

**AUDIT REPORT
OF
OTOE COUNTY**

JULY 1, 2012 THROUGH JUNE 30, 2013

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the Auditor of Public Accounts.**

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October 2, 2013

OTOE COUNTY

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OTOE COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2013

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Carol Crook	Board of Commissioners	Jan. 2015
Richard Freshman		Jan. 2015
Ron Hauptman		Jan. 2015
Steven Lade		Jan. 2017
Timothy Nelsen		Jan. 2017
Therese Gruber	Assessor	Jan. 2015
David Partsch	Attorney	Jan. 2015
Janene Bennett	Clerk Election Commissioner	Jan. 2015
Janet Reed	Register of Deeds	Jan. 2015
Janis Riege	Clerk of the District Court	Jan. 2015
James Gress	Sheriff	Jan. 2015
Nickola Kreifels	Treasurer	Jan. 2015
Michael Ziskey	Public Defender	Jan. 2015
David Schmitz	Surveyor	Jan. 2015
Marvin Pesek	Veterans' Service Officer	Appointed
Gregg Goebel	Emergency Manager	Appointed



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OTOE COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Otoe 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 Otoe County, as of and for the year ended June 30, 2013, which collectively comprise the County's basic financial statements 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 an opinion 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Otoe County as of June 30, 2013; the respective changes in cash-basis financial position; and, when applicable, cash flows thereof for the year then ended in conformity with the cash basis of accounting described in Note 1.

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, schedule of expenditures of Federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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, schedule of expenditures of Federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and schedule of taxes certified and collected information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013, on our consideration of Otoe 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 Otoe County's internal control over financial reporting and compliance.

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 opinion is not modified with respect to this matter.

SIGNED ORIGINAL ON FILE

September 27, 2013

Deann Haeffner, CPA
Assistant Deputy Auditor

OTOE COUNTY
STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2013

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 4,620,609
Investments (Note 1.D)	5,137
TOTAL ASSETS	\$ 4,625,746
 NET POSITION	
Restricted for:	
Visitor Promotion	\$ 4,827
911 Emergency Services	258,523
Drug Education	4,598
Law Enforcement	64,876
Preservation & Modernization	5,143
Unrestricted	4,287,779
TOTAL NET POSITION	\$ 4,625,746

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

OTOE COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2013

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	\$ (3,494,049)	\$ 588,848	\$ 214,055	\$ (2,691,146)
Public Safety	(2,166,336)	56,765	67,248	(2,042,323)
Public Works	(3,957,637)	-	3,661,837	(295,800)
Health and Sanitation	(27,396)	-	-	(27,396)
Public Assistance	(195,557)	-	16,254	(179,303)
Culture and Recreation	(102,490)	-	-	(102,490)
Debt Payments	(426,275)	-	-	(426,275)
Total Governmental Activities	\$ (10,369,740)	\$ 645,613	\$ 3,959,394	(5,764,733)
General Receipts:				
Property Taxes				6,640,773
Grants and Contributions Not Restricted to Specific Programs				648,340
Investment Income				16,159
Licenses and Permits				75,981
Miscellaneous				127,258
Total General Receipts				7,508,511
Change in Net Position				1,743,778
Net Position - Beginning				2,881,968
Net Position - Ending				\$ 4,625,746

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

OTOE COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents (Note 1.D)	\$ 1,518,499	\$ 258,119	\$ 2,195,047	\$ 648,944	\$ 4,620,609
Investments (Note 1.D)	-	-	5,137	-	5,137
TOTAL ASSETS	\$ 1,518,499	\$ 258,119	\$ 2,200,184	\$ 648,944	\$ 4,625,746
FUND BALANCES					
Restricted for:					
Visitor Promotion	\$ -	\$ -	\$ -	\$ 4,827	\$ 4,827
911 Emergency Services	-	-	-	258,523	258,523
Drug Education	-	-	-	4,598	4,598
Law Enforcement	-	-	-	64,876	64,876
Preservation & Modernization	-	-	-	5,143	5,143
Committed to:					
Law Enforcement	-	-	-	10,972	10,972
Road Maintenance	-	258,119	-	-	258,119
County Buildings	-	-	-	23,550	23,550
Landfill Closures	-	-	-	218,174	218,174
Special Projects	-	-	-	58,281	58,281
Assigned to:					
Other Purposes	-	-	2,200,184	-	2,200,184
Unassigned	1,518,499	-	-	-	1,518,499
TOTAL CASH BASIS FUND BALANCES	\$ 1,518,499	\$ 258,119	\$ 2,200,184	\$ 648,944	\$ 4,625,746

