY BOND FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 333,027	\$ 333,027
Intergovernmental	1,353	1,353	1,877	524
TOTAL RECEIPTS	1,353	1,353	334,904	333,551
DISBURSEMENTS	1,013,000	1,013,000	1,011,247	1,753
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,011,647)	(1,011,647)	(676,343)	335,304
OTHER FINANCING SOURCES (USES)				
Transfers in	294,250	294,250	-	(294,250)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	294,250	294,250	-	(294,250)
Net Change in Fund Balance	(717,397)	(717,397)	(676,343)	41,054
FUND BALANCE - BEGINNING	717,397	717,397	717,397	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,054</u>	<u>\$ 41,054</u>
VISITOR IMPROVEMENT FUND				
RECEIPTS				
Taxes	\$ 119,782	\$ 119,782	\$ 130,191	\$ 10,409
TOTAL RECEIPTS	119,782	119,782	130,191	10,409
DISBURSEMENTS	735,000	735,000	71,698	663,302
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(615,218)	(615,218)	58,493	673,711
Net Change in Fund Balance	(615,218)	(615,218)	58,493	673,711
FUND BALANCE - BEGINNING	615,218	615,218	615,218	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 673,711</u>	<u>\$ 673,711</u>

(Concluded)

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EMERGENCY BRIDGE FUND				
Receipts	\$ 100,451	\$ 100,451	\$ 86,780	\$ (13,671)
Disbursements	(391,500)	(391,500)	(24,532)	366,968
Transfers in	50,000	50,000	-	(50,000)
Transfers out	-	-	-	-
Net Change in Fund Balance	(241,049)	(241,049)	62,248	303,297
Fund Balance - Beginning	241,049	241,049	241,049	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,297</u>	<u>\$ 303,297</u>
HIGHWAY BUYBACK FUND				
Receipts	\$ 174,614	\$ 174,614	\$ 178,056	\$ 3,442
Disbursements	(645,000)	(645,000)	(123,235)	521,765
Net Change in Fund Balance	(470,386)	(470,386)	54,821	525,207
Fund Balance - Beginning	470,386	470,386	470,386	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 525,207</u>	<u>\$ 525,207</u>
VISITOR PROMOTION FUND				
Receipts	\$ 124,381	\$ 124,381	\$ 131,051	\$ 6,670
Disbursements	(185,000)	(185,000)	(119,151)	65,849
Net Change in Fund Balance	(60,619)	(60,619)	11,900	72,519
Fund Balance - Beginning	60,619	60,619	60,619	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,519</u>	<u>\$ 72,519</u>
REGISTER OF DEEDS PRESERVATION FUND				
Receipts	\$ 3,869	\$ 3,869	\$ 4,356	\$ 487
Disbursements	(11,000)	(11,000)	(1,395)	9,605
Net Change in Fund Balance	(7,131)	(7,131)	2,961	10,092
Fund Balance - Beginning	7,131	7,131	7,131	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,092</u>	<u>\$ 10,092</u>
HEALTH INSURANCE FUND				
Receipts	\$ 562,667	\$ 562,667	\$ 14,280	\$ (548,387)
Disbursements	(825,000)	(825,000)	(354,968)	470,032
Transfers in	100,000	100,000	559,139	459,139
Transfers out	-	-	-	-
Net Change in Fund Balance	(162,333)	(162,333)	218,451	380,784
Fund Balance - Beginning	162,333	162,333	162,333	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,784</u>	<u>\$ 380,784</u>

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
VETERANS' AID FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(6,216)	(6,216)	-	6,216
Net Change in Fund Balance	(6,216)	(6,216)	-	6,216
Fund Balance - Beginning	6,216	6,216	6,216	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,216</u>	<u>\$ 6,216</u>
BOOKMOBILE FUND				
Receipts	\$ 78,902	\$ 78,902	\$ 75,338	\$ (3,564)
Disbursements	(151,450)	(151,450)	(85,143)	66,307
Net Change in Fund Balance	(72,548)	(72,548)	(9,805)	62,743
Fund Balance - Beginning	72,548	72,548	72,548	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,743</u>	<u>\$ 62,743</u>
DRUG AND ALCOHOL FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(21,499)	(21,499)	-	21,499
Net Change in Fund Balance	(21,499)	(21,499)	-	21,499
Fund Balance - Beginning	21,499	21,499	21,499	-
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	\$ 87,372	\$ 87,372	\$ 73,670	\$ (13,702)
Disbursements	(125,000)	(125,000)	(90,933)	34,067
Transfers in	15,000	15,000	-	(15,000)
Transfers out	-	-	-	-
Net Change in Fund Balance	(22,628)	(22,628)	(17,263)	5,365
Fund Balance - Beginning	22,628	22,628	22,628	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,365</u>	<u>\$ 5,365</u>

