

**AUDIT REPORT
OF
KEITH COUNTY**

JULY 1, 2015 THROUGH JUNE 30, 2016

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the Auditor of Public Accounts.**

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Issued on October 18, 2016

KEITH COUNTY

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KEITH COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2016

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Commissioners	Charles Baltzell	Jan. 2019
	Caleb Johnson	Jan. 2019
	Lonnie Peters	Jan. 2019
	Kim Elder	Jan. 2017
	Jeff Armour	Jan. 2017
Assessor	Rena Zink	Jan. 2019
Attorney	Randy Fair	Jan. 2019
Clerk	Sandra Olson	Jan. 2019
Election Commissioner		
Register of Deeds		
Clerk of the District Court	Tina DeVoe	Jan. 2019
Sheriff	Jeffery Stevens	Jan. 2019
Treasurer	Ronda Johnson	Jan. 2019
Veterans' Service Officer	Richard Colson	Appointed
Weed Superintendent	Tim Ryan	Appointed
Highway Superintendent		
Emergency Manager	Harold Peterson	Appointed
Planning and Zoning	Jack Quinlivan	Appointed
Surveyor	Ryan Dickinson	Appointed



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

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

KEITH COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Keith 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 Keith County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and aggregate remaining fund information of Keith County as of June 30, 2016, 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

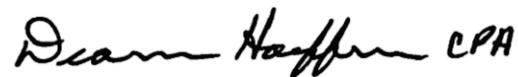
Our audit was conducted for the purpose of forming opinions on the financial statements as a whole, which collectively comprise the County's basic financial statements. The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes 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 October 12, 2016, on our consideration of Keith 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* in considering Keith County's internal control over financial reporting and compliance.

October 12, 2016



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

KEITH COUNTY
STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2016

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 5,857,033
Investments (Note 1.D)	1,220,952
TOTAL ASSETS	\$ 7,077,985
NET POSITION	
Restricted for:	
Visitor Promotion	\$ 237,845
911 Emergency Services	368,865
Law Enforcement	58,868
Preservation of Records	23,566
Road Maintenance	154,651
Unrestricted	6,234,190
TOTAL NET POSITION	\$ 7,077,985

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

KEITH COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2016

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (3,181,726)	\$ 537,287	\$ 59,218	\$ (2,585,221)
Public Safety	(2,015,725)	163,646	179,231	(1,672,848)
Public Works	(1,772,902)	-	1,234,219	(538,683)
Health and Sanitation	(53,237)	-	9,440	(43,797)
Public Assistance	(115,380)	-	-	(115,380)
Culture and Recreation	(271,575)	-	-	(271,575)
Total Governmental Activities	\$ (7,410,545)	\$ 700,933	\$ 1,482,108	(5,227,504)

General Receipts:

Property Taxes	4,627,451
Grants and Contributions Not Restricted to Specific Programs	735,290
Investment Income	26,037
Licenses and Permits	53,045
Health Insurance Premiums	491,782
Miscellaneous	110,437
Total General Receipts	6,044,042
 Increase in Net Position	 816,538
Net Position - Beginning of year	6,261,447
Net Position - End of year	\$ 7,077,985

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

KEITH COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
 June 30, 2016

	<u>General Fund</u>	<u>Road & Bridge Fund</u>	<u>Inheritance Fund</u>	<u>Health Insurance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents (Note 1.D)	\$ 1,892,941	\$ 1,235,268	\$ 1,404,598	\$ 685,194	\$ 639,032	\$ 5,857,033
Investments (Note 1.D)	786,954	-	24,824	-	409,174	1,220,952
TOTAL ASSETS	<u><u>\$ 2,679,895</u></u>	<u><u>\$ 1,235,268</u></u>	<u><u>\$ 1,429,422</u></u>	<u><u>\$ 685,194</u></u>	<u><u>\$ 1,048,206</u></u>	<u><u>\$ 7,077,985</u></u>
FUND BALANCES						
Restricted for:						
Visitor Promotion	-	-	-	-	237,845	237,845
911 Emergency Services	-	-	-	-	368,865	368,865
Law Enforcement	-	-	-	-	58,868	58,868
Preservation of Records	-	-	-	-	23,566	23,566
Road Maintenance	-	-	-	-	154,651	154,651
Committed to:						
Law Enforcement	-	-	-	-	51,584	51,584
Road Maintenance	-	1,235,268	-	-	-	1,235,268
Aid and Assistance	-	-	-	-	66,764	66,764
County Health Insurance	-	-	-	685,194	-	685,194
Community Betterment	-	-	-	-	86,063	86,063
Assigned to:						
Other Purposes	-	-	1,429,422	-	-	1,429,422
Unassigned	2,679,895	-	-	-	-	2,679,895
TOTAL CASH BASIS FUND BALANCES	<u><u>\$ 2,679,895</u></u>	<u><u>\$ 1,235,268</u></u>	<u><u>\$ 1,429,422</u></u>	<u><u>\$ 685,194</u></u>	<u><u>\$ 1,048,206</u></u>	<u><u>\$ 7,077,985</u></u>

