

**AUDIT REPORT
OF
OTOE COUNTY**

JULY 1, 2016, THROUGH JUNE 30, 2017

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Issued on September 20, 2017

OTOE COUNTY

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OTOE COUNTY
1021 Central Ave.
Nebraska City, NE 68410

LIST OF COUNTY OFFICIALS
At June 30, 2017

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Commissioners	Ron Hauptman	Jan. 2019
	Rick Freshman	Jan. 2019
	Jerad Sornson	Jan. 2019
	James Parsons	Jan. 2021
	Dean Speth	Jan. 2021
Assessor	Therese Gruber	Jan. 2019
Attorney	David Partsch	Jan. 2019
Clerk Election Commissioner	Janene Bennett	Jan. 2019
Register of Deeds	Janet Reed	Jan. 2019
Clerk of the District Court	Janis Riege	Jan. 2019
Sheriff	James Gress	Jan. 2019
Treasurer	Nicki Baker	Jan. 2019
Public Defender	Michael Ziskey	Jan. 2019
Surveyor Planning & Zoning	David Schmitz	Jan. 2019
Emergency Manager	Gregg Goebel	Appointed
Veterans' Service Officer	Susan Baumann	Appointed



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OTOE COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Otoe County, Nebraska

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Otoe County, as of and for the year ended June 30, 2017, 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 Otoe County as of June 30, 2017, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Emphasis of Matters – Basis of Accounting

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

Report on Supplementary Information

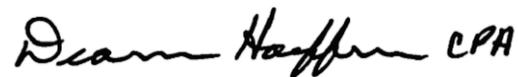
Our audit was conducted for the purpose of forming opinions on the financial statements as a whole, which collectively comprise the County's basic financial statements. The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes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

The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, pages 19-29, 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 September 18, 2017, on our consideration of Otoe County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Otoe County's internal control over financial reporting and compliance.

September 18, 2017



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 6,621,982
Investments (Note 1.D)	5,151
TOTAL ASSETS	\$ 6,627,133
NET POSITION	
Restricted for:	
Visitor Promotion	\$ 31,128
911 Emergency Services	139,205
Drug Education	1,463
Law Enforcement	16,025
Preservation of Records	12,435
Bridge/Road Projects	16
Unrestricted	6,426,861
TOTAL NET POSITION	\$ 6,627,133

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

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

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (5,894,038)	\$ 590,097	\$ 152,634	\$ (5,151,307)
Public Safety	(2,779,622)	49,445	70,877	(2,659,300)
Public Works	(5,802,387)	4,937	1,968,465	(3,828,985)
Health and Sanitation	(466)	-	-	(466)
Public Assistance	(200,805)	-	-	(200,805)
Culture and Recreation	(94,061)	-	-	(94,061)
Debt Payments	(2,638,591)	-	-	(2,638,591)
Total Governmental Activities	\$ (17,409,970)	\$ 644,479	\$ 2,191,976	(14,573,515)

General Receipts:

Property Taxes	7,936,748
Grants and Contributions Not Restricted to Specific Programs	1,239,026
Investment Income	21,352
Licenses and Permits	80,693
Proceeds of Bonds	4,453,082
Miscellaneous	169,359
Total General Receipts	13,900,260
Increase in Net Position	(673,255)
Net Position - Beginning of year	7,300,388
Net Position - End of year	\$ 6,627,133

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

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

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents (Note 1.D)	\$ 2,642,681	\$ 521,460	\$ 2,637,044	\$ 820,797	\$ 6,621,982
Investments (Note 1.D)	-	-	5,151	-	5,151
TOTAL ASSETS	<u>\$ 2,642,681</u>	<u>\$ 521,460</u>	<u>\$ 2,642,195</u>	<u>\$ 820,797</u>	<u>\$ 6,627,133</u>
FUND BALANCES					
Restricted for:					
Visitor Promotion	-	-	-	31,128	31,128
911 Emergency Services	-	-	-	139,205	139,205
Drug Education	-	-	-	1,463	1,463
Law Enforcement	-	-	-	16,025	16,025
Preservation of Records	-	-	-	12,435	12,435
Bridge/Road Projects	-	-	-	16	16
Committed to:					
Law Enforcement	-	-	-	15,283	15,283
Road Maintenance	-	521,460	-	-	521,460
County Buildings	-	-	-	306,439	306,439
Special Projects	-	-	-	153,924	153,924
Landfill Closures	-	-	-	144,879	144,879
Assigned to:					
Other Purposes	-	-	2,642,195	-	2,642,195
Unassigned	2,642,681	-	-	-	2,642,681
TOTAL CASH BASIS FUND BALANCES	<u>\$ 2,642,681</u>	<u>\$ 521,460</u>	<u>\$ 2,642,195</u>	<u>\$ 820,797</u>	<u>\$ 6,627,133</u>