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

OTOE COUNTY
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS					
Property Taxes	\$ 5,800,143	\$ 612	\$ 605,442	\$ 234,576	\$ 6,640,773
Licenses and Permits	74,731	1,250	-	-	75,981
Interest	15,874	161	-	124	16,159
Intergovernmental	831,040	2,722,336	1,047,458	6,900	4,607,734
Charges for Services	568,670	-	-	76,943	645,613
Miscellaneous	17,721	11,876	71,647	26,014	127,258
TOTAL RECEIPTS	<u>7,308,179</u>	<u>2,736,235</u>	<u>1,724,547</u>	<u>344,557</u>	<u>12,113,518</u>
DISBURSEMENTS					
General Government	2,861,943	-	472,251	159,855	3,494,049
Public Safety	2,093,932	-	-	72,404	2,166,336
Public Works	40,539	3,899,411	-	17,687	3,957,637
Health and Sanitation	27,396	-	-	-	27,396
Public Assistance	195,557	-	-	-	195,557
Culture and Recreation	5,201	-	-	97,289	102,490
Debt Service:					
Principal Payments	-	275,000	-	-	275,000
Interest and Fiscal Charges	-	151,275	-	-	151,275
TOTAL DISBURSEMENTS	<u>5,224,568</u>	<u>4,325,686</u>	<u>472,251</u>	<u>347,235</u>	<u>10,369,740</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>2,083,611</u>	<u>(1,589,451)</u>	<u>1,252,296</u>	<u>(2,678)</u>	<u>1,743,778</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	17,257	1,722,650	-	50,313	1,790,220
Transfers out	(1,722,650)	-	-	(67,570)	(1,790,220)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,705,393)</u>	<u>1,722,650</u>	<u>-</u>	<u>(17,257)</u>	<u>-</u>
Net Change in Fund Balances	378,218	133,199	1,252,296	(19,935)	1,743,778
CASH BASIS FUND BALANCES - BEGINNING	<u>1,140,281</u>	<u>124,920</u>	<u>947,888</u>	<u>668,879</u>	<u>2,881,968</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 1,518,499</u>	<u>\$ 258,119</u>	<u>\$ 2,200,184</u>	<u>\$ 648,944</u>	<u>\$ 4,625,746</u>

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

OTOE COUNTY
STATEMENT OF FIDUCIARY ASSETS
AND LIABILITIES - CASH BASIS
FIDUCIARY FUNDS
 June 30, 2013

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 1,826,428
LIABILITIES	
Due to other governments	
State	264,070
Schools	1,244,866
Educational Service Units	4,504
Technical College	10,961
Natural Resource Districts	7,850
Fire Districts	3,591
Municipalities	55,990
Agricultural Society	1,526
Sanitary and Improvement Districts	26,378
Hospital	1,261
Others	205,431
TOTAL LIABILITIES	1,826,428
TOTAL NET ASSETS	\$ -

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

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

Otoe 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 which 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.

As required by generally accepted accounting principles (GAAP), these financial statements present the County (the primary government). No component units were identified.

Joint Organization.

Behavioral Health Region V - 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 V (Region) consists of the following counties: Polk, Butler, Saunders, Seward, Lancaster, Otoe, Fillmore, Saline, Thayer, Jefferson, Gage, Johnson, Nemaha, Pawnee, York, and Richardson.

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 \$55,413 toward the operation of the Region during fiscal year 2013. 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.

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Health Department – The County has entered into an agreement with Southeast 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 (Reissue 2009, Cum. Supp. 2012).

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 2013. 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(4) (Cum. Supp. 2012). Financial information for the Department is available in that report.

B. Basis of Presentation

Government-wide Financial Statements. The Statement of Net Position - Cash Basis and Statement of Activities - Cash Basis display information about the activities of the County and are in the format of government-wide statements, as required by GASB Statement Number 34. These statements include all the financial activities of the County, except for fiduciary activities. 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 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.

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

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 which 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.

The County designates fund balances as:

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 balances has not been designated by the County Board for a specific purpose, but has been separated based on the type of revenue.

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

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 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 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.

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 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 position reports \$337,967 of restricted net position, of which \$273,091 is restricted by enabling legislation.

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

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

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

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

2. Deposits and Investments

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

At year end, the County's carrying amount of deposits was \$4,620,609 for County funds and \$1,826,428 for Fiduciary funds. The bank balances for all funds totaled \$6,224,421. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2013, 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 \$5,137 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.

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.

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Property Taxes** (Concluded)

The levy set in October 2012, for the 2012 taxes, which will be materially collected in May and September 2013, was set at \$.336285/\$100 of assessed valuation. The levy set in October 2011, for the 2011 taxes, which were materially collected in May and September 2012, was set at \$.336036/\$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 (Reissue 2012) and may be amended through legislative action.

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

County employees and elected officials contribute 4.5% of their total compensation. In addition, the County contributes an amount equal to 150% of the employee's contribution. The contribution rates are established by § 23-2307 and § 23-2308 and may be amended through legislative action. The employee's and employer's contributions are kept in separate accounts. The employee's account is fully vested. The employer's account is fully vested after three years of participation in the system or credit for participation in another governmental plan prior to actual contribution to the Plan. 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.

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. Retirement System (Concluded)

For the year ended June 30, 2013, 103 employees contributed \$171,172, and the County contributed \$252,731. Contributions included \$8,051 in cash contributions towards the supplemental law enforcement plan for 15 law enforcement employees. Lastly, the County paid \$1,764 directly to 16 retired employees for prior service benefits.

5. Risk Management

The County is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has purchased commercial insurance to cover the risk of loss and believes adequate coverage exists for potential exposures. There was no significant reduction of insurance coverage from the prior year and the County did not incur any expenses which exceeded the coverage amount for the year ended June 30, 2013.