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

KEITH COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Road & Bridge Fund	Inheritance Fund	Health Insurance Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$4,051,152	\$ -	\$ 97,942	\$ -	\$ 478,357	\$ 4,627,451
Licenses and Permits	52,920	125	-	-	-	53,045
Investment Income	22,750	-	2,585	473	229	26,037
Intergovernmental	728,037	1,095,402	-	-	393,959	2,217,398
Charges for Services	522,134	-	-	-	178,799	700,933
Miscellaneous	40,615	8,005	-	531,906	21,693	602,219
TOTAL RECEIPTS	<u>5,417,608</u>	<u>1,103,532</u>	<u>100,527</u>	<u>532,379</u>	<u>1,073,037</u>	<u>8,227,083</u>
DISBURSEMENTS						
General Government	1,715,610	-	-	1,311,366	154,750	3,181,726
Public Safety	1,738,847	-	33,000	-	243,878	2,015,725
Public Works	37,892	1,669,756	-	-	65,254	1,772,902
Health and Sanitation	53,237	-	-	-	-	53,237
Public Assistance	115,380	-	-	-	-	115,380
Culture and Recreation	2,596	-	-	-	268,979	271,575
TOTAL DISBURSEMENTS	<u>3,663,562</u>	<u>1,669,756</u>	<u>33,000</u>	<u>1,311,366</u>	<u>732,861</u>	<u>7,410,545</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>1,754,046</u>	<u>(566,224)</u>	<u>67,527</u>	<u>(778,987)</u>	<u>340,176</u>	<u>816,538</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	919,360	224,750	876,161	203,581	2,223,852
Transfers out	(1,323,257)	(478,204)	(300,000)	(1,000)	(121,391)	(2,223,852)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,323,257)</u>	<u>441,156</u>	<u>(75,250)</u>	<u>875,161</u>	<u>82,190</u>	<u>-</u>
Net Change in Fund Balances	430,789	(125,068)	(7,723)	96,174	422,366	816,538
CASH BASIS FUND BALANCES - BEGINNING						
	<u>2,249,106</u>	<u>1,360,336</u>	<u>1,437,145</u>	<u>589,020</u>	<u>625,840</u>	<u>6,261,447</u>
CASH BASIS FUND BALANCES - ENDING						
	<u>\$2,679,895</u>	<u>\$ 1,235,268</u>	<u>\$ 1,429,422</u>	<u>\$ 685,194</u>	<u>\$ 1,048,206</u>	<u>\$ 7,077,985</u>

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

KEITH COUNTY
**STATEMENT OF FIDUCIARY ASSETS AND
 LIABILITIES - CASH BASIS**
FIDUCIARY FUNDS
 June 30, 2016

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 755,456
 LIABILITIES	
Due to other governments	
State	200,593
Schools	294,606
Educational Service Units	2,111
Technical College	10,982
Natural Resource Districts	6,534
Fire Districts	4,095
Municipalities	74,428
Agricultural Society	992
Cemetery Districts	257
Sanitary and Improvement Districts	3,836
Irrigation Districts	10,339
Others	146,683
TOTAL LIABILITIES	755,456
 TOTAL NET ASSETS	 \$ -

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

KEITH COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2016

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

Keith 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.

As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the County (the primary government). No component units were identified.

Joint Organization.

Behavioral Health Region II – 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 II (Region) consists of the following counties: Grant, Hooker, Thomas, Arthur, McPherson, Logan, Keith, Lincoln, Perkins, Chase, Hayes, Frontier, Dawson, Gosper, Dundy, Hitchcock, and Red Willow. The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$41,166 toward the operation of the Region during fiscal year 2016. 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.

KEITH COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Health Department – The County has entered into an agreement with Southwest Nebraska Public Health Department (Department) to provide public health services. The agreement was established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636 (Reissue 2009, Cum. Supp. 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 2016. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is audited in accordance with Neb. Rev. Stat. § 84-304(4) (Supp. 2015). Financial information for the Department is available in that report.

B. Basis of Presentation

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

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

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

KEITH COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

Health Insurance Fund. This fund is used to account for the costs of insurance premiums and claims and is primarily funded by County and employee payroll deductions.

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

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

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

The County designates fund balances as follows:

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

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

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

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

KEITH COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

C. Measurement Focus, Basis of Accounting

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

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

D. Assets and Net Position

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

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.

KEITH COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

Restricted Net Position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net position 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 \$843,795 of restricted net position, all of which is restricted by enabling legislation.

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

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

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.

KEITH COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Excess of Disbursements Over Appropriations. For the year ended June 30, 2016, disbursements exceeded budgeted appropriations in the in the Enhanced 911 Fund and the KENO Lottery Fund by \$39,423 and \$39,252, respectively. These over-expenditures were funded by greater than anticipated receipts and the available fund balance in the Fund.

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 \$5,857,033 for County funds and \$755,456 for Fiduciary funds. The bank balances for all funds totaled \$6,249,332. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2016, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

The County's carrying value of investments is stated at cost, which approximates market. Investments consisted of \$1,220,952 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.

KEITH COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Property Taxes (Concluded)

The levy set in October 2015, for the 2015 taxes, which will be materially collected in May and September 2016, was set at \$.260010/\$100 of assessed valuation. The levy set in October 2014, for the 2014 taxes, which were materially collected in May and September 2015, was set at \$.280014/\$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, Supp. 2015) and may be amended through legislative action.

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

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

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.

KEITH COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

For the year ended June 30, 2016, 86 employees contributed \$114,650, and the County contributed \$170,372. Contributions included \$3,202 in cash contributions towards the supplemental law enforcement plan for 12 law enforcement employees. Lastly, the County paid \$1,788 directly to 14 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 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 2017. The County has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

KEITH COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6. **Interfund Transfers**

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Transfers to	Transfers from					Total
	General Fund	Road & Bridge Fund	Inheritance Fund	Health Insurance Fund	Nonmajor Funds	
Road & Bridge Fund	\$ 619,360	\$ -	\$ 300,000	\$ -	\$ -	\$ 919,360
Inheritance Fund	-	200,000	-	1,000	23,750	224,750
Health Insurance Fund	703,897	172,264	-	-	-	876,161
Nonmajor Funds	-	105,940	-	-	97,641	203,581
Total	\$ 1,323,257	\$ 478,204	\$ 300,000	\$ 1,000	\$ 121,391	\$ 2,223,852

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.

In the year ended June 30, 2016, the County made a one-time transfer of \$100,000 from the Road & Bridge Fund to the Inheritance Fund to repay the purchase of two motor graders. An additional \$100,000 transfer from the Road & Bridge Fund to the Inheritance Fund was not authorized. See the Transfer Approval Comment for more information. An additional one-time transfer of \$23,750 was also made during the fiscal year from the Enhanced 911 Fund to the Inheritance Fund for the repayment of an interfund loan.

