

**AUDIT REPORT
OF
CHERRY COUNTY**

JULY 1, 2017, THROUGH JUNE 30, 2018

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

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

Issued on September 6, 2018

CHERRY COUNTY

TABLE OF CONTENTS

	<u>Page</u>
List of County Officials	1
Financial Section	
Independent Auditor's Report	2 - 4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Cash Basis	5
Statement of Activities - Cash Basis	6
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds	7
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds	8
Statement of Cash Basis Net Position - Fiduciary Funds	9
Notes to Financial Statements	10 - 18
Combining Statements and Schedules:	
Budgetary Comparison Schedule - Budget and Actual - General Fund	19 - 20
Budgetary Comparison Schedule - Budget and Actual - Major Funds	21 - 22
Budgetary Comparison Schedule - Budget and Actual - Nonmajor Funds	23 - 25
Combining Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Nonmajor Governmental Funds	26 - 28
Schedule of Office Activities	29
Schedule of Taxes Certified and Collected for All Political Subdivisions in the County	30
Government Auditing Standards Section	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31 - 32

CHERRY COUNTY
365 N Main St.
Valentine, NE 69201

LIST OF COUNTY OFFICIALS
At June 30, 2018

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Commissioners	Tanya Storer	Jan. 2019
	Jim Van Winkle	Jan. 2019
	Martin DeNaeyer	Jan. 2021
Assessor	Betty Daugherty	Jan. 2019
Attorney	Eric Scott	Jan. 2019
Clerk	Tom Elliott	Jan. 2019
Election Commissioner		
Register of Deeds		
Clerk of the District Court	Lorana Eggert	Jan. 2019
Sheriff	Rusty Osburn	Jan. 2019
Treasurer	Kathy Hammond	Jan. 2019
Public Defender	Andrew Johnson	Jan. 2019
Veterans' Service Officer	Shawn Hamling	Appointed
Weed Superintendent	Barb Small	Appointed
Surveyor	Lloyd Smith	Jan. 2019
Highway Superintendent		Appointed



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov

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

CHERRY COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Cherry County, Nebraska

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cherry County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the County’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Summary of Opinions

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

Basis for Adverse Opinion on the Discretely Presented Component Unit

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of Cherry County, as of June 30, 2018, or the change in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and aggregate remaining fund information of Cherry County, as of June 30, 2018, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Emphasis of Matters – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole, which collectively comprise the County's basic financial statements. The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, pages 19-30, are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2018, on our consideration of Cherry County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and considering Cherry County's internal control over financial reporting and compliance.

August 28, 2018



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

CHERRY COUNTY
STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2018

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 2,988,043
Investments (Note 1.D)	3,529,475
TOTAL ASSETS	\$ 6,517,518
NET POSITION	
Restricted for:	
Visitor Promotion	\$ 889,940
911 Emergency Services	19,575
Preservation of Records	12,674
Road Maintenance	489,739
Unrestricted	5,105,590
TOTAL NET POSITION	\$ 6,517,518

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

CHERRY COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2018

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	\$ (2,331,567)	\$ 290,470	\$ 18,506	\$ (2,022,591)
Public Safety	(1,349,634)	30,459	7,000	(1,312,175)
Public Works	(3,231,801)	9,199	1,351,828	(1,870,774)
Public Assistance	(87,792)	-	-	(87,792)
Culture and Recreation	(217,895)	-	-	(217,895)
Total Governmental Activities	\$ (7,218,689)	\$ 330,128	\$ 1,377,334	(5,511,227)

General Receipts:

Property Taxes	4,737,209
Grants and Contributions Not Restricted to Specific Programs	1,204,512
Investment Income	49,581
Licenses and Permits	25,546
Miscellaneous	156,128
Total General Receipts	6,172,976
 Increase in Net Position	 661,749
Net Position - Beginning of year	5,855,769
Net Position - End of year	\$ 6,517,518

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

CHERRY COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Road Fund	Inheritance Fund	Visitor Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents (Note 1.D)	\$ 1,020,693	\$ 1,301,014	\$ -	\$ -	\$ 666,336	\$ 2,988,043
Investments (Note 1.D)	-	-	1,475,678	800,013	1,253,784	3,529,475
TOTAL ASSETS	\$ 1,020,693	\$ 1,301,014	\$ 1,475,678	\$ 800,013	\$ 1,920,120	\$ 6,517,518
FUND BALANCES						
Restricted for:						
Visitor Promotion	-	-	-	800,013	89,927	889,940
911 Emergency Services	-	-	-	-	19,575	19,575
Preservation of Records	-	-	-	-	12,674	12,674
Road Maintenance	-	-	-	-	489,739	489,739
Committed to:						
Law Enforcement	-	-	-	-	21,499	21,499
Road Maintenance	-	1,301,014	-	-	396,290	1,697,304
Aid and Assistance	-	-	-	-	7,426	7,426
County Buildings	-	-	-	-	214,585	214,585
Health Insurance	-	-	-	-	529,944	529,944
Library Services	-	-	-	-	40,544	40,544
Emergency Services	-	-	-	-	23,762	23,762
Hospital Services	-	-	-	-	74,155	74,155
Assigned to:						
Other Purposes	-	-	1,475,678	-	-	1,475,678
Unassigned	1,020,693	-	-	-	-	1,020,693
TOTAL CASH BASIS FUND BALANCES	\$ 1,020,693	\$ 1,301,014	\$ 1,475,678	\$ 800,013	\$ 1,920,120	\$ 6,517,518