(Continued)

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COURTHOUSE BUILDING FUND				
Receipts	\$ 75,193	\$ 75,193	\$ 54,768	\$ (20,425)
Disbursements	(263,700)	(263,700)	(45,727)	217,973
Transfers in	25,000	25,000	-	(25,000)
Transfers out	-	-	-	-
Net Change in Fund Balance	(163,507)	(163,507)	9,041	172,548
Fund Balance - Beginning	163,507	163,507	163,507	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,548</u>	<u>\$ 172,548</u>
HOSPITAL FUND				
Receipts	\$ 50,301	\$ 50,301	\$ 49,736	\$ (565)
Disbursements	(71,800)	(71,800)	(49,000)	22,800
Net Change in Fund Balance	(21,499)	(21,499)	736	22,235
Fund Balance - Beginning	21,499	21,499	21,743	\$ 244
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,479</u>	<u>\$ 22,479</u>
EMERGENCY 911 FUND				
Receipts	\$ 20,943	\$ 20,943	\$ 19,973	\$ (970)
Disbursements	(105,800)	(105,800)	(51,318)	54,482
Net Change in Fund Balance	(84,857)	(84,857)	(31,345)	53,512
Fund Balance - Beginning	84,857	84,857	84,857	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,512</u>	<u>\$ 53,512</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, 2017

	Emergency Bridge Fund	Highway Buyback Fund	Visitor Promotion Fund	Register of Deeds Preservation Fund
RECEIPTS				
Property Taxes	\$ 78,241	\$ -	\$ 130,191	\$ -
Intergovernmental	8,539	178,056	-	-
Charges for Services	-	-	-	4,356
Miscellaneous	-	-	860	-
TOTAL RECEIPTS	<u>86,780</u>	<u>178,056</u>	<u>131,051</u>	<u>4,356</u>
DISBURSEMENTS				
General Government	-	-	-	1,395
Public Safety	-	-	-	-
Public Works	24,532	123,235	-	-
Health and Sanitation	-	-	-	-
Culture and Recreation	-	-	119,151	-
TOTAL DISBURSEMENTS	<u>24,532</u>	<u>123,235</u>	<u>119,151</u>	<u>1,395</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>62,248</u>	<u>54,821</u>	<u>11,900</u>	<u>2,961</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	62,248	54,821	11,900	2,961
FUND BALANCES - BEGINNING	<u>241,049</u>	<u>470,386</u>	<u>60,619</u>	<u>7,131</u>
FUND BALANCES - ENDING	<u>\$ 303,297</u>	<u>\$ 525,207</u>	<u>\$ 72,519</u>	<u>\$ 10,092</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	-	-	72,519	-
911 Emergency Services	-	-	-	-
Preservation of Records	-	-	-	10,092
Road Maintenance	-	525,207	-	-
Committed to:				
Law Enforcement	-	-	-	-
Road Maintenance	303,297	-	-	-
Aid and Assistance	-	-	-	-
County Buildings	-	-	-	-
Health Insurance	-	-	-	-
Library Services	-	-	-	-
Emergency Services	-	-	-	-
Hospital Services	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 303,297</u>	<u>\$ 525,207</u>	<u>\$ 72,519</u>	<u>\$ 10,092</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, 2017

