

**AUDIT REPORT
OF
MERRICK COUNTY**

JULY 1, 2009 THROUGH JUNE 30, 2010

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the Auditor of Public Accounts.**

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Issued on May 18, 2011

MERRICK COUNTY

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MERRICK COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2010

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------------|---|---------------------|
| Norman Euse | Board of Supervisors | Jan. 2011 |
| D. L. Hahn | | Jan. 2011 |
| Robert Husmann | | Jan. 2013 |
| John Jefferson | | Jan. 2013 |
| Dan Schneiderheinze | | Jan. 2011 |
| Rex Weller | | Jan. 2011 |
| Roger Wiegert | | Jan. 2013 |
| Jan Placke | Assessor | Jan. 2011 |
| Steven Curry | Attorney | Jan. 2011 |
| Marcia Wichmann | Clerk Election Commissioner Register of Deeds | Jan. 2011 |
| Theresa Good | Clerk of the District Court | Jan. 2011 |
| Anthony McPhillips | Sheriff | Jan. 2011 |
| Karen Dunham | Treasurer | Jan. 2011 |
| Gary Berry | Veterans' Service Officer | Appointed |
| Jerry Willhoft | Weed Superintendent | Appointed |
| Michael Meyer | Highway Superintendent Surveyor | Appointed |
| Jennifer Myers | Planning & Zoning Superintendent | Appointed |



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MERRICK COUNTY

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Merrick County, Nebraska

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merrick County, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The financial statements referred to above include only the primary government of Merrick County, which consists of all funds, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Merrick County as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Merrick County, as of June 30, 2010, and the respective changes in cash balances thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2011, on our consideration of Merrick County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The County has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statement, nonmajor 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. Such statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Signed Original on File

May 12, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor

MERRICK COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
 June 30, 2010

| | | <u>Governmental Activities</u> |
|--------------------------------------|-----------|------------------------------------|
| ASSETS | | |
| Cash and Cash Equivalents (Note 1.D) | \$ | 2,091,508 |
| Investments (Note 1.D) | | 189,567 |
| TOTAL ASSETS | \$ | <u>2,281,075</u> |
| NET ASSETS | | |
| Restricted for: | | |
| 911 Emergency Services | \$ | 49,326 |
| Veterans' Aid | | 8,221 |
| Other Purposes | | 12,639 |
| Debt Service | | 181,381 |
| Unrestricted | | <u>2,029,508</u> |
| TOTAL NET ASSETS | \$ | <u>2,281,075</u> |

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

MERRICK COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2010

| Functions: | Cash Disbursements | Program Cash Receipts | | Net (Disbursement) Receipts and Changes in Net Assets |
|---------------------------------|-----------------------|---|--|--|
| | | Fees, Fines, and Charges for Services | Operating Grants and Contributions | |
| Governmental Activities: | | | | |
| General Government | \$ (1,678,136) | \$ 239,892 | \$ 56,009 | \$ (1,382,235) |
| Public Safety | (714,947) | 15,500 | 36,990 | (662,457) |
| Public Works | (2,113,199) | 108 | 1,012,362 | (1,100,729) |
| Health and Sanitation | (173,401) | - | - | (173,401) |
| Public Assistance | (48,540) | - | - | (48,540) |
| Culture and Recreation | (19,517) | - | - | (19,517) |
| Debt Payments | (145,186) | - | - | (145,186) |
| Capital Outlay | (22,011) | - | - | (22,011) |
| Total Governmental Activities | <u>\$ (4,914,937)</u> | <u>\$ 255,500</u> | <u>\$ 1,105,361</u> | <u>(3,554,076)</u> |

General Receipts:

| | |
|---|---------------------|
| Property Taxes | 2,805,062 |
| Grants and Contributions Not Restricted to Specific Programs | 346,079 |
| Investment Income | 57,139 |
| Licenses and Permits | 34,059 |
| Miscellaneous | 124,584 |
| Total General Receipts | <u>3,366,923</u> |
| Change in Net Assets | (187,153) |
| Net Assets - Beginning | 2,468,228 |
| Net Assets - Ending | <u>\$ 2,281,075</u> |

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

MERRICK COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2010

| | General Fund | Road Fund | Inheritance Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------|-------------------|-------------------|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents (Note 1.D) | \$ 150,419 | \$ 479,034 | \$ 866,051 | \$ 596,004 | \$ 2,091,508 |
| Investments (Note 1.D) | - | - | 189,567 | - | 189,567 |
| TOTAL ASSETS | <u>\$ 150,419</u> | <u>\$ 479,034</u> | <u>\$ 1,055,618</u> | <u>\$ 596,004</u> | <u>\$ 2,281,075</u> |
| FUND BALANCES | | | | | |
| Unreserved, reported in: | | | | | |
| General fund | \$ 150,419 | \$ - | \$ - | \$ - | \$ 150,419 |
| Special revenue funds | - | 479,034 | 1,055,618 | 414,623 | 1,949,275 |
| Debt service funds | - | - | - | 181,381 | 181,381 |
| TOTAL CASH BASIS FUND BALANCES | <u>\$ 150,419</u> | <u>\$ 479,034</u> | <u>\$ 1,055,618</u> | <u>\$ 596,004</u> | <u>\$ 2,281,075</u> |

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

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

For the Year Ended June 30, 2010

| | <u>General Fund</u> | <u>Road Fund</u> | <u>Inheritance Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------|-----------------------------|---|---|
| RECEIPTS | | | | | |
| Property Taxes | \$ 2,459,979 | \$ - | \$ 124,602 | \$ 220,481 | \$ 2,805,062 |
| Licenses and Permits | 34,059 | - | - | - | 34,059 |
| Interest | 56,864 | - | - | 275 | 57,139 |
| Intergovernmental | 291,771 | 1,118,934 | - | 40,735 | 1,451,440 |
| Charges for Services | 251,120 | 108 | - | 4,272 | 255,500 |
| Miscellaneous | 69,742 | 30,997 | - | 23,845 | 124,584 |
| TOTAL RECEIPTS | <u>3,163,535</u> | <u>1,150,039</u> | <u>124,602</u> | <u>289,608</u> | <u>4,727,784</u> |
| DISBURSEMENTS | | | | | |
| General Government | 1,587,208 | - | 81,244 | 9,684 | 1,678,136 |
| Public Safety | 648,949 | - | - | 65,998 | 714,947 |
| Public Works | 43,079 | 2,070,120 | - | - | 2,113,199 |
| Health and Sanitation | 173,401 | - | - | - | 173,401 |
| Public Assistance | 27,568 | - | - | 20,972 | 48,540 |
| Culture and Recreation | 13,864 | - | - | 5,653 | 19,517 |
| Debt Service: | | | | | |
| Principal Payments | - | - | - | 70,000 | 70,000 |
| Interest and Fiscal Charges | - | - | - | 75,186 | 75,186 |
| Capital Outlay | - | - | - | 22,011 | 22,011 |
| TOTAL DISBURSEMENTS | <u>2,494,069</u> | <u>2,070,120</u> | <u>81,244</u> | <u>269,504</u> | <u>4,914,937</u> |
| EXCESS (DEFICIENCY) OF OVER RECEIPTS DISBURSEMENTS | <u>669,466</u> | <u>(920,081)</u> | <u>43,358</u> | <u>20,104</u> | <u>(187,153)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 453,455 | 866,605 | 235,000 | 24,000 | 1,579,060 |
| Transfers out | (1,117,605) | - | (435,000) | (26,455) | (1,579,060) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(664,150)</u> | <u>866,605</u> | <u>(200,000)</u> | <u>(2,455)</u> | <u>-</u> |
| Net Change in Fund Balances | 5,316 | (53,476) | (156,642) | 17,649 | (187,153) |
| CASH BASIS FUND BALANCES - BEGINNING | <u>145,103</u> | <u>532,510</u> | <u>1,212,260</u> | <u>578,355</u> | <u>2,468,228</u> |
| CASH BASIS FUND BALANCES - ENDING | <u>\$ 150,419</u> | <u>\$ 479,034</u> | <u>\$ 1,055,618</u> | <u>\$ 596,004</u> | <u>\$ 2,281,075</u> |

