

**AUDIT REPORT
OF
KNOX COUNTY**

JULY 1, 2018, THROUGH JUNE 30, 2019

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the Auditor of Public Accounts.**

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Issued on September 17, 2019

KNOX COUNTY

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KNOX COUNTY
206 Main Street
Center, NE 68724

LIST OF COUNTY OFFICIALS
At June 30, 2019

Title	Name	Term Expires
Board of Supervisors	Jim Borgmann Patrick Liska Kevin Mackeprang Virgil Miller Marty O'Connor Danny Schlotz Jim Sokol Jr.	Jan. 2023 Jan. 2021 Jan. 2023 Jan. 2023 Jan. 2023 Jan. 2021 Jan. 2021
Assessor	Monica McManigal	Jan. 2023
Attorney	John Thomas	Jan. 2023
Clerk Election Commissioner Register of Deeds	Joann Fischer	Jan. 2023
Clerk of the District Court	Matt Fischer	Jan. 2023
Sheriff	Donald Henery	Jan. 2023
Treasurer	Cathy Stark	Jan. 2023
Veterans' Service Officer	Gary Jones	Appointed
Weed Superintendent	Steven Banks	Appointed
Highway Superintendent	Kevin Barta	Appointed
Emergency Manager	Laura Hintz	Appointed
Planning and Zoning	Liz Doerr	Appointed
Surveyor	Michael Skroch	Appointed



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KNOX COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Knox 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 Knox County, as of and for the year ended June 30, 2019, 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 Knox 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 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 12, 2019, on our consideration of Knox 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 Knox County's internal control over financial reporting and compliance.



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

September 12, 2019

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

**Governmental
Activities**

ASSETS

Cash and Cash Equivalents (Note 1.D)	\$ 11,133,368
Investments (Note 1.D)	2,641,597
TOTAL ASSETS	\$ 13,774,965

NET POSITION

Restricted for:

Visitor Promotion	\$ 132,212
911 Emergency Services	101,278
Preservation of Records	14,629
Child Support Enforcement	86,135
Road Maintenance	406,648
Aid and Assistance	1,000
Unrestricted	13,033,063
TOTAL NET POSITION	\$ 13,774,965

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

KNOX 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	\$ (2,331,912)	\$ 375,801	\$ 82,083	\$ (1,874,028)
Public Safety	(1,094,371)	52,192	30,960	(1,011,219)
Public Works	(4,066,655)	5,500	2,341,094	(1,720,061)
Public Assistance	(48,838)	-	-	(48,838)
Culture and Recreation	(32,324)	-	-	(32,324)
Total Governmental Activities	<u>\$ (7,574,100)</u>	<u>\$ 433,493</u>	<u>\$ 2,454,137</u>	<u>(4,686,470)</u>

General Receipts:

Property Taxes	3,968,405
Grants and Contributions Not Restricted to Specific Programs	613,183
Investment Income	262,247
Licenses and Permits	44,177
Miscellaneous	244,524
Total General Receipts	<u>5,132,536</u>
Increase in Net Position	446,066
Net Position - Beginning of year	<u>13,328,899</u>
Net Position - End of year	<u>\$ 13,774,965</u>

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

KNOX COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS

June 30, 2019

	General Fund	Road Fund	Inheritance Fund	Flowage Easement Road Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents (Note 1.D)	\$ 1,388,202	\$ 471,893	\$ 1,609,152	\$ 6,121,302	\$ 1,542,819	\$ 11,133,368
Investments (Note 1.D)	-	-	-	2,641,597	-	2,641,597
TOTAL ASSETS	\$ 1,388,202	\$ 471,893	\$ 1,609,152	\$ 8,762,899	\$ 1,542,819	\$ 13,774,965
FUND BALANCES						
Restricted for:						
Visitor Promotion	-	-	-	-	132,212	132,212
911 Emergency Services	-	-	-	-	101,278	101,278
Preservation of Records	-	-	-	-	14,629	14,629
Child Support Enforcement	-	-	-	-	86,135	86,135
Road Maintenance	-	-	-	-	406,648	406,648
Aid and Assistance	-	-	-	-	1,000	1,000
Committed to:						
Law Enforcement	-	-	-	-	15,134	15,134
Road Maintenance	-	471,893	-	-	-	471,893
Road Projects	-	-	-	8,762,899	-	8,762,899
Economic Development	-	-	-	-	708,711	708,711
County Insurance	-	-	-	-	77,072	77,072
Assigned to:						
Other Purposes	-	-	1,609,152	-	-	1,609,152
Unassigned	1,388,202	-	-	-	-	1,388,202
TOTAL CASH BASIS FUND BALANCES	\$ 1,388,202	\$ 471,893	\$ 1,609,152	\$ 8,762,899	\$ 1,542,819	\$ 13,774,965

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

KNOX 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	Flowage Easement Road Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$ 3,423,439	\$ -	\$ 372,937	\$ -	\$ 172,029	\$ 3,968,405
Licenses and Permits	44,177	-	-	-	-	44,177
Investment Income	96,443	-	-	160,447	5,357	262,247
Intergovernmental	671,645	2,034,760	-	-	360,915	3,067,320
Charges for Services	418,588	5,500	-	-	9,405	433,493
Miscellaneous	6,463	142,490	17,501	-	78,070	244,524
TOTAL RECEIPTS	4,660,755	2,182,750	390,438	160,447	625,776	8,020,166
DISBURSEMENTS						
General Government	2,052,605	-	163,774	-	115,533	2,331,912
Public Safety	1,037,248	-	-	-	57,123	1,094,371
Public Works	182,645	3,212,922	-	433,159	237,929	4,066,655
Public Assistance	45,338	-	-	-	3,500	48,838
Culture and Recreation	-	-	-	-	32,324	32,324
TOTAL DISBURSEMENTS	3,317,836	3,212,922	163,774	433,159	446,409	7,574,100
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS						
	<u>1,342,919</u>	<u>(1,030,172)</u>	<u>226,664</u>	<u>(272,712)</u>	<u>179,367</u>	<u>446,066</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	1,213,345	35,045	262,489	4,073	1,514,952
Transfers out	(1,485,410)	-	-	-	(29,542)	(1,514,952)
TOTAL OTHER FINANCING SOURCES (USES)	(1,485,410)	1,213,345	35,045	262,489	(25,469)	-
Net Change in Fund Balances	(142,491)	183,173	261,709	(10,223)	153,898	446,066
CASH BASIS FUND BALANCES - BEGINNING	1,530,693	288,720	1,347,443	8,773,122	1,388,921	13,328,899
CASH BASIS FUND BALANCES - ENDING	\$ 1,388,202	\$ 471,893	\$ 1,609,152	\$ 8,762,899	\$ 1,542,819	\$ 13,774,965