	Health Insurance Fund	Veterans' Aid Fund	Bookmobile Fund	Drug and Alcohol Fund	Emergency Management Fund
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ 58,266	\$ -	\$ 43,278
Intergovernmental	-	-	17,072	-	30,392
Charges for Services	-	-	-	-	-
Miscellaneous	14,280	-	-	-	-
TOTAL RECEIPTS	<u>14,280</u>	<u>-</u>	<u>75,338</u>	<u>-</u>	<u>73,670</u>
DISBURSEMENTS					
General Government	354,968	-	-	-	-
Public Safety	-	-	-	-	90,933
Public Works	-	-	-	-	-
Health and Sanitation	-	-	-	-	-
Culture and Recreation	-	-	85,143	-	-
TOTAL DISBURSEMENTS	<u>354,968</u>	<u>-</u>	<u>85,143</u>	<u>-</u>	<u>90,933</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(340,688)</u>	<u>-</u>	<u>(9,805)</u>	<u>-</u>	<u>(17,263)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	559,139	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>559,139</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	218,451	-	(9,805)	-	(17,263)
FUND BALANCES - BEGINNING	<u>162,333</u>	<u>6,216</u>	<u>72,548</u>	<u>21,499</u>	<u>22,628</u>
FUND BALANCES - ENDING	<u>\$ 380,784</u>	<u>\$ 6,216</u>	<u>\$ 62,743</u>	<u>\$ 21,499</u>	<u>\$ 5,365</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	380,784	-	-	-	-
Library Services	-	-	62,743	-	-
Emergency Services	-	-	-	-	5,365
Hospital Services	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 380,784</u>	<u>\$ 6,216</u>	<u>\$ 62,743</u>	<u>\$ 21,499</u>	<u>\$ 5,365</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, 2017

	Courthouse Building Fund	Hospital Fund	Emergency 911 Fund	Total Nonmajor Governmental Funds
RECEIPTS				
Property Taxes	\$ 48,422	\$45,431	\$ 19,973	\$ 423,802
Intergovernmental	6,346	4,305	-	244,710
Charges for Services	-	-	-	4,356
Miscellaneous	-	-	-	15,140
TOTAL RECEIPTS	<u>54,768</u>	<u>49,736</u>	<u>19,973</u>	<u>688,008</u>
DISBURSEMENTS				
General Government	45,727	-	-	402,090
Public Safety	-	-	51,318	142,251
Public Works	-	-	-	147,767
Health and Sanitation	-	49,000	-	49,000
Culture and Recreation	-	-	-	204,294
TOTAL DISBURSEMENTS	<u>45,727</u>	<u>49,000</u>	<u>51,318</u>	<u>945,402</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>9,041</u>	<u>736</u>	<u>(31,345)</u>	<u>(257,394)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	559,139
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>559,139</u>
Net Change in Fund Balances	9,041	736	(31,345)	301,745
FUND BALANCES - BEGINNING	<u>163,507</u>	<u>21,743</u>	<u>84,857</u>	<u>1,334,516</u>
FUND BALANCES - ENDING	<u>\$ 172,548</u>	<u>\$22,479</u>	<u>\$ 53,512</u>	<u>\$ 1,636,261</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	-	-	-	72,519
911 Emergency Services	-	-	53,512	53,512
Preservation of Records	-	-	-	10,092
Road Maintenance	-	-	-	525,207
Committed to:				
Law Enforcement	-	-	-	21,499
Road Maintenance	-	-	-	303,297
Aid and Assistance	-	-	-	6,216
County Buildings	172,548	-	-	172,548
Health Insurance	-	-	-	380,784
Library Services	-	-	-	62,743
Emergency Services	-	-	-	5,365
Hospital Services	-	22,479	-	22,479
TOTAL FUND BALANCES	<u>\$ 172,548</u>	<u>\$22,479</u>	<u>\$ 53,512</u>	<u>\$ 1,636,261</u>

(Concluded)

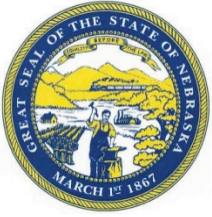
CHERRY COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2017

