

**AUDIT REPORT
OF
CUSTER COUNTY**

JULY 1, 2017, THROUGH JUNE 30, 2018

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the Auditor of Public Accounts.**

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Issued on October 1, 2018

CUSTER COUNTY

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CUSTER COUNTY
431 S. 10th Street
Broken Bow, NE 68822

LIST OF COUNTY OFFICIALS
At June 30, 2018

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Supervisors	Matt Eggleston	Jan. 2021
	Tammy Kleeb	Jan. 2021
	Donald McCullough	Jan. 2019
	Donald Olson	Jan. 2019
	Barry Fox	Jan. 2019
	Dwain Bryner	Jan. 2021
	Robert Myers	Jan. 2019
Assessor	Connie Braithwaite	Jan. 2019
Attorney	Steven Bowers	Jan. 2019
Clerk Election Commissioner	Conni Gracey	Jan. 2019
Register of Deeds	Connie Carroll	Jan. 2019
Clerk of the District Court	Amy Oxford	Jan. 2019
Sheriff	Dan Osmond	Jan. 2019
Treasurer	Sheri Bryant	Jan. 2019
Veterans' Service Officer	Emory Haynes	Appointed
Emergency Manager	Mark Rempe	Appointed
Planning and Zoning	Darci Tibbs	Appointed
Recycling Center	Kelly Flynn	Appointed
Surveyor	Doug Stevenson	Appointed
Weed Superintendent	Ridge Horky	Appointed
Highway Superintendent	Chris Jacobsen	Appointed



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CUSTER COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Custer 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 Custer County, as of and for the year ended June 30, 2018, 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 Custer County as of June 30, 2018, 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.

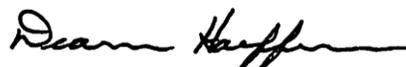
Report on Supplementary Information

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 18-30, 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 25, 2018, on our consideration of Custer 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 Custer County's internal control over financial reporting and compliance.



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

September 25, 2018

CUSTER COUNTY
STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2018

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 5,941,665
Investments (Note 1.D)	7,740,829
TOTAL ASSETS	\$ 13,682,494
 NET POSITION	
Restricted for:	
Visitor Promotion	\$ 87,121
911 Emergency Services	102,872
Economic Development	416,604
Law Enforcement	1,051
Preservation of Records	9,785
Debt Service	137,685
Road Maintenance	451,157
Child Support	35,813
Unrestricted	12,440,406
TOTAL NET POSITION	\$ 13,682,494

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

CUSTER COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS

For the Year Ended June 30, 2018

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	\$ (3,208,634)	\$ 633,136	\$ 105,962	\$ (2,469,536)
Public Safety	(1,694,125)	85,122	129,745	(1,479,258)
Public Works	(6,120,164)	188,823	3,162,484	(2,768,857)
Public Assistance	(101,925)	-	-	(101,925)
Culture and Recreation	(107,742)	-	-	(107,742)
Debt Payments	(245,292)	-	-	(245,292)
Total Governmental Activities	\$ (11,477,882)	\$ 907,081	\$ 3,398,191	(7,172,610)

General Receipts:

Property Taxes	7,656,782
Grants and Contributions Not Restricted to Specific Programs	947,779
Investment Income	121,211
Licenses and Permits	49,421
Miscellaneous	241,546
Total General Receipts	9,016,739
 Increase in Net Position	 1,844,129
Net Position - Beginning of year	11,838,365
Net Position - End of year	\$ 13,682,494

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

CUSTER COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2018

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Sinking Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents (Note 1.D)	\$ 1,932,522	\$ 2,525,478	\$ -	\$ -	\$ 1,483,665	\$ 5,941,665
Investments (Note 1.D)	713,824	-	5,419,698	1,607,307	-	7,740,829
TOTAL ASSETS	<u>\$ 2,646,346</u>	<u>\$ 2,525,478</u>	<u>\$ 5,419,698</u>	<u>\$ 1,607,307</u>	<u>\$ 1,483,665</u>	<u>\$ 13,682,494</u>
FUND BALANCES						
Restricted for:						
Visitor Promotion	-	-	-	-	87,121	87,121
911 Emergency Services	-	-	-	-	102,872	102,872
Economic Development	-	-	-	-	416,604	416,604
Law Enforcement	-	-	-	-	1,051	1,051
Preservation of Records	-	-	-	-	9,785	9,785
Debt Service	-	-	-	-	137,685	137,685
Road Maintenance	-	-	-	-	451,157	451,157
Child Support	-	-	-	-	35,813	35,813
Committed to:						
Law Enforcement	-	-	-	-	139,132	139,132
Road Maintenance	-	2,525,478	-	-	-	2,525,478
Aid and Assistance	-	-	-	-	102,445	102,445
Capital Improvement Projects	-	-	-	1,607,307	-	1,607,307
Assigned to:						
Other Purposes	-	-	5,419,698	-	-	5,419,698
Unassigned	2,646,346	-	-	-	-	2,646,346
TOTAL CASH BASIS FUND BALANCES	<u>\$ 2,646,346</u>	<u>\$ 2,525,478</u>	<u>\$ 5,419,698</u>	<u>\$ 1,607,307</u>	<u>\$ 1,483,665</u>	<u>\$ 13,682,494</u>

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

CUSTER COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Road Fund	Inheritance Fund	Sinking Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$5,973,618	\$ -	\$ 1,258,616	\$ 91,329	\$ 333,219	\$ 7,656,782
Licenses and Permits	49,421	-	-	-	-	49,421
Investment Income	110,564	-	-	7,036	3,611	121,211
Intergovernmental	941,529	2,801,627	-	10,998	591,816	4,345,970
Charges for Services	688,254	188,823	-	-	30,004	907,081
Miscellaneous	151,421	86,625	-	-	3,500	241,546
TOTAL RECEIPTS	<u>7,914,807</u>	<u>3,077,075</u>	<u>1,258,616</u>	<u>109,363</u>	<u>962,150</u>	<u>13,322,011</u>
DISBURSEMENTS						
General Government	3,051,997	-	69,048	84,657	2,932	3,208,634
Public Safety	1,288,229	-	-	-	405,896	1,694,125
Public Works	299,541	5,549,747	-	-	270,876	6,120,164
Public Assistance	101,925	-	-	-	-	101,925
Culture and Recreation	-	-	-	-	107,742	107,742
Debt Service:						
Principal Payments	-	-	-	-	180,000	180,000
Interest and Fiscal Charges	-	-	-	-	65,292	65,292
TOTAL DISBURSEMENTS	<u>4,741,692</u>	<u>5,549,747</u>	<u>69,048</u>	<u>84,657</u>	<u>1,032,738</u>	<u>11,477,882</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>3,173,115</u>	<u>(2,472,672)</u>	<u>1,189,568</u>	<u>24,706</u>	<u>(70,588)</u>	<u>1,844,129</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	3,533	3,008,491	25,879	-	313,790	3,351,693
Transfers out	(3,034,370)	-	(250,000)	-	(67,323)	(3,351,693)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,030,837)</u>	<u>3,008,491</u>	<u>(224,121)</u>	<u>-</u>	<u>246,467</u>	<u>-</u>
Net Change in Fund Balances	142,278	535,819	965,447	24,706	175,879	1,844,129
CASH BASIS FUND BALANCES - BEGINNING	<u>2,504,068</u>	<u>1,989,659</u>	<u>4,454,251</u>	<u>1,582,601</u>	<u>1,307,786</u>	<u>11,838,365</u>
CASH BASIS FUND BALANCES - ENDING	<u><u>\$2,646,346</u></u>	<u><u>\$ 2,525,478</u></u>	<u><u>\$ 5,419,698</u></u>	<u><u>\$ 1,607,307</u></u>	<u><u>\$ 1,483,665</u></u>	<u><u>\$ 13,682,494</u></u>

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

CUSTER COUNTY
STATEMENT OF CASH BASIS NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 1,402,603
 LIABILITIES	
Due to other governments	
State	254,474
Schools	615,399
Educational Service Units	2,805
Technical College	17,097
Natural Resource Districts	6,927
Fire Districts	3,526
Municipalities	28,063
Agricultural Society	922
Cemetery Districts	16
Townships	90,158
Reclamation Districts	230
Hospital	2,258
Others	380,728
TOTAL LIABILITIES	1,402,603
 TOTAL NET ASSETS	 \$ -

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

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

Custer 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 III – 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 III (Region) consists of the following counties: Blaine, Loup, Garfield, Wheeler, Custer, Valley, Greeley, Sherman, Howard, Buffalo, Hall, Phelps, Kearney, Adams, Clay, Furnas, Harlan, Hamilton, Merrick, Franklin, Webster, and Nuckolls.