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

KNOX COUNTY
STATEMENT OF CASH BASIS NET POSITION
FIDUCIARY FUNDS

June 30, 2019

Agency Funds

ASSETS

Cash and Cash Equivalents	<u>\$ 1,391,624</u>
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LIABILITIES

Due to other governments

State	187,731
Schools	226,739
Educational Service Units	2,872
Technical College	18,213
Natural Resource Districts	4,114
Fire Districts	21,300
Municipalities	27,418
Agricultural Society	1,254
Townships	504,522
Sanitary and Improvement Districts	114,921
Airport Authorities	15,550
Others	<u>266,990</u>
TOTAL LIABILITIES	<u>1,391,624</u>

TOTAL NET ASSETS	<u>\$ -</u>
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The notes to the financial statements are an integral part of this statement.

KNOX 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 Knox County.

A. Reporting Entity

Knox 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.

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 IV – 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 IV (Region) consists of the following counties: Cherry, Keya Paha, Boyd, Brown, Rock, Holt, Knox, Cedar, Dixon, Dakota, Thurston, Wayne, Pierce, Antelope, Boone, Nance, Madison, Stanton, Cuming, Burt, Colfax, and Platte.

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 \$10,086 toward 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.

KNOX COUNTY

NOTES TO FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (Continued)

Health Department – The County has entered into an agreement with the North Central District Health Department (Department) to provide public health services. The agreement was established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636 (Reissue 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.

Knox County Economic Development Agency – The County has entered into an agreement with the Knox County Economic Development Agency (Agency) to establish countywide economic development. Participating members of the Agency are the cities of Bloomfield, Creighton, and Crofton, the villages of Center, Niobrara, Santee, Verdigre, and Wausa, the County of Knox, and Great Plains Communications, Inc.

The Agency's governing board is established by interlocal agreement and includes representatives from the participating political subdivisions. Funding is provided by the participating entities as a percentage of the annual budget. The County contributed the salary of the Executive Director, plus benefits, and office space for the Agency. In the event of termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. Financial activity of the Agency is included in the Community Development Fund of the County financial statements.

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 Net Position presents the County's non-fiduciary assets in two categories:

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.

KNOX COUNTY

NOTES TO FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

Flowage Easement Road Fund. This fund is used to account for settlement monies received from the U.S. Army Corps of Engineers. Receipts are from interest earned on the balance in the fund. The funds are used for various improvements of County roadways.

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.

KNOX COUNTY

NOTES TO FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

KNOX 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 \$741,902 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.

KNOX 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.

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 \$11,133,368 for County funds and \$1,391,624 for Fiduciary funds. The bank balances for all funds totaled \$12,530,544. 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's carrying value of investments is stated at cost, which approximates market. Investments consisted of \$2,641,597 deposited in the Nebraska Public Agency Investment Trust (NPAIT). NPAIT is a public entity investment pool operated under the direction of a nine-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.

KNOX 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 \$.167739/\$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 \$.148178/\$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.

KNOX COUNTY

NOTES TO FINANCIAL STATEMENTS (Continued)

4. Retirement System (Concluded)

For the year ended June 30, 2019, 82 employees contributed \$123,205, and the County contributed \$183,536. Contributions included \$2,522 in cash contributions towards the supplemental law enforcement plan for six law enforcement employees. Lastly, the County paid \$1,851 directly to 18 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:

KNOX COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

6. Interfund Transfers (Concluded)

Transfers to	Transfers from		
	General Fund	Nonmajor Funds	Total
Road Fund	\$ 1,213,345	\$ -	\$ 1,213,345
Inheritance Fund	9,576	25,469	35,045
Flowage Easement Road Fund	262,489	-	262,489
Nonmajor Funds	-	4,073	4,073
Total	\$ 1,485,410	\$ 29,542	\$ 1,514,952

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. Interfund Loans

Receivable Fund	Payable Fund	Amount
	General Fund	\$
Flowage Easement Road Fund	General Fund	\$ 787,467
Inheritance Fund	911 Emergency Fund	\$ 76,406

8. Notes Receivable

In 1985, the County received a Community Development Block Grant from the Nebraska Department of Economic Development (DED) in the amount of \$154,000. An additional grant, totaling \$347,210, was received in 1990. Over the years, the amount was loaned to various businesses that, 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 18 loans that are still being repaid with interest rates ranging from 3% to 5%. The businesses owe the County \$329,450 as of June 30, 2019. The County has entered into an agreement with the Northeast Economic Development, Inc. (NED) for all future economic loans. Each loan, the amount due, and the expected repayment date is available in quarterly reports provided to the County Board.

9. Prior Period Adjustment

The County Insurance Fund beginning balance of \$83,905 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 \$83,905.

The Community Development Fund beginning balance was incorrectly overstated in the prior audit report by \$793. An adjustment was made to the beginning fund balance of the noted Fund to match the County Treasurer balance of \$110,380.

KNOX 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	\$ 3,886,969	\$ 3,886,969	\$ 3,423,439	\$ (463,530)
Licenses and Permits	44,600	44,600	44,177	(423)
Interest	50,100	50,100	96,443	46,343
Intergovernmental	366,646	366,646	671,645	304,999
Charges for Services	373,466	373,466	418,588	45,122
Miscellaneous	5,400	5,400	6,463	1,063
TOTAL RECEIPTS	4,727,181	4,727,181	4,660,755	(66,426)
DISBURSEMENTS				
General Government:				
County Board	171,373	171,373	169,954	1,419
County Clerk	141,002	141,002	136,950	4,052
County Treasurer	205,038	205,038	194,145	10,893
Register of Deeds	47,669	47,669	38,932	8,737
County Assessor	240,364	240,364	233,528	6,836
Election Commissioner	48,000	48,000	43,329	4,671
Building and Zoning	42,375	42,375	32,860	9,515
District Court - Judicial	23,500	23,500	1,065	22,435
Clerk of the District Court	105,462	105,462	103,874	1,588
County Court System	10,000	10,000	2,325	7,675
District Judge	6,000	6,000	5,553	447
Building and Grounds	181,231	181,231	145,043	36,188
Reappraisal	42,400	42,400	36,232	6,168
Agricultural Extension Agent	81,100	81,100	72,530	8,570
Grants	23,000	23,000	-	23,000
Miscellaneous	1,013,970	979,131	836,285	142,846
Public Safety				
County Sheriff	499,650	499,650	488,569	11,081
County Attorney	85,161	86,716	86,716	-
County Jail	366,800	400,084	400,084	-
Emergency Management	73,126	73,126	61,879	11,247
Public Works				
County Surveyor	9,700	9,700	6,581	3,119
Noxious Weed Control	46,261	46,261	35,108	11,153
Highway Department	143,032	143,032	140,956	2,076
Public Assistance				
Veterans' Service Officer	51,250	51,250	44,899	6,351
Institutions	5,000	5,000	-	5,000
County Relief	10,000	10,000	439	9,561
TOTAL DISBURSEMENTS	3,672,464	3,672,464	3,317,836	354,628

