

**AUDIT REPORT  
OF  
CHERRY COUNTY**

**JULY 1, 2014 THROUGH JUNE 30, 2015**

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**Issued on January 6, 2016**

CHERRY COUNTY

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CHERRY COUNTY

**LIST OF COUNTY OFFICIALS**

At June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Adamson	Board of Commissioners	Jan. 2017
Tanya Storer		Jan. 2019
Jim Van Winkle		Jan. 2019
Betty Daugherty	Assessor	Jan. 2019
Eric Scott	Attorney	Jan. 2019
Tom Elliott	Clerk Election Commissioner Register of Deeds	Jan. 2019
Lorana Eggert	Clerk of the District Court	Jan. 2019
Rusty Osburn	Sheriff	Jan. 2019
Janice Wiley	Treasurer	Jan. 2019
Shawn Hamling	Veterans' Service Officer	Appointed
Barb Small	Weed Superintendent	Appointed
Lloyd Smith	Highway Superintendent	Appointed



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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### CHERRY COUNTY

### INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Cherry County, Nebraska

#### **Report on the Financial Statements**

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cherry County, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government, as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

**Summary of Opinions**

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

**Basis for Adverse Opinion on the Discretely Presented Component Unit**

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

**Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of Cherry County, as of June 30, 2015, or the change in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

**Unmodified Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and aggregate remaining fund information of Cherry County, as of June 30, 2015, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

## **Emphasis of Matters – Basis of Accounting**

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

## **Report on Supplementary Information**

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

The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, pages 20-31, are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015, on our consideration of Cherry County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and considering Cherry County's internal control over financial reporting and compliance.

December 30, 2015

  
Deann Haeffner, CPA  
Assistant Deputy Auditor  
Lincoln, Nebraska

CHERRY COUNTY  
**STATEMENT OF NET POSITION - CASH BASIS**  
 June 30, 2015

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 1.D)	\$ 2,461,217
Investments (Note 1.D)	2,964,031
<b>TOTAL ASSETS</b>	<b>\$ 5,425,248</b>
<b>NET POSITION</b>	
Restricted for:	
Visitor Promotion	\$ 565,864
911 Emergency Services	76,987
Preservation of Records	6,486
Debt Service	915,960
Road Maintenance	302,123
Unrestricted	3,557,828
<b>TOTAL NET POSITION</b>	<b>\$ 5,425,248</b>

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

CHERRY COUNTY  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
For the Year Ended June 30, 2015

<b>Functions:</b>	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
General Government	\$ (1,957,800)	\$ 254,724	\$ 111,173	\$ (1,591,903)
Public Safety	(1,150,840)	186,413	-	(964,427)
Public Works	(3,216,365)	183,564	1,375,540	(1,657,261)
Health and Sanitation	(69,800)	-	-	(69,800)
Public Assistance	(79,953)	-	-	(79,953)
Culture and Recreation	(276,296)	-	6,667	(269,629)
Debt Payments	(786,297)	-	-	(786,297)
<b>Total Governmental Activities</b>	<b><u><u>\$ (7,537,351)</u></u></b>	<b><u><u>\$ 624,701</u></u></b>	<b><u><u>\$ 1,493,380</u></u></b>	<b><u><u>(5,419,270)</u></u></b>

General Receipts:

Property Taxes	5,846,401
Grants and Contributions Not Restricted to Specific Programs	609,941
Investment Income	4,586
Licenses and Permits	23,423
Miscellaneous	71,316
<b>Total General Receipts</b>	<b><u><u>6,555,667</u></u></b>
 Increase in Net Position	 1,136,397
Net Position - Beginning of year	4,288,851
<b>Net Position - End of year</b>	<b><u><u>\$ 5,425,248</u></u></b>

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

CHERRY COUNTY  
**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
June 30, 2015

	General Fund	Road Fund	Inheritance Fund	Jail Public Safety Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents (Note 1.D)	\$ 777,144	\$ 972,346	\$ -	\$ -	\$ 711,727	\$ 2,461,217
Investments (Note 1.D)	-	-	1,139,217	915,960	908,854	2,964,031
<b>TOTAL ASSETS</b>	<u>\$ 777,144</u>	<u>\$ 972,346</u>	<u>\$ 1,139,217</u>	<u>\$ 915,960</u>	<u>\$ 1,620,581</u>	<u>\$ 5,425,248</u>
<b>FUND BALANCES</b>						
Restricted for:						
Visitor Promotion	-	-	-	-	565,864	565,864
911 Emergency Services	-	-	-	-	76,987	76,987
Preservation of Records	-	-	-	-	6,486	6,486
Debt Service	-	-	-	915,960	-	915,960
Road Maintenance	-	-	-	-	302,123	302,123
Committed to:						
Law Enforcement	-	-	-	-	21,498	21,498
Road Maintenance	-	972,346	-	-	181,348	1,153,694
Aid and Assistance	-	-	-	-	7,816	7,816
County Buildings	-	-	-	-	148,927	148,927
Health Insurance	-	-	-	-	235,733	235,733
Library Services	-	-	-	-	51,921	51,921
Emergency Services	-	-	-	-	16,808	16,808
Hospital Services	-	-	-	-	5,070	5,070
Assigned to:						
Other Purposes	-	-	1,139,217	-	-	1,139,217
Unassigned	777,144	-	-	-	-	777,144
<b>TOTAL CASH BASIS FUND BALANCES</b>	<u>\$ 777,144</u>	<u>\$ 972,346</u>	<u>\$ 1,139,217</u>	<u>\$ 915,960</u>	<u>\$ 1,620,581</u>	<u>\$ 5,425,248</u>

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

**CHERRY COUNTY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN CASH BASIS FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2015

	General Fund	Road Fund	Inheritance Fund	Jail Public Safety Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>RECEIPTS</b>						
Property Taxes	\$ 2,329,610	\$ 1,908,834	\$ 434,833	\$ 678,327	\$ 494,797	\$ 5,846,401
Licenses and Permits	23,423	-	-	-	-	23,423
Interest	4,504	-	-	-	82	4,586
Intergovernmental	480,390	1,349,515	-	45,308	228,108	2,103,321
Charges for Services	437,061	183,564	-	-	4,076	624,701
Miscellaneous	12,644	5,290	12,775	-	40,607	71,316
<b>TOTAL RECEIPTS</b>	<u>3,287,632</u>	<u>3,447,203</u>	<u>447,608</u>	<u>723,635</u>	<u>767,670</u>	<u>8,673,748</u>
<b>DISBURSEMENTS</b>						
General Government	1,436,895	-	42,619	-	478,286	1,957,800
Public Safety	1,044,260	-	-	-	106,580	1,150,840
Public Works	111,011	3,097,749	-	-	7,605	3,216,365
Health and Sanitation	-	-	-	-	69,800	69,800
Public Assistance	79,953	-	-	-	-	79,953
Culture and Recreation	-	-	-	-	276,296	276,296
Debt Service:						
Principal Payments	273,968	-	-	493,000	-	766,968
Interest and Fiscal Charges	2,059	-	-	17,270	-	19,329
<b>TOTAL DISBURSEMENTS</b>	<u>2,948,146</u>	<u>3,097,749</u>	<u>42,619</u>	<u>510,270</u>	<u>938,567</u>	<u>7,537,351</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>339,486</u>	<u>349,454</u>	<u>404,989</u>	<u>213,365</u>	<u>(170,897)</u>	<u>1,136,397</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	139,000	16,919	-	-	557,357	713,276
Transfers out	(303,617)	(224,110)	(164,000)	-	(21,549)	(713,276)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(164,617)</u>	<u>(207,191)</u>	<u>(164,000)</u>	<u>-</u>	<u>535,808</u>	<u>-</u>
Net Change in Fund Balances	174,869	142,263	240,989	213,365	364,911	1,136,397
<b>CASH BASIS FUND BALANCES - BEGINNING</b>	<u>602,275</u>	<u>830,083</u>	<u>898,228</u>	<u>702,595</u>	<u>1,255,670</u>	<u>4,288,851</u>
<b>CASH BASIS FUND BALANCES - ENDING</b>	<u>\$ 777,144</u>	<u>\$ 972,346</u>	<u>\$ 1,139,217</u>	<u>\$ 915,960</u>	<u>\$ 1,620,581</u>	<u>\$ 5,425,248</u>