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

MERRICK COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS
FIDUCIARY FUNDS
 June 30, 2010

| | <u>Agency Funds</u> |
|-----------------------------|---------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 652,336 |
| LIABILITIES | |
| Due to other governments | |
| State | 110,435 |
| Schools | 188,724 |
| Educational Service Units | 1,424 |
| Technical College | 9,413 |
| Natural Resource Districts | 4,602 |
| Fire Districts | 5,296 |
| Municipalities | 58,547 |
| Agricultural Society | 500 |
| Drainage Districts | 1,215 |
| Townships | 178,925 |
| CRA | 254 |
| Others | 93,001 |
| TOTAL LIABILITIES | 652,336 |
| TOTAL NET ASSETS | \$ - |

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

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2010

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

Merrick County, Nebraska (County) is a governmental entity established under and governed by the laws of the State of Nebraska (State). The County is managed by elected 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, and other organizations which are fiscally dependent on the County, or the significance of their relationship with the County is such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

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

Joint Organization.

Behavioral Health Region III - The County has entered into an agreement with surrounding counties and the Nebraska Health and Human Services System 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. The 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.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Funding is provided by a combination of federal, state, local, and private funding. The County contributed \$26,763 toward the operation of the Region during fiscal year 2010. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Health and Human Services System requires the Region to be audited annually in accordance with State Statute. Financial information for the Region is available in those audit reports.

Health Department – The County has entered into an agreement with Central District Health Department (Department) to provide public health services. Agreements were established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636.

The Department's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$31,000 toward the operation of the Department during fiscal year 2010. 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 required to be audited annually in accordance with Neb. Rev. Stat. § 84-304. Financial information for the Department is available in that report.

B. Basis of Presentation

Government-wide Financial Statements. The Statement of Net Assets - 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 was considered immaterial and have not been eliminated. Governmental GAAP would require internal activity to be eliminated to minimize double counting. The County reports governmental activities only. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange transactions. The County is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Fund Financial Statements. The fund financial statements provide information about the County's funds, including its fiduciary funds. GAAP requires separate statements by fund category - governmental, proprietary, and fiduciary. The County uses only the governmental and fiduciary fund categories. The 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.

Inheritance Fund. This fund is used to account for the receipts generated from inheritance taxes.

The County reports the following additional 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.

Capital Project Funds. These funds account for all resources received and used for the acquisition or development of major capital improvements.

Debt Service Funds. These funds account for the resources for, and the payment of, general long-term debt principal, interest, and related costs.

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 Assets - 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

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 require 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 generally are 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 Assets

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 an disbursement of the County funds as paid. Upon termination, employees are paid for any unused vacation. Under the

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 Assets. 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 assets are reported as restricted when constraints placed on their use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$251,567 of restricted net assets, all of which is restricted by enabling legislation.

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 \$2,091,508 for County funds and \$652,336 for Fiduciary funds. The bank balances for all funds totaled \$2,660,854. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits as of June 30, 2010, 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 are stated at cost, which approximates market. Investments consisted of \$180,000 in local Tax Increment Financing Bonds and of \$9,567 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 which 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 participant's 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. The Tax Increment Financing bonds were held by the County or its agent in the name of the County.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Property Taxes

Property taxes are levied by the County Board on or before October 15 of each year for all political subdivisions in the County. Real estate and personal property taxes are due and attach as an enforceable lien on January 1 following the levy date, and 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. They may levy taxes in addition to the 50 cent limitation upon a vote of the people.

The levy set in October 2009, for the 2009 taxes which will be materially collected in May and September, 2010, was set at \$.304773/\$100 of assessed valuation. The levy set in October 2008, for the 2008 taxes which were materially collected in May and September 2009, was set at \$.323069/\$100 of assessed valuation. The amount collected for 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. It may be increased by 1% by 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 23-2335 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 20. 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 Neb. Rev. Stat. §§ 23-2307 and 23-2308 (Reissue 2007), and may be amended through legislative action. The employee's and employer's contributions are kept in separate accounts. The employee's

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

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. Prior service benefits are paid directly by the County to the retired employee.

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

For the year ended June 30, 2010, 70 employees contributed \$76,255; the County contributed \$114,382. Additionally, for the year ended June 30, 2010, 6 law enforcement employees and the County contributed \$2,434 in cash contributions for the supplemental law enforcement plan. Lastly, the County paid \$2,472 directly to 15 retired employees for prior service benefits.

5. **Risk Management**

The County is exposed to various risks of loss related to 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 78 counties throughout Nebraska.

The County pays an annual deposit premium as calculated by the administrator of the pool. The premium is based on the losses and exposures of each County and the entire Pool. If the Pool becomes insolvent or is otherwise unable to discharge its legal liabilities and other 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, shall be sent to each county in writing, and each county shall thereafter have sixty (60) days in which to pay the amount of such assessment. Each county shall remain liable for such assessments, regardless of such county's withdrawal from participation or the termination of the agreement, and for liabilities of the Pool incurred during such county's period of membership.

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

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. **Risk Management** (Concluded)

| | NIRMA Coverage | Maximum Coverage |
|-----------------------------|-------------------|--------------------------------------|
| General Liability Claim | \$ 300,000 | \$ 5,000,000 |
| Worker's Compensation Claim | \$ 500,000 | 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 2011. 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, 2010, consisted of the following:

| Transfers to | Transfers from | | | Total |
|---------------------|---------------------|---------------------|-------------------|---------------------|
| | General Fund | Inheritance Fund | Nonmajor Funds | |
| General Fund | \$ - | \$ 435,000 | \$ 18,455 | \$ 453,455 |
| Road Fund | 866,605 | - | - | 866,605 |
| Inheritance Fund | 235,000 | - | - | 235,000 |
| Nonmajor Funds | 16,000 | - | 8,000 | 24,000 |
| Total | \$ 1,117,605 | \$ 435,000 | \$ 26,455 | \$ 1,579,060 |

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

7. **Contingent Liabilities**

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, per the County Attorney the resolution of these matters is being handled by the County's insurance carrier and will not have a material adverse effect on the financial condition of the County.

MERRICK COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. **Long-Term Debt**

The County issued bonds on July 11, 2006, in the amount of \$1,850,000 for the purpose of paying the costs of constructing and equipping an addition on the courthouse. The bond payable balance as of June 30, 2010, was \$1,715,000. Future tax resources will be used to pay off the bonds.