6. Interfund Transfers

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Transfers to	Transfers from		Total
	General Fund	Nonmajor Funds	
Road Fund	\$ 1,722,650	\$ -	\$ 1,722,650
General Fund	-	17,257	17,257
Nonmajor Funds	-	50,313	50,313
Total	\$ 1,722,650	\$ 67,570	\$ 1,790,220

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

7. Capital Leases Payable

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

	Kenworth Tractor – NACO Lease	Kenworth Dump Truck and Plow – NACO Lease	Caterpillar Motor Grader – NACO Lease	Dual Tandem Gooseneck Trailer	Total
Balance July 1, 2012	\$ 49,558	\$ 100,653	\$ 108,522	\$ 7,162	\$ 265,895
Purchases	-	-	-	-	-
Payments	16,101	28,752	25,019	7,162	77,034
Balance June 30, 2013	\$ 33,457	\$ 71,901	\$ 83,503	\$ -	\$ 188,861

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. Capital Leases Payable (Concluded)

	Kenworth Tractor – NACO Lease	Kenworth Dump Truck and Plow – NACO Lease	Caterpillar Motor Grader – NACO Lease	Dual Tandem Gooseneck Trailer	Total
Future Payments:					
Year					
2014	\$ 17,177	\$ 30,502	\$ 26,232	\$ -	\$ 73,911
2015	17,176	30,502	26,232	-	73,910
2016	-	12,709	26,232	-	38,941
2017	-	-	6,558	-	6,558
Total Payments	34,353	73,713	85,254		193,320
Less Interest	896	1,812	1,751		4,459
Present Value of Future					
Minimum Lease Payments	\$ 33,457	\$ 71,901	\$ 83,503	\$ -	\$ 188,861
Carrying Value of the related					
Fixed Asset	\$ 80,152	\$ 139,684	\$ 124,599	\$ 8,575	\$ 353,010

8. Landfill Post-closure Care Cost

The County owns a solid waste disposal area which discontinued operations in 1993. The County must adhere to certain closure and post-closure care requirements under legislation, including monitoring the groundwater conditions and general site maintenance. The County maintains a Landfill Fund to account for these disbursements. The Landfill Fund balance at June 30, 2013, was \$218,174. The County anticipates the Landfill Fund to have sufficient funds to cover future expenses of the disposal site.

9. Long-Term Debt

The County issued Highway bonds in July 2009 in the amount of \$2,535,000 for the purpose of paying the costs associated with road projects in the County. The bond payable balance, as of June 30, 2013, was \$1,965,000. 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
2014	\$ 150,000	\$ 76,495	\$ 226,495
2015	155,000	72,220	227,220
2016	160,000	67,415	227,415
2017	165,000	62,055	227,055
2018	170,000	56,115	226,115
2019-2023	950,000	173,575	1,123,575
2024	215,000	9,675	224,675
Total Payments	\$ 1,965,000	\$ 517,550	\$ 2,482,550

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. Long-Term Debt (Concluded)

The County issued highway bonds in October 2011 in the amount of \$2,550,000 for the purpose of paying the costs associated with road projects in the County. The bond payable balance, as of June 30, 2013, was \$2,420,000. 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, although the County intends to use future highway allocation resources to pay off the bonds.

Future Payments:

Year	Principal	Interest	Total
2014	\$ 130,000	\$ 70,253	\$ 200,253
2015	130,000	68,953	198,953
2016	135,000	67,133	202,133
2017	135,000	64,703	199,703
2018	140,000	61,867	201,867
2019-2023	765,000	250,033	1,015,033
2024-2026	985,000	79,708	1,064,708
Total Payments	\$ 2,420,000	\$ 662,650	\$ 3,082,650

OTOE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 5,961,153	\$ 5,961,153	\$ 5,800,143	\$ (161,010)
Licenses and Permits	69,000	69,000	74,731	5,731
Interest	15,000	15,000	15,874	874
Intergovernmental	471,660	471,660	831,040	359,380
Charges for Services	506,440	506,440	568,670	62,230
Miscellaneous	200,000	200,000	17,721	(182,279)
TOTAL RECEIPTS	<u>7,223,253</u>	<u>7,223,253</u>	<u>7,308,179</u>	<u>84,926</u>
DISBURSEMENTS				
General Government:				
County Board	106,750	106,750	105,991	759
County Clerk	93,312	93,312	93,282	30
County Treasurer	195,263	195,263	194,527	736
Register of Deeds	112,601	112,601	112,338	263
County Assessor	234,624	234,624	219,822	14,802
Election Commissioner	82,443	82,443	69,663	12,780
Planning Commission	50,294	50,294	45,426	4,868
Data Processing Department	140,132	140,132	129,522	10,610
Clerk of the District Court	101,052	101,052	95,082	5,970
County Judge	14,760	14,760	10,397	4,363
Public Defender	137,657	137,657	136,498	1,159
Coroner	22,700	22,700	21,233	1,467
Child Support	83,947	83,947	46,584	37,363
Building and Grounds	159,568	159,568	148,516	11,052
Agricultural Extension Agent	94,317	94,317	94,259	58
Miscellaneous	1,347,200	1,347,200	1,338,803	8,397
Public Safety:				
County Sheriff	991,710	991,710	944,581	47,129
County Attorney	209,532	209,532	209,531	1
Juvenile Diversion Program	65,144	65,144	63,439	1,705
County Jail	686,200	686,200	625,547	60,653
Nuclear Accident -				
Emergency Prepared	43,211	43,211	40,536	2,675
Emergency Management	146,875	146,875	107,248	39,627
Emergency Equipment	198,000	198,000	24,493	173,507
Miscellaneous	226,500	226,500	78,557	147,943