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

CHERRY COUNTY  
**STATEMENT OF FIDUCIARY ASSETS AND  
 LIABILITIES - CASH BASIS  
 FIDUCIARY FUNDS**  
 June 30, 2015

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 532,319
 <b>LIABILITIES</b>	
Due to other governments	
State	146,376
Schools	162,027
Educational Service Units	1,747
Technical College	9,786
Natural Resource Districts	4,551
Fire Districts	3,240
Municipalities	20,727
Agricultural Society	731
Drainage Districts	15
Historical Society	4,087
Tentative Inheritance Tax Payments	167,747
Hospitals	788
Others	10,497
<b>TOTAL LIABILITIES</b>	<b>532,319</b>
 <b>TOTAL NET ASSETS</b>	 <b>\$ -</b>

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

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2015

1. **Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

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

**Joint Organization.**

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

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act.

CHERRY 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 \$24,463 toward the operation of the Region during fiscal year 2015. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Department of Health and Human Services requires the Region to be audited annually in accordance with State statute. Financial information for the Region is available in those audit reports.

Health Department – The County has entered into an agreement with North Central District Health Department (Department) to provide public health services. The agreement was established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636 (Reissue 2009, Cum. Supp. 2014).

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 2015. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is audited in accordance with Neb. Rev. Stat. § 84-304(4) (Reissue 2014). Financial information for the Department is available in that report.

**B. Basis of Presentation**

**Government-Wide Financial Statements.** The Statement of Net Position - Cash Basis and Statement of Activities - Cash Basis display information about the activities of the County and are in the format of government-wide statements, as required by GASB Statement Number 34. These statements include all the financial activities of the County, except for fiduciary activities and the Hospital. Internal activities in these statements were considered immaterial and have not been eliminated. Governmental Generally Accepted Accounting Principles (GAAP) requires internal activity to be eliminated to minimize double counting. The County reports governmental activities only. Governmental activities are generally financed through taxes, intergovernmental receipts, and other nonexchange transactions. The County is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods,

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

**Fund Financial Statements.** The fund financial statements provide information about the County's funds, including its fiduciary funds. GAAP requires separate statements by fund category – governmental, proprietary, and fiduciary. The County uses only the governmental and fiduciary fund categories. The County Board is the highest level of decision-making authority and has the authority, by resolution, to establish, modify, or rescind the commitment or assignment of a fund balance to a specific purpose. When resources for a specific purpose are available in more than one fund balance classification, the County's policy is to use resources in the following order: restricted, committed, assigned, and unassigned. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

**General Fund.** This is the County's primary operating fund. It accounts for financial resources of the general government, except those required to be accounted for in another fund.

**Road Fund.** This fund is used to account for costs associated with the repair and maintenance of roads and bridges and is primarily funded by State tax receipts.

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

**Jail Public Safety Bond Fund.** This fund is used to account for the receipts for, and the payment of, general long-term debt principal, interest, and related costs.

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

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

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

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

The County designates fund balances as:

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

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

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

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

C. **Measurement Focus, Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the County are maintained and the government-wide financial statements were reported on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis. Receipts are recognized when received, and disbursements are recognized when warrants are paid. This differs from governmental GAAP, which requires the government-wide and fiduciary fund financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting, receipts are recorded when earned, and disbursements are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used, as described above. This differs from governmental GAAP, which requires governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, receipts are recognized as soon as they are both measurable and available. Receipts are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Disbursements are generally recorded when a liability is incurred, as under accrual accounting. However, disbursements related to compensated absences and claims and judgments are recorded only when payment is due.

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

**D. Assets and Net Position**

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

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

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

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

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

**Restricted Net Position.** When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$1,867,420 of restricted net position, of which \$951,460 is restricted by enabling legislation.

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

**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.

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

**Excess of Disbursements Over Appropriations.** For the year ended June 30, 2015, disbursements exceeded budgeted appropriations in the Clerk of the District Court, County Attorney, County Jail, and Noxious Weed Control functions of the General Fund by \$544, \$6,538, \$118,284, and \$3,441, respectively, and in the Emergency Management Fund by \$2,830. These over-expenditures were funded by the available fund balance.

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 \$2,461,217 for County funds and \$532,319 for Fiduciary funds. The bank balances for all funds totaled \$3,024,097. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2015, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. **Deposits and Investments** (Concluded)

The County's carrying value of investments is stated at cost, which approximates market. Investments consisted of \$2,964,031 deposited in the Nebraska Public Agency Investment Trust (NPAIT). NPAIT is a public entity investment pool operated under the direction of a seven-member Board of Trustees. All net income of the trust is determined as of the close of business on each banking day and is credited thereafter pro rata to each participant's account. Net income that has accrued to each participant is converted as of the close of business of each calendar month into additional units, which thereafter are held in each participant's trust account. Since net income of the fund is allocated among participants each time net income is determined, the net asset value remains at \$1.00 per unit. Securities held by NPAIT are not held in the County's name.

3. **Property Taxes**

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

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

The levy set in October 2014, for the 2014 taxes, which will be materially collected in May and September 2015, was set at \$.372736/\$100 of assessed valuation. The levy set in October 2013, for the 2013 taxes, which were materially collected in May and September 2014, was set at \$.383276/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

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

4. **Retirement System**

The Retirement System for Nebraska Counties (the Plan) is a multiple-employer plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2334 (Reissue 2012, Cum. Supp. 2014) and may be amended through legislative action.

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

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

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

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, 2015, 80 employees contributed \$89,908, and the County contributed \$133,997. Contributions included \$1,728 in cash contributions towards the supplemental law enforcement plan for six law enforcement employees. Lastly, the County paid \$2,340 directly to 16 retired employees for prior service benefits.

5. **Risk Management**

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

The County pays an annual deposit premium, as calculated by the administrator of the pool. The premium is based on the losses and exposures of each County and the entire pool. If the pool becomes insolvent or otherwise unable to discharge its legal liabilities and obligations, the County may be assessed by the Board for an additional contribution equal to its contribution for the current fiscal year, divided by the contribution of all

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

5. **Risk Management** (Concluded)

participants for such year, times the amount of such deficiency. Each such assessment, and the manner of calculating the same, is sent to each county in writing, and each county has 60 days in which to pay the amount of such assessment. Each county remains liable for such assessments, regardless of such county's withdrawal from participation or the termination of the agreement, as well as for liabilities of the pool incurred during such county's period of membership.

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

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

The County has not paid any additional assessments to the pool in the last three fiscal years, and no assessments are anticipated for fiscal year 2016. 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, 2015, consisted of the following:

<b>Transfers to</b>	Transfers from				Total
	General Fund	Inheritance Fund	Road Fund	Nonmajor Funds	
Road Fund	\$ -	\$ -	\$ -	\$ 16,919	\$ 16,919
General Fund	-	139,000	-	-	139,000
Nonmajor Funds	303,617	25,000	224,110	4,630	557,357
Total	<u>\$ 303,617</u>	<u>\$ 164,000</u>	<u>\$ 224,110</u>	<u>\$ 21,549</u>	<u>\$ 713,276</u>

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

CHERRY COUNTY

NOTES TO FINANCIAL STATEMENTS  
(Concluded)

7. **Capital Leases Payable**

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

	Road Equipment	Jail Furnishings	Total
Balance July 1, 2014	\$ 168,970	\$ 411,569	\$ 580,539
Purchases	-	-	-
Payments	79,684	273,968	353,652
Balance June 30, 2015	<u>\$ 89,286</u>	<u>\$ 137,601</u>	<u>\$ 226,887</u>
Future Payments:			
<b>Year</b>			
2016	\$ 47,877	\$ 138,014	\$ 185,891
2017	43,662	-	43,662
Total Payments	<u>91,539</u>	<u>138,014</u>	<u>229,553</u>
Less Interest	<u>2,253</u>	<u>413</u>	<u>2,666</u>
Present Value of Future Minimum Lease Payments	<u>\$ 89,286</u>	<u>\$ 137,601</u>	<u>\$ 226,887</u>

8. **Long-Term Debt**

The County issued bonds in 2012 in the amount of \$3,481,000 for the purpose of refunding a 2008 series bonds which were used for paying the costs of a jail facility. The bond payable balance, as of June 30, 2015, was \$2,001,000. 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.