KNOX 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)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>1,054,717</u>	<u>1,054,717</u>	<u>1,342,919</u>	<u>288,202</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(1,485,410)</u>	<u>(1,485,410)</u>	<u>(1,485,410)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,485,410)</u>	<u>(1,485,410)</u>	<u>(1,485,410)</u>	<u>-</u>
Net Change in Fund Balance	(430,693)	(430,693)	(142,491)	288,202
FUND BALANCE - BEGINNING	<u>1,530,693</u>	<u>1,530,693</u>	<u>1,530,693</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>	<u>\$ 1,388,202</u>	<u>\$ 288,202</u>

(Concluded)

KNOX 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	\$ 2,036,044	\$ 2,036,044	\$ 2,034,760	\$ (1,284)
Charges for Services	1,000	1,000	5,500	4,500
Miscellaneous	39,500	39,500	142,490	102,990
TOTAL RECEIPTS	2,076,544	2,076,544	2,182,750	106,206
DISBURSEMENTS	3,578,609	3,578,609	3,212,922	365,687
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,502,065)</u>	<u>(1,502,065)</u>	<u>(1,030,172)</u>	<u>471,893</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,213,345	1,213,345	1,213,345	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,213,345	1,213,345	1,213,345	-
Net Change in Fund Balance	(288,720)	(288,720)	183,173	471,893
FUND BALANCE - BEGINNING	288,720	288,720	288,720	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 471,893</u>	<u>\$ 471,893</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 453,000	\$ 453,000	\$ 372,937	\$ (80,063)
Miscellaneous	28,026	28,026	17,501	(10,525)
TOTAL RECEIPTS	481,026	481,026	390,438	(90,588)
DISBURSEMENTS	1,863,513	1,863,513	163,774	1,699,739
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,382,487)</u>	<u>(1,382,487)</u>	<u>226,664</u>	<u>1,609,151</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	35,045	35,045	35,045	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	35,045	35,045	35,045	-
Net Change in Fund Balance	(1,347,442)	(1,347,442)	261,709	1,609,151
FUND BALANCE - BEGINNING	1,347,442	1,347,442	1,347,443	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,609,152</u>	<u>\$ 1,609,151</u>

KNOX 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)
FLOWAGE EASEMENT ROAD FUND				
RECEIPTS				
Interest	\$ 87,731	\$ 87,731	\$ 160,447	\$ 72,716
TOTAL RECEIPTS	<u>87,731</u>	<u>87,731</u>	<u>160,447</u>	<u>72,716</u>
DISBURSEMENTS	9,123,342	9,123,342	433,159	8,690,183
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(9,035,611)</u>	<u>(9,035,611)</u>	<u>(272,712)</u>	<u>8,762,899</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	262,489	262,489	262,489	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>262,489</u>	<u>262,489</u>	<u>262,489</u>	<u>-</u>
Net Change in Fund Balance	(8,773,122)	(8,773,122)	(10,223)	8,762,899
FUND BALANCE - BEGINNING	<u>8,773,122</u>	<u>8,773,122</u>	<u>8,773,122</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,762,899</u>	<u>\$ 8,762,899</u>

(Concluded)

KNOX 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)
COMMUNITY DEVELOPMENT FUND				
Receipts	\$ 86,710	\$ 86,710	\$ 80,218	\$ (6,492)
Disbursements	(197,090)	(197,090)	(85,223)	111,867
Net Change in Fund Balance	(110,380)	(110,380)	(5,005)	105,375
Fund Balance - Beginning	110,380	110,380	110,380	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,375</u>	<u>\$ 105,375</u>
HIGHWAY BRIDGE BUYBACK FUND				
Receipts	\$ 302,047	\$ 302,047	\$ 302,047	\$ -
Disbursements	(644,577)	(644,577)	(237,929)	406,648
Net Change in Fund Balance	(342,530)	(342,530)	64,118	406,648
Fund Balance - Beginning	342,530	342,530	342,530	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 406,648</u>	<u>\$ 406,648</u>
CHILD SUPPORT FUND				
Receipts	\$ 28,000	\$ 28,000	\$ 24,666	\$ (3,334)
Disbursements	(105,026)	(105,026)	(15,560)	89,466
Net Change in Fund Balance	(77,026)	(77,026)	9,106	86,132
Fund Balance - Beginning	77,026	77,026	77,029	3
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,135</u>	<u>\$ 86,135</u>
VISITOR PROMOTION FUND				
Receipts	\$ 23,680	\$ 23,680	\$ 22,625	\$ (1,055)
Disbursements	(30,580)	(30,580)	(20,441)	10,139
Net Change in Fund Balance	(6,900)	(6,900)	2,184	9,084
Fund Balance - Beginning	6,900	6,900	6,898	(2)
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,082</u>	<u>\$ 9,082</u>
VISITOR IMPROVEMENT FUND				
Receipts	\$ 29,000	\$ 29,000	\$ 22,622	\$ (6,378)
Disbursements	(141,390)	(141,390)	(11,883)	129,507
Net Change in Fund Balance	(112,390)	(112,390)	10,739	123,129
Fund Balance - Beginning	112,390	112,390	112,391	1
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,130</u>	<u>\$ 123,130</u>

(Continued)