	County Clerk	County Health Insurance Account	Clerk of the District Court	County Sheriff	County Justice Center	County Attorney	Highway Superintendent	Veterans' Service Officer	Visitor's Center	Extension Office	Total
BALANCES JULY 1, 2016	\$ 7,533	\$ 67,541	\$290,272	\$ 1,324	\$ 1,204	\$ -	\$ 16,136	\$ 4,931	\$ 6,952	\$ 19	\$ 395,912
RECEIPTS											
Licenses and Permits	675	-	-	985	-	-	-	-	-	-	1,660
Intergovernmental	-	-	-	-	-	-	-	20,970	-	-	20,970
Charges for Services	71,611	-	11,290	37,232	21,698	290	51,576	-	-	-	193,697
Miscellaneous	2,275	489,039	-	2,457	-	-	-	1,000	3	-	494,774
State Fees	115,003	-	12,794	-	-	-	1,030	-	-	-	128,827
Other Liabilities	1,335	-	355,300	11,090	61,244	11,839	-	-	-	-	440,808
TOTAL RECEIPTS	<u>190,899</u>	<u>489,039</u>	<u>379,384</u>	<u>51,764</u>	<u>82,942</u>	<u>12,129</u>	<u>52,606</u>	<u>1,000</u>	<u>20,973</u>	<u>-</u>	<u>1,280,736</u>
DISBURSEMENTS											
Payments to County Treasurer	68,404	-	11,063	40,122	22,098	270	64,716	-	-	-	206,673
Payments to State Treasurer	99,821	-	12,378	-	-	-	1,812	-	-	-	114,011
Other Liabilities	3,632	481,580	604,361	11,090	61,667	11,849	-	1,710	21,956	10	1,197,855
TOTAL DISBURSEMENTS	<u>171,857</u>	<u>481,580</u>	<u>627,802</u>	<u>51,212</u>	<u>83,765</u>	<u>12,119</u>	<u>66,528</u>	<u>1,710</u>	<u>21,956</u>	<u>10</u>	<u>1,518,539</u>
BALANCES JUNE 30, 2017	<u>\$ 26,575</u>	<u>\$ 75,000</u>	<u>\$ 41,854</u>	<u>\$ 1,876</u>	<u>\$ 381</u>	<u>\$ 10</u>	<u>\$ 2,214</u>	<u>\$ 4,221</u>	<u>\$ 5,969</u>	<u>\$ 9</u>	<u>\$ 158,109</u>
BALANCES CONSIST OF:											
Due to County Treasurer	\$ 7,298	\$ -	\$ 794	\$ 1,876	\$ 230	\$ -	\$ 2,214	\$ 4,221	\$ 5,969	\$ 9	\$ 22,611
Petty Cash	1,500	75,000	-	-	-	-	-	-	-	-	76,500
Due to State Treasurer	17,725	-	963	-	-	-	-	-	-	-	18,688
Due to Others	52	-	40,097	-	151	10	-	-	-	-	40,310
BALANCES JUNE 30, 2017	<u>\$ 26,575</u>	<u>\$ 75,000</u>	<u>\$ 41,854</u>	<u>\$ 1,876</u>	<u>\$ 381</u>	<u>\$ 10</u>	<u>\$ 2,214</u>	<u>\$ 4,221</u>	<u>\$ 5,969</u>	<u>\$ 9</u>	<u>\$ 158,109</u>

CHERRY COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2017

Item	2012	2013	2014	2015	2016
Tax Certified by Assessor					
Real Estate	\$ 16,942,168	\$ 17,689,237	\$ 18,431,921	\$ 19,241,332	\$ 19,505,747
Personal and Specials	707,004	745,101	916,505	1,067,577	939,279
Total	17,649,172	18,434,338	19,348,426	20,308,909	20,445,026
Corrections					
Additions	9,920	26,439	4,574	6,210	2,547
Deductions	(2,122)	(4,072)	(1,921)	(8,997)	(937)
Net Additions/ (Deductions)	7,798	22,367	2,653	(2,787)	1,610
Corrected Certified Tax	17,656,970	18,456,705	19,351,079	20,306,122	20,446,636
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2013	9,811,682	-	-	-	-
June 30, 2014	7,835,962	10,428,463	-	-	-
June 30, 2015	6,368	8,019,570	11,199,628	-	-
June 30, 2016	1,587	5,926	8,145,572	11,648,722	-
June 30, 2017	1,081	2,036	3,955	8,649,330	11,433,489
Total Net Collections	17,656,680	18,455,995	19,349,155	20,298,052	11,433,489
Total Uncollected Tax	\$ 290	\$ 710	\$ 1,924	\$ 8,070	\$ 9,013,147
Percentage Uncollected Tax	0.00%	0.00%	0.01%	0.04%	44.08%

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

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, 2017, 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 10, 2017. 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 measures that include oversight from the County Board, County Clerk, Deputy Clerk and other 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

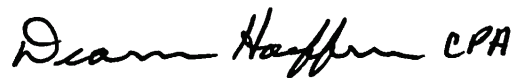
We also noted certain matters that we reported to the management of Cherry County in a separate letter dated October 10, 2017.

