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CERTIFIED PUBLIC ACCOUNTANTS

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January 23, 2017

To the Board of Commissioners  
Scotts Bluff County, Nebraska  
1825 10th Street  
Gering, NE 69341

RE: AU-C 260

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Scotts Bluff County, Nebraska for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 5, 2016. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Scotts Bluff County, Nebraska are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2016. We noted no transactions entered into by the Scotts Bluff County, Nebraska during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the budget amounts is based on prior experiences and future expectations. We evaluated the key factors and assumptions used to develop the budget amounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

Note 5 of the financial statements discloses debt required to be repaid in future periods, future debt service requirements, interest rates, debt covenants, and assets collateralized against outstanding debt.

The financial statement disclosures are neutral, consistent, and clear.

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January 23, 2017  
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*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all misstatements detected as a result of our audit procedures. A schedule of those adjustments is enclosed with this letter.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 23, 2017.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Scotts Bluff County, Nebraska's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Scotts Bluff County, Nebraska's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on the supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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January 23, 2017  
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Restriction on Use

This information is intended solely for the information and use of the Board of Commissioners and management of Scotts Bluff County, Nebraska and is not intended to be, and should not be, used by anyone other than these specified parties.

Yours truly,

A handwritten signature in black ink, appearing to read 'K. Sylvester', with a large, stylized flourish at the end.

KEVIN C. SYLVESTER  
For the Firm

e-mail: [sylvester@danacole.com](mailto:sylvester@danacole.com)

KCS:laf

Client: 149935 - Scotts Bluff County  
 Engagement: 149935 - Scotts Bluff County  
 Period Ending: 6/30/2016  
 Trial Balance: 401-01a - Trial Balance  
 Workpaper: 401-02 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>P-12</b>		
To record activity in imprest health and dental checking				
1257.5.000.1-0201	Transfer to Dental Checking - claims		4,377.00	
1257.5.000.1-0202	Transfer to Health Ins Checking - claims		40,043.00	
1257.5.000.2-9900	Misc Fees		42,918.00	
1257.6.000.515-01	Payroll Transfer for Health Insurance		303,691.00	
1257.1.000.0-0000	Cash			44,420.00
1257.4.000.351-00	Employee Contributions			346,609.00
<b>Total</b>			<b>391,029.00</b>	<b>391,029.00</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>D-02</b>		
To record Keno activity				
2850.1.000.0-0000	Cash		42,862.00	
2850.4.000.534-10	Lottery Proceeds			42,862.00
<b>Total</b>			<b>42,862.00</b>	<b>42,862.00</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>JJ-02</b>		
To reclassify debt payments				
0100.5.971.6-0101	Interest		13,721.00	
3400.5.000.6-0201	Interest		460,095.00	
0100.5.971.6-0100	Principal Retirement			13,721.00
0300.5.000.6-0100	Lease Payment			
0300.5.000.6-0101	Interest			
3400.5.000.6-0240	Int/Principal - Jail			460,095.00
<b>Total</b>			<b>473,816.00</b>	<b>473,816.00</b>
<b>Adjusting Journal Entries JE # 4</b>		<b>C-02a</b>		
To reclass PILT money and Build Nebraska Act.				
0300.4.000.347-01	Highway/Street Allocation		99,659.00	
0300.4.000.347-04	Motor Vehicle Fees			70,761.00
0300.4.000.353-06	In-Lieu of tax - Bureau of Land Mgmt			28,898.00
<b>Total</b>			<b>99,659.00</b>	<b>99,659.00</b>
<b>Adjusting Journal Entries JE # 5</b>		<b>JJ-02</b>		
To record proceeds from new debt and payment of old debt and expenses				
3400.5.000.6-0230	Int/Principal - Road Dept.		84,706.00	
3400.5.000.6-0230	Int/Principal - Road Dept.		4,865,000.00	
3400.5.000.6-0302	Requirements - Service Fees		50,294.00	
3400.4.000.533-02	Debt Proceeds			5,000,000.00
<b>Total</b>			<b>5,000,000.00</b>	<b>5,000,000.00</b>
<b>Adjusting Journal Entries JE # 6</b>		<b>406.010</b>		
To adjust cash to actual due to prior year error				
2502.4.000.532-03	Miscellaneous Refund		1,717.00	
2502.1.000.0-0000	Cash			1,717.00
<b>Total</b>			<b>1,717.00</b>	<b>1,717.00</b>
<b>Adjusting Journal Entries JE # 7</b>		<b>P-12</b>		

Client: 149935 - Scotts Bluff County  
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 Trial Balance: 401-01a - Trial Balance  
 Workpaper: 401-02 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
To reclassify overpayment of reinsurance payment repaid to RCI				
1257.4.000.532-03	Miscellaneous Refund		29,757.00	
1257.5.000.2-9060	Miscellaneous Refund			29,757.00
<b>Total</b>			<b>29,757.00</b>	<b>29,757.00</b>
<b>Adjusting Journal Entries JE # 8</b>				
<b>309-02</b>				
To reclassify transfers of final inheritance tax from Fund 951 to 2700				
0951.7.000.7-0201	Transfer Out		147,697.00	
2700.4.000.310-01	Inheritance Tax Revenue		147,697.00	
0951.5.000.2-9060	Miscellaneous Refunds			147,697.00
2700.6.000.590-02	Transfer In			147,697.00
<b>Total</b>			<b>295,394.00</b>	<b>295,394.00</b>