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 \$27,592 toward the operation of the Region during fiscal year 2018. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Department of Health and Human Services requires the Region to be audited annually in accordance with State statute. Financial information for the Region is available in those audit reports.

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

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 2018. 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. 2017). 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 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.

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

Sinking Fund. This fund is used to account for receipts generated from property taxes levied for capital improvements.

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.

Debt Service Fund. The Building Bond Fund accounts for the resources for, and the payment of, general long-term debt principal, interest, and related costs.

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.

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.

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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.

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Restricted Net Position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$1,242,088 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.

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 5,941,665 for County funds and \$1,402,603 for Fiduciary funds. The bank balances for all funds totaled \$7,260,842. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2018, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

The County did not have sufficient collateral securities to protect deposits at all times during the fiscal year.

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The County's carrying value of investments is stated at cost, which approximates market. Investments consisted of \$7,740,829 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 2017, for the 2017 taxes, which will be materially collected in May and September 2018, was set at \$.167037/\$100 of assessed valuation. The levy set in October 2016, for the 2016 taxes, which were materially collected in May and September 2017, was set at \$.176007/\$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 (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.

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. Retirement System (Concluded)

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

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

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, 2018, 110 employees contributed \$181,600, and the County contributed \$270,580. Contributions included \$3,640 in cash contributions towards the supplemental law enforcement plan for seven law enforcement employees. Lastly, the County paid \$412 directly to seven 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 94 counties and local governments 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 for an additional contribution. 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.

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Risk Management (Concluded)

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 or paid out any amounts that exceeded coverage provided by the pool in the last three fiscal years. There were no significant reductions in insurance coverage from the prior year coverage.

6. Interfund Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

<u>Transfers to</u>	Transfers from			Total
	General Fund	Inheritance Fund	Nonmajor Funds	
General Fund	\$ -	\$ -	\$ 3,533	\$ 3,533
Road Fund	3,008,491	-	-	3,008,491
Inheritance	25,879	-	-	25,879
Nonmajor Funds	-	250,000	63,790	313,790
Total	<u>\$ 3,034,370</u>	<u>\$ 250,000</u>	<u>\$ 67,323</u>	<u>\$ 3,351,693</u>

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

In the year ended June 30, 2018, the County made a one-time transfer of \$3,533 from the Housing Reuse Grant Fund to the General Fund at the direction of the Department of Economic Development.

7. 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.

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

8. Notes Receivable

In 2002, the County received a Community Development Block Grant from the Nebraska Department of Economic Development (DED) in the amount of \$400,440. Over the years, the amount was loaned to various businesses who in turn repaid the money to the County. The DED program has now ended, and any money left in the Fund or still being returned to the County is being used as a match to projects approved by the DED. The County has contracted with Custer Economic Development Corporation for the administration of the loans. The following loans are outstanding as of June 30, 2018:

Loan	Loan Amount	Future Payments Due	Due Date
Loan #1	\$ 19,850	\$ 16,451	2008*
Loan #2	\$ 30,000	\$ 3,020	2016*
Loan #3	\$ 100,000	\$ 44,713	2021
Loan #4	\$ 33,000	\$ 11,561	2021
Loan #5	\$ 50,000	\$ 27,270	2018
Loan #6	\$ 12,000	\$ 10,808	2026
Loan #7	\$ 25,000	\$ 23,964	2026
Loan #8	\$ 125,000	\$ 121,147	2022
	\$ 394,850	\$ 258,934	

*These loans are past due; however, they are being actively reviewed by the Custer Economic Development Corporation.

9. Long-Term Debt

The County issued bonds on June 10, 2015, in the amount of \$3,000,000 for the purpose of paying the costs of constructing, equipping, and furnishing a new judicial building. The bond payable balance, as of June 30, 2018, was \$2,465,000. The County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds. Future tax resources will be used to pay off the bonds.

Future Payments:			
Year	Principal	Interest	Total
2019	\$ 180,000	\$ 62,823	\$ 242,823
2020	185,000	60,302	245,302
2021	190,000	57,250	247,250
2022	190,000	53,735	243,735
2023	195,000	49,745	244,745
2024-2028	1,055,000	172,070	1,227,070
2029-2030	470,000	23,555	493,555
Total Payments	\$ 2,465,000	\$ 479,480	\$ 2,944,480

CUSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 6,523,080	\$ 6,523,080	\$ 5,973,618	\$ (549,462)
Licenses and Permits	45,800	45,800	49,421	3,621
Interest	25,150	25,150	110,564	85,414
Intergovernmental	887,037	887,037	941,529	54,492
Charges for Services	588,604	588,604	688,254	99,650
Miscellaneous	355,032	355,032	151,421	(203,611)
TOTAL RECEIPTS	8,424,703	8,424,703	7,914,807	(509,896)
DISBURSEMENTS				
General Government:				
County Board	190,600	190,600	184,881	5,719
County Clerk	100,710	100,710	98,548	2,162
County Treasurer	261,710	261,710	260,165	1,545
Register of Deeds	102,990	102,990	99,462	3,528
County Assessor	198,550	198,550	190,091	8,459
Election Commissioner	77,800	77,800	58,313	19,487
Building and Zoning	46,780	46,780	44,674	2,106
Data Processing Department	98,550	98,550	92,042	6,508
Personnel	359,330	359,330	330,699	28,631
Unemployment	30,000	30,000	4,374	25,626
Insurance	1,049,830	1,049,830	792,231	257,599
GIS Department	60,000	60,000	38,694	21,306
Clerk of the District Court	130,580	130,580	104,395	26,185
County Court System	15,700	15,700	10,327	5,373
District Judge	20,700	20,700	20,397	303
Judicial Center	75,130	75,130	62,086	13,044
District Court Child Support	18,900	18,900	4,968	13,932
Building and Grounds	145,440	145,440	81,572	63,868
Reappraisal	64,600	64,600	41,649	22,951
Agricultural Extension Agent	128,240	128,240	121,575	6,665
County Building	30,250	30,250	28,267	1,983
Judicial Center Miscellaneous	16,030	16,030	10,535	5,495
Miscellaneous	505,840	498,362	372,052	126,310
Public Safety				
County Sheriff	526,280	526,280	519,861	6,419
County Attorney	259,430	266,726	266,726	-
County Attorney Child Support	48,040	48,222	48,222	-
County Jail	279,830	279,830	278,492	1,338
Emergency Management	66,550	66,550	63,228	3,322
Grants	675,000	675,000	111,700	563,300

CUSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
DISBURSEMENTS (Continued)				
Public Works				
County Surveyor	106,090	106,090	92,932	13,158
Noxious Weed Control	55,230	55,230	48,051	7,179
Recycling	174,890	174,890	158,558	16,332
Public Assistance				
Veterans' Service Officer	85,780	85,780	79,813	5,967
Relief	31,500	31,500	18,539	12,961
Institutions	10,000	10,000	3,573	6,427
TOTAL DISBURSEMENTS	<u>6,046,880</u>	<u>6,046,880</u>	<u>4,741,692</u>	<u>1,305,188</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>2,377,823</u>	<u>2,377,823</u>	<u>3,173,115</u>	<u>795,292</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	3,533	3,533
Transfers out	(3,000,000)	(3,000,000)	(3,034,370)	(34,370)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>(3,030,837)</u>	<u>(30,837)</u>
Net Change in Fund Balance	(622,177)	(622,177)	142,278	764,455
FUND BALANCE - BEGINNING	<u>2,422,177</u>	<u>2,422,177</u>	<u>2,504,068</u>	<u>81,891</u>
FUND BALANCE - ENDING	<u><u>\$ 1,800,000</u></u>	<u><u>\$ 1,800,000</u></u>	<u><u>\$ 2,646,346</u></u>	<u><u>\$ 846,346</u></u>

(Concluded)

CUSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Intergovernmental	\$ 2,728,759	\$ 2,728,759	\$ 2,801,627	\$ 72,868
Charges for Services	150,000	150,000	188,823	38,823
Miscellaneous	50,002	50,002	86,625	36,623
TOTAL RECEIPTS	<u>2,928,761</u>	<u>2,928,761</u>	<u>3,077,075</u>	<u>148,314</u>
DISBURSEMENTS	<u>7,518,420</u>	<u>7,518,420</u>	<u>5,549,747</u>	<u>1,968,673</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(4,589,659)</u>	<u>(4,589,659)</u>	<u>(2,472,672)</u>	<u>2,116,987</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,000,000	3,000,000	3,008,491	8,491
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,008,491</u>	<u>8,491</u>
Net Change in Fund Balance	(1,589,659)	(1,589,659)	535,819	2,125,478
FUND BALANCE - BEGINNING	1,989,659	1,989,659	1,989,659	-
FUND BALANCE - ENDING	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 2,525,478</u>	<u>\$ 2,125,478</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 1,258,616	\$ 1,258,616
Miscellaneous	25,879	25,879	-	(25,879)
TOTAL RECEIPTS	<u>25,879</u>	<u>25,879</u>	<u>1,258,616</u>	<u>1,232,737</u>
DISBURSEMENTS	<u>4,230,130</u>	<u>4,230,130</u>	<u>69,048</u>	<u>4,161,082</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(4,204,251)</u>	<u>(4,204,251)</u>	<u>1,189,568</u>	<u>5,393,819</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	25,879	25,879
Transfers out	(250,000)	(250,000)	(250,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(250,000)</u>	<u>(250,000)</u>	<u>(224,121)</u>	<u>25,879</u>
Net Change in Fund Balance	(4,454,251)	(4,454,251)	965,447	5,419,698
FUND BALANCE - BEGINNING	4,454,251	4,454,251	4,454,251	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,419,698</u>	<u>\$ 5,419,698</u>

(Continued)

CUSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
SINKING FUND				
RECEIPTS				
Taxes	\$ 100,000	\$ 100,000	\$ 91,329	\$ (8,671)
Interest	1,799	1,799	7,036	5,237
Intergovernmental	2,310	2,310	10,998	8,688
TOTAL RECEIPTS	<u>104,109</u>	<u>104,109</u>	<u>109,363</u>	<u>5,254</u>
 DISBURSEMENTS	 <u>1,686,710</u>	 <u>1,686,710</u>	 <u>84,657</u>	 <u>1,602,053</u>
 EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	 <u>(1,582,601)</u>	 <u>(1,582,601)</u>	 <u>24,706</u>	 <u>1,607,307</u>
 Net Change in Fund Balance	 (1,582,601)	 (1,582,601)	 24,706	 1,607,307
FUND BALANCE - BEGINNING	1,582,601	1,582,601	1,582,601	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,607,307</u>	<u>\$ 1,607,307</u>

(Concluded)

CUSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HIGHWAY BRIDGE BUYBACK PROGRAM				
FUND				
Receipts	\$ 360,873	\$ 360,873	\$ 360,866	\$ (7)
Disbursements	(722,040)	(722,040)	(270,876)	451,164
Net Change in Fund Balance	(361,167)	(361,167)	89,990	451,157
Fund Balance - Beginning	361,167	361,167	361,167	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 451,157</u>	<u>\$ 451,157</u>
CHILD SUPPORT INCENTIVE FUND				
Receipts	\$ 1,508	\$ 1,508	\$ 5,708	\$ 4,200
Disbursements	(35,000)	(35,000)	(3,387)	31,613
Net Change in Fund Balance	(33,492)	(33,492)	2,321	35,813
Fund Balance - Beginning	33,492	33,492	33,492	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,813</u>	<u>\$ 35,813</u>
VISITOR'S PROMOTION FUND				
Receipts	\$ 45,551	\$ 45,551	\$ 49,294	\$ 3,743
Disbursements	(54,200)	(54,200)	(54,142)	58
Net Change in Fund Balance	(8,649)	(8,649)	(4,848)	3,801
Fund Balance - Beginning	28,649	28,649	28,649	-
Fund Balance - Ending	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 23,801</u>	<u>\$ 3,801</u>
VISITOR'S IMPROVEMENT FUND				
Receipts	\$ 45,005	\$ 45,005	\$ 49,295	\$ 4,290
Disbursements	(92,630)	(92,630)	(53,600)	39,030
Net Change in Fund Balance	(47,625)	(47,625)	(4,305)	43,320
Fund Balance - Beginning	67,625	67,625	67,625	-
Fund Balance - Ending	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 63,320</u>	<u>\$ 43,320</u>
PRESERVATION & MODERNIZATION				
FUND				
Receipts	\$ 8,214	\$ 8,214	\$ 8,827	\$ 613
Disbursements	(12,000)	(12,000)	(2,828)	9,172
Net Change in Fund Balance	(3,786)	(3,786)	5,999	9,785
Fund Balance - Beginning	3,786	3,786	3,786	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,785</u>	<u>\$ 9,785</u>

(Continued)

CUSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
VETERAN'S AID FUND				
Receipts	\$ 849	\$ 849	\$ 1,294	\$ 445
Disbursements	(102,000)	(102,000)	-	102,000
Net Change in Fund Balance	(101,151)	(101,151)	1,294	102,445
Fund Balance - Beginning	101,151	101,151	101,151	-
Fund Balance - Ending	\$ -	\$ -	\$ 102,445	\$ 102,445
STOP PROGRAM FUND				
Receipts	\$ 5,484	\$ 5,484	\$ 8,675	\$ 3,191
Disbursements	(25,000)	(25,000)	(6,604)	18,396
Net Change in Fund Balance	(19,516)	(19,516)	2,071	21,587
Fund Balance - Beginning	19,516	19,516	19,516	-
Fund Balance - Ending	\$ -	\$ -	\$ 21,587	\$ 21,587
DRUG LAW ENFORCEMENT AND EDUCATION FUND				
Receipts	\$ 4,999	\$ 4,999	\$ -	\$ (4,999)
Disbursements	(6,050)	(6,050)	-	6,050
Net Change in Fund Balance	(1,051)	(1,051)	-	1,051
Fund Balance - Beginning	1,051	1,051	1,051	-
Fund Balance - Ending	\$ -	\$ -	\$ 1,051	\$ 1,051
REUSE GRANT FUND				
Receipts	\$ 76,010	\$ 76,010	\$ 50,805	\$ (25,205)
Disbursements	(440,380)	(440,380)	(104)	440,276
Net Change in Fund Balance	(364,370)	(364,370)	50,701	415,071
Fund Balance - Beginning	364,370	364,370	364,370	-
Fund Balance - Ending	\$ -	\$ -	\$ 415,071	\$ 415,071
HOUSING REUSE GRANT FUND				
Receipts	\$ 3,029	\$ 3,029	\$ 2,965	\$ (64)
Disbursements	(5,130)	(5,130)	-	5,130
Transfers in	-	-	-	-
Transfers out	-	-	(3,533)	(3,533)
Net Change in Fund Balance	(2,101)	(2,101)	(568)	1,533
Fund Balance - Beginning	2,101	2,101	2,101	-
Fund Balance - Ending	\$ -	\$ -	\$ 1,533	\$ 1,533

(Continued)

CUSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
DISASTER RELIEF FUND				
Receipts	\$ 1,000,000	\$ 1,000,000	\$ -	\$ (1,000,000)
Disbursements	(1,000,000)	(1,000,000)	-	1,000,000
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -
E911 WIRELESS SERVICE FUND				
Receipts	\$ 54,791	\$ 54,791	\$ 54,792	\$ 1
Disbursements	(70,672)	(70,672)	-	70,672
Transfers in	-	-	-	-
Transfers out	(23,487)	(23,487)	(62,125)	(38,638)
Net Change in Fund Balance	(39,368)	(39,368)	(7,333)	32,035
Fund Balance - Beginning	39,368	39,368	39,368	-
Fund Balance - Ending	\$ -	\$ -	\$ 32,035	\$ 32,035
E911 WIRELESS SERVICE HOLDING FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(61,172)	(61,172)	-	61,172
Transfers in	23,487	23,487	25,152	1,665
Transfers out	-	-	-	-
Net Change in Fund Balance	(37,685)	(37,685)	25,152	62,837
Fund Balance - Beginning	45,685	45,685	45,685	-
Fund Balance - Ending	\$ 8,000	\$ 8,000	\$ 70,837	\$ 62,837
BUILDING BOND FUND				
Receipts	\$ 204	\$ 204	\$ 711	\$ 507
Disbursements	(382,470)	(382,470)	(245,292)	137,178
Transfers in	250,000	250,000	250,000	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(132,266)	(132,266)	5,419	137,685
Fund Balance - Beginning	132,266	132,266	132,266	-
Fund Balance - Ending	\$ -	\$ -	\$ 137,685	\$ 137,685