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.

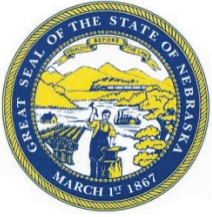
Purpose of this Report

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 10, 2017



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

October 10, 2017

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, 2017, and have issued our report thereon dated October 10, 2017. 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 measures that include oversight from the County Board, County Clerk, Deputy Clerk and other staff members that reconcile and review each transaction of Cherry County.

COUNTY BOARD

Budget Document

During the audit, we noted differences between the financial records of the County Treasurer and the figures reported in the 2016-2017 County Budget document. The following summarizes the differences noted:

- The beginning fund balance at July 1, 2016, of the General Fund was reported at \$1,003,579; however, the correct beginning balance was \$1,136,061, a difference of \$132,482.
- The beginning fund balance at July 1, 2016, of the Hospital Fund was reported at \$21,499; however, the correct beginning balance was \$21,743, a difference of \$244.

Neb. Rev. Stat. § 13-504(1)(b) (Cum. Supp. 2016) requires the proposed budget statement of a political subdivision to contain, among other things, the following:

For the current fiscal year or biennial period, actual and estimated revenue from all sources, including motor vehicle taxes, allocated to the funds and separately stated as to each source; The actual unencumbered cash balance available at the beginning of the year or biennial period; the amount received from personal and real property taxation; and the amount of actual and estimated expenditures, whichever is applicable.

Good internal control and sound accounting practices require that the annual budget records and County Treasurer financial records agree. When these office records are not in agreement, there is an increased risk of loss, theft, or misuse of funds, and the taxpayers are not made aware of the actual financial condition of the County.

We recommend the County Board implement procedures to ensure that the budget reflects correct balances for all County funds.

County's Response: It was identified that the beginning fund balance used for the 2016-2017 budget document provided by the clerk was incorrectly recorded, and reflected the August 1, 2016 balance rather than the July 1, 2016 balance. The board will request the clerk to provide accurate beginning balances.

County Attorney Contract

During the audit, we noted the County Attorney is reimbursed by the County for office expenses, clerical salaries, equipment rental, and office space that were not supported by a written agreement and other documentation. Reimbursements to the County Attorney for the fiscal year totaled \$103,018, of which \$85,392 was for clerical salaries.

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: The Cherry County Attorneys office has complied with the inter-local 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 the County Attorneys office. Since the County Attorney's office receives partial employee reimbursement the checks issued to employees are not attached for security reasons.

Claim Procedures

During testing, we noted the following issues regarding the County's claim procedures:

- For two of five credit card claims tested, the claim included Nebraska sales tax on hotel rooms. The two claims also included charges, totaling \$128, that were not supported by an itemized receipt.
- We noted claim number 16122691, totaling \$491, was a duplicate payment to claim number 16102166. The duplicate payment was not discovered or corrected by the County at the time of the audit.
- Documentation was not maintained to support how a \$50,000 claim paid from the Visitor Improvement Fund to the Frederick's Peak Golf Course was spent.
- A claim, totaling \$123,235, for two road projects did not have documentation on file to support that bidding procedures were followed.

Neb. Rev. Stat. § 23-3108(1) (Reissue 2012) provides, in relevant part, the following:

[P]urchases of personal property or services by the county board or purchasing agent shall be made:

(a) Through the competitive sealed bidding process prescribed in section 23-3111 if the estimated value of the purchase is twenty thousand dollars or more;

(b) By securing and recording at least three informal bids, if practicable, if the estimated value of the purchase is equal to or exceeds five thousand dollars, but is less than twenty thousand dollars[.]

A good internal control plan and sound accounting practices require procedures to be in place to ensure credit card charges are supported by adequate documentation, and Nebraska hotel billings are direct billed, if possible, to eliminate the County incurring sales tax. A good internal control plan also requires procedures to ensure invoices are only paid once, and statutory bidding procedures are followed.

