

**AUDIT REPORT
OF
MERRICK COUNTY**

JULY 1, 2015, THROUGH JUNE 30, 2016

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the Auditor of Public Accounts.**

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Issued on May 8, 2017

MERRICK COUNTY

TABLE OF CONTENTS

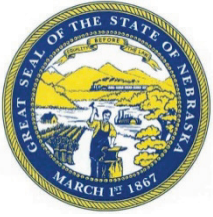
	<u>Page</u>
List of County Officials	1
Financial Section	
Independent Auditor's Report	2 - 4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Cash Basis	5
Statement of Activities - Cash Basis	6
Fund Financial Statements:	
Statement of Cash Basis Assets and 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 - 27
Combining Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Nonmajor Governmental Funds	28 - 30
Schedule of Office Activities	31
Schedule of Taxes Certified and Collected for All Political Subdivisions in the County	32
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>	33 - 34

MERRICK COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2016

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Supervisors	Roger Wiegert	Jan. 2017
	Jim Graves	Jan. 2019
	Kent Carlson	Jan. 2019
	James Helgoth	Jan. 2019
	Russell Kreachbaum	Jan. 2017
	Carolyn Kucera	Jan. 2017
	Tom Weller	Jan. 2019
Assessor	Jan Placke	Jan. 2019
Attorney	Lynelle Homolka	Jan. 2019
Clerk	Marcia Wichmann	Jan. 2019
Election Commissioner		
Register of Deeds		
Clerk of the District Court	Theresa Good	Jan. 2019
Sheriff	John Westman	Jan. 2019
Treasurer	Patricia Bolte	Jan. 2019
Surveyor	Michael Meyer	Jan. 2019
Highway Superintendent		Appointed
Veterans' Service Officer	Gary Berry	Appointed
Weed Superintendent	Kevin Koziol	Appointed
Emergency Manager	Thomas Smith	Appointed
Planning and Zoning	Jennifer Myers	Appointed



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MERRICK COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Merrick County, Nebraska

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merrick County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Summary of Opinions

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

Basis for Adverse Opinion on the Discretely Presented Component Unit

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of Merrick County, as of June 30, 2016, or the change in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and aggregate remaining fund information of Merrick 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

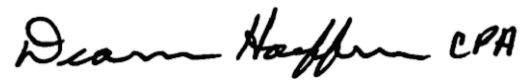
Our audit was conducted for the purpose of forming opinions on the financial statements as a whole, which collectively comprise the County's basic financial statements. The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes 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 20-32, are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2017, on our consideration of Merrick County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and considering Merrick County's internal control over financial reporting and compliance.

May 1, 2017


Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 4,236,975
Investments (Note 1.D)	98
TOTAL ASSETS	\$ 4,237,073
 NET POSITION	
Restricted for:	
Visitor Promotion	\$ 5,143
911 Emergency Services	209,022
Drug Education	4,499
Law Enforcement	5,508
Preservation of Records	5,750
Debt Service	90,643
Road Projects	189,753
Building Project	1,061,557
Unrestricted	2,665,198
TOTAL NET POSITION	\$ 4,237,073

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

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

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (2,186,441)	\$ 337,329	\$ 44,972	\$ (1,804,140)
Public Safety	(1,099,074)	67,195	78,475	(953,404)
Public Works	(3,001,056)	-	1,555,825	(1,445,231)
Health and Sanitation	(130,144)	-	-	(130,144)
Public Assistance	(71,715)	-	-	(71,715)
Culture and Recreation	(29,501)	-	-	(29,501)
Debt Payments	(175,477)	-	-	(175,477)
Capital Outlay	(1,321,192)	-	-	(1,321,192)
Total Governmental Activities	\$ (8,014,600)	\$ 404,524	\$ 1,679,272	(5,930,804)

General Receipts:

Property Taxes	3,703,281
Grants and Contributions Not Restricted to Specific Programs	504,684
Investment Income	29,730
Licenses and Permits	28,727
Bond Issuance Proceeds	1,994,740
Miscellaneous	269,179
Total General Receipts	6,530,341
Increase in Net Position	599,537
Net Position - Beginning of year	3,637,536
Net Position - End of year	\$ 4,237,073

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

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

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>4-H Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents (Note 1.D)	\$ 159,750	\$ 603,192	\$ 1,651,778	\$ 1,061,557	\$ 760,698	\$ 4,236,975
Investments (Note 1.D)	98	-	-	-	-	98
TOTAL ASSETS	<u>\$ 159,848</u>	<u>\$ 603,192</u>	<u>\$ 1,651,778</u>	<u>\$ 1,061,557</u>	<u>\$ 760,698</u>	<u>\$ 4,237,073</u>
FUND BALANCES						
Restricted for:						
Visitor Promotion	-	-	-	-	5,143	5,143
911 Emergency Services	-	-	-	-	209,022	209,022
Drug Education	-	-	-	-	4,499	4,499
Law Enforcement	-	-	-	-	5,508	5,508
Preservation of Records	-	-	-	-	5,750	5,750
Debt Service	-	-	-	-	90,643	90,643
Road Projects	-	-	-	-	189,753	189,753
Building Project	-	-	-	1,061,557	-	1,061,557
Committed to:						
Law Enforcement	-	-	-	-	67,418	67,418
Road Maintenance	-	603,192	-	-	-	603,192
Aid and Assistance	-	-	-	-	8,223	8,223
County Buildings	-	-	-	-	174,739	174,739
Assigned to:						
Other Purposes	-	-	1,651,778	-	-	1,651,778
Unassigned	159,848	-	-	-	-	159,848
TOTAL CASH BASIS FUND BALANCES	<u>\$ 159,848</u>	<u>\$ 603,192</u>	<u>\$ 1,651,778</u>	<u>\$ 1,061,557</u>	<u>\$ 760,698</u>	<u>\$ 4,237,073</u>

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

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

	General Fund	Road Fund	Inheritance Fund	4-H Building Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$3,119,807	\$ -	\$ 271,158	\$ 147,849	\$ 164,467	\$ 3,703,281
Licenses and Permits	28,727	-	-	-	-	28,727
Investment Income	28,138	-	-	1,592	-	29,730
Intergovernmental	343,249	1,699,065	-	31,847	109,795	2,183,956
Charges for Services	396,998	-	-	-	7,526	404,524
Miscellaneous	35,070	25,033	-	2,201,461	2,355	2,263,919
TOTAL RECEIPTS	<u>3,951,989</u>	<u>1,724,098</u>	<u>271,158</u>	<u>2,382,749</u>	<u>284,143</u>	<u>8,614,137</u>
DISBURSEMENTS						
General Government	2,073,664	-	101,611	-	11,166	2,186,441
Public Safety	992,112	-	-	-	106,962	1,099,074
Public Works	69,557	2,931,499	-	-	-	3,001,056
Health and Sanitation	130,144	-	-	-	-	130,144
Public Assistance	71,715	-	-	-	-	71,715
Culture and Recreation	25,193	-	-	-	4,308	29,501
Debt Service:						
Principal Payments	-	-	-	-	141,344	141,344
Interest and Fiscal Charges	-	-	29,442	-	4,691	34,133
Capital Outlay	-	-	-	1,321,192	-	1,321,192
TOTAL DISBURSEMENTS	<u>3,362,385</u>	<u>2,931,499</u>	<u>131,053</u>	<u>1,321,192</u>	<u>268,471</u>	<u>8,014,600</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>589,604</u>	<u>(1,207,401)</u>	<u>140,105</u>	<u>1,061,557</u>	<u>15,672</u>	<u>599,537</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	7,331	988,758	-	-	106,674	1,102,763
Transfers out	(1,005,427)	-	(8,051)	-	(89,285)	(1,102,763)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(998,096)</u>	<u>988,758</u>	<u>(8,051)</u>	<u>-</u>	<u>17,389</u>	<u>-</u>
Net Change in Fund Balances	(408,492)	(218,643)	132,054	1,061,557	33,061	599,537
CASH BASIS FUND BALANCES - BEGINNING	<u>568,340</u>	<u>821,835</u>	<u>1,519,724</u>	<u>-</u>	<u>727,637</u>	<u>3,637,536</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 159,848</u>	<u>\$ 603,192</u>	<u>\$ 1,651,778</u>	<u>\$ 1,061,557</u>	<u>\$ 760,698</u>	<u>\$ 4,237,073</u>

