

**AUDIT REPORT
OF
KEARNEY COUNTY**

JULY 1, 2018, THROUGH JUNE 30, 2019

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Issued on October 30, 2019

KEARNEY COUNTY

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KEARNEY COUNTY
424 N. Colorado
Minden, NE 68959

LIST OF COUNTY OFFICIALS
At June 30, 2019

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Supervisors	Wayne Anderson	Jan. 2023
	Ross Bruning	Jan. 2021
	Larry Landstrom	Jan. 2021
	William Pittner	Jan. 2021
	Richard Schwenka	Jan. 2023
	Brent Stewart	Jan. 2023
	Robert Swanson	Jan. 2023
Assessor	Jennifer Pittner	Jan. 2023
Attorney	Melodie Bellamy	Jan. 2023
Clerk Election Commissioner Register of Deeds	Myra Johnson	Jan. 2023
Clerk of the District Court	Jill Fritson	Jan. 2023
Public Defender	Tom Lieske	Jan. 2023
Sheriff	Scott White	Jan. 2023
Treasurer	Jody Payne	Jan. 2023
Veterans' Service Officer	Michael Pittner	Appointed
Weed Superintendent Planning and Zoning	Joe Anderson	Appointed
Highway Superintendent	Randall Smith	Appointed
Emergency Manager	Jeff England	Appointed



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KEARNEY COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Kearney 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 Kearney County, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

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

Basis for Adverse Opinion on the Discretely Presented Component Unit

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of Kearney County, as of June 30, 2019, or the change in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and aggregate remaining fund information of Kearney County, as of June 30, 2019, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Emphasis of Matters – Basis of Accounting

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

Report on Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2019, on our consideration of Kearney County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and considering Kearney County's internal control over financial reporting and compliance.



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

October 22, 2019

KEARNEY COUNTY
STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 5,944,306
TOTAL ASSETS	<u><u>\$ 5,944,306</u></u>
NET POSITION	
Restricted for:	
Visitor Promotion	\$ 14,243
911 Emergency Services	213,803
Drug Education	1,282
Preservation of Records	2,085
Debt Service	267,138
Hospital Services	1,778
Unrestricted	<u>5,443,977</u>
TOTAL NET POSITION	<u><u>\$ 5,944,306</u></u>

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

KEARNEY COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2019

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	\$ (1,988,443)	\$ 373,499	\$ 78,891	\$ (1,536,053)
Public Safety	(1,042,298)	27,716	40,516	(974,066)
Public Works	(2,383,266)	-	1,443,668	(939,598)
Health and Sanitation	(398,919)	-	-	(398,919)
Public Assistance	(36,276)	-	-	(36,276)
Debt Payments	(861,071)	-	-	(861,071)
Total Governmental Activities	\$ (6,710,273)	\$ 401,215	\$ 1,563,075	(4,745,983)

General Receipts:

Property Taxes	4,551,354
Grants and Contributions Not Restricted to Specific Programs	529,751
Investment Income	38,162
Licenses and Permits	25,877
Miscellaneous	151,872
Total General Receipts	5,297,016
Increase in Net Position	551,033
Net Position - Beginning of year	5,393,273
Net Position - End of year	\$ 5,944,306

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

KEARNEY COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2019

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Hospital Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents (Note 1.D)	\$ 1,142,148	\$ 1,245,854	\$ 2,849,462	\$ 267,138	\$ 439,704	\$ 5,944,306
TOTAL ASSETS	<u>\$ 1,142,148</u>	<u>\$ 1,245,854</u>	<u>\$ 2,849,462</u>	<u>\$ 267,138</u>	<u>\$ 439,704</u>	<u>\$ 5,944,306</u>
FUND BALANCES						
Restricted for:						
Visitor Promotion	-	-	-	-	14,243	14,243
911 Emergency Services	-	-	-	-	213,803	213,803
Drug Education	-	-	-	-	1,282	1,282
Preservation of Records	-	-	-	-	2,085	2,085
Debt Service	-	-	-	267,138	-	267,138
Hospital Services	-	-	-	-	1,778	1,778
Committed to:						
Law Enforcement	-	-	-	-	6,727	6,727
Road Maintenance	-	1,245,854	-	-	-	1,245,854
Aid and Assistance	-	-	-	-	22,819	22,819
Unemployment	-	-	-	-	15,799	15,799
Economic Development	-	-	-	-	161,168	161,168
Assigned to:						
Other Purposes	-	-	2,849,462	-	-	2,849,462
Unassigned	1,142,148	-	-	-	-	1,142,148
TOTAL CASH BASIS FUND BALANCES	<u>\$ 1,142,148</u>	<u>\$ 1,245,854</u>	<u>\$ 2,849,462</u>	<u>\$ 267,138</u>	<u>\$ 439,704</u>	<u>\$ 5,944,306</u>

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

KEARNEY COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General Fund	Road Fund	Inheritance Fund	Hospital Bond Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$2,848,958	\$ -	\$ 448,975	\$ 754,864	\$ 498,557	\$ 4,551,354
Licenses and Permits	25,877	-	-	-	-	25,877
Investment Income	37,204	-	-	-	958	38,162
Intergovernmental	443,934	1,457,006	-	85,290	106,596	2,092,826
Charges for Services	394,928	-	-	-	6,287	401,215
Miscellaneous	17,734	122,135	1,000	-	11,003	151,872
TOTAL RECEIPTS	<u>3,768,635</u>	<u>1,579,141</u>	<u>449,975</u>	<u>840,154</u>	<u>623,401</u>	<u>7,261,306</u>
DISBURSEMENTS						
General Government	1,885,601	-	90,781	-	12,061	1,988,443
Public Safety	790,028	-	-	-	252,270	1,042,298
Public Works	38,378	2,344,888	-	-	-	2,383,266
Health and Sanitation	-	-	-	-	398,919	398,919
Public Assistance	32,143	-	-	-	4,133	36,276
Debt Service:						
Principal Payments	-	-	-	660,000	-	660,000
Interest and Fiscal Charges	-	-	-	201,071	-	201,071
TOTAL DISBURSEMENTS	<u>2,746,150</u>	<u>2,344,888</u>	<u>90,781</u>	<u>861,071</u>	<u>667,383</u>	<u>6,710,273</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>1,022,485</u>	<u>(765,747)</u>	<u>359,194</u>	<u>(20,917)</u>	<u>(43,982)</u>	<u>551,033</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	1,014,884	-	-	19,757	1,034,641
Transfers out	(1,014,884)	-	-	-	(19,757)	(1,034,641)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,014,884)</u>	<u>1,014,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	7,601	249,137	359,194	(20,917)	(43,982)	551,033
CASH BASIS FUND BALANCES - BEGINNING	<u>1,134,547</u>	<u>996,717</u>	<u>2,490,268</u>	<u>288,055</u>	<u>483,686</u>	<u>5,393,273</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$1,142,148</u>	<u>\$ 1,245,854</u>	<u>\$ 2,849,462</u>	<u>\$267,138</u>	<u>\$ 439,704</u>	<u>\$ 5,944,306</u>