When such procedures do not exist, there is an increased risk for loss or misuse of County funds.

We recommend the County implement procedures to ensure the following: (1) all claims are adequately supported; (2) Nebraska hotel billings are direct billed when possible; (3) invoices are paid only once, and any duplicate payments are resolved in a timely manner; and (4) bidding procedures are followed in accordance with State statute.

County's Response: The Cherry County board directs all county offices/boards to direct bill hotel rooms to the County.

The duplicate claim 16122691 and 16102166 in the amount of \$491 was reimbursed to the county on 9-21-17.

The County board requested and received a copy of the general ledger for Golf Course donations, maintained by the City of Valentine, verifying that the \$50,000 donation from the Visitor Improvement Fund was deposited into the Golf Course account 312-0-090, on 12-16-16, receipt #313689.

Cherry County had a unique opportunity to utilize the services and surplus material of a contractor working on a state hiway project in a remote part of the county, to the benefit of Cherry County tax payers. The contractor and equipment were only available for a short period of time and a decision to enter into an agreement for services was time sensitive.

COUNTY CLERK

Expenditure Reconciliation

During our audit, we noted the County Clerk was not reconciling claim disbursement reports to the amounts requested from the County Treasurer. For fiscal year 2017, the following discrepancies were noted:

- Payroll was approved by the County Board and disbursed by the County Treasurer in June 2017; however, it was not shown as a disbursement by the County Clerk until July 1, 2017, resulting in a variance in the year end balances totaling \$307,108. Funds affected included the General, Road, Health Insurance, and Emergency Management Funds.
- A Visitor Improvement Fund claim in the amount of \$3,698 was posted to the Register of Deeds Preservation and Modernization Fund, and a Courthouse Building Fund claim in the amount of \$5,750 was posted to the Emergency 911 Fund.

Good internal control requires a reconciliation of claim disbursements approved by the County Board to the amount requested from the County Treasurer. When variances are not identified and documented in a timely manner, there is an increased risk of loss or misuse of funds.

We recommend the County Clerk implement procedures to reconcile the disbursement reports to the amounts requested from the County Treasurer and resolve any variances in a timely manner.

County's Response: Discrepancies between the County Clerks office and the County Treasurer's office re: the posting date of payroll are a result of county policy that has determined employees are paid on the 1st of each month, but the claims for payroll are approved and the warrant is drawn on or before the last day of each month. To resolve this issue the County Board approved a change in policy set to take effect on July 1, 2018, that all County employees be paid the last day of the month.

Fund transfers were made back to the Register of Deeds Preservation and Modernization Fund from the Visitor Improvement Fund for \$3698 and to the Emergency 911 Fund from the Courthouse Building Fund for \$5750 and approved by the County Board on August 29, 2017.

COUNTY TREASURER

Pledged Collateral

During our audit, we noted the County Treasurer did not maintain securities to cover fully the deposits held in one bank account. Pledged collateral was not sufficient for 10 days during the fiscal year, with amounts ranging from \$75,971 to \$2,465,734 not covered.

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, 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 adequate pledged collateral is not kept to cover bank accounts, the County Treasurer is not in compliance with State statute, and there is an increased risk for the loss of funds.

We recommend the County Treasurer closely monitor the account on high volume days and ensure coverage is adequate for the full amount.

County's Response: The Cherry County Board has recommended to the Cherry County Treasurer to take necessary measures to insure adequate pledge collateral to cover all bank accounts.

County Treasurer's Response: At this time, I am working with Security First to establish a sweep account to have adequate pledge collateral to cover all bank accounts.

COUNTY JUSTICE CENTER

Justice Center Office Procedures

During our audit, we noted that the County Justice Center was not able to provide support for the following:

- Receipt books for November and December 2016 activity.
- County Board approval for the daily lodging rate of \$45 per prisoner.

Nebraska Record Retention Schedule 24, Section 24-33, Daily Balance Records, as approved by the Nebraska State Records Administrator, permits any supporting record of daily receipts and disbursements to be disposed of after five years, provided that an audit has been completed.