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

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

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS					
Property Taxes	\$ 6,889,108	\$ -	\$ 824,098	\$ 223,542	\$ 7,936,748
Licenses and Permits	79,718	975	-	-	80,693
Investment Income	21,097	-	-	255	21,352
Intergovernmental	1,017,529	1,964,994	-	448,479	3,431,002
Charges for Services	627,561	4,937	-	11,981	644,479
Miscellaneous	65,870	4,476,656	23,274	56,641	4,622,441
TOTAL RECEIPTS	<u>8,700,883</u>	<u>6,447,562</u>	<u>847,372</u>	<u>740,898</u>	<u>16,736,715</u>
DISBURSEMENTS					
General Government	3,853,040	-	1,973,046	67,952	5,894,038
Public Safety	2,469,823	-	-	309,799	2,779,622
Public Works	44,335	4,297,139	-	1,460,913	5,802,387
Health and Sanitation	466	-	-	-	466
Public Assistance	200,805	-	-	-	200,805
Culture and Recreation	5,225	-	-	88,836	94,061
Debt Service:					
Principal Payments	-	2,515,000	-	-	2,515,000
Interest and Fiscal Charges	-	123,591	-	-	123,591
TOTAL DISBURSEMENTS	<u>6,573,694</u>	<u>6,935,730</u>	<u>1,973,046</u>	<u>1,927,500</u>	<u>17,409,970</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>2,127,189</u>	<u>(488,168)</u>	<u>(1,125,674)</u>	<u>(1,186,602)</u>	<u>(673,255)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	1,000,000	-	145,989	1,145,989
Transfers out	(1,100,000)	-	-	(45,989)	(1,145,989)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,100,000)</u>	<u>1,000,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Net Change in Fund Balances	1,027,189	511,832	(1,125,674)	(1,086,602)	(673,255)
CASH BASIS FUND BALANCES - BEGINNING					
	<u>1,615,492</u>	<u>9,628</u>	<u>3,767,869</u>	<u>1,907,399</u>	<u>7,300,388</u>
CASH BASIS FUND BALANCES - ENDING					
	<u>\$ 2,642,681</u>	<u>\$ 521,460</u>	<u>\$ 2,642,195</u>	<u>\$ 820,797</u>	<u>\$ 6,627,133</u>

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

OTOE COUNTY
STATEMENT OF FIDUCIARY ASSETS AND
LIABILITIES - CASH BASIS
FIDUCIARY FUNDS
 June 30, 2017

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 2,451,546
 LIABILITIES	
Due to other governments	
State	313,637
Schools	988,438
Educational Service Units	4,520
Technical College	22,617
Natural Resource Districts	9,272
Fire Districts	3,942
Municipalities	60,756
Agricultural Society	2,067
Airport	2,132
Tentative Inheritance Tax	974,613
Sanitary and Improvement Districts	10,640
Hospital	1,054
Others	57,858
TOTAL LIABILITIES	2,451,546
 TOTAL NET ASSETS	 \$ -

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

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

Otoe County, Nebraska, (County) is a governmental entity established under and governed by the laws of the State of Nebraska (State). The County is managed by county officials who are elected on a political ballot for four-year terms. As a political subdivision of the State, the County is exempt from State and Federal income taxes. The financial statements include all funds of the County that are not legally separate. The County has also considered all potential component units for which it is financially accountable, as well as other organizations 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 V – The County has entered into an agreement with surrounding counties and the Nebraska Department of Health and Human Services to provide services to carry out the provisions of the Nebraska Behavioral Health Services Act (Act). Agreements were established under the authority of the Interlocal Cooperation Act for services to be provided under the Act. Region V (Region) consists of the following counties: Polk, Butler, Saunders, Seward, Lancaster, Otoe, Fillmore, Saline, Thayer, Jefferson, Gage, Johnson, Nemaha, Pawnee, York, and Richardson.

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$70,744 toward the operation of the Region during fiscal year 2017. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Department of Health and Human Services requires the Region to be audited annually in accordance with State statute. Financial information for the Region is available in those audit reports.

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Health Department – The County has entered into an agreement with the Southeast 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. 2016, Supp. 2017).

The Department's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County did not contribute toward the operation of the Department during fiscal year 2017. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is audited in accordance with Neb. Rev. Stat. § 84-304(4) (Cum. Supp. 2016). 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

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

decision-making authority and has the authority, by resolution, to establish, modify, or rescind the commitment or assignment of a fund balance to a specific purpose. When resources for a specific purpose are available in more than one fund balance classification, the County's policy is to use resources in the following order: restricted, committed, assigned, and unassigned. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

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

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

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

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

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

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.

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

C. Measurement Focus, Basis of Accounting

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

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used, as described above. This differs from governmental GAAP, which 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.

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 \$200,272 of restricted net position, which is fully restricted by enabling legislation.

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

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.

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 \$6,621,982 for County funds and \$2,451,546 for Fiduciary funds. The bank balances for all funds totaled \$9,086,062. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2017, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

The County's carrying value of investments is stated at cost, which approximates market. Investments consisted of \$5,151 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 2016, for the 2016 taxes, which will be materially collected in May and September 2017, was set at \$.290199/\$100 of assessed valuation. The levy set in October 2015, for the 2015 taxes, which were materially collected in May and September 2016, was set at \$.291276/\$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.

