

**AUDIT REPORT  
OF  
MORRILL COUNTY**

**JULY 1, 2017, THROUGH JUNE 30, 2018**

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**Issued on May 24, 2019**

MORRILL COUNTY

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MORRILL COUNTY  
606 L Street  
Bridgeport, NE 69336

**LIST OF COUNTY OFFICIALS**  
At June 30, 2018

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Commissioners	Greg Sterkel Susanna Batterman Jeff Metz	Jan. 2021 Jan. 2019 Jan. 2019
Assessor	Rose Nelson	Jan. 2019
Attorney	Travis Rodak	Jan. 2019
Clerk Election Commissioner Register of Deeds	Kathy Brandt	Jan. 2019
Clerk of the District Court	Julie Schildt	Jan. 2021
Sheriff	Milo Cardenas	Jan. 2019
Treasurer	Loretta McCoy	Jan. 2019
Veterans' Service Officer	Tim Marquez	Appointed
Weed Superintendent	Cody Renkoski	Appointed
Highway Superintendent	Bryan Hoerler	Appointed
Planning and Zoning	Bill Dean	Appointed



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Charlie Janssen  
State Auditor

Charlie.Janssen@nebraska.gov  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.nebraska.gov](http://www.auditors.nebraska.gov)

MORRILL COUNTY

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Morrill 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 Morrill County, as of and for the year ended June 30, 2018, 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 opinions.

### **Summary of Opinions**

<b>Opinion Unit</b>	<b>Type of Opinion</b>
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 Morrill County, as of June 30, 2018, 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 Morrill County, as of June 30, 2018, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

### **Emphasis of Matters – Basis of Accounting**

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

### **Report on Supplementary Information**

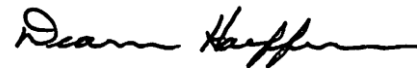
Our audit was conducted for the purpose of forming opinions on the financial statements as a whole, which collectively comprise the County’s basic financial statements. The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes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

The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, pages 21-32, 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 May 14, 2019, on our consideration of Morrill 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 Morrill County's internal control over financial reporting and compliance.

May 14, 2019



Deann Haeffner, CPA  
Assistant Deputy Auditor  
Lincoln, Nebraska

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

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 1.D)	\$ 4,103,620
Investments (Note 1.D)	110,772
<b>TOTAL ASSETS</b>	<b>\$ 4,214,392</b>
<b>NET POSITION</b>	
Restricted for:	
Visitor Promotion	\$ 23,276
911 Emergency Services	247,535
Drug Education	1,222
Preservation of Records	5,391
Debt Service	234,184
Road Maintenance	258,573
Unrestricted	3,444,211
<b>TOTAL NET POSITION</b>	<b>\$ 4,214,392</b>

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

**MORRILL COUNTY**  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
For the Year Ended June 30, 2018

<b>Functions:</b>	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
General Government	\$ (2,497,190)	\$ 243,112	\$ 17,798	\$ (2,236,280)
Public Safety	(936,421)	346,551	17,496	(572,374)
Public Works	(2,181,193)	2,800	1,196,881	(981,512)
Public Assistance	(157,905)	-	73,502	(84,403)
Culture and Recreation	(38,630)	-	-	(38,630)
Debt Payments	(240,827)	-	-	(240,827)
<b>Total Governmental Activities</b>	<b>\$ (6,052,166)</b>	<b>\$ 592,463</b>	<b>\$ 1,305,677</b>	<b>(4,154,026)</b>

General Receipts:

Property Taxes	4,034,160
Grants and Contributions Not Restricted to Specific Programs	397,471
Investment Income	42,495
Licenses and Permits	17,981
Insurance Settlements	221,813
Miscellaneous	58,490
<b>Total General Receipts</b>	<b>4,772,410</b>
 Increase in Net Position	 618,384
Net Position - Beginning of year	3,596,008
Net Position - End of year	<b>\$ 4,214,392</b>