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

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

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 874,261
 LIABILITIES	
Due to other governments	
State	120,997
Schools	338,028
Educational Service Units	1,721
Technical College	12,100
Natural Resource Districts	4,507
Fire Districts	4,368
Municipalities	18,408
Agricultural Society	2,336
Drainage Districts	4,351
Townships	212,526
Others	154,919
TOTAL LIABILITIES	874,261
 TOTAL NET ASSETS	 \$ -

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

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2016

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

Merrick County, Nebraska, (County) is a governmental entity established under and governed by the laws of the State of Nebraska (State). The County is managed by county officials who are elected on a political ballot for four-year terms. As a political subdivision of the State, the County is exempt from State and Federal income taxes. The financial statements include all funds of the County that are not legally separate. The County has also considered all potential component units for which it is financially accountable, as well as other organizations that are either fiscally dependent on the County or maintain a significant relationship with the County, such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.

Component Unit. These financial statements present the County (the primary government). The Litzenberg Memorial County Hospital (Hospital) is a component unit of the County because of the significance of its operational and financial relationships with the County. The financial statements do not include the data of the Hospital necessary for reporting in conformity with generally accepted accounting principles (GAAP). Complete financial statements of the Hospital can be obtained from the Hospital's administrative office.

Joint Organization.

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

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

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

County contributed \$16,132 toward the operation of the Region during fiscal year 2016. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Department of Health and Human Services requires the Region to be audited annually in accordance with State statute. Financial information for the Region is available in those audit reports.

Health Department – The County has entered into an agreement with 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).

The Department's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$27,686 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) (Cum. Supp. 2016). 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.

MERRICK 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.

4-H Building Fund. This fund is used to account for costs associated with the construction, maintenance, and bond payments for the 4-H Building. It is primarily funded by a bond issuance.

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.

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

The County designates fund balances as follows:

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

MERRICK 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.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

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

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

Restricted Net Position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$1,571,875 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.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

Excess of Disbursements Over Appropriations. For the year ended June 30, 2016, disbursements exceeded budgeted appropriations in the Miscellaneous functions of the General Fund by \$67,603, and in the DARE Fund by \$3,398. These over-expenditures were funded by greater than anticipated receipts in the case of the General Fund and the available fund balance in the DARE Fund.

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 \$4,236,975 for County funds and \$874,261 for Fiduciary funds. The bank balances for all funds totaled \$5,136,729. 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 \$98 deposited in the Nebraska Public Agency Investment Trust (NPAIT). NPAIT is a public entity investment pool operated under the direction of a seven-member Board of Trustees. All net income of the trust is determined as of the close of business on each banking day and is credited thereafter pro rata to each participant's account. Net income that has accrued to each participant is converted as of the close of business of each calendar month into additional units, which thereafter are held in each participant's trust account. Since net income of the fund is allocated among participants each time net income is determined, the net asset value remains at \$1.00 per unit. Securities held by NPAIT are not held in the County's name.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Property Taxes**

Property taxes are levied by the County Board on or before October 15 of each year for all political subdivisions in the County. Real estate and personal property taxes are due and attach as an enforceable lien on January 1 following the levy date, and they become delinquent in two equal installments on May 1 and September 1. Motor vehicle taxes are due when application is made for registration of a motor vehicle.

Counties are permitted by the State Constitution to levy a tax of up to \$.50/\$100 of assessed valuation for general governmental services other than the payment of principal and interest on bonded debt. Counties may levy taxes in addition to the 50-cent limitation upon a vote of the people.

The levy set in October 2015, for the 2015 taxes, which will be materially collected in May and September 2016, was set at \$.197699/\$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 \$.215986/\$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) 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

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

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, 73 employees contributed \$91,578, and the County contributed \$136,330. Contributions included \$1,863 in cash contributions towards the supplemental law enforcement plan for seven law enforcement employees. Lastly, the County paid \$1,824 directly to 12 retired employees for prior service benefits.

5. **Risk Management**

The County is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of the Nebraska Intergovernmental Risk Management Association (NIRMA), a public entity risk pool currently operating as a common risk management and insurance program for 80 counties throughout Nebraska.

The County pays an annual deposit premium, as calculated by the administrator of the pool. The premium is based on the losses and exposures of each County and the entire pool. If the pool becomes insolvent or otherwise unable to discharge its legal liabilities and obligations, the County may be assessed by the Board for an additional contribution equal to its contribution for the current fiscal year, divided by the contribution of all participants for such year, times the amount of such deficiency. Each such assessment, and the manner of calculating the same, is sent to each county in writing, and each county has 60 days in which to pay the amount of such assessment. Each county remains liable for such assessments, regardless of such county's withdrawal from participation or the termination of the agreement, as well as for liabilities of the pool incurred during such county's period of membership.

The agreement with NIRMA requires the risk pool to provide coverage for up to a maximum amount per occurrence and purchase commercial insurance for claims in excess of coverage provided. In the event of a liability exceeding the commercial insurance, the County would be responsible for funding the excess amount.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. **Risk Management** (Concluded)

	NIRMA Coverage	Maximum Coverage
General Liability Claim	\$ 300,000	\$ 5,000,000
Workers' Compensation Claim	\$ 550,000	Statutory Limits
Property Damage Claim	\$ 250,000	Insured Value at Replacement Cost

The County has not paid any additional assessments to the pool in the last three fiscal years, and no assessments are anticipated for fiscal year 2017. The County has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

6. **Interfund Transfers**

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

<u>Transfers to</u>	<u>Transfers from</u>			Total
	General Fund	Inheritance Fund	Nonmajor Funds	
General Fund	\$ -	\$ -	\$ 7,331	\$ 7,331
Road Fund	988,758	-	-	988,758
Nonmajor Funds	16,669	8,051	81,954	106,674
Total	<u>\$ 1,005,427</u>	<u>\$ 8,051</u>	<u>\$ 89,285</u>	<u>\$ 1,102,763</u>

Transfers are used to move unrestricted receipts collected in the General Fund and Inheritance Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

7. **Contingent Liabilities**

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

8. **Long-Term Debt**

Courthouse Bonds.