Future Payments:

| Year | Principal | Interest | Total |
|----------------|---------------------|-------------------|---------------------|
| 2011 | \$ 70,000 | \$ 73,874 | \$ 143,874 |
| 2012 | 75,000 | 71,214 | 146,214 |
| 2013 | 75,000 | 68,326 | 143,326 |
| 2014 | 80,000 | 65,401 | 145,401 |
| 2015 | 85,000 | 62,241 | 147,241 |
| 2016-2020 | 475,000 | 256,169 | 731,169 |
| 2021-2025 | 580,000 | 144,401 | 724,401 |
| 2026-2027 | 275,000 | 19,230 | 294,230 |
| Total Payments | <u>\$ 1,715,000</u> | <u>\$ 760,856</u> | <u>\$ 2,475,856</u> |

9. **Hospital Bonds**

In June 2004, \$2,250,000 of Series 2004 general obligation bonds were issued by the Litzenberg Memorial County Hospital (Hospital) with the proceeds to be used to cover the costs of renovations and improvements to the Hospital. As the bonds are general obligation bonds of the County, the County has the authority to levy additional ad valorem taxes, if necessary, to make the required principal and interest payments on the bonds in the event the Hospital cannot meet the debt service obligation. As of June 30, 2010, no additional taxes have been levied by the County. The balance of bonds payable at June 30, 2010, was \$1,755,000. Full disclosure of the liability can be found in the separately issued Hospital audit report.

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------|--------------------|------------------|------------------|---|
| RECEIPTS | | | | |
| Taxes | \$ 2,481,135 | \$ 2,481,135 | \$ 2,459,979 | \$ (21,156) |
| Licenses and Permits | 33,180 | 33,180 | 34,059 | 879 |
| Interest | 65,400 | 65,400 | 56,864 | (8,536) |
| Intergovernmental | 261,035 | 261,035 | 291,771 | 30,736 |
| Charges for Services | 231,850 | 231,850 | 251,120 | 19,270 |
| Miscellaneous | 35,150 | 35,150 | 69,742 | 34,592 |
| TOTAL RECEIPTS | 3,107,750 | 3,107,750 | 3,163,535 | 55,785 |
| DISBURSEMENTS | | | | |
| General Government: | | | | |
| County Board | 86,579 | 86,579 | 82,568 | 4,011 |
| County Clerk | 136,403 | 136,403 | 127,166 | 9,237 |
| County Treasurer | 122,569 | 122,569 | 120,135 | 2,434 |
| County Assessor | 134,894 | 134,894 | 130,512 | 4,382 |
| Election Commissioner | 44,290 | 44,290 | 23,472 | 20,818 |
| Planning and Zoning | 26,030 | 26,030 | 23,855 | 2,175 |
| Clerk of the District Court | 85,259 | 85,259 | 78,265 | 6,994 |
| County Court System | 9,200 | 9,200 | 8,604 | 596 |
| Building and Grounds | 91,530 | 91,530 | 80,476 | 11,054 |
| Reappraisal | 59,340 | 39,960 | 38,777 | 1,183 |
| Agricultural Extension Agent | 77,950 | 77,950 | 77,891 | 59 |
| Child Support | 14,310 | 14,310 | 12,073 | 2,237 |
| Miscellaneous | 856,481 | 856,481 | 783,414 | 73,067 |
| Public Safety: | | | | |
| County Sheriff | 333,068 | 342,036 | 338,064 | 3,972 |
| County Attorney | 124,178 | 124,178 | 121,745 | 2,433 |
| Communication Center | 104,684 | 108,448 | 108,448 | - |
| County Jail | 66,259 | 72,907 | 72,907 | - |
| Emergency Management | 3,800 | 3,800 | 3,535 | 265 |
| Miscellaneous | 6,154 | 6,154 | 4,250 | 1,904 |
| Public Works: | | | | |
| County Surveyor | 29,442 | 29,442 | 27,416 | 2,026 |
| Miscellaneous | 14,900 | 14,900 | 15,663 | (763) |
| Public Health: | | | | |
| Miscellaneous | 168,209 | 168,209 | 173,401 | (5,192) |

(Continued)

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|-------------------|---|
| DISBURSEMENTS (Continued) | | | | |
| Public Assistance: | | | | |
| Veterans' Service Officer | 25,185 | 25,185 | 18,683 | 6,502 |
| Miscellaneous | 10,338 | 10,338 | 8,885 | 1,453 |
| Culture and Recreation: | | | | |
| Miscellaneous | 13,864 | 13,864 | 13,864 | - |
| TOTAL DISBURSEMENTS | <u>2,644,916</u> | <u>2,644,916</u> | <u>2,494,069</u> | <u>150,847</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | <u>462,834</u> | <u>462,834</u> | <u>669,466</u> | <u>206,632</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 33,953 | 33,953 | 453,455 | 419,502 |
| Transfers out | (641,605) | (641,605) | (1,117,605) | (476,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(607,652)</u> | <u>(607,652)</u> | <u>(664,150)</u> | <u>(56,498)</u> |
| Net Change in Fund Balance | (144,818) | (144,818) | 5,316 | 150,134 |
| FUND BALANCES - BEGINNING | <u>145,103</u> | <u>145,103</u> | <u>145,103</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$ 285</u> | <u>\$ 285</u> | <u>\$ 150,419</u> | <u>\$ 150,134</u> |

(Concluded)

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| ROAD FUND | | | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ 1,098,489 | \$ 1,098,489 | \$ 1,118,934 | \$ 20,445 |
| Charges for Services | 100 | 100 | 108 | 8 |
| Miscellaneous | 34,500 | 34,500 | 30,997 | (3,503) |
| TOTAL RECEIPTS | <u>1,133,089</u> | <u>1,133,089</u> | <u>1,150,039</u> | <u>16,950</u> |
| DISBURSEMENTS | <u>2,457,204</u> | <u>2,457,204</u> | <u>2,070,120</u> | <u>387,084</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | <u>(1,324,115)</u> | <u>(1,324,115)</u> | <u>(920,081)</u> | <u>404,034</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 791,605 | 791,605 | 866,605 | 75,000 |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>791,605</u> | <u>791,605</u> | <u>866,605</u> | <u>75,000</u> |
| Net Change in Fund Balance | (532,510) | (532,510) | (53,476) | 479,034 |
| FUND BALANCE - BEGINNING | 532,510 | 532,510 | 532,510 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 479,034</u> | <u>\$ 479,034</u> |
| INHERITANCE FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 426,500 | \$ 426,500 | \$ 124,602 | \$ (301,898) |
| TOTAL RECEIPTS | <u>426,500</u> | <u>426,500</u> | <u>124,602</u> | <u>(301,898)</u> |
| DISBURSEMENTS | <u>111,569</u> | <u>111,569</u> | <u>81,244</u> | <u>30,325</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | <u>314,931</u> | <u>314,931</u> | <u>43,358</u> | <u>(271,573)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 235,000 | 235,000 |
| Transfers out | (183,953) | (183,953) | (435,000) | (251,047) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(183,953)</u> | <u>(183,953)</u> | <u>(200,000)</u> | <u>(16,047)</u> |
| Net Change in Fund Balance | 130,978 | 130,978 | (156,642) | (287,620) |
| FUND BALANCE - BEGINNING | 1,212,260 | 1,212,260 | 1,212,260 | - |
| FUND BALANCE - ENDING | <u>\$ 1,343,238</u> | <u>\$ 1,343,238</u> | <u>\$ 1,055,618</u> | <u>\$ (287,620)</u> |

MERRICK COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2010

BUDGETARY COMPARISON SCHEDULES

GAAP Requirements

Generally Accepted Accounting Principles (GAAP) requires budgetary comparison schedules for the General Fund, and for each major special revenue fund that has a legally adopted annual budget. GAAP further requires the budgetary comparison schedules to include the *original budget* and *final budget* amounts. The *original budget* is the first complete appropriated budget adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes *before* the beginning of the fiscal year. The original budget would also include actual appropriation amounts automatically carried over from prior years when required by law. The *final budget* is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year as approved by the County Board or otherwise legally authorized.