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



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

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Health Insurance Claim Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and Cash Equivalents (Note 1.D)	\$ 1,150,587	\$ 90,116	\$ 335,194	\$ 1,638,311	\$ 889,412	\$ 4,103,620
Investments (Note 1.D)	-	-	110,772	-	-	110,772
<b>TOTAL ASSETS</b>	<u><u>\$ 1,150,587</u></u>	<u><u>\$ 90,116</u></u>	<u><u>\$ 445,966</u></u>	<u><u>\$ 1,638,311</u></u>	<u><u>\$ 889,412</u></u>	<u><u>\$ 4,214,392</u></u>
<b>FUND BALANCES</b>						
Restricted for:						
Visitor Promotion	-	-	-	-	23,276	23,276
911 Emergency Services	-	-	-	-	247,535	247,535
Drug Education	-	-	-	-	1,222	1,222
Preservation of Records	-	-	-	-	5,391	5,391
Debt Service	-	-	-	-	234,184	234,184
Road Maintenance	-	-	-	-	258,573	258,573
Committed to:						
Law Enforcement	-	-	-	-	11,388	11,388
Road Maintenance	-	90,116	-	-	100,000	190,116
Aid and Assistance	-	-	-	-	7,843	7,843
Health Insurance	-	-	-	1,638,311	-	1,638,311
Assigned to:						
Other Purposes	-	-	445,966	-	-	445,966
Unassigned	1,150,587	-	-	-	-	1,150,587
<b>TOTAL CASH BASIS FUND BALANCES</b>	<u><u>\$ 1,150,587</u></u>	<u><u>\$ 90,116</u></u>	<u><u>\$ 445,966</u></u>	<u><u>\$ 1,638,311</u></u>	<u><u>\$ 889,412</u></u>	<u><u>\$ 4,214,392</u></u>

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

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

	General Fund	Road Fund	Inheritance Fund	Health Insurance Claim Fund	Other Governmental Funds	Total Governmental Funds
<b>RECEIPTS</b>						
Property Taxes	\$3,546,012	\$ -	\$ 179,055	\$ -	\$ 309,093	\$ 4,034,160
Licenses and Permits	17,831	150	-	-	-	17,981
Investment Income	42,493	-	-	-	2	42,495
Intergovernmental	456,366	1,106,682	-	-	140,100	1,703,148
Charges for Services	582,810	2,800	-	-	6,853	592,463
Miscellaneous	23,106	32,546	-	221,813	2,838	280,303
<b>TOTAL RECEIPTS</b>	<u>4,668,618</u>	<u>1,142,178</u>	<u>179,055</u>	<u>221,813</u>	<u>458,886</u>	<u>6,670,550</u>
<b>DISBURSEMENTS</b>						
General Government	1,769,439	-	3,218	604,720	119,813	2,497,190
Public Safety	916,214	-	-	-	20,207	936,421
Public Works	-	2,022,451	-	-	158,742	2,181,193
Public Assistance	113,402	-	-	-	44,503	157,905
Culture and Recreation	35,800	-	-	-	2,830	38,630
Debt Service:						
Principal Payments	-	10,000	-	-	175,000	185,000
Interest and Fiscal Charges	-	1,240	-	-	54,587	55,827
<b>TOTAL DISBURSEMENTS</b>	<u>2,834,855</u>	<u>2,033,691</u>	<u>3,218</u>	<u>604,720</u>	<u>575,682</u>	<u>6,052,166</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>1,833,763</u>	<u>(891,513)</u>	<u>175,837</u>	<u>(382,907)</u>	<u>(116,796)</u>	<u>618,384</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	50,871	1,000,000	-	645,188	316,600	2,012,659
Transfers out	(1,539,938)	(221,850)	-	(200,000)	(50,871)	(2,012,659)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,489,067)</u>	<u>778,150</u>	<u>-</u>	<u>445,188</u>	<u>265,729</u>	<u>-</u>
Net Change in Fund Balances	344,696	(113,363)	175,837	62,281	148,933	618,384
<b>CASH BASIS FUND BALANCES - BEGINNING</b>	<u>805,891</u>	<u>203,479</u>	<u>270,129</u>	<u>1,576,030</u>	<u>740,479</u>	<u>3,596,008</u>
<b>CASH BASIS FUND BALANCES - ENDING</b>	<u>\$1,150,587</u>	<u>\$ 90,116</u>	<u>\$ 445,966</u>	<u>\$1,638,311</u>	<u>\$ 889,412</u>	<u>\$ 4,214,392</u>

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

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

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 279,269
 <b>LIABILITIES</b>	
Due to other governments	
State	84,333
Schools	102,552
Educational Service Units	988
Technical College	6,728
Natural Resource Districts	4,031
Fire Districts	1,358
Municipalities	8,114
Cemetery Districts	1,118
Irrigation Districts	20,603
Others	49,444
<b>TOTAL LIABILITIES</b>	<b>279,269</b>
 <b>TOTAL NET ASSETS</b>	 <b>\$ -</b>

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

## MORRILL COUNTY

### NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

#### 1. Summary of Significant Accounting Policies

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

##### **A. Reporting Entity**

Morrill 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 Morrill County Community Hospital (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 I – 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 I (Region) consists of the following counties: Sioux, Dawes, Box Butte, Sheridan, Scotts Bluff, Morrill, Garden, Banner, Kimball, Cheyenne, and Deuel.