	Principal	Interest	Total
Future Payments:			
<b>Year</b>			
2016	\$ 495,000	\$ 14,553	\$ 509,553
2017	498,000	11,325	509,325
2018	502,000	7,574	509,574
2019	506,000	2,783	508,783
Total Payments	<u>\$ 2,001,000</u>	<u>\$ 36,235</u>	<u>\$ 2,037,235</u>

**CHERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 2,412,000	\$ 2,412,000	\$ 2,329,610	\$ (82,390)
Licenses and Permits	23,900	23,900	23,423	(477)
Interest	5,600	5,600	4,504	(1,096)
Intergovernmental	347,600	347,600	480,390	132,790
Charges for Services	378,842	378,842	437,061	58,219
Miscellaneous	9,094	9,094	12,644	3,550
<b>TOTAL RECEIPTS</b>	<u>3,177,036</u>	<u>3,177,036</u>	<u>3,287,632</u>	<u>110,596</u>
<b>DISBURSEMENTS</b>				
General Government:				
County Board	70,200	70,200	67,673	2,527
County Clerk	124,000	124,000	111,059	12,941
County Treasurer	150,403	150,403	145,217	5,186
County Assessor	134,250	134,250	129,365	4,885
Election Commissioner	56,000	56,000	38,771	17,229
Building and Zoning	16,050	16,050	6,591	9,459
Clerk of the District Court	81,000	81,000	81,544	(544)
County Court System	99,100	99,100	59,345	39,755
District Judge	49,800	49,800	41,954	7,846
Public Defender	9,500	9,500	-	9,500
Building and Grounds	166,950	166,950	150,503	16,447
Reappraisal	82,000	82,000	78,572	3,428
Agricultural Extension Agent	59,080	59,080	50,867	8,213
Miscellaneous	1,065,200	1,065,200	475,434	589,766
Public Safety				
County Sheriff	304,641	304,641	260,717	43,924
County Attorney	160,400	160,400	166,938	(6,538)
County Jail	298,000	298,000	416,284	(118,284)
Dispatch Center	220,000	220,000	197,077	22,923
Miscellaneous	2,600	2,600	3,244	(644)
Public Works				
County Surveyor	62,200	62,200	61,570	630
Noxious Weed Control	46,000	46,000	49,441	(3,441)
Public Assistance				
Veterans' Service Officer	60,437	60,437	51,146	9,291
Institutions	39,000	39,000	27,255	11,745
Relief Medical	25,000	25,000	-	25,000
Miscellaneous	2,500	2,500	1,552	948
Debt Service	283,000	283,000	276,027	6,973
<b>TOTAL DISBURSEMENTS</b>	<u>3,667,311</u>	<u>3,667,311</u>	<u>2,948,146</u>	<u>719,165</u>

**CHERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(490,275)	(490,275)	339,486	829,761
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	238,000	238,000	139,000	(99,000)
Transfers out	-	-	(303,617)	(303,617)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>238,000</b>	<b>238,000</b>	<b>(164,617)</b>	<b>(402,617)</b>
Net Change in Fund Balance	(252,275)	(252,275)	174,869	427,144
<b>FUND BALANCE - BEGINNING</b>	<b>602,275</b>	<b>602,275</b>	<b>602,275</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 350,000</b>	<b>\$ 350,000</b>	<b>\$ 777,144</b>	<b>\$ 427,144</b>

(Concluded)

**CHERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**MAJOR FUNDS**

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>ROAD FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ 2,081,755	\$ 2,081,755	\$ 1,908,834	\$ (172,921)
Intergovernmental	1,206,099	1,206,099	1,349,515	143,416
Charges for Services	12,500	12,500	183,564	171,064
Miscellaneous	521,280	521,280	5,290	(515,990)
<b>TOTAL RECEIPTS</b>	<b>3,821,634</b>	<b>3,821,634</b>	<b>3,447,203</b>	<b>(374,431)</b>
<b>DISBURSEMENTS</b>	<b>4,251,717</b>	<b>4,251,717</b>	<b>3,097,749</b>	<b>1,153,968</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>(430,083)</b>	<b>(430,083)</b>	<b>349,454</b>	<b>779,537</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	100,000	100,000	16,919	(83,081)
Transfers out	-	-	(224,110)	(224,110)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>100,000</b>	<b>100,000</b>	<b>(207,191)</b>	<b>(307,191)</b>
Net Change in Fund Balance	(330,083)	(330,083)	142,263	472,346
<b>FUND BALANCE - BEGINNING</b>	<b>830,083</b>	<b>830,083</b>	<b>830,083</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 972,346</b>	<b>\$ 472,346</b>
<b>INHERITANCE FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ 226,772	\$ 226,772	\$ 434,833	\$ 208,061
Miscellaneous	-	-	12,775	12,775
<b>TOTAL RECEIPTS</b>	<b>226,772</b>	<b>226,772</b>	<b>447,608</b>	<b>220,836</b>
<b>DISBURSEMENTS</b>	<b>819,038</b>	<b>819,038</b>	<b>42,619</b>	<b>776,419</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>(592,266)</b>	<b>(592,266)</b>	<b>404,989</b>	<b>997,255</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	75,000	75,000	-	(75,000)
Transfers out	(380,962)	(380,962)	(164,000)	216,962
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(305,962)</b>	<b>(305,962)</b>	<b>(164,000)</b>	<b>141,962</b>
Net Change in Fund Balance	(898,228)	(898,228)	240,989	1,139,217
<b>FUND BALANCE - BEGINNING</b>	<b>898,228</b>	<b>898,228</b>	<b>898,228</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,139,217</b>	<b>\$ 1,139,217</b>

**CHERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**MAJOR FUNDS**

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>JAIL PUBLIC SAFETY BOND FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ 720,000	\$ 720,000	\$ 678,327	\$ (41,673)
Intergovernmental	4,905	4,905	45,308	40,403
<b>TOTAL RECEIPTS</b>	<u>724,905</u>	<u>724,905</u>	<u>723,635</u>	<u>(1,270)</u>
<b>DISBURSEMENTS</b>	<u>1,427,500</u>	<u>1,427,500</u>	<u>510,270</u>	<u>917,230</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>(702,595)</u>	<u>(702,595)</u>	<u>213,365</u>	<u>915,960</u>
Net Change in Fund Balance	(702,595)	(702,595)	213,365	915,960
FUND BALANCE - BEGINNING	<u>702,595</u>	<u>702,595</u>	<u>702,595</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 915,960</u>	<u>\$ 915,960</u>

(Concluded)