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 which have actually been received by the County Treasurer. The County does not utilize an encumbrance accounting system. All appropriated spending authority lapses at the end of the fiscal year.

On or before August 1, the county budget-making authority prepares and transmits a budget for each County fund to the County Board. The budget includes the requirements, the outstanding warrants, the operating reserves to be maintained, the cash on hand at the close of the preceding fiscal year, the receipts from sources other than taxation, and the amount to be raised by taxation. The County Board must hold at least one public hearing on the proposed budget. On or before September 20, the County Board shall adopt the budget and appropriate 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 be held. The legal level of budgetary control for the General Fund is at the function level, and the special revenue fund types are at the fund level. The County Board is also authorized to budget for the transfer of money between County funds.

Excess of Disbursements Over Appropriations

For the year ended June 30, 2010, disbursements exceeded budgeted appropriations in the Miscellaneous function of the General Fund by \$405,531, and in the Inheritance, Juvenile Diversion, and the Law Enforcement Grant Funds by \$220,722, \$16,546, and \$622, respectively. These over-expenditures were funded by greater than anticipated receipts in the case of the Law Enforcement Grant Fund and the available fund balances in the General, Inheritance, and Juvenile Diversion Funds.

MERRICK COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

| | Visitor Promotion Fund | Unemployment Fund | Medical Relief Fund | Institutions Fund | Veterans' Aid Fund | Juvenile Diversion Fund | Drug Law Enforcement Fund | Canine Fund |
|---|------------------------------|----------------------|------------------------|----------------------|-----------------------|-------------------------------|---------------------------------|----------------|
| RECEIPTS | | | | | | | | |
| Property Taxes | \$ 4,047 | \$ - | \$ 6 | \$ 17,488 | \$ 1 | \$ 16,980 | \$ - | \$ - |
| Interest | - | 116 | - | - | - | - | - | - |
| Intergovernmental | - | - | 12 | 781 | - | 27,866 | - | - |
| Charges for Services | - | - | - | - | - | 4,272 | - | - |
| Miscellaneous | - | - | - | - | - | 23,045 | - | 300 |
| TOTAL RECEIPTS | <u>4,047</u> | <u>116</u> | <u>18</u> | <u>18,269</u> | <u>1</u> | <u>72,163</u> | <u>-</u> | <u>300</u> |
| DISBURSEMENTS | | | | | | | | |
| General Government | - | 327 | - | - | - | - | - | - |
| Public Safety | - | - | - | - | - | 46,089 | - | 158 |
| Public Assistance | - | - | 7,113 | 13,859 | - | - | - | - |
| Culture and Recreation | 5,653 | - | - | - | - | - | - | - |
| Debt Service: | | | | | | | | |
| Principal Payments | - | - | - | - | - | - | - | - |
| Interest and Fiscal Charges | - | - | - | - | - | - | - | - |
| Capital Projects | - | - | - | - | - | - | - | - |
| TOTAL DISBURSEMENTS | <u>5,653</u> | <u>327</u> | <u>7,113</u> | <u>13,859</u> | <u>-</u> | <u>46,089</u> | <u>-</u> | <u>158</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | <u>(1,606)</u> | <u>(211)</u> | <u>(7,095)</u> | <u>4,410</u> | <u>1</u> | <u>26,074</u> | <u>-</u> | <u>142</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | - | - | - | - | - | 20,000 | - | - |
| Transfers out | - | - | - | - | - | (22,455) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,455)</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | (1,606) | (211) | (7,095) | 4,410 | 1 | 23,619 | - | 142 |
| FUND BALANCES - BEGINNING | <u>9,406</u> | <u>19,621</u> | <u>47,482</u> | <u>38,958</u> | <u>8,220</u> | <u>6,700</u> | <u>4,839</u> | <u>574</u> |
| FUND BALANCES - ENDING | <u>\$ 7,800</u> | <u>\$ 19,410</u> | <u>\$ 40,387</u> | <u>\$ 43,368</u> | <u>\$ 8,221</u> | <u>\$ 30,319</u> | <u>\$ 4,839</u> | <u>\$ 716</u> |

(Continued)

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

For the Year Ended June 30, 2010

| | Juvenile Services Grant Fund | Law Enforcement Grant Fund | Courthouse Bond Fund | Courthouse Building Project Fund | County Building Fund | Groundwater Management Fund | 911 Emergency Services Fund | Total Nonmajor Governmental Funds |
|---|------------------------------------|----------------------------------|-------------------------|--|----------------------------|-----------------------------------|--------------------------------------|---|
| RECEIPTS | | | | | | | | |
| Property Taxes | \$ - | \$ - | \$ 144,000 | \$ - | \$ 70 | \$ - | \$ 37,889 | \$ 220,481 |
| Interest | - | - | 159 | - | - | - | - | 275 |
| Intergovernmental | - | 622 | 11,454 | - | - | - | - | 40,735 |
| Charges for Services | - | - | - | - | - | - | - | 4,272 |
| Miscellaneous | - | - | - | 500 | - | - | - | 23,845 |
| TOTAL RECEIPTS | - | 622 | 155,613 | 500 | 70 | - | 37,889 | 289,608 |
| DISBURSEMENTS | | | | | | | | |
| General Government | - | - | - | - | 9,357 | - | - | 9,684 |
| Public Safety | 1,090 | 622 | - | - | - | - | 18,039 | 65,998 |
| Public Assistance | - | - | - | - | - | - | - | 20,972 |
| Culture and Recreation | - | - | - | - | - | - | - | 5,653 |
| Debt Service: | | | | | | | | |
| Principal Payments | - | - | 70,000 | - | - | - | - | 70,000 |
| Interest and Fiscal Charges | - | - | 75,186 | - | - | - | - | 75,186 |
| Capital Projects | - | - | - | 22,011 | - | - | - | 22,011 |
| TOTAL DISBURSEMENTS | 1,090 | 622 | 145,186 | 22,011 | 9,357 | - | 18,039 | 269,504 |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS | (1,090) | - | 10,427 | (21,511) | (9,287) | - | 19,850 | 20,104 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | 4,000 | - | - | - | - | - | - | 24,000 |
| Transfers out | (4,000) | - | - | - | - | - | - | (26,455) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - | - | - | - | (2,455) |
| Net Change in Fund Balances | (1,090) | - | 10,427 | (21,511) | (9,287) | - | 19,850 | 17,649 |
| FUND BALANCES - BEGINNING | 7,248 | - | 170,954 | 88,823 | 143,457 | 2,597 | 29,476 | 578,355 |
| FUND BALANCES - ENDING | \$ 6,158 | \$ - | \$ 181,381 | \$ 67,312 | \$ 134,170 | \$ 2,597 | \$ 49,326 | \$ 596,004 |

(Concluded)