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

KEARNEY COUNTY
STATEMENT OF CASH BASIS NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 420,840
 LIABILITIES	
Due to other governments	
State	140,083
Schools	119,037
Educational Service Units	1,334
Technical College	8,610
Natural Resource Districts	1,625
Fire Districts	(209)
Municipalities	22,788
Agricultural Society	241
Drainage Districts	6,316
Townships	225
Fort Kearny Board	43,657
Others	77,133
TOTAL LIABILITIES	420,840
 TOTAL NET ASSETS	 \$ -

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

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

Kearney 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. The County is also considered financially accountable if an organization is fiscally dependent on and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

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

Joint Organization.

Behavioral Health Region 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 \$16,664 toward

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

the operation of the Region during fiscal year 2019. 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 Two Rivers 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 2018).

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 2019. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is audited in accordance with Neb. Rev. Stat. § 84-304(4) (Cum. Supp. 2018). Financial information for the Department is available in that report.

Fort Kearny Preservation, Restoration and Development Board – As explained in “Buffalo Tales,” Volume 11, No. 6, and Volume 23, No. 3, published by the Buffalo County Historical Society, local citizens formed the Fort Kearny Memorial Association in 1922 for “the perpetuation and preservation of the Old Fort Kearny Site as a patriotic and historic park and the marking of same by suitable monuments.” The Memorial Association was replaced by the Fort Kearny Preservation, Restoration and Development Board (FKPRD Board), as decreed by Governor Ralph Brooks. Contributions continue to be collected by the FKPRD Board and deposited with the Kearney County Treasurer. Withdrawals are made by warrant requests signed by the authorized members of the current board. As of June 30, 2019, the Kearney County Treasurer was holding \$43,657 for the FKPRD Board.

B. Basis of Presentation

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

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Restricted. This category results when constraints are externally imposed on net asset use by creditors, grantors, or contributors, or imposed by law through constitutional provisions or enabling legislation. 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.

Unrestricted. This category represents resources that do not meet the definition of the preceding category. Unrestricted resources often have constraints on resources that are imposed by management, but those constraints can be removed or modified.

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.

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.

Hospital Bond Fund. This fund is used to account for tax receipts collected for the payment on the bond debt.

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

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

The County designates fund balances as follows:

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

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

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

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

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

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

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

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

D. Assets and Net Position

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

Investments. The types of investments in which the County is authorized to invest funds are enumerated in Neb. Rev. Stat. § 77-2315, § 77-2340, and § 77-2341 (Reissue 2018) and generally include U.S. Government obligations, certificates of deposit, and time deposits and securities, which are authorized by the Nebraska Investment Council.

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

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

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

Restricted Net Position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$500,329 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.

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

Excess of Disbursements Over Appropriations. For the year ended June 30, 2019, disbursements exceeded budgeted appropriations in the Hospital Bond Fund by \$4,608. These over-expenditures were funded by the available fund balance.

Deficit Fund Balance. The Kenesaw Fire District Sinking Fund had a deficit fund balance of \$2,009 as of June 30, 2019. A levy was incorrectly set by the Adams County Board, resulting in multiple refunds being owed to taxpayers. The County plans to net tax collections with the deficit balance to cover the disbursements.

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 2018).

At year end, the County's carrying amount of deposits was \$5,944,306 for County funds and \$420,840 for Fiduciary funds. The bank balances for all funds totaled \$7,043,476. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2019, 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.

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.

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Property Taxes** (Concluded)

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 2018, for the 2018 taxes, which will be materially collected in May and September 2019, was set at \$.206740/\$100 of assessed valuation. The levy set in October 2017, for the 2017 taxes, which were materially collected in May and September 2018, was set at \$.184272/\$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. 2018) and may be amended through legislative action.

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

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

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

For the year ended June 30, 2019, 70 employees contributed \$104,574, and the County contributed \$155,365. Contributions included \$2,998 in cash contributions towards the supplemental law enforcement plan for seven law enforcement employees. Lastly, the County paid \$1,861 directly to 17 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 96 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.

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, 2019, consisted of the following:

<u>Transfers to</u>	Transfers from		Total
	General Fund	Nonmajor Funds	
Road Fund	\$ 1,014,884	\$ -	\$ 1,014,884
Nonmajor Funds	-	19,757	19,757
Total	<u>\$ 1,014,884</u>	<u>\$ 19,757</u>	<u>\$ 1,034,641</u>

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. **Interfund Transfers** (Concluded)

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

7. **Long-Term Debt**

Series 2012 General Obligation Bond

The County issued bonds on January 17, 2012, in the amount of \$1,140,000 for the purpose of refunding Series 2009 General Obligation Bonds originally issued for paying the costs of improvements, additions, and equipment for the County's existing hospital facilities. The bond payable balance as of June 30, 2019, was \$630,000. 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
2020	\$ 100,000	\$ 12,073	\$ 112,073
2021	100,000	10,372	110,372
2022	105,000	8,422	113,422
2023	105,000	6,244	111,244
2024	110,000	3,850	113,850
2025	110,000	1,293	111,293
Total Payments	<u>\$ 630,000</u>	<u>\$ 42,254</u>	<u>\$ 672,254</u>