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

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>EMERGENCY BRIDGE FUND</b>				
Receipts	\$ 118,487	\$ 118,487	\$ 82,215	\$ (36,272)
Disbursements	(49,046)	(49,046)	(7,605)	41,441
Transfers in	50,000	50,000	-	(50,000)
Transfers out	(226,179)	(226,179)	-	226,179
Net Change in Fund Balance	(106,738)	(106,738)	74,610	181,348
Fund Balance - Beginning	106,738	106,738	106,738	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,348</u>	<u>\$ 181,348</u>
<b>HIGHWAY BUYBACK FUND</b>				
Receipts	\$ 150,000	\$ 150,000	\$ 151,843	\$ 1,843
Disbursements	(300,280)	(300,280)	-	300,280
Net Change in Fund Balance	(150,280)	(150,280)	151,843	302,123
Fund Balance - Beginning	150,280	150,280	150,280	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 302,123</u>	<u>\$ 302,123</u>
<b>VISITOR PROMOTION FUND</b>				
Receipts	\$ 110,046	\$ 110,046	\$ 127,789	\$ 17,743
Disbursements	(150,000)	(150,000)	(112,346)	37,654
Net Change in Fund Balance	(39,954)	(39,954)	15,443	55,397
Fund Balance - Beginning	39,954	39,954	39,954	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,397</u>	<u>\$ 55,397</u>
<b>VISITOR IMPROVEMENT FUND</b>				
Receipts	\$ 103,906	\$ 103,906	\$ 108,523	\$ 4,617
Disbursements	(590,000)	(590,000)	(84,150)	505,850
Net Change in Fund Balance	(486,094)	(486,094)	24,373	510,467
Fund Balance - Beginning	486,094	486,094	486,094	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 510,467</u>	<u>\$ 510,467</u>
<b>REGISTER OF DEEDS PRESERVATION FUND</b>				
Receipts	\$ 4,145	\$ 4,145	\$ 4,076	\$ (69)
Disbursements	(8,500)	(8,500)	(1,945)	6,555
Net Change in Fund Balance	(4,355)	(4,355)	2,131	6,486
Fund Balance - Beginning	4,355	4,355	4,355	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,486</u>	<u>\$ 6,486</u>

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

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>HEALTH INSURANCE FUND</b>				
Receipts	\$ 610,000	\$ 610,000	\$ 28,091	\$ (581,909)
Disbursements	(858,190)	(858,190)	(455,985)	402,205
Transfers in	100,000	100,000	515,437	415,437
Net Change in Fund Balance	(148,190)	(148,190)	87,543	235,733
Fund Balance - Beginning	148,190	148,190	148,190	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,733</u>	<u>\$ 235,733</u>
<b>VETERANS' AID FUND</b>				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(7,816)	(7,816)	-	7,816
Net Change in Fund Balance	(7,816)	(7,816)	-	7,816
Fund Balance - Beginning	7,816	7,816	7,816	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,816</u>	<u>\$ 7,816</u>
<b>BOOKMOBILE FUND</b>				
Receipts	\$ 103,892	\$ 103,892	\$ 101,113	\$ (2,779)
Disbursements	(134,500)	(134,500)	(79,800)	54,700
Net Change in Fund Balance	(30,608)	(30,608)	21,313	51,921
Fund Balance - Beginning	30,608	30,608	30,608	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,921</u>	<u>\$ 51,921</u>
<b>DRUG AND ALCOHOL FUND</b>				
Receipts	\$ -	\$ -	\$ 3	\$ 3
Disbursements	(21,495)	(21,495)	-	21,495
Net Change in Fund Balance	(21,495)	(21,495)	3	21,498
Fund Balance - Beginning	21,495	21,495	21,495	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,498</u>	<u>\$ 21,498</u>
<b>EMERGENCY MANAGEMENT FUND</b>				
Receipts	\$ 65,150	\$ 65,150	\$ 67,868	\$ 2,718
Disbursements	(106,231)	(106,231)	(87,512)	18,719
Transfers in	25,000	25,000	41,920	16,920
Transfers out	-	-	(21,549)	(21,549)
Net Change in Fund Balance	(16,081)	(16,081)	727	16,808
Fund Balance - Beginning	16,081	16,081	16,081	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,808</u>	<u>\$ 16,808</u>

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

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>EMERGENCY 911 FUND</b>				
Receipts	\$ 22,088	\$ 22,088	\$ 21,143	\$ (945)
Disbursements	(97,000)	(97,000)	(19,068)	77,932
Net Change in Fund Balance	(74,912)	(74,912)	2,075	76,987
Fund Balance - Beginning	74,912	74,912	74,912	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,987</u>	<u>\$ 76,987</u>
<b>COURTHOUSE BUILDING FUND</b>				
Receipts	\$ 35,195	\$ 35,195	\$ 23,619	\$ (11,576)
Disbursements	(200,000)	(200,000)	(20,356)	179,644
Transfers in	19,141	19,141	-	(19,141)
Net Change in Fund Balance	(145,664)	(145,664)	3,263	148,927
Fund Balance - Beginning	145,664	145,664	145,664	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,927</u>	<u>\$ 148,927</u>
<b>GRANT FUND</b>				
Receipts	\$ 300,000	\$ 300,000	\$ -	\$ (300,000)
Disbursements	(300,000)	(300,000)	-	300,000
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>HOSPITAL FUND</b>				
Receipts	\$ 50,367	\$ 50,367	\$ 51,387	\$ 1,020
Disbursements	(73,850)	(73,850)	(69,800)	4,050
Net Change in Fund Balance	(23,483)	(23,483)	(18,413)	5,070
Fund Balance - Beginning	23,483	23,483	23,483	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,070</u>	<u>\$ 5,070</u>

(Concluded)

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

For the Year Ended June 30, 2015

	Emergency Bridge Fund	Highway Buyback Fund	Visitor Promotion Fund	Visitor Improvement Fund	Register of Deeds Preservation Fund
<b>RECEIPTS</b>					
Property Taxes	\$ 77,170	\$ -	\$ 108,524	\$ 108,523	\$ -
Interest	-	-	18	-	-
Intergovernmental	5,045	151,843	6,667	-	-
Charges for Services	-	-	-	-	4,076
Miscellaneous	-	-	12,580	-	-
<b>TOTAL RECEIPTS</b>	<u>82,215</u>	<u>151,843</u>	<u>127,789</u>	<u>108,523</u>	<u>4,076</u>
<b>DISBURSEMENTS</b>					
General Government	-	-	-	-	1,945
Public Safety	-	-	-	-	-
Public Works	7,605	-	-	-	-
Health and Sanitation	-	-	-	-	-
Culture and Recreation	-	-	112,346	84,150	-
<b>TOTAL DISBURSEMENTS</b>	<u>7,605</u>	<u>-</u>	<u>112,346</u>	<u>84,150</u>	<u>1,945</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>74,610</u>	<u>151,843</u>	<u>15,443</u>	<u>24,373</u>	<u>2,131</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	74,610	151,843	15,443	24,373	2,131
<b>FUND BALANCES - BEGINNING</b>	<u>106,738</u>	<u>150,280</u>	<u>39,954</u>	<u>486,094</u>	<u>4,355</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 181,348</u>	<u>\$ 302,123</u>	<u>\$ 55,397</u>	<u>\$ 510,467</u>	<u>\$ 6,486</u>
<b>FUND BALANCES:</b>					
Restricted for:					
Visitor Promotion	-	-	55,397	510,467	-
911 Emergency Services	-	-	-	-	-
Preservation of Records	-	-	-	-	6,486
Road Maintenance	-	302,123	-	-	-
Committed to:					
Law Enforcement	-	-	-	-	-
Road Maintenance	181,348	-	-	-	-
Aid and Assistance	-	-	-	-	-
County Buildings	-	-	-	-	-
Health Insurance	-	-	-	-	-
Library Services	-	-	-	-	-
Emergency Services	-	-	-	-	-
Hospital Services	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>\$ 181,348</u>	<u>\$ 302,123</u>	<u>\$ 55,397</u>	<u>\$ 510,467</u>	<u>\$ 6,486</u>

**CHERRY COUNTY**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN CASH BASIS FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2015