(Continued)

OTOE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Works:				
County Surveyor	47,398	47,398	40,539	6,859
Public Health:				
Miscellaneous	27,396	27,396	27,396	-
Public Assistance:				
County Relief	38,000	38,000	27,874	10,126
Veterans' Aid	12,350	12,350	8,285	4,065
Veterans' Service Officer	66,526	66,526	62,501	4,025
Welfare Ass't Administration Office	47,000	47,000	45,886	1,114
Miscellaneous	53,197	53,197	51,011	2,186
Culture and Recreation				
County Museum	5,225	5,225	5,201	24
TOTAL DISBURSEMENTS	<u>5,840,884</u>	<u>5,840,884</u>	<u>5,224,568</u>	<u>616,316</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>1,382,369</u>	<u>1,382,369</u>	<u>2,083,611</u>	<u>701,242</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	17,257	17,257
Transfers out	(1,722,650)	(1,722,650)	(1,722,650)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,722,650)</u>	<u>(1,722,650)</u>	<u>(1,705,393)</u>	<u>17,257</u>
Net Change in Fund Balance	(340,281)	(340,281)	378,218	718,499
FUND BALANCE - BEGINNING	<u>1,140,281</u>	<u>1,140,281</u>	<u>1,140,281</u>	-
FUND BALANCE - ENDING	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 1,518,499</u>	<u>\$ 718,499</u>

(Concluded)

OTOE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 612	\$ 612
Licenses and Permits	500	500	1,250	750
Interest	-	-	161	161
Intergovernmental	2,963,056	2,963,056	2,722,336	(240,720)
Miscellaneous	5,400	5,400	11,876	6,476
TOTAL RECEIPTS	2,968,956	2,968,956	2,736,235	(232,721)
DISBURSEMENTS	4,816,526	4,816,526	4,325,686	490,840
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,847,570)	(1,847,570)	(1,589,451)	258,119
OTHER FINANCING SOURCES (USES)				
Transfers in	1,722,650	1,722,650	1,722,650	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,722,650	1,722,650	1,722,650	-
Net Change in Fund Balance	(124,920)	(124,920)	133,199	258,119
FUND BALANCE - BEGINNING	124,920	124,920	124,920	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 258,119	\$ 258,119
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 500,000	\$ 500,000	\$ 605,442	\$ 105,442
Intergovernmental	1,000,000	1,000,000	1,047,458	47,458
Miscellaneous	-	-	71,647	71,647
TOTAL RECEIPTS	1,500,000	1,500,000	1,724,547	224,547
DISBURSEMENTS	2,447,888	2,447,888	472,251	1,975,637
Net Change in Fund Balance	(947,888)	(947,888)	1,252,296	2,200,184
FUND BALANCE - BEGINNING	947,888	947,888	947,888	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 2,200,184	\$ 2,200,184

OTOE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>VISITOR PROMOTION FUND</u>				
RECEIPTS	\$ 94,358	\$ 94,358	\$ 94,474	\$ 116
DISBURSEMENTS	102,000	102,000	97,289	4,711
Net Change in Fund Balance	(7,642)	(7,642)	(2,815)	4,827
FUND BALANCE - BEGINNING	7,642	7,642	7,642	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,827</u>	<u>\$ 4,827</u>
<u>PRESERVATION AND MODERNIZATION FUND</u>				
RECEIPTS	\$ 10,000	\$ 10,000	\$ 5,143	\$ (4,857)
DISBURSEMENTS	10,000	10,000	-	10,000
Net Change in Fund Balance	-	-	5,143	5,143
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,143</u>	<u>\$ 5,143</u>
<u>DIVERSION PROGRAM FUND</u>				
RECEIPTS	\$ 12,039	\$ 12,039	\$ 6,900	\$ (5,139)
DISBURSEMENTS	16,500	16,500	10,457	6,043
Net Change in Fund Balance	(4,461)	(4,461)	(3,557)	904
FUND BALANCE - BEGINNING	4,461	4,461	4,461	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 904</u>	<u>\$ 904</u>
<u>DRUG LAW ENFORCEMENT FUND</u>				
RECEIPTS	\$ 43,726	\$ 43,726	\$ 673	\$ (43,053)
DISBURSEMENTS	50,000	50,000	2,349	47,651
Net Change in Fund Balance	(6,274)	(6,274)	(1,676)	4,598
FUND BALANCE - BEGINNING	6,274	6,274	6,274	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,598</u>	<u>\$ 4,598</u>

(Continued)