Series 2014 General Obligation Bond

The County issued bonds on June 17, 2014, in the amount of \$8,825,000 for the purpose of refunding Series 2011 General Obligation Bonds originally issued for paying the costs of constructing renovations, improvements, and additions to, and providing equipment for, the existing hospital facilities. The bond payable balance as of June 30, 2019, was \$7,010,000. 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
2020	\$ 575,000	\$ 175,313	\$ 750,313
2021	585,000	163,812	748,812
2022	595,000	152,113	747,113
2023	605,000	139,915	744,915
2024	620,000	126,302	746,302
2025-2029	3,345,000	388,703	3,733,703
2030	685,000	20,550	705,550
Total Payments	<u>\$ 7,010,000</u>	<u>\$ 1,166,708</u>	<u>\$ 8,176,708</u>

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Concluded)

8. Notes Receivable

In 1997, the County received a Community Development Block Grant from the Nebraska Department of Economic Development (DED) in the amount of \$200,000. Over the years, the amount was loaned to various businesses, which 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 one loan that is still being repaid with an interest rate of 4.125%. The business owes the County \$23,532 as of June 30, 2019. Each loan, the amount due, and expected repayment date is available at the City of Minden.

9. Prior Period Adjustment

The Hospital Maintenance Fund beginning balance of \$2,096 was excluded from the prior audit report. An adjustment was made to the beginning fund balance of the noted Fund to match the County Treasurer balance of \$2,096.

The Unemployment Security Fund beginning balance was incorrectly overstated in the prior audit report by \$2. An adjustment was made to the beginning fund balance of the noted Fund to match the County Treasurer balance of \$15,799.

KEARNEY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 3,210,798	\$ 3,210,798	\$ 2,848,958	\$ (361,840)
Licenses and Permits	24,850	24,850	25,877	1,027
Interest	20,075	20,075	37,204	17,129
Intergovernmental	113,846	113,846	443,934	330,088
Charges for Services	348,580	348,580	394,928	46,348
Miscellaneous	15,000	15,000	17,734	2,734
TOTAL RECEIPTS	<u>3,733,149</u>	<u>3,733,149</u>	<u>3,768,635</u>	<u>35,486</u>
DISBURSEMENTS				
General Government:				
County Board	90,849	90,849	88,221	2,628
County Clerk	180,950	180,950	151,250	29,700
County Treasurer	191,845	191,845	177,133	14,712
County Assessor	143,880	143,880	118,523	25,357
County Superintendent	4,480	4,480	4,445	35
Election Commissioner	40,000	40,000	20,353	19,647
Building and Zoning	16,347	16,347	13,956	2,391
Data Processing	91,000	91,000	44,897	46,103
Clerk of the District Court	87,293	87,293	60,734	26,559
County Court System	11,300	11,300	7,990	3,310
District Judge	58,492	58,492	57,454	1,038
Public Defender	64,184	64,184	60,664	3,520
Building and Grounds	107,345	107,345	78,489	28,856
Reappraisal	34,000	34,000	21,750	12,250
Agricultural Extension Agent	69,547	69,547	56,884	12,663
Miscellaneous	1,317,232	1,317,232	922,858	394,374
Public Safety				
County Sheriff	402,835	402,835	358,564	44,271
County Attorney	191,420	191,420	170,481	20,939
Child Support Attorney	40,225	40,225	37,021	3,204
County Jail	123,511	123,511	104,045	19,466
Juvenile Probation	6,400	6,400	5,065	1,335
Emergency Manager	286,020	286,020	114,852	171,168
Public Works				
County Surveyor	6,600	6,600	2,095	4,505
Noxious Weed Control	52,257	52,257	36,283	15,974
Public Assistance				
Veterans' Service Officer	34,800	34,800	32,143	2,657
TOTAL DISBURSEMENTS	<u>3,652,812</u>	<u>3,652,812</u>	<u>2,746,150</u>	<u>906,662</u>

(Continued)

KEARNEY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	80,337	80,337	1,022,485	942,148
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(1,014,884)</u>	<u>(1,014,884)</u>	<u>(1,014,884)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,014,884)</u>	<u>(1,014,884)</u>	<u>(1,014,884)</u>	<u>-</u>
Net Change in Fund Balance	(934,547)	(934,547)	7,601	942,148
FUND BALANCE - BEGINNING	<u>1,134,547</u>	<u>1,134,547</u>	<u>1,134,547</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 200,000</u></u>	<u><u>\$ 200,000</u></u>	<u><u>\$1,142,148</u></u>	<u><u>\$ 942,148</u></u>

(Concluded)

KEARNEY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Intergovernmental	\$ 1,393,889	\$ 1,393,889	\$1,457,006	\$ 63,117
Miscellaneous	20,000	20,000	122,135	102,135
TOTAL RECEIPTS	<u>1,413,889</u>	<u>1,413,889</u>	<u>1,579,141</u>	<u>165,252</u>
DISBURSEMENTS	<u>3,225,493</u>	<u>3,225,493</u>	<u>2,344,888</u>	<u>880,605</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,811,604)</u>	<u>(1,811,604)</u>	<u>(765,747)</u>	<u>1,045,857</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,014,884	1,014,884	1,014,884	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,014,884</u>	<u>1,014,884</u>	<u>1,014,884</u>	<u>-</u>
Net Change in Fund Balance	(796,720)	(796,720)	249,137	1,045,857
FUND BALANCE - BEGINNING	996,720	996,720	996,717	(3)
FUND BALANCE - ENDING	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$1,245,854</u>	<u>\$ 1,045,854</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 309,732	\$ 309,732	\$ 448,975	\$ 139,243
Miscellaneous	-	-	1,000	1,000
TOTAL RECEIPTS	<u>309,732</u>	<u>309,732</u>	<u>449,975</u>	<u>140,243</u>
DISBURSEMENTS	<u>2,800,000</u>	<u>2,800,000</u>	<u>90,781</u>	<u>2,709,219</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(2,490,268)</u>	<u>(2,490,268)</u>	<u>359,194</u>	<u>2,849,462</u>
Net Change in Fund Balance	(2,490,268)	(2,490,268)	359,194	2,849,462
FUND BALANCE - BEGINNING	2,490,268	2,490,268	2,490,268	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,849,462</u>	<u>\$ 2,849,462</u>