	Health Insurance Fund	Veterans' Aid Fund	Bookmobile Fund	Drug and Alcohol Fund	Emergency Management Fund
<b>RECEIPTS</b>					
Property Taxes	\$ -	\$ -	\$ 53,930	\$ 3	\$ 55,214
Interest	64	-	-	-	-
Intergovernmental	-	-	47,183	-	12,654
Charges for Services	-	-	-	-	-
Miscellaneous	28,027	-	-	-	-
<b>TOTAL RECEIPTS</b>	<u>28,091</u>	<u>-</u>	<u>101,113</u>	<u>3</u>	<u>67,868</u>
<b>DISBURSEMENTS</b>					
General Government	455,985	-	-	-	-
Public Safety	-	-	-	-	87,512
Public Works	-	-	-	-	-
Health and Sanitation	-	-	-	-	-
Culture and Recreation	-	-	79,800	-	-
<b>TOTAL DISBURSEMENTS</b>	<u>455,985</u>	<u>-</u>	<u>79,800</u>	<u>-</u>	<u>87,512</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>(427,894)</u>	<u>-</u>	<u>21,313</u>	<u>3</u>	<u>(19,644)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	515,437	-	-	-	41,920
Transfers out	-	-	-	-	(21,549)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>515,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,371</u>
Net Change in Fund Balances	87,543	-	21,313	3	727
<b>FUND BALANCES - BEGINNING</b>	<u>148,190</u>	<u>7,816</u>	<u>30,608</u>	<u>21,495</u>	<u>16,081</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 235,733</u>	<u>\$ 7,816</u>	<u>\$ 51,921</u>	<u>\$ 21,498</u>	<u>\$ 16,808</u>
<b>FUND BALANCES:</b>					
Restricted for:					
Visitor Promotion	-	-	-	-	-
911 Emergency Services	-	-	-	-	-
Preservation of Records	-	-	-	-	-
Road Maintenance	-	-	-	-	-
Committed to:					
Law Enforcement	-	-	-	21,498	-
Road Maintenance	-	-	-	-	-
Aid and Assistance	-	7,816	-	-	-
County Buildings	-	-	-	-	-
Health Insurance	235,733	-	-	-	-
Library Services	-	-	51,921	-	-
Emergency Services	-	-	-	-	16,808
Hospital Services	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>\$ 235,733</u>	<u>\$ 7,816</u>	<u>\$ 51,921</u>	<u>\$ 21,498</u>	<u>\$ 16,808</u>

**CHERRY COUNTY**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN CASH BASIS FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2015

	Emergency 911 Fund	Courthouse Building Fund	Grant Fund	Hospital Fund	Total Nonmajor Governmental Funds
<b>RECEIPTS</b>					
Property Taxes	\$ 21,143	\$ 22,054	\$ -	\$48,236	\$ 494,797
Interest	-	-	-	-	82
Intergovernmental	-	1,565	-	3,151	228,108
Charges for Services	-	-	-	-	4,076
Miscellaneous	-	-	-	-	40,607
<b>TOTAL RECEIPTS</b>	<u>21,143</u>	<u>23,619</u>	<u>-</u>	<u>51,387</u>	<u>767,670</u>
<b>DISBURSEMENTS</b>					
General Government	-	20,356	-	-	478,286
Public Safety	19,068	-	-	-	106,580
Public Works	-	-	-	-	7,605
Health and Sanitation	-	-	-	69,800	69,800
Culture and Recreation	-	-	-	-	276,296
<b>TOTAL DISBURSEMENTS</b>	<u>19,068</u>	<u>20,356</u>	<u>-</u>	<u>69,800</u>	<u>938,567</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>2,075</u>	<u>3,263</u>	<u>-</u>	<u>(18,413)</u>	<u>(170,897)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	557,357
Transfers out	-	-	-	-	(21,549)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>535,808</u>
Net Change in Fund Balances	2,075	3,263	-	(18,413)	364,911
<b>FUND BALANCES - BEGINNING</b>	<u>74,912</u>	<u>145,664</u>	<u>-</u>	<u>23,483</u>	<u>1,255,670</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 76,987</u>	<u>\$ 148,927</u>	<u>\$ -</u>	<u>\$ 5,070</u>	<u>\$ 1,620,581</u>
<b>FUND BALANCES:</b>					
Restricted for:					
Visitor Promotion	-	-	-	-	565,864
911 Emergency Services	76,987	-	-	-	76,987
Preservation of Records	-	-	-	-	6,486
Road Maintenance	-	-	-	-	302,123
Committed to:					
Law Enforcement	-	-	-	-	21,498
Road Maintenance	-	-	-	-	181,348
Aid and Assistance	-	-	-	-	7,816
County Buildings	-	148,927	-	-	148,927
Health Insurance	-	-	-	-	235,733
Library Services	-	-	-	-	51,921
Emergency Services	-	-	-	-	16,808
Hospital Services	-	-	-	5,070	5,070
<b>TOTAL FUND BALANCES</b>	<u>\$ 76,987</u>	<u>\$ 148,927</u>	<u>\$ -</u>	<u>\$ 5,070</u>	<u>\$ 1,620,581</u>

**CHERRY COUNTY**  
**SCHEDULE OF OFFICE ACTIVITIES**  
For the Year Ended June 30, 2015

	County Clerk	Health Insurance Account	Clerk of the District Court	County Sheriff	County Attorney	Highway Superintendent	Veterans' Service Officer	Visitor's Center	Extension Office	Total
BALANCES JULY 1, 2014	\$ 32,538	\$ 72,121	\$ 2,020	\$ 2,538	\$ 230	\$ 5,230	\$ 3,502	\$ 21,841	\$ 100	\$ 140,120
<b>RECEIPTS</b>										
Property Taxes	-	-	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	850	-	-	-	-	-	850
Intergovernmental	-	-	-	-	-	241	-	26,242	-	26,483
Charges for Services	49,840	-	3,790	25,512	250	188,753	-	-	-	268,145
Miscellaneous	-	435,633	-	-	-	-	-	5	50	435,688
State Fees	78,009	-	8,230	-	-	-	-	-	-	86,239
Other Liabilities	-	-	382,272	14,294	1,547	-	565	-	5,639	404,317
<b>TOTAL RECEIPTS</b>	<b>127,849</b>	<b>435,633</b>	<b>394,292</b>	<b>40,656</b>	<b>1,797</b>	<b>188,994</b>	<b>565</b>	<b>26,247</b>	<b>5,689</b>	<b>1,221,722</b>
<b>DISBURSEMENTS</b>										
Payments to County Treasurer	54,132	-	4,532	27,580	480	189,305	-	10,228	-	286,257
Payments to State Treasurer	96,097	-	8,390	-	-	-	-	-	-	104,487
Other Liabilities	973	459,007	323,095	14,294	1,547	-	235	30,787	5,762	835,700
<b>TOTAL DISBURSEMENTS</b>	<b>151,202</b>	<b>459,007</b>	<b>336,017</b>	<b>41,874</b>	<b>2,027</b>	<b>189,305</b>	<b>235</b>	<b>41,015</b>	<b>5,762</b>	<b>1,226,444</b>
BALANCES JUNE 30, 2015	<u>\$ 9,185</u>	<u>\$ 48,747</u>	<u>\$ 60,295</u>	<u>\$ 1,320</u>	<u>\$ -</u>	<u>\$ 4,919</u>	<u>\$ 3,832</u>	<u>\$ 7,073</u>	<u>\$ 27</u>	<u>\$ 135,398</u>
<b>BALANCES CONSIST OF:</b>										
Due to County Treasurer	\$ 3,919	\$ 48,747	\$ 373	\$ 1,320	\$ -	\$ 4,919	\$ 3,832	\$ 7,073	\$ 27	\$ 70,210
Petty Cash	-	-	-	-	-	-	-	-	-	-
Due to State Treasurer	5,122	-	454	-	-	-	-	-	-	5,576
Due to Others	144	-	59,468	-	-	-	-	-	-	59,612
BALANCES JUNE 30, 2015	<u>\$ 9,185</u>	<u>\$ 48,747</u>	<u>\$ 60,295</u>	<u>\$ 1,320</u>	<u>\$ -</u>	<u>\$ 4,919</u>	<u>\$ 3,832</u>	<u>\$ 7,073</u>	<u>\$ 27</u>	<u>\$ 135,398</u>

