

**AUDIT REPORT
OF
VALLEY COUNTY**

JULY 1, 2016, THROUGH JUNE 30, 2017

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the Auditor of Public Accounts.**

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Issued on January 9, 2018

VALLEY 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 - 21
Combining Statements and Schedules:	
Budgetary Comparison Schedule - Budget and Actual - General Fund	22
Budgetary Comparison Schedule - Budget and Actual - Major Funds	23
Budgetary Comparison Schedule - Budget and Actual - Nonmajor Funds	24 - 26
Combining Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Nonmajor Governmental Funds	27 - 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

VALLEY COUNTY
125 S. 15th Street
Ord, NE 68862

LIST OF COUNTY OFFICIALS

At June 30, 2017

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Supervisors	Bob Sevenker	Jan. 2019
	Jack VanSlyke	Jan. 2019
	John DeRiso	Jan. 2019
	Helen Cullers	Jan. 2021
	Patrick Waldmann	Jan. 2019
	Allen Cetak	Jan. 2021
	G. Steffan Baker	Jan. 2021
Assessor	Pamella Arnold	Jan. 2019
Attorney	Brandon Hanson	Jan. 2019
Clerk	Paula Musil	Jan. 2019
Election Commissioner		
Register of Deeds		
Clerk of the District Court		
Sheriff	Casey Hurlburt	Jan. 2019
Treasurer	Janet Suminski	Jan. 2019
Veterans' Service Officer	Walter Smith	Appointed
Weed Superintendent	Darrell Kaminski	Appointed
Highway Superintendent	Jay Meyer	Appointed
Emergency Manager	Ryan Simpson	Appointed
Planning / Zoning Administrator	Sheri Goodrich	Appointed



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VALLEY COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Valley 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 Valley County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

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

Basis for Adverse Opinion on the Discretely Presented Component Unit

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of Valley County, as of June 30, 2017, or the change in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and aggregate remaining fund information of Valley County, as of June 30, 2017, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Emphasis of Matters – Basis of Accounting

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

Report on Supplementary Information

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

The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, pages 22-30, 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 December 12, 2017, on our consideration of Valley 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 Valley County's internal control over financial reporting and compliance.

December 12, 2017



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 1,820,389
Investments (Note 1.D)	104,380
TOTAL ASSETS	\$ 1,924,769
NET POSITION	
Restricted for:	
Visitor Promotion	\$ 23,102
Drug Education	43
Preservation of Records	9,354
Debt Service	145,885
Economic Development	1,846
Unrestricted	1,744,539
TOTAL NET POSITION	\$ 1,924,769

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

VALLEY COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2017

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (1,710,162)	\$ 250,925	\$ 31,681	\$ (1,427,556)
Public Safety	(683,120)	123,337	-	(559,783)
Public Works	(1,853,994)	-	842,688	(1,011,306)
Public Assistance	(25,937)	-	-	(25,937)
Culture and Recreation	(14,959)	-	-	(14,959)
Debt Payments	(89,986)	-	-	(89,986)
Total Governmental Activities	<u><u>\$ (4,378,158)</u></u>	<u><u>\$ 374,262</u></u>	<u><u>\$ 874,369</u></u>	<u><u>(3,129,527)</u></u>

General Receipts:

Property Taxes	2,399,020
Grants and Contributions Not Restricted to Specific Programs	338,619
Investment Income	10,827
Licenses and Permits	23,218
Miscellaneous	230,428
Total General Receipts	<u><u>3,002,112</u></u>
 Increase in Net Position	 (127,415)
Net Position - Beginning of year	2,052,184
Net Position - End of year	<u><u>\$ 1,924,769</u></u>

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

VALLEY COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents (Note 1.D)	\$ 256,005	\$ 287,314	\$ 1,005,256	\$ 271,814	\$ 1,820,389
Investments (Note 1.D)	-	-	104,380	-	104,380
TOTAL ASSETS	<u>\$ 256,005</u>	<u>\$ 287,314</u>	<u>\$ 1,109,636</u>	<u>\$ 271,814</u>	<u>\$ 1,924,769</u>
FUND BALANCES					
Restricted for:					
Visitor Promotion	-	-	-	23,102	23,102
Drug Education	-	-	-	43	43
Preservation of Records	-	-	-	9,354	9,354
Debt Service	-	-	-	145,885	145,885
Economic Development	-	-	-	1,846	1,846
Committed to:					
Law Enforcement	-	-	-	5,073	5,073
Road Maintenance	-	287,314	-	-	287,314
Aid and Assistance	-	-	-	86,451	86,451
Planning / Zoning	-	-	-	60	60
Assigned to:					
Other Purposes	-	-	1,109,636	-	1,109,636
Unassigned	256,005	-	-	-	256,005
TOTAL CASH BASIS FUND BALANCES	<u>\$ 256,005</u>	<u>\$ 287,314</u>	<u>\$ 1,109,636</u>	<u>\$ 271,814</u>	<u>\$ 1,924,769</u>

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

VALLEY COUNTY
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS					
Property Taxes	\$2,246,842	\$ -	\$ 21,577	\$ 130,601	\$ 2,399,020
Licenses and Permits	17,624	-	-	5,594	23,218
Investment Income	10,140	-	-	687	10,827
Intergovernmental	252,985	950,193	-	9,810	1,212,988
Charges for Services	369,939	-	-	4,323	374,262
Miscellaneous	215,652	14,776	-	-	230,428
TOTAL RECEIPTS	<u>3,113,182</u>	<u>964,969</u>	<u>21,577</u>	<u>151,015</u>	<u>4,250,743</u>
DISBURSEMENTS					
General Government	1,677,032	-	4,607	28,523	1,710,162
Public Safety	683,120	-	-	-	683,120
Public Works	9,965	1,820,949	-	23,080	1,853,994
Public Assistance	15,853	-	-	10,084	25,937
Culture and Recreation	-	-	-	14,959	14,959
Debt Service:					
Principal Payments	-	-	-	80,000	80,000
Interest and Fiscal Charges	-	-	-	9,986	9,986
TOTAL DISBURSEMENTS	<u>2,385,970</u>	<u>1,820,949</u>	<u>4,607</u>	<u>166,632</u>	<u>4,378,158</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>727,212</u>	<u>(855,980)</u>	<u>16,970</u>	<u>(15,617)</u>	<u>(127,415)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	5,235	965,246	-	57,667	1,028,148
Transfers out	(830,063)	-	(198,085)	-	(1,028,148)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(824,828)</u>	<u>965,246</u>	<u>(198,085)</u>	<u>57,667</u>	<u>-</u>
Net Change in Fund Balances	(97,616)	109,266	(181,115)	42,050	(127,415)
CASH BASIS FUND BALANCES - BEGINNING					
	<u>353,621</u>	<u>178,048</u>	<u>1,290,751</u>	<u>229,764</u>	<u>2,052,184</u>
CASH BASIS FUND BALANCES - ENDING					
	<u>\$ 256,005</u>	<u>\$ 287,314</u>	<u>\$ 1,109,636</u>	<u>\$ 271,814</u>	<u>\$ 1,924,769</u>