KNOX 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)
REGISTER OF DEEDS PRESERVATION AND MODERNIZATION FUND				
Receipts	\$ 7,500	\$ 7,500	\$ 6,032	\$ (1,468)
Disbursements	(19,817)	(19,817)	(3,720)	16,097
Net Change in Fund Balance	(12,317)	(12,317)	2,312	14,629
Fund Balance - Beginning	12,317	12,317	12,317	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,629</u>	<u>\$ 14,629</u>
VETERANS' AID FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(4,500)	(4,500)	(3,500)	1,000
Net Change in Fund Balance	(4,500)	(4,500)	(3,500)	1,000
Fund Balance - Beginning	4,500	4,500	4,500	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
COUNTY INSURANCE FUND				
Receipts	\$ 115	\$ 115	\$ 260	\$ 145
Disbursements	(84,020)	(84,020)	(7,093)	76,927
Net Change in Fund Balance	(83,905)	(83,905)	(6,833)	77,072
Fund Balance - Beginning	83,905	83,905	83,905	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,072</u>	<u>\$ 77,072</u>
ECONOMIC DEVELOPMENT FUND				
Receipts	\$ 89,200	\$ 89,200	\$ 75,705	\$ (13,495)
Disbursements	(620,772)	(620,772)	(3,937)	616,835
Net Change in Fund Balance	(531,572)	(531,572)	71,768	603,340
Fund Balance - Beginning	531,572	531,572	531,568	(4)
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 603,336</u>	<u>\$ 603,336</u>
STOP PROGRAM FUND				
Receipts	\$ 800	\$ 800	\$ 400	\$ (400)
Disbursements	(3,688)	(3,688)	-	3,688
Net Change in Fund Balance	(2,888)	(2,888)	400	3,288
Fund Balance - Beginning	2,888	2,888	2,888	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,288</u>	<u>\$ 3,288</u>

(Continued)

KNOX 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)
911 EMERGENCY FUND				
Receipts	\$ 35,000	\$ 35,000	\$ 35,207	\$ 207
Disbursements	(32,396)	(32,396)	(11,424)	20,972
Transfers in	-	-	-	-
Transfers out	(25,469)	(25,469)	(25,469)	-
Net Change in Fund Balance	(22,865)	(22,865)	(1,686)	21,179
Fund Balance - Beginning	22,865	22,865	22,866	1
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,180</u>	<u>\$ 21,180</u>
911 WIRELESS SERVICE FUND				
Receipts	\$ 53,023	\$ 53,023	\$ 53,021	\$ (2)
Disbursements	(53,023)	(53,023)	(44,013)	9,010
Transfers in	-	-	-	-
Transfers out	(4,073)	(4,073)	(4,073)	-
Net Change in Fund Balance	(4,073)	(4,073)	4,935	9,008
Fund Balance - Beginning	4,073	4,073	4,075	2
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,010</u>	<u>\$ 9,010</u>
911 WIRELESS SERVICE HOLDING FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(71,088)	(71,088)	-	71,088
Transfers in	4,073	4,073	4,073	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(67,015)	(67,015)	4,073	71,088
Fund Balance - Beginning	67,015	67,015	67,015	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,088</u>	<u>\$ 71,088</u>
SHERIFF COMMISSARY FUND				
Receipts	\$ 6,000	\$ 6,000	\$ 2,973	\$ (3,027)
Disbursements	(15,067)	(15,067)	(1,686)	13,381
Net Change in Fund Balance	(9,067)	(9,067)	1,287	10,354
Fund Balance - Beginning	9,067	9,067	9,066	(1)
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,353</u>	<u>\$ 10,353</u>

(Continued)

KNOX 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)
DRUG LAW ENFORCEMENT FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(1,493)	(1,493)	-	1,493
Net Change in Fund Balance	(1,493)	(1,493)	-	1,493
Fund Balance - Beginning	1,493	1,493	1,493	-
Fund Balance - Ending	\$ -	\$ -	\$ 1,493	\$ 1,493

(Concluded)

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

For the Year Ended June 30, 2019

	Community Development Fund	Highway Bridge Buyback Fund	Child Support Fund	Visitor Promotion Fund	Visitor Improvement Fund
RECEIPTS					
Property Taxes	\$ 38,554	\$ -	\$ -	\$ 22,625	\$ 22,622
Investment Income	-	-	-	-	-
Intergovernmental	34,202	302,047	24,666	-	-
Charges for Services	-	-	-	-	-
Miscellaneous	7,462	-	-	-	-
TOTAL RECEIPTS	80,218	302,047	24,666	22,625	22,622
DISBURSEMENTS					
General Government	85,223	-	15,560	-	-
Public Safety	-	-	-	-	-
Public Works	-	237,929	-	-	-
Public Assistance	-	-	-	-	-
Culture and Recreation	-	-	-	20,441	11,883
TOTAL DISBURSEMENTS	85,223	237,929	15,560	20,441	11,883
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(5,005)	64,118	9,106	2,184	10,739
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
Net Change in Fund Balances	(5,005)	64,118	9,106	2,184	10,739
FUND BALANCES - BEGINNING	110,380	342,530	77,029	6,898	112,391
FUND BALANCES - ENDING	\$ 105,375	\$ 406,648	\$ 86,135	\$ 9,082	\$ 123,130
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	9,082	123,130
911 Emergency Services	-	-	-	-	-
Preservation of Records	-	-	-	-	-
Child Support Enforcement	-	-	86,135	-	-
Road Maintenance	-	406,648	-	-	-
Aid and Assistance	-	-	-	-	-
Committed to:					
Law Enforcement	-	-	-	-	-
Economic Development	105,375	-	-	-	-
County Insurance	-	-	-	-	-
TOTAL FUND BALANCES	\$ 105,375	\$ 406,648	\$ 86,135	\$ 9,082	\$ 123,130

(Continued)

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

For the Year Ended June 30, 2019

	Register of Deeds Preservation and Modernization Fund	Veterans' Aid Fund	County Insurance Fund	Economic Development Fund	Stop Program Fund	911 Emergency Fund
RECEIPTS						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,207
Investment Income	-	-	260	5,097	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	6,032	-	-	-	400	-
Miscellaneous	-	-	-	70,608	-	-
TOTAL RECEIPTS	6,032	-	260	75,705	400	35,207
DISBURSEMENTS						
General Government	3,720	-	7,093	3,937	-	-
Public Safety	-	-	-	-	-	11,424
Public Works	-	-	-	-	-	-
Public Assistance	-	3,500	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
TOTAL DISBURSEMENTS	3,720	3,500	7,093	3,937	-	11,424
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	2,312	(3,500)	(6,833)	71,768	400	23,783
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(25,469)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	(25,469)
Net Change in Fund Balances	2,312	(3,500)	(6,833)	71,768	400	(1,686)
FUND BALANCES - BEGINNING	12,317	4,500	83,905	531,568	2,888	22,866
FUND BALANCES - ENDING	\$ 14,629	\$ 1,000	\$ 77,072	\$ 603,336	\$ 3,288	\$ 21,180
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	-	-	-	-	-
911 Emergency Services	-	-	-	-	-	21,180
Preservation of Records	14,629	-	-	-	-	-
Child Support Enforcement	-	-	-	-	-	-
Road Maintenance	-	-	-	-	-	-
Aid and Assistance	-	1,000	-	-	-	-
Committed to:						
Law Enforcement	-	-	-	-	3,288	-
Economic Development	-	-	-	603,336	-	-
County Insurance	-	-	77,072	-	-	-
TOTAL FUND BALANCES	\$ 14,629	\$ 1,000	\$ 77,072	\$ 603,336	\$ 3,288	\$ 21,180