(Continued)

KEARNEY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HOSPITAL BOND FUND				
RECEIPTS				
Taxes	\$ 854,000	\$ 854,000	\$ 754,864	\$ (99,136)
Interest	1	1	-	(1)
Intergovernmental	-	-	85,290	85,290
TOTAL RECEIPTS	<u>854,001</u>	<u>854,001</u>	<u>840,154</u>	<u>(13,847)</u>
DISBURSEMENTS	<u>856,463</u>	<u>856,463</u>	<u>861,071</u>	<u>(4,608)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(2,462)</u>	<u>(2,462)</u>	<u>(20,917)</u>	<u>(18,455)</u>
Net Change in Fund Balance	(2,462)	(2,462)	(20,917)	(18,455)
FUND BALANCE - BEGINNING	288,055	288,055	288,055	-
FUND BALANCE - ENDING	<u>\$ 285,593</u>	<u>\$ 285,593</u>	<u>\$ 267,138</u>	<u>\$ (18,455)</u>

(Concluded)

KEARNEY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
VISITOR'S PROMOTION FUND				
Receipts	\$ 3,000	\$ 3,000	\$ 3,179	\$ 179
Disbursements	(14,064)	(14,064)	-	14,064
Net Change in Fund Balance	(11,064)	(11,064)	3,179	14,243
Fund Balance - Beginning	11,064	11,064	11,064	-
Fund Balance - Ending	\$ -	\$ -	\$ 14,243	\$ 14,243
REGISTER OF DEEDS PRESERVATION AND MODERNIZATION FUND				
Receipts	\$ 5,001	\$ 5,001	\$ 5,047	\$ 46
Disbursements	(14,100)	(14,100)	(12,061)	2,039
Net Change in Fund Balance	(9,099)	(9,099)	(7,014)	2,085
Fund Balance - Beginning	9,099	9,099	9,099	-
Fund Balance - Ending	\$ -	\$ -	\$ 2,085	\$ 2,085
EMPLOYMENT SECURITY FUND				
Receipts	\$ 1	\$ 1	\$ -	\$ (1)
Disbursements	(15,800)	(15,800)	-	15,800
Net Change in Fund Balance	(15,799)	(15,799)	-	15,799
Fund Balance - Beginning	15,799	15,799	15,799	-
Fund Balance - Ending	\$ -	\$ -	\$ 15,799	\$ 15,799
RELIEF MEDICAL FUND				
Receipts	\$ 1	\$ 1	\$ 3	\$ 2
Disbursements	(26,950)	(26,950)	(4,133)	22,817
Net Change in Fund Balance	(26,949)	(26,949)	(4,130)	22,819
Fund Balance - Beginning	26,949	26,949	26,949	-
Fund Balance - Ending	\$ -	\$ -	\$ 22,819	\$ 22,819
STOP PROGRAM FUND				
Receipts	\$ 1,001	\$ 1,001	\$ 1,240	\$ 239
Disbursements	(7,220)	(7,220)	(732)	6,488
Net Change in Fund Balance	(6,219)	(6,219)	508	6,727
Fund Balance - Beginning	6,219	6,219	6,219	-
Fund Balance - Ending	\$ -	\$ -	\$ 6,727	\$ 6,727

(Continued)

KEARNEY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COUNTY DRUG LAW ENFORCEMENT AND EDUCATION FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(1,627)	(1,627)	(345)	1,282
Net Change in Fund Balance	(1,627)	(1,627)	(345)	1,282
Fund Balance - Beginning	1,627	1,627	1,627	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,282</u>	<u>\$ 1,282</u>
FEDERAL GRANT FUND				
Receipts	\$ 15,793	\$ 15,793	\$ 11,961	\$ (3,832)
Disbursements	(165,000)	(165,000)	-	165,000
Net Change in Fund Balance	(149,207)	(149,207)	11,961	161,168
Fund Balance - Beginning	149,207	149,207	149,207	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,168</u>	<u>\$ 161,168</u>
911 WIRELESS SERVICE FUND				
Receipts	\$ 50,000	\$ 50,000	\$ 50,501	\$ 501
Disbursements	(52,089)	(52,089)	(31,082)	21,007
Transfers in	-	-	-	-
Transfers out	-	-	(19,757)	(19,757)
Net Change in Fund Balance	(2,089)	(2,089)	(338)	1,751
Fund Balance - Beginning	2,089	2,089	2,089	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,751</u>	<u>\$ 1,751</u>
911 WIRELESS SERVICE HOLDING FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(123,319)	(123,319)	(1,119)	122,200
Net Change in Fund Balance	(123,319)	(123,319)	(1,119)	122,200
Fund Balance - Beginning	123,319	123,319	123,319	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,200</u>	<u>\$ 122,200</u>
HOSPITAL MAINTENANCE FUND				
Receipts	\$ 8,909,615	\$ 10,455,120	\$ 398,601	\$ (10,056,519)
Disbursements	(8,911,711)	(10,457,216)	(398,919)	10,058,297
Net Change in Fund Balance	(2,096)	(2,096)	(318)	1,778
Fund Balance - Beginning	2,096	2,096	2,096	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,778</u>	<u>\$ 1,778</u>

(Continued)

KEARNEY COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
CENTRAL COMMUNICATIONS FUND				
Receipts	\$ 151,512	\$ 151,512	\$ 152,869	\$ 1,357
Disbursements	(242,730)	(242,730)	(218,992)	23,738
Transfers in	-	-	19,757	19,757
Transfers out	-	-	-	-
Net Change in Fund Balance	(91,218)	(91,218)	(46,366)	44,852
Fund Balance - Beginning	136,218	136,218	136,218	-
Fund Balance - Ending	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 89,852</u>	<u>\$ 44,852</u>

(Concluded)