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

CHERRY COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Road Fund	Inheritance Fund	Visitor Improvement Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$2,158,972	\$1,616,698	\$ 351,056	\$ 134,515	\$ 475,968	\$ 4,737,209
Licenses and Permits	25,546	-	-	-	-	25,546
Investment Income	49,581	-	-	-	-	49,581
Intergovernmental	798,279	1,529,442	-	-	254,125	2,581,846
Charges for Services	316,886	9,199	-	-	4,043	330,128
Miscellaneous	11,940	117,858	-	-	26,330	156,128
TOTAL RECEIPTS	<u>3,361,204</u>	<u>3,273,197</u>	<u>351,056</u>	<u>134,515</u>	<u>760,466</u>	<u>7,880,438</u>
DISBURSEMENTS						
General Government	1,691,427	-	156,588	-	483,552	2,331,567
Public Safety	1,202,249	-	-	-	147,385	1,349,634
Public Works	117,670	2,888,158	-	-	225,973	3,231,801
Public Assistance	87,792	-	-	-	-	87,792
Culture and Recreation	-	-	-	8,213	209,682	217,895
TOTAL DISBURSEMENTS	<u>3,099,138</u>	<u>2,888,158</u>	<u>156,588</u>	<u>8,213</u>	<u>1,066,592</u>	<u>7,218,689</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>262,066</u>	<u>385,039</u>	<u>194,468</u>	<u>126,302</u>	<u>(306,126)</u>	<u>661,749</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	106,054	-	-	-	589,985	696,039
Transfers out	(384,885)	(190,100)	(80,000)	-	(41,054)	(696,039)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(278,831)</u>	<u>(190,100)</u>	<u>(80,000)</u>	<u>-</u>	<u>548,931</u>	<u>-</u>
Net Change in Fund Balances	(16,765)	194,939	114,468	126,302	242,805	661,749
CASH BASIS FUND BALANCES - BEGINNING	<u>1,037,458</u>	<u>1,106,075</u>	<u>1,361,210</u>	<u>673,711</u>	<u>1,677,315</u>	<u>5,855,769</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$1,020,693</u>	<u>\$1,301,014</u>	<u>\$ 1,475,678</u>	<u>\$ 800,013</u>	<u>\$ 1,920,120</u>	<u>\$ 6,517,518</u>

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

CHERRY COUNTY
STATEMENT OF CASH BASIS NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 329,110
 LIABILITIES	
Due to other governments	
State	102,226
Schools	137,098
Educational Service Units	1,624
Technical College	9,959
Natural Resource Districts	3,819
Fire Districts	1,170
Municipalities	14,175
Agricultural Society	533
Historical Society	4,915
Hospital	288
Others	53,303
TOTAL LIABILITIES	329,110
 TOTAL NET ASSETS	 \$ -

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

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

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

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

Joint Organization.

Behavioral Health Region IV – The County has entered into an agreement with surrounding counties and the Nebraska Department of Health and Human Services to provide services to carry out the provisions of the Nebraska Behavioral Health Services Act (Act). Agreements were established under the authority of the Interlocal Cooperation Act for services to be provided under the Act. Region IV (Region) consists of the following counties: Cherry, Keya Paha, Boyd, Brown, Rock, Holt, Knox, Cedar, Dixon, Dakota, Thurston, Wayne, Pierce, Antelope, Boone, Nance, Madison, Stanton, Cuming, Burt, Colfax, and Platte.

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$29,340 toward the operation of the Region during fiscal year 2018. In the

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Department of Health and Human Services requires the Region to be audited annually in accordance with State statute. Financial information for the Region is available in those audit reports.

Health Department – The County has entered into an agreement with the North Central District Health Department (Department) to provide public health services. The agreement was established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636 (Reissue 2009, Cum. Supp. 2016, Supp. 2017).

The Department’s governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County did not contribute toward the operation of the Department during fiscal year 2018. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is audited in accordance with Neb. Rev. Stat. § 84-304(4) (Supp. 2017). Financial information for the Department is available in that report.

Emergency 911 Region – The County has entered into an agreement with surrounding counties to provide emergency 911 services. The agreement was established under the authority of the Interlocal Cooperation Act and is known as Region 24 Council (Region 24). Member counties include: Boyd, Brown, Cherry, Keya Paha, and Rock in north central Nebraska.

The governing board of Region 24 includes a representative from the participating county boards. Each county contributes to the financial support of Region 24 based on formulas developed by the governing board. For fiscal year 2018, the County contributed \$51,155. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement.

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.

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

Fund Financial Statements. The fund financial statements provide information about the County's funds, including its fiduciary funds. GAAP requires separate statements by fund category – governmental, proprietary, and fiduciary. The County uses only the governmental and fiduciary fund categories. The County Board is the highest level of decision-making authority and has the authority, by resolution, to establish, modify, or rescind the commitment or assignment of a fund balance to a specific purpose. When 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.

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

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

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

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

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The County designates fund balances as follows:

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

Committed. The fund balance has been designated by the County Board for a specific purpose.

Assigned. The fund balance has not been designated by the County Board for a specific purpose, but it has been separated based on the type of revenue.

Unassigned. This portion of the General Fund is not restricted, committed, or assigned for a specific purpose.

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.

CHERRY 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 \$1,411,928 of restricted net position, which is fully restricted by enabling legislation.

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

On or before August 1, the County budget-making authority prepares and transmits a budget for each County fund to the County Board. The budget includes the requirements, the outstanding warrants, the operating reserves to be maintained, the cash on hand at the close of the preceding fiscal year, the receipts from sources other than taxation, and the

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

2. **Deposits and Investments**

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

At year end, the County's carrying amount of deposits was \$2,988,043 for County funds and \$329,110 for Fiduciary funds. The bank balances for all funds totaled \$2,957,425. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2018, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

The County's carrying value of investments is stated at cost, which approximates market. Investments consisted of \$3,529,475 deposited in the Nebraska Public Agency Investment Trust (NPAIT). NPAIT is a public entity investment pool operated under the direction of a seven-member Board of Trustees. All net income of the trust is determined as of the close of business on each banking day and is credited thereafter pro rata to each participant's account. Net income that has accrued to each participant is converted as of the close of business of each calendar month into additional units, which thereafter are held in each participant's trust account. Since net income of the fund is allocated among participants each time net income is determined, the net asset value remains at \$1.00 per unit. Securities held by NPAIT are not held in the County's name.

3. **Property Taxes**

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

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Property Taxes (Concluded)

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 2017, for the 2017 taxes, which will be materially collected in May and September 2018, was set at \$.194664/\$100 of assessed valuation. The levy set in October 2016, for the 2016 taxes, which were materially collected in May and September 2017, was set at \$.212242/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

Additionally, there is currently a statutory lid limitation, which limits taxation to the prior year's level, with provisions for growth. The lid may be increased by 1% upon the approval of a three-fourths majority of the County Board.

4. Retirement System

The Retirement System for Nebraska Counties (the Plan) is a multiple-employer plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2334 (Reissue 2012, Cum. Supp. 2016, Supp. 2017) and may be amended through legislative action.