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 \$20,473 toward

MORRILL COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

Health Department – The County has entered into an agreement with the Panhandle Public Health District (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 2018. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is audited in accordance with Neb. Rev. Stat. § 84-304(4) (Cum. Supp. 2018). Financial information for the Department is available in that report.

Region 21 Emergency Management (Region 21) – The County has entered into an agreement with the counties of Cheyenne, Garden, Deuel, and Kimball to provide civil defense services. Agreements were established under the authority of the Interlocal Cooperation Act for services to be provided under Neb. Rev. Stat. § 81-829.46 (Reissue 2014).

Region 21’s governing board is established by the agreement and includes representatives from the participating county boards. Funding is provided by a combination of Federal, State, local and private funding. Each county contributes to the financial support of Region 21’s activities. The County contributed \$46,963 toward the operation of Region 21 during fiscal year 2018. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. Cheyenne County is the fiscal agent for Region 21, and all financial activity would be recorded as part of the County records. Cheyenne County is audited annually, and all financial activity of Region 21 is available in that report.

**B. Basis of Presentation**

**Government-Wide Financial Statements.** The Statement of Net Position - Cash Basis and Statement of Activities - Cash Basis display information about the activities of the County and are in the format of government-wide statements, as required by GASB Statement Number 34. These statements include all the financial activities of the County, except for fiduciary activities 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:

MORRILL 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.

**Health Insurance Claim Fund.** This fund is used to account for the costs of insurance premiums and claims and is primarily funded by County and employee payroll deductions.

MORRILL 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.

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

The County designates fund balances as follows:

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

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

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

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

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

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

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

MORRILL COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

and basis of accounting, receipts are recognized as soon as they are both measurable and available. Receipts are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Disbursements are generally recorded when a liability is incurred, as under accrual accounting. However, disbursements related to compensated absences and claims and judgments are recorded only when payment is due.

**D. Assets and Net Position**

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

**Investments.** The types of investments in which the County is authorized to invest funds are enumerated in Neb. Rev. Stat. § 77-2315, § 77-2340, and § 77-2341 (Reissue 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 \$770,181 of restricted net position, which is fully restricted by enabling legislation.



MORRILL COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

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

2. **Deposits and Investments**

The County has generally pooled the cash resources of the various funds for investment purposes. Interest earned on pooled funds is credited to the County General Fund in accordance with Neb. Rev. Stat. § 77-2315 (Reissue 2018).

At year end, the County's carrying amount of deposits was \$4,103,620 for County funds and \$279,269 for Fiduciary funds. The bank balances for all funds totaled \$4,394,119. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2018, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

The County's carrying value of investments is stated at cost, which approximates market. Investments consisted of \$110,772 deposited in the Nebraska Public Agency Investment Trust (NPAIT). NPAIT is a public entity investment pool operated under the direction of a seven-member Board of Trustees. All net income of the trust is determined as of the close of business on each banking day and is credited thereafter pro rata to each participant's account. Net income that has accrued to each participant is converted as of the close of business of each calendar month into additional units, which thereafter are held in each participant's trust account. Since net income of the fund is allocated among participants each time net income is determined, the net asset value remains at \$1.00 per unit. Securities held by NPAIT are not held in the County's name.

MORRILL COUNTY

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**3. Property Taxes**

Property taxes are levied by the County Board on or before October 15 of each year for all political subdivisions in the County. Real estate and personal property taxes are due and attach as an enforceable lien on January 1 following the levy date, and they become delinquent in two equal installments on May 1 and September 1. Motor vehicle taxes are due when application is made for registration of a motor vehicle.

Counties are permitted by the State Constitution to levy a tax of up to \$.50/\$100 of assessed valuation for general governmental services other than the payment of principal and interest on bonded debt. Counties may levy taxes in addition to the 50-cent limitation upon a vote of the people.