The County issued bonds on February 18, 2016, in the amount of \$1,120,000 for the purpose of refunding a Series 2011 Bonds, which had been issued to refinance Series 2006 Bonds issued for paying the cost of constructing and equipping an addition to the courthouse. The bond payable balance, as of June 30, 2016, was \$1,120,000. The County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds. Future tax resources will be used to pay off the bonds.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

8. **Long-Term Debt** (Concluded)

Future Payments:

Year	Principal	Interest	Total
2017	\$ 15,000	\$ 16,331	\$ 31,331
2018	120,000	15,758	135,758
2019	125,000	14,591	139,591
2020	120,000	13,215	133,215
2021	120,000	11,715	131,715
2022-2026	620,000	28,992	648,992
Total Payments	<u>\$ 1,120,000</u>	<u>\$ 100,602</u>	<u>\$ 1,220,602</u>

4-H Building Bonds.

The County issued bonds on October 13, 2015, in the amount of \$2,000,000 for the purpose of paying the cost of constructing, equipping, and making site preparations for a County building to be used as a 4-H Center for the County and making related improvements. The bond payable balance, as of June 30, 2016, was \$2,000,000. The County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds. Future tax resources will be used to pay off the bonds.

Future Payments:

Year	Principal	Interest	Total
2017	\$ 115,000	\$ 46,142	\$ 161,142
2018	115,000	44,648	159,648
2019	120,000	42,297	162,297
2020	120,000	39,898	159,898
2021	125,000	37,447	162,447
2022-2026	655,000	147,176	802,176
2027-2031	750,000	58,263	808,263
Total Payments	<u>\$ 2,000,000</u>	<u>\$ 415,871</u>	<u>\$ 2,415,871</u>

9. **Hospital Bond**

In June 2004, Series 2004 general obligation bonds in the amount of \$2,250,000 were issued by the Litzenberg Memorial County Hospital (Hospital) with the proceeds to be used to cover the costs of renovation and improvements to the Hospital. As the bonds are general obligation bonds of the County, the County has the authority to levy additional ad valorem taxes, if necessary, to make the required principal and interest payments on the bonds in the event the Hospital cannot meet the debt service obligation. As of June 30, 2016, no additional taxes have been levied by the County. The balance of bonds payable at June 30, 2016, was \$1,120,000. Full disclosure of the liability can be found in the separately issued Hospital audit report.

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 3,229,407	\$ 3,229,407	\$ 3,119,807	\$ (109,600)
Licenses and Permits	27,480	27,480	28,727	1,247
Interest	18,500	18,500	28,138	9,638
Intergovernmental	85,534	85,534	343,249	257,715
Charges for Services	370,155	370,155	396,998	26,843
Miscellaneous	6,600	6,600	35,070	28,470
TOTAL RECEIPTS	<u>3,737,676</u>	<u>3,737,676</u>	<u>3,951,989</u>	<u>214,313</u>
DISBURSEMENTS				
General Government:				
County Board	99,476	99,476	95,510	3,966
County Clerk	156,630	156,630	141,805	14,825
County Treasurer	147,950	147,950	139,797	8,153
County Assessor	144,135	144,135	129,891	14,244
Election Commissioner	32,940	32,940	19,588	13,352
Building and Zoning	18,080	18,080	16,274	1,806
Clerk of the District Court	96,170	96,170	92,000	4,170
County Court System	9,840	9,870	9,863	7
Building and Grounds	146,620	146,620	98,760	47,860
Reappraisal	65,590	65,560	53,662	11,898
Agricultural Extension Agent	98,040	98,040	97,477	563
Child Support	14,790	14,790	13,839	951
Miscellaneous	1,069,940	1,069,940	1,165,198	(95,258)
Public Safety				
County Sheriff	503,945	503,945	475,849	28,096
County Attorney	176,458	176,458	164,287	12,171
Communication Center	167,750	167,750	158,529	9,221
County Jail	209,920	209,920	151,694	58,226
Emergency Management	20,950	20,950	16,605	4,345
Miscellaneous	42,388	42,388	25,148	17,240
Public Works				
County Surveyor	56,676	56,676	52,662	4,014
Miscellaneous	18,000	18,000	16,895	1,105
Public Health				
Miscellaneous	132,686	132,686	130,144	2,542
Public Assistance				
Veterans' Service Officer	34,485	34,485	26,701	7,784
Miscellaneous	50,475	50,475	45,014	5,461
Culture and Recreation				
Miscellaneous	26,500	26,500	25,193	1,307
TOTAL DISBURSEMENTS	<u>3,540,434</u>	<u>3,540,434</u>	<u>3,362,385</u>	<u>178,049</u>

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	197,242	197,242	589,604	392,362
OTHER FINANCING SOURCES (USES)				
Transfers in	250,000	250,000	7,331	(242,669)
Transfers out	(1,010,382)	(1,010,382)	(1,005,427)	4,955
TOTAL OTHER FINANCING SOURCES (USES)	(760,382)	(760,382)	(998,096)	(237,714)
Net Change in Fund Balance	(563,140)	(563,140)	(408,492)	154,648
FUND BALANCE - BEGINNING	563,140	563,140	568,340	5,200
FUND BALANCE - ENDING	\$ -	\$ -	\$ 159,848	\$ 159,848

(Concluded)

MERRICK 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				
Intergovernmental	\$ 1,735,129	\$ 1,735,129	\$ 1,699,065	\$ (36,064)
Charges for Services	3,280	3,280	-	(3,280)
Miscellaneous	37,500	37,500	25,033	(12,467)
TOTAL RECEIPTS	<u>1,775,909</u>	<u>1,775,909</u>	<u>1,724,098</u>	<u>(51,811)</u>
DISBURSEMENTS	<u>3,587,644</u>	<u>3,587,644</u>	<u>2,931,499</u>	<u>656,145</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,811,735)</u>	<u>(1,811,735)</u>	<u>(1,207,401)</u>	<u>604,334</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	994,382	994,382	988,758	(5,624)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>994,382</u>	<u>994,382</u>	<u>988,758</u>	<u>(5,624)</u>
Net Change in Fund Balance	(817,353)	(817,353)	(218,643)	598,710
FUND BALANCE - BEGINNING	<u>821,835</u>	<u>821,835</u>	<u>821,835</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 4,482</u>	<u>\$ 4,482</u>	<u>\$ 603,192</u>	<u>\$ 598,710</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 30,000	\$ 30,000	\$ 271,158	\$ 241,158
TOTAL RECEIPTS	<u>30,000</u>	<u>30,000</u>	<u>271,158</u>	<u>241,158</u>
DISBURSEMENTS	<u>242,043</u>	<u>242,043</u>	<u>131,053</u>	<u>110,990</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(212,043)</u>	<u>(212,043)</u>	<u>140,105</u>	<u>352,148</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(1,277,681)	(1,277,681)	(8,051)	1,269,630
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,277,681)</u>	<u>(1,277,681)</u>	<u>(8,051)</u>	<u>1,269,630</u>
Net Change in Fund Balance	(1,489,724)	(1,489,724)	132,054	1,621,778
FUND BALANCE - BEGINNING	<u>1,519,724</u>	<u>1,519,724</u>	<u>1,519,724</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 1,651,778</u>	<u>\$ 1,621,778</u>

(Continued)

MERRICK 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)
4-H BUILDING FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 147,849	\$ 147,849
Interest	-	-	1,592	1,592
Intergovernmental	-	-	31,847	31,847
Miscellaneous	2,750,000	2,750,000	2,201,461	(548,539)
TOTAL RECEIPTS	<u>2,750,000</u>	<u>2,750,000</u>	<u>2,382,749</u>	<u>(367,251)</u>
DISBURSEMENTS	<u>2,750,000</u>	<u>2,750,000</u>	<u>1,321,192</u>	<u>1,428,808</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>-</u>	<u>-</u>	<u>1,061,557</u>	<u>1,061,557</u>
Net Change in Fund Balance	-	-	1,061,557	1,061,557
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,061,557</u>	<u>\$ 1,061,557</u>