Participation in the Plan is required of all full-time employees. Part-time (working less than one-half of the regularly scheduled hours) employees may elect voluntary participation upon reaching age 18. Part-time elected officials may exercise the option to join.

County employees and elected officials contribute 4.5% of their total compensation. In addition, the County contributes an amount equal to 150% of the employee's contribution. The contribution rates are established by § 23-2307 and § 23-2308 and may be amended through legislative action. The employee's and employer's contributions are kept in separate accounts. The employee's account is fully vested. The employer's account is fully vested after three years of participation in the system or credit for participation in another governmental plan prior to actual contribution to the Plan. Non-vested County contributions are forfeited upon termination. Forfeitures are used to cover a portion of the pension plan's administrative expenses. Prior service benefits are paid directly by the County to the retired employee. The Plan's financial statements, including pension costs and obligations, are audited annually and can be obtained from the State of Nebraska Public Employees Retirement System.

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

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, 2018, 81 employees contributed \$106,881, and the County contributed \$159,250. Contributions included \$2,144 in cash contributions towards the supplemental law enforcement plan for six law enforcement employees. Lastly, the County paid \$4,920 directly to 16 retired employees for prior service benefits.

5. **Risk Management**

The County is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of the Nebraska Intergovernmental Risk Management Association (NIRMA), a public entity risk pool currently operating as a common risk management and insurance program for 91 counties and local governments throughout Nebraska.

The County pays an annual deposit premium, as calculated by the administrator of the pool. The premium is based on the losses and exposures of each County and the entire pool. If the pool becomes insolvent or otherwise unable to discharge its legal liabilities and obligations, the County may be assessed for an additional contribution. Each county remains liable for such assessments, regardless of such county's withdrawal from participation or the termination of the agreement, as well as for liabilities of the pool incurred during such county's period of membership.

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

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

The County has not paid any additional assessments to the pool or paid out any amounts that exceeded coverage provided by the pool in the last three fiscal years. There were no significant reductions in insurance coverage from the prior year coverage.

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

6. **Interfund Transfers**

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfers to	Transfers from				Total
	General Fund	Road Fund	Inheritance Fund	Nonmajor Funds	
General Fund	\$ -	\$ -	\$ 65,000	\$ 41,054	\$ 106,054
Nonmajor Funds	384,885	190,100	15,000	-	589,985
Total	\$ 384,885	\$ 190,100	\$ 80,000	\$ 41,054	\$ 696,039

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.

Transfers from the Road Fund were to finance the Health Insurance Fund. Due to the early pay off of the jail public safety bond, the County closed the Jail Public Safety Bond Fund in 2018 and transferred the balance, totaling \$41,054, to the General Fund.

7. **Capital Leases Payable**

Changes to the commitments under a lease agreement for equipment and amounts to provide for annual rental payments are as follows:

	2015 CAT Grader
Balance July 1, 2017	\$ 119,535
Purchases	-
Payments	34,945
Balance June 30, 2018	<u>\$ 84,590</u>
Future Payments:	
Year	
2019	\$ 37,312
2020	37,312
2021	12,437
Total Payments	<u>87,061</u>
Less Interest	2,471
Present Value of Future Minimum Lease Payments	<u>\$ 84,590</u>
Carrying Value of the Related Fixed Asset	<u>\$ 265,165</u>

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,390,477	\$ 2,390,477	\$ 2,158,972	\$ (231,505)
Licenses and Permits	23,995	23,995	25,546	1,551
Interest	8,100	8,100	49,581	41,481
Intergovernmental	507,400	507,400	798,279	290,879
Charges for Services	340,450	340,450	316,886	(23,564)
Miscellaneous	13,200	13,200	11,940	(1,260)
TOTAL RECEIPTS	3,283,622	3,283,622	3,361,204	77,582
DISBURSEMENTS				
General Government:				
County Board	75,000	75,000	72,822	2,178
County Clerk	129,000	129,000	122,209	6,791
County Treasurer	168,790	168,790	159,429	9,361
County Assessor	148,200	148,200	141,891	6,309
Election Commissioner	47,000	47,000	35,792	11,208
Building and Zoning	13,125	13,125	10,267	2,858
Clerk of the District Court	90,572	90,572	85,720	4,852
County Court System	73,700	73,700	46,837	26,863
District Judge	110,163	110,163	50,947	59,216
Public Defender	83,250	83,250	74,990	8,260
Building and Grounds	169,390	169,390	152,173	17,217
Reappraisal	94,980	94,980	80,260	14,720
Agricultural Extension Agent	62,700	62,700	53,341	9,359
Miscellaneous	1,057,000	1,057,000	604,749	452,251
Public Safety				
County Sheriff	328,600	328,600	311,574	17,026
County Attorney	166,937	166,937	166,757	180
Communication Center	244,000	244,000	193,404	50,596
County Jail	492,000	492,000	465,337	26,663
Communications	81,060	81,060	65,177	15,883
Public Works				
County Surveyor	66,800	66,800	60,245	6,555
Noxious Weed Control	62,000	62,000	57,425	4,575
Public Assistance				
Veterans' Service Officer	59,637	59,637	54,651	4,986
Institutions	37,000	37,000	30,691	6,309
Relief/Medical	20,000	20,000	2,450	17,550
TOTAL DISBURSEMENTS	3,880,904	3,880,904	3,099,138	781,766

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(597,282)	(597,282)	262,066	859,348
OTHER FINANCING SOURCES (USES)				
Transfers in	167,000	167,000	106,054	(60,946)
Transfers out	-	-	(384,885)	(384,885)
TOTAL OTHER FINANCING SOURCES (USES)	167,000	167,000	(278,831)	(445,831)
Net Change in Fund Balance	(430,282)	(430,282)	(16,765)	413,517
FUND BALANCE - BEGINNING	830,282	830,282	1,037,458	207,176
FUND BALANCE - ENDING	\$ 400,000	\$ 400,000	\$ 1,020,693	\$ 620,693

(Concluded)