(Continued)

CUSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COMMUNICATIONS FUND				
Receipts	\$ 361,332	\$ 361,332	\$ 368,918	\$ 7,586
Disbursements	(403,890)	(403,890)	(395,905)	7,985
Transfers in	-	-	38,638	38,638
Transfers out	-	-	(1,665)	(1,665)
Net Change in Fund Balance	(42,558)	(42,558)	9,986	52,544
Fund Balance - Beginning	107,558	107,558	107,559	1
Fund Balance - Ending	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ 117,545</u>	<u>\$ 52,545</u>

(Concluded)

CUSTER COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	Highway Bridge Buyback Program Fund	Child Support Incentive Fund	Visitor's Promotion Fund	Visitor's Improvement Fund	Preservation & Modernization Fund
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ 49,294	\$ 49,295	\$ -
Investment Income	-	-	-	-	-
Intergovernmental	360,866	5,708	-	-	-
Charges for Services	-	-	-	-	8,827
Miscellaneous	-	-	-	-	-
TOTAL RECEIPTS	<u>360,866</u>	<u>5,708</u>	<u>49,294</u>	<u>49,295</u>	<u>8,827</u>
DISBURSEMENTS					
General Government	-	-	-	-	2,828
Public Safety	-	3,387	-	-	-
Public Works	270,876	-	-	-	-
Culture and Recreation	-	-	54,142	53,600	-
Debt Service:					
Principal Payments	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>270,876</u>	<u>3,387</u>	<u>54,142</u>	<u>53,600</u>	<u>2,828</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>89,990</u>	<u>2,321</u>	<u>(4,848)</u>	<u>(4,305)</u>	<u>5,999</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	89,990	2,321	(4,848)	(4,305)	5,999
FUND BALANCES - BEGINNING	<u>361,167</u>	<u>33,492</u>	<u>28,649</u>	<u>67,625</u>	<u>3,786</u>
FUND BALANCES - ENDING	<u>\$ 451,157</u>	<u>\$ 35,813</u>	<u>\$ 23,801</u>	<u>\$ 63,320</u>	<u>\$ 9,785</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	23,801	63,320	-
911 Emergency Services	-	-	-	-	-
Economic Development	-	-	-	-	-
Law Enforcement	-	-	-	-	-
Preservation of Records	-	-	-	-	9,785
Debt Service	-	-	-	-	-
Road Maintenance	451,157	-	-	-	-
Child Support	-	35,813	-	-	-
Committed to:					
Law Enforcement	-	-	-	-	-
Aid and Assistance	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 451,157</u>	<u>\$ 35,813</u>	<u>\$ 23,801</u>	<u>\$ 63,320</u>	<u>\$ 9,785</u>

(Continued)

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

For the Year Ended June 30, 2018

	Veteran's Aid Fund	STOP Program Fund	Drug Law Enforcement and Education Fund	Reuse Grant Fund	Housing Reuse Grant Fund	E911 Wireless Service Fund
RECEIPTS						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,792
Investment Income	1,294	-	-	1,693	2	-
Intergovernmental	-	-	-	49,112	2,963	-
Charges for Services	-	5,175	-	-	-	-
Miscellaneous	-	3,500	-	-	-	-
TOTAL RECEIPTS	<u>1,294</u>	<u>8,675</u>	<u>-</u>	<u>50,805</u>	<u>2,965</u>	<u>54,792</u>
DISBURSEMENTS						
General Government	-	-	-	104	-	-
Public Safety	-	6,604	-	-	-	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Debt Service:						
Principal Payments	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>-</u>	<u>6,604</u>	<u>-</u>	<u>104</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>1,294</u>	<u>2,071</u>	<u>-</u>	<u>50,701</u>	<u>2,965</u>	<u>54,792</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(3,533)	(62,125)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,533)</u>	<u>(62,125)</u>
Net Change in Fund Balances	1,294	2,071	-	50,701	(568)	(7,333)
FUND BALANCES - BEGINNING	<u>101,151</u>	<u>19,516</u>	<u>1,051</u>	<u>364,370</u>	<u>2,101</u>	<u>39,368</u>
FUND BALANCES - ENDING	<u>\$ 102,445</u>	<u>\$ 21,587</u>	<u>\$ 1,051</u>	<u>\$ 415,071</u>	<u>\$ 1,533</u>	<u>\$ 32,035</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	-	-	-	-	-
911 Emergency Services	-	-	-	-	-	32,035
Economic Development	-	-	-	415,071	1,533	-
Law Enforcement	-	-	1,051	-	-	-
Preservation of Records	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Road Maintenance	-	-	-	-	-	-
Child Support	-	-	-	-	-	-
Committed to:						
Law Enforcement	-	21,587	-	-	-	-
Aid and Assistance	102,445	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 102,445</u>	<u>\$ 21,587</u>	<u>\$ 1,051</u>	<u>\$ 415,071</u>	<u>\$ 1,533</u>	<u>\$ 32,035</u>

(Continued)

CUSTER COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	E911 Wireless Service Holding Fund	Building Bond Fund	Communications Fund	Total Nonmajor Governmental Funds
RECEIPTS				
Property Taxes	\$ -	\$ 89	\$ 179,749	\$ 333,219
Investment Income	-	622	-	3,611
Intergovernmental	-	-	173,167	591,816
Charges for Services	-	-	16,002	30,004
Miscellaneous	-	-	-	3,500
TOTAL RECEIPTS	<u>-</u>	<u>711</u>	<u>368,918</u>	<u>962,150</u>
DISBURSEMENTS				
General Government	-	-	-	2,932
Public Safety	-	-	395,905	405,896
Public Works	-	-	-	270,876
Culture and Recreation	-	-	-	107,742
Debt Service:				-
Principal Payments	-	180,000	-	180,000
Interest and Fiscal Charges	-	65,292	-	65,292
TOTAL DISBURSEMENTS	<u>-</u>	<u>245,292</u>	<u>395,905</u>	<u>1,032,738</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>-</u>	<u>(244,581)</u>	<u>(26,987)</u>	<u>(70,588)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	25,152	250,000	38,638	313,790
Transfers out	-	-	(1,665)	(67,323)
TOTAL OTHER FINANCING SOURCES (USES)	<u>25,152</u>	<u>250,000</u>	<u>36,973</u>	<u>246,467</u>
Net Change in Fund Balances	25,152	5,419	9,986	175,879
FUND BALANCES - BEGINNING	<u>45,685</u>	<u>132,266</u>	<u>107,559</u>	<u>1,307,786</u>
FUND BALANCES - ENDING	<u>\$ 70,837</u>	<u>\$ 137,685</u>	<u>\$ 117,545</u>	<u>\$ 1,483,665</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	-	-	-	87,121
911 Emergency Services	70,837	-	-	102,872
Economic Development	-	-	-	416,604
Law Enforcement	-	-	-	1,051
Preservation of Records	-	-	-	9,785
Debt Service	-	137,685	-	137,685
Road Maintenance	-	-	-	451,157
Child Support	-	-	-	35,813
Committed to:				
Law Enforcement	-	-	117,545	139,132
Aid and Assistance	-	-	-	102,445
TOTAL FUND BALANCES	<u>\$ 70,837</u>	<u>\$ 137,685</u>	<u>\$ 117,545</u>	<u>\$ 1,483,665</u>

(Concluded)