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. Retirement System

The Retirement System for Nebraska Counties (the Plan) is a multiple-employer plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2334 (Reissue 2012, Cum. Supp. 2016, Supp. 2017) and may be amended through legislative action.

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

County employees and elected officials contribute 4.5% of their total compensation. In addition, the County contributes an amount equal to 150% of the employee's contribution. The contribution rates are established by § 23-2307 and § 23-2308 and may be amended through legislative action. The employee's and employer's contributions are kept in separate accounts. The employee's account is fully vested. The employer's account is fully vested after three years of participation in the system or credit for 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, 2017, 118 employees contributed \$205,975, and the County contributed \$304,263. Contributions included \$9,399 in cash contributions towards the supplemental law enforcement plan for 16 law enforcement employees. Lastly, the County paid \$2,171 directly to 20 retired employees for prior service benefits.

5. Risk Management

The County is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has purchased commercial insurance to cover the risk of loss and believes adequate coverage exists for potential exposures. There was no significant reduction in insurance coverage from the prior year, and the County did not incur any expenses that exceeded the coverage amount for the year ended June 30, 2017.

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Interfund Transfers

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

Transfers to	Transfers from		Total
	General Fund	Nonmajor Funds	
Road Fund	\$ 1,000,000	\$ -	\$ 1,000,000
Nonmajor Funds	100,000	45,989	145,989
Total	\$ 1,100,000	\$ 45,989	\$ 1,145,989

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

7. Capital Leases Payable

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

	Caterpillar Motor Graders – NACO Lease	Caterpillar Bulldozers – NACO Lease	Total
Balance July 1, 2016	\$ 271,057	\$ 454,780	\$ 725,837
Purchases	189,445	-	189,445
Payments	86,229	97,323	183,552
Balance June 30, 2017	\$ 374,273	\$ 357,457	\$ 731,730

Future Payments:

Year			
2018	\$ 101,536	\$ 102,677	\$ 204,213
2019	101,536	102,677	204,213
2020	101,536	102,676	204,212
2021	33,156	60,385	93,541
2022	33,157	-	33,157
2023	16,578	-	16,578
Total Payments	387,499	368,415	755,914
Less Interest	13,226	10,958	24,184
Present Value of Future Minimum Lease Payments	\$ 374,273	\$ 357,457	\$ 731,730
Carrying Value of the Related Fixed Asset	\$ 632,005	\$ 484,356	\$ 1,116,361

OTOE COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

8. Contingent Liabilities

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

9. Long-Term Debt

The County issued highway bonds in July 2009 in the amount of \$2,535,000 for the purpose of paying the costs associated with road projects in the County. In fiscal year 2015, these bonds were refinanced in the amount of \$1,885,000. The bond payable balance, as of June 30, 2017, was \$1,335,000. 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.

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 180,000	\$ 28,875	\$ 208,875
2019	180,000	26,895	206,895
2020	180,000	24,285	204,285
2021	185,000	20,865	205,865
2022	200,000	16,795	216,795
2023-2024	410,000	17,890	427,890
Total Payments	<u>\$ 1,335,000</u>	<u>\$ 135,605</u>	<u>\$ 1,470,605</u>

The County issued highway bonds in October 2011 in the amount of \$2,550,000 for the purpose of paying the costs associated with road projects in the County. In July 2016, the County Board approved the refinancing of these bonds and issuance of additional highway bonds for a total of \$4,455,000. The bond payable balance, as of June 30, 2017, was \$4,145,000. 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.

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 300,000	\$ 84,275	\$ 384,275
2019	305,000	81,725	386,725
2020	305,000	75,625	380,625
2021	310,000	69,525	379,525
2022	315,000	63,325	378,325
2023-2027	1,775,000	211,250	1,986,250
2028-2032	835,000	73,020	908,020
Total Payments	<u>\$ 4,145,000</u>	<u>\$ 658,745</u>	<u>\$ 4,803,745</u>