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Taxes	\$ 1,720,500	\$ 1,720,500	\$ 1,616,698	\$ (103,802)
Intergovernmental	1,314,872	1,314,872	1,529,442	214,570
Charges for Services	10,000	10,000	9,199	(801)
Miscellaneous	121,100	121,100	117,858	(3,242)
TOTAL RECEIPTS	3,166,472	3,166,472	3,273,197	106,725
DISBURSEMENTS	3,900,000	3,900,000	2,888,158	1,011,842
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(733,528)	(733,528)	385,039	1,118,567
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	-	(200,000)
Transfers out	(75,000)	(75,000)	(190,100)	(115,100)
TOTAL OTHER FINANCING SOURCES (USES)	125,000	125,000	(190,100)	(315,100)
Net Change in Fund Balance	(608,528)	(608,528)	194,939	803,467
FUND BALANCE - BEGINNING	1,008,528	1,008,528	1,106,075	97,547
FUND BALANCE - ENDING	\$ 400,000	\$ 400,000	\$ 1,301,014	\$ 901,014
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 225,790	\$ 225,790	\$ 351,056	\$ 125,266
TOTAL RECEIPTS	225,790	225,790	351,056	125,266
DISBURSEMENTS	1,144,554	1,144,554	156,588	987,966
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(918,764)	(918,764)	194,468	1,113,232
OTHER FINANCING SOURCES (USES)				
Transfers in	75,000	75,000	-	(75,000)
Transfers out	(517,446)	(517,446)	(80,000)	437,446
TOTAL OTHER FINANCING SOURCES (USES)	(442,446)	(442,446)	(80,000)	362,446
Net Change in Fund Balance	(1,361,210)	(1,361,210)	114,468	1,475,678
FUND BALANCE - BEGINNING	1,361,210	1,361,210	1,361,210	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 1,475,678	\$ 1,475,678

(Continued)

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>VISITOR IMPROVEMENT FUND</u>				
RECEIPTS				
Taxes	\$ 137,592	\$ 137,592	\$ 134,515	\$ (3,077)
TOTAL RECEIPTS	<u>137,592</u>	<u>137,592</u>	<u>134,515</u>	<u>(3,077)</u>
 DISBURSEMENTS	 <u>811,000</u>	 <u>811,000</u>	 <u>8,213</u>	 <u>802,787</u>
 EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	 <u>(673,408)</u>	 <u>(673,408)</u>	 <u>126,302</u>	 <u>799,710</u>
 OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(4,000)	(4,000)	-	4,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>	<u>4,000</u>
 Net Change in Fund Balance	 (677,408)	 (677,408)	 126,302	 803,710
FUND BALANCE - BEGINNING	677,408	677,408	673,711	(3,697)
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 800,013</u>	<u>\$ 800,013</u>

(Concluded)

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EMERGENCY BRIDGE FUND				
Receipts	\$ 100,403	\$ 100,403	\$ 103,322	\$ 2,919
Disbursements	(453,700)	(453,700)	(10,329)	443,371
Transfers in	50,000	50,000	-	(50,000)
Net Change in Fund Balance	(303,297)	(303,297)	92,993	396,290
Fund Balance - Beginning	303,297	303,297	303,297	-
Fund Balance - Ending	\$ -	\$ -	\$ 396,290	\$ 396,290
HIGHWAY BUYBACK FUND				
Receipts	\$ 180,293	\$ 180,293	\$ 180,176	\$ (117)
Disbursements	(705,500)	(705,500)	(215,644)	489,856
Net Change in Fund Balance	(525,207)	(525,207)	(35,468)	489,739
Fund Balance - Beginning	525,207	525,207	525,207	-
Fund Balance - Ending	\$ -	\$ -	\$ 489,739	\$ 489,739
VISITOR PROMOTION FUND				
Receipts	\$ 117,481	\$ 117,481	\$ 135,698	\$ 18,217
Disbursements	(190,000)	(190,000)	(118,290)	71,710
Net Change in Fund Balance	(72,519)	(72,519)	17,408	89,927
Fund Balance - Beginning	72,519	72,519	72,519	-
Fund Balance - Ending	\$ -	\$ -	\$ 89,927	\$ 89,927
REGISTER OF DEEDS PRESERVATION FUND				
Receipts	\$ 4,605	\$ 4,605	\$ 4,043	\$ (562)
Disbursements	(15,000)	(15,000)	(1,461)	13,539
Transfers in	4,000	4,000	-	(4,000)
Net Change in Fund Balance	(6,395)	(6,395)	2,582	8,977
Fund Balance - Beginning	6,395	6,395	10,092	3,697
Fund Balance - Ending	\$ -	\$ -	\$ 12,674	\$ 12,674
HEALTH INSURANCE FUND				
Receipts	\$ 648,996	\$ 648,996	\$ 23,938	\$ (625,058)
Disbursements	(1,120,000)	(1,120,000)	(449,763)	670,237
Transfers in	100,000	100,000	574,985	474,985
Net Change in Fund Balance	(371,004)	(371,004)	149,160	520,164
Fund Balance - Beginning	371,004	371,004	380,784	9,780
Fund Balance - Ending	\$ -	\$ -	\$ 529,944	\$ 529,944

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
VETERANS' AID FUND				
Receipts	\$ -	\$ -	\$ 1,210	\$ 1,210
Disbursements	(6,216)	(6,216)	-	6,216
Net Change in Fund Balance	(6,216)	(6,216)	1,210	7,426
Fund Balance - Beginning	6,216	6,216	6,216	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,426</u>	<u>\$ 7,426</u>
BOOKMOBILE FUND				
Receipts	\$ 67,257	\$ 67,257	\$ 69,193	\$ 1,936
Disbursements	(130,000)	(130,000)	(91,392)	38,608
Net Change in Fund Balance	(62,743)	(62,743)	(22,199)	40,544
Fund Balance - Beginning	62,743	62,743	62,743	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,544</u>	<u>\$ 40,544</u>
DRUG AND ALCOHOL FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(21,499)	(21,499)	-	21,499
Net Change in Fund Balance	(21,499)	(21,499)	-	21,499
Fund Balance - Beginning	21,499	21,499	21,499	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,499</u>	<u>\$ 21,499</u>
GRANT FUND				
Receipts	\$ 300,000	\$ 300,000	\$ -	\$ (300,000)
Disbursements	(300,000)	(300,000)	-	300,000
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EMERGENCY MANAGEMENT FUND				
Receipts	\$ 102,290	\$ 102,290	\$ 97,888	\$ (4,402)
Disbursements	(120,050)	(120,050)	(94,491)	25,559
Transfers in	15,000	15,000	15,000	-
Net Change in Fund Balance	(2,760)	(2,760)	18,397	21,157
Fund Balance - Beginning	2,760	2,760	5,365	2,605
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,762</u>	<u>\$ 23,762</u>