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:

	Caterpillar Hydraulic Excavator	Caterpillar Multi-Terrain Loader	John Deere Cab Tractor	Total
Balance July 1, 2015	\$ -	\$ -	\$ 52,880	\$ 52,880
Purchases	54,750	57,500	-	112,250
Payments	5,500	5,500	10,914	21,914
Balance June 30, 2016	\$ 49,250	\$ 52,000	\$ 41,966	\$ 143,216

KEITH COUNTY

NOTES TO FINANCIAL STATEMENTS

(Concluded)

7. **Capital Leases Payable** (Concluded)

	<u>Caterpillar Hydraulic Excavator</u>	<u>Caterpillar Multi-Terrain Loader</u>	<u>John Deere Cab Tractor</u>	<u>Total</u>
Future Payments:				
Year				
2017	\$ 12,764	\$ 17,442	\$ 49,795	\$ 80,001
2018	51,084	53,922	-	105,006
Total Payments	<u>63,848</u>	<u>71,364</u>	<u>49,795</u>	<u>185,007</u>
Less Interest	<u>14,598</u>	<u>19,364</u>	<u>7,829</u>	<u>41,791</u>
Present Value of Future Minimum Lease Payments	<u>\$ 49,250</u>	<u>\$ 52,000</u>	<u>\$ 41,966</u>	<u>\$ 143,216</u>
Carrying Value of the Related Fixed Asset	<u>\$ 54,750</u>	<u>\$ 57,500</u>	<u>\$ 63,795</u>	<u>\$ 176,045</u>

8. **Interfund Loans**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Inheritance Fund	Enhanced 911 Fund	118,750
Inheritance Fund	Health Insurance Fund	49,000
Inheritance Fund	Road and Bridge Fund	200,000

The loan to the Enhanced 911 Fund will be paid back in the next four years with an annual payment of \$23,750.

KEITH COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 4,365,280	\$ 4,365,280	\$ 4,051,152	\$ (314,128)
Licenses and Permits	42,900	42,900	52,920	10,020
Interest	8,000	8,000	22,750	14,750
Intergovernmental	395,150	395,150	728,037	332,887
Charges for Services	419,900	419,900	522,134	102,234
Miscellaneous	11,004	11,004	40,615	29,611
TOTAL RECEIPTS	<u>5,242,234</u>	<u>5,242,234</u>	<u>5,417,608</u>	<u>175,374</u>
DISBURSEMENTS				
General Government:				
County Board	231,730	231,730	147,763	83,967
County Clerk	223,460	223,460	181,820	41,640
County Treasurer	248,150	248,150	179,384	68,766
County Assessor	328,880	328,880	259,767	69,113
Election Commissioner	48,820	48,820	33,314	15,506
Building and Zoning	96,630	96,630	65,059	31,571
Data Processing	155,300	170,300	164,458	5,842
Clerk of the District Court	158,650	158,650	113,939	44,711
County Court System	16,850	16,850	8,918	7,932
Building and Grounds	256,350	256,350	168,817	87,533
Agricultural Extension Agent	72,090	72,090	49,324	22,766
Miscellaneous	633,920	618,920	343,047	275,873
Public Safety				
County Sheriff	729,200	729,200	536,341	192,859
County Attorney	329,450	329,450	253,938	75,512
Communication Center	596,170	596,170	412,320	183,850
County Jail	813,840	813,840	425,757	388,083
Miscellaneous	146,100	146,100	110,491	35,609
Public Works				
County Surveyor	26,540	26,540	16,738	9,802
Noxious Weed Control	36,730	36,730	21,154	15,576
Miscellaneous	1,000	1,000	-	1,000
Public Health				
Miscellaneous	90,000	90,000	53,237	36,763
Public Assistance				
Veterans' Service Officer	66,620	66,620	43,440	23,180
Miscellaneous	60,500	60,500	71,940	(11,440)
Culture and Recreation				
Miscellaneous	5,000	5,000	2,596	2,404
TOTAL DISBURSEMENTS	<u>5,371,980</u>	<u>5,371,980</u>	<u>3,663,562</u>	<u>1,708,418</u>

(Continued)

KEITH COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(129,746)	(129,746)	1,754,046	1,883,792
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(619,360)	(619,360)	(1,323,257)	(703,897)
TOTAL OTHER FINANCING SOURCES (USES)	(619,360)	(619,360)	(1,323,257)	(703,897)
Net Change in Fund Balance	(749,106)	(749,106)	430,789	1,179,895
FUND BALANCE - BEGINNING	2,249,106	2,249,106	2,249,106	-
FUND BALANCE - ENDING	\$ 1,500,000	\$ 1,500,000	\$ 2,679,895	\$ 1,179,895

(Concluded)

KEITH COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD & BRIDGE FUND				
RECEIPTS				
Licenses and Permits	\$ 200	\$ 200	\$ 125	\$ (75)
Intergovernmental	1,080,390	1,080,390	1,095,402	15,012
Miscellaneous	1,004	1,004	8,005	7,001
TOTAL RECEIPTS	1,081,594	1,081,594	1,103,532	21,938
DISBURSEMENTS	2,455,350	2,455,350	1,669,756	785,594
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,373,756)	(1,373,756)	(566,224)	807,532
OTHER FINANCING SOURCES (USES)				
Transfers in	919,360	919,360	919,360	-
Transfers out	(305,940)	(305,940)	(478,204)	(172,264)
TOTAL OTHER FINANCING SOURCES (USES)	613,420	613,420	441,156	(172,264)
Net Change in Fund Balance	(760,336)	(760,336)	(125,068)	635,268
FUND BALANCE - BEGINNING	1,360,336	1,360,336	1,360,336	-
FUND BALANCE - ENDING	\$ 600,000	\$ 600,000	\$ 1,235,268	\$ 635,268
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 39,105	\$ 39,105	\$ 97,942	\$ 58,837
Interest	-	-	2,585	2,585
TOTAL RECEIPTS	39,105	39,105	100,527	61,422
DISBURSEMENTS	1,400,000	1,400,000	33,000	1,367,000
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,360,895)	(1,360,895)	67,527	1,428,422
OTHER FINANCING SOURCES (USES)				
Transfers in	223,750	223,750	224,750	1,000
Transfers out	(300,000)	(300,000)	(300,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(76,250)	(76,250)	(75,250)	1,000
Net Change in Fund Balance	(1,437,145)	(1,437,145)	(7,723)	1,429,422
FUND BALANCE - BEGINNING	1,437,145	1,437,145	1,437,145	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 1,429,422	\$ 1,429,422