CUSTER COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2018

	County Clerk	Register of Deeds	Clerk of the District Court	County Sheriff	County Attorney	Highway Superintendent	Veterans' Service Officer	County Planning and Zoning	County Recycling	County Historical Society	Total
BALANCES JULY 1, 2017	\$ 860	\$ 18,828	\$ 108,429	\$ 3,727	\$ 3,194	\$ 127,039	\$ 1,895	\$ 100	\$ -	\$ -	\$ 264,072
RECEIPTS											
Property Taxes	-	-	-	1,135	-	-	-	-	-	-	1,135
Licenses and Permits	1,975	-	-	1,440	-	-	-	3,730	-	-	7,145
Intergovernmental	-	-	-	17,310	-	-	-	-	-	13,000	30,310
Charges for Services	6,905	96,966	13,223	46,453	80	227,369	-	-	51,543	21,891	464,430
Miscellaneous	-	-	-	123	2,261	1,327	2	136	-	68,892	72,741
State Fees	7,298	101,529	19,060	668	-	42	-	-	-	-	128,597
Other Liabilities	-	-	1,668,837	106,687	14,634	-	-	-	-	-	1,790,158
TOTAL RECEIPTS	16,178	198,495	1,701,120	173,816	16,975	228,738	2	3,866	51,543	103,783	2,494,516
DISBURSEMENTS											
Payments to County Treasurer	9,226	96,450	13,883	66,468	80	277,792	-	3,630	50,911	-	518,440
Payments to State Treasurer	7,243	101,113	20,912	668	-	42	-	-	-	-	129,978
Other Liabilities	-	-	1,515,831	106,687	15,594	1,327	793	136	-	65,461	1,705,829
TOTAL DISBURSEMENTS	16,469	197,563	1,550,626	173,823	15,674	279,161	793	3,766	50,911	65,461	2,354,247
BALANCES JUNE 30, 2018	\$ 569	\$ 19,760	\$ 258,923	\$ 3,720	\$ 4,495	\$ 76,616	\$ 1,104	\$ 200	\$ 632	\$ 38,322	\$ 404,341
BALANCES CONSIST OF:											
Due to County Treasurer	\$ 184	\$ 9,484	\$ 569	\$ 3,220	\$ 2,328	\$ 76,366	\$ 1,104	\$ 100	\$ 632	\$ -	\$ 93,987
Petty Cash	100	-	-	500	500	250	-	100	-	-	1,450
Due to State Treasurer	285	10,276	800	-	-	-	-	-	-	-	11,361
Due to Others	-	-	257,554	-	1,667	-	-	-	-	38,322	297,543
BALANCES JUNE 30, 2018	\$ 569	\$ 19,760	\$ 258,923	\$ 3,720	\$ 4,495	\$ 76,616	\$ 1,104	\$ 200	\$ 632	\$ 38,322	\$ 404,341

CUSTER COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2018

Item	2013	2014	2015	2016	2017
Tax Certified by Assessor					
Real Estate	\$ 28,768,231	\$ 31,753,912	\$ 35,049,115	\$ 35,699,746	\$ 35,826,713
Personal and Specials	3,597,050	3,676,258	3,589,669	3,247,917	2,817,696
Total	32,365,281	35,430,170	38,638,784	38,947,663	38,644,409
Corrections					
Additions	10,180	2,038	779	6,281	845
Deductions	(25,011)	(26,633)	(6,063)	(289)	(5,429)
Net Additions/ (Deductions)	(14,831)	(24,595)	(5,284)	5,992	(4,584)
Corrected Certified Tax	32,350,450	35,405,575	38,633,500	38,953,655	38,639,825
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2014	19,629,227	-	-	-	-
June 30, 2015	12,683,277	22,029,351	-	-	-
June 30, 2016	16,748	13,342,424	23,793,855	-	-
June 30, 2017	12,105	19,946	14,816,406	23,745,425	-
June 30, 2018	2,727	4,770	10,408	15,187,150	23,791,566
Total Net Collections	32,344,084	35,396,491	38,620,669	38,932,575	23,791,566
Total Uncollected Tax	\$ 6,366	\$ 9,084	\$ 12,831	\$ 21,080	\$ 14,848,259
Percentage Uncollected Tax	0.02%	0.03%	0.03%	0.05%	38.43%

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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CUSTER 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 Supervisors
Custer 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 Custer County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Custer County's basic financial statements, and have issued our report thereon dated September 25, 2018. 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 Custer 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 Custer County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

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

County Treasurer's Response: Additional steps have been taken to insure separate employees are involved in the deposit for the day. The cash and checks are verified by a different employee who doesn't reconcile the overall day's receipts. Additional efforts are made to have another employee take the daily deposit to the bank. We are also going to have an employee other than the County Treasurer and Deputy County Treasurer reconcile the monthly bank statements to further add in a segregation of duties. These steps are heavily dependent on daily employee staffing.

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

- A theft occurred by the former office manager of the County Sheriff's office between October 2015 and January 2018. Restitution of \$52,646 was refunded to the County in July 2018 for reported shortages in work release payments and inmate boarding fees.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Custer 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 Custer County in a separate letter dated September 25, 2018.

Custer County's Response to Findings

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

Purpose of this Report

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



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

September 25, 2018



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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September 25, 2018

Board of Supervisors
Custer County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Custer County (County) for the fiscal year ended June 30, 2018, and have issued our report thereon dated September 25, 2018. 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

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.

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 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 Treasurer's Response: Additional steps have been taken to insure separate employees are involved in the deposit for the day. The cash and checks are verified by a different employee who doesn't reconcile the overall day's receipts. Additional efforts are made to have another employee take the daily deposit to the bank. We are also going to have an employee other than the County Treasurer and Deputy County Treasurer reconcile the monthly bank statements to further add in a segregation of duties. These steps are heavily dependent on daily employee staffing.

Unclaimed Property

As of June 30, 2018, we noted two County offices had checks that were outstanding for over three years and, therefore, qualified as unclaimed property required to be remitted to the State Treasurer, as follows:

- The County Clerk of the District Court had two outstanding checks, totaling \$75.
- In January 2018, the County Attorney remitted two checks, totaling \$37, to the County Treasurer; however, these funds should have been remitted to the State Treasurer.

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009) states the following:

Except as otherwise provided by law, all intangible personal property held for the owner by any court, public corporation, public authority, or public officer of this state, or a political subdivision thereof, that has remained unclaimed by the owner for more than three years is presumed abandoned.

Neb. Rev. Stat. § 69-1310 (Reissue 2009) states, in relevant part, the following:

(a) Every person holding funds or other property, tangible or intangible, presumed abandoned under the Uniform Disposition of Unclaimed Property Act shall report to the State Treasurer with respect to the property as hereinafter provided.

* * * *

(d) The report shall be filed before November 1 of each year as of June 30 next preceding The property must accompany the report unless excused by the State Treasurer for good cause. The State Treasurer may postpone the reporting date upon written request by any person required to file a report.

Without procedures, including the proper performance and review of bank reconciliations, to ensure that outstanding checks qualifying as unclaimed property are remitted timely to the State Treasurer, there is an increased risk of noncompliance with State statute.

We recommend the County Clerk of the District Court and the County Attorney implement procedures to ensure that outstanding checks qualifying as unclaimed property are remitted to the State Treasurer in accordance with State statute.

Insufficient Pledged Collateral

During the audit, we noted two County offices with bank accounts that were not fully insured by the Federal Deposit Insurance Corporation (FDIC) or additional securities.

- One bank account maintained by the County Treasurer had a balance that was \$26,756 over FDIC coverage and pledged securities at June 30, 2018.
- We noted seven days when deposits of the County Clerk of the District Court bank account were not fully insured by the FDIC or additional securities. The uninsured amounts ranged from \$434,903 to \$437,456.

Neb. Rev. Stat. § 77-2395(1) (Reissue 2009) states, in relevant part, the following:

[T]he custodial official shall not have on deposit in such depository any public money or public funds in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation, unless and until the depository has furnished to the custodial official securities, the market value of which are in an amount not less than one hundred two percent of the amount on deposit which is in excess of the amount so insured or guaranteed.

Without adequate procedures to make certain that County deposits are properly insured, there is an increased risk for not only the loss of County funds but also noncompliance with State law.

We recommend the County Board ensure there is sufficient FDIC coverage and/or pledged collateral for all bank deposits at all times.

County Treasurer's Response: The bank account maintained by the County Treasurer at Security State Bank had FDIC coverage and a pledged security in the form of a letter of credit. The letter of credit value is not effected by the market and so never fluctuates. We took that into consideration when working with the bank for coverage. If the bank were to fail today, the County would recover all their current investments at the specific bank. Regardless of this, the bank has provided the County Treasurer with an additional \$82,000 of coverage in the form of a new letter of credit. This will cover the amount of \$26,756 as noted in the report plus any future earned interest.

Cash Held in Office

During testing, we noted two County offices that were holding cash in the office to make change. There were no records or authorizations by the County Board on file to support the balances held, nor were they reported in the County budget document.

- The County Register of Deeds maintained \$21 in cash.
- The County Attorney maintained \$50 in cash.