(Concluded)

MERRICK 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)
STREET ROAD BUYBACK FUND				
Receipts	\$ 190,000	\$ 190,000	\$ -	\$ (190,000)
Disbursements	(379,220)	(379,220)	-	379,220
Net Change in Fund Balance	(189,220)	(189,220)	-	189,220
Fund Balance - Beginning	189,753	189,753	189,753	-
Fund Balance - Ending	<u>\$ 533</u>	<u>\$ 533</u>	<u>\$ 189,753</u>	<u>\$ 189,220</u>
VISITOR'S PROMOTION FUND				
Receipts	\$ 4,000	\$ 4,000	\$ 3,091	\$ (909)
Disbursements	(6,360)	(6,360)	(4,308)	2,052
Net Change in Fund Balance	(2,360)	(2,360)	(1,217)	1,143
Fund Balance - Beginning	6,360	6,360	6,360	-
Fund Balance - Ending	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 5,143</u>	<u>\$ 1,143</u>
PRESERVATION AND MODERNIZATION FUND				
Receipts	\$ 5,500	\$ 5,500	\$ 5,750	\$ 250
Disbursements	(9,000)	(9,000)	(5,774)	3,226
Net Change in Fund Balance	(3,500)	(3,500)	(24)	3,476
Fund Balance - Beginning	5,774	5,774	5,774	-
Fund Balance - Ending	<u>\$ 2,274</u>	<u>\$ 2,274</u>	<u>\$ 5,750</u>	<u>\$ 3,476</u>
VETERANS' RELIEF FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(8,223)	(8,223)	-	8,223
Net Change in Fund Balance	(8,223)	(8,223)	-	8,223
Fund Balance - Beginning	8,223	8,223	8,223	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,223</u>	<u>\$ 8,223</u>
JUVENILE DIVERSION FUND				
Receipts	\$ 95,176	\$ 95,176	\$ 98,602	\$ 3,426
Disbursements	(129,039)	(129,039)	(72,492)	56,547
Transfers in	16,000	16,000	16,000	-
Transfers out	-	-	(6)	(6)
Net Change in Fund Balance	(17,863)	(17,863)	42,104	59,967
Fund Balance - Beginning	17,863	17,863	17,863	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,967</u>	<u>\$ 59,967</u>

(Continued)

MERRICK 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)
STOP PROGRAM FUND				
Receipts	\$ 1,600	\$ 1,600	\$ 1,950	\$ 350
Disbursements	(7,111)	(7,111)	(2,970)	4,141
Net Change in Fund Balance	(5,511)	(5,511)	(1,020)	4,491
Fund Balance - Beginning	7,286	7,286	7,286	-
Fund Balance - Ending	<u>\$ 1,775</u>	<u>\$ 1,775</u>	<u>\$ 6,266</u>	<u>\$ 4,491</u>
DRUG LAW ENFORCEMENT FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(4,499)	(4,499)	-	4,499
Transfers in	4,105	4,105	4,105	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(394)	(394)	4,105	4,499
Fund Balance - Beginning	394	394	394	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,499</u>	<u>\$ 4,499</u>
DARE FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(1,101)	(1,101)	(1,063)	38
Transfers in	3,000	3,000	-	(3,000)
Transfers out	-	-	(3,436)	(3,436)
Net Change in Fund Balance	1,899	1,899	(4,499)	(6,398)
Fund Balance - Beginning	4,537	4,537	4,537	-
Fund Balance - Ending	<u>\$ 6,436</u>	<u>\$ 6,436</u>	<u>\$ 38</u>	<u>\$ (6,398)</u>
CANINE FUND				
Receipts	\$ 100	\$ 100	\$ -	\$ (100)
Disbursements	(621)	(621)	-	621
Net Change in Fund Balance	(521)	(521)	-	521
Fund Balance - Beginning	621	621	621	-
Fund Balance - Ending	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 621</u>	<u>\$ 521</u>

(Continued)

MERRICK 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)
JUVENILE SERVICES GRANT FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(5,508)	(5,508)	-	5,508
Net Change in Fund Balance	(5,508)	(5,508)	-	5,508
Fund Balance - Beginning	5,508	5,508	5,508	-
Fund Balance - Ending	\$ -	\$ -	\$ 5,508	\$ 5,508
911 WIRELESS SERVICE FUND				
Receipts	\$ 33,440	\$ 33,440	\$ 33,440	\$ -
Disbursements	(117,998)	(117,998)	(4,481)	113,517
Transfers in	-	-	8,051	8,051
Transfers out	-	-	(85,843)	(85,843)
Net Change in Fund Balance	(84,558)	(84,558)	(48,833)	35,725
Fund Balance - Beginning	84,558	84,558	84,558	-
Fund Balance - Ending	\$ -	\$ -	\$ 35,725	\$ 35,725
911 WIRELESS SERVICE HOLDING FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(71,007)	(71,007)	-	71,007
Transfers in	71,007	71,007	78,518	7,511
Transfers out	-	-	-	-
Net Change in Fund Balance	-	-	78,518	78,518
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ 78,518	\$ 78,518
COMMISSARY FUND				
Receipts	\$ -	\$ -	\$ 526	\$ 526
Disbursements	-	-	-	-
Net Change in Fund Balance	-	-	526	526
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ 526	\$ 526

(Continued)

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COURTHOUSE BOND FUND				
Receipts	\$ 91,200	\$ 91,200	\$ 92,145	\$ 945
Disbursements	(177,688)	(177,688)	(146,035)	31,653
Net Change in Fund Balance	(86,488)	(86,488)	(53,890)	32,598
Fund Balance - Beginning	144,533	144,533	144,533	-
Fund Balance - Ending	<u>\$ 58,045</u>	<u>\$ 58,045</u>	<u>\$ 90,643</u>	<u>\$ 32,598</u>
COUNTY SINKING FUND				
Receipts	\$ 25,100	\$ 25,100	\$ 19,355	\$ (5,745)
Disbursements	(160,776)	(160,776)	(5,392)	155,384
Net Change in Fund Balance	(135,676)	(135,676)	13,963	149,639
Fund Balance - Beginning	160,876	160,876	160,776	(100)
Fund Balance - Ending	<u>\$ 25,200</u>	<u>\$ 25,200</u>	<u>\$ 174,739</u>	<u>\$ 149,539</u>
911 EMERGENCY SERVICE FUND				
Receipts	\$ 21,700	\$ 21,700	\$ 29,284	\$ 7,584
Disbursements	(45,000)	(45,000)	(25,956)	19,044
Net Change in Fund Balance	(23,300)	(23,300)	3,328	26,628
Fund Balance - Beginning	91,451	91,451	91,451	-
Fund Balance - Ending	<u>\$ 68,151</u>	<u>\$ 68,151</u>	<u>\$ 94,779</u>	<u>\$ 26,628</u>
4-H BUILDING BOND FUND				
Receipts	\$ 250,000	\$ 250,000	\$ -	\$ (250,000)
Disbursements	(250,000)	(250,000)	-	250,000
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Concluded)