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

VALLEY COUNTY
STATEMENT OF CASH BASIS NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 644,201
 LIABILITIES	
Due to other governments	
State	94,023
Schools	200,355
Educational Service Units	2,111
Technical College	15,755
Natural Resource Districts	5,220
Fire Districts	4,690
Municipalities	28,596
Agricultural Society	1,538
Reclamation Districts	290
Townships	12,588
Irrigation Districts	13,012
Airport	1,120
Others	264,903
TOTAL LIABILITIES	644,201
 TOTAL NET ASSETS	 \$ -

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

VALLEY COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

Valley 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 Valley County Health System (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 County contributed \$10,622 toward the operation of the Region during fiscal year 2017.

VALLEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

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

Emergency 911 Region – The County has entered into an agreement with surrounding counties to provide emergency 911 services. The agreement was established under authority of the Interlocal Cooperation Act and is known as Region 26 Emergency Management (Region 26). Member counties include: Blaine, Loup, Garfield, Greeley, Sherman, Thomas, Valley, and Wheeler in central Nebraska.

The governing board of Region 26 includes a representative from each of the participating county boards. Each county contributes financial support to Region 26. The County’s contribution in fiscal year 2017 was \$78,322. 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.

VALLEY 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.

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

VALLEY 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.

VALLEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

D. Assets and Net Position

Cash and Cash Equivalents. The County's cash and cash equivalents are considered to be cash on hand and demand deposits.

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

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

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 \$180,230 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.

VALLEY 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.

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 \$1,820,389 for County funds and \$644,201 for Fiduciary funds. The bank balances for all funds totaled \$2,563,344. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2017, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

The County's carrying value of investments is stated at cost, which approximates market. Investments consisted of \$104,380 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.

VALLEY 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 2016, for the 2016 taxes, which will be materially collected in May and September 2017, was set at \$.232370/\$100 of assessed valuation. The levy set in October 2015, for the 2015 taxes, which were materially collected in May and September 2016, was set at \$.234361/\$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

VALLEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

participation in another governmental plan prior to actual contribution to the Plan. Non-vested County contributions are forfeited upon termination. Forfeitures are used to cover a portion of the pension plan's administrative expenses. Prior service benefits are paid directly by the County to the retired employee. The Plan's financial statements, including pension costs and obligations, are audited annually and can be obtained from the State of Nebraska Public Employees Retirement System.

A supplemental retirement plan was established on January 1, 2003, for the benefit of all present and future commissioned law enforcement personnel employed by the County. Employees contribute 1% of their salary, and the County contributes an amount equal to 100% of the employee's contribution. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings.

For the year ended June 30, 2017, 61 employees contributed \$65,247, and the County contributed \$97,075. Contributions included \$1,592 in cash contributions towards the supplemental law enforcement plan for four law enforcement employees. Lastly, the County paid \$1,289 directly to nine retired employees for prior service benefits.

5. **Risk Management**

The County is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of the Nebraska Intergovernmental Risk Management Association (NIRMA), a public entity risk pool currently operating as a common risk management and insurance program for 89 counties and local governments throughout Nebraska.

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

VALLEY COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

5. **Risk Management** (Concluded)

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

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

The County has not paid any additional assessments to the pool in the last three fiscal years, and no assessments are anticipated for fiscal year 2018. The County has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

6. **Interfund Transfers**

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

Transfers to	Transfers from		Total
	General Fund	Inheritance Fund	
Road Fund	\$ 772,396	\$ 192,850	\$ 965,246
Inheritance Fund	-	-	-
General Fund	-	5,235	5,235
Nonmajor Funds	57,667	-	57,667
Total	<u>\$ 830,063</u>	<u>\$ 198,085</u>	<u>\$ 1,028,148</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.

VALLEY COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

7. **Capital Leases Payable**

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

	<u>Ambulance</u>	<u>Motorgraders</u>	<u>Total</u>
Balance July 1, 2016	\$ 28,518	\$ 132,130	\$ 160,648
Purchases	195,318	431,122	626,440
Payments	28,518	84,832	113,350
Balance June 30, 2017	<u>\$ 195,318</u>	<u>\$ 478,420</u>	<u>\$ 673,738</u>
Future Payments:			
Year			
2018	\$ 40,858	\$ 134,828	\$ 175,686
2019	40,858	134,828	175,686
2020	40,858	89,679	130,537
2021	40,858	89,679	130,537
2022	40,858	44,840	85,698
Total Payments	<u>204,290</u>	<u>493,854</u>	<u>698,144</u>
Less Interest	<u>(8,972)</u>	<u>(15,434)</u>	<u>(24,406)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 195,318</u>	<u>\$ 478,420</u>	<u>\$ 673,738</u>
Carrying Value of the Related Fixed Asset	<u>\$ 195,318</u>	<u>\$ 649,090</u>	<u>\$ 844,408</u>

8. **Land Leases**

The County entered into lease agreements with James and Virginia Knapp to lease two County properties for agricultural purposes. At the March 8, 2016, board meeting, the County extended the leases until February 28, 2018. The term of the leases include annual rent of \$11,500 for the Mortensen Tract Farm and \$17,000 for the East County Farm.

9. **Contingent Liabilities**

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

10. **Long-Term Debt**

Building Bonds

The County issued bonds on August 30, 2016, in the amount of \$485,000 for the purpose of refunding bonds issued in October 2011 for the construction and addition to the County Courthouse. The bond payable balance, as of June 30, 2017, was \$485,000. 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.