OTOE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 7,100,060	\$ 7,100,060	\$ 6,889,108	\$ (210,952)
Licenses and Permits	54,500	54,500	79,718	25,218
Interest	15,000	15,000	21,097	6,097
Intergovernmental	482,910	482,910	1,017,529	534,619
Charges for Services	588,200	588,200	627,561	39,361
Miscellaneous	10,000	10,000	65,870	55,870
TOTAL RECEIPTS	8,250,670	8,250,670	8,700,883	450,213
DISBURSEMENTS				
General Government:				
County Board	136,200	136,906	136,906	-
County Clerk	143,218	143,218	143,048	170
County Treasurer	222,332	222,332	222,282	50
Register of Deeds	136,768	136,768	133,261	3,507
County Assessor	250,466	250,466	241,350	9,116
Election Commissioner	73,730	73,730	67,133	6,597
Planning Commission	41,145	41,145	35,866	5,279
Data Processing Department	206,732	206,732	205,826	906
Clerk of the District Court	110,630	110,630	107,339	3,291
County Court System	17,100	17,100	9,532	7,568
Public Defender	155,807	155,807	155,205	602
Coroner	20,500	20,500	15,287	5,213
Child Support	100,315	100,315	49,687	50,628
Building and Grounds	274,444	274,444	241,162	33,282
Agricultural Extension Agent	105,909	105,909	98,384	7,525
Miscellaneous	2,130,000	2,103,314	1,990,772	112,542
Public Safety				
County Sheriff	1,051,800	1,051,800	1,038,240	13,560
County Attorney	279,170	279,170	224,396	54,774
Juvenile Diversion	131,971	131,971	108,848	23,123
County Jail	834,550	860,530	860,530	-
Nuclear Accident-Emergency	49,160	49,160	40,378	8,782
Civil Defense	123,458	123,458	94,111	29,347
Emergency Equipment	30,000	30,000	-	30,000
Miscellaneous	122,000	122,000	103,320	18,680
Public Works				
County Surveyor	55,035	55,035	44,335	10,700
Public Health				
Miscellaneous	2,000	2,000	466	1,534

(Continued)

OTOE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
DISBURSEMENTS (Continued)				
Public Assistance				
County Relief	18,300	18,300	450	17,850
Veteran's Aid	2,500	2,500	1,162	1,338
Veteran's Service Officer	58,650	58,650	56,902	1,748
Welfare Ass't Administration	47,400	47,400	44,939	2,461
Miscellaneous	124,732	124,732	97,352	27,380
Culture and Recreation				
County Museum	5,225	5,225	5,225	-
TOTAL DISBURSEMENTS	<u>7,061,247</u>	<u>7,061,247</u>	<u>6,573,694</u>	<u>487,553</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>1,189,423</u>	<u>1,189,423</u>	<u>2,127,189</u>	<u>937,766</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(2,104,915)	(2,104,915)	(1,100,000)	1,004,915
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,104,915)</u>	<u>(2,104,915)</u>	<u>(1,100,000)</u>	<u>1,004,915</u>
Net Change in Fund Balance	(915,492)	(915,492)	1,027,189	1,942,681
FUND BALANCE - BEGINNING	<u>1,615,492</u>	<u>1,615,492</u>	<u>1,615,492</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ 2,642,681</u>	<u>\$ 1,942,681</u>

(Concluded)

OTOE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Licenses and Permits	\$ 1,000	\$ 1,000	\$ 975	\$ (25)
Intergovernmental	2,943,000	2,943,000	1,964,994	(978,006)
Charges for Services	-	-	4,937	4,937
Miscellaneous	4,463,081	4,463,081	4,476,656	13,575
TOTAL RECEIPTS	7,407,081	7,407,081	6,447,562	(959,519)
DISBURSEMENTS	9,421,624	9,421,624	6,935,730	2,485,894
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(2,014,543)	(2,014,543)	(488,168)	1,526,375
OTHER FINANCING SOURCES (USES)				
Transfers in	2,004,915	2,004,915	1,000,000	(1,004,915)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,004,915	2,004,915	1,000,000	(1,004,915)
Net Change in Fund Balance	(9,628)	(9,628)	511,832	521,460
FUND BALANCE - BEGINNING	9,628	9,628	9,628	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 521,460	\$ 521,460
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 500,000	\$ 500,000	\$ 824,098	\$ 324,098
Miscellaneous	-	-	23,274	23,274
TOTAL RECEIPTS	500,000	500,000	847,372	347,372
DISBURSEMENTS	4,267,869	4,267,869	1,973,046	2,294,823
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(3,767,869)	(3,767,869)	(1,125,674)	2,642,195
Net Change in Fund Balance	(3,767,869)	(3,767,869)	(1,125,674)	2,642,195
FUND BALANCE - BEGINNING	3,767,869	3,767,869	3,767,869	-
FUND BALANCE - ENDING	\$ -	\$ -	\$2,642,195	\$ 2,642,195