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

	Street Road Buyback Fund	Visitor's Promotion Fund	Preservation and Modernization Fund	Veterans' Relief Fund	Juvenile Diversion Fund	STOP Program Fund
RECEIPTS						
Property Taxes	\$ -	\$ 3,091	\$ -	\$ -	\$ 6	\$ -
Intergovernmental	-	-	-	-	97,346	1,950
Charges for Services	-	-	5,750	-	1,250	-
Miscellaneous	-	-	-	-	-	-
TOTAL RECEIPTS	<u>-</u>	<u>3,091</u>	<u>5,750</u>	<u>-</u>	<u>98,602</u>	<u>1,950</u>
DISBURSEMENTS						
General Government	-	-	5,774	-	-	-
Public Safety	-	-	-	-	72,492	2,970
Public Works	-	-	-	-	-	-
Culture and Recreation	-	4,308	-	-	-	-
Debt Service:						
Principal Payments	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>-</u>	<u>4,308</u>	<u>5,774</u>	<u>-</u>	<u>72,492</u>	<u>2,970</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>-</u>	<u>(1,217)</u>	<u>(24)</u>	<u>-</u>	<u>26,110</u>	<u>(1,020)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	16,000	-
Transfers out	-	-	-	-	(6)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,994</u>	<u>-</u>
Net Change in Fund Balances	-	(1,217)	(24)	-	42,104	(1,020)
FUND BALANCES - BEGINNING	<u>189,753</u>	<u>6,360</u>	<u>5,774</u>	<u>8,223</u>	<u>17,863</u>	<u>7,286</u>
FUND BALANCES - ENDING	<u>\$ 189,753</u>	<u>\$ 5,143</u>	<u>\$ 5,750</u>	<u>\$ 8,223</u>	<u>\$ 59,967</u>	<u>\$ 6,266</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	5,143	-	-	-	-
911 Emergency Services	-	-	-	-	-	-
Drug Education	-	-	-	-	-	-
Law Enforcement	-	-	-	-	-	-
Preservation of Records	-	-	5,750	-	-	-
Debt Service	-	-	-	-	-	-
Road Projects	189,753	-	-	-	-	-
Committed to:						
Law Enforcement	-	-	-	-	59,967	6,266
Aid and Assistance	-	-	-	8,223	-	-
County Buildings	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 189,753</u>	<u>\$ 5,143</u>	<u>\$ 5,750</u>	<u>\$ 8,223</u>	<u>\$ 59,967</u>	<u>\$ 6,266</u>

(Continued)

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

For the Year Ended June 30, 2016

	Drug Law Enforcement Fund	DARE Fund	Canine Fund	Juvenile Services Grant Fund	911 Wireless Service Fund	911 Wireless Service Holding Fund
RECEIPTS						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$33,440	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
TOTAL RECEIPTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,440</u>	<u>-</u>
DISBURSEMENTS						
General Government	-	-	-	-	-	-
Public Safety	-	1,063	-	-	4,481	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Debt Service:						
Principal Payments	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>-</u>	<u>1,063</u>	<u>-</u>	<u>-</u>	<u>4,481</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>-</u>	<u>(1,063)</u>	<u>-</u>	<u>-</u>	<u>28,959</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	4,105	-	-	-	8,051	78,518
Transfers out	-	(3,436)	-	-	(85,843)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,105</u>	<u>(3,436)</u>	<u>-</u>	<u>-</u>	<u>(77,792)</u>	<u>78,518</u>
Net Change in Fund Balances	4,105	(4,499)	-	-	(48,833)	78,518
FUND BALANCES - BEGINNING	<u>394</u>	<u>4,537</u>	<u>621</u>	<u>5,508</u>	<u>84,558</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 4,499</u>	<u>\$ 38</u>	<u>\$ 621</u>	<u>\$ 5,508</u>	<u>\$35,725</u>	<u>\$ 78,518</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	-	-	-	-	-
911 Emergency Services	-	-	-	-	35,725	78,518
Drug Education	4,499	-	-	-	-	-
Law Enforcement	-	-	-	5,508	-	-
Preservation of Records	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Road Projects	-	-	-	-	-	-
Committed to:						
Law Enforcement	-	38	621	-	-	-
Aid and Assistance	-	-	-	-	-	-
County Buildings	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 4,499</u>	<u>\$ 38</u>	<u>\$ 621</u>	<u>\$ 5,508</u>	<u>\$35,725</u>	<u>\$ 78,518</u>

(Continued)

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

	Commissary Fund	Courthouse Bond Fund	County Sinking Fund	911 Emergency Service Fund	Total Nonmajor Governmental Funds
RECEIPTS					
Property Taxes	\$ -	\$ 83,831	\$ 14,815	\$ 29,284	\$ 164,467
Intergovernmental	-	8,314	2,185	-	109,795
Charges for Services	526	-	-	-	7,526
Miscellaneous	-	-	2,355	-	2,355
TOTAL RECEIPTS	526	92,145	19,355	29,284	284,143
DISBURSEMENTS					
General Government	-	-	5,392	-	11,166
Public Safety	-	-	-	25,956	106,962
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	4,308
Debt Service:					
Principal Payments	-	141,344	-	-	141,344
Interest and Fiscal Charges	-	4,691	-	-	4,691
Capital Projects	-	-	-	-	-
TOTAL DISBURSEMENTS	-	146,035	5,392	25,956	268,471
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	526	(53,890)	13,963	3,328	15,672
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	106,674
Transfers out	-	-	-	-	(89,285)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	17,389
Net Change in Fund Balances	526	(53,890)	13,963	3,328	33,061
FUND BALANCES - BEGINNING	-	144,533	160,776	91,451	727,637
FUND BALANCES - ENDING	\$ 526	\$ 90,643	\$ 174,739	\$ 94,779	\$ 760,698
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	5,143
911 Emergency Services	-	-	-	94,779	209,022
Drug Education	-	-	-	-	4,499
Law Enforcement	-	-	-	-	5,508
Preservation of Records	-	-	-	-	5,750
Debt Service	-	90,643	-	-	90,643
Road Projects	-	-	-	-	189,753
Committed to:					
Law Enforcement	526	-	-	-	67,418
Aid and Assistance	-	-	-	-	8,223
County Buildings	-	-	174,739	-	174,739
TOTAL FUND BALANCES	\$ 526	\$ 90,643	\$ 174,739	\$ 94,779	\$ 760,698

(Concluded)

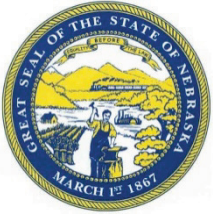
MERRICK COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2016