(Continued)

CHERRY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
911 EMERGENCY SERVICES FUND				
Receipts	\$ 20,238	\$ 20,238	\$ 18,957	\$ (1,281)
Disbursements	(68,000)	(68,000)	(52,894)	15,106
Net Change in Fund Balance	(47,762)	(47,762)	(33,937)	13,825
Fund Balance - Beginning	47,762	47,762	53,512	5,750
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,575</u>	<u>\$ 19,575</u>
JAIL PUBLIC SAFETY BOND FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	-	-	-	-
Transfers out	(41,054)	(41,054)	(41,054)	-
Net Change in Fund Balance	(41,054)	(41,054)	(41,054)	-
Fund Balance - Beginning	41,054	41,054	41,054	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COURTHOUSE BUILDING FUND				
Receipts	\$ 70,202	\$ 70,202	\$ 74,365	\$ 4,163
Disbursements	(275,000)	(275,000)	(32,328)	242,672
Transfers in	26,500	26,500	-	(26,500)
Net Change in Fund Balance	(178,298)	(178,298)	42,037	220,335
Fund Balance - Beginning	178,298	178,298	172,548	(5,750)
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,585</u>	<u>\$ 214,585</u>
HOSPITAL FUND				
Receipts	\$ 50,221	\$ 50,221	\$ 51,676	\$ 1,455
Disbursements	(72,700)	(72,700)	-	72,700
Net Change in Fund Balance	(22,479)	(22,479)	51,676	74,155
Fund Balance - Beginning	22,479	22,479	22,479	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,155</u>	<u>\$ 74,155</u>

(Concluded)

CHERRY COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	Emergency Bridge Fund	Highway Buyback Fund	Visitor Promotion Fund	Register of Deeds Preservation Fund	Health Insurance Fund
RECEIPTS					
Property Taxes	\$ 92,596	\$ -	\$ 134,516	\$ -	\$ -
Intergovernmental	10,726	180,176	-	-	-
Charges for Services	-	-	-	4,043	-
Miscellaneous	-	-	1,182	-	23,938
TOTAL RECEIPTS	103,322	180,176	135,698	4,043	23,938
DISBURSEMENTS					
General Government	-	-	-	1,461	449,763
Public Safety	-	-	-	-	-
Public Works	10,329	215,644	-	-	-
Culture and Recreation	-	-	118,290	-	-
TOTAL DISBURSEMENTS	10,329	215,644	118,290	1,461	449,763
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	92,993	(35,468)	17,408	2,582	(425,825)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	574,985
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	574,985
Net Change in Fund Balances	92,993	(35,468)	17,408	2,582	149,160
FUND BALANCES - BEGINNING	303,297	525,207	72,519	10,092	380,784
FUND BALANCES - ENDING	\$ 396,290	\$ 489,739	\$ 89,927	\$ 12,674	\$ 529,944
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	89,927	-	-
911 Emergency Services	-	-	-	-	-
Preservation of Records	-	-	-	12,674	-
Road Maintenance	-	489,739	-	-	-
Committed to:					
Law Enforcement	-	-	-	-	-
Road Maintenance	396,290	-	-	-	-
Aid and Assistance	-	-	-	-	-
County Buildings	-	-	-	-	-
Health Insurance	-	-	-	-	529,944
Library Services	-	-	-	-	-
Emergency Services	-	-	-	-	-
Hospital Services	-	-	-	-	-
TOTAL FUND BALANCES	\$ 396,290	\$ 489,739	\$ 89,927	\$ 12,674	\$ 529,944

(Continued)

CHERRY COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	Veterans' Aid Fund	Bookmobile Fund	Drug and Alcohol Fund	Emergency Management Fund	911 Emergency Services Fund
RECEIPTS					
Property Taxes	\$ -	\$ 62,157	\$ -	\$ 54,606	\$ 18,957
Intergovernmental	-	7,036	-	43,282	-
Charges for Services	-	-	-	-	-
Miscellaneous	1,210	-	-	-	-
TOTAL RECEIPTS	<u>1,210</u>	<u>69,193</u>	<u>-</u>	<u>97,888</u>	<u>18,957</u>
DISBURSEMENTS					
General Government	-	-	-	-	-
Public Safety	-	-	-	94,491	52,894
Public Works	-	-	-	-	-
Culture and Recreation	-	91,392	-	-	-
TOTAL DISBURSEMENTS	<u>-</u>	<u>91,392</u>	<u>-</u>	<u>94,491</u>	<u>52,894</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>1,210</u>	<u>(22,199)</u>	<u>-</u>	<u>3,397</u>	<u>(33,937)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	15,000	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Net Change in Fund Balances	1,210	(22,199)	-	18,397	(33,937)
FUND BALANCES - BEGINNING	<u>6,216</u>	<u>62,743</u>	<u>21,499</u>	<u>5,365</u>	<u>53,512</u>
FUND BALANCES - ENDING	<u>\$ 7,426</u>	<u>\$ 40,544</u>	<u>\$ 21,499</u>	<u>\$ 23,762</u>	<u>\$ 19,575</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	-
911 Emergency Services	-	-	-	-	19,575
Preservation of Records	-	-	-	-	-
Road Maintenance	-	-	-	-	-
Committed to:					
Law Enforcement	-	-	21,499	-	-
Road Maintenance	-	-	-	-	-
Aid and Assistance	7,426	-	-	-	-
County Buildings	-	-	-	-	-
Health Insurance	-	-	-	-	-
Library Services	-	40,544	-	-	-
Emergency Services	-	-	-	23,762	-
Hospital Services	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 7,426</u>	<u>\$ 40,544</u>	<u>\$ 21,499</u>	<u>\$ 23,762</u>	<u>\$ 19,575</u>

(Continued)