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|------------------|---|
| VISITOR PROMOTION FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 10,000 | \$ 10,000 | \$ 4,047 | \$ (5,953) |
| TOTAL RECEIPTS | <u>10,000</u> | <u>10,000</u> | <u>4,047</u> | <u>(5,953)</u> |
| DISBURSEMENTS | <u>9,406</u> | <u>9,406</u> | <u>5,653</u> | <u>3,753</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | 594 | 594 | (1,606) | (2,200) |
| FUND BALANCE - BEGINNING | 9,406 | 9,406 | 9,406 | - |
| FUND BALANCE - ENDING | <u>\$ 10,000</u> | <u>\$ 10,000</u> | <u>\$ 7,800</u> | <u>\$ (2,200)</u> |
| UNEMPLOYMENT FUND | | | | |
| RECEIPTS | | | | |
| Interest | \$ 150 | \$ 150 | \$ 116 | \$ (34) |
| TOTAL RECEIPTS | <u>150</u> | <u>150</u> | <u>116</u> | <u>(34)</u> |
| DISBURSEMENTS | <u>19,621</u> | <u>19,621</u> | <u>327</u> | <u>19,294</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | (19,471) | (19,471) | (211) | 19,260 |
| FUND BALANCE - BEGINNING | 19,621 | 19,621 | 19,621 | - |
| FUND BALANCE - ENDING | <u>\$ 150</u> | <u>\$ 150</u> | <u>\$ 19,410</u> | <u>\$ 19,260</u> |

(Continued)

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|------------------|---|
| MEDICAL RELIEF FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ - | \$ - | \$ 6 | \$ 6 |
| Intergovernmental | - | - | 12 | 12 |
| TOTAL RECEIPTS | <u>-</u> | <u>-</u> | <u>18</u> | <u>18</u> |
| DISBURSEMENTS | <u>47,482</u> | <u>47,482</u> | <u>7,113</u> | <u>40,369</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | (47,482) | (47,482) | (7,095) | 40,387 |
| FUND BALANCE - BEGINNING | 47,482 | 47,482 | 47,482 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 40,387</u> | <u>\$ 40,387</u> |
| INSTITUTIONS FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 8,000 | \$ 8,000 | \$ 17,488 | \$ 9,488 |
| Intergovernmental | 1,800 | 1,800 | 781 | (1,019) |
| TOTAL RECEIPTS | <u>9,800</u> | <u>9,800</u> | <u>18,269</u> | <u>8,469</u> |
| DISBURSEMENTS | <u>48,000</u> | <u>48,000</u> | <u>13,859</u> | <u>34,141</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | (38,200) | (38,200) | 4,410 | 42,610 |
| FUND BALANCE - BEGINNING | 38,958 | 38,958 | 38,958 | - |
| FUND BALANCE - ENDING | <u>\$ 758</u> | <u>\$ 758</u> | <u>\$ 43,368</u> | <u>\$ 42,610</u> |

(Continued)

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|------------------|---|
| VETERANS' AID FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ - | \$ - | \$ 1 | \$ 1 |
| TOTAL RECEIPTS | - | - | 1 | 1 |
| DISBURSEMENTS | 8,220 | 8,220 | - | 8,220 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| Net Change in Fund Balance | (8,220) | (8,220) | 1 | 8,221 |
| FUND BALANCE - BEGINNING | 8,220 | 8,220 | 8,220 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,221</u> | <u>\$ 8,221</u> |
| JUVENILE DIVERSION FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 30,000 | \$ 30,000 | \$ 16,980 | \$ (13,020) |
| Intergovernmental | 12,000 | 12,000 | 27,866 | 15,866 |
| Charges for Services | - | - | 4,272 | 4,272 |
| Miscellaneous | - | - | 23,045 | 23,045 |
| TOTAL RECEIPTS | 42,000 | 42,000 | 72,163 | 30,163 |
| DISBURSEMENTS | 47,998 | 47,998 | 46,089 | 1,909 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 20,000 | 20,000 |
| Transfers out | - | - | (22,455) | (22,455) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | (2,455) | (2,455) |
| Net Change in Fund Balance | (5,998) | (5,998) | 23,619 | 29,617 |
| FUND BALANCE - BEGINNING | 6,700 | 6,700 | 6,700 | - |
| FUND BALANCE - ENDING | <u>\$ 702</u> | <u>\$ 702</u> | <u>\$ 30,319</u> | <u>\$ 29,617</u> |

(Continued)

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|-----------------|---|
| <u>DRUG LAW ENFORCEMENT FUND</u> | | | | |
| RECEIPTS | | | | |
| Charges for Services | \$ 1,000 | \$ 1,000 | \$ - | \$ (1,000) |
| TOTAL RECEIPTS | <u>1,000</u> | <u>1,000</u> | <u>-</u> | <u>(1,000)</u> |
| DISBURSEMENTS | | | | |
| | - | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | 1,000 | 1,000 | - | (1,000) |
| FUND BALANCE - BEGINNING | 4,839 | 4,839 | 4,839 | - |
| FUND BALANCE - ENDING | <u>\$ 5,839</u> | <u>\$ 5,839</u> | <u>\$ 4,839</u> | <u>\$ (1,000)</u> |

| | | | | |
|---|-------------|-------------|---------------|---------------|
| <u>CANINE FUND</u> | | | | |
| RECEIPTS | | | | |
| Miscellaneous | \$ - | \$ - | \$ 300 | \$ 300 |
| TOTAL RECEIPTS | <u>-</u> | <u>-</u> | <u>300</u> | <u>300</u> |
| DISBURSEMENTS | | | | |
| | 574 | 574 | 158 | 416 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | (574) | (574) | 142 | 716 |
| FUND BALANCE - BEGINNING | 574 | 574 | 574 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 716</u> | <u>\$ 716</u> |

(Continued)

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|-----------------|---|
| <u>JUVENILE SERVICES GRANT FUND</u> | | | | |
| RECEIPTS | \$ - | \$ - | \$ - | \$ - |
| DISBURSEMENTS | 7,248 | 7,248 | 1,090 | 6,158 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 4,000 | 4,000 |
| Transfers out | - | - | (4,000) | (4,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| Net Change in Fund Balance | (7,248) | (7,248) | (1,090) | 6,158 |
| FUND BALANCE - BEGINNING | 7,248 | 7,248 | 7,248 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,158</u> | <u>\$ 6,158</u> |
| <u>LAW ENFORCEMENT GRANT FUND</u> | | | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ - | \$ - | \$ 622 | \$ 622 |
| TOTAL RECEIPTS | - | - | 622 | 622 |
| DISBURSEMENTS | - | - | 622 | (622) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| Net Change in Fund Balance | - | - | - | - |
| FUND BALANCE - BEGINNING | - | - | - | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

(Continued)