VALLEY COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

10. Long-Term Debt (Continued)

Future Payments:

Year	Principal	Interest	Total
2018	\$ 45,000	\$ 6,791	\$ 51,791
2019	45,000	6,375	51,375
2020	45,000	5,914	50,914
2021	40,000	5,448	45,448
2022	45,000	4,925	49,925
2023-2027	265,000	12,576	277,576
Total Payments	\$ 485,000	\$ 42,029	\$ 527,029

Building Bonds II

The County issued bonds on November 20, 2012, in the amount of \$435,000 for the purpose of construction and addition to the County Courthouse. The bond payable balance, as of June 30, 2017, was \$270,000. 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
2018	\$ 45,000	\$ 4,410	\$ 49,410
2019	45,000	3,892	48,892
2020	45,000	3,240	48,240
2021	45,000	2,453	47,453
2022	45,000	1,541	46,541
2023	45,000	529	45,529
Total Payments	\$ 270,000	\$ 16,065	\$ 286,065

Renovation Loan

The County entered into a loan agreement with the Loup Valley Rural Public Power District (District) on May 25, 2010, to receive \$360,000 for various courthouse renovations. The loan was to be paid back over 10 years with an annual principal due of \$36,000. The loan was non-interest bearing, but it requires a 1% administrative fee on the balance, which is also due annually for the life of the note. As of June 30, 2017, the loan payable balance was \$108,000. In order to secure the loan, the County was required initially to pay the District \$60,000, which is repaid to the County in equal yearly payments of \$6,000.

VALLEY COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

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

Future Payments:

Year	Principal	Interest	Total
2018	\$ 36,000	\$ 1,080	\$ 37,080
2019	36,000	720	36,720
2020	36,000	360	36,360
Total Payments	<u>\$ 108,000</u>	<u>\$ 2,160</u>	<u>\$ 110,160</u>

11. **Nebraska Community Foundation**

In 1999, the Valley County Board of Supervisors entered into a Designated Fund Agreement with the Nebraska Community Foundation, Inc. and established the Valley County Foundation Fund. The money invested into this fund was from the John and Alyce Wozab Memorial Fund, which was created through the last wishes of the estate of John Wozab at the date of his death in 1998. In 2007, the name of the fund was changed from the Valley County Foundation Fund to the John and Alyce Wozab Memorial Fund (Fund). The Nebraska Community Foundation handles the financial management of the Fund and each year works with the Valley County Board, which serves as the Fund Advisory Committee in making grants back to the community. The committee reviews funding proposals from organizations that provide important services throughout the County. This fund is not included in the County's financial statements.

The following is a summary of the activity in the Fund during the fiscal year ending June 30, 2017, as provided by the financial reports from the Nebraska Community Foundation, Inc.

Beginning Balance	\$ 1,252,141
Interest Income	99
Market Value Changes	51,651
Grants / Scholarships	(28,076)
Investment Fees	<u>(14,488)</u>
Ending Balance	\$ 1,261,327

VALLEY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$2,450,499	\$2,450,499	\$ 2,246,842	\$ (203,657)
Licenses and Permits	16,500	16,500	17,624	1,124
Interest	10,000	10,000	10,140	140
Intergovernmental	70,350	70,350	252,985	182,635
Charges for Services	369,740	369,740	369,939	199
Miscellaneous	6,000	6,000	215,652	209,652
TOTAL RECEIPTS	<u>2,923,089</u>	<u>2,923,089</u>	<u>3,113,182</u>	<u>190,093</u>
DISBURSEMENTS				
General Government:				
County Board	50,257	50,257	48,543	1,714
County Clerk	98,725	98,725	89,679	9,046
County Treasurer	129,591	129,591	127,737	1,854
County Assessor	166,822	166,822	161,239	5,583
Election Commissioner	19,275	19,275	14,249	5,026
Clerk of the District Court	37,590	37,590	32,708	4,882
County Court System	7,895	7,895	7,103	792
Building and Grounds	111,927	117,566	117,566	-
Agricultural Extension Agent	68,048	68,048	56,691	11,357
Miscellaneous	1,826,396	1,792,631	1,021,517	771,114
Public Safety				
County Sheriff	340,000	340,000	338,975	1,025
County Attorney	91,565	91,565	90,076	1,489
County Jail	179,100	205,613	205,613	-
Emergency Management	7,245	7,245	6,743	502
County Attorney Child Support	12,960	12,960	12,881	79
Ambulance	30,000	30,000	28,832	1,168
Public Works				
County Surveyor	12,000	12,000	9,965	2,035
Public Assistance				
Veterans' Service Officer	14,240	15,853	15,853	-
TOTAL DISBURSEMENTS	<u>3,203,636</u>	<u>3,203,636</u>	<u>2,385,970</u>	<u>817,666</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS				
	<u>(280,547)</u>	<u>(280,547)</u>	<u>727,212</u>	<u>1,007,759</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	786,982	786,982	5,235	(781,747)
Transfers out	(837,639)	(837,639)	(830,063)	7,576
TOTAL OTHER FINANCING SOURCES (USES)	<u>(50,657)</u>	<u>(50,657)</u>	<u>(824,828)</u>	<u>(774,171)</u>
Net Change in Fund Balance	(331,204)	(331,204)	(97,616)	233,588
FUND BALANCE - BEGINNING	<u>353,621</u>	<u>353,621</u>	<u>353,621</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 22,417</u>	<u>\$ 22,417</u>	<u>\$ 256,005</u>	<u>\$ 233,588</u>