Neb. Rev. Stat. § 23-106(2) (Reissue 2012) states the following:

The county board shall have the authority to establish a petty cash fund for such county for the purpose of making payments for subsidiary general operational expenditures and purchases. Such county board shall set, by resolution of the board, the amount of money to be carried in such petty cash fund and the dollar limit of an expenditure from such fund and such amount shall be stated in the fiscal policy of the county board budget message.

Good internal control and sound business practice require records to be on file to adequately support any cash maintained in the office.

When the County's cash funds are not properly authorized by the County Board and disclosed in the budget message of the County budget document, the County is noncompliant with State statute.

We recommend the County Register of Deeds and County Attorney work with the County Board to have their change funds properly approved and reported in the County Budget Message.

Fee Approvals

During our audit, we noted there was no documented fee approval for the following:

- Daily lodging rates charged by the County Sheriff at \$50 per prisoner for lodging up to 30 days, and \$40 per prisoner for lodging over 30 days.
- Work release fee charged by the County Sheriff of \$20 per day.

Neb. Rev. Stat. § 23-106(1) (Reissue 2012) assigns to the County Board responsibility for managing County funds and business. In addition, good internal control and sound accounting practice require fees to be set by the County Board and documented in Board minutes.

When documentation is not available to support fee approval, there is an increased risk of loss or misuse of County funds.

We recommend the County Board approve lodging rates for prisoners and work release fees. We recommend also that such recommendations be properly documented.

COUNTY SHERIFF

Sheriff Theft

A theft occurred by the County Sheriff's former office manager between the dates of October 22, 2015, and January 30, 2018. The fiscal year 2017 audit report disclosed the suspected theft and identified \$14,100 in work release cash payments, \$2,350 in private pay inmate boarding, and an additional \$36,182 in prisoner boarding collected but not remitted to the County Treasurer.

The former office manager, Kelli Estergard, entered into a plea agreement on July 19, 2018, in the District Court of Custer County, where she plead guilty to Theft by Unlawful Taking, a class IV felony, and paid restitution to the County of \$52,646.

Good internal controls require an adequate segregation of duties to safeguard assets and provide reliable financial records. A good internal control plan requires receipts to be issued for all payments collected and adequate supporting documentation to be maintained for all office activity.

The County Sheriff lacked adequate controls to ensure the proper accounting for all receipts of the office, which resulted in missing funds. Inadequate control procedures can lead to fraud and the loss of public funds.

We recommend the County Sheriff implement procedures to ensure proper accounting for all receipts in the office. We also recommend the County Sheriff ensure documentation is maintained to support monies received.

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 earned, due to the office being unaware of the requirement in Neb. Rev. Stat. § 33-117 (Reissue 2016). As of June 30, 2018, the Sheriff had earned \$675 in fees and mileage, which should have been previously paid to the County Treasurer.

As noted above, Neb. Rev. Stat. § 33-117(3) (Reissue 2016) 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 who, 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.

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. Failure to maintain accurate financial records and identify asset-to-liability balancing variances in a timely manner, increases the risk of loss, theft, or misuse of funds, allowing errors and/or irregularities to go undetected more easily.

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).

COUNTY ATTORNEY

Reconciliation Procedures

During our audit, we noted the County Attorney was not reconciling all three of the bank accounts in a timely manner. Due to this lack of timely reconciliation, the following errors were noted:

- A check totaling \$490 was paid out of the drug bank account in February 2017, rather than the petty cash bank account. The drug bank account was not refunded for this error until September 2017, or seven months later.
- For the petty cash bank account, expenses paid in January 2018, totaling \$105, were not reimbursed as of fieldwork on July 26, 2018.

Neb. Rev. Stat. § 23-135(1) (Reissue 2012) states in relevant part:

All claims against a county shall be filed with the county clerk within ninety days from the time when any materials or labor, which form the basis of the claims, have been furnished or performed . . .

Sound accounting practices and good internal controls require procedures to ensure office records are accurate, and bank activity is reconciled at least monthly. Reconciliation procedures should include not only an accounting for all receipts but also a timely identification and resolution of all variances noted. Those same procedures should ensure also that all claims are filed timely with the County Clerk.

Without such procedures, the County is not only more susceptible to intentional and/or unintentional errors or omissions, which increase the risk of loss, theft, or misuse of public funds.

We recommend the County Attorney implement procedures to ensure complete and accurate monthly bank reconciliations are performed, including the timely reconciliation of all variances noted. We also recommend the County Attorney file all claims timely with the County Clerk.

Dormant Account

We noted one bank account, with a balance of \$2,328 as of June 30, 2018, had been dormant with no activity for a couple of years. The County Attorney believes these monies to be associated with the Drug Law Enforcement and Education Fund (DEEF); however, they were not reported to the APA in accordance with State statute.

Neb. Rev. Stat. § 28-1439.03 (Reissue 2016) states, in relevant part, the following:

At the end of any fiscal year in which the fund [DEEF] has contained money, the board shall make a report summarizing the use of the fund during such year to the Auditor of Public Accounts, except that such report shall contain no information which would jeopardize an ongoing investigation. Such report shall indicate the amount of money placed in the fund, the amount of money disbursed, the number of cases opened and closed in which the fund was utilized, and the drug education activities for which money in the fund was utilized.

Sound accounting practices require procedures for ensuring that dormant and/or otherwise inactive bank accounts are routinely reviewed for appropriateness in order to reduce the risk of theft, loss, or misuse of funds. Those same procedures should also ensure that DEEF monies are reported in accordance with statute.

Without such procedures, there is an increased risk for not only loss, theft, or misuse of funds but also compliance with State statute.

We recommend the County Attorney implement procedures for reviewing the appropriateness of the account noted, taking any action, including reporting that amounts therein, necessary.

Petty Cash Issues

During our audit, we noted the following items related to the County Attorney's petty cash:

- For two purchases, totaling \$154, the claim included a copy of the receipt, instead of an original receipt.
- For two purchases, totaling \$116, the claim included a copy of the petty cash check, but not an invoice or receipt.
- For one purchase, totaling \$85, no supporting documentation was provided.
- For two purchases made, totaling \$288, the supporting documentation included an order form, not actual proof of purchase. Given that these items were ordered, as opposed to being purchased locally, the APA questions the necessity of using petty cash to buy them; the claims process would appear to have been more appropriate for such orders.

Good internal controls and sound business practice require procedures for ensuring that original supporting documentation be on file for all County purchases.

Without such procedures, there is an increased risk for the theft, loss, or misuse of funds.

We recommend the County Attorney implement procedures to ensure all petty cash purchases are properly supported by adequate and original documentation.

COUNTY BOARD

Claim Procedures

During testing, we noted the following issues regarding the County's claims procedures:

- Multiple individual claims were not signed by the board, clerk, or department head to document that each claim was reviewed for validity and accuracy.

- For one claim tested, totaling \$162,255, informal bids were received by the County Highway Superintendent for asphalt materials; however, these bids were not presented to or approved by the County Board.
- One bond payment tested, totaling \$212,646, was not approved by the County Board prior to payment.
- Two claims tested, totaling \$26,647, did not have supporting documentation attached to them.
- We noted two claims, totaling \$100, were duplicate payments. Claim number 92717 and 92521 both paid a vendor \$52 for transcript fees for the same Court case. Claim number 92989 and 92684 both paid a vendor \$48 for supplies for the Emergency Management department for invoice 431218. The duplicate payments were not discovered or corrected by the County at the time of the audit.
- Two claims tested were not filed within 90 days of the invoice or other supporting documentation:
 - One Planning & Zoning petty cash reimbursement included \$5 reimbursed 131 days after the purchase and another \$5 reimbursed 104 days after the purchase.
 - One claim tested for the purchase of a communication tower, totaling \$63,546, was paid 109 days after the invoice was submitted to the County.

Neb. Rev. Stat. § 23-135(1) (Reissue 2012) states, in relevant part, “All claims against a county shall be filed with the county clerk within ninety days from the time when any materials or labor, which form the basis of the claims, have been furnished or performed”

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

(1) Except as provided in section 23-3109, purchases 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 information 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

A good internal control plan requires procedures to ensure invoices are paid only once, all claims are adequately supported, reviewed, and approved, and applicable statutory competitive bidding procedures are followed.

Without such procedures, there is an increased risk for the loss or misuse of County funds.