OTOE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
FEDERAL DRUG				
LAW ENFORCEMENT FUND				
RECEIPTS	\$ 238,266	\$ 238,266	\$ -	\$ (238,266)
DISBURSEMENTS	250,000	250,000	-	250,000
Net Change in Fund Balance	(11,734)	(11,734)	-	11,734
FUND BALANCE - BEGINNING	11,734	11,734	11,734	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,734</u>	<u>\$ 11,734</u>
LOCAL GRANTS - SHERIFF FUND				
RECEIPTS	\$ 238,034	\$ 238,034	\$ 5,100	\$ (232,934)
DISBURSEMENTS	250,000	250,000	6,998	243,002
Net Change in Fund Balance	(11,966)	(11,966)	(1,898)	10,068
FUND BALANCE - BEGINNING	11,966	11,966	11,966	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,068</u>	<u>\$ 10,068</u>
HOMELAND SECURITY GRANT FUND				
RECEIPTS	\$ 151,149	\$ 151,149	\$ -	\$ (151,149)
DISBURSEMENTS	200,000	200,000	-	200,000
Net Change in Fund Balance	(48,851)	(48,851)	-	48,851
FUND BALANCE - BEGINNING	48,851	48,851	48,851	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,851</u>	<u>\$ 48,851</u>
FEDERAL GRANT SHERIFF FUND				
RECEIPTS	\$ 95,709	\$ 95,709	\$ -	\$ (95,709)
DISBURSEMENTS	100,000	100,000	-	100,000
Net Change in Fund Balance	(4,291)	(4,291)	-	4,291
FUND BALANCE - BEGINNING	4,291	4,291	4,291	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,291</u>	<u>\$ 4,291</u>

(Continued)

OTOE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
KENO LOTTERY FUND				
RECEIPTS	\$ 20,000	\$ 20,000	\$ 14,202	\$ (5,798)
DISBURSEMENTS	67,239	67,239	3,160	64,079
Net Change in Fund Balance	(47,239)	(47,239)	11,042	58,281
FUND BALANCE - BEGINNING	47,239	47,239	47,239	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,281</u>	<u>\$ 58,281</u>
911 WIRELESS SERVICE FUND				
RECEIPTS	\$ 45,150	\$ 45,150	\$ 74,367	\$ 29,217
DISBURSEMENTS	50,000	50,000	-	50,000
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(30,000)	(30,000)	(67,570)	(37,570)
TOTAL OTHER FINANCING SOURCES (USES)	(30,000)	(30,000)	(67,570)	(37,570)
Net Change in Fund Balance	(34,850)	(34,850)	6,797	41,647
FUND BALANCE - BEGINNING	34,850	34,850	34,850	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,647</u>	<u>\$ 41,647</u>
911 WIRELESS HOLDING FUND				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	30,000	30,000	-	30,000
OTHER FINANCING SOURCES (USES)				
Transfers in	30,000	30,000	50,313	20,313
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	30,000	30,000	50,313	20,313
Net Change in Fund Balance	-	-	50,313	50,313
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,313</u>	<u>\$ 50,313</u>

(Continued)

OTOE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
BUILDING MAINTENANCE FUND				
RECEIPTS	\$ 97,800	\$ 97,800	\$ 77,963	\$ (19,837)
DISBURSEMENTS	200,082	200,082	156,695	43,387
Net Change in Fund Balance	(102,282)	(102,282)	(78,732)	23,550
FUND BALANCE - BEGINNING	102,282	102,282	102,282	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,550</u>	<u>\$ 23,550</u>
LANDFILL FUND				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	235,861	235,861	17,687	218,174
Net Change in Fund Balance	(235,861)	(235,861)	(17,687)	218,174
FUND BALANCE - BEGINNING	235,861	235,861	235,861	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,174</u>	<u>\$ 218,174</u>
911 SURCHARGE FUND				
RECEIPTS	\$ 70,000	\$ 70,000	\$ 65,735	\$ (4,265)
DISBURSEMENTS	223,428	223,428	52,600	170,828
Net Change in Fund Balance	(153,428)	(153,428)	13,135	166,563
FUND BALANCE - BEGINNING	153,428	153,428	153,428	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,563</u>	<u>\$ 166,563</u>

(Concluded)

OTOE COUNTY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BASIS FUND BALANCES**
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2013

	Visitor Promotion Fund	Preservation and Modernization Fund	Diversion Program Fund	Drug Law Enforcement Fund	Federal Drug Law Enforcement Fund
RECEIPTS					
Property Taxes	\$ 94,474	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	7	-
Intergovernmental	-	-	6,900	-	-
Charges for Services	-	5,143	-	-	-
Miscellaneous	-	-	-	666	-
TOTAL RECEIPTS	<u>94,474</u>	<u>5,143</u>	<u>6,900</u>	<u>673</u>	<u>-</u>
DISBURSEMENTS					
General Government	-	-	-	-	-
Public Safety	-	-	10,457	2,349	-
Public Works	-	-	-	-	-
Culture and Recreation	97,289	-	-	-	-
TOTAL DISBURSEMENTS	<u>97,289</u>	<u>-</u>	<u>10,457</u>	<u>2,349</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(2,815)</u>	<u>5,143</u>	<u>(3,557)</u>	<u>(1,676)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(2,815)	5,143	(3,557)	(1,676)	-
FUND BALANCES - BEGINNING	<u>7,642</u>	<u>-</u>	<u>4,461</u>	<u>6,274</u>	<u>11,734</u>
FUND BALANCES - ENDING	<u>\$ 4,827</u>	<u>\$ 5,143</u>	<u>\$ 904</u>	<u>\$ 4,598</u>	<u>\$ 11,734</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	\$ 4,827	\$ -	\$ -	\$ -	\$ -
911 Emergency Services	-	-	-	-	-
Drug Education	-	-	-	4,598	-
Law Enforcement	-	-	-	-	11,734
Preservation & Modernization	-	5,143	-	-	-
Committed to:					
Law Enforcement	-	-	904	-	-
County Buildings	-	-	-	-	-
Landfill Closures	-	-	-	-	-
Special Projects	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 4,827</u>	<u>\$ 5,143</u>	<u>\$ 904</u>	<u>\$ 4,598</u>	<u>\$ 11,734</u>