VALLEY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Intergovernmental	\$ 934,181	\$ 934,181	\$ 950,193	\$ 16,012
Miscellaneous	5,000	5,000	14,776	9,776
TOTAL RECEIPTS	<u>939,181</u>	<u>939,181</u>	<u>964,969</u>	<u>25,788</u>
 DISBURSEMENTS	 <u>2,335,345</u>	 <u>2,335,345</u>	 <u>1,820,949</u>	 <u>514,396</u>
 EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	 <u>(1,396,164)</u>	 <u>(1,396,164)</u>	 <u>(855,980)</u>	 <u>540,184</u>
 OTHER FINANCING SOURCES (USES)				
Transfers in	1,286,164	1,286,164	965,246	(320,918)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,286,164</u>	<u>1,286,164</u>	<u>965,246</u>	<u>(320,918)</u>
 Net Change in Fund Balance	 (110,000)	 (110,000)	 109,266	 219,266
FUND BALANCE - BEGINNING	178,048	178,048	178,048	-
FUND BALANCE - ENDING	<u>\$ 68,048</u>	<u>\$ 68,048</u>	<u>\$ 287,314</u>	<u>\$ 219,266</u>
 INHERITANCE FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 21,577	\$ 21,577
TOTAL RECEIPTS	<u>-</u>	<u>-</u>	<u>21,577</u>	<u>21,577</u>
 DISBURSEMENTS	 <u>-</u>	 <u>-</u>	 <u>4,607</u>	 <u>(4,607)</u>
 EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	 <u>-</u>	 <u>-</u>	 <u>16,970</u>	 <u>16,970</u>
 OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(1,286,782)	(1,286,782)	(198,085)	1,088,697
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,286,782)</u>	<u>(1,286,782)</u>	<u>(198,085)</u>	<u>1,088,697</u>
 Net Change in Fund Balance	 (1,286,782)	 (1,286,782)	 (181,115)	 1,105,667
FUND BALANCE - BEGINNING	1,290,751	1,290,751	1,290,751	-
FUND BALANCE - ENDING	<u>\$ 3,969</u>	<u>\$ 3,969</u>	<u>\$ 1,109,636</u>	<u>\$ 1,105,667</u>

VALLEY COUNTY
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS**

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PLANNING / ZONING FUND				
Receipts	\$ 8,450	\$ 8,450	\$ 5,594	\$ (2,856)
Disbursements	(33,000)	(33,000)	(28,515)	4,485
Transfers in	24,550	24,550	22,981	(1,569)
Net Change in Fund Balance	-	-	60	60
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 60</u>
VISITOR PROMOTION FUND				
Receipts	\$ 14,000	\$ 14,000	\$ 12,356	\$ (1,644)
Disbursements	(14,745)	(14,745)	(9,960)	4,785
Net Change in Fund Balance	(745)	(745)	2,396	3,141
Fund Balance - Beginning	1,904	1,904	1,904	-
Fund Balance - Ending	<u>\$ 1,159</u>	<u>\$ 1,159</u>	<u>\$ 4,300</u>	<u>\$ 3,141</u>
VISITOR IMPROVEMENT FUND				
Receipts	\$ -	\$ -	\$ 12,356	\$ 12,356
Disbursements	(9,950)	(9,950)	(4,999)	4,951
Net Change in Fund Balance	(9,950)	(9,950)	7,357	17,307
Fund Balance - Beginning	11,445	11,445	11,445	-
Fund Balance - Ending	<u>\$ 1,495</u>	<u>\$ 1,495</u>	<u>\$ 18,802</u>	<u>\$ 17,307</u>
REGISTER OF DEEDS FUND				
Receipts	\$ 3,000	\$ 3,000	\$ 3,473	\$ 473
Disbursements	(6,000)	(6,000)	-	6,000
Net Change in Fund Balance	(3,000)	(3,000)	3,473	6,473
Fund Balance - Beginning	5,881	5,881	5,881	-
Fund Balance - Ending	<u>\$ 2,881</u>	<u>\$ 2,881</u>	<u>\$ 9,354</u>	<u>\$ 6,473</u>
RELIEF FUND				
Receipts	\$ 15,225	\$ 15,225	\$ 15,130	\$ (95)
Disbursements	(18,650)	(18,650)	(10,084)	8,566
Transfers in	-	-	11,606	11,606
Net Change in Fund Balance	(3,425)	(3,425)	16,652	20,077
Fund Balance - Beginning	39,198	39,198	39,198	-
Fund Balance - Ending	<u>\$ 35,773</u>	<u>\$ 35,773</u>	<u>\$ 55,850</u>	<u>\$ 20,077</u>

VALLEY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
VETERANS' AID FUND				
Receipts	\$ 100	\$ 100	\$ 86	\$ (14)
Disbursements	(20,000)	(20,000)	-	20,000
Net Change in Fund Balance	(19,900)	(19,900)	86	19,986
Fund Balance - Beginning	30,515	30,515	30,515	-
Fund Balance - Ending	<u>\$ 10,615</u>	<u>\$ 10,615</u>	<u>\$ 30,601</u>	<u>\$ 19,986</u>
STOP PROGRAM FUND				
Receipts	\$ 6,000	\$ 6,000	\$ 850	\$ (5,150)
Disbursements	(10,000)	(10,000)	-	10,000
Net Change in Fund Balance	(4,000)	(4,000)	850	4,850
Fund Balance - Beginning	4,223	4,223	4,223	-
Fund Balance - Ending	<u>\$ 223</u>	<u>\$ 223</u>	<u>\$ 5,073</u>	<u>\$ 4,850</u>
DRUG LAW ENFORCEMENT AND EDUCATION FUND				
Receipts	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Disbursements	(5,000)	(5,000)	-	5,000
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	43	43	43	-
Fund Balance - Ending	<u>\$ 43</u>	<u>\$ 43</u>	<u>\$ 43</u>	<u>\$ -</u>
GRANT FUND				
Receipts	\$ 520,000	\$ 520,000	\$ -	\$ (520,000)
Disbursements	(520,000)	(520,000)	(8)	519,992
Net Change in Fund Balance	-	-	(8)	(8)
Fund Balance - Beginning	1,854	1,854	1,854	-
Fund Balance - Ending	<u>\$ 1,854</u>	<u>\$ 1,854</u>	<u>\$ 1,846</u>	<u>\$ (8)</u>
DEBT SERVICE FUND				
Receipts	\$ 101,375	\$ 101,375	\$ 101,170	\$ (205)
Disbursements	(101,375)	(101,375)	(89,986)	11,389
Net Change in Fund Balance	-	-	11,184	11,184
Fund Balance - Beginning	134,701	134,701	134,701	-
Fund Balance - Ending	<u>\$ 134,701</u>	<u>\$ 134,701</u>	<u>\$ 145,885</u>	<u>\$ 11,184</u>

(Continued)

VALLEY COUNTY
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS**

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
NOXIOUS WEED FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(26,725)	(26,725)	(23,080)	3,645
Transfers in	26,725	26,725	23,080	(3,645)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