CHERRY COUNTY  
**SCHEDULE OF TAXES CERTIFIED AND COLLECTED**  
**FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY**  
 June 30, 2015

Item	2010	2011	2012	2013	2014
<b>Tax Certified by Assessor</b>					
Real Estate	\$ 15,694,063	\$ 15,923,616	\$ 16,942,168	\$ 17,689,237	\$ 18,431,921
Personal and Specials	565,446	644,255	707,004	745,101	916,505
<b>Total</b>	<b>16,259,509</b>	<b>16,567,871</b>	<b>17,649,172</b>	<b>18,434,338</b>	<b>19,348,426</b>
<b>Corrections</b>					
Additions	4,610	9,980	9,920	26,439	4,574
Deductions	(1,427)	(691)	(2,122)	(4,072)	(1,659)
Net Additions/ (Deductions)	3,183	9,289	7,798	22,367	2,915
<b>Corrected Certified Tax</b>	<b>16,262,692</b>	<b>16,577,160</b>	<b>17,656,970</b>	<b>18,456,705</b>	<b>19,351,341</b>
<b>Net Tax Collected by</b>					
County Treasurer during					
Fiscal Year Ending:					
June 30, 2011	8,887,007	-	-	-	-
June 30, 2012	7,358,785	9,039,663	-	-	-
June 30, 2013	9,263	7,523,915	9,811,682	-	-
June 30, 2014	4,993	8,170	7,835,962	10,428,463	-
June 30, 2015	2,385	4,246	6,368	8,019,570	11,199,628
<b>Total Net Collections</b>	<b>16,262,433</b>	<b>16,575,994</b>	<b>17,654,012</b>	<b>18,448,033</b>	<b>11,199,628</b>
<b>Total Uncollected Tax</b>	<b>\$ 259</b>	<b>\$ 1,166</b>	<b>\$ 2,958</b>	<b>\$ 8,672</b>	<b>\$ 8,151,713</b>
<b>Percentage Uncollected Tax</b>	<b>0.00%</b>	<b>0.01%</b>	<b>0.02%</b>	<b>0.05%</b>	<b>42.12%</b>

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



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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

Board of Commissioners  
Cherry County, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cherry County, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Cherry County's basic financial statements, and have issued our report thereon dated December 30, 2015. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and do not include the financial data of the Cherry County Hospital, a component unit of Cherry County.

### **Internal Control Over Financial Reporting**

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

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

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

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the County's internal control to be a significant deficiency:

- The County's procedures over the review and approval of claims lacked good controls. This lack of controls resulted in an employee being able to pay personal expenses with the County credit cards. Good internal controls require adequate procedures to be in place to ensure the County is only paying expenses the County is liable for. Inadequate control procedures can lead to fraud and the loss of public funds.

*County's Response: On July 28 the Board of Commissioners asked the County Clerk to "create a plan, per the (2014) audit reports comments, in which all Cherry County business is carried out and reviewed by two individuals in the Clerk's office." As of December 2015, no plan has been provided. Cherry County Board of Commissioners request each office provide a written plan for segregation of duties involving transactions handling county funds/assets/financial records.*

### **Compliance and Other Matters**

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

### **Additional Items**

We also noted certain matters that we reported to the management of Cherry County in a separate letter dated December 30, 2015.

**Cherry County's Response to Findings**

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

**Purpose of this Report**

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



Deann Haeffner, CPA  
Assistant Deputy Auditor  
Lincoln, Nebraska

December 30, 2015



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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December 30, 2015

Board of Commissioners  
Cherry County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Cherry County (County) for the fiscal year ended June 30, 2015, and have issued our report thereon dated December 30, 2015. 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 lacked a segregation of duties, as one person could handle all aspects of processing a transaction from beginning to end. A lack of segregation of duties increases the risk of possible errors or irregularities; however, due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost. This was also noted in prior audits.

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

*County's Response: On July 28 the Board of Commissioners asked the County Clerk to "create a plan, per the (2014) audit reports comments, in which all Cherry County business is carried out and reviewed by two individuals in the Clerk's office." As of December 2015, no plan has been provided. Cherry County Board of Commissioners request each office provide a written plan for segregation of duties involving transactions handling county funds/assets/financial records.*

**COUNTY CLERK**

**Alleged Fraudulent Transactions**

During our audit, we noted the former Deputy County Clerk was charged, and entered a plea of guilty for theft of over \$1,500 and the unauthorized use of a financial transaction device. Between November 2012 and June 2015, we noted:

- 1,001 credit card transactions, totaling \$83,201, which appear to be for the personal use of the Deputy County Clerk.
- 5 payments to Desert Schools Federal Credit Union (DSFCU) in Phoenix, Arizona for \$81,742, and a payment to CC Bureau for \$9,728, both appear to be for the personal benefit of the Deputy County Clerk.
- 171 charges, totaling \$24,183, that could not be verified as County business so also may have been personal use.

As noted below, the highly questionable transactions include, but are not limited, to charges related to trips taken to Colorado, Arizona, and South Dakota, as well as purchases at Amazon.com, Apple iTunes, Stamps.com, Home Décor stores, Overstock.com, Valentine grocery stores, and other local Valentine, Nebraska stores.

The following is a summary of questionable credit card transactions and payments we identified:

Description	# of Transactions	Amount
Trips to Colorado	161	\$ 10,267
Trip to Arizona	16	\$ 2,974
Trips to South Dakota	15	\$ 1,382
Amazon.com Purchases	536	\$ 26,134
Apple-iTunes Purchases	57	\$ 7,287
USPS Postage Stamps.com	20	\$ 9,350
Home Décor Purchases	17	\$ 5,465
Overstock.com	12	\$ 4,895
Valentine Grocery Stores	109	\$ 7,086
Interest/Late Charges	18	\$ 1,170
Other Personal Purchases	40	\$ 7,191
Other Questionable Purchases	171	\$ 24,183
Payment to CC Bureau	1	\$ 9,728
Payment to DSFCU	5	\$ 81,742
<b>Total</b>	<b>1178</b>	<b>\$ 198,854</b>

A good internal control plan requires adequate original invoices or other similar supporting documentation to support all credit card purchases. Furthermore, good internal controls require procedures to be in place to adequately review purchases to ensure charges are accurate, appropriate, and reasonable. Without adequate controls, including periodic reviews of higher risk transactions, there is an increased risk of loss or misuse of County funds.

We recommend the County Board implement procedures to ensure all credit card transactions are proper, including verifying original receipts are on file to support all charges. Additionally, we recommend the County Board implement procedures to ensure that all credit card charges are for County-related purposes.

### **COUNTY BOARD / COUNTY CLERK**

#### **Claim Procedures**

During the audit, we noted the following:

- Six claims to different vendors, totaling \$3,196, were each paid twice during the fiscal year.
- Three claims to different vendors, totaling \$1,261, did not have adequate supporting documentation on file; however, based on information available, the claims also appeared to have been paid twice during the fiscal year.
- 43 credit card claims, totaling \$29,685, did not have adequate supporting documentation. Many of these claims are also included in the above comment labeled Alleged Fraudulent Transactions.

Good internal controls require procedures to be in place to review all claims prior to approval to ensure all claims are supported with adequate documentation and are not duplicate payments. When procedures are not in place to catch duplicate or unsupported claim submissions, there is an increased risk of loss, theft, or misuse of funds.

We recommend the County Board implement procedures to ensure that claims are not paid twice for the same invoice, and all claims are paid from original invoices.