(Continued)

OTOE COUNTY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BASIS FUND BALANCES**
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2013

	Local Grants - Sheriff Fund	Homeland Security Grant Fund	Federal Grant Sheriff Fund	Keno Lottery Fund	911 Wireless Service Fund
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 74,367
Interest	-	-	-	117	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Miscellaneous	5,100	-	-	14,085	-
TOTAL RECEIPTS	<u>5,100</u>	<u>-</u>	<u>-</u>	<u>14,202</u>	<u>74,367</u>
DISBURSEMENTS					
General Government	-	-	-	3,160	-
Public Safety	6,998	-	-	-	-
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>6,998</u>	<u>-</u>	<u>-</u>	<u>3,160</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,898)</u>	<u>-</u>	<u>-</u>	<u>11,042</u>	<u>74,367</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(67,570)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(67,570)</u>
Net Change in Fund Balances	(1,898)	-	-	11,042	6,797
FUND BALANCES - BEGINNING	<u>11,966</u>	<u>48,851</u>	<u>4,291</u>	<u>47,239</u>	<u>34,850</u>
FUND BALANCES - ENDING	<u>\$ 10,068</u>	<u>\$ 48,851</u>	<u>\$ 4,291</u>	<u>\$ 58,281</u>	<u>\$ 41,647</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	\$ -	\$ -	\$ -	\$ -	\$ -
911 Emergency Services	-	-	-	-	41,647
Drug Education	-	-	-	-	-
Law Enforcement	-	48,851	4,291	-	-
Preservation & Modernization	-	-	-	-	-
Committed to:					
Law Enforcement	10,068	-	-	-	-
County Buildings	-	-	-	-	-
Landfill Closures	-	-	-	-	-
Special Projects	-	-	-	58,281	-
TOTAL FUND BALANCES	<u>\$ 10,068</u>	<u>\$ 48,851</u>	<u>\$ 4,291</u>	<u>\$ 58,281</u>	<u>\$ 41,647</u>

(Continued)

OTOE COUNTY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BASIS FUND BALANCES**
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2013

	911 Wireless Holding Fund	Building Maintenance Fund	Landfill Fund	911 Surcharge Fund	Total Nonmajor Governmental Funds
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ -	\$ 65,735	\$ 234,576
Interest	-	-	-	-	124
Intergovernmental	-	-	-	-	6,900
Charges for Services	-	71,800	-	-	76,943
Miscellaneous	-	6,163	-	-	26,014
TOTAL RECEIPTS	<u>-</u>	<u>77,963</u>	<u>-</u>	<u>65,735</u>	<u>344,557</u>
DISBURSEMENTS					
General Government	-	156,695	-	-	159,855
Public Safety	-	-	-	52,600	72,404
Public Works	-	-	17,687	-	17,687
Culture and Recreation	-	-	-	-	97,289
TOTAL DISBURSEMENTS	<u>-</u>	<u>156,695</u>	<u>17,687</u>	<u>52,600</u>	<u>347,235</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>-</u>	<u>(78,732)</u>	<u>(17,687)</u>	<u>13,135</u>	<u>(2,678)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	50,313	-	-	-	50,313
Transfers out	-	-	-	-	(67,570)
TOTAL OTHER FINANCING SOURCES (USES)	<u>50,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,257)</u>
Net Change in Fund Balances	50,313	(78,732)	(17,687)	13,135	(19,935)
FUND BALANCES - BEGINNING	<u>-</u>	<u>102,282</u>	<u>235,861</u>	<u>153,428</u>	<u>668,879</u>
FUND BALANCES - ENDING	<u>\$ 50,313</u>	<u>\$ 23,550</u>	<u>\$ 218,174</u>	<u>\$ 166,563</u>	<u>\$ 648,944</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	\$ -	\$ -	\$ -	\$ -	\$ 4,827
911 Emergency Services	50,313	-	-	166,563	258,523
Drug Education	-	-	-	-	4,598
Law Enforcement	-	-	-	-	64,876
Preservation & Modernization	-	-	-	-	5,143
Committed to:					
Law Enforcement	-	-	-	-	10,972
County Buildings	-	23,550	-	-	23,550
Landfill Closures	-	-	218,174	-	218,174
Special Projects	-	-	-	-	58,281
TOTAL FUND BALANCES	<u>\$ 50,313</u>	<u>\$ 23,550</u>	<u>\$ 218,174</u>	<u>\$ 166,563</u>	<u>\$ 648,944</u>

(Concluded)