(Continued)

KEITH COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HEALTH INSURANCE FUND				
RECEIPTS				
Interest	\$ 300	\$ 300	\$ 473	\$ 173
Miscellaneous	1,625,000	1,625,000	531,906	(1,093,094)
TOTAL RECEIPTS	<u>1,625,300</u>	<u>1,625,300</u>	<u>532,379</u>	<u>(1,092,921)</u>
DISBURSEMENTS	<u>2,214,320</u>	<u>2,214,320</u>	<u>1,311,366</u>	<u>902,954</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(589,020)</u>	<u>(589,020)</u>	<u>(778,987)</u>	<u>(189,967)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	876,161	876,161
Transfers out	-	-	(1,000)	(1,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>875,161</u>	<u>875,161</u>
Net Change in Fund Balance	(589,020)	(589,020)	96,174	685,194
FUND BALANCE - BEGINNING	589,020	589,020	589,020	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685,194</u>	<u>\$ 685,194</u>

(Concluded)

KEITH COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HIGHWAY BRIDGE BUYBACK FUND				
Receipts	\$ 102,500	\$ 102,500	\$ 113,965	\$ 11,465
Disbursements	(208,440)	(208,440)	(65,254)	143,186
Transfers in	105,940	105,940	105,940	-
Transfers out	-	-	-	-
Net Change in Fund Balance	-	-	154,651	154,651
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,651</u>	<u>\$ 154,651</u>
VISITORS PROMOTION FUND				
Receipts	\$ 165,210	\$ 165,210	\$ 181,189	\$ 15,979
Disbursements	(234,190)	(234,190)	(176,143)	58,047
Net Change in Fund Balance	(68,980)	(68,980)	5,046	74,026
Fund Balance - Beginning	68,980	68,980	68,980	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,026</u>	<u>\$ 74,026</u>
VISITORS IMPROVEMENT FUND				
Receipts	\$ 165,209	\$ 165,209	\$ 180,914	\$ 15,705
Disbursements	(240,950)	(240,950)	(92,836)	148,114
Net Change in Fund Balance	(75,741)	(75,741)	88,078	163,819
Fund Balance - Beginning	75,741	75,741	75,741	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,819</u>	<u>\$ 163,819</u>
PRESERVATION & MODERNIZATION FUND				
Receipts	\$ 7,152	\$ 7,152	\$ 7,167	\$ 15
Disbursements	(24,000)	(24,000)	(449)	23,551
Net Change in Fund Balance	(16,848)	(16,848)	6,718	23,566
Fund Balance - Beginning	16,848	16,848	16,848	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,566</u>	<u>\$ 23,566</u>
VETERANS AID FUND				
Receipts	\$ 202	\$ 202	\$ 186	\$ (16)
Disbursements	(11,780)	(11,780)	-	11,780
Net Change in Fund Balance	(11,578)	(11,578)	186	11,764
Fund Balance - Beginning	66,578	66,578	66,578	-
Fund Balance - Ending	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ 66,764</u>	<u>\$ 11,764</u>

(Continued)

KEITH COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
TRAFFIC DIVERSION FUND				
Receipts	\$ 8,006	\$ 8,006	\$ 8,392	\$ 386
Disbursements	(16,920)	(16,920)	(11,136)	5,784
Net Change in Fund Balance	(8,914)	(8,914)	(2,744)	6,170
Fund Balance - Beginning	8,914	8,914	8,914	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,170</u>	<u>\$ 6,170</u>
PRE-TRIAL DIVERSION PROGRAM FUND				
Receipts	\$ 1,002	\$ 1,002	\$ 13,921	\$ 12,919
Disbursements	(35,980)	(35,980)	(3,485)	32,495
Net Change in Fund Balance	(34,978)	(34,978)	10,436	45,414
Fund Balance - Beginning	34,978	34,978	34,978	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,414</u>	<u>\$ 45,414</u>
DRUG LAW ENFORCEMENT FUND				
Receipts	\$ 19,495	\$ 19,495	\$ 13,751	\$ (5,744)
Disbursements	(79,000)	(79,000)	(14,388)	64,612
Net Change in Fund Balance	(59,505)	(59,505)	(637)	58,868
Fund Balance - Beginning	59,505	59,505	59,505	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,868</u>	<u>\$ 58,868</u>
FEDERAL GRANT FUND				
Receipts	\$ 607,667	\$ 607,667	\$ 160,418	\$ (447,249)
Disbursements	(600,000)	(600,000)	(152,751)	447,249
Net Change in Fund Balance	7,667	7,667	7,667	-
Fund Balance - Beginning	(7,667)	(7,667)	(7,667)	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
KENO LOTTERY FUND				
Receipts	\$ 24,048	\$ 24,048	\$ 149,363	\$ 125,315
Disbursements	(90,000)	(90,000)	(129,252)	(39,252)
Net Change in Fund Balance	(65,952)	(65,952)	20,111	86,063
Fund Balance - Beginning	65,952	65,952	65,952	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,063</u>	<u>\$ 86,063</u>

(Continued)

KEITH COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ENHANCED 911 FUND				
Receipts	\$ 67,524	\$ 67,524	\$ 163,536	\$ 96,012
Disbursements	(131,250)	(131,250)	(73,032)	58,218
Transfers in	-	-	-	-
Transfers out	(23,750)	(23,750)	(121,391)	(97,641)
Net Change in Fund Balance	(87,476)	(87,476)	(30,887)	56,589
Fund Balance - Beginning	87,476	87,476	87,476	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,589</u>	<u>\$ 56,589</u>
911 WIRELESS SERVICE FUND				
Receipts	\$ 93,465	\$ 93,465	\$ 80,235	\$ (13,230)
Disbursements	(50,000)	(50,000)	(14,135)	35,865
Transfers in	-	-	97,641	97,641
Transfers out	-	-	-	-
Net Change in Fund Balance	43,465	43,465	163,741	120,276
Fund Balance - Beginning	148,535	148,535	148,535	-
Fund Balance - Ending	<u>\$ 192,000</u>	<u>\$ 192,000</u>	<u>\$ 312,276</u>	<u>\$ 120,276</u>