(Concluded)

VALLEY COUNTY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Planning / Zoning Fund	Visitor Promotion Fund	Visitor Improvement Fund	Register of Deeds Fund	Relief Fund	Veterans' Aid Fund
RECEIPTS						
Property Taxes	\$ -	\$ 12,356	\$ 12,356	\$ -	\$ 13,823	\$ -
Licenses and Permits	5,594	-	-	-	-	-
Investment Income	-	-	-	-	-	86
Intergovernmental	-	-	-	-	1,307	-
Charges for Services	-	-	-	3,473	-	-
TOTAL RECEIPTS	<u>5,594</u>	<u>12,356</u>	<u>12,356</u>	<u>3,473</u>	<u>15,130</u>	<u>86</u>
DISBURSEMENTS						
General Government	28,515	-	-	-	-	-
Public Works	-	-	-	-	-	-
Public Assistance	-	-	-	-	10,084	-
Culture and Recreation	-	9,960	4,999	-	-	-
Debt Service:						
Principal Payments	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>28,515</u>	<u>9,960</u>	<u>4,999</u>	<u>-</u>	<u>10,084</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(22,921)</u>	<u>2,396</u>	<u>7,357</u>	<u>3,473</u>	<u>5,046</u>	<u>86</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	22,981	-	-	-	11,606	-
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>22,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,606</u>	<u>-</u>
Net Change in Fund Balances	60	2,396	7,357	3,473	16,652	86
FUND BALANCES - BEGINNING	<u>-</u>	<u>1,904</u>	<u>11,445</u>	<u>5,881</u>	<u>39,198</u>	<u>30,515</u>
FUND BALANCES - ENDING	<u>\$ 60</u>	<u>\$ 4,300</u>	<u>\$ 18,802</u>	<u>\$ 9,354</u>	<u>\$ 55,850</u>	<u>\$ 30,601</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	4,300	18,802	-	-	-
Drug Education	-	-	-	-	-	-
Preservation of Records	-	-	-	9,354	-	-
Debt Service	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-
Committed to:						
Law Enforcement	-	-	-	-	-	-
Aid and Assistance	-	-	-	-	55,850	30,601
County Buildings	-	-	-	-	-	-
Planning / Zoning	60	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 60</u>	<u>\$ 4,300</u>	<u>\$ 18,802</u>	<u>\$ 9,354</u>	<u>\$ 55,850</u>	<u>\$ 30,601</u>

(Continued)

VALLEY COUNTY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	STOP Program Fund	Drug Law Enforcement and Education Fund	Grant Fund	Debt Service Fund	Noxious Weed Fund	Total Nonmajor Governmental Funds
RECEIPTS						
Property Taxes	\$ -	\$ -	\$ -	\$ 92,066	\$ -	\$ 130,601
Licenses and Permits	-	-	-	-	-	5,594
Investment Income	-	-	-	601	-	687
Intergovernmental	-	-	-	8,503	-	9,810
Charges for Services	850	-	-	-	-	4,323
TOTAL RECEIPTS	850	-	-	101,170	-	151,015
DISBURSEMENTS						
General Government	-	-	8	-	-	28,523
Public Works	-	-	-	-	23,080	23,080
Public Assistance	-	-	-	-	-	10,084
Culture and Recreation	-	-	-	-	-	14,959
Debt Service:						
Principal Payments	-	-	-	80,000	-	80,000
Interest and Fiscal Charges	-	-	-	9,986	-	9,986
TOTAL DISBURSEMENTS	-	-	8	89,986	23,080	166,632
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	850	-	(8)	11,184	(23,080)	(15,617)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	23,080	57,667
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	23,080	57,667
Net Change in Fund Balances	850	-	(8)	11,184	-	42,050
FUND BALANCES - BEGINNING	4,223	43	1,854	134,701	-	229,764
FUND BALANCES - ENDING	\$ 5,073	\$ 43	\$ 1,846	\$ 145,885	\$ -	\$ 271,814
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	-	-	-	-	23,102
Drug Education	-	43	-	-	-	43
Preservation of Records	-	-	-	-	-	9,354
Debt Service	-	-	-	145,885	-	145,885
Economic Development	-	-	1,846	-	-	1,846
Committed to:						
Law Enforcement	5,073	-	-	-	-	5,073
Aid and Assistance	-	-	-	-	-	86,451
County Buildings	-	-	-	-	-	-
Planning / Zoning	-	-	-	-	-	60
TOTAL FUND BALANCES	\$ 5,073	\$ 43	\$ 1,846	\$ 145,885	\$ -	\$ 271,814

(Concluded)

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

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Highway Superintendent	County Planning and Zoning	Veterans' Service Officer	Total
BALANCES JULY 1, 2016	\$ 8,274	\$ 31,199	\$ 11,477	\$ 2,022	\$ 50	\$ 869	\$ 11,431	\$ 65,322
RECEIPTS								
Property Taxes	-	-	8,666	-	-	-	-	8,666
Licenses and Permits	400	-	730	-	-	-	-	1,130
Intergovernmental	-	-	-	-	-	8,158	-	8,158
Charges for Services	45,097	8,888	58,847	-	14,777	420	-	128,029
Miscellaneous	357	-	732	-	-	-	3	1,092
State Fees	38,252	7,432	-	-	-	-	-	45,684
Other Liabilities	42	442,822	104,364	100,526	-	-	-	647,754
TOTAL RECEIPTS	84,148	459,142	173,339	100,526	14,777	8,578	3	840,513
DISBURSEMENTS								
Payments to County Treasurer	45,093	8,074	71,928	50	14,777	5,594	-	145,516
Payments to State Treasurer	35,535	6,531	-	-	-	-	-	42,066
Other Liabilities	1,242	219,967	104,306	100,461	-	-	1,940	427,916
TOTAL DISBURSEMENTS	81,870	234,572	176,234	100,511	14,777	5,594	1,940	615,498
BALANCES JUNE 30, 2017	<u>\$ 10,552</u>	<u>\$ 255,769</u>	<u>\$ 8,582</u>	<u>\$ 2,037</u>	<u>\$ 50</u>	<u>\$ 3,853</u>	<u>\$ 9,494</u>	<u>\$ 290,337</u>
BALANCES CONSIST OF:								
Due to County Treasurer	\$ 3,973	\$ 1,611	\$ 8,532	\$ -	\$ -	\$ 3,853	\$ 9,494	\$ 27,463
Petty Cash	-	-	50	-	50	-	-	100
Due to State Treasurer	5,779	1,515	-	-	-	-	-	7,294
Due to Others	800	252,643	-	2,037	-	-	-	255,480
BALANCES JUNE 30, 2017	<u>\$ 10,552</u>	<u>\$ 255,769</u>	<u>\$ 8,582</u>	<u>\$ 2,037</u>	<u>\$ 50</u>	<u>\$ 3,853</u>	<u>\$ 9,494</u>	<u>\$ 290,337</u>