OTOE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HIGHWAY BRIDGE BUYBACK PROGRAM				
FUND				
Receipts	\$ 435,350	\$ 435,350	\$ 435,366	\$ 16
Disbursements	(1,454,570)	(1,454,570)	(1,454,570)	-
Net Change in Fund Balance	(1,019,220)	(1,019,220)	(1,019,204)	16
Fund Balance - Beginning	1,019,220	1,019,220	1,019,220	-
Fund Balance - Ending	\$ -	\$ -	\$ 16	\$ 16
VISITOR PROMOTION FUND				
Receipts	\$ 90,741	\$ 90,741	\$ 102,205	\$ 11,464
Disbursements	(108,500)	(108,500)	(88,836)	19,664
Net Change in Fund Balance	(17,759)	(17,759)	13,369	31,128
Fund Balance - Beginning	17,759	17,759	17,759	-
Fund Balance - Ending	\$ -	\$ -	\$ 31,128	\$ 31,128
PRESERVATION & MODERNIZATION				
FUND				
Receipts	\$ 12,000	\$ 12,000	\$ 11,981	\$ (19)
Disbursements	(29,126)	(29,126)	(16,672)	12,454
Net Change in Fund Balance	(17,126)	(17,126)	(4,691)	12,435
Fund Balance - Beginning	17,126	17,126	17,126	-
Fund Balance - Ending	\$ -	\$ -	\$ 12,435	\$ 12,435
DIVERSION PROGRAMS FUND				
Receipts	\$ 11,562	\$ 11,562	\$ 12,400	\$ 838
Disbursements	(12,875)	(12,875)	(8,496)	4,379
Net Change in Fund Balance	(1,313)	(1,313)	3,904	5,217
Fund Balance - Beginning	1,313	1,313	1,313	-
Fund Balance - Ending	\$ -	\$ -	\$ 5,217	\$ 5,217
COUNTY DRUG LAW ENFORCEMENT				
FUND				
Receipts	\$ 48,550	\$ 48,550	\$ 3,112	\$ (45,438)
Disbursements	(50,000)	(50,000)	(3,099)	46,901
Net Change in Fund Balance	(1,450)	(1,450)	13	1,463
Fund Balance - Beginning	1,450	1,450	1,450	-
Fund Balance - Ending	\$ -	\$ -	\$ 1,463	\$ 1,463

OTOE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
FEDERAL DRUG LAW ENFORCEMENT FUND				
Receipts	\$ 38,266	\$ 38,266	\$ -	\$ (38,266)
Disbursements	(50,000)	(50,000)	-	50,000
Net Change in Fund Balance	(11,734)	(11,734)	-	11,734
Fund Balance - Beginning	11,734	11,734	11,734	-
Fund Balance - Ending	\$ -	\$ -	\$ 11,734	\$ 11,734
LOCAL GRANTS - SHERIFF FUND				
Receipts	\$ 37,734	\$ 37,734	\$ 6,000	\$ (31,734)
Disbursements	(50,000)	(50,000)	(8,200)	41,800
Net Change in Fund Balance	(12,266)	(12,266)	(2,200)	10,066
Fund Balance - Beginning	12,266	12,266	12,266	-
Fund Balance - Ending	\$ -	\$ -	\$ 10,066	\$ 10,066
FEDERAL GRANT SHERIFF FUND				
Receipts	\$ 45,709	\$ 45,709	\$ -	\$ (45,709)
Disbursements	(50,000)	(50,000)	-	50,000
Net Change in Fund Balance	(4,291)	(4,291)	-	4,291
Fund Balance - Beginning	4,291	4,291	4,291	-
Fund Balance - Ending	\$ -	\$ -	\$ 4,291	\$ 4,291
KENO LOTTERY FUND				
Receipts	\$ 40,000	\$ 40,000	\$ 48,497	\$ 8,497
Disbursements	(158,014)	(158,014)	(12,587)	145,427
Net Change in Fund Balance	(118,014)	(118,014)	35,910	153,924
Fund Balance - Beginning	118,014	118,014	118,014	-
Fund Balance - Ending	\$ -	\$ -	\$ 153,924	\$ 153,924
911 WIRELESS SERVICE FUND				
Receipts	\$ 57,846	\$ 57,846	\$ 57,847	\$ 1
Disbursements	(97,448)	(97,448)	(56,211)	41,237
Transfers in	4,752	4,752	4,752	-
Transfers out	-	-	(41,237)	(41,237)
Net Change in Fund Balance	(34,850)	(34,850)	(34,849)	1
Fund Balance - Beginning	34,850	34,850	34,850	-
Fund Balance - Ending	\$ -	\$ -	\$ 1	\$ 1

OTOE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>911 WIRELESS SERVICE HOLDING FUND</u>				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(176,536)	(176,536)	(91,496)	85,040
Transfers in	-	-	41,237	41,237
Transfers out	-	-	-	-
Net Change in Fund Balance	(176,536)	(176,536)	(50,259)	126,277
Fund Balance - Beginning	176,536	176,536	176,536	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,277</u>	<u>\$ 126,277</u>
<u>COUNTY BUILDINGS MAINTENANCE FUND</u>				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(345,132)	(345,132)	(38,693)	306,439
Transfers in	100,000	100,000	100,000	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(245,132)	(245,132)	61,307	306,439
Fund Balance - Beginning	245,132	245,132	245,132	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 306,439</u>	<u>\$ 306,439</u>
<u>COUNTY LANDFILL FUND</u>				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(151,222)	(151,222)	(6,343)	144,879
Net Change in Fund Balance	(151,222)	(151,222)	(6,343)	144,879
Fund Balance - Beginning	151,222	151,222	151,222	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,879</u>	<u>\$ 144,879</u>
<u>911 SURCHARGE FUND</u>				
Receipts	\$ 65,000	\$ 65,000	\$ 63,490	\$ (1,510)
Disbursements	(156,734)	(156,734)	(142,297)	14,437
Transfers in	-	-	-	-
Transfers out	(4,752)	(4,752)	(4,752)	-
Net Change in Fund Balance	(96,486)	(96,486)	(83,559)	12,927
Fund Balance - Beginning	96,486	96,486	96,486	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,927</u>	<u>\$ 12,927</u>