(Concluded)

KEITH COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Highway Bridge Buyback Fund	Visitors Promotion Fund	Visitors Improvement Fund	Preservation & Modernization Fund
RECEIPTS				
Property Taxes	\$ -	\$ 180,914	\$ 180,914	\$ -
Investment Income	-	-	-	-
Intergovernmental	113,965	-	-	-
Charges for Services	-	-	-	7,167
Miscellaneous	-	275	-	-
TOTAL RECEIPTS	<u>113,965</u>	<u>181,189</u>	<u>180,914</u>	<u>7,167</u>
DISBURSEMENTS				
General Government	-	-	-	449
Public Safety	-	-	-	-
Public Works	65,254	-	-	-
Culture and Recreation	-	176,143	92,836	-
TOTAL DISBURSEMENTS	<u>65,254</u>	<u>176,143</u>	<u>92,836</u>	<u>449</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>48,711</u>	<u>5,046</u>	<u>88,078</u>	<u>6,718</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	105,940	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>105,940</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	154,651	5,046	88,078	6,718
FUND BALANCES - BEGINNING	<u>-</u>	<u>68,980</u>	<u>75,741</u>	<u>16,848</u>
FUND BALANCES - ENDING	<u>\$ 154,651</u>	<u>\$ 74,026</u>	<u>\$ 163,819</u>	<u>\$ 23,566</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	-	74,026	163,819	-
911 Emergency Services	-	-	-	-
Law Enforcement	-	-	-	-
Preservation of Records	-	-	-	23,566
Road Maintenance	154,651	-	-	-
Committed to:				
Law Enforcement	-	-	-	-
Aid and Assistance	-	-	-	-
Community Betterment	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 154,651</u>	<u>\$ 74,026</u>	<u>\$ 163,819</u>	<u>\$ 23,566</u>

(Continued)

KEITH COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Veterans Aid Fund	Traffic Diversion Fund	Pre-Trial Diversion Program Fund	Drug Law Enforcement Fund	Federal Grant Fund
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income	185	-	-	-	-
Intergovernmental	1	-	-	-	152,751
Charges for Services	-	8,392	13,921	-	-
Miscellaneous	-	-	-	13,751	7,667
TOTAL RECEIPTS	<u>186</u>	<u>8,392</u>	<u>13,921</u>	<u>13,751</u>	<u>160,418</u>
DISBURSEMENTS					
General Government	-	-	-	-	25,049
Public Safety	-	11,136	3,485	14,388	127,702
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>-</u>	<u>11,136</u>	<u>3,485</u>	<u>14,388</u>	<u>152,751</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>186</u>	<u>(2,744)</u>	<u>10,436</u>	<u>(637)</u>	<u>7,667</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	186	(2,744)	10,436	(637)	7,667
FUND BALANCES - BEGINNING	<u>66,578</u>	<u>8,914</u>	<u>34,978</u>	<u>59,505</u>	<u>(7,667)</u>
FUND BALANCES - ENDING	<u>\$ 66,764</u>	<u>\$ 6,170</u>	<u>\$ 45,414</u>	<u>\$ 58,868</u>	<u>\$ -</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	-
911 Emergency Services	-	-	-	-	-
Law Enforcement	-	-	-	58,868	-
Preservation of Records	-	-	-	-	-
Road Maintenance	-	-	-	-	-
Committed to:					
Law Enforcement	-	6,170	45,414	-	-
Aid and Assistance	66,764	-	-	-	-
Community Betterment	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 66,764</u>	<u>\$ 6,170</u>	<u>\$ 45,414</u>	<u>\$ 58,868</u>	<u>\$ -</u>

(Continued)

KEITH COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	KENO Lottery Fund	Enhanced 911 Fund	911 Wireless Service Fund	Total Nonmajor Governmental Funds
RECEIPTS				
Property Taxes	\$ -	\$ 36,294	\$ 80,235	\$ 478,357
Investment Income	44	-	-	229
Intergovernmental	-	127,242	-	393,959
Charges for Services	149,319	-	-	178,799
Miscellaneous	-	-	-	21,693
TOTAL RECEIPTS	<u>149,363</u>	<u>163,536</u>	<u>80,235</u>	<u>1,073,037</u>
DISBURSEMENTS				
General Government	129,252	-	-	154,750
Public Safety	-	73,032	14,135	243,878
Public Works	-	-	-	65,254
Culture and Recreation	-	-	-	268,979
TOTAL DISBURSEMENTS	<u>129,252</u>	<u>73,032</u>	<u>14,135</u>	<u>732,861</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>20,111</u>	<u>90,504</u>	<u>66,100</u>	<u>340,176</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	97,641	203,581
Transfers out	-	(121,391)	-	(121,391)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(121,391)</u>	<u>97,641</u>	<u>82,190</u>
Net Change in Fund Balances	20,111	(30,887)	163,741	422,366
FUND BALANCES - BEGINNING	<u>65,952</u>	<u>87,476</u>	<u>148,535</u>	<u>625,840</u>
FUND BALANCES - ENDING	<u>\$ 86,063</u>	<u>\$ 56,589</u>	<u>\$ 312,276</u>	<u>\$ 1,048,206</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	-	-	-	237,845
911 Emergency Services	-	56,589	312,276	368,865
Law Enforcement	-	-	-	58,868
Preservation of Records	-	-	-	23,566
Road Maintenance	-	-	-	154,651
Committed to:				
Law Enforcement	-	-	-	51,584
Aid and Assistance	-	-	-	66,764
Community Betterment	86,063	-	-	86,063
TOTAL FUND BALANCES	<u>\$ 86,063</u>	<u>\$ 56,589</u>	<u>\$ 312,276</u>	<u>\$ 1,048,206</u>

(Concluded)