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

Item	2012	2013	2014	2015	2016
Tax Certified by Assessor					
Real Estate	\$ 10,137,717	\$ 11,225,434	\$ 13,218,952	\$ 13,249,336	\$ 13,575,513
Personal and Specials	1,122,939	1,203,474	1,217,790	1,168,382	1,106,895
Total	11,260,656	12,428,908	14,436,742	14,417,718	14,682,408
Corrections					
Additions	3,995	5,243	7,831	2,998	200
Deductions	(1,401)	(1,391)	(2,496)	(58)	(460)
Net Additions/ (Deductions)	2,594	3,852	5,335	2,940	(260)
Corrected Certified Tax	11,263,250	12,432,760	14,442,077	14,420,658	14,682,148
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2013	6,690,412	-	-	-	-
June 30, 2014	4,562,232	7,508,147	-	-	-
June 30, 2015	7,703	4,910,027	8,859,771	-	-
June 30, 2016	1,819	9,346	5,572,727	8,830,255	-
June 30, 2017	325	3,949	5,694	5,572,909	8,868,331
Total Net Collections	11,262,491	12,431,469	14,438,192	14,403,164	8,868,331
Total Uncollected Tax	\$ 759	\$ 1,291	\$ 3,885	\$ 17,494	\$ 5,813,817
Percentage Uncollected Tax	0.01%	0.01%	0.03%	0.12%	39.60%

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



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VALLEY 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
Valley 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 Valley County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Valley County's basic financial statements, and have issued our report thereon dated December 12, 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 Valley County Hospital, a component unit of Valley County.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Valley 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 Valley 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 Valley 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 Valley County in a separate letter dated December 12, 2017.

Valley County's Response to Findings

Valley 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

December 12, 2017



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 12, 2017

Board of Supervisors
Valley County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Valley County (County) for the fiscal year ended June 30, 2017, and have issued our report thereon dated December 12, 2017. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

During our audit, we noted certain matters involving internal control over financial reporting and other operational matters that are presented here. These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

COUNTY OVERALL

Segregation of Duties

Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A system of internal control should include a proper segregation of duties, so no one individual is capable of handling all phases of a transaction from beginning to end.

We noted the offices of the County each lacked a segregation of duties, as one person could handle all aspects of processing a transaction from beginning to end. A lack of segregation of duties increases the risk of possible errors or irregularities; however, due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost. This was also noted in prior audits.

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

COUNTY ATTORNEY

Attorney Office Procedures

We noted the following issues while reviewing the County Attorney's office procedures:

- Cash received in the office was not deposited into the bank account and paid out via a check. Instead, the cash was forwarded on to the defendant.
- Receipts were not issued for checks received in the office.
- Checks received in the office were not restrictively endorsed immediately upon receipt.
- The office maintained a balance of \$2,022 in the office's checking account. That amount appears to have been received as a donation to support the LB 1184 task force several years ago. No additional money was received, and no money was disbursed during fiscal year 2017.

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

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

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

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

Additionally, good internal controls require cash to be deposited to the bank intact, receipts to be issued for all money received, and checks to be restrictively endorsed upon receipt.

When cash received in the office is not deposited intact, receipts are not issued for all money received in the office, and checks are not restrictively endorsed immediately upon receipt, there is an increased risk for loss and/or misuse of funds. Additionally, when all money due to the County is not deposited with the County Treasurer, the office is not in compliance with State statute, and there is an increased risk for loss or misuse of funds.

We recommend the County Attorney implement procedures to ensure all cash received in the office is deposited, receipts are issued for all money received in the office, and checks are restrictively endorsed immediately upon receipt. Additionally, we recommend the balance held in the office's checking account be remitted to the County Treasurer and disbursements be approved by the County Board through the claim process.

COUNTY BOARD

Claims

During our review of claims approved by the County Board, we noted the following:

- Eight credit card charges, totaling \$130, did not include itemized receipts for meal purchases.
- Two claims tested, totaling \$75, did not have any supporting documentation attached to the claim.
- Three credit card charges for hotel rooms included sales tax, totaling \$112.

A good internal control plan requires procedures to be in place to ensure all claims submitted and approved by the County Board include adequate supporting documentation, including itemized receipts for credit card charges. Without such procedures, there is an increased risk for loss or misuse of County funds. Additionally, Neb. Rev. Stat. § 77-2704.15 (Cum. Supp. 2016) exempts various entities, including Nebraska counties, from paying sales tax.

We recommend the County implement procedures to require detailed supporting documentation for all claims prior to approval and payment. Furthermore, we recommend all hotel bills be direct billed to the County to avoid payment of sales tax.

Related Party Transaction

During our audit, we noted that, in June 2017, County Board member Allen Cetak did not abstain from voting on a claim for \$768 payable to AJ Cetak's Meat Market, an entity in which he had a financial interest.

Neb. Rev. Stat. § 49-14,103.01 (Reissue 2010) provides, in relevant part, the following:

(1) For purposes of sections 49-14,103.01 to 49-14,103.06, unless the context otherwise requires, officer means . . . a member of any board or commission of any county . . .

* * * *

(2) Except as provided in section 49-1499.04 or 70-624.04, no officer may have an interest in any contract to which his or her governing body, or anyone for its benefit, is a party. The existence of such an interest in any contract shall render the contract voidable by decree of a court of competent jurisdiction as to any person who entered into the contract or took assignment of such contract with actual knowledge of the prohibited conflict.

* * * *

(4) The prohibition in this section shall apply only when the officer or his or her parent, spouse, or child (a) has a business association as defined in section 49-1408 with the business involved in the contract or (b) will receive a direct pecuniary fee or commission as a result of the contract.