(Continued)

KNOX 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 Fund	Wireless Holding Fund	Sheriff Commissary Fund	Drug Law Enforcement Fund	Total Nonmajor Governmental Funds
RECEIPTS					
Property Taxes	\$ 53,021	\$ -	\$ -	\$ -	\$ 172,029
Investment Income	-	-	-	-	5,357
Intergovernmental	-	-	-	-	360,915
Charges for Services	-	-	2,973	-	9,405
Miscellaneous	-	-	-	-	78,070
TOTAL RECEIPTS	53,021	-	2,973	-	625,776
DISBURSEMENTS					
General Government	-	-	-	-	115,533
Public Safety	44,013	-	1,686	-	57,123
Public Works	-	-	-	-	237,929
Public Assistance	-	-	-	-	3,500
Culture and Recreation	-	-	-	-	32,324
TOTAL DISBURSEMENTS	44,013	-	1,686	-	446,409
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS					
	9,008	-	1,287	-	179,367
OTHER FINANCING SOURCES (USES)					
Transfers in	-	4,073	-	-	4,073
Transfers out	(4,073)	-	-	-	(29,542)
TOTAL OTHER FINANCING SOURCES (USES)	(4,073)	4,073	-	-	(25,469)
Net Change in Fund Balances	4,935	4,073	1,287	-	153,898
FUND BALANCES - BEGINNING	4,075	67,015	9,066	1,493	1,388,921
FUND BALANCES - ENDING	\$ 9,010	\$ 71,088	\$ 10,353	\$ 1,493	\$ 1,542,819
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	132,212
911 Emergency Services	9,010	71,088	-	-	101,278
Preservation of Records	-	-	-	-	14,629
Child Support Enforcement	-	-	-	-	86,135
Road Maintenance	-	-	-	-	406,648
Aid and Assistance	-	-	-	-	1,000
Committed to:					
Law Enforcement	-	-	10,353	1,493	15,134
Economic Development	-	-	-	-	708,711
County Insurance	-	-	-	-	77,072
TOTAL FUND BALANCES	\$ 9,010	\$ 71,088	\$ 10,353	\$ 1,493	\$ 1,542,819

(Concluded)

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

	County Clerk	Register of Deeds	Clerk of the District Court	County Sheriff	County Attorney	Veterans' Service Officer	County Keno	County Planning and Zoning	Total
BALANCES JULY 1, 2017	\$ 146	\$ 7,457	\$ 4,081	\$ 3,600	\$ -	\$ 3,054	\$ -	\$ -	\$ 18,338
RECEIPTS									
Property Taxes	-	-	-	-	-	-	-	-	-
Licenses and Permits	657	-	-	895	-	-	-	13,145	14,697
Intergovernmental	-	-	-	-	-	3,000	-	-	3,000
Charges for Services	1,352	68,620	9,025	24,769	680	-	-	-	104,446
Miscellaneous	1,010	-	-	-	-	-	23,668	-	24,678
State Fees	4,287	94,359	7,441	-	-	-	-	-	106,087
Other Liabilities	-	199	692,107	41,883	1,715	-	-	-	735,904
TOTAL RECEIPTS	7,306	163,178	708,573	67,547	2,395	3,000	23,668	13,145	988,812
DISBURSEMENTS									
Payments to County Treasurer	1,570	67,003	8,838	25,306	680	-	-	13,145	116,542
Payments to State Treasurer	3,718	91,799	6,930	-	-	-	-	-	102,447
Other Liabilities	1,048	199	429,482	38,830	1,697	1,399	16,546	-	489,201
TOTAL DISBURSEMENTS	6,336	159,001	445,250	64,136	2,377	1,399	16,546	13,145	708,190
BALANCES JUNE 30, 2018	\$ 1,116	\$ 11,634	\$ 267,404	\$ 7,011	\$ 18	\$ 4,655	\$ 7,122	\$ -	\$ 298,960
BALANCES CONSIST OF:									
Due to County Treasurer	\$ 354	\$ 5,446	\$ 414	\$ 6,818	\$ -	\$ 4,655	\$ 7,122	\$ -	\$ 24,809
Petty Cash	50	-	-	-	-	-	-	-	50
Due to State Treasurer	612	6,188	1,094	-	-	-	-	-	7,894
Due to Others	100	-	265,896	193	18	-	-	-	266,207
BALANCES JUNE 30, 2018	\$ 1,116	\$ 11,634	\$ 267,404	\$ 7,011	\$ 18	\$ 4,655	\$ 7,122	\$ -	\$ 298,960

KNOX 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	\$ 18,930,480	\$ 19,737,891	\$ 21,104,185	\$ 21,579,186	\$ 22,097,883
Personal and Specials	1,254,378	1,246,685	1,061,238	988,051	932,194
Total	<u>20,184,858</u>	<u>20,984,576</u>	<u>22,165,423</u>	<u>22,567,237</u>	<u>23,030,077</u>
Corrections					
Additions	11,539	21,848	7,312	2,869	2,466
Deductions	(6,595)	(2,608)	(6,467)	(630)	(2,244)
Net Additions/ (Deductions)	<u>4,944</u>	<u>19,240</u>	<u>845</u>	<u>2,239</u>	<u>222</u>
Corrected Certified Tax	<u>20,189,802</u>	<u>21,003,816</u>	<u>22,166,268</u>	<u>22,569,476</u>	<u>23,030,299</u>
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2015	13,085,592	-	-	-	-
June 30, 2016	7,097,469	13,733,937	-	-	-
June 30, 2017	4,845	7,263,352	14,676,224	-	-
June 30, 2018	623	4,603	7,482,308	14,857,412	-
June 30, 2019	865	1,273	4,864	7,705,285	14,908,468
Total Net Collections	<u>20,189,394</u>	<u>21,003,165</u>	<u>22,163,396</u>	<u>22,562,697</u>	<u>14,908,468</u>
Total Uncollected Tax	<u>\$ 408</u>	<u>\$ 651</u>	<u>\$ 2,872</u>	<u>\$ 6,779</u>	<u>\$ 8,121,831</u>
Percentage Uncollected Tax	<u>0.00%</u>	<u>0.00%</u>	<u>0.01%</u>	<u>0.03%</u>	<u>35.27%</u>

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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KNOX 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
Knox 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 Knox County, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Knox County's basic financial statements, and have issued our report thereon dated September 12, 2019. 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 Knox 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 Knox 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 Knox 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 Knox County in a separate letter dated September 12, 2019.