We recommend the County implement procedures to ensure the following: (1) all claims are adequately supported, reviewed, and approved; (2) invoices are paid only once, and any duplicate payments are resolved in a timely manner; (3) claims are filed with the clerk timely; and (4) applicable statutory bidding procedures are followed.

Board Publications

During our audit, the following issues were noted regarding publication of the County Board's meeting proceedings statements:

- For 20 of 27 meeting minutes tested, newspaper publications were not made within 10 business days of the County Board's meeting. Rather, publications ranged from one to sixteen business days after that statutory deadline.
- For 1 of 27 meeting proceedings statements tested, documentation could not be provided to verify their publication.
- Additionally, disclosure of the County's audit report was not published within 10 days of the report's issuance. Rather, the report was received 16 business days prior to publication.

Neb. Rev. Stat. § 23-122 (Reissue 2012) states, in relevant part, the following:

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

Neb. Rev. Stat. § 23-1608(2) (Reissue 2012) provides, in relevant part, the following:

The county board shall cause to be published in the same manner as the proceedings of the county board a brief statement disclosing the conclusion of the examination and audit and that such audit report is on file with the county clerk.

A good internal control plan requires procedures to ensure that statutorily required publications are made timely.

Without such procedures, there is an increased risk of statutory noncompliance.

We recommend the County Board implement procedures to ensure statutorily required publications are made timely.

County Clerk's Response: As Clerk, I am working on getting minutes to the paper within the 10 days, our designated newspapers are all on Thursday for publication.

Missing Board Minute Items

During our audit, the following items were not noted in the County Board minutes:

- County Sheriff's Distress Warrant Report
- Budget Hearing.

Neb. Rev. Stat. § 77-1719.01 (Reissue 2009) provides the following:

On or before August 1 of each year, the sheriff shall report to the county board showing the total amount collected on current distress warrants and the amount remaining uncollected.

Neb. Rev. Stat. § 23-907 (Reissue 2012) states, as is relevant, the following:

Final action shall not be taken on the proposed budget by the county board until after at least one public hearing has been held thereon by the board

Neb. Rev. Stat. § 84-1413(1) (Cum. Supp. 2016) requires the following:

Each public body shall keep minutes of all meetings showing the time, place, members present and absent, and the substance of all matters discussed.

A good internal control plan requires procedures to ensure that County Board meeting minutes reflect all reports and activity that occurred during the meeting.

Without such procedures, there is not only a heightened inability to document compliance with certain statutory requirements but also an increased risk for noncompliance with § 84-1413(1).

We recommend the County Board implement procedures to ensure that its meeting minutes reflect all reports and activity that occurred during the meeting.

County Clerk's Response: We did have a Public Hearing on the FY18-19 Budget, I always Publish my Notice as Public Hearing. So it is corrected for this next year's audit.

Juvenile Service Grant Funds

We noted one claim, totaling \$30,397, was paid to a vendor for a juvenile services project grant prior to funds being received from the Nebraska Crime Commission. This practice caused the County to pay \$10,881 to the vendor that was not reimbursed by the State of Nebraska. At the time of the present audit fieldwork, the vendor had not refunded these funds back to the County Treasurer.

A Cooperation Agreement entered into on June 14, 2017, with Healing Hearts and Families states, in relevant part, the following:

CUSTER agrees to pay Healing Hearts the amount of one hundred sixty three thousand three hundred twelve dollars (\$163,312) payable only upon receipt of CUSTER's (Juvenile) Services Project Grant money. This amount is based on the expected diversion referrals made by CUSTER to the juvenile diversion program during the term of this contract. CUSTER will not be required to pay this amount unless and until CUSTER receives its Juvenile Services Project Grant money from the Nebraska Crime Commission.

A good internal control plan requires procedures to ensure adherence to the provisions of written agreements, especially with regard to the payment of funds.

Without such procedures, there is an increased risk for the loss, theft, or misuse of funds.

We recommend the County Board implement procedures to ensure adherence to the provisions of written agreements.

Deputy Attorney's Salary

The current Deputy County Attorney was hired in October 2017. Since that time, the Deputy County Attorney's salary has been only 57.32% of the County Attorney's salary.

Neb. Rev. Stat. § 23-1114.09 (Reissue 2012) states, in part, the following:

The salary of one full-time deputy of the various county offices shall not be less than sixty-five percent of the county officer's salary

Custer County Resolution No. 2-2014 provides the following:

Be it therefore resolved that the salary of the full-time deputies of elected officials, except for the Sheriff's deputies, shall be figured at 75% of the elected official's salary.

A good internal control plan requires procedures to ensure that County officers and employees are paid in accordance with applicable statutory and/or administrative guidelines.

Without such procedures, there is an increased risk of County officers and employees receiving improper pay.

We recommend the County Board implement procedures to ensure County officers and employees are paid in accordance with applicable statutory and/or administrative guidelines.

Leave Balances

The County Board does not have a mechanism for tracking employee leave balances. For five of five County employees tested, vacation leave balances were not in accordance with the provisions of the County Employee Handbook.

Vacation Leave Carry-Over

For three of five employees tested, leave hours were carried over from December 2017 to January 2018, as follows:

Employee	Leave Hours at 1/1/2018
Highway Employee	7.74
Sheriff's Employee	36.50
Communications Employee	12.00

Regarding the carrying over of vacation hours, the Custer County Employee Handbook states, in relevant part, the following:

Vacation hours will not be allowed to be carried over from year to year, if the employee does not utilize the vacation in the year that it is eligible to be used, the employee shall be paid the equivalent amount of the vacation at the end of the period.

Leave Earned

During the audit, we noted that County employee leave balances were accrued on an inconsistent basis. For two of five employees tested, vacation leave for the entire calendar year was accrued in January.

Regarding leave accrual, the Custer County Employee Handbook provides, in relevant part, the following:

Regular full-time employees begin earning vacation leave after one year of continuous employment with the County. Employees shall be credited with vacation leave on a monthly basis at the rate of 1/12th of the total vacation allotted for the year. Vacation leave can be taken as it is earned.

Sound accounting practices and good internal controls require procedures for properly tracking employee leave balances to ensure compliance with the applicable provisions of the Custer County Employee Handbook.

Without such procedures, there is an increased risk for not only improper employee leave balances but also the loss, theft, or misuse of funds.

We recommend the County Board implement procedures for properly tracking employee leave balances to ensure compliance with the applicable provisions of the Custer County Employee Handbook.

Inventory

During our review of the County's inventory, the following issues were noted:

- The County Board does not have a policy specifying the items that should be included on the annual inventory statements.
- For 15 of 22 inventory statements examined, documentation was not available to support the date of their approval by the County Board.
- One inventory statement was not signed for approval by the County Board.

Neb. Rev. Stat. § 23-347 (Reissue 2012) provides 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. The county board in each county shall examine into each inventory statement so filed, and, if said statement is correct and proper in every particular, the county board shall deliver each of said inventory statements to the clerk of the county for filing as a public record in said county clerk's office in a manner convenient for reference.

Sound accounting practices and good internal controls require the County Board to have an inventory policy specifying which items should be included on the annual inventory statements and at what dollar thresholds. That same policy should also ensure that all inventory statements submitted are properly approved.

Without such a policy, there is an increased risk of not only County property being misplaced, lost, or stolen but also noncompliance with State statute.

We recommend the County Board implement an inventory policy to assist County officials in the compilation of their inventory statements and to ensure that all such statements are properly approved in accordance with State statute.

Review of Delinquent Property Taxes

The County was not reviewing the list of delinquent personal property taxes prior to paying claims.

Neb. Rev. Stat. § 23-143 (Reissue 2012) states the following:

The county board of any county, whenever the account or claim of any person, firm or corporation against the county is presented to them for allowance, shall procure from the county treasurer a certificate of the amount of delinquent personal taxes assessed against the person, firm or corporation in whose favor the account or claim is presented, and shall deduct from any amount found due upon such account or claim the amount of such tax, and shall forthwith issue a warrant for the balance remaining, if any.

Sound accounting practices and good internal controls require procedures to ensure that claimants are reviewed for delinquent property taxes prior to their claims being paid.

Without such procedures, there is an increased risk of not only the County paying a claimant money that is actually owed for back taxes but also noncompliance with statute.

We recommend the County Board implement procedures to ensure delinquent personal property taxes are reviewed prior to claims being paid.