(5) *The prohibition in this section does not apply if the contract is an agenda item approved at a board meeting and the interested officer:*

(a) *Makes a declaration on the record to the governing body responsible for approving the contract regarding the nature and extent of his or her interest prior to official consideration of the contract;*

(b) *Does not vote on the matters of granting the contract, making payments pursuant to the contract, or accepting performance of work under the contract, or similar matters relating to the contract, except that if the number of members of the governing body declaring an interest in the contract would prevent the body with all members present from securing a quorum on the issue, then all members may vote on the matters; and*

(c) *Does not act for the governing body which is party to the contract as to inspection or performance under the contract in which he or she has an interest.*

(Emphasis added.) When County Board members do not abstain from voting on related party transactions, there is an increased risk of loss or misuse of County funds.

We recommend the County Board implement procedures to ensure that claims involving a related party relationship are handled in accordance with State statute, including the Board member abstaining from the vote to approve such claims.

Bidding Procedures

We noted three purchases during the fiscal year for which documentation was not provided that proper bidding procedures had been followed. For two of the purchases, the County was unable to provide supporting documentation that the purchase was appropriately bid. For the other purchase, the County obtained informal bids; however, due to the amount of the purchase, formal bidding procedures should have been followed.

The following table summarizes the issues noted:

Purchase	Vendor	Amount	Issue Noted
Sheriff's Office Vehicle	Gregg Young	\$ 30,908	Formal Bidding Procedures not followed
Motor Grader	NMC Exchange	\$ 192,850	Bidding Documentation could not be provided
Motor Grader Equipment	Capital I Industries, Inc.	\$ 56,300	Bidding Documentation could not be provided

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

[P]urchases of personal property or services by the county board or purchasing agent shall be made: (a) Through the competitive sealed bidding process prescribed in section 23-3111 if the estimated value of the purchase is twenty thousand dollars or more[.]

Furthermore, a good internal control plan requires procedures to be in place to ensure that purchases are made in accordance with applicable State statutes. When such procedures do not exist, there is an increased risk for loss or misuse of County funds.

We recommend the County Board implement procedures to ensure all purchases are made in accordance with applicable bidding requirements, as outlined in State statute. Additionally, we recommend supporting documentation be maintained for all bidding procedures performed.

CLERK OF THE DISTRICT COURT

Distribution of Fines

During our audit, we noted the Clerk of the District Court remitted \$194 in County fees to the Fines and Licenses Fund rather than the County General Fund. Consequently, this money was improperly distributed to the County schools.

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

We recommend procedures be implemented to ensure that all money collected by the Clerk of the District Court be recorded to the proper fund.

Review of Case Balances

During testing of five case balances held by the Clerk of the District Court, we noted that two balances, totaling \$161, should have been refunded to a party in the case or applied to unpaid fines and costs.

Good internal control and sound business practices require all trust balances held by the District Court to be reviewed on an ongoing, timely basis to ensure they are proper and current.

When trust balances are not reviewed on a consistent and timely basis, there is an increased risk of loss or misuse of funds.

We recommend procedures be implemented to require a timely review of all trust balances to ensure they are correct and current.

Clerk of the District Court’s Response: My comment is that we will take all necessary steps to correct the fees that were remitted in error by the Clerk of the District Court to the Fines and Licenses Fund instead of the County General Fund. We will also check the case balances in the two District Court cases noted and either refund the balances to the correct party or apply the balances to unpaid fines and costs.

COUNTY PLANNING AND ZONING

Office Procedures

During our audit, we noted the following issues with the Planning and Zoning office procedures at June 30, 2017:

- Funds remitted to the County Treasurer were not properly supported by office records. We noted \$300 in fees remitted to the County Treasurer for which receipts were not written in the Planning and Zoning office.
- The Planning and Zoning office was not monitoring its accounts receivable balances. In August 2016, the Village of Arcadia was billed \$3,853 per an interlocal agreement; however, the office was unaware the amount was still due in November 2017.

Sound accounting practices and good internal control require procedures for recording all receipts and ensuring all monies due to the County are being collected and remitted in a timely manner. Without such procedures, there is an increased risk of loss, theft, or misuse of funds.

We recommend the Planning and Zoning office implement procedures to ensure all receipts are properly recorded, and monies due to the County are collected and appropriately accounted for.

County Planning and Zoning Administrator's Response: Office procedures for the filing of a permit and collection of fees are as follows: The new form put in place in June 2017 allows for the recording of the payment when due; permits are not approved with out payment. All fees collected are made payable to the Valley County Treasurer. The receipt from the Treasurer is then attached to the permit. The permits are filed in a 3-ring book. The records supplied at the time of the audit were only a sampling of the documents I use for the zoning permits and billings to the Villages holding interlocal agreements for planning & zoning services; these were not the full inclusive file and would not have tallied to equal the annual receipts. In the interest of record keeping and clarity, the Zoning Administrator is developing a permit roster that will depict the governing entity and include the County Treasurers receipt number and date in separate detail from the application date and the approval date.

The billing completed by the Zoning Administrator for the interlocal agreement with the local Villages is under review for changes that would include a due date for payment and provide a good fit within their fiscal year plans. A billing and payment roster that will detail the Treasurers receipt number and date will also be developed to aide in monitoring account receivable activities.

COUNTY SHERIFF

Sheriff Accounting Procedures

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

- Monthly bank reconciliations were not performed, and a book balance for the bank accounts was not maintained.
- A monthly asset to liability balancing was not performed. A cash long was noted at June 30, 2017, in the amount of \$5,560.

- Amounts collected for fees and mileage were remitted to the County Treasurer, not amounts earned, as required by State statute.
- The County Sheriff incurred \$30 in bank service fees that were not reimbursed by a claim or reversed by the bank.
- Checks were signed by the County Sheriff in advance of being filled out completely.

Neb. Rev. Stat. § 33-117(3) (Reissue 2016) states, in relevant part, the following:

The sheriff shall, on the first Tuesday in January, April, July, and October of each year . . . 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 control require the County Sheriff's office to implement fund-balancing procedures to ensure office assets (cash on hand, reconciled bank balance, accounts payable, etc.) are in agreement with office liabilities (fee and trust accounts) on at least a monthly basis.