(Concluded)

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

	Highway Bridge Buyback Program Fund	Visitor Promotion Fund	Preservation & Modernization Fund	Diversion Programs Fund
RECEIPTS				
Property Taxes	\$ -	\$ 102,205	\$ -	\$ -
Investment Income	-	-	-	-
Intergovernmental	435,366	-	-	12,400
Charges for Services	-	-	11,981	-
Miscellaneous	-	-	-	-
TOTAL RECEIPTS	<u>435,366</u>	<u>102,205</u>	<u>11,981</u>	<u>12,400</u>
DISBURSEMENTS				
General Government	-	-	16,672	-
Public Safety	-	-	-	8,496
Public Works	1,454,570	-	-	-
Culture and Recreation	-	88,836	-	-
TOTAL DISBURSEMENTS	<u>1,454,570</u>	<u>88,836</u>	<u>16,672</u>	<u>8,496</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,019,204)</u>	<u>13,369</u>	<u>(4,691)</u>	<u>3,904</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,019,204)	13,369	(4,691)	3,904
FUND BALANCES - BEGINNING	<u>1,019,220</u>	<u>17,759</u>	<u>17,126</u>	<u>1,313</u>
FUND BALANCES - ENDING	<u>\$ 16</u>	<u>\$ 31,128</u>	<u>\$ 12,435</u>	<u>\$ 5,217</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	-	31,128	-	-
911 Emergency Services	-	-	-	-
Drug Education	-	-	-	-
Law Enforcement	-	-	-	-
Preservation of Records	-	-	12,435	-
Bridge/Road Projects	16	-	-	-
Committed to:				
Law Enforcement	-	-	-	5,217
County Buildings	-	-	-	-
Special Projects	-	-	-	-
Landfill Closures	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 16</u>	<u>\$ 31,128</u>	<u>\$ 12,435</u>	<u>\$ 5,217</u>

(Continued)

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

For the Year Ended June 30, 2017

	County Drug Law Enforcement Fund	Federal Drug Law Enforcement Fund	Local Grants - Sheriff Fund	Federal Grant Sheriff Fund	Keno Lottery Fund	911 Wireless Service Fund
RECEIPTS						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$57,847
Investment Income	1	-	-	-	254	-
Intergovernmental	713	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	2,398	-	6,000	-	48,243	-
TOTAL RECEIPTS	<u>3,112</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>48,497</u>	<u>57,847</u>
DISBURSEMENTS						
General Government	-	-	-	-	12,587	-
Public Safety	3,099	-	8,200	-	-	56,211
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>3,099</u>	<u>-</u>	<u>8,200</u>	<u>-</u>	<u>12,587</u>	<u>56,211</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>13</u>	<u>-</u>	<u>(2,200)</u>	<u>-</u>	<u>35,910</u>	<u>1,636</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	4,752
Transfers out	-	-	-	-	-	(41,237)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,485)</u>
Net Change in Fund Balances	13	-	(2,200)	-	35,910	(34,849)
FUND BALANCES - BEGINNING	<u>1,450</u>	<u>11,734</u>	<u>12,266</u>	<u>4,291</u>	<u>118,014</u>	<u>34,850</u>
FUND BALANCES - ENDING	<u>\$ 1,463</u>	<u>\$ 11,734</u>	<u>\$10,066</u>	<u>\$ 4,291</u>	<u>\$153,924</u>	<u>\$ 1</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	-	-	-	-	-
911 Emergency Services	-	-	-	-	-	1
Drug Education	1,463	-	-	-	-	-
Law Enforcement	-	11,734	-	4,291	-	-
Preservation of Records	-	-	-	-	-	-
Bridge/Road Projects	-	-	-	-	-	-
Committed to:						
Law Enforcement	-	-	10,066	-	-	-
County Buildings	-	-	-	-	-	-
Special Projects	-	-	-	-	153,924	-
Landfill Closures	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 1,463</u>	<u>\$ 11,734</u>	<u>\$10,066</u>	<u>\$ 4,291</u>	<u>\$153,924</u>	<u>\$ 1</u>

(Continued)