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Highway Superintendent	Veterans' Service Officer	County Surveyor	County Extension	County Planning and Zoning	Total
BALANCES JULY 1, 2015	\$ 18,066	\$ 16,302	\$ 13,470	\$ 70	\$ 36,712	\$ 776	\$ 8,652	\$ 2,000	\$ -	\$ 96,048
RECEIPTS										
Licenses and Permits	1,070	-	1,270	-	-	-	-	-	1,611	3,951
Intergovernmental	-	-	-	48,475	217,708	-	-	-	1,501	267,684
Charges for Services	63,670	8,376	32,608	22,291	23,576	-	12,618	-	-	163,139
Miscellaneous	-	-	-	-	743	-	-	589	-	1,332
State Fees	82,802	13,466	-	-	820	-	-	-	-	97,088
Other Liabilities	-	369,966	154,518	2,979	-	-	-	-	-	527,463
TOTAL RECEIPTS	147,542	391,808	188,396	73,745	242,847	-	12,618	589	3,112	1,060,657
DISBURSEMENTS										
Payments to County Treasurer	65,285	8,180	38,001	70,776	166,779	-	14,688	-	3,112	366,821
Payments to State Treasurer	84,998	13,634	-	-	820	-	-	-	-	99,452
Other Liabilities	-	273,740	152,428	2,979	-	297	-	589	-	430,033
TOTAL DISBURSEMENTS	150,283	295,554	190,429	73,755	167,599	297	14,688	589	3,112	896,306
BALANCES JUNE 30, 2016	\$ 15,325	\$ 112,556	\$ 11,437	\$ 60	\$ 111,960	\$ 479	\$ 6,582	\$ 2,000	\$ -	\$ 260,399
BALANCES CONSIST OF:										
Due to County Treasurer	\$ 6,338	\$ 534	\$ 815	\$ 60	\$ 111,960	\$ 479	\$ 6,582	\$ -	\$ -	\$ 126,768
Petty Cash	1,100	-	500	-	-	-	-	2,000	-	3,600
Due to State Treasurer	6,466	736	-	-	-	-	-	-	-	7,202
Due to Others	1,421	111,286	10,122	-	-	-	-	-	-	122,829
BALANCES JUNE 30, 2016	\$ 15,325	\$ 112,556	\$ 11,437	\$ 60	\$ 111,960	\$ 479	\$ 6,582	\$ 2,000	\$ -	\$ 260,399

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

Item	2011	2012	2013	2014	2015
Tax Certified by Assessor					
Real Estate	\$ 15,140,592	\$ 15,575,876	\$ 17,732,188	\$ 19,481,316	\$ 20,505,599
Personal and Specials	1,442,935	1,416,687	1,551,822	1,502,757	1,264,484
Total	16,583,527	16,992,563	19,284,010	20,984,073	21,770,083
Corrections					
Additions	9,858	7,486	2,592	10,395	4,010
Deductions	(1,268)	(2,403)	(275,372)	(8,072)	(1,821)
Net Additions/ (Deductions)	8,590	5,083	(272,780)	2,323	2,189
Corrected Certified Tax	16,592,117	16,997,646	19,011,230	20,986,396	21,772,272
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2012	9,961,699	-	-	-	-
June 30, 2013	6,601,357	10,266,367	-	-	-
June 30, 2014	14,386	6,706,483	11,589,152	-	-
June 30, 2015	3,027	14,052	7,403,656	13,182,577	-
June 30, 2016	10,314	8,917	9,045	7,770,984	13,886,833
Total Net Collections	16,590,783	16,995,819	19,001,853	20,953,561	13,886,833
Total Uncollected Tax	\$ 1,334	\$ 1,827	\$ 9,377	\$ 32,835	\$ 7,885,439
Percentage Uncollected Tax	0.01%	0.01%	0.05%	0.16%	36.22%

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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

Board of Supervisors
Merrick County, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merrick County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Merrick County's basic financial statements, and have issued our report thereon dated May 1, 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 Merrick County Hospital, a component unit of Merrick County.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Merrick County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Merrick County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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

- The County offices lacked a segregation of duties, as one person could handle all aspects of processing a transaction from beginning to end. Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. 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 Merrick County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Additional Items

We also noted certain matters that we reported to the management of Merrick County in a separate letter dated May 1, 2017.

Merrick County's Response to Findings

Merrick County declined to respond to the finding described above.

Purpose of this Report

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



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

May 1, 2017



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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May 1, 2017

Board of Supervisors
Merrick County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Merrick County (County) for the fiscal year ended June 30, 2016, and have issued our report thereon dated May 1, 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.

Unclaimed Property

During testing, we noted that several County offices had checks that were outstanding for over three years and, therefore, qualified as unclaimed property required to be remitted to the State Treasurer, as follows:

- The County Sheriff had 24 checks and 1 evidence receipt totaling \$536.
- The County Treasurer had four checks totaling \$1,151.
- The imprest bank account maintained by the County Clerk had one check for \$150.

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009) states the following:

Except as otherwise provided by law, all intangible personal property held for the owner by any court, public corporation, public authority, or public officer of this state, or a political subdivision thereof, that has remained unclaimed by the owner for more than three years is presumed abandoned.

Neb. Rev. Stat. § 69-1310 (Reissue 2009) states, in relevant part, the following:

- (a) *Every person holding funds or other property, tangible or intangible, presumed abandoned under the Uniform Disposition of Unclaimed Property Act shall report to the State Treasurer with respect to the property as hereinafter provided.*

- (d) *The report shall be filed before November 1 of each year as of June 30 next preceding . . . The property must accompany the report unless excused by the State Treasurer for good cause. The State Treasurer may postpone the reporting date upon written request by any person required to file a report.*

Without procedures, including the proper performance and review of bank reconciliations to ensure that outstanding checks qualifying as unclaimed property are remitted timely to the State Treasurer, there is an increased risk of noncompliance with State statute.

We recommend the County Sheriff, County Treasurer, and County Clerk implement procedures to ensure that outstanding checks qualifying as unclaimed property are remitted to the State Treasurer in accordance with State statute.

Insufficient Pledged Collateral

During the audit period, we noted that deposits at three County banks were not fully insured by the Federal Deposit Insurance Corporation (FDIC) or additional securities. Multiple accounts are maintained at these banks by the County Clerk and the County Treasurer.

- The Central Bank deposit was uncollateralized for 58 days ranging from \$36,057 to \$2,837,750.

- The Cornerstone Bank deposit was uncollateralized for 42 days ranging from \$9,968 to \$2,632,276.
- The Pinnacle Bank deposit was uncollateralized for 14 days ranging from \$140,311 to \$463,073.

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

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

Unless bank deposits are fully secured at all times, the County is not in compliance with State statute, and there is an increased risk for the loss of public funds should the financial institutions holding County deposits fail. This issue was noted in prior audit reports.

We recommend the County Treasurer and County Clerk implement procedures to ensure bank accounts are adequately protected at all times.

COUNTY TREASURER

Accounting Procedures

The County Treasurer did not have procedures in place to ensure that \$235,951 in checks received for In Lieu of Tax Payments were receipted, restrictively endorsed, deposited, and distributed in a timely manner. These checks were not receipted into the accounting records for periods ranging from 6 to 73 days after being physically received. The table below summarizes the checks received and held by the County Treasurer:

Payee	Amount	Check Date	County Receipt Date	Numbers of Days
City of Central City	\$ 299	1/9/2017	3/22/2017	72
Polk County Rural Public Power District	\$ 2,546	1/27/2017	3/22/2017	54
Polk County Rural Public Power District	\$ 42,937	1/27/2017	3/22/2017	54
Southern Power District	\$ 190,169	3/16/2017	3/22/2017	6

Neb. Rev. Stat. § 23-1601(4)(a) (Reissue 2012) states, in relevant part, the following:

On or before the fifteenth day of each month, the county treasurer (i) shall pay to each city, village, school district, educational service unit, county agricultural society, and rural or suburban fire protection district located within the county the amount of all funds collected or received for the city, village, school district, educational service unit, county agricultural society, and rural or suburban fire protection district the previous calendar month

Good internal controls and sound accounting practices require that adequate procedures, including the review of all bank statements and the prompt issuance of receipts for electronic payments, be in place to ensure the timely receipting and distribution of all funds received by the County Treasurer's office.