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-------------------|-------------------|---|
| COURTHOUSE BOND FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 146,499 | \$ 146,499 | \$ 144,000 | \$ (2,499) |
| Interest | - | - | 159 | 159 |
| Intergovernmental | 8,480 | 8,480 | 11,454 | 2,974 |
| TOTAL RECEIPTS | <u>154,979</u> | <u>154,979</u> | <u>155,613</u> | <u>634</u> |
| DISBURSEMENTS | <u>146,499</u> | <u>146,499</u> | <u>145,186</u> | <u>1,313</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | 8,480 | 8,480 | 10,427 | 1,947 |
| FUND BALANCE - BEGINNING | 170,954 | 170,954 | 170,954 | - |
| FUND BALANCE - ENDING | <u>\$ 179,434</u> | <u>\$ 179,434</u> | <u>\$ 181,381</u> | <u>\$ 1,947</u> |
| COURTHOUSE BUILDING PROJECT FUND | | | | |
| RECEIPTS | | | | |
| Miscellaneous | \$ - | \$ - | \$ 500 | \$ 500 |
| TOTAL RECEIPTS | <u>-</u> | <u>-</u> | <u>500</u> | <u>500</u> |
| DISBURSEMENTS | <u>88,823</u> | <u>88,823</u> | <u>22,011</u> | <u>66,812</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | (88,823) | (88,823) | (21,511) | 67,312 |
| FUND BALANCE - BEGINNING | 88,823 | 88,823 | 88,823 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 67,312</u> | <u>\$ 67,312</u> |

(Continued)

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|-------------------|---|
| COUNTY BUILDING FUND | | | | |
| RECEIPTS | | | | |
| Taxes | \$ - | \$ - | \$ 70 | \$ 70 |
| TOTAL RECEIPTS | - | - | 70 | 70 |
| DISBURSEMENTS | 143,457 | 143,457 | 9,357 | 134,100 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| Net Change in Fund Balance | (143,457) | (143,457) | (9,287) | 134,170 |
| FUND BALANCE - BEGINNING | 143,457 | 143,457 | 143,457 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 134,170</u> | <u>\$ 134,170</u> |
| GROUNDWATER MANAGEMENT FUND | | | | |
| RECEIPTS | | | | |
| | \$ - | \$ - | \$ - | \$ - |
| DISBURSEMENTS | 2,597 | 2,597 | - | 2,597 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| Net Change in Fund Balance | (2,597) | (2,597) | - | 2,597 |
| FUND BALANCE - BEGINNING | 2,597 | 2,597 | 2,597 | - |
| FUND BALANCE - ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,597</u> | <u>\$ 2,597</u> |

(Continued)

MERRICK COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-------------------|-------------------|---|
| <u>911 EMERGENCY SERVICES FUND</u> | | | | |
| RECEIPTS | | | | |
| Taxes | \$ 40,000 | \$ 40,000 | \$ 37,889 | \$ (2,111) |
| TOTAL RECEIPTS | <u>40,000</u> | <u>40,000</u> | <u>37,889</u> | <u>(2,111)</u> |
| DISBURSEMENTS | <u>42,580</u> | <u>42,580</u> | <u>18,039</u> | <u>24,541</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | (2,580) | (2,580) | 19,850 | 22,430 |
| FUND BALANCE - BEGINNING | <u>29,476</u> | <u>29,476</u> | <u>29,476</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 26,896</u> | <u>\$ 26,896</u> | <u>\$ 49,326</u> | <u>\$ 22,430</u> |
| | | | | (Concluded) |

MERRICK COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2010

| | County Clerk | Clerk of the District Court | County Sheriff | County Attorney | Highway Superint- endent | Veterans' Service Officer | County Extension | County Surveyor | County Planning and Zoning | Total |
|------------------------------|-----------------|--------------------------------------|-------------------|--------------------|--------------------------------|---------------------------------|---------------------|--------------------|-------------------------------------|------------------|
| BALANCE JULY 1, 2009 | \$ 13,495 | \$ 31,442 | \$ 13,561 | \$ 41,610 | \$ 36,029 | \$ 926 | \$ 2,003 | \$ 4,554 | \$ - | \$143,620 |
| RECEIPTS | | | | | | | | | | |
| Licenses and Permits | 660 | - | - | - | - | - | - | - | 2,370 | 3,030 |
| Intergovernmental | - | - | - | - | 139,294 | - | - | - | - | 139,294 |
| Charges for Services | 51,125 | 11,846 | 11,268 | 13,751 | 30,139 | - | - | 19,121 | - | 137,250 |
| Miscellaneous | - | - | - | 20 | 69 | - | 34,420 | - | - | 34,509 |
| State Fees | 46,509 | 14,165 | - | - | - | - | - | - | - | 60,674 |
| Other Liabilities | - | 126,182 | 139,459 | 10,045 | - | - | 7,065 | - | - | 282,751 |
| TOTAL RECEIPTS | 98,294 | 152,193 | 150,727 | 23,816 | 169,502 | - | 41,485 | 19,121 | 2,370 | 657,508 |
| DISBURSEMENTS | | | | | | | | | | |
| Payments to County Treasurer | 55,820 | 11,224 | 7,273 | 1,779 | 147,555 | - | - | 17,549 | 2,370 | 243,570 |
| Payments to State Treasurer | 42,791 | 13,917 | - | - | - | - | - | - | - | 56,708 |
| Other Liabilities | - | 134,382 | 151,032 | 18,345 | 13 | 150 | 41,096 | - | - | 345,018 |
| TOTAL DISBURSEMENTS | 98,611 | 159,523 | 158,305 | 20,124 | 147,568 | 150 | 41,096 | 17,549 | 2,370 | 645,296 |
| BALANCE JUNE 30, 2010 | <u>\$13,178</u> | <u>\$ 24,112</u> | <u>\$ 5,983</u> | <u>\$45,302</u> | <u>\$ 57,963</u> | <u>\$ 776</u> | <u>\$ 2,392</u> | <u>\$ 6,126</u> | <u>\$ -</u> | <u>\$155,832</u> |
| BALANCE CONSISTS OF: | | | | | | | | | | |
| Due to County Treasurer | \$ 6,113 | \$ 1,349 | \$ 5,983 | \$45,290 | \$ 57,885 | \$ 776 | \$ 335 | \$ 6,126 | \$ - | \$123,857 |
| Petty Cash | - | - | - | - | 78 | - | - | - | - | 78 |
| Due to State Treasurer | 7,065 | 2,133 | - | - | - | - | - | - | - | 9,198 |
| Due to Others | - | 20,630 | - | 12 | - | - | 2,057 | - | - | 22,699 |
| BALANCE JUNE 30, 2010 | <u>\$13,178</u> | <u>\$ 24,112</u> | <u>\$ 5,983</u> | <u>\$45,302</u> | <u>\$ 57,963</u> | <u>\$ 776</u> | <u>\$ 2,392</u> | <u>\$ 6,126</u> | <u>\$ -</u> | <u>\$155,832</u> |