KEITH COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2016

	County Clerk	Health Insurance Fund	Clerk of the District Court	County Sheriff	County Attorney	Veterans' Service Officer	Total
BALANCES JULY 1, 2015	\$ 9,918	\$ 330,849	\$ 140,032	\$ 1,634	\$ 802	\$ 2,160	\$ 485,395
RECEIPTS							
Property Taxes	-	-	-	-	-	-	-
Licenses and Permits	1,195	-	-	1,525	-	-	2,720
Intergovernmental	-	-	-	-	-	-	-
Charges for Services	75,564	-	27,124	143,483	8,832	-	255,003
Miscellaneous	-	-	-	819	-	-	819
State Fees	166,914	-	22,238	-	-	-	189,152
Other Liabilities	573,842	1,171,063	566,849	70,926	7,168	-	2,389,848
TOTAL RECEIPTS	<u>817,515</u>	<u>1,171,063</u>	<u>616,211</u>	<u>216,753</u>	<u>16,000</u>	<u>-</u>	<u>2,837,542</u>
DISBURSEMENTS							
Payments to County Treasurer	77,579	377,779	25,985	139,925	8,872	-	630,140
Payments to State Treasurer	161,885	-	22,564	-	-	-	184,449
Other Liabilities	573,842	909,721	556,635	67,582	7,868	599	2,116,247
TOTAL DISBURSEMENTS	<u>813,306</u>	<u>1,287,500</u>	<u>605,184</u>	<u>207,507</u>	<u>16,740</u>	<u>599</u>	<u>2,930,836</u>
BALANCES JUNE 30, 2016	<u>\$ 14,127</u>	<u>\$ 214,412</u>	<u>\$ 151,059</u>	<u>\$ 10,880</u>	<u>\$ 62</u>	<u>\$ 1,561</u>	<u>\$ 392,101</u>
BALANCES CONSIST OF:							
Due to County Treasurer	\$ 4,478	\$ 4,412	\$ 4,376	\$ 7,308	\$ -	\$ 1,561	\$ 22,135
Petty Cash	-	210,000	-	-	10	-	210,010
Due to State Treasurer	9,649	-	1,933	-	-	-	11,582
Due to Others	-	-	144,750	3,572	52	-	148,374
BALANCES JUNE 30, 2016	<u>\$ 14,127</u>	<u>\$ 214,412</u>	<u>\$ 151,059</u>	<u>\$ 10,880</u>	<u>\$ 62</u>	<u>\$ 1,561</u>	<u>\$ 392,101</u>

KEITH COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
 June 30, 2016

Item	2013	2014	2015
Tax Certified by Assessor			
Real Estate	\$ 19,106,658	\$ 20,215,869	\$ 20,983,703
Personal and Specials	1,124,237	1,218,736	1,090,355
Total	20,230,895	21,434,605	22,074,058
Corrections			
Additions	30,210	30,665	5,546
Deductions	(77,063)	(63,037)	(5,921)
Net Additions/ (Deductions)	(46,853)	(32,372)	(375)
Corrected Certified Tax	20,184,042	21,402,233	22,073,683
Net Tax Collected by County Treasurer during Fiscal Year Ending:			
June 30, 2014	11,851,759	-	-
June 30, 2015	8,304,217	12,969,493	-
June 30, 2016	14,656	8,402,953	13,359,757
Total Net Collections	20,170,632	21,372,446	13,359,757
Total Uncollected Tax	\$ 13,410	\$ 29,787	\$ 8,713,926
Percentage Uncollected Tax	0.07%	0.14%	39.48%

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

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

KEITH 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
Keith 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 Keith County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Keith County's basic financial statements, and have issued our report thereon dated October 12, 2016. The report notes the financial statements were prepared on the basis of cash receipts and disbursements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Keith 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 Keith County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keith 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 Keith County in a separate letter dated October 12, 2016.

Keith County's Response to Findings

Keith County declined to respond to the finding described above.

Purpose of this Report

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



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

October 12, 2016



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

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

October 12, 2016

Board of Commissioners
Keith County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Keith County (County) for the fiscal year ended June 30, 2016, and have issued our report thereon dated October 12, 2016. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

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

COUNTY OVERALL

Segregation of Duties

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

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

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

Unclaimed Property

During the audit, we noted that three offices had not appropriately remitted unclaimed funds to the State Treasurer as unclaimed property:

- At June 30, 2016, the County Attorney had four outstanding checks, totaling \$158.
- At June 30, 2016, the County Treasurer had one outstanding check, totaling \$17.
- In August 2015, the County Sheriff remitted \$434 in unclaimed funds to the County Treasurer; however, these funds should have been remitted to the State Treasurer.

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

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

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

COUNTY BOARD

Claims Documentation

During the audit, we noted nine claims, totaling \$44,250, paid to local entities. The entities request a dollar amount from Keith County each year to help alleviate budgeted expenditures. The County did not have agreements on file to ensure the money would be spent appropriately or require documentation for how the money was spent. For the fiscal year ended June 30, 2016, we noted the County made payments to non-county entities as follows:

Vendor	Amount	Description
Bridge of Hope	\$ 8,000	Annual contribution to help the organization provide services.
Heartland Philanthropy	\$ 6,000	Annual contribution to help fund a fireworks show.
The Litter Box	\$ 1,000	Annual contribution for services of capturing and spaying feral cats.
Court Appointed Special Advocates	\$ 10,000	Annual contribution to help the organization provide services.
Sandhills Crisis Intervention Program	\$ 10,000	Annual contribution to help the organization provide services.
Keith County Historical Society	\$ 3,500	Annual contribution to help the organization continue running.
Ogallala/Keith County Chamber of Commerce	\$ 2,250	Annual contribution for membership to the organization.

Vendor	Amount	Description
Keith County Spay Day	\$ 1,000	Annual contribution to help fund a day for spaying animals.
Keep Keith County Beautiful	\$ 2,500	Annual contribution to help the organization continue running.
Total	\$ 44,250	

*Descriptions were provided per conversations with Clerk’s Office staff.

Good internal controls and sound accounting practices require a documented agreement or other original supporting documentation to be on file to ensure payments made to nonprofit agencies or other non-county entities are made for appropriate purposes. When documentation is not on file to support amounts claimed, there is an increased risk that incorrect or unsubstantiated amounts may be paid by Keith County.

We recommend when payments are made to any vendor or nonprofit entity the County Board obtain a contract and/or sufficient documentation for how the money was spent.