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

	911 Wireless Service Holding Fund	County Buildings Maintenance Fund	County Landfill Fund	911 Surcharge Fund	Total Nonmajor Governmental Funds
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ -	\$ 63,490	\$ 223,542
Investment Income	-	-	-	-	255
Intergovernmental	-	-	-	-	448,479
Charges for Services	-	-	-	-	11,981
Miscellaneous	-	-	-	-	56,641
TOTAL RECEIPTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,490</u>	<u>740,898</u>
DISBURSEMENTS					
General Government	-	38,693	-	-	67,952
Public Safety	91,496	-	-	142,297	309,799
Public Works	-	-	6,343	-	1,460,913
Culture and Recreation	-	-	-	-	88,836
TOTAL DISBURSEMENTS	<u>91,496</u>	<u>38,693</u>	<u>6,343</u>	<u>142,297</u>	<u>1,927,500</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(91,496)</u>	<u>(38,693)</u>	<u>(6,343)</u>	<u>(78,807)</u>	<u>(1,186,602)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	41,237	100,000	-	-	145,989
Transfers out	-	-	-	(4,752)	(45,989)
TOTAL OTHER FINANCING SOURCES (USES)	<u>41,237</u>	<u>100,000</u>	<u>-</u>	<u>(4,752)</u>	<u>100,000</u>
Net Change in Fund Balances	(50,259)	61,307	(6,343)	(83,559)	(1,086,602)
FUND BALANCES - BEGINNING	<u>176,536</u>	<u>245,132</u>	<u>151,222</u>	<u>96,486</u>	<u>1,907,399</u>
FUND BALANCES - ENDING	<u>\$ 126,277</u>	<u>\$ 306,439</u>	<u>\$ 144,879</u>	<u>\$ 12,927</u>	<u>\$ 820,797</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	31,128
911 Emergency Services	126,277	-	-	12,927	139,205
Drug Education	-	-	-	-	1,463
Law Enforcement	-	-	-	-	16,025
Preservation of Records	-	-	-	-	12,435
Bridge/Road Projects	-	-	-	-	16
Committed to:					
Law Enforcement	-	-	-	-	15,283
County Buildings	-	306,439	-	-	306,439
Special Projects	-	-	-	-	153,924
Landfill Closures	-	-	144,879	-	144,879
TOTAL FUND BALANCES	<u>\$ 126,277</u>	<u>\$ 306,439</u>	<u>\$ 144,879</u>	<u>\$ 12,927</u>	<u>\$ 820,797</u>

(Concluded)

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

	<u>County Clerk</u>	<u>Register of Deeds</u>	<u>Clerk of the District Court</u>	<u>County Sheriff</u>	<u>County Attorney</u>	<u>Child Support Enforcement</u>	<u>County Keno</u>	<u>Emergency Manager</u>	<u>Total</u>
BALANCES JULY 1, 2016	\$ 1,205	\$ 20,357	\$ 36,626	\$ 7,227	\$ 1,050	\$ 328	\$ 21,940	\$ 275	\$ 89,008
RECEIPTS									
Property Taxes	-	-	-	-	-	-	-	-	-
Licenses and Permits	2,175	-	-	970	-	-	-	-	3,145
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for Services	18,065	129,998	27,429	44,941	4,769	-	-	-	225,202
Miscellaneous	1,334	-	-	32	636	-	34,874	180	37,056
State Fees	68	156,666	22,307	-	-	-	11,830	-	190,871
Other Liabilities	-	-	688,940	11,439	10,258	1,613	547,167	-	1,259,417
TOTAL RECEIPTS	<u>21,642</u>	<u>286,664</u>	<u>738,676</u>	<u>57,382</u>	<u>15,663</u>	<u>1,613</u>	<u>593,871</u>	<u>180</u>	<u>1,715,691</u>
DISBURSEMENTS									
Payments to County Treasurer	20,107	128,931	28,723	44,611	5,487	-	36,111	-	263,970
Payments to State Treasurer	64	151,923	21,713	-	-	-	12,132	-	185,832
Other Liabilities	1,334	84	683,955	11,618	10,159	1,641	549,077	180	1,258,048
TOTAL DISBURSEMENTS	<u>21,505</u>	<u>280,938</u>	<u>734,391</u>	<u>56,229</u>	<u>15,646</u>	<u>1,641</u>	<u>597,320</u>	<u>180</u>	<u>1,707,850</u>
BALANCES JUNE 30, 2017	<u>\$ 1,342</u>	<u>\$ 26,083</u>	<u>\$ 40,911</u>	<u>\$ 8,380</u>	<u>\$ 1,067</u>	<u>\$ 300</u>	<u>\$ 18,491</u>	<u>\$ 275</u>	<u>\$ 96,849</u>
BALANCES CONSIST OF:									
Due to County Treasurer	\$ 337	\$ 11,586	\$ 2,560	\$ 7,380	\$ 86	\$ -	\$ 2,428	\$ -	\$ 24,377
Petty Cash	1,000	50	100	1,000	500	300	-	275	3,225
Due to State Treasurer	5	14,447	3,623	-	-	-	842	-	18,917
Due to Others	-	-	34,628	-	481	-	15,221	-	50,330
BALANCES JUNE 30, 2017	<u>\$ 1,342</u>	<u>\$ 26,083</u>	<u>\$ 40,911</u>	<u>\$ 8,380</u>	<u>\$ 1,067</u>	<u>\$ 300</u>	<u>\$ 18,491</u>	<u>\$ 275</u>	<u>\$ 96,849</u>