MERRICK COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED FOR
ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2010

| Item | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|-------------------|-------------------|-------------------|-------------------|---------------------|
| Tax Certified by Assessor | | | | | |
| Real Estate | \$ 11,072,365 | \$ 11,735,819 | \$ 11,971,513 | \$ 12,379,213 | \$ 13,252,368 |
| Personal and Specials | 979,384 | 750,375 | 749,466 | 1,177,678 | 779,390 |
| Total | <u>12,051,749</u> | <u>12,486,194</u> | <u>12,720,979</u> | <u>13,556,891</u> | <u>14,031,758</u> |
| Corrections | | | | | |
| Additions | 20,215 | 5,964 | 9,814 | 367,455 | 5,244 |
| Deductions | (1,142) | (1,960) | (926) | (853) | (17,378) |
| Net Additions/ (Deductions) | <u>19,073</u> | <u>4,004</u> | <u>8,888</u> | <u>366,602</u> | <u>(12,134)</u> |
| Corrected Certified Tax | <u>12,070,822</u> | <u>12,490,198</u> | <u>12,729,867</u> | <u>13,923,493</u> | <u>14,019,624</u> |
| Net Tax Collected by County Treasurer during Fiscal Year Ending: | | | | | |
| June 30, 2006 | 6,847,335 | - | - | - | - |
| June 30, 2007 | 5,204,891 | 7,119,004 | - | - | - |
| June 30, 2008 | 13,406 | 5,347,385 | 7,279,047 | - | - |
| June 30, 2009 | 3,932 | 19,449 | 5,420,381 | 7,805,176 | - |
| June 30, 2010 | 252 | 741 | 11,230 | 6,095,987 | 8,251,109 |
| Total Net Collections | <u>12,069,816</u> | <u>12,486,579</u> | <u>12,710,658</u> | <u>13,901,163</u> | <u>8,251,109</u> |
| Total Uncollected Tax | <u>\$ 1,006</u> | <u>\$ 3,619</u> | <u>\$ 19,209</u> | <u>\$ 22,330</u> | <u>\$ 5,768,515</u> |
| Percentage Uncollected Tax | <u>0.01%</u> | <u>0.03%</u> | <u>0.15%</u> | <u>0.16%</u> | <u>41.15%</u> |



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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MERRICK COUNTY

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

Board of Supervisors
Merrick County, Nebraska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merrick County as of and for the year ended June 30, 2010, and have issued our report thereon dated May 12, 2011. 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 Litzenberg Memorial County Hospital, a component unit of Merrick County. Except as noted above, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Merrick County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Merrick County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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 had a lack of segregation of duties since 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. Due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost.

Compliance and Other Matters

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

We also noted certain matters that we reported to management of Merrick County in a separate letter dated May 12, 2011.

This report is intended solely for the information and use of management, the County Board, others within the entity, the State Legislature, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and is not intended to be and should not be used by anyone other than these specified parties.

Signed Original on File

May 12, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor



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May 12, 2011

Board of Supervisors
Merrick County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Merrick County (County) for the fiscal year ended June 30, 2010, and have issued our report thereon dated May 12, 2011. 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 areas as follows:

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 had a lack of segregation of duties since one person could handle all aspects of processing a transaction from beginning to end. Due to a limited number of personnel, an adequate segregation of duties is not 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.

Remittances to County Treasurer

Neb. Rev. Stat. § 23-1601 (Reissue 2007) states, in part, "... 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." Neb. Rev. Stat. § 23-109 (Reissue 2007) states, "The county board shall have power to examine and settle all accounts against the county and all accounts concerning the receipts and expenditures of the county." Neb. Rev. Stat. § 23-106 (Reissue 2007) states, in part, "The county board shall have the authority to establish a petty cash fund for 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."

We noted several offices which had not remitted all office earnings to the County Treasurer but had retained a portion of the earnings in their office bank account. The County Board has not established petty cash funds in these offices and such amounts were not stated in the County's budget message. The offices and the respective amounts as of June 30, 2010, were:

- Extension Office - \$335
- County Attorney - \$45,290
- County Sheriff - \$2,197

As of April 13, 2011, the County Attorney had remitted \$41,553 of the above balance to the County Treasurer. Additionally, we noted the County Attorney sometimes paid expenses directly through the bank accounts, and the County Sheriff made purchases with the Commissary account rather than submitting claims to the County Board for approval.

When all monies received are not remitted to the County Treasurer and paid out through an established claim and warrant process, there is an increased risk of loss, theft, or misuse of funds. This was also noted in the prior audit report.

We recommend all money belonging to the County be remitted to the County Treasurer monthly, at a minimum, and the County Board determine the authority for petty cash funds.

County Attorney's Response: I have closed out all checking accounts related to this office and the diversion office with the exception of the insufficient check funds account at Pinnacle Bank which we must continue to maintain.

COUNTY BOARD

Over-Expended Budget

Neb. Rev. Stat. § 23-916 (Reissue 2007) states, "After the adoption of the county budget, no officer, department or other expending agency shall expend or contract to be expended any money, or incur any liability, or enter into any contract which, by its terms, involves the expenditure of money not provided for in the budget, or which involves the expenditure of any

money for any of the purposes for which provision is made in the budget in excess of the amounts provided in said budget for such office, department or other expending agency, or purpose, for such fiscal year.”

During our audit we noted the following over-expended budgets:

- General Fund, Miscellaneous Function - \$405,531
- Inheritance Fund - \$220,722
- Juvenile Diversion Fund - \$16,546
- Law Enforcement Grant Fund - \$622

When expenditures are made in excess of amounts budgeted with no appropriation adjustments by the County Board to address those excesses; the County is non-compliant with State statute.

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

Payroll Claims

Internal Revenue Service (IRS) Publication 15 (Circular E), 2010 Employer’s Tax Guide, outlines an employers responsibility to withhold Federal income tax based on each employee’s W-4 form.

During testing of payroll claims, we noted:

- One employee tested had monthly gross wages of \$2,744; however, Federal income taxes were not withheld from their earnings. Based on this wage, Federal income tax withholding during 2010 should have been \$149/month using their W-4 status of married with one allowance.

When proper internal controls have not been established over payroll procedures, there is an increased risk County funds will be lost or misused.

We recommend the County Board withhold Federal income taxes according to IRS Publication 15 (Circular E), 2010 Employer’s Tax Guide and information provided on employee’s W-4 forms.

Extension Agent Vehicle

During our audit it was noted the County Extension Agent was allowed to use a County vehicle for personal use, including commuting to and from work.

IRS Publication 15-B outlines that employees allowed to use County vehicles for commuting and personal use must have the benefit added as a taxable wage to the employee unless the vehicle meets specific qualifications. The vehicle driven by the County Extension Agent does not meet the specific qualifications outlined by the IRS and; therefore, should be included as a taxable wage. The IRS requires employees who commute utilizing nonqualified vehicles be assessed

\$1.50 for each commute trip, or basically \$3 per day. The County Extension Agent is not a County Employee as he is employed by the State of Nebraska; however, he is receiving the benefit of using a County vehicle to commute to and from work. Therefore, the County should issue an IRS Form 1099 to him each year with the total amount of benefit received.

We recommend the County Board follow IRS requirements and issue the County Extension Agent an IRS Form 1099 each year or discontinue allowing the use of a County vehicle for personal/commuting purposes.

Claim Procedures

Neb. Rev. Stat. § 23-143 (Reissue 2007) states, “The county board of any county, whenever the account or claim of any person, firm or corporation against the county is presented to them for allowance, shall procure from the county treasurer a certificate of the amount of delinquent personal taxes assessed against the person, firm or corporation in whose favor the account or claim is presented, and shall deduct from any amount found due upon such account or claim the amount of such tax, and shall forthwith issue a warrant for the balance remaining, if any.” Good internal control requires adequate supporting documentation be maintained for expenditures approved by the County Board.

During our testing of claims we noted the following:

- Documentation was not maintained to support that claims were compared to the certificate of delinquent personal property tax prior to claims being paid.
- Claims paid to County Sheriff deputies for cellular phone service did not have supporting documentation.

When the County does not comply with State statute or maintain adequate supporting documentation, there is an increased risk that County funds will be lost or misused.