Emergency Operations Center Agreement

During the audit, we noted the County did not maintain an agreement and supporting worksheets to support the amount received from the City of Ogallala (City) for the County’s operations of the Emergency Operations Center (EOC).

We requested the interlocal agreement for the EOC but were informed that no copy of that document was on file, and the County had to contact an individual at the City to obtain a copy. Upon receiving a copy of the agreement from the City, we noted the amount to be received each month by the County is based on a yearly worksheet. This worksheet was also not available at the County.

Good internal control and sound business practices require the County to maintain agreements and other supporting documentation to ensure the amounts received for operating the EOC are appropriate. When amounts receipted are not supported by an agreement or other supporting documentation, there is an increased risk of loss or misuse of funds.

We recommend the County retain a copy of the interlocal agreement and obtain the worksheets to support future amounts to be received for the operations of the EOC. We also recommend the County implement procedures to ensure all amounts receipted are supported and appropriate.

Expenditures In Excess of Budget

Expenditures in the Enhanced 911 Fund and the KENO Lottery Fund exceeded the adopted budget by \$39,423 and \$39,252, respectively, with no budget amendment adopted by the County Board. The expenditures in the Enhanced 911 Fund appear to be due to unauthorized transfers made during the fiscal year. See the Approval of Transfers Comment for more information. Excess expenditures in the KENO Lottery Fund appear to be due to unauthorized payments made by the County Treasurer during the fiscal year. See the KENO Payments Comment for more information.

Neb. Rev. Stat. § 23-916 (Reissue 2012) states the following:

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 Board implement procedures to monitor closely expenditures throughout the year and, if necessary, or determined appropriate, amend the County's budget.

Inventory Records

During our audit, we noted the Extension Office did not file an inventory listing for 2016.

Neb. Rev. Stat. § 23-347 (Reissue 2012) states, in relevant part, the following:

Within two calendar months after the close of each fiscal year, each county officer shall make, acknowledge under oath, and file with the county board of his or her county an inventory statement of all county personal property in the custody and possession of said county officer.

When inventory statements are not filed within two calendar months after the end of the fiscal year, the County is not in compliance with State statute.

We recommend the County Board implement procedures to ensure inventory statements are properly filed within two months after the end of the fiscal year.

COUNTY CLERK

Account Reconciliation/Balancing Procedures

During review of the County Clerk's office, we noted complete and accurate bank reconciliations were not performed on a monthly basis. At June 30, 2016, adjustments of \$1,076 were made to the book balance of the Clerk's office due to unrecorded transactions.

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. 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 of public funds.

We recommend the County Clerk implement procedures to ensure a complete and accurate reconciliation of the County Clerk's bank account is performed monthly, and any variances are identified and resolved in a timely manner.

COUNTY CLERK OF THE DISTRICT COURT

Overdue Case Balance

During the audit, we noted one case balance received by the District Court in April 2014, totaling \$75, was mandated to another court in May 2015, at which time the \$75 should have been refunded.

Good internal control and sound business practices require case balances of the District Court to be reviewed on an ongoing, timely basis to determine what action, if any, should be taken to remit them to the proper payee.

Without adequate controls in place to ensure the complete, accurate, and timely resolution of case balances, there is an increased risk of loss, theft, misuse, or improper payment of monies held by the District Court.

We recommend the Clerk of the District Court implement procedures to ensure case balances are reviewed timely for completeness, accuracy, and proper disposition.

COUNTY SHERIFF

Sheriff Service Fees

During the audit, the APA noted the County Sheriff was remitting sheriff service fees when collected instead of when the fees were actually earned due to the office being unaware of the requirement in Neb. Rev. Stat. § 33-117.

As of June 30, 2016, the Sheriff had earned \$3,533 in fees and mileage, which should have been paid to the County Treasurer.

Neb. Rev. Stat. § 33-117(3) (Cum. Supp. 2014) provides the following:

The sheriff shall, on the first Tuesday in January, April, July, and October of each year, make a report to the county board showing (a) the different items of fees, except mileage, collected or earned, from whom, at what time, and for what service, (b) the total amount of the fees collected or earned by the officer since the last report, and (c) the amount collected or earned for the current year. He or she shall pay all fees earned to the county treasurer who shall credit the fees to the general fund of the county.

In Op. Att’y Gen. No. 240 (Sept. 4, 1974), the Nebraska Attorney General provided the following discussion regarding the requirement that a County Sheriff remit “fees earned” to the County Treasurer:

Section 33-117 requires that sheriffs periodically account for and remit to the county treasurer fees "collected or earned" for certain services in connection with criminal prosecutions. Although there may be some question as to the propriety or wisdom of requiring remittance of uncollected sheriff's fees, by the use of the term "collected or earned," it must be assumed that the Legislature intended such a result. It is beyond argument that the statutory language embraces not only fees earned and collected, but also uncollected fees which have been fully earned. Accordingly, whenever a sheriff completes the execution of a service his fee has become earned.

In the event sheriffs' fees are uncollectable from a defendant, it is the responsibility of the county to pay such fees (notwithstanding the rather incongruous fact that the sheriff must then in turn pay back the money to the county treasurer).

In some cases there may be a lapse of as much as several months before a case is finally disposed of in court, with the result that, in order to strictly comply with Section 33-117, the sheriff would be compelled to remit his own personal funds to the county treasurer and not be reimbursed therefor until the fees are actually collected from the defendant or, if uncollectable, from the county. In order to relieve the sheriff from such situations, we see no reason why there might not be an arrangement whereby the sheriff would bill the county for earned fees on a periodic basis (desirably, on the same period basis as his remittance is made to the county treasurer) and then the sheriff would account to the county treasurer in the event any fees ultimately were collected from the defendant. The statutes do not specifically provide for such an arrangement; but, by the same token, we find nothing in the statutes which would prohibit the same. We are advised by the State Auditor's Office that such a practice is followed in some counties; and, apparently, the Auditor raises no objection to such practice.

When fees earned are not remitted to the County Treasurer, there is an increased risk of loss or misuse of funds and noncompliance with State statute.

We recommend the County Sheriff implement procedures to ensure all sheriff service fees earned are remitted to the County Treasurer, as required by § 33-117(3).