OTOE COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2013

	County Clerk	Register of Deeds	Clerk of the District Court	County Sheriff	County Attorney	Child Support Enforcement	County Keno	Emergency Manager	Total
BALANCES JULY 1, 2012	\$ 878	\$ 14,759	\$ 143,048	\$ 8,324	\$ 2,914	\$ 300	\$ 13,814	\$ 275	\$ 184,312
RECEIPTS									
Licenses and Permits	1,245	-	-	2,250	-	-	-	-	3,495
Charges for Services	2,121	121,580	21,627	45,186	1,790	-	-	-	192,304
Miscellaneous	761	-	-	-	418	-	10,706	225	12,110
State Fees	61	133,476	19,261	-	-	-	3,146	-	155,944
Other Liabilities	-	-	668,054	14,680	37,849	1,848	144,400	-	866,831
TOTAL RECEIPTS	4,188	255,056	708,942	62,116	40,057	1,848	158,252	225	1,230,684
DISBURSEMENTS									
Payments to County Treasurer	3,527	117,432	22,167	47,590	2,244	-	10,900	-	203,860
Payments to State Treasurer	64	129,892	19,610	-	-	-	3,185	-	152,751
Other Liabilities	761	-	654,523	14,680	38,253	1,848	151,591	225	861,881
TOTAL DISBURSEMENTS	4,352	247,324	696,300	62,270	40,497	1,848	165,676	225	1,218,492
BALANCES JUNE 30, 2013	\$ 714	\$ 22,491	\$ 155,690	\$ 8,170	\$ 2,474	\$ 300	\$ 6,390	\$ 275	\$ 196,504
BALANCES CONSIST OF:									
Due to County Treasurer	\$ 211	\$ 11,552	\$ 1,295	\$ 6,976	\$ 123	\$ -	\$ 692	\$ -	\$ 20,849
Petty Cash	500	50	100	1,000	500	300	-	275	2,725
Due to State Treasurer	3	10,889	1,441	-	-	-	180	-	12,513
Due to Others	-	-	152,854	194	1,851	-	5,518	-	160,417
BALANCES JUNE 30, 2013	\$ 714	\$ 22,491	\$ 155,690	\$ 8,170	\$ 2,474	\$ 300	\$ 6,390	\$ 275	\$ 196,504

OTOE COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
 June 30, 2013

Item	2008	2009	2010	2011	2012
Tax Certified by Assessor					
Real Estate	\$ 21,416,952	\$ 22,076,572	\$ 22,956,444	\$ 24,897,595	\$ 26,850,086
Personal and Specials	1,927,612	1,898,067	2,092,967	2,056,157	2,212,648
Total	<u>23,344,564</u>	<u>23,974,639</u>	<u>25,049,411</u>	<u>26,953,752</u>	<u>29,062,734</u>
Corrections					
Additions	7,943	14,790	14,024	9,838	5,281
Deductions	(68,622)	(22,810)	(25,706)	(16,564)	(8,415)
Net Additions/ (Deductions)	<u>(60,679)</u>	<u>(8,020)</u>	<u>(11,682)</u>	<u>(6,726)</u>	<u>(3,134)</u>
Corrected Certified Tax	<u>23,283,885</u>	<u>23,966,619</u>	<u>25,037,729</u>	<u>26,947,026</u>	<u>29,059,600</u>
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2009	13,776,710	-	-	-	-
June 30, 2010	9,472,525	14,181,136	-	-	-
June 30, 2011	9,781	9,756,431	15,109,973	-	-
June 30, 2012	8,098	6,935	9,890,948	16,535,584	-
June 30, 2013	2,979	8,228	16,610	10,374,964	18,113,102
Total Net Collections	<u>23,270,093</u>	<u>23,952,730</u>	<u>25,017,531</u>	<u>26,910,548</u>	<u>18,113,102</u>
Total Uncollected Tax	<u>\$ 13,792</u>	<u>\$ 13,889</u>	<u>\$ 20,198</u>	<u>\$ 36,478</u>	<u>\$ 10,946,498</u>
Percentage Uncollected Tax	<u>0.06%</u>	<u>0.06%</u>	<u>0.08%</u>	<u>0.14%</u>	<u>37.67%</u>

OTOE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY		
Passed through Nebraska Military Department		
Disaster Grants - Public Assistance	97.036	* \$ 363,361
Emergency Management Performance Grants	97.042	54,859
Total U.S. Department of Homeland Security		<u>418,220</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through Nebraska Department of Health and Human Services		
Child Support Enforcement	93.563	78,116
Medical Assistance Program	93.778	16,254
Total U.S. Department of Health and Human Services		<u>94,370</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 512,590</u></u>

* Represents Major Program

See accompanying Notes to the Schedule of Expenditures of Federal Awards

OTOE COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. General

The accompanying schedule of expenditures of Federal awards (Schedule) presents the activity of all Federal awards programs of Otoe County (County), except as noted in Note 2 below. The County's reporting entity is defined in Note 1.A. to the County's financial statements. Federal awards received directly from Federal agencies, as well as those passed through other government agencies, are included in the Schedule. Unless otherwise noted on the Schedule, all programs are received directly from the respective Federal agency. Due to the operations of the County, the accumulation of amounts passed to subrecipients by the County is not practical.

2. Summary of Significant Accounting Policies

A. Reporting Entity

The County's reporting entity is defined in Note 1.A. to the financial statements. The accompanying Schedule includes the Federal awards programs administered by the County for the fiscal year ended June 30, 2013.

B. Basis of Presentation

The accompanying Schedule presents total expenditures for each Federal awards program in accordance with the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. Federal program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA), whenever possible.

Federal Awards. Pursuant to OMB Circular A-133, Federal awards are defined as assistance provided by a Federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations.