We recommend the County Board maintain adequate documentation to support claims paid and that claims be compared to the delinquent personal property tax certificate prior to payment so deductions can be made, if necessary.

COUNTY TREASURER

Motor Vehicle Registrations

Per Neb. Rev. Stat. § 60-3,186, “After retaining one percent of the motor vehicle tax proceeds collected for costs, the remaining motor vehicle tax proceeds shall be allocated to each county, local school system, school district, city, and village in the tax district in which the motor vehicle has situs.” A good internal control plan requires that the correct tax district be entered on motor vehicle registrations to ensure the County Treasurer is distributing motor vehicle tax in compliance with § 60-3,186.

For one of ten motor vehicle registrations tested, the tax district entered on the registration was not correct, resulting in the tax being distributed incorrectly. The registration was credited to Tax District 172 and should have been credited to Tax District 175. This error resulted in the County receiving \$40 that should have been distributed to the Village of Palmer.

When the correct tax district is not entered on motor vehicle registrations, there is an increased risk that the motor vehicle tax will not be distributed in accordance with State statute.

We recommend procedures be implemented to ensure the correct tax district is entered for all motor vehicle registrations. Furthermore, the registration noted previously should be corrected.

Miscellaneous Purchases

Per Neb. Rev. Stat. § 23-106, “The county board shall manage the county funds and county business except as otherwise specifically provided. 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.”

During our audit we noted miscellaneous purchases were made with county funds from the County Treasurer’s bank account; however, the County Board had not established or authorized a petty cash fund. These purchases are carried as cash items on the County Treasurer’s daily balance sheet. The purchases consisted of such items as postage, annual dues, conference expenses, and an annual employee recognition dinner.

When purchases are made by the County Treasurer without prior approval from the County Board or under an approved petty cash fund, there is an increased risk of loss or misuse of funds and the County Treasurer is not in compliance with State statute.

We recommend County Board approval be obtained prior to making miscellaneous purchases with County funds or an approved petty cash fund be established.

COUNTY ATTORNEY

Accounting Procedures

Neb. Rev. Stat. § 23-1207 (Reissue 2007) requires a County Attorney to issue receipts for all money received. Good internal control requires procedures be in place to write receipts for all money received, to deposit all money received in a timely manner, to ensure checks are not written to the order of cash, all refunds due from overpayments are promptly paid out, and all money received is deposited to a bank account.

During our audit we noted the following:

- Numerous receipts were not deposited in a timely manner, ranging from 10 to 60 days from the date they were received.
- Two instances, totaling \$607, where receipts were not written.

- Two checks, totaling \$220, were made payable to the order of cash.
- Two instances, totaling \$3, where overpayments of restitution were never refunded.
- Restitution received in the amount of \$60 in cash was never deposited but was instead given directly to the plaintiff.

There is an increased risk of loss, theft, or misuse of funds when procedures are not in place to ensure the proper handling and accounting for all money received.

We recommend the County Attorney implement procedures to ensure all money is properly receipted, deposited, and accurately handled and accounted for.

County Attorney's Response: I am without knowledge to respond to the same as I took office only in January 2011. We have taken note of all of your recommendations, however, and I feel we have implemented procedures to ensure all money is properly and timely receipted, deposited, and accurately handled and accounted for.

COUNTY SHERIFF

Accounting Procedures

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

Per the County Sheriff's records, the June 30, 2010, trust fund had an unexplained balance of \$2,947. We also noted the balance reflected in the check register did not agree to the balance being used to reconcile the bank accounts, the variance noted in the fee account was \$2,435, and the variance noted in the commissary account was \$302.

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

We recommend the County Sheriff implement documented monthly balancing procedures and follow up on variances in a timely manner.

HIGHWAY DEPARTMENT / SURVEYOR

Accounts Receivable

Sound accounting practice and good internal control require procedures be in place to maintain complete and adequate records and review overdue accounts receivables on a regular basis to determine what action should be taken on those accounts.

During our audit we noted numerous delinquent accounts receivables, which remained uncollected:

- At June 30, 2010, the Highway Department had 9 accounts receivables totaling \$902 which were over two years old.
- At June 30, 2010, the Surveyor had 30 accounts receivables totaling \$3,362 which were over two years old.

Without a regular review of overdue accounts receivables, there is an increased risk delinquent amounts will not be collected and/or resolved in a timely manner. This issue was noted in prior audits.

We recommend the Highway Department/Surveyor implement procedures which include, at a minimum, annual discussions with the County Board to consider the feasibility of collection and/or the need for write-off approval if accounts receivables appear to be uncollectible.

Receipt Testing

Good internal controls and sound accounting practices require that all rates charged be set and approved by the County Board, and that all invoices are correctly calculated.

During our testing of receipts we noted the following:

- 4 of 5 invoices tested could not be traced to authorized rates or other supporting documentation
- 2 of 5 invoices were incorrectly calculated creating an under-charge of \$1,021 and an over-charge of \$5.

When rates are not authorized by the County Board and invoices are calculated incorrectly there is an increased risk that rates charged will not cover the County's costs, and that different rates will be charged to different parties for the same work.

We recommend the Highway Superintendent document all rates charged, either in signed contracts or on a rate sheet approved by the County Board. Additionally, we recommend all invoices be reviewed for accuracy.

COUNTY EXTENSION OFFICE

Cooperative Extension Bank Account

A good internal control plan requires the County be aware of all bank accounts established under the County's Federal Tax Identification Number (FTIN) and exercise adequate control over such bank accounts.

During our audit we noted the County Extension Office has one bank account established under the County's FTIN which had a \$2,057 bank balance at June 30, 2010; however, the activity in the account, which is largely educational and programming related, appears to be identical to that of other Cooperative Extension offices throughout the State, which were established under the University of Nebraska's FTIN. After the Auditor of Public Accounts (APA) brought this to the Extension Agent's attention, the FTIN on the account was changed to that of the University of Nebraska.

When internal controls and policies and procedures are not in place to identify all bank accounts with the County's FTIN, there is a greater risk that controls over such bank accounts may not be in place to ensure they are being used in accordance with County policies. A similar comment was noted in the University of Nebraska's Management Letter issued by the APA for the fiscal year ended June 30, 2010.

We recommend the County Board and the University work together to determine if this bank account is related to County or University activity. If it is determined to be a University bank account the account ownership should be changed to the University's FTIN. If it is determined to be a County bank account, we recommend the County establish procedures to record and report the activity to the County Board in accordance with Board policies and State statutes.

PLANNING AND ZONING

Receipting Procedures

Good internal controls require an accurate record keeping system be in place to record all monies received.

During our review of records in the Planning and Zoning office we noted the following:

- 17 receipts, totaling \$870, were not recorded in the fee book.
- Some individuals send planning and zoning fees along with deed recording fees combined on one check. The money received for the recording of deeds were not recorded in the fee book, these fees were subsequently remitted to the Register of Deeds once a deed was filed. The Register of Deeds filing fees were not always taken directly to the Register of Deeds, but were sometimes held in the office and kept in the application files.

When all money is not recorded and appropriately handled, there is an increased risk of loss or misuse of County funds.

We recommend the Planning and Zoning office implement procedures to ensure proper recording and accounting for all money received. Additionally, any money held by the office should be stored in a locked and secure location.

It should be noted this report is critical in nature since 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 them 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 have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the 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 is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Signed Original on File

Deann Haeffner, CPA
Assistant Deputy Auditor