Knox County's Response to Findings

Knox County declined to respond to the finding described above.

Purpose of this Report

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



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

September 12, 2019



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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September 12, 2019

Board of Supervisors
Knox County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Knox County (County) for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 12, 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 the offices of the County each lacked a segregation of duties, as one person could handle all aspects of processing a transaction from beginning to end. A lack of segregation of duties increases the risk of possible errors or irregularities; however, due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost. This was also noted in prior audits.

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

COUNTY BOARD

Claim Documentation and Timeliness

During the audit, we noted the following regarding claims approved by the County Board:

- Four mileage reimbursements paid, totaling \$90, did not contain the location of the trip; therefore, adequate support was not on file to ensure the mileage was reasonable. In addition, each reimbursement contained a meeting expense, totaling \$25, or a total of \$100 for the claims noted, for which there was no supporting documentation provided. See the table below for claim information:

Claim Number	Date	Payee	Amount
19020161	2/28/2019	Neil Clausen	\$ 57
19030158	3/28/2019	Neil Clausen	\$ 57
18080160	8/30/2018	Ken Foner	\$ 38
18100036	10/12/2018	Ken Foner	\$ 38
Total			\$ 190

- Three invoices, totaling \$16,874, from one vendor, Vakoc Excavating, were submitted to the County Board over 90 days after the service was performed. See the table below for invoice information:

Invoice Number	Invoice Date	Claim Date	Amount	Days Late
10322	7/1/2018	12/11/2018	\$ 12,032	73
10199	4/11/2018	12/11/2018	\$ 192	154
10406	8/31/2018	12/11/2018	\$ 4,650	12
Total			\$ 16,874	

- A portion of one credit card payment, totaling \$166, was not supported by receipts or other documentation; therefore, adequate support was not on file to ensure the purchases were reasonable. See the table below for items purchased:

Claim Number	Date	Transaction Description	Amount
18070150	6/19/2018	iTunes	\$ 42
18070150	6/27/2018	Cornhusker Car Wash	\$ 15
18070150	6/18/2018	Whiskey Creek Steakhouse	\$ 38
18070150	6/19/2018	Mel's Diner	\$ 25
18070150	6/20/2018	Big Red Rest Norfolk	\$ 26
18070150	7/13/2018	Intelius	\$ 20
Total			\$ 166

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

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

Additionally, good internal controls and sound business practice require procedures to ensure that documentation is on hand to support all expenditures.

Without such procedures, the County is at a higher risk of loss, theft, or misuse of funds.

We recommend the County Board implement procedures to ensure all claims are adequately supported and filed within the statutory deadline.

County Board's Response: Mileage claims – The County Clerk and the Board's Claim Committee will be more diligent in reviewing mileage claims to be sure location of the trip and total miles are listed. Also, the claims listed in the findings were from Planning Commission/Board of Adjustment meetings and showed the members received a \$25 meeting expense. The Zoning Administrator has a sign-in sheet at each meeting and those Board members need to sign in and mark if they drove. The Zoning Administrator said she will attach a copy of the sign-in sheet to the mileage claims in the future.

Invoices submitted to the County Board over 90 days after the service was performed. The claims listed (3 of them) were paid out of the Road Fund and were for gravel to several townships that had mail route. The Board shares \$360,000 of the Highway Allocation through the County/Township Allocation with the townships for gravel, culverts, etc. on the mail routes. Some township boards only meet at best 2 or 3 times a year so the gravel vendors were holding the billings accordingly for those townships. Hwy. Supt. Barta sent a letter to the townships and informed the gravel vendors that all claims need to be submitted to the County no later than 90 days after date of service.

Receipts missing from credit card billings/claims. The seven amounts shown without receipts are from the Sheriff's Office. County Clerk Fischer sent an email to each of the officials telling them that receipts are required to make payments on the credit card billings and if they are not, the employee will be responsible for the amounts. Sheriff Henery presented a "Knox County Sheriff's Office Affidavit for lost receipts" that he drafted from a copy of a similar affidavit that is used by the State when a receipt is lost. Sheriff Henery said that there are times that his deputies stop for gas during the night and a receipt will not print or a receipt is lost so the Affidavit will be submitted with the credit card billing if that happens. The County Clerk and the Board's Claim Committee will be more diligent in reviewing claims.

The Knox County Board of Supervisors said that they are working to address the matters listed.

COUNTY CLERK AND REGISTER OF DEEDS

Cash Procedures

During the audit, we noted the following:

- The County Register of Deeds withdrew \$365 in cash from the Register of Deeds bank account. The office frequently withdrew cash in order to pay copy fees over to the County Clerk, who then remitted the funds to the County Treasurer. Of this amount, \$199 was traced to documentation indicating the withdrawal was associated with copy fees. The remaining \$166 was recorded in the check register as refunds and additional copy fee withdrawals; however, we were unable to verify this information.
- Copy fees collected by the County Clerk were not remitted to the County Treasurer in their entirety; instead, they were spent on postage costs, totaling \$124, during the fiscal year.
- The County Clerk withdrew \$170 in cash from the Clerk bank account associated with marriage licenses paid via credit card. With the exception of the cash noted below, the cash was remitted to the County Treasurer.

- Cash and checks, totaling \$113, were maintained on hand for a significant period for unissued certified copies of marriage licenses. In these instances, an individual paid for a certified copy; however, a final marriage license was never filed with the County. The table below summarizes the date of receipt for the cash held on hand:

Date Received	Method	Amount
8/1/2014	Cash	\$ 5
7/11/2016	Cash	\$ 9
9/8/2016	Cash	\$ 9
4/21/2017	Cash	\$ 9
7/28/2017	Cash	\$ 9
12/22/2017	Cash	\$ 9
12/31/2018	Cash	\$ 9
12/31/2018	Check	\$ 9
5/3/2019	Cash	\$ 9
6/21/2019	Cash	\$ 9
7/3/2019	Cash	\$ 9
7/12/2019	Cash	\$ 9
8/2/2019	Check	\$ 9
		\$ 113

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 controls and sound business practices require procedures to ensure that all withdrawals from the bank account to be properly supported, particularly for cash withdrawals. Any cash withdrawals should have adequate information on file, such as a receipt or other such documentation, to verify the use of those funds. Additionally, good internal controls require cash on hand to be remitted to the County Treasurer in a timely manner.