KEARNEY COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Visitor's Promotion Fund	Register of Deeds Preservation and Modernization Fund	Employment Security Fund	Relief Medical Fund
RECEIPTS				
Property Taxes	\$ 3,179	\$ -	\$ -	\$ -
Investment Income	-	-	-	-
Intergovernmental	-	-	-	3
Charges for Services	-	5,047	-	-
Miscellaneous	-	-	-	-
TOTAL RECEIPTS	<u>3,179</u>	<u>5,047</u>	<u>-</u>	<u>3</u>
DISBURSEMENTS				
General Government	-	12,061	-	-
Public Safety	-	-	-	-
Health and Sanitation	-	-	-	-
Public Assistance	-	-	-	4,133
TOTAL DISBURSEMENTS	<u>-</u>	<u>12,061</u>	<u>-</u>	<u>4,133</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>3,179</u>	<u>(7,014)</u>	<u>-</u>	<u>(4,130)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	3,179	(7,014)	-	(4,130)
FUND BALANCES - BEGINNING	<u>11,064</u>	<u>9,099</u>	<u>15,799</u>	<u>26,949</u>
FUND BALANCES - ENDING	<u>\$ 14,243</u>	<u>\$ 2,085</u>	<u>\$ 15,799</u>	<u>\$ 22,819</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	14,243	-	-	-
911 Emergency Services	-	-	-	-
Drug Education	-	-	-	-
Preservation of Records	-	2,085	-	-
Hospital Services	-	-	-	-
Committed to:				
Law Enforcement	-	-	-	-
Aid and Assistance	-	-	-	22,819
Unemployment	-	-	15,799	-
Economic Development	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 14,243</u>	<u>\$ 2,085</u>	<u>\$ 15,799</u>	<u>\$ 22,819</u>

(Continued)

KEARNEY COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	STOP Program Fund	County Drug Law Enforcement and Education Fund	Federal Grant Fund	911 Wireless Service Fund
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ 50,501
Investment Income	-	-	958	-
Intergovernmental	-	-	-	-
Charges for Services	1,240	-	-	-
Miscellaneous	-	-	11,003	-
TOTAL RECEIPTS	<u>1,240</u>	<u>-</u>	<u>11,961</u>	<u>50,501</u>
DISBURSEMENTS				
General Government	-	-	-	-
Public Safety	732	345	-	31,082
Health and Sanitation	-	-	-	-
Public Assistance	-	-	-	-
TOTAL DISBURSEMENTS	<u>732</u>	<u>345</u>	<u>-</u>	<u>31,082</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>508</u>	<u>(345)</u>	<u>11,961</u>	<u>19,419</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(19,757)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,757)</u>
Net Change in Fund Balances	508	(345)	11,961	(338)
FUND BALANCES - BEGINNING	<u>6,219</u>	<u>1,627</u>	<u>149,207</u>	<u>2,089</u>
FUND BALANCES - ENDING	<u>\$ 6,727</u>	<u>\$ 1,282</u>	<u>\$ 161,168</u>	<u>\$ 1,751</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	-	-	-	-
911 Emergency Services	-	-	-	1,751
Drug Education	-	1,282	-	-
Preservation of Records	-	-	-	-
Hospital Services	-	-	-	-
Committed to:				
Law Enforcement	6,727	-	-	-
Aid and Assistance	-	-	-	-
Unemployment	-	-	-	-
Economic Development	-	-	161,168	-
TOTAL FUND BALANCES	<u>\$ 6,727</u>	<u>\$ 1,282</u>	<u>\$ 161,168</u>	<u>\$ 1,751</u>

(Continued)

KEARNEY COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	911 Wireless Service Holding Fund	Hospital Maintenance Fund	Central Communications Fund	Total Nonmajor Governmental Funds
RECEIPTS				
Property Taxes	\$ -	\$ 358,589	\$ 86,288	\$ 498,557
Investment Income	-	-	-	958
Intergovernmental	-	40,012	66,581	106,596
Charges for Services	-	-	-	6,287
Miscellaneous	-	-	-	11,003
TOTAL RECEIPTS	<u>-</u>	<u>398,601</u>	<u>152,869</u>	<u>623,401</u>
DISBURSEMENTS				
General Government	-	-	-	12,061
Public Safety	1,119	-	218,992	252,270
Health and Sanitation	-	398,919	-	398,919
Public Assistance	-	-	-	4,133
TOTAL DISBURSEMENTS	<u>1,119</u>	<u>398,919</u>	<u>218,992</u>	<u>667,383</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,119)</u>	<u>(318)</u>	<u>(66,123)</u>	<u>(43,982)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	19,757	19,757
Transfers out	-	-	-	(19,757)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>19,757</u>	<u>-</u>
Net Change in Fund Balances	(1,119)	(318)	(46,366)	(43,982)
FUND BALANCES - BEGINNING	<u>123,319</u>	<u>2,096</u>	<u>136,218</u>	<u>483,686</u>
FUND BALANCES - ENDING	<u>\$ 122,200</u>	<u>\$ 1,778</u>	<u>\$ 89,852</u>	<u>\$ 439,704</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	-	-	-	14,243
911 Emergency Services	122,200	-	89,852	213,803
Drug Education	-	-	-	1,282
Preservation of Records	-	-	-	2,085
Hospital Services	-	1,778	-	1,778
Committed to:				
Law Enforcement	-	-	-	6,727
Aid and Assistance	-	-	-	22,819
Unemployment	-	-	-	15,799
Economic Development	-	-	-	161,168
TOTAL FUND BALANCES	<u>\$ 122,200</u>	<u>\$ 1,778</u>	<u>\$ 89,852</u>	<u>\$ 439,704</u>

(Concluded)