Neb. Rev. Stat. § 23-106(1) (Reissue 2012) assigns to the County Board responsibility for managing County funds and business. In addition, good internal control and sound accounting practice require fees to be set by the County Board and documented in board minutes.

When records are not retained in accordance with the State's records retention guidelines, there is an increased risk that financial activity will not be reported properly. Also, when documentation is not available to support fee approval, there is an increased risk of loss or misuse of County funds.

We recommend the County Justice Center retain all records to support its financial activity. We further recommend the County Board approve, as well as document such approval, daily lodging rates for prisoners.

County's Response: The County Board has requested Justice Center staff to maintain current receipt books to be filed in the Justice Center office for a period of 5 years after each receipt/disbursement of funds.

The County Board approved a policy for the daily lodging rate for prisoners on 9-12-17.

COUNTY ATTORNEY

Attorney Office Accountability

During our audit, we noted that receipts were not written for all monies received by the County Attorney's office. Additionally, the County Attorney's Office remits fees received only semi-annually, resulting in such revenues not being acquired by the County Treasurer in the same fiscal year in which they were earned.

Neb. Rev. Stat. § 23-1207(1) (Reissue 2012) states the following:

It shall be the duty of the county attorney, whenever he or she shall receive any money or other property in his or her official capacity, to give to the person paying or depositing such money or other property duplicate receipts, one of which shall be filed by such person with the county clerk.

Additionally, good internal control requires that the county offices remit fees to the County Treasurer in a timely manner.

When receipts are not written for all monies received, the office is not in compliance with State statute. Additionally, failure to remit revenues to the County Treasurer in the same fiscal year during which they were received increases the risk of the financial statements being misstated.

We recommend the County Attorney's Office write receipts for all monies received, as required by State statute. Additionally, we recommend the County Attorney's Office remit fees to the County Treasurer in a timely manner to ensure collections are reported in the appropriate fiscal year.

County's Response: The Cherry County Board requests that the County Attorney's Office write receipts for all monies received and remit fees to the County Treasurer in a timely manner to ensure that collections are reported in the appropriate fiscal year.

COUNTY ASSESSOR

Tax Corrections

During our audit, we noted that property tax corrections were not approved by the County Board of Equalization prior to being made in the system. Five tax corrections were made between April 2017 and July 2017, but none of them had been approved as of August 23, 2017.

Neb. Rev. Stat. § 77-1613.02 (Reissue 2009) provides, in relevant part, the following:

No county assessor shall reduce or increase the valuation of any property, real or personal, without the approval of the county board of equalization. Any county assessor who shall willfully reduce or increase the valuation of any property, without the approval of the county board of equalization, as provided in this section, shall be guilty of a misdemeanor and shall, upon conviction thereof, be fined not less than twenty dollars nor more than one hundred dollars.

A county assessor who alters property tax valuations without prior approval from the County Board of Equalization faces possible criminal sanctions for violating State statute. Additionally, any such unauthorized change of valuation increases the risk that the amount of tax collected or refunded will not agree to that actually approved by the County Board of Equalization.

We recommend tax corrections not be completed prior to approval by the County Board of Equalization.

County's Response: The Cherry County Board requests the County Assessor to remit all tax corrections to the County Board of Equalization for approval prior to changes being made to the county tax records.

County Assessor's Response: The Cherry County Assessor has presented these tax list corrections to the Board of Equalization for their review and approval. All corrections have been approved and signed by the county board. More emphasis will be given to present these in a more timely manner.

COUNTY VISITOR CENTER

Visitors Center Office Accountability

We noted the County Visitors Center (Center) maintains a petty cash account that was not properly reconciled to the County Board's authorized amount of \$8,000. Additionally, we noted that the Center's cash drawer balance could not be supported, and rates charged for souvenir sales were not approved by the County Board.

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

(1) The county board shall manage the county funds and county business except as otherwise specifically provided.

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

Additionally, good internal controls require procedures to ensure the reconciliation of any petty cash account to the authorized amount, the maintenance of an accurate book balance for all money kept, and County Board approval of souvenir prices.

The absence of such procedures leaves the County susceptible to intentional and/or unintentional errors or omissions and increases the risk of loss, theft, or misuse of public funds.