A lack of such procedures increases the risk of loss, theft, or misuse of County funds and allows errors to go undetected more easily. Furthermore, when fees earned are not remitted to the Treasurer timely, the Sheriff's office is not in compliance with State statute.

We recommend the County Sheriff implement monthly bank reconciliation and asset to liability balancing procedures. We also recommend the County Sheriff remit fees earned to the County Treasurer at least quarterly. Additionally, we recommend the County Sheriff not sign checks until they are filled out completely.

Petty Cash Fund

During testing, the following petty cash procedural issues were noted for the County Sheriff:

- Petty cash was not reconciled to the authorized amount of \$50, resulting in an overage of \$25 as of June 30, 2017.
- Original receipts were not submitted with the claims for reimbursement, and the amounts requested did not agree to the amounts expensed.
- We noted an unallowable purchase of flowers, totaling \$50, for a funeral.

Neb. Rev. Stat. § 23-106(2) (Reissue 2012) states the following:

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 any expenditure from such fund and such amount shall be stated in the fiscal policy of the county board message.

Additionally, the Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. §§ 13-2201 through 13-2204 (Reissue 2012), establishes strict parameters for the expenditure of public funds by designated public entities, including county boards. On September 17, 1993, following adoption of the Act, the Nebraska Accountability and Disclosure Commission (NADC) issued “A Guideline to the Use of Public Funds by Cities and Villages” (Guideline)¹. That document attempts to answer some commonly asked questions regarding the appropriate use of public funds.

One of the issues addressed in the Guideline is the purchase of flowers, as follows:

Question #6 – May municipal funds be expended for flowers and memorials for deceased elected officials, employees or their families?

Response – No.

As determined by the NADC, therefore, the expenditure of public funds to purchase flowers for a funeral is not permissible under the Act.

Good internal control requires the implementation of procedures to ensure that all petty cash funds are maintained at the authorized amount and that all transactions are reasonable and allowable and supported by adequate documentation.

When a petty cash fund is not maintained at the authorized amount, adequate supporting documentation is not maintained, and questionable expenditures are permitted, there is an increased risk of not only loss, theft, or misuse of public funds but also failure to comply with statute.

We recommend the County Sheriff reconcile the petty cash claims to the authorized amount of \$50. We also recommend the County Sheriff ensure all petty cash transactions are properly documented, as well as reasonable and allowable.

Unclaimed Property

During the audit, we noted that the County Sheriff’s office had not appropriately remitted unclaimed funds to the State Treasurer as unclaimed property. At June 30, 2017, the County Sheriff had four outstanding checks, totaling \$103, past due to the State Treasurer.

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009), which is found in the Uniform Disposition of Unclaimed Property Act (Act), presumes intangible personal property held by a county and unclaimed for more than three years to be abandoned. Neb. Rev. Stat. § 69-1310 (Reissue 2009) directs any property presumed to be abandoned, as of June 30 each year, to be reported and remitted to the State Treasurer by November 1 of each year.

When unclaimed property is not properly remitted to the State Treasurer, there is an increased risk of noncompliance with the Act. There is also an increased risk of loss or misuse of funds.

¹ http://www.ncsa.org/sites/default/files/media/Acct%26Disc_Guideline_Public_Funds_1993.pdf.

We recommend the County Sheriff implement procedures to ensure unclaimed property is properly remitted to the State Treasurer in accordance with State statute.

Sheriff Reports

The County Sheriff did not file quarterly fee reports with the County Board during fiscal year 2017.

Neb. Rev. Stat. § 33-117(3) (Reissue 2016) states, in relevant part, 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.

When required reports are not filed, the County Sheriff is not in compliance with State statute.

We recommend policies and procedures be implemented to ensure all required reports are filed with the County Board.

COUNTY TREASURER

In Lieu of Tax Distribution

During testing, it was noted that the distribution of the 5% Gross In Lieu of Tax received by the County Treasurer for the Village of Elyria did not include the Burwell Public Schools levy boundaries. Property located in the Village of Elyria is associated with the Burwell Public Schools.

The table below shows a summary by subdivision of the incorrect distribution amount:

Entity	Excess/(Shortage)
County	\$ 114
Burwell Public Schools	(830)
Ord Public Schools	471
Village of Elyria	245

Neb. Rev. Stat. § 70-651.04 (Cum. Supp. 2016) states, in relevant part, the following:

All payments which are based on retail revenue from each incorporated city or village shall be divided and distributed by the county treasurer to that city or village, to the school districts located in that city or village, to any learning community located in that city or village . . . and to the county in which may be located any such incorporated city or village in the proportion that their respective property tax levies in the preceding year bore to the total of such levies

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

We recommend the County Treasurer implement procedures to ensure 5% Gross In Lieu of Tax is distributed to all levying school, village, and county funds within the respective municipalities.

County Treasurer's Response: The only comment I have is that we will take the appropriate steps to correct the distribution to include the Burwell Public Schools for the In Lieu tax received annually from LVRPPD. I have contacted the Superintendents at the Ord Public and the Burwell Public Schools and made them aware of the correction for future distributions. I explained to them how the error occurred in that the Elyria district is split between 2 school districts.

COUNTY VETERANS' SERVICE OFFICER

Office Procedures

The following issues were noted with the County Veterans' Service office procedures at June 30, 2017:

- Adequate documentation was not maintained to support payments made from the Veterans' Service Officer bank account. Expenditures during fiscal year 2017 totaled \$1,940.
- The County Board allocates money periodically to the Veterans' Service Officer without any review of the office's expenditures or current bank balance. The bank balance at June 30, 2017, was \$9,494.

A good internal control plan and sound business practices require procedures to be in place to ensure adequate supporting documentation is on file for all expenditures, and funds received from the County Board are based on need and actual expenses.

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

We recommend the County Veterans' Service Officer establish policies and procedures to ensure adequate supporting documentation is maintained for all payments. Furthermore, we recommend the County Board review both documentation submitted with claims and the office's bank balance prior to giving additional funds to the Veterans' Service Officer.

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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. 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,

A handwritten signature in black ink, appearing to read "Deann Haeffner". The signature is fluid and cursive, with a long horizontal stroke at the end.

Deann Haeffner, CPA
Assistant Deputy Auditor