KEARNEY COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2019

	County Clerk	Clerk of the District Court	County Sheriff	Highway Superintendent	Veterans' Service Officer	County Planning and Zoning	Total
BALANCES JULY 1, 2018	\$ 9,848	\$ 23,926	\$ 15,719	\$ -	\$ 46	\$ -	\$ 49,539
RECEIPTS							
Property Taxes	-	-	2,893	-	-	-	2,893
Licenses and Permits	1,025	-	450	-	-	1,000	2,475
Intergovernmental	-	-	-	-	1,000	-	1,000
Charges for Services	58,540	6,692	28,943	21,872	-	-	116,047
Miscellaneous	-	-	944	260	250	-	1,454
State Fees	81,048	9,927	-	-	-	-	90,975
Other Liabilities	84	278,557	6,244	-	-	-	284,885
TOTAL RECEIPTS	140,697	295,176	39,474	22,132	1,250	1,000	499,729
DISBURSEMENTS							
Payments to County Treasurer	62,473	6,893	23,705	22,132	-	1,000	116,203
Payments to State Treasurer	85,553	9,220	-	-	-	-	94,773
Other Liabilities	84	257,248	18,230	-	857	-	276,419
TOTAL DISBURSEMENTS	148,110	273,361	41,935	22,132	857	1,000	487,395
BALANCES JUNE 30, 2019	<u>\$ 2,435</u>	<u>\$ 45,741</u>	<u>\$ 13,258</u>	<u>\$ -</u>	<u>\$ 439</u>	<u>\$ -</u>	<u>\$ 61,873</u>
BALANCES CONSIST OF:							
Due to County Treasurer	\$ 2,435	\$ 355	\$ 11,119	\$ -	\$ 439	\$ -	\$ 14,348
Petty Cash	-	-	-	-	-	-	-
Due to State Treasurer	-	1,107	-	-	-	-	1,107
Due to Others	-	44,279	2,139	-	-	-	46,418
BALANCES JUNE 30, 2019	<u>\$ 2,435</u>	<u>\$ 45,741</u>	<u>\$ 13,258</u>	<u>\$ -</u>	<u>\$ 439</u>	<u>\$ -</u>	<u>\$ 61,873</u>

KEARNEY COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2019

Item	2014	2015	2016	2017	2018
Tax Certified by Assessor					
Real Estate	\$ 18,868,664	\$ 21,236,351	\$ 20,952,097	\$ 20,945,702	\$ 20,981,389
Personal and Specials	1,420,278	1,232,608	1,184,413	1,142,744	1,044,862
Total	20,288,942	22,468,959	22,136,510	22,088,446	22,026,251
Corrections					
Additions	3,831	5,597	2,340	59,212	506
Deductions	(4,403)	(2,948)	(1,638)	(14,998)	(14,535)
Net Additions/ (Deductions)	(572)	2,649	702	44,214	(14,029)
Corrected Certified Tax	20,288,370	22,471,608	22,137,212	22,132,660	22,012,222
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2015	13,232,773	-	-	-	-
June 30, 2016	7,043,200	14,623,975	-	-	-
June 30, 2017	8,336	7,841,512	14,232,553	-	-
June 30, 2018	751	1,396	7,897,764	14,524,150	-
June 30, 2019	1,391	2,205	3,278	7,600,784	14,194,792
Total Net Collections	20,286,451	22,469,088	22,133,595	22,124,934	14,194,792
Total Uncollected Tax	\$ 1,919	\$ 2,520	\$ 3,617	\$ 7,726	\$ 7,817,430
Percentage Uncollected Tax	0.01%	0.01%	0.02%	0.03%	35.51%

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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KEARNEY 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
Kearney 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 Kearney County, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Kearney County's basic financial statements, and have issued our report thereon dated October 22, 2019. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and do not include the financial data of the Kearney County Hospital, a component unit of Kearney County.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kearney 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 Kearney County in a separate letter dated October 22, 2019.

Kearney County’s Response to Findings

Kearney County declined to respond to the finding described above.

Purpose of this Report

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



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

October 22, 2019



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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October 22, 2019

Board of Supervisors
Kearney County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Kearney County (County) for the fiscal year ended June 30, 2019, and have issued our report thereon dated October 22, 2019. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

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

COUNTY OVERALL

Segregation of Duties

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

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

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

Recording and Approval of Disbursements

We noted transfers from the General Fund to the Road Fund, totaling \$1,014,884, were not recorded in the County Clerk's records.

Good internal control and sound business practice require all disbursements of the County Treasurer to be properly recorded in the Clerk's financial records to ensure all funds are within their approved budgets.

Without such procedures, there is an increased risk of noncompliance with the Nebraska Budget Act, as well as an increased risk of loss, theft, or misuse of funds.

We recommend the County Clerk implement procedures to ensure all disbursements are properly recorded in the financial records.

Unclaimed Property

The County District Court and the County Sheriff were not in compliance with the Uniform Disposition of Unclaimed Property Act (Act), as set out at Neb. Rev. Stat. §§ 69-1301 to 69-1329 (Reissue 2018).

- The District Court had one outstanding check written in August 2014, totaling \$110, which was past due to the State Treasurer as unclaimed property.
- The District Court had one check, totaling \$500, which was attempted to pay out in November 2013. The check was voided; however, the balance was still held as of August 2019.
- The County Sheriff had nine checks, totaling \$86, that were written out of the inmate account and were past due to the State Treasurer as unclaimed property. Those checks were dated from December 2008 to December 2014.
- The County Sheriff had seven checks, totaling \$155, that were written out of the general checking account and were past due to the State Treasurer as unclaimed property. Those checks were dated from May 2011 to January 2015.

Section 69-1307.01 of the Act presumes intangible personal property held by a county and unclaimed for more than three years to be abandoned. Section 69-1310 requires any property presumed to be abandoned, as of June 30 each year, to be reported and remitted to the State Treasurer by November 1 annually.

When unclaimed property is not remitted timely to the State Treasurer, the County is not in compliance with the requirements of the Act, increasing the risk for loss or misuse of funds.

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

COUNTY BOARD

Disbursements in Excess of Budget

For the fiscal year ended June 30, 2019, the disbursements in the Hospital Bond Fund exceeded the adopted budget by \$4,608.

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

After the adoption of the county budget, no officer, department or other expending agency shall expend or contract to be expended any money, or incur any liability, or enter into any contract which, by its terms, involves the expenditure of money not provided for in the budget, or which involves the expenditure of any money for any of the purposes for which provision is made in the budget in excess of the amounts provided in said budget for such office, department or other expending agency, or purpose, for such fiscal year.

When expenditures are made in excess of amounts budgeted with no appropriation adjustments by the County Board to address those excesses, the County is noncompliant with State statute.

We recommend the County Board implement procedures to monitor closely its budget status on an ongoing basis to avoid individual functions and funds incurring expenses in excess of the amount budgeted.

Dual Signatures on Payroll Checks

We observed that all checks written out of the County's payroll bank account, totaling \$701,431, were signed only by the County Clerk. Checks from this bank account were for payroll-related expenses, such as employee benefits and retirement.