We recommend the implementation of procedures for periodically reconciling the Center's petty cash fund to the authorized amount. Such procedures should also ensure the maintenance of records to support all monies held by the Center and provide for County Board approval of souvenir prices.

County's Response: The Cherry County Board requests that the Visitor Center submit a reconciliation of the petty cash account, authorized at \$8000, to the Board monthly.

The Cherry County Board approved rates charged for souvenir's sold by the Visitors Center on 8-29-2017.

CLERK OF THE DISTRICT COURT

Remittance of Fines

During our audit, we noted the Clerk of the District Court did not correctly identify fines, totaling \$2,735, when they were remitted to the County Treasurer. This resulted in the fines being deposited in the County General Fund, not to the School Fines Fund, which caused the fine amounts not to be distributed to the County schools.

Neb. Rev. Stat. § 29-2708 (Reissue 2016) states, in relevant part, "All money arising from fines and recognizances shall be credited by the county treasurer to the county school fund except as provided by Article VII, section 5, Constitution of Nebraska"

When not deposited into the School Fines Fund, money arising from fines is not distributed in accordance with State statute.

We recommend procedures be implemented to ensure all fines are deposited in the School Fines Fund, as required by State statute.

County's Response: The Cherry County Board request the Clerk of the District Court to accurately identify fines when remitted to the County Treasurer to ensure all fines are deposited into appropriate accounts and subsequently distributed as provided by Neb. Stat Statue.

Clerk of the District Court's Response: Clerk of the District Court has submitted a claim in the amount of \$2735.00 to be approved by the County Board to correct the error and transfer of the fund accounts. Going forward the District Court Clerk has implemented a procedure that all fines and fees checks submitted to the County Treasurer will also be accompanied along with County Revenue Codes so that fines are dispersed correctly in the future.

COUNTY HIGHWAY DEPARTMENT

Highway Department Office Procedures

During the audit, we noted 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 the County Board. Rates charged were determined by the road foreman. Additionally, a charge of \$886 for an autogate sill was removed from a billing by a County Commissioner without proper approval by the County Board as a whole, and documentation was not maintained as to why the cost was removed from the billing.

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 practices require fees to be set by the County Board and documented in the meeting minutes. Good internal controls require, moreover, any costs removed from a billing to be approved by the County Board as a whole and documented appropriately.

Failure by the County Board to approve and document either fees charged or changes to billings increases the risk of loss or misuse of County funds.

We recommend the County Board approve and document rates for all fees charged by the Highway Department. We also recommend the County Board approve and document any waiver of, or alteration to, billings.

County's Response: Road Foreman will be notified that the County Board must authorize fees charged/collected prior to any sale of County property.

The County Board will approve any charge to be removed from billing.

VETERANS' SERVICE OFFICE

Veterans' Service Office Accountability

During testing of the Veterans' Service Office, the following was noted:

- A \$500 payment for rent and medical expenses was not adequately documented.
- Donations in the amount of \$1,000 received during the fiscal year were not properly remitted to the County Treasurer.

- The Veterans' Service Office bank account, designated as containing funds from donations, totaled \$2,420 before being dissolved in April 2017. Approval of the County Board was not obtained prior to disbursing \$1,210 of the balance to the local Veterans of Foreign Wars Post and transferring the remaining \$1,210 to another bank account held by the Veterans' Service Office.

Neb. Rev. Stat. § 23-1601(1) (Reissue 2012) states, in relevant part, 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.

Additionally, sound accounting practices and a good internal control plan require documentation to be on file to support all expenditures of public funds.

Failure by the Veterans' Service Office to remit funds to the County Treasurer violates State statute. Additionally, there is an increased risk that expenditures could be inappropriate if supporting documentation is not maintained.

We recommend the Veterans' Service Office remit all donations received to the County Treasurer. We also recommend the Veterans' Service Office maintain documentation to support payments made.

County's Response: The Cherry County Board will work with the Veterans' Service Officer and his board to ensure donations are handled in compliance with Neb. State Statute.

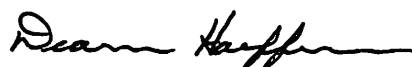
* * * * *

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

Draft copies of this report were furnished to the County to provide management with an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

This report is intended solely for the information and use of the County, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and it is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,



Deann Haeffner, CPA
Assistant Deputy Auditor