We recommend the County Treasurer's office implement procedures to ensure the timely receipting and distribution of all funds received.

Motor Vehicle Pro-Rate Distributions

During testing, it was noted that the Motor Vehicle Pro-Rate Funds were not distributed appropriately. As this issue was noted in the prior year, the County Treasurer made an adjusting entry to account for the error; however, that adjustment was not calculated correctly. Furthermore, two payments made in 2015 were also calculated improperly. The table below shows the subdivisions and the amount of incorrect distributions:

Subdivision	Over (Under) Payments
Central City School District 4	\$ (599)
County Funds	139
Northwest School District 82	88
Central Community College	71
High Plains School District 75	70
Palmer School District 49	69
Twin River School District 30	39
Central City	25
Central Platte NRD	25

Subdivision	Over (Under) Payments
Agricultural Society	13
Fire Districts (7 Districts)*	20
School Districts (3 Districts)*	13
Municipalities (4 City/Villages)*	10
ESU (2 ESU's)*	10
Townships (11 Townships)*	6
NRD/Reclamation (2 Entities)*	1

*Each subdivision was not listed, as variances were under \$10 per entity.

Neb. Rev. Stat. § 60-3,202(3) (Cum. Supp. 2016) states the following:

Upon receipt of motor vehicle tax funds from the State Treasurer, the county treasurer shall distribute such funds to taxing agencies within the county in the same proportion that the levy of each such taxing agency bears to the total of such levies of all taxing agencies in the county.

When motor vehicle tax distributions are not accurate, political subdivisions do not receive the appropriate amount of funding. This issue was noted in prior audit reports.

We recommend the County Treasurer correct the erroneous motor vehicle tax distributions and implement procedures to ensure that all such distributions are calculated correctly in the future.

Property Tax Credit Distributions

During testing, it was noted that documentation was not on file to support the Property Tax Credit distribution. Distributions of \$6,393 were posted to various subdivision funds; however, records indicate this amount should have been returned to the State of Nebraska. The table below shows the recipient subdivisions and the unsupported distributions made to each:

Subdivision	Over (Under) Payments
County Funds	\$ 975
High Plains School District 75	1,204
Northwest School District 82	1,046
Palmer School District 49	821
Twin River School District 30	558
Central City School District 4	115
Fullerton School District 1	68
ESU 7	58
Central Community College	480
Central Platte NRD	176
Central City Fire District	101
Palmer Fire District	44
Chapman Fire District	31

Subdivision	Over (Under) Payments
Grand Island Fire District	26
Clarks Fire District	(26)
Central City	184
Palmer	33
Clarks	28
Silver Creek	26
Central Township	(41)
Agricultural Society	90
Community Redevelopment	280
Multiple Subdivisions*	116
Total Overpayment	6,393

*This contains 16 subdivisions with overpayments totaling less than \$15 per entity.

In addition to the variances noted above, the County did not retain a 1% commission on the distributed funds, resulting in a total underpayment to itself of \$166.

Neb. Rev. Stat. § 77-4212(4)(a) (Cum. Supp. 2016) states the following:

For tax years prior to tax year 2017, the amount disbursed to each county shall be equal to the amount available for disbursement determined under subsection (1) of this section multiplied by the ratio of the real property valuation in the county to the real property valuation in the state. By September 15, the Property Tax Administrator shall determine the amount to be disbursed under this subdivision to each county and certify such amounts to the State Treasurer and to each county. The disbursements to the counties shall occur in two equal payments, the first on or before January 31 and the second on or before April 1. After retaining one percent of the receipts for costs, the county treasurer shall allocate the remaining receipts to each taxing unit levying taxes on taxable property in the tax district in which the real property is located in the same proportion that the levy of such taxing unit bears to the total levy on taxable property of all the taxing units in the tax district in which the real property is located.

When tax credit distributions are inaccurate, political subdivisions do not receive the appropriate amount of funding.

We recommend the County Treasurer correct the erroneous distributions and implement procedures to ensure all distributions are correctly calculated in the future.

COUNTY BOARD

Over-Expended Budget

During our audit, we noted that the disbursements in the General Fund Miscellaneous Function and the DARE Fund exceeded the adopted budget by \$67,603 and \$3,398, respectively.

Neb. Rev. Stat § 23-916 (Reissue 2012) states, in relevant part, the following:

After the adoption of the county budget, no officer, department or other expending agency shall expend or contract to be expended any money, or incur any liability, or enter into any contract which, by its terms, involves the expenditure of money not provided for in the budget, or which involves the expenditure of any money for any of the purposes for which provision is made in the budget in excess of the amounts provided in said budget for such office, department or other expending agency, or purpose, for such fiscal year.

When expenditures are made in excess of amounts budgeted, with no appropriation adjustments by the County Board to address those excesses, the County is not in compliance with State statute.

We recommend the County Board implement procedures to monitor closely its budget status on an ongoing basis to avoid individual funds incurring expenses in excess of the amounts budgeted.

Inadequate Supporting Documentation

During testing, the APA noted the following instances of inadequate supporting documentation by the County:

- An August 2015 County payment for public transit to Central City, NE was not adequately supported. The payment to Central City was for the County's share of costs incurred by County residents who live outside of the City's limits but utilize the City's public transit service. The percentage used to calculate the amount charged to the County was not documented by a written agreement between the two entities.
- A \$260 claim, submitted to the County in February 2017, for reimbursement of a hotel expense and mileage to Scottsbluff, NE, did not have adequate documentation to support that the trip and mileage were reasonable. The hotel bill also included Nebraska sales tax of \$14, which the County is exempt from paying.

Good internal controls and sound accounting practices require procedures to be in place to ensure each claim is supported by adequate documentation verifying that the payment thereof is both accurate and an appropriate use of County funds.

Without such procedures, there is an increased risk for the loss, theft, or misuse of County funds.

We recommend the County Board implement procedures to ensure all claims are supported by adequate documentation verifying that the amounts paid are accurate and appropriate.

Duplicate Claims

During our audit, we noted four instances, totaling \$6,994, in which the County paid for the same expense twice. In all four instances, the original invoices were submitted to and paid by the County Board. During the months following the original approval for payment, however, a duplicate invoice was submitted to the County Board and paid again. The County received reimbursement of \$6,002 and continues to seek reimbursement for the other duplicate payments.

Good internal controls and sound business practices require procedures to ensure that all claims are supported with adequate documentation, preferably the original invoice, prior to approval and are not duplicate payments.

Without such procedures, there is an increased risk that duplicate claim submissions will not be detected, resulting in the loss and/or misuse of County funds.

We recommend the County Board implement procedures to ensure all claims are supported with adequate documentation, preferably the original invoice, prior to approval and are not duplicate payments.

COUNTY CLERK

Balancing Procedures

During our review of the County Clerk's office, we noted the following:

- At June 30, 2016, the Clerk had \$1,421 more in assets than liabilities, resulting in a long that could not be supported.
- The office does not maintain an accurate book balance of the fee checking account, as only deposits are recorded on the check register. In addition, complete and accurate bank reconciliations were not performed on a monthly basis for the fee checking account.

Sound accounting practices and good internal controls require that procedures be in place to ensure office book balances are accurate, and office records reconcile with bank activity on at least a monthly basis. Reconciliation procedures should include not only an accounting for all receipts, but also the timely identification and resolution of all variances noted.