Neb. Rev. Stat. § 23-131(1) (Reissue 2012) provides, in relevant part, the following:

Upon the allowance of any claim or account against the county, the county board shall direct the county clerk to draw a warrant upon the county treasurer in payment thereof. The warrant shall be signed by the chairperson of the county board, except as hereinafter provided, and countersigned by the county clerk.

The lack of two signatures on County checks not only contradicts State statute but also increases the risk for loss or misuse of funds.

We recommend all disbursements from the payroll account contain two signatures, as required by State statute.

Payroll Procedures

During the audit, the following was noted:

- County elected officials were allowed to earn and accumulate vacation and sick leave.
 - The former County Treasurer was paid \$31,051 in leave benefits.
 - The former County Assessor was paid \$26,514 in leave benefits.

The Nebraska Supreme Court has stated that the authority of counties to act is limited, as follows:

A county in this state is a creature of statute and has no inherent authority. It has only such powers as are expressly conferred upon it by statute, and such as are incidentally indispensable to carry into effect those expressly granted it. A grant of power to a county is strictly construed, and any fair and reasonable doubt of the existence of the power is resolved against the county.

State ex rel. Johnson v. Gage County, 154 Neb. 822, 826, 49 N.W.2d 672, 675 (1951). With that instruction in mind, it is important to note that the Nebraska Attorney General has made the following observation:

Therefore, we believe the authority of each county officer to determine the working hours of himself and his employees and the circumstances under which he or his employees might be excused from work is exclusively his. We believe the county board has no specific authority to fix the hours of employment or the circumstances under which a county officer or his employees might be absent with pay from their employment.

(Emphasis added.) Op. Att’y Gen. No. 157 (Nov. 18, 1983). Due to the lack of express authority to establish leave benefits for its elected officials, the County should refrain from doing so.

- The County Board does not review and approve all monthly payroll disbursements until after they are made.
- The County Board does not review or approve all County employee leave balances.
- Some County employees received retroactive pay raises. These employees were given a lump sum payment in October 2018 for raises earned in July 2018.

Sound business practices and good internal control require the County to implement procedures to ensure the following: 1) the County Board reviews and approves all payroll expenses prior to payment; 2) the County Board reviews and approves all employee leave balances; and 3) the payment of all raises approved for County employees begins during the month of authorization.

Without such procedures, the County Board is at increased risk for not only loss or misuse of funds but also potential litigation.

We recommend the County refrain from providing its elected officials with leave benefits when not expressly authorized to do so. Additionally, we recommend the implementation of procedures to ensure the following: 1) the County Board reviews and approves all payroll expenses prior to payment; 2) the County Board reviews and approves all employee leave balances; and 3) the payment of all raises approved for County employees begins during the month of authorization.

COUNTY CLERK OF THE DISTRICT COURT

Review of Case Balances

During the audit, we reviewed two financial reports of the District Court, noting the following:

Monthly Case Balance Report

During testing of four balances held by the District Court, we noted that timely action was not taken to resolve three of those balances, totaling \$795, as follows:

- For one balance held, totaling \$270, the defendant failed to appear, and a bench warrant was issued in March 2014; however, no subsequent action was noted, such as forfeiture of said funds.

- For one balance held, totaling \$75, the case was mandated in September 2016; however, the bond was still held during fieldwork in September 2019.
- For one balance held, totaling \$450, the case was dismissed in April 2016; however, the bond was still held as of fieldwork in September 2019.

Overdue Case Balance Report

We tested 10 balances due to the District Court and noted that 7 of those balances, totaling \$5,270, did not have subsequent action taken by the District Court to ensure collection and/or resolution of those balances:

- For six balances due, totaling \$4,575, the defendants in the cases were previously incarcerated or released from probation; however, there was no activity on these cases for multiple years. For five of these cases, the last activity thereon ranged from 2003-2007, while the sixth case had activity in 2017.
- For one balance due, totaling \$695, the case was dismissed in 2009 because the defendant was deceased; however, the balance was still showing as owed during fieldwork in September 2019.

As of August 23, 2019, the report contained 39 overdue criminal case balances, totaling \$12,520. None of the cases noted had a current warrant issued.

Neb. Rev. Stat. § 24-345 (Reissue 2016) states the following:

All money, other than witness fees, fines, penalties, forfeitures and license money, that comes into the possession of the clerk of the district court for any county in the State of Nebraska by virtue of his or her office and remains in the custody of the clerk of the district court, uncalled for by the party or parties entitled to the money for a period of three years following the close of litigation in relation to the money, shall be remitted by the clerk of the district court to the State Treasurer on the first Tuesday in January, April, July, or October, respectively, following the expiration of the three-year period, for deposit in the Unclaimed Property Escheat Trust Fund pursuant to section 69-1317. Such payment shall release the bond of the clerk of the district court making such payment from all liability for the money so paid in compliance with this section.

Additionally, good internal controls and sound business practices require trust case balances and overdue amounts of the District Court to be reviewed on an ongoing, timely basis to determine what action should be taken to collect, remit, and/or otherwise resolve those balances.

Without a regular, detailed review of the monthly financial reports, there is an increased risk that balances may either not have proper follow-up action taken timely or have been previously resolved and should no longer be reflected as a balance in the accounting system.

We recommend the District Court implement an ongoing, timely review of the monthly financial reports, including the Case Balance Report and the Overdue Case Account Report, to ensure the timely collection and/or resolution of the balances listed therein.

COUNTY TREASURER

Postage Machine Disbursements

The County Treasurer made payments, totaling \$13,550, for the postage machine without going through the County Board's claim process. Payments were made out of the General Fund and recorded as a negative receipt. During the year, \$12,000 of expenses were subsequently approved by the County Board.

Neb. Rev. Stat. § 23-1601(1) (Reissue 2012) states the following:

It is the duty of the county treasurer to receive all money belonging to the county, from whatsoever source derived and by any method of payment provided by section 77-1702, and all other money which is by law directed to be paid to him or her. All money received by the county treasurer for the use of the county shall be paid out by him or her only on warrants issued by the county board according to law, except when special provision for payment of county money is otherwise made by law.