Restrictive Endorsement of Checks

At the time of a surprise cash count, the County Sheriff's Office had 26 checks, totaling \$905, that were not restrictively endorsed. Instead, we were told that checks are restrictively endorsed at the time a deposit is to be made or when the checks are receipted with the County Treasurer.

Good internal controls require all checks to be restrictively endorsed immediately upon receipt. When checks are not restrictively endorsed immediately, there is an increased risk of theft, loss, or misuse of funds.

We recommend the County Sheriff implement procedures to ensure all checks are restrictively endorsed immediately upon receipt.

Untimely Deposit or Remittance of Cash

During the audit, we noted \$20 in cash that was collected in March 2016, for sheriff service fees, but was still on hand in the County Sheriff's office on September 13, 2016. Since the total amount to be collected for sheriff service fees for this docket was \$26, the County Sheriff was still waiting on the other \$6 to be collected.

As pointed out in a previous comment ("Sheriff Service Fees"), Neb. Rev. Stat. § 33-117(3) (Cum. Supp. 2014) requires fees earned to be reported and remitted to the County Treasurer. Likewise, good internal controls require monies receipted to be deposited or remitted in a timely manner regardless of the total amount collected.

When partial sums received are not deposited or remitted in a timely manner, there is an increased risk of not only noncompliance with State statute but also the loss or misuse of funds.

We recommend the County Sheriff implement procedures to ensure all monies received are deposited or remitted in a timely manner.

COUNTY TREASURER

Approval of Transfers

During the fiscal year, we noted the following:

- A transfer of \$96,952 from the Enhanced 911 Fund to the 911 Wireless Service Fund was completed without County Board approval.
- In the prior year, drug seizure money of \$10,430 was deposited into the Drug Law Enforcement Fund instead of the Fines and Licenses Fund. The prior auditor recommended these funds be transferred to the appropriate fund; however, the County Treasurer made the transfer without the County Board's approval.
- The County Board approved a transfer of \$50,000 from the Health Insurance Fund to the Inheritance Fund; however, only \$1,000 was transferred.
- A transfer of \$100,000 from the Road & Bridge Fund to the Inheritance Fund was made as repayment of an interfund loan to purchase two motor graders; however, the County Board did not authorize the repayment of these funds from the Road & Bridge Fund.

Good internal control and sound accounting procedures require all fund transfers to be approved by the County Board. Furthermore, good internal controls require all such transfers to be made in the amounts authorized by the County Board.

When transfers are not properly approved by the County Board, there is an increased risk of loss or misuse of funds.

We recommend the County Treasurer implement procedures to ensure all fund transfers are properly approved by the County Board and made for the authorized amounts.

KENO Payments

The County Treasurer paid \$106,381 out of the KENO Lottery Fund for distribution to the Paxton and Ogallala municipalities without County Board approval and direction.

Neb. Rev. Stat. § 23-131(1) (Reissue 2012) states, as is relevant, "Upon the allowance of any claim or account against the county, the county board shall direct the county clerk to draw a warrant upon the county treasurer in payment thereof."

In addition to a failure to comply with State statute, there is an increased risk for the loss, theft, or misuse of funds if the County Board does not approve and direct the County Treasurer's payment of all County claims.

We recommend that no claims be paid by the County Treasurer without the prior approval and direction of the County Board.

Reconciliation of Bank Account

An accurate reconciliation of the County Treasurer's bank account used for motor vehicle on-line registrations was not completed. At June 30, 2016, the book balance reflected \$445, which had not yet been received by the bank.

Sound accounting practices and good internal control requires procedures to be in place to ensure a reconciliation of accounting records to the bank account is completed on at least a monthly basis. Reconciliation procedures should include the timely identification and resolution of all variances noted and the follow up of old balances. Without such reconciliation, there is an increased risk of loss, theft, or misuse of funds.

We recommend the County Treasurer implement procedures to ensure that a reconciliation of the bank balance to the accounting records is completed on a timely basis.

Reconciliation of Taxes Collected

During our audit, we noted the County Treasurer does not periodically perform a reconciliation of taxes collected to the certified tax amounts to ensure tax corrections are accurately entered into the accounting system.

Good internal controls require a reconciliation to be performed between taxes certified and those collected to ensure taxes and tax corrections are correctly recorded. Additionally, good internal controls require a review of uncollected taxes to ensure taxes are properly receipted. Without procedures in place to reconcile taxes collected and uncollected to the certified tax amounts, there is an increased risk of the loss or misuse of County funds.

We recommend the County Treasurer perform a periodic reconciliation of taxes collected and taxes remaining uncollected to the certified tax amounts and follow up on any discrepancies.

County Board Approval

The County Treasurer did not obtain approval from the County Board for changes in pledged collateral throughout the year.

Neb. Rev. Stat. § 77-2318.01 (Reissue 2009) states, in part, the following:

The county treasurer may deposit in any bank, capital stock financial institution, or qualifying mutual financial institution of the county in which he or she is treasurer in excess of the amounts authorized in section 77-2318 when (1) the depository secures the deposits by giving security as provided in the Public Funds Deposit Security Act and (2) the same is approved by a formal resolution of the county board.

(Emphasis added.) Furthermore, the County Board did not give the County Treasurer authority to invest funds. Neb. Rev. Stat. § 77-2315 (Reissue 2009) and Neb. Rev. Stat. § 77-2340 (Reissue 2009) permit the County Treasurer to invest County funds only with the consent of the County Board.

When the County Board does not authorize the County Treasurer to invest or does not approve of the securities protecting deposits, there is an increased risk of the loss or misuse of County funds as well as noncompliance with State statutes.

We recommend the County Treasurer ensure all securities are approved by the County Board. Furthermore, we recommend the County Treasurer ensure authority to invest is given before maintaining funds in an investment account.

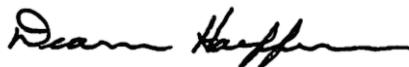
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It should be noted this report is critical in nature, as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strong features of the County.

Draft copies of this report were furnished to the County to provide management with an opportunity to review the report and to respond to the comments and recommendations included in this report. The County declined to respond.

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