The levy set in October 2017, for the 2017 taxes, which will be materially collected in May and September 2018, was set at \$.356709/\$100 of assessed valuation. The levy set in October 2016, for the 2016 taxes, which were materially collected in May and September 2017, was set at \$.338421/\$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.

MORRILL COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

A supplemental retirement plan was established on January 1, 2003, for the benefit of all present and future commissioned law enforcement personnel employed by the County. Employees contribute 1% of their salary, and the County contributes an amount equal to 100% of the employee's contribution. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings.

For the year ended June 30, 2018, 70 employees contributed \$102,182, and the County contributed \$151,252. Contributions included \$404,416 in cash contributions towards the supplemental law enforcement plan for 10 law enforcement employees.

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 91 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.

MORRILL COUNTY

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**6. Interfund Transfers**

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

<b>Transfers to</b>	Transfers from				Total
	General Fund	Road Fund	Health Insurance Claim Fund	Nonmajor Funds	
General Fund	\$ -	\$ -	\$ -	\$ 50,871	\$ 50,871
Road Fund	1,000,000	-	-	-	1,000,000
Health Insurance Claim Fund	423,338	221,850	-	-	645,188
Nonmajor Funds	116,600	-	200,000	-	316,600
<b>Total</b>	<b>\$ 1,539,938</b>	<b>\$ 221,850</b>	<b>\$ 200,000</b>	<b>\$ 50,871</b>	<b>\$ 2,012,659</b>

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.

In the year ended June 30, 2018, the County made a one-time transfer, as follows:

- Transfer of \$40,131 from the Enhanced 911 Wireless Service Fund to the General Fund, to reimburse costs of dispatchers and other 911 employees.
- Transfer of \$10,740 from the E911 Emergency Management Fund to the General Fund, to correct an error in the prior year for tax money improperly coded.
- Transfer of \$100,000 from the Health Insurance Claim Fund to both the Hospital Bond Fund and the Courthouse Building Fund, to help pay bond costs.

**7. Capital Leases Payable**

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

	Sheriff Vehicle – 2017 Explorer	Two Sheriff Vehicles – 2016 Explorers	HVAC Equipment & Window Replacement	Sheriff Vehicle – 2015 Explorer	Total
Balance July 1, 2017	\$ 32,572	\$ 23,669	\$ 155,142	\$ 14,148	\$ 225,531
Purchases	-	-	-	-	-
Payments	10,638	11,738	103,015	7,788	133,179
<b>Balance June 30, 2018</b>	<b>\$ 21,934</b>	<b>\$ 11,931</b>	<b>\$ 52,127</b>	<b>\$ 6,360</b>	<b>\$ 92,352</b>

MORRILL COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. **Capital Leases Payable** (Concluded)

	Sheriff Vehicle – 2017 Explorer	Two Sheriff Vehicles – 2016 Explorers	HVAC Equipment & Window Replacement	Sheriff Vehicle – 2015 Explorer	Total
Future Payments:					
<b>Year</b>					
2019	\$ 11,305	\$ 12,128	\$ 52,544	\$ 6,456	\$ 82,433
2020	11,305	-	-	-	11,305
Total Payments	22,610	12,128	52,544	6,456	93,738
Less Interest	676	197	417	96	1,386
Present Value of Future Minimum Lease Payments	\$ 21,934	\$ 11,931	\$ 52,127	\$ 6,360	\$ 92,352
Carrying Value of the Related Fixed Asset	\$ 39,162	\$ 51,256	\$ 305,287	\$ 37,145	\$ 432,850

8. **Long-Term Debt**

**County Building Bonds.** The County issued bonds on March 6, 2013, in the amount of \$120,000 for the purpose of paying the costs of constructing additions and improvements to the law enforcement center. The bonds were fully paid during the fiscal year ended June 30, 2018.

**Hospital Bonds.** The County issued bonds on November 18, 2014, in the amount of \$2,510,000 for the purpose of refunding Series 2010 General Obligation Bonds. The bond payable balance, as of June 30, 2018, was \$2,060,000. 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 and Hospital pledges will be used to pay off the bonds.