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

Item	2012	2013	2014	2015	2016
Tax Certified by Assessor					
Real Estate	\$ 26,850,086	\$ 28,748,781	\$ 30,300,882	\$ 32,426,068	\$ 33,084,243
Personal and Specials	2,212,648	2,303,383	2,299,766	2,294,975	2,211,252
Total	29,062,734	31,052,164	32,600,648	34,721,043	35,295,495
Corrections					
Additions	10,552	18,651	7,136	3,206	1,373
Deductions	(11,698)	(9,873)	(3,370)	(6,212)	(11,194)
Net Additions/ (Deductions)	(1,146)	8,778	3,766	(3,006)	(9,821)
Corrected Certified Tax	29,061,588	31,060,942	32,604,414	34,718,037	35,285,674
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2013	18,113,102	-	-	-	-
June 30, 2014	10,929,958	19,760,814	-	-	-
June 30, 2015	8,009	11,273,951	20,818,773	-	-
June 30, 2016	2,707	10,746	11,756,706	22,140,894	-
June 30, 2017	345	5,204	12,360	12,550,876	22,451,303
Total Net Collections	29,054,121	31,050,715	32,587,839	34,691,770	22,451,303
Total Uncollected Tax	\$ 7,467	\$ 10,227	\$ 16,575	\$ 26,267	\$ 12,834,371
Percentage Uncollected Tax	0.03%	0.03%	0.05%	0.08%	36.37%

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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OTOE COUNTY

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

Board of Commissioners
Otoe County, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Otoe County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Otoe County's basic financial statements, and have issued our report thereon dated September 18, 2017. The report notes the financial statements were prepared on the basis of cash receipts and disbursements.

Internal Control Over Financial Reporting

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

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

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

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

Additional Items

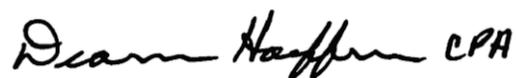
We also noted certain matters that we reported to the management of Otoe County in a separate letter dated September 18, 2017.

Otoe County's Response to Findings

Otoe 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

September 18, 2017



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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September 18, 2017

Board of Commissioners
Otoe County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Otoe County (County) for the fiscal year ended June 30, 2017, and have issued our report thereon dated September 18, 2017. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

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

COUNTY OVERALL

Segregation of Duties

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

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

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

COUNTY BOARD

Road Project Bidding

During testing of vendor claims, we noted the County did not have documentation on file to support that bidding requirements for the K Road project were followed. The County disbursed \$283,777 to Midwest Underground Inc. for the project.

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

[P]urchases of personal property or services by the county board or purchasing agent shall be made:

(a) Through the competitive sealed bidding process prescribed in section 23-3111 if the estimated value of the purchase is twenty thousand dollars or more;

(b) By securing and recording at least three informal bids, if practicable, if the estimated value of the purchase is equal to or exceeds five thousand dollars, but is less than twenty thousand dollars[.]

When procedures are not in place to ensure that purchases are properly bid out according to State statute, and adequate supporting documentation is not on hand to support that such bids were obtained, there is an increased risk of not only violating the law but also the loss or misuse of County funds.

We recommend the County Board ensure proper bidding procedures are followed on all purchases requiring bids, and documentation is maintained to support those procedures.

COUNTY SHERIFF

Accounting Procedures

During the audit, we noted the County had more office liabilities (fees and trust accounts) than office assets (cash on hand, reconciled bank balance, accounts receivable, etc.), resulting in an unknown short balance of \$532 at June 30, 2017. This short appears to be the result of the County Sheriff not maintaining an accurate and complete listing of accounts receivables and the County Sheriff not performing a periodic office asset to office liability reconciliation.

While the County Sheriff is actively working on collecting old accounts receivable balances, we also noted the County Sheriff had \$596 in accounts receivables that are still outstanding at June 30, 2017, which are from fiscal year 2012 to fiscal year 2013.

Sound accounting practices and good internal control require procedures to be in place to ensure office assets are in agreement with office liabilities on at least a monthly basis. Balancing procedures should include the timely identification and resolution of all variances noted. Good procedures also require the timely resolution of accounts receivable balances.

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

We recommend the County Sheriff maintain adequate records at all time to support all balances and follow up on old accounts receivable.

Property Presumed Abandoned

During the audit, it was found that the County Sheriff did not report and remit to the State Treasurer four outstanding checks, totaling \$443, that were over three years old.

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 the County Sheriff and unclaimed for more than three years to be abandoned. Neb. Rev. Stat. § 69-1310 (Reissue 2009) requires any property presumed abandoned, as of June 30 each year, to be reported and remitted to the State Treasurer by November 1 annually.

When property presumed to be abandoned is not remitted to the State Treasurer in accordance with State statute, there is an increased risk of loss and/or misuse of funds.

We recommend the County Sheriff remit promptly to the State Treasurer all property in his possession that is presumed abandoned, as required by State statute.

* * * * *

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