*County's Response: The Cherry County Board of Commissioners have not been provided with detailed information as to which specific claims were paid twice during the 2015 fiscal year or which claims were lacking adequate supporting documentation. The Board of Commissioners is presented with claims prepared by the Clerk's office, which are presumed to be true and accurate. However, as a result of our investigation of questionable claims, and lack of implementation of procedures to assure segregation of duties by the Clerk's office, as previously requested, we believe the practice of duplicate payments to be the result of fraudulent claims prepared and presented by the Clerk's office, to support the alleged theft of funds by the Deputy Clerk.*

*The Board of Commissioners will require all offices to review and confirm, by written signature, all claims submitted/approved by their respective offices to be accurate.*

*Cherry County Board of Commissioners will not accept any claim without adequate supporting documentation.*

### **Payroll Issues**

During testing, we noted the following payroll issues:

- Five employees had unsupported pay adjustments to their hourly rates. These errors were identified by the County Board at the August 11, 2015, meeting; however, at the time of the audit, during the end of October, the employees' wages had not yet been corrected.
- Two outgoing officials received wages, totaling \$3,143, for the entire month of January 2015, although their terms ended January 7, 2015.
- Justice Center employees are paid overtime in accordance with an exemption noted in the Fair Labor Standards Act for Law Enforcement employees; however, these employees do not appear to be qualified for this exemption since they do not have the power to arrest someone.
- One employee's payroll deductions did not agree to the Internal Revenue Service (IRS) W-4 Form on file resulting in withholdings of \$16 per pay period less than requested.
- Quarterly tax return forms did not agree to payroll records or to the amount paid to the IRS. We noted overpayments of \$2,545 and \$4,632 for Federal and State payroll taxes, respectively. Furthermore, a Federal overpayment noted in the previous audit report for September 2012 in the amount of \$29,183 has not been claimed even though the County Clerk was directed by the County Board to resolve the issue.

The Fair Labor Standards Act (FLSA) for Law Enforcement employees provides that overtime pay or compensatory time is required when the number of hours worked exceeds 171 within a 28 day period. This rule only applies to "Law enforcement personnel . . . who are empowered by State or local ordinance to enforce laws designed to maintain peace and order, protect life and property, and to prevent and detect crimes; who have the power to arrest; and who have undergone training in law enforcement."

Sound accounting practices and good internal controls require procedures to ensure employees are paid an hourly rate as authorized by the Board and all wages paid are supported by adequate documentation. Additionally, sound accounting practices and good internal controls require all withholdings to agree to elections made by the employee on the W-4. Lastly, good internal controls require quarterly tax returns to contain accurate information to ensure the proper amount is remitted to the IRS.

When wages paid and overtime hours are not adequately supported, calculated, or in accordance with employee elections, there is an increased risk of loss or misuse of funds. In addition, when quarterly reports are not accurately completed, there is an increased risk of penalties and interest being assessed against the County.

We recommend the following the County Board review the rates of pay for its employees to ensure all pay rates are accurate and authorized. We also recommend the County Board implement procedures to ensure employee IRS W-4 Form elections are properly withheld from wages and that quarterly tax return forms contain accurate information. Furthermore, the County should contact legal counsel to determine if Justice Center employees meet the criteria of law enforcement as noted in the FLSA and update the employee manual if determined necessary.

*County's Response: Cherry County Board of Commissioners identified unauthorized pay adjustments to several county employees on August 11, 2015 and requested the Deputy Clerk correct them. As a result of corrections not being made as of October 2015, Commissioner Adamson supervised Clerk's office staff in correcting all payroll issues. All office heads will be asked to review their respective payroll claims each month and confirm by written signature that they are accurate. Any pay adjustments must be approved by written signature, by supervising staff.*

*Outgoing officials will only be paid for time served/worked.*

*Cherry County Board of Commissioners believes Justice Center employees do qualify for the exemption noted in the Fair Labor Standards Act for Law Enforcement Employees as per section (f) of that act.*

*29 C.F.R. § 553.211(f) The term any employee in law enforcement activities also includes, penitentiaries, prisons, prison farms, county, city and village jails, precinct house lockups and reformatories. Employees of correctional institutions who qualify as security personnel for purposes of the section 7(k) exemption are those who have responsibility for controlling and maintaining custody of inmates and of safeguarding them from other inmates or for supervising such functions, regardless of whether their duties are performed inside the correctional institution or outside the institution (as in the case of road gangs). These employees are considered to be engaged in law enforcement activities regardless of their rank.*

*Cherry County Board of Commissioners ordered Cherry County Clerk's office to audit and correct all employees withholding.*

### **Publication of Board Minutes**

Board minutes were not published for 10 of the 24 County Board meetings during the fiscal year as required by statute. Of the 14 published minutes, none were published within ten days and only five included the required claim information.

Neb. Rev. Stat. § 23-122 (Reissue 2012) states:

*The county board of all counties having a population of less than one hundred fifty thousand inhabitants shall cause to be published, within ten working days after the close of each annual, regular, or special meeting of the board, a brief statement of the proceedings thereof which shall also include the amount of each claim allowed, the purpose of the claim, and the name of the claimant . . . in one newspaper of general circulation published in the county.*

When board minutes are not published in accordance with State statute, the public is not made aware of all Board decisions in a timely manner.

Neb. Rev. Stat. § 28-924 (Reissue 2008) states, “(1) A public servant commits official misconduct if he knowingly violates any statute or lawfully adopted rule or regulation relating to his official duties. (2) Official misconduct is a Class II misdemeanor.”

We recommend the County Board implement procedures to ensure that all Board minutes are published within 10 working days of the meeting and include details of the claims approved for payment. Furthermore, we recommend the County Board and County Attorney review whether the Board minutes were intentionally not published.

*County’s Response: Based on historical precedence, the Cherry County Clerk’s office has been assigned the task of publishing the minutes of all meetings held by the Cherry County Commissioners. As a result of being made aware that minutes/claims were not being published on more than one occasion in 2015, Cherry County Board of Commissioners ordered the Cherry County Clerk to publish the minutes/claims in their entirety, on April 14, 2015 and again on September 29, 2015.*

*Cherry County Board of Commissioners will now require the Clerk to email minutes and proof of submission for publication, to each of the board members by 10 am the first Friday after each meeting.*

### **Petty Cash**

We noted the following issues in connection with the County Board petty cash accounts:

- The County Board maintains two petty cash accounts, one for general expenditures and one for health insurance, at authorized amounts of \$1,500 and \$75,000, respectively. A reconciliation of the health insurance account was not being completed or documented and the general expenditure account was being reconciled to \$1,400, not the authorized amount.
- Seven of ten petty cash reimbursements tested, totaling \$1,578, did not have adequate supporting documentation on file.

Neb. Rev. Stat. § 23-106 (Reissue 2012) gives the County Board the sole authority to establish petty cash funds “for the purpose of making payments for subsidiary general operational expenditures and purchases.” Furthermore, good internal controls require procedures to ensure all petty cash funds are maintained at the authorized amount and all reimbursements are supported with original, complete documentation.

When petty cash amounts are not maintained at the approved amount and petty cash reimbursements are not adequately supported, there is an increased risk of error or loss of funds.

We recommend the County Board implement procedures to ensure all petty cash funds are maintained at the authorized amount. Furthermore, we recommend the County Board implement procedures to ensure that original, complete supporting documentation is attached to all reimbursement claims.

*County's Response: Cherry County Board of Commissioners will require a monthly written proof of reconciliation of both the general expenditures and health insurance petty cash accounts, including supporting documentation of all expenditures.*

### **Imprest Account Reconciliation**

The County Board imprest bank account was not being reconciled and a complete listing of outstanding checks could not be provided. We also noted 12 checks that cleared the bank account with only the Deputy County Clerk signature, not the designated Board Chairman and County Clerk signatures.