Future Payments:	Principal	Interest	Total
<b>Year</b>			
2019	\$ 155,000	\$ 52,386	\$ 207,386
2020	155,000	50,216	205,216
2021	155,000	47,581	202,581
2022	160,000	44,468	204,468
2023	165,000	40,890	205,890
2024-2028	875,000	135,738	1,010,738
2029-2030	395,000	13,766	408,766
Total Payments	\$ 2,060,000	\$ 385,045	\$ 2,445,045

**Highway Allocation Bonds.** The County issued bonds on November 15, 2010, in the amount of \$100,000 for the purpose of paying the costs in connection with the construction of improvements to roads in the County. The bond payable balance, as of June 30, 2018, was \$40,000. 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 and Highway Allocation funds will be used to pay off the bonds.

MORRILL COUNTY

**NOTES TO FINANCIAL STATEMENTS**  
(Concluded)

**8. Long-Term Debt** (Concluded)

Future Payments:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 10,000	\$ 998	\$ 10,998
2020	15,000	660	15,660
2021	15,000	225	15,225
Total Payments	<u>\$ 40,000</u>	<u>\$ 1,883</u>	<u>\$ 41,883</u>

**MORRILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 3,791,960	\$ 3,791,960	\$ 3,546,012	\$ (245,948)
Licenses and Permits	18,575	18,575	17,831	(744)
Interest	18,100	18,100	42,493	24,393
Intergovernmental	179,035	179,035	456,366	277,331
Charges for Services	590,035	590,035	582,810	(7,225)
Miscellaneous	10,911	10,911	23,106	12,195
TOTAL RECEIPTS	<u>4,608,616</u>	<u>4,608,616</u>	<u>4,668,618</u>	<u>60,002</u>
<b>DISBURSEMENTS</b>				
General Government:				
County Board	53,200	53,200	52,267	933
County Clerk	142,120	142,120	142,112	8
County Treasurer	176,600	176,600	171,813	4,787
County Assessor	237,860	237,860	237,859	1
Election Commissioner	59,550	59,550	58,938	612
Clerk of the District Court	64,060	65,060	64,987	73
County Court System	6,530	6,530	3,536	2,994
District Judge	17,720	17,720	9,910	7,810
Building and Grounds	88,380	88,380	86,514	1,866
Agricultural Extension Agent	53,660	53,660	51,317	2,343
Child Support	20,300	20,300	20,189	111
Miscellaneous	1,347,690	1,346,690	869,997	476,693
Public Safety				
County Sheriff	572,967	572,967	556,521	16,446
County Attorney	141,040	141,040	140,573	467
Law Enforcement Grants	11,000	11,000	10,040	960
County Jail	248,543	248,543	209,080	39,463
Public Assistance				
Veterans' Service Officer	62,950	62,950	56,658	6,292
Public Transit	66,620	66,620	51,058	15,562
Relief	20,000	20,000	5,686	14,314
Culture and Recreation				
Fair & Rodeo	35,800	35,800	35,800	-
TOTAL DISBURSEMENTS	<u>3,426,590</u>	<u>3,426,590</u>	<u>2,834,855</u>	<u>591,735</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>				
	<u>1,182,026</u>	<u>1,182,026</u>	<u>1,833,763</u>	<u>651,737</u>

(Continued)

**MORRILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	36,313	36,313	50,871	14,558
Transfers out	<u>(1,624,230)</u>	<u>(1,624,230)</u>	<u>(1,539,938)</u>	<u>84,292</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,587,917)</u>	<u>(1,587,917)</u>	<u>(1,489,067)</u>	<u>98,850</u>
Net Change in Fund Balance	(405,891)	(405,891)	344,696	750,587
<b>FUND BALANCE - BEGINNING</b>	<u>805,891</u>	<u>805,891</u>	<u>805,891</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 400,000</u></u>	<u><u>\$ 400,000</u></u>	<u><u>\$ 1,150,587</u></u>	<u><u>\$ 750,587</u></u>

(Concluded)



**MORRILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**MAJOR FUNDS**

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>ROAD FUND</b>				
<b>RECEIPTS</b>				
Licenses and Permits	\$ 200	\$ 200	\$ 150	\$ (50)
Intergovernmental	1,045,299	1,045,299	1,106,682	61,383
Charges for Services	3,000	3,000	2,800	(200)
Miscellaneous	29,312	29,312	32,546	3,234
<b>TOTAL RECEIPTS</b>	<u>1,077,811</u>	<u>1,077,811</u>	<u>1,142,178</u>	<u>64,367</u>
<b>DISBURSEMENTS</b>	<u>2,530,300</u>	<u>2,530,300</u>	<u>2,033,691</u>	<u>496,609</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>(1,452,489)</u>	<u>(1,452,489)</u>	<u>(891,513)</u>	<u>560,976</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,508,010	1,508,010	1,000,000	(508,010)
Transfers out	-	-	(221,850)	(221,850)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,508,010</u>	<u>1,508,010</u>	<u>778,150</u>	<u>(729,860)</u>
Net Change in Fund Balance	55,521	55,521	(113,363)	(168,884)
<b>FUND BALANCE - BEGINNING</b>	<u>203,479</u>	<u>203,479</u>	<u>203,479</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 259,000</u>	<u>\$ 259,000</u>	<u>\$ 90,116</u>	<u>\$ (168,884)</u>
<b>INHERITANCE FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ 81,871	\$ 81,871	\$ 179,055	\$ 97,184
<b>TOTAL RECEIPTS</b>	<u>81,871</u>	<u>81,871</u>	<u>179,055</u>	<u>97,184</u>
<b>DISBURSEMENTS</b>	<u>352,000</u>	<u>352,000</u>	<u>3,218</u>	<u>348,782</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>(270,129)</u>	<u>(270,129)</u>	<u>175,837</u>	<u>445,966</u>
Net Change in Fund Balance	(270,129)	(270,129)	175,837	445,966
<b>FUND BALANCE - BEGINNING</b>	<u>270,129</u>	<u>270,129</u>	<u>270,129</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 445,966</u>	<u>\$ 445,966</u>

(Continued)

**MORRILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**MAJOR FUNDS**

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>HEALTH INSURANCE CLAIM FUND</b>				
<b>RECEIPTS</b>				
Miscellaneous	\$ 636,000	\$ 636,000	\$ 221,813	\$ (414,187)
<b>TOTAL RECEIPTS</b>	<b>636,000</b>	<b>636,000</b>	<b>221,813</b>	<b>(414,187)</b>
<b>DISBURSEMENTS</b>	<b>1,112,030</b>	<b>1,112,030</b>	<b>604,720</b>	<b>507,310</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>(476,030)</b>	<b>(476,030)</b>	<b>(382,907)</b>	<b>93,123</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	645,188	645,188
Transfers out	-	-	(200,000)	(200,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>445,188</b>	<b>445,188</b>
Net Change in Fund Balance	(476,030)	(476,030)	62,281	538,311
FUND BALANCE - BEGINNING	1,476,030	1,476,030	1,576,030	100,000
FUND BALANCE - ENDING	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$1,638,311</u>	<u>\$ 638,311</u>

(Concluded)

**MORRILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**NONMAJOR FUNDS**

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>HIGHWAY STREET &amp; BRIDGE BUYBACK FUND</b>				
Receipts	\$ 89,316	\$ 89,316	\$ 90,201	\$ 885
Disbursements	(416,430)	(416,430)	(158,742)	257,688
Net Change in Fund Balance	(327,114)	(327,114)	(68,541)	258,573
Fund Balance - Beginning	327,114	327,114	327,114	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,573</u>	<u>\$ 258,573</u>
<b>ROAD SINKING FUND</b>				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(100,000)	(100,000)	-	100,000
Transfers in	100,000	100,000	100,000	-
Transfers out	-	-	-	-
Net Change in Fund Balance	-	-	100,000	100,000
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>
<b>VISITOR'S PROMOTION FUND</b>				
Receipts	\$ 13,007	\$ 13,007	\$ 8,523	\$ (4,484)
Disbursements	(30,590)	(30,590)	(2,830)	27,760
Net Change in Fund Balance	(17,583)	(17,583)	5,693	23,276
Fund Balance - Beginning	17,583	17,583	17,583	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,276</u>	<u>\$ 23,276</u>
<b>PRESERVATION AND MODERNIZATION FUND</b>				
Receipts	\$ 5,007	\$ 5,007	\$ 2,653	\$ (2,354)
Disbursements	(11,790)	(11,790)	(4,045)	7,745
Net Change in Fund Balance	(6,783)	(6,783)	(1,392)	5,391
Fund Balance - Beginning	6,783	6,783	6,783	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,391</u>	<u>\$ 5,391</u>

(Continued)

**MORRILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**NONMAJOR FUNDS**

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>VETERAN'S AID FUND</b>				
Receipts	\$ 3	\$ 3	\$ -	\$ (3)
Disbursements	(10,460)	(10,460)	(10,000)	460
Transfers in	10,000	10,000	10,000	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(457)	(457)	-	457
Fund Balance - Beginning	457	457	457	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 457</u>	<u>\$ 457</u>
<b>STOP PROGRAM FUND</b>				
Receipts	\$ 2,802	\$ 2,802	\$ 4,200	\$ 1,398
Disbursements	(9,990)	(9,990)	-	9,990
Net Change in Fund Balance	(7,188)	(7,188)	4,200	11,388
Fund Balance - Beginning	7,188	7,188	7,188	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,388</u>	<u>\$ 11,388</u>
<b>DRUG LAW ENFORCEMENT AND EDUCATION FUND</b>				
Receipts	\$ 1,278	\$ 1,278	\$ -	\$ (1,278)
Disbursements	(2,500)	(2,500)	-	2,500
Net Change in Fund Balance	(1,222)	(1,222)	-	1,222
Fund Balance - Beginning	1,222	1,222	1,222	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,222</u>	<u>\$ 1,222</u>
<b>HANDYMAN GRANT FUND</b>				
Receipts	\$ 22,768	\$ 28,868	\$ 27,217	\$ (1,651)
Disbursements	(37,060)	(43,160)	(34,503)	8,657
Transfers in	6,220	6,220	6,600	380
Transfers out	-	-	-	-
Net Change in Fund Balance	(8,072)	(8,072)	(686)	7,386
Fund Balance - Beginning	8,072	8,072	8,072	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,386</u>	<u>\$ 7,386</u>

(Continued)

**MORRILL COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**NONMAJOR FUNDS**

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>E911 EMERGENCY MANAGEMENT FUND</u></b>				
Receipts	\$ 15,833	\$ 15,833	\$ 12,272	\$ (3,561)
Disbursements	(60,000)	(60,000)	(10,113)	49,887
Transfers in	-	-	-	-
Transfers out	-	-	(10,740)	(10,740)
Net Change in Fund Balance	(44,167)	(44,167)	(8,581)	35,586
Fund Balance - Beginning	44,167	44,167	44,167	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,586</u>	<u>\$ 35,586</u>
<b><u>ENHANCED 911 WIRELESS SERVICE FUND</u></b>				
Receipts	\$ 49,238	\$ 49,238	\$ 49,232	\$ (6)
Disbursements	(225,867)	(225,867)	(10,094)	215,773
Transfers in	-	-	-	-
Transfers out	(36,313)	(36,313)	(40,131)	(3,818)
Net Change in Fund Balance	(212,942)	(212,942)	(993)	211,949
Fund Balance - Beginning	212,942	212,942	212,942	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,949</u>	<u>\$ 211,949</u>
<b><u>HOSPITAL BOND FUND</u></b>				
Receipts	\$ 159,909	\$ 159,909	\$ 156,622	\$ (3,287)
Disbursements	(231,960)	(231,960)	(204,468)	27,492
Transfers in	-	-	100,000	100,000
Transfers out	-	-	-	-
Net Change in Fund Balance	(72,051)	(72,051)	52,154	124,205
Fund Balance - Beginning	72,051	72,051	72,051	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,205</u>	<u>\$ 124,205</u>
<b><u>COURTHOUSE BUILDING FUND</u></b>				
Receipts	\$ 145,130	\$ 145,130	\$ 107,966	\$ (37,164)
Disbursements	(188,030)	(188,030)	(140,887)	47,143
Transfers in	-	-	100,000	100,000
Transfers out	-	-	-	-
Net Change in Fund Balance	(42,900)	(42,900)	67,079	109,979
Fund Balance - Beginning	42,900	42,900	42,900	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,979</u>	<u>\$ 109,979</u>

(Concluded)