CHERRY COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	Jail Public Safety Bond Fund	Courthouse Building Fund	Hospital Fund	Total Nonmajor Governmental Funds
RECEIPTS				
Property Taxes	\$ -	\$ 66,828	\$ 46,308	\$ 475,968
Intergovernmental	-	7,537	5,368	254,125
Charges for Services	-	-	-	4,043
Miscellaneous	-	-	-	26,330
TOTAL RECEIPTS	<u>-</u>	<u>74,365</u>	<u>51,676</u>	<u>760,466</u>
DISBURSEMENTS				
General Government	-	32,328	-	483,552
Public Safety	-	-	-	147,385
Public Works	-	-	-	225,973
Culture and Recreation	-	-	-	209,682
TOTAL DISBURSEMENTS	<u>-</u>	<u>32,328</u>	<u>-</u>	<u>1,066,592</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>-</u>	<u>42,037</u>	<u>51,676</u>	<u>(306,126)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	589,985
Transfers out	(41,054)	-	-	(41,054)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(41,054)</u>	<u>-</u>	<u>-</u>	<u>548,931</u>
Net Change in Fund Balances	(41,054)	42,037	51,676	242,805
FUND BALANCES - BEGINNING	<u>41,054</u>	<u>172,548</u>	<u>22,479</u>	<u>1,677,315</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 214,585</u>	<u>\$ 74,155</u>	<u>\$ 1,920,120</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	-	-	-	89,927
911 Emergency Services	-	-	-	19,575
Preservation of Records	-	-	-	12,674
Road Maintenance	-	-	-	489,739
Committed to:				
Law Enforcement	-	-	-	21,499
Road Maintenance	-	-	-	396,290
Aid and Assistance	-	-	-	7,426
County Buildings	-	214,585	-	214,585
Health Insurance	-	-	-	529,944
Library Services	-	-	-	40,544
Emergency Services	-	-	-	23,762
Hospital Services	-	-	74,155	74,155
TOTAL FUND BALANCES	<u>\$ -</u>	<u>\$ 214,585</u>	<u>\$ 74,155</u>	<u>\$ 1,920,120</u>

(Concluded)

CHERRY COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2018

	County Clerk	County Health Insurance Account	Clerk of the District Court	County Sheriff	County Justice Center	County Attorney	Highway Superintendent	Veterans' Service Officer	Visitor's Center	Extension Office	Total
BALANCES JULY 1, 2017	\$ 26,575	\$ 75,000	\$ 41,854	\$ 1,876	\$ 381	\$ 10	\$ 2,214	\$ 4,221	\$ 5,969	\$ 9	\$ 158,109
RECEIPTS											
Licenses and Permits	950	-	-	785	-	-	-	-	-	-	1,735
Intergovernmental	-	-	-	7,000	-	-	-	-	21,076	-	28,076
Charges for Services	46,870	-	7,333	19,191	8,419	350	118,318	-	-	-	200,481
Miscellaneous	2,358	595,506	-	106	-	-	-	-	1,182	-	599,152
State Fees	62,703	-	6,674	-	-	-	1,367	-	-	-	70,744
Other Liabilities	2,390	-	705,938	6,304	42,789	3,900	-	-	-	-	761,321
TOTAL RECEIPTS	115,271	595,506	719,945	33,386	51,208	4,250	119,685	-	22,258	-	1,661,509
DISBURSEMENTS											
Payments to County Treasurer	51,122	-	6,624	28,091	8,103	170	119,032	1,210	1,182	9	215,543
Payments to State Treasurer	75,464	-	6,949	-	-	-	1,284	-	-	-	83,697
Other Liabilities	4,722	595,506	694,196	6,201	42,765	3,910	-	1,000	19,045	-	1,367,345
TOTAL DISBURSEMENTS	131,308	595,506	707,769	34,292	50,868	4,080	120,316	2,210	20,227	9	1,666,585
BALANCES JUNE 30, 2018	\$ 10,538	\$ 75,000	\$ 54,030	\$ 970	\$ 721	\$ 180	\$ 1,583	\$ 2,011	\$ 8,000	\$ -	\$ 153,033
BALANCES CONSIST OF:											
Due to County Treasurer	\$ 3,997	\$ -	\$ 1,503	\$ 866	\$ 545	\$ 180	\$ 1,500	\$ 2,011	\$ 8,000	\$ -	\$ 18,602
Petty Cash	1,500	75,000	-	-	-	-	-	-	-	-	76,500
Due to State Treasurer	4,963	-	688	-	-	-	83	-	-	-	5,734
Due to Others	78	-	51,839	104	176	-	-	-	-	-	52,197
BALANCES JUNE 30, 2018	\$ 10,538	\$ 75,000	\$ 54,030	\$ 970	\$ 721	\$ 180	\$ 1,583	\$ 2,011	\$ 8,000	\$ -	\$ 153,033

CHERRY COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2018

Item	2013	2014	2015	2016	2017
Tax Certified by Assessor					
Real Estate	\$ 17,689,237	\$ 18,431,921	\$ 19,241,332	\$ 19,505,747	\$ 19,547,401
Personal and Specials	745,101	916,505	1,067,577	939,279	878,502
Total	18,434,338	19,348,426	20,308,909	20,445,026	20,425,903
Corrections					
Additions	26,439	4,574	6,210	4,476	4,495
Deductions	(4,213)	(2,257)	(8,997)	(969)	(2,548)
Net Additions/ (Deductions)	22,226	2,317	(2,787)	3,507	1,947
Corrected Certified Tax	18,456,564	19,350,743	20,306,122	20,448,533	20,427,850
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2014	10,428,463	-	-	-	-
June 30, 2015	8,019,570	11,199,628	-	-	-
June 30, 2016	5,926	8,145,572	11,648,722	-	-
June 30, 2017	2,036	3,955	8,649,330	11,433,489	-
June 30, 2018	393	1,233	5,454	9,006,429	11,783,350
Total Net Collections	18,456,388	19,350,388	20,303,506	20,439,918	11,783,350
Total Uncollected Tax	\$ 176	\$ 355	\$ 2,616	\$ 8,615	\$ 8,644,500
Percentage Uncollected Tax	0.00%	0.00%	0.01%	0.04%	42.32%

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov

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

CHERRY COUNTY

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

Board of Commissioners
Cherry County, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cherry County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Cherry County's basic financial statements, and have issued our report thereon dated August 28, 2018. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and do not include the financial data of the Cherry County Hospital, a component unit of Cherry County.