Without such procedures, the County is susceptible to intentional and/or unintentional errors or omissions, which increase the risk of loss, theft, or misuse of public funds. This issue was noted in prior audit reports.

We recommend the County Clerk implement procedures to ensure adequate records are maintained at all times to support balances and complete, accurate monthly bank reconciliations.

Imprest Bank Account

During the audit, we noted that the County's imprest checking account was not reconciled on a monthly basis, resulting in an unknown amount being held therein. As this has been a recurring issue since the fiscal year ended June 30, 2013, the APA completed the bank account's reconciliations dating back to that period. In doing so, we noted the issues detailed in the following table:

Reconciling Items	Amounts
Unresolved prior year amount.	\$ (88)
Refund received in October 2015, incorrectly deducted from amount requested from County Treasurer.	\$ (6,002)
Payroll taxes requested from County Treasurer did not match amount paid for January - March 2016; overage maintained in account.	\$ 24,918
Taxes, payroll, and bank fees were paid without requesting funds from the County Treasurer for December 2015 and March - April and June 2016.	\$ (23,269)
Retirement requested from County Treasurer did not match amount paid for January 2016; overage maintained in account.	\$ 5,621
Voided check in April 2016; overage maintained in account.	\$ 394
Total Overage Maintained in Account at 6/30/16	\$ 1,574

Additionally, one check for \$30 was cashed twice, once in October 2016 and again in December 2016 by an employee.

Sound accounting practices and good internal controls require that procedures be in place to ensure office records reconcile with bank activity on at least a monthly basis. Reconciliation procedures should include the timely identification and resolution of all variances noted.

Without such procedures, the County is susceptible to intentional and/or unintentional errors or omissions, which increase the risk of loss, theft, or misuse of public funds.

We recommend the County Clerk implement procedures to ensure adequate records are maintain at all times to support balances and complete, accurate monthly bank reconciliations.

COUNTY SHERIFF

Balancing and Reconciliation Procedures

During the audit, we noted multiple issues with the County Sheriff's balancing and reconciliation procedures, as described below.

- A complete and accurate bank reconciliation was not done at June 30, 2016. The County Sheriff's office did not include 12 outstanding checks, totaling \$1,267, in its reconciliation. Due to this lack of a complete and accurate reconciliation, an accurate book balance was not provided.
- As of June 30, 2016, the County Sheriff's office had \$510 more in assets than liabilities, resulting in a long.

Sound accounting practices and good internal controls require that procedures be in place to ensure adequate reconciliation and balancing methods are utilized. Such procedures should include the reconciliation of office records to bank activity on at least a monthly basis. Reconciliation and balancing procedures should include the timely identification and resolution of all variances noted and documented to support balances.

Without such procedures, there is an increased risk not only for the loss, theft, or misuse of public funds but also errors being allowed to go undetected more easily. This issue was noted in prior audit reports.

We recommend the County Sheriff implement procedures to ensure adequate records are maintained and reconciled, and any variances are resolved in a timely manner.

Fee Activity Remittance

During the audit, it was noted that the July 2015, August 2015, and February 2016 County Sheriff fees remitted to the County Treasurer included mileage twice, resulting in an over-remittance of \$2,097.

Neb. Rev. Stat. § 33-117(3) (Reissue 2016) provides the following:

The sheriff shall, on the first Tuesday in January, April, July, and October of each year, make a report to the county board showing (a) the different items of fees, except mileage, collected or earned, from whom, at what time, and for what service, (b) the total amount of the fees collected or earned by the officer since the last report, and (c) the amount collected or earned for the current year. He or she shall pay all fees earned to the county treasurer who shall credit the fees to the general fund of the county.

Sound accounting practices and good internal controls require procedures to ensure that the fees remitted by County Sheriff agree to those actually earned.

When the correct amount of fees earned is not remitted to the County Treasurer, there is an increased risk for the loss and/or misuse of County funds.

We recommend the County Sheriff implement procedures to ensure the fees remitted agree to those actually earned.

COUNTY CLERK OF DISTRICT COURT

Trust Balances

During testing of the District Court's monthly trust balance reports, the following was noted:

- Three of five case balances, totaling \$3,320, did not have follow-up procedures performed by the District Court to review and/or resolve the balances. Two of the case balances, totaling \$1,716, were past due for being remitted to the State Treasurer as unclaimed property.
- A variance of \$18 was identified during the reconciliation of the bank balance to the book balance in 2012; however, that variance has yet to be resolved.

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009) states the following:

Except as otherwise provided by law, all intangible personal property held for the owner by any court, public corporation, public authority, or public officer of this state, or a political subdivision thereof, that has remained unclaimed by the owner for more than three years is presumed abandoned.

Neb. Rev. Stat. § 69-1310 (Reissue 2009) states, in relevant part, the following:

(a) Every person holding funds or other property, tangible or intangible, presumed abandoned under the Uniform Disposition of Unclaimed Property Act shall report to the State Treasurer with respect to the property as hereinafter provided.

* * * *

(d) The report shall be filed before November 1 of each year as of June 30 next preceding The property must accompany the report unless excused by the State Treasurer for good cause. The State Treasurer may postpone the reporting date upon written request by any person required to file a report.

When the District Court’s monthly trust balance reports are not consistently reviewed in a timely manner, there is an increased risk of errors, omissions, and/or irregularities not being detected and/or resolved promptly.

We recommend the District Court review monthly trust balance reports in a timely manner, following up on case balances that have not had recent activity. Furthermore, balances should be reviewed for any amounts that are past due for being remitted to the State Treasurer as unclaimed property.

COUNTY SURVEYOR / HIGHWAY DEPARTMENT

Accounts Receivable

During the audit, we noted numerous delinquent accounts receivable balances that remained uncollected at June 30, 2016, for the County Surveyor and County Highway Department. Those balances are detailed in the following table:

Fiscal Year	Surveyor		Highway Department	
	Number of Outstanding Accounts	Amount Due at 6/30/16	Number of Outstanding Accounts	Amount Due at 6/30/16
2005	4	\$ 433.00	2	\$ 522.00
2007	2	\$ 135.00	1	\$ 48.00
2008	1	\$ 125.00	0	\$ -
2009	2	\$ 289.00	0	\$ -
2010	6	\$ 600.00	4	\$ 493.00
2011	8	\$ 1,247.00	1	\$ 96.00
2012	1	\$ 271.00	1	\$ 235.00
2013	6	\$ 765.00	0	\$ -
2014	6	\$ 491.00	1	\$ 15.00
	36	\$ 4,356.00	10	\$ 1,409.00

Sound accounting practices and good internal controls require procedures to be in place to ensure that complete and adequate records of accounts receivable are maintained. Such procedures should include also a periodic review, at least annually, of overdue accounts receivable with the County Board to consider the feasibility of collection and/or the need for write-off approval if those accounts appear to be uncollectible.

Without these procedures, there is an increased risk that delinquent amounts will not be collected and/or resolved in a timely manner. This issue was noted in prior audit reports.

We recommend the County Surveyor and County Highway Department implement procedures to ensure that complete and adequate records of accounts receivable are maintained. We recommend also the County Board be consulted annually, at least, to determine whether accounts receivable should be pursued or approved to be written off.

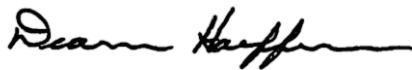
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It should be noted this report is critical in nature, as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strong features of the County.

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. All formal responses received have been incorporated into this report. The County declined to respond.

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