Without such procedures, there is an increased risk of not only the County Clerk failing to comply with State statute but also the loss, theft, or misuse of County funds.

We recommend the County Clerk implement procedures to restrict cash withdrawals from the bank. We further recommend that any necessary withdrawals be adequately supported, including documentation for the disposition of those funds. Further, we recommend the County Clerk implement procedures to ensure all funds received are remitted to the County Treasurer, and all purchases and expenditures are made through the County Board's claims process for inclusion in the budget.

County Clerk's Response:

Bullet #1: The \$166 was refunds of \$10 or under for recording fees or was withdrawn to be held for documents that were to be coming in the future such as a Deed of Reconveyance in a closing and the fees for recording the Deed of Reconveyance were included in the check from the realtor or title company along with the fees for recording deeds, documentary stamp tax, etc. My staff and I will no longer withdraw any cash for any reason from the Register of Deeds' checking account. As of August 14, 2019, all checks for copy fees, recording fees, documentary stamp tax, etc. are deposited into the Register of Deeds' checking account. Refunds will be made by check, all copy fees will be turned over to the County Treasurer by check after balancing monthly, and all cash received for recording fees or documentary stamp tax is put into the approved petty cash (approved by the Knox County Board of Supervisors on August 29, 2019 by Resolution #2019-14) and will be deposited into the checking account monthly so it can be remitted to the County Treasurer when we balance for the month.

Bullet #2: The \$124 was spent from the copy fees collected in the County Clerk's petty cash and such \$124 was used for certified mailings with return receipts. My staff and I will no longer withdraw any cash from the petty cash for any reason and will use the County credit card assigned to the County Clerk to pay for postage or a claim will be submitted starting August 14, 2019.

Bullet #3: The \$170 was collected for certified copies of marriage licenses to be sent to the couples after they were married and we received their marriage licenses back in the office after their ceremonies. The cash was added into our petty cash fund once we issued the certified copy and mailed it out, and then the funds were turned over to the County Treasurer each month. My staff and I will no longer withdraw any cash for any reason from the County Clerk's checking account. As of August 14, 2019, all credit card payments dropped into the County Clerk's checking account will remain in the checking account until the end of the month when we balance for the month and as our usual procedures, a check will be issued to the County Treasurer for these funds.

Bullet #4: We had \$113 cash kept in our marriage license book that had been paid by the couples who were issued marriage licenses and the \$113 cash was being held in the County Clerk's Office until the couples married and the completed marriage license was returned to our office. At that time, we issued a certified copy of the marriage license to the couple and put the cash into the County Clerk's petty cash to be remitted monthly to the County Treasurer. If the couple did not marry and the license expired after one year of issuance, a letter was sent to the couple and we would return the funds to the couple or would keep them in the marriage license book until we heard back from the couple. The \$113 cash was remitted to the County Treasurer on August 14, 2019 and the County Treasurer presented the County Clerk a receipt #20072 dated August 14, 2019 in the amount of \$113 and that amount was deposited into the General Fund. As of August 14, 2019, all marriage license fees and certified copy fees collected are immediately remitted to the County Treasurer as soon as the license is issued and the fees collected. According to the State Auditor's Office, the certified copy fees are not required to be refunded if the couple does not marry within one year of issuance of the license.

Keno Procedures

The County Clerk made payments, totaling \$16,546, without going through the claim and warrant process. Keno funds received by the County were not remitted to the County Treasurer; instead, they were used to purchase the following items:

Vendor	Date	Amount	Description
Global Industrial	7/6/2018	\$ 259	Stone Panel Trash Can
Walmart	7/7/2018	\$ 47	Stone Urn
EPCO Ltd	7/23/2018	\$ 2,543	Room Signs
B's Enterprises	12/21/2018	\$ 1,768	Parking Blocks
Key Sanitation	1/3/2019	\$ 256	Deer Carcass Dumpsters
Applied Connective Technologies	1/16/2019	\$ 1,582	Courthouse ATM Internet
Applied Connective Technologies	2/8/2019	\$ 2,019	Video Visitation System
gWorks	5/31/2019	\$ 7,765	GIS Subscription
Shamrock Nursery*	6/6/2019	\$ 24	Courthouse Flowers
Shamrock Nursery*	6/6/2019	\$ 34	Courthouse Flowers
Shamrock Nursery*	6/6/2019	\$ 35	Barrel for Flowers
Shamrock Nursery*	6/7/2019	\$ 43	Courthouse Flowers
Bomgaars*	6/7/2019	\$ 26	Planter
Hy-Vee*	6/7/2019	\$ 6	Flower Basket
Menards	6/9/2019	\$ 139	Picnic Table
Total		\$ 16,546	

*Payment was not made directly to the vendor noted. Rather, payment was made to an individual as reimbursement for the cost of the item purchased.

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.

Without procedures to ensure all purchases are made through the claim process, there is increased risk for not only the loss, theft, or misuse of funds, but also noncompliance with State statute.

We recommend the County Clerk implement procedures to ensure all funds received are remitted to the County Treasurer, and all purchases and expenditures are made through the claims process for inclusion in the budget.

County Clerk's Response: The Board and the County Clerk were researching how other counties have their KENO set up. Most have a separate fund within the County's budget and the Treasurer has a separate checking account to keep the funds segregated. All proceeds are submitted to the Treasurer and expenditures are done by the claims process. Several options are being discussed as to setting up a new fund after the fact now that the 2019/2020 Knox County budget has been adopted. KENO procedures will be changed during the 2019/2020 budget year.

COUNTY SHERIFF

Accounting Procedures

During the audit, we noted the following:

- A book balance was not maintained for two bank accounts and, therefore, accurate monthly bank reconciliations were not performed.
- Mileage fees were reported incorrectly for two months, resulting in a shortage of fees remitted to the County Treasurer, totaling \$253.
- Monthly asset-to-liability reconciliation procedures were not performed for the same two bank accounts, resulting in the bond account having a long of \$224 and the fee account having a shortage of \$3,011 at June 30, 2019.

The shortage in the fee account appears to be partially due to the following:

- An accurate listing of accounts receivable was not maintained.
- County District Court and County Court service fees were not claimed to the County Board.