Neb. Rev. Stat. § 23-3106 (Reissue 2012) states the following, in relevant part:

The purchasing agent, under the supervision of the county board, or the county board, if there is no purchasing agent, shall purchase all personal property and services required by any office, officer, department, or agency of the county government in the county, subject to the County Purchasing Act.

Good internal control requires procedures to ensure that all expenditures of public funds for the purchase of goods or services are authorized by the County Board.

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

We recommend the County Treasurer implement procedures to ensure all purchases made with, as well as disbursements of, public funds are made through the County Board's claims process.

Fines Credited to the General Fund

Fines, totaling \$6,000, were paid to the County Treasurer in June 2019; however, this balance was credited to the County General Fund, instead of the Fines and Licenses Fund, as required by State statute.

Neb. Rev. Stat. § 29-2708 (Reissue 2016), states, in relevant part, "All money arising from fines and recognizances shall be credited by the county treasurer to the county school fund except as provided by Article VII, section 5, Constitution of Nebraska"

When fines are not paid to the appropriate fund, the County is not in compliance with State statute.

We recommend the County Treasurer correct the erroneous receipt and implement procedures to ensure all fines are coded appropriately in the future.

5% Gross In Lieu Distribution

During testing, we noted that the distribution of the 5% Gross In Lieu tax was not calculated correctly. The errors were due to the inclusion of the Minden Airport Authority levy in the calculation.

The table below summarizes the variances noted due to this error:

Subdivision	Over/(Under) Payments
County General	\$ (169)
Hospital Bond	\$ (50)
Hospital Maintenance	\$ (23)
Central Communications	\$ (5)
Minden School District	\$ (782)
Minden School Bond	\$ (118)
Minden Airport Authority	\$ 1,837
Minden	\$ (523)
Minden Bond	\$ (167)

Neb. Rev. Stat. § 70-651.04 (Reissue 2018) states 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, except that the only learning community levies to be included are the common levies for which the proceeds are distributed to member school districts pursuant to section 79-1073.

When 5% Gross In Lieu distributions are not correctly calculated, political subdivisions do not receive the appropriate amount of funding, increasing the risk for the loss or misuse of funds.

We recommend the County Treasurer correct the erroneous distribution. Additionally, we recommend the County Treasurer implement procedures to ensure future In Lieu tax distributions are calculated correctly.

Trust Balances

We noted the following related to the County Treasurer’s trust fund balances held as of June 30, 2019:

- A listing could not be provided to support the balance held for partial tax payments collected by the County Treasurer. As of June 30, 2019, the balance maintained totaled \$16,541. Due to the lack of support, we were unable to determine the age of the balances held; however, from the documentation available, we did note balances back to at least 2003.
- A balance of \$369 was held in a trust fund entitled “Undistributed Tax – MV Surcharge.” The County Treasurer was unable, however, to provide any information as to what this balance was for or when it was received.
- A cash item, totaling \$727, was recorded in September 2018 for balancing errors in the County Treasurer’s office. No follow-up action had been taken on this balance at the time of fieldwork in September 2019.
- Title fees collected in September 2018, totaling \$457, were not paid out and were still held at the time of fieldwork in September 2019.

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

When the County's trust balances are not consistently reviewed in a timely manner, there is an increased risk of errors, omissions, and/or irregularities not being detected and resolved in a timely manner.

We recommend that the County Treasurer implement procedures to ensure ongoing, detailed, and timely reviews of all trust balances are performed so that any unusual balances are promptly identified and resolved.

Insufficient Pledged Collateral

During our audit, we noted that the County Treasurer did not maintain securities to cover fully deposits held at one financial institution. For accounts maintained at Farmers and Merchants Bank, deposits were uncollateralized for the entire year, with uncollateralized amounts totaling \$51,000.

Neb. Rev. Stat. § 77-2395(1) (Reissue 2018) 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 [FDIC], 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.

Furthermore, sound accounting practices and a good internal control plan require procedures to ensure that public funds deposited in banks are fully protected by FDIC coverage or otherwise properly collateralized, and such security is properly documented.

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

We recommend the County Treasurer implement procedures for monitoring closely all County bank accounts to ensure they are properly secured, by either sufficient FDIC coverage or adequate collateral, and documentation of such security is maintained.

Tax Reconciliations

During the audit, the following issues were noted with the County Treasurer's tax reconciliation procedures:

- While the County Treasurer performs a tax reconciliation for each tax year, the reconciliations were incorrect. When asked about certain additions or deductions listed on the reconciliation, the County Treasurer was unsure and often made adjustments just to reconcile to the accounting system.
- When reviewing the County Treasurer's reconciliation, we noted several instances in which tax corrections from the County Assessor did not match records maintained by the County Treasurer. One such instance has been included below as an example:

- According to the tax correction form, the taxpayer was supposed to receive a \$68 deduction in taxes. The deletion was listed in the Treasurer’s reconciliation; however, the words “don’t deduct” were adjacent. In the accounting system, the full amount of the tax was still listed, indicating the Treasurer never updated the record.

Neb. Rev. Stat. § 77-1613.02 (Reissue 2018) states the following, in relevant part:

The county assessor or county clerk shall correct the assessment and tax rolls after action of the county board of equalization. Each correction shall be made in triplicate, each set of triplicate forms being consecutively numbered . . . The original copy shall be delivered to the county treasurer, the duplicate copy to the county clerk, and the triplicate copy shall remain in the office of the county assessor. . . . The county treasurer shall thereupon correct the tax roll to conform to the correction copy

Good internal controls require procedures to ensure that tax reconciliations are performed timely and correctly so that the total taxes certified by the County Assessor will be collected properly and posted to the correct tax year, and tax corrections are entered properly into the accounting system.

Without such procedures, there is an increased risk that the amounts shown within the County Treasurer’s accounting system will be inaccurate.

We recommend the County Treasurer implement procedures to ensure a complete and accurate tax reconciliation is completed timely. We further recommend the County Treasurer ensure all approved tax corrections are entered timely into the accounting system.

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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. The County declined to respond.

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

Sincerely,



Deann Haeffner, CPA
Assistant Deputy Auditor