Major Programs. In accordance with OMB Circular A-133, major programs are determined using a risk-based approach. Programs in the accompanying Schedule denoted with an asterisk (*) are considered major programs.

C. Basis of Accounting

The accompanying Schedule was prepared on the cash basis of accounting.

Matching Costs. The Schedule does not include matching expenditures from general revenues of the County.



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OTOE COUNTY

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

Board of Commissioners
Otoe 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 Otoe County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Otoe County's basic financial statements, and have issued our report thereon dated September 27, 2013. The report notes the financial statements were prepared on the basis of cash receipts and disbursements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Otoe 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 Otoe 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 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 Otoe 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 management of Otoe County in a separate letter dated September 27, 2013.

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.

SIGNED ORIGINAL ON FILE

Deann Haeffner, CPA
Assistant Deputy Auditor

September 27, 2013



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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OTOE COUNTY
**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

Board of Commissioners
Otoe County, Nebraska

Report on Compliance for Each Major Federal Program

We have audited Otoe County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Otoe County's major Federal programs for the year ended June 30, 2013. Otoe County's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Otoe County's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Otoe County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Otoe County's compliance.

Opinion on Each Major Federal Program

In our opinion, Otoe County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Otoe County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Otoe County's internal control over compliance with the types of requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Otoe County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of the internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Otoe County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Otoe County's basic financial statements. We issued our report thereon dated September 27, 2013, which

contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

SIGNED ORIGINAL ON FILE

September 27, 2013

Deann Haeffner, CPA
Assistant Deputy Auditor

OTOE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2013

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	<u> X </u> Yes <u> </u> No
Significant deficiencies identified?	<u> </u> Yes <u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes <u> X </u> No
Internal control over major programs:	
Material weaknesses identified?	<u> </u> Yes <u> X </u> No
Significant deficiencies identified?	<u> </u> Yes <u> X </u> None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133:	<u> </u> Yes <u> X </u> No
Major programs: Disaster Grants – Public Assistance #97.036	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee:	<u> </u> Yes <u> X </u> No

SECTION II. FINANCIAL STATEMENT FINDINGS

Finding # 2013-1

Condition - There is a lack of segregation of accounting functions among various County offices and personnel. This is a continuing item from the prior year.

OTOE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION II. FINANCIAL STATEMENT FINDINGS (Concluded)

Criteria - Authorization or approval of transactions, recording of transactions, and custody of assets should normally be segregated from each other.

Effect of the Condition - This lack of segregation of duties results in an inadequate overall internal control structure design.

Cause of the Condition - The County does not employ sufficient office personnel to properly segregate accounting functions.

Recommendation - The County should be aware of the inherent risks associated with improper segregation of accounting functions. The County should also develop mitigating controls to reduce the risk of errors or fraud associated with the improper segregation of accounting functions.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Noted



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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September 27, 2013

Board of Commissioners
Otoe County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Otoe County (County) for the fiscal year ended June 30, 2013, and have issued our report thereon dated September 27, 2013. 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.

County Vehicle Usage

During our audit we noted that County employees who commute to work with County vehicles do not have this benefit added to their Internal Revenue Service (IRS) Form W-2 as a taxable wage.

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 vehicles driven by the County employees do not meet the specific qualifications outlined by the IRS; therefore, this benefit should be included as a taxable wage.

We recommend the County Board follow IRS requirements and include the commuting benefit as a wage, or discontinue allowing the employees to use a County vehicle for personal/commuting purposes.

COUNTY ASSESSOR

Approval of Tax Corrections

Neb. Rev. Stat. § 77-1613.02 (Reissue 2009) requires the County Assessor to correct the assessment and tax rolls only after action of the County Board of Equalization.

During review of tax certifications, tax corrections, and tax collections, we noted:

- Three instances for tax year 2011 in which accelerated tax corrections totaling \$285 were not approved by the Board of Equalization.
- Two instances for tax year 2012 in which accelerated tax corrections totaling \$569 were not approved by the Board of Equalization.

When tax corrections are not properly authorized by the County Board of Equalization, the County is not in compliance with State statute and there is increased risk of unauthorized tax roll corrections.

We recommend all tax roll corrections be approved by the County Board of Equalization, in writing, prior to the reduction or increase in valuation of any real or personal property.

COUNTY SHERIFF

Accounting Procedures

The County Sheriff does not have procedures in place to accurately account for accounts receivable. The County Sheriff was unable to provide an accurate listing of accounts receivable and payables at June 30, 2013, causing an unknown variance of \$121 in assets compared to liabilities.

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.

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 maintain adequate records at all times to support all balances.

COUNTY EMERGENCY MANAGER

Petty Cash Procedures

During our audit, we noted that the Emergency Management Office did not have adequate supporting documentation for two of seven petty cash claims submitted for the year ended June 30, 2013, totaling \$79. Additionally, the office lacked procedures to document cash items paid from petty cash.

Good internal control requires that all claims be supported by adequate documentation and the purpose for any money used from petty cash be documented. When these controls are not in place, there is an increased risk of loss or misuse of funds.

We recommend petty cash claims are supported by adequate documentation and petty cash use be documented.

* * * * *

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. Where no response has been included, the County declined to respond.

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

SIGNED ORIGINAL ON FILE

Deann Haeffner, CPA
Assistant Deputy Auditor