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

	Highway Street & Bridge Buyback Fund	Road Sinking Fund	Visitor's Promotion Fund	Preservation and Modernization Fund
<b>RECEIPTS</b>				
Property Taxes	\$ -	\$ -	\$ 8,482	\$ -
Investment Income	-	-	-	-
Intergovernmental	90,201	-	-	-
Charges for Services	-	-	-	2,653
Miscellaneous	-	-	41	-
<b>TOTAL RECEIPTS</b>	<b>90,201</b>	<b>-</b>	<b>8,523</b>	<b>2,653</b>
<b>DISBURSEMENTS</b>				
General Government	-	-	-	4,045
Public Safety	-	-	-	-
Public Works	158,742	-	-	-
Public Assistance	-	-	-	-
Culture and Recreation	-	-	2,830	-
Debt Service:				
Principal Payments	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>158,742</b>	<b>-</b>	<b>2,830</b>	<b>4,045</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>(68,541)</b>	<b>-</b>	<b>5,693</b>	<b>(1,392)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	100,000	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>100,000</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(68,541)	100,000	5,693	(1,392)
<b>FUND BALANCES - BEGINNING</b>	<b>327,114</b>	<b>-</b>	<b>17,583</b>	<b>6,783</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 258,573</b>	<b>\$ 100,000</b>	<b>\$ 23,276</b>	<b>\$ 5,391</b>
<b>FUND BALANCES:</b>				
Restricted for:				
Visitor Promotion	-	-	23,276	-
911 Emergency Services	-	-	-	-
Drug Education	-	-	-	-
Preservation of Records	-	-	-	5,391
Debt Service	-	-	-	-
Road Maintenance	258,573	-	-	-
Committed to:				
Law Enforcement	-	-	-	-
Road Maintenance	-	100,000	-	-
Aid and Assistance	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ 258,573</b>	<b>\$ 100,000</b>	<b>\$ 23,276</b>	<b>\$ 5,391</b>

(Continued)

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

For the Year Ended June 30, 2018

	Veteran's Aid Fund	STOP Program Fund	Drug Law Enforcement and Education Fund	Handyman Grant Fund	E911 Emergency Management Fund
<b>RECEIPTS</b>					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 12,272
Investment Income	-	-	-	-	-
Intergovernmental	-	-	-	24,460	-
Charges for Services	-	4,200	-	-	-
Miscellaneous	-	-	-	2,757	-
<b>TOTAL RECEIPTS</b>	<u>-</u>	<u>4,200</u>	<u>-</u>	<u>27,217</u>	<u>12,272</u>
<b>DISBURSEMENTS</b>					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	10,113
Public Works	-	-	-	-	-
Public Assistance	10,000	-	-	34,503	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal Payments	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>34,503</u>	<u>10,113</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>(10,000)</u>	<u>4,200</u>	<u>-</u>	<u>(7,286)</u>	<u>2,159</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	10,000	-	-	6,600	-
Transfers out	-	-	-	-	(10,740)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>6,600</u>	<u>(10,740)</u>
Net Change in Fund Balances	-	4,200	-	(686)	(8,581)
<b>FUND BALANCES - BEGINNING</b>	<u>457</u>	<u>7,188</u>	<u>1,222</u>	<u>8,072</u>	<u>44,167</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 457</u>	<u>\$ 11,388</u>	<u>\$ 1,222</u>	<u>\$ 7,386</u>	<u>\$ 35,586</u>
<b>FUND BALANCES:</b>					
Restricted for:					
Visitor Promotion	-	-	-	-	-
911 Emergency Services	-	-	-	-	35,586
Drug Education	-	-	1,222	-	-
Preservation of Records	-	-	-	-	-
Debt Service	-	-	-	-	-
Road Maintenance	-	-	-	-	-
Committed to:					
Law Enforcement	-	11,388	-	-	-
Road Maintenance	-	-	-	-	-
Aid and Assistance	457	-	-	7,386	-
<b>TOTAL FUND BALANCES</b>	<u>\$ 457</u>	<u>\$ 11,388</u>	<u>\$ 1,222</u>	<u>\$ 7,386</u>	<u>\$ 35,586</u>

(Continued)

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

	Enhanced 911 Wireless Service Fund	Hospital Bond Fund	Courthouse Building Fund	Total Nonmajor Governmental Funds
<b>RECEIPTS</b>				
Property Taxes	\$ 49,232	\$ 142,579	\$ 96,528	\$ 309,093
Investment Income	-	2	-	2
Intergovernmental	-	14,001	11,438	140,100
Charges for Services	-	-	-	6,853
Miscellaneous	-	40	-	2,838
<b>TOTAL RECEIPTS</b>	<u>49,232</u>	<u>156,622</u>	<u>107,966</u>	<u>458,886</u>
<b>DISBURSEMENTS</b>				
General Government	-	-	115,768	119,813
Public Safety	10,094	-	-	20,207
Public Works	-	-	-	158,742
Public Assistance	-	-	-	44,503
Culture and Recreation	-	-	-	2,830