Sound accounting practices and good internal controls require procedures to be in place to ensure office records reconcile with bank activity on a monthly basis and that checks are only issued when signed by authorized signers. Reconciliation procedures should include the timely identification and resolution of all variances noted.

Failure to perform accurate and timely bank reconciliations leaves the County susceptible to intentional and/or unintentional errors or omissions and increases the risk of loss, theft, or misuse. Using check signers who are not authorized, also increases the risk of loss, theft, or misuse.

We recommend the County Board implement procedures to ensure a complete and accurate reconciliation of the County's imprest bank account is completed and any variances are identified and resolved in a timely manner. We also recommend the reconciliation include a review of checks that have cleared the bank account to ensure they were properly signed.

*County's Response: Cherry County Board of Commissioners have historically entrusted the receipt and subsequent reconciliation of the Cherry County Imprest Fund account to the Cherry County Clerk. Upon suspected fraudulent use of credit cards by the Deputy Clerk, the Board requested and received a copy of all bank statements for the Imprest account in May of 2015, dating back to 5-2013, from the bank. As a result, it was discovered by the Board that there were several unauthorized counter checks, lacking the proper signatures, which had cleared the bank. On July 28, 2015, the Board requested that the Clerk move the Imprest account to a new bank. No action was taken by the Clerk. On October 13, 2015, by a vote of the Board, that bank was taken off the list of approved financial institutions for Cherry County and the account was subsequently moved.*

*The Board requests a written monthly proof of reconciliation of the Imprest account from the Clerk's office.*

*The Board only authorizes written warrants drawn on the Imprest account bearing both the signature of the Chairman of the Board and the Cherry County Clerk.*

*The Board will request from the County Clerk and will have on file, a written plan for segregation of duties, organization and protocol, involving transactions handling county funds/assets/financial records.*

### **Expenditures in Excess of Budget**

The Emergency Management Fund and several functions of the General Fund exceeded their adopted budgets by the following amounts:

- Emergency Management Fund           \$2,830
- Clerk of the District Court           \$544
- County Attorney                       \$6,538
- County Jail                               \$118,284
- Noxious Weed Control                 \$3,441

Neb. Rev. Stat. § 23-916 (Reissue 2012) 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. Any contract, verbal or written, made in violation of this section shall be null and void as to the county, and no money belonging thereto shall be paid thereon.*

When expenditures are made in excess of the County's adopted budget, the County is not in compliance with State statute.

We recommend the County implement procedures to closely monitor expenditures throughout the year and, if necessary, amend the County's budget prior to the fiscal year end to avoid expending in excess of the County's adopted budget.

*County's Response: Each office/department will certify their budget expenditures, made available by the County Clerk's office after claim approvals, on a monthly basis and report to the Board any unexpected variances.*

*Each office/department will certify their budget expenditures, made available by the County Clerk's office after claim approvals, on a monthly basis and report to the Board any unexpected variances.*

*Cherry County Board of Commissioners will amend budgets as necessary, prior to the end of the fiscal year, as a result of variances reported to the Board by individual offices.*

*County Attorney's Response: It has become apparent that the overages in this office's budget were due to unauthorized allocations made by Monica Bristow in the Cherry County Clerk's Office. Ms. Bristow did this to conceal her fraud for which she has been convicted of multiple felonies.*

### **Inventory Listing**

During inventory testing, we noted two assets that were not included on the inventory listing. Additionally, an inventory listing for real estate owned by the County was not on file.

Neb. Rev. Stat. § 23-348.01 (Reissue 2012) states:

*Within two calendar months after the close of each fiscal year, each county board shall make, or cause to be made, acknowledged under oath, and filed with the county clerk of such county, an inventory statement of all real estate and real property in which such county has any interest of any kind.*

Additionally, a Cherry County inventory policy was adopted by the County Board on August 30, 2011, "requiring items valued at \$100 or more to be listed on the annual inventories of each County office."

When inventory listings are not on file and do not contain an accurate accounting of assets within the County, there is an increased risk of loss, theft, or misuse of assets.

We recommend the County Board implement procedures to ensure that all inventory lists are on file with the County Clerk and contain an accurate listing of assets of the County.

*County's Response: Cherry County Board of Commissioners requires all offices to review and update inventory lists.*

*County's Overall Summary Response: The Cherry County Board of Commissioners began to question the Clerk's office/Deputy Clerk's procedures for handling claims, including non-publication of minutes/claims, in part as a response to concerns presented by the County Treasurer, in early 2015. Additionally the Board requested that the Clerk's office provide original credit card statements from fiscal year 2013-14 on, for review. 30 days after our formal request, statements were not produced at which time the Board initiated and carried out an internal investigation. This ultimately resulted in the discovery of evidence which led to formal charges being brought against the Deputy Clerk. The Board continues to actively investigate areas of possible fraudulent uses of County funds in an effort to both recover the taxpayer's money and prevent any future fraudulent activity. These ongoing efforts most recently resulted in the discovery of a \$41,869.69 check written out of the Cherry County Health & Medical Claims account and deposited directly into a personal account held by the Deputy Clerk. We welcome the assistance of the State Auditor's Office in these matters.*

## **COUNTY TREASURER**

### **Records Retention**

During testing certain records, such as operating statements containing the detail of all receipts and disbursements of the County, were not available and were unable to be provided by the County Treasurer.

The Nebraska Records Management Division Records Retention and Disposition Schedule 16, effective June 28, 2013, details various County reports and their required length of retention. This schedule provides that the “complete record of collections, disbursements and account balances for various county . . . funds”, also called a General Ledger and Subsidiary Ledgers, must be maintained on file for 10 years. When records are not maintained in accordance with retention requirements, there is an increased risk the public will not be able to access public records.

We recommend the County Treasurer implement procedures to ensure that all required information noted in the Record Retention Schedules is maintained on file.

*County Treasurer’s Response: I am now running the operating statement every month.*

## **COUNTY VISITOR CENTER**

### **Visitor Center Petty Cash**

We noted the County Visitor Center maintains a petty cash account that has not been authorized by the County Board. The monthly account balance fluctuated between \$20,691 and \$7,966 during the fiscal year. Furthermore, we noted a claim for \$3,667 in October 2014, which had no supporting documentation attached to the claim.

Neb. Rev. Stat. § 23-106 (Reissue 2012) gives the County Board the sole authority to establish petty cash funds “for the purpose of making payments for subsidiary general operational expenditures and purchases.” Furthermore, good internal controls require procedures to be implemented to ensure all petty cash funds are maintained at the authorized amount and all reimbursements are supported with original, complete documentation. When authorization and supporting documentation is not obtained, there is the increased risk of loss or misuse of funds.

We recommend the Visitor Center obtain authorization from the County Board for the petty cash account and implement procedures to ensure the fund is maintained at the authorized amount, and that original, complete supporting documentation is attached to all reimbursement claims.

*County Tourism Director’s Response: I have met with the commissioners. The petty cash fund will be no more than \$7,500. I will also be paying for monthly expenses such as telephone and utilities through the regular claims system at the courthouse. The credit card bills will also be paid through a claim and will include all receipts as well as the bill.*

\* \* \* \* \*

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

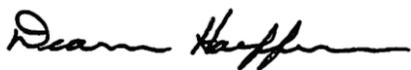
By using qualifying words such as “alleged” or “allegedly” in a comment to describe certain incidents or activities, the APA seeks to avoid the possibility that a report comment might be mistaken as containing an imputation of criminality. However, utilization of such modifying terms is not meant to indicate a lack of supporting documentation for the report comment or any insufficiency or other shortcoming relating thereto.

Based on the overall number and severity of the comments under the oversight of the County Clerk, the County Attorney and County Board should consider whether charges of malfeasance are warranted.

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

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

Sincerely,



Deann Haeffner  
Assistant Deputy Auditor