COUNTY CLERK

Receipting Procedures

The County Clerk did not record in the office's accounting records \$57 received.

Sound accounting practices and good internal controls require procedures to ensure that all money received by a County office is properly recorded in the accounting records.

Without such procedures, there is an increased risk for the loss, theft, or misuse of funds.

We recommend the County Clerk implement procedures to ensure money received is properly recorded in the office's accounting records.

County Clerk's Response: It states that \$57.00 was not recorded – but I believe it was \$35.00 that when we completed a Marriage License – they left the \$5.00 (\$5 x 7) for a Certified Copy to be sent – we have started putting the money in our funds and now attach a receipt to the license so we know a certified copy is paid for and can be sent.

COUNTY CLERK OF THE DISTRICT COURT

Trust Balances

We noted that the Clerk of the District Court did not adequately review the Case Balance report to ensure the balances were proper, and appropriate action was taken timely. Three of seven case balances tested, totaling \$255, were not correct and current, as follows:

- A judgment of court costs, totaling \$102, was receipted in June 2007; however, it was not paid out to the appropriate party until July 2018, after inquiry from the APA.
- A \$75 balance held after the case was mandated in April 2015 was not paid out until July 2018.
- Restitution of \$78 received in October and December 2011 was placed in a holding account after the amounts were refused by the victim. The Clerk attempted to return the amounts to the defendant and voided the receipts in JUSTICE, so there is also a balance showing due from the defendant of \$78.

Good internal control and sound business practices require procedures to ensure that trust case balances of the District Court are reviewed on an ongoing, timely basis to determine what action, if any, should be taken to resolve those balances.

Without such procedures, there is an increased risk of errors, omissions, and/or irregularities in the case balances not being detected and resolved in a timely manner.

We recommend the District Court implement procedures to ensure trust case balances of the District Court are reviewed on an ongoing, timely basis to determine what action, if any, should be taken to resolve those balances.

COUNTY REGISTER OF DEEDS

Preservation and Modernization Fund Errors

During our audit, we noted the following:

- July 2017 recording fees collected, totaling \$750, were not properly remitted to the Preservation and Modernization Fund; they were paid instead to the General Fund.
- One employee in the Register of Deeds office was paid \$369 out of the Preservation and Modernization Fund for hours worked in connection with general business of the County Register of Deeds.

Neb. Rev. Stat. § 33-109(1) (Supp. 2017) provides the following:

The register of deeds and the county clerk shall receive for recording a deed, mortgage, or release, recording and indexing of a will, recording and indexing of a decree in a testate estate, recording proof of publication, or recording any other instrument, a fee of ten dollars for the first page and six dollars for each additional page. Two dollars and fifty cents of the ten-dollar fee for recording the first page and fifty cents of the six-dollar fee for recording each additional page shall be used exclusively for the purposes of preserving and maintaining public records of the office of the register of deeds and for modernization and technology needs relating to such records and preserving and maintaining public records of a register of deeds office that has been consolidated with another county office pursuant to section 22-417 and for modernization and technology needs relating to such records. The funds allocated under this subsection shall not be substituted for other allocations of county general funds to the register of deeds office or any other county office for the purposes enumerated in this subsection.

Good internal control and sound business practices require procedures to ensure that money due to the Preservation and Modernization Fund is remitted thereto and spent in accordance with State statute.

Without such procedures, there is an increased risk for not only the loss or misuse of funds but also noncompliance with statute.

We recommend the County Register of Deeds implement procedures to ensure money due to the Preservation and Modernization Fund is remitted thereto and spent in accordance with State statute.

County Register of Deed's Response: A substitute employee worked in the office about 15 hours a week for two months. The substitute completed qualified work for Preserving and Modernizing records 13 of 15 hours each of the 8 weeks. The remaining few hours were used to serve customers during the lunch hour.

COUNTY TREASURER

Distribution of Fines and License Fees

During our review of fines and license fees, the following was noted:

- Fines and license fees collected were distributed to schools only once per year, for a total distribution of \$109,426.
- The 2018 distribution of fines and license collections was done using the 2016 school census, rather than the 2017 school census.

The following table summarizes the variances resulting from this error:

School District	Over (Under) Payment
Broken Bow Public	\$ 2,154
Ansley Public	\$ (1,419)
Anselmo-Merna Public	\$ (764)
Arnold Public	\$ (686)
Ord Public	\$ 603
Callaway Public	\$ (619)
Litchfield Public	\$ 296
Sumner-Eddyville-Miller Public	\$ 206
Sargent Public	\$ 199
Gothenburg Public	\$ (75)
Sandhills Public	\$ 53
Arcadia Public	\$ 52

Neb. Rev. Stat. § 23-1601(4)(a) (Reissue 2012) states, in relevant part, the following:

On or before the fifteenth day of each month, the county treasurer (i) shall pay to each city, village, school district, educational service unit, county agricultural society, and rural or suburban fire protection district located within the county the amount of all funds collected or received for the city, village, school district, educational service unit, county agricultural society, and rural or suburban fire protection district the previous calendar month, including bond fund money when requested by any city of the first class under section 16-731

Neb. Rev. Stat. § 79-1037 (Reissue 2014) provides the following:

(1) Each county treasurer shall add (a) all money received by the county treasurer of his or her county on account of fines and licenses, (b) the proceeds from the sale of schoolhouses, sites, or other property of a school district, and (c) all unexpended balances of proceeds of taxes levied by a district when the district has been taken by the United States for any defense, flood control, irrigation, or war project.

(2) The sum total referred to in subsection (1) of this section shall be distributed to the several districts of the county pro rata according to the enumeration of those children who are five through eighteen years of age for which the district is obligated to report on the census last returned by the districts.

Sound accounting practices and a good internal control plan require procedures to ensure fees collected for school districts are calculated accurately and distributed timely. Those same procedures should provide also for correcting past errors in school distributions.

Without such procedures, there is an increased risk not only of incorrect and untimely distributions to schools but also noncompliance with statute.

We recommend the County Treasurer implement procedures to ensure fees collected for school districts are calculated accurately and distributed timely. Those same procedures should provide also for correcting past errors in school distributions.

County Treasurer’s Response: The County Treasurer absorbed the responsibility of paying fines and licenses to the schools from the County School Superintendent several years ago. At that time, the payment was made annually in February. This payment time period was carried forward when transferred to our office. The County Treasurer will now distribute the fines and license fund balance monthly to the school with the regular tax collections. The error made in the prior distribution by using the incorrect school census will be corrected in the next distribution.

Gross In-Lieu Distribution

During the audit, we noted that the County Treasurer did not distribute gross in-lieu taxes in accordance with State statute. The error was caused by the use of improper tax levy rates and incorrect school districts in the calculation.

The following table summarizes the results of the distribution error:

Entity	Over (Under) Payment
Village – Oconto	\$ 1,295
Village – Mason City	\$ 973
School – Ansley	\$ (951)
Custer County	\$ 936
School – Broken Bow	\$ (924)
School – Sumner-Eddyville-Miller	\$ (834)
School – Litchfield	\$ (667)
Village – Berwyn	\$ 562
School – Callaway	\$ (390)

Neb. Rev. Stat. § 70-651.04 (Cum. Supp. 2016) states, in relevant part, the following:

All payments which are based on retail revenue from each incorporated city or village shall be divided and distributed by the county treasurer to that city or village, to the school districts located in that city or village, to any learning community located in that city or village for payments distributed prior to September 1, 2017, and to the county in which may be located any such incorporated city or village in the proportion that their respective property tax levies in the preceding year bore to the total of such levies

Sound accounting practices and a good internal control plan require procedures to ensure that gross in-lieu taxes are distributed in accordance with State statute.

Without such procedures, there is an increased risk of not only political subdivisions receiving the incorrect amount of revenue but also noncompliance with statute.

We recommend the County Treasurer implement procedures to ensure all gross in-lieu taxes are distributed in accordance with State statute.

County Treasurer's Response: We will contact the Auditor's Office to get detailed instructions on how to distribute when a village has more than one tax district and more than one school district. Any corrections needed will be made.

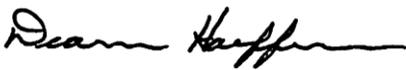
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It should be noted this report is critical in nature, as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strong features of the County.

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. All formal responses received have been incorporated into this report. Where no response has been included, the County declined to respond. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

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

Sincerely,



Deann Haeffner, CPA
Assistant Deputy Auditor