Internal Control Over Financial Reporting

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

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

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

- The County offices lacked a segregation of duties, as one person could handle all aspects of processing a transaction from beginning to end. Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. Inadequate segregation of duties could lead to the misappropriation of assets or improper reporting. Due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost.

County's Response: Cherry County has implemented measures that include oversight from the County Board, County Clerk, Deputy Clerk and other staff members that reconcile and review each transaction of Cherry County.

Compliance and Other Matters

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

Additional Items

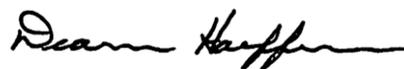
We also noted certain matters that we reported to the management of Cherry County in a separate letter dated August 28, 2018.

Cherry County's Response to Findings

Cherry County's response to the findings identified in our audit is described above. Cherry County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

August 28, 2018



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov

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

August 28, 2018

Board of Commissioners
Cherry County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Cherry County (County) for the fiscal year ended June 30, 2018, and have issued our report thereon dated August 28, 2018. 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

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.

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 recommend the County review this situation. As always, the County must weigh the cost of hiring additional personnel versus the benefit of a proper segregation of duties.

County's Response: Cherry County has implemented measures that include oversight from the County Board, County Clerk, Deputy Clerk and other staff members that reconcile and review each transaction of Cherry County.

Board Approval of Fees

During our audit, we noted multiple offices that charged fees for services that were not approved by the County Board, as described below.

- Accident report and fingerprint fees charged by the County Sheriff
- Rock, culvert, and other items for sale by the County Highway Department
- Plat map fees charged by the County Clerk

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

When fees charged by the County offices are not approved by the County Board, there is an increased risk of loss or misuse of County funds. A similar finding was noted in the prior audit.

We recommend the County Board approve – as well as document such approval – all fees charged by the County and its offices.

County's Response: The county board has reviewed and adopted a fee schedule for accident reports, fingerprint fees, plat map fees and items sold by the County Road Department, to include rock and culverts.

COUNTY BOARD

County Attorney Contract

During the audit, we noted the County Attorney is reimbursed by the County for office expenses, clerical salaries, equipment rental, and office space; however, such reimbursements are not supported by a written agreement. In addition, while some supporting documentation was on file at the County Attorney's office, none was filed with the County Board. Reimbursements to the County Attorney for the fiscal year totaled \$99,921, of which \$85,392 was for clerical salaries.

Good internal controls and sound accounting practices require a written agreement signed by both parties when monthly payments are made for services provided. Also, good internal controls require that procedures be in place to ensure all claims are supported by adequate documentation.

Without such a written agreement or adequate documentation, there is an increased risk for the loss, theft, or misuse of County funds. This was also a prior year finding.

We recommend the County Board enter into a written contract, as well as obtain documentation of all related expenditures to be filed with the County Board, when making payments for services provided.

Claim Procedures

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

- For two of five credit card claims tested, the claim included Nebraska sales tax on hotel rooms, totaling \$150. For three of those five credit card claims tested, the claims included charges, totaling \$61, that were not supported by an itemized receipt.
- We noted three claims, totaling \$209, that were duplicate payments to claims paid previously. The duplicate payments had been discovered and refunded to the County; however, the duplicate payments were discovered by the vendor and not the County.
- For one expense reimbursement tested, the employee did not include an itemized receipt for charges, totaling \$25. The employee also had two receipts with tips of 22% and 28%, which exceeded the County's 20% tip policy.

The County's Travel Expense Reimbursement policy states, "The maximum tip percentage that will be reimbursed to the employee is 20%"

A good internal control plan and sound accounting practices require procedures to ensure credit card charges are supported by adequate documentation, and Nebraska hotel billings are direct billed, if possible, to prevent the County from being charged sales tax. Such procedures should also ensure invoices are paid only once, and County policies regarding reimbursements are followed and enforced.

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

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

County's Response: The board will continue to ask that current policy be observed and adhered to, which requires that hotel rooms booked for County business be direct billed to avoid sales tax being charged.

Itemized receipts will be required to accompany all claims presented to the County for approval.

Leave Balances

During our audit, we noted the following issues related to the County's employee leave balance procedures:

- For one salaried employee tested, vacation and sick leave balances were not accurately documented. Per the records reviewed, this employee had accumulated 3,197 hours of vacation time and 1,574 hours of sick leave.

- Proper documentation was not being maintained when an employee used leave.
- The Employee Handbook for the Roads Department does not state how much sick leave is accrued or earned per employee each pay period.

Good internal control and sound accounting practices require procedures for not only establishing in formal policies the amount of leave to be earned by employees but also documenting accurately all leave earned. Such procedures should also ensure leave is earned and used in accordance with the policies established.

Without such procedures, there is an increased risk of employees accumulating and using incorrect amounts of leave. There is also an increased risk of incorrect leave payouts being made when an employee terminates his or her position with the County.

We recommend the County Board implement procedures for not only establishing in formal policies the amount of leave to be earned by employees but also documenting accurately all leave earned. Such procedures should also ensure leave is earned and used in accordance with the policies established.

County's Response: Cherry County will implement procedures to provide for sick and vacation leave to be properly documented.

The board will amend the Road Department Employee handbook to include that one day of sick leave is earned per pay period.

COUNTY CLERK

Expenditures Reconciliation

During our audit, we noted payroll was approved and disbursed by the County Treasurer in June 2018; however, it was not shown as a disbursement by the County Clerk until July 1, 2018, resulting in a variance in the fiscal year 2018 ending balances, totaling \$349,290. The following funds were affected: General, Road, Health Insurance, Emergency Management, and Courthouse Building Funds.

Good internal control requires procedures to be in place to ensure disbursements by the County Treasurer and County Clerk are reconciled and within the same fiscal year. When variances are not identified and documented in a timely manner, there is an increased risk of loss or misuse of funds.

We recommend the County Clerk implement procedures to ensure amounts requested from the County Treasurer are reconciled and within the same fiscal year.

County's Response: The County Clerk has implemented procedures to ensure that the disbursements for requested amounts are reconciled and within the same fiscal year as the County Treasurer's record of disbursements. This change took place with the July 30, 2018 payroll. Going forward, employees will be paid the last business day of the month, instead of the first business day of the month.