Sound accounting practices and good internal controls require procedures to ensure adequate reconciliation and balancing methods are utilized, including procedures to ensure office assets (cash on hand, reconciled bank balance, accounts receivable, etc.) are in agreement with office liabilities (fee and trust accounts) on at least a monthly basis. Such procedures should also include the timely identification and resolution of all variances noted and the maintenance of proper documentation to support correct balances. A lack of such procedures increases the risk of loss, theft, or misuse of County funds and allows errors to go undetected more easily.

We recommend the County Sheriff implement monthly fund balancing procedures to ensure the performance of regular bank and asset-to-liability reconciliations. Additionally, we recommend the County Sheriff implement procedures to ensure adequate listings of all fees earned and accounts receivable balances are maintained.

COUNTY TREASURER

Centrally Assessed Personal Property Tax Credit Distribution

During testing of the Centrally Assessed Personal Property Tax Credit, we noted that distributions for 11 of the 18 subdivisions were not calculated correctly. The errors were due to the exclusion of several township road funds and one fire district bond fund in the calculation.

The following table details those errors:

Subdivision	Funds	Over/(Under) Payments
Bazile Mills	Township Road	\$ (1)
Bloomfield	Township Road	\$ (38)
Center	Township Road	\$ (3)
Creighton	Township Road	\$ (21)
Creighton Township	General Fund	\$ 22
Crofton	Township Road	\$ (19)
Eastern Township	General Fund	\$ 17
Eastern Township	Library Fund	\$ 2
Hill Township	General Fund	\$ 2
Lincoln Township	General Fund	\$ 17
Miller Township	General Fund	\$ 4
Morton Township	General Fund	\$ 35
Morton Township	Sinking Fund	\$ 3
Niobrara	Township Road	\$ (3)
Niobrara Fire District	General Fund	\$ 5
Niobrara Fire District	Sinking Fund	\$ 1
Niobrara Fire District	Bond Fund	\$ (6)
Niobrara Township	General Fund	\$ 3
Raymond Township	General Fund	\$ 2
Santee	Township Road	\$ (2)
Valley Township	General Fund	\$ 3
Verdel	Township Road	\$ (2)
Verdigre	Township Road	\$ (8)
Verdigre Township	General Fund	\$ 8
Wausa	Township Road	\$ (17)
Winnetoon	Township Road	\$ (4)

Neb. Rev. Stat. § 77-1239(2) (Reissue 2018) states, in relevant part, the following:

Reimbursement of the tax revenue lost for public service entities shall be made to each county according to the certification and shall be distributed among the taxing subdivisions within each county in the same proportion as all public service entity taxes levied by the taxing subdivisions.

When Personal Property Tax Credit distributions are calculated incorrectly, 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 distributions. Additionally, we recommend the County Treasurer implement procedures to ensure future Personal Property Tax Credit distributions are calculated correctly.

5% Gross In Lieu Distribution

During testing, we noted that a distribution of the 5% gross in lieu of tax payment received from the power company for the Village of Center was not calculated correctly. The error was due to the school district portion of the distribution being calculated on a percentage of valuation basis instead of by the mill levies, as required in State statute.

Subdivision	Auditor's Distribution	Treasurer's Distribution	Variance
County General	\$ 400	\$ 807	\$ 407
Co. Comm. Development	\$ 5	\$ 10	\$ 5
Creighton 13 General	\$ 1,812	\$ 2,660	\$ 848
Creighton 13 QCPUF	\$ 10	\$ 14	\$ 4
Verdigre 83R General	\$ 1,547	\$ 399	\$ (1,148)
Verdigre 83R Building	\$ 48	\$ 12	\$ (36)
Verdigre 83R Bond	\$ 223	\$ 58	\$ (165)
Bloomfield 86R General	\$ 1,198	\$ 349	\$ (849)
Bloomfield 86R Building	\$ 202	\$ 59	\$ (143)
Bloomfield 86R QCPUF	\$ 40	\$ 12	\$ (28)
Center	\$ 1,086	\$ 2,191	\$ 1,105
Total	\$ 6,571	\$ 6,571	\$ -

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 of tax payment distributions are calculated incorrectly, 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 of tax payment distributions are calculated correctly.

Nameplate Capacity Tax Distribution

During testing, we noted that a distribution of the Nameplate Capacity Tax was not calculated correctly. The error was due to the County Treasurer using the incorrect number of turbines per district, and applying a flat 1% commission rate to all districts instead of using commission rates provided by State statute.

Fund	Auditor's Distribution	Treasurer's Distribution	Variance
County General	\$ 17,586	\$ 17,269	\$ (317)
Ag Society General	\$ 521	\$ 527	\$ 6
Ag Society Sinking	\$ 131	\$ 132	\$ 1
Bloomfield Fire General	\$ 657	\$ 667	\$ 10
Bloomfield Fire Sinking	\$ 2,743	\$ 2,786	\$ 43
Crofton 96 Building	\$ 4,326	\$ 4,334	\$ 8
Crofton 96 General	\$ 18,926	\$ 18,962	\$ 36
Crofton Fire General	\$ 583	\$ 580	\$ (3)
Crofton Fire Sinking	\$ 477	\$ 475	\$ (2)
Dolphin Township General	\$ 713	\$ 792	\$ 79
Eastern Township General	\$ 1,485	\$ 1,375	\$ (110)
Eastern Township Sinking	\$ 143	\$ 132	\$ (11)

Fund	Auditor's Distribution	Treasurer's Distribution	Variance
ESU 1	\$ 1,479	\$ 1,503	\$ 24
Lewis and Clark NRD	\$ 2,377	\$ 2,415	\$ 38
NE Comm. College Building	\$ 1,972	\$ 2,004	\$ 32
NE Comm. College General	\$ 7,397	\$ 7,514	\$ 117
Peoria Township General	\$ 2,483	\$ 2,508	\$ 25
Peoria Township Sinking	\$ 2,337	\$ 2,361	\$ 24
Total	\$ 66,336	\$ 66,336	\$ -

Neb. Rev. Stat. § 77-6204 (Reissue 2009) states, in part:

[T]he county treasurer shall distribute all revenue received from the Department of Revenue pursuant to section 77-6203 to local taxing entities which, but for such personal property tax exemption, would have received distribution of personal property tax revenue from depreciable personal property used directly in the generation of electricity using wind as the fuel source

When Nameplate Capacity Tax distributions are calculated incorrectly, 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 Nameplate Capacity Tax distributions are calculated correctly and are remitted in accordance with State statute.

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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