COUNTY TREASURER

Property Tax Credit Certification

During our audit, we noted the County Treasurer remitted \$20,807 extra to the State as excess property tax credit. The County Treasurer did not withhold the 1% commission on property tax credit received, resulting in the statutory commission due to that office being included in the amount remitted back to the State.

Description	Amount
Total Property Tax Credit Received	\$ 2,080,559
Less: Distributed to Subdivisions	\$ 2,055,855
Less: 1% Commission Withheld	\$ 20,807
Calculated Excess	\$ 3,897
Actual Payment to the State	\$ 24,704
Excess Remitted to the State	\$ 20,807

Neb. Rev. Stat. § 77-4212(4)(b) (Supp. 2017) states the following:

Beginning with 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 credit allocation valuation in the county to the credit allocation 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 based on its share of the credits granted to all taxpayers in the taxing unit.

Good internal control requires procedures to ensure the property tax credit is distributed correctly, and the appropriate commission is retained by the County Treasurer. Without such procedures, there is a greater risk of the property tax credit being distributed incorrectly and the County Treasurer not retaining the amount of commission provided by statute.

We recommend the County Treasurer implement procedures to ensure the property tax credit is distributed correctly, and the County Treasurer retains the amount of commission permitted by statute.

Centrally Assessed Personal Property Tax Credit

During testing, we noted that the centrally assessed personal property tax credit received was not distributed correctly for 1 of 13 subdivisions tested, as the incorrect fund number was entered. Consequently, the County Treasurer distributed \$127 to Mid-Plains Community College instead of to Western Nebraska Community College.

Neb. Rev. Stat. § 77-1239(2) (Cum. Supp. 2016) provides the following:

Reimbursement to taxing subdivisions for tax revenue that will be lost because of the compensating exemption factor in subsection (2) of section 77-1238 shall be as provided in this subsection. The Property Tax Administrator shall establish the average tax rate that will be used for purposes of reimbursing taxing subdivisions pursuant to this subsection. The average tax rate shall be equal to the total property taxes levied in the state divided by the total taxable value of all taxable property in the state as certified pursuant to

section 77-1613.01. The Tax Commissioner shall certify, on or before January 30 of each year, to the Director of Administrative Services the total valuation that will be lost to all taxing subdivisions within each county because of the compensating exemption factor in subsection (2) of section 77-1238. Such amount, multiplied by the average tax rate calculated pursuant to this subsection, shall be the tax revenue to be reimbursed to the taxing subdivisions by the state. Reimbursement of the tax revenue lost for public service entities shall be made to each county according to the certification and shall be distributed among the taxing subdivisions within each county in the same proportion as all public service entity taxes levied by the taxing subdivisions. Reimbursement of the tax revenue lost for railroads shall be made to each county according to the certification and shall be distributed among the taxing subdivisions within each county in the same proportion as all railroad taxes levied by taxing subdivisions. Reimbursement of the tax revenue lost for car line companies shall be distributed in the same manner as the taxes collected pursuant to section 77-684. Reimbursement of the tax revenue lost for air carriers shall be distributed in the same manner as the taxes collected pursuant to section 77-1250.

Good internal control requires procedures to ensure the centrally assessed property tax credit is distributed correctly to the various subdivisions. Without such procedures, there is an increased risk of the various subdivisions not receiving the correct amounts.

We recommend the County Treasurer implement procedures to ensure the centrally assessed personal property tax credit is distributed correctly to the various subdivisions.

County's Response: The County Treasurer has filed a claim with the State of Nebraska for a return of \$20,807 of unused property tax credit. The State Claims Board will meet on August 30th, 2018 to take action on the submitted claim. In the future the 1% commission will be retained by the County.

COUNTY SHERIFF AND JUSTICE CENTER

Sheriff and Justice Center Office Procedures

During the audit, we noted the County Justice Center was unable to provide the receipt books for January and February 2018. In addition, the County Sheriff did not issue receipts or keep a log of receipts for miscellaneous fees.

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

Good internal control requires procedures for ensuring that receipts or receipt logs for all fees collected by the County Justice Center and the County Sheriff are retained in accordance with applicable provisions of the Nebraska Record Retention Schedule. Without such procedures, there is an increased risk of not only the improper reporting of financial activity but also the possible loss and/or misuse of County funds.

We recommend the County Justice Center and the County Sheriff implement procedures for ensuring receipts or receipt logs for all fees collected are retained in accordance with applicable provisions of the Nebraska Record Retention Schedule.

County's Response: Cherry County will implement procedures to ensure receipts and/or receipt logs for all fees collected are retained in accordance with applicable provisions of the Nebraska Record Retention Schedule.

COUNTY VISITOR CENTER

Visitor Center Office Accountability

We noted the County Visitor Center (Center) maintains a petty cash account that was not properly reconciled to the County Board's authorized amount of \$8,000. At June 30, 2018, the Center had \$1,253 in unsupported cash items. Additionally, we noted the following:

- Receipts for a log of souvenir sales were not maintained by the Center.
- Three checks received, totaling \$1,103, were not restrictively endorsed.
- Interest earned on the Center's bank account was not remitted to the County Treasurer.

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

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

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

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

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

Additionally, good internal controls require procedures to ensure the reconciliation of any petty cash account to the authorized amount, the documentation of financial activity, and the restrictive endorsement of checks immediately upon receipt. Without such procedures, there is an increased risk of loss, theft, or misuse of funds.

We recommend the County Visitor Center implement procedures to ensure the Center's petty cash account is reconciled to the authorized amount set by the County Board, checks are restrictively endorsed immediately upon receipt, financial activity is documented, and interest earned is remitted to the County Treasurer in a timely manner.

County's Response: The County board will work with the County Visitor Center to implement procedures to ensure the Center's petty cash account is reconciled to the authorized amount set by the County Board, including, but not limited to, a copy of the monthly reconciliation to be

provided to the County Board. In addition, the County board will work with the County Visitors Center to implement procedures to ensure that all checks are restrictively endorsed immediately upon receipt, financial activity is documented and interest earned is remitted to the County Treasurer in a timely manner.

* * * * *

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

Draft copies of this report were furnished to the County to provide management with an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the County declined to respond. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

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

Sincerely,



Deann Haeffner, CPA
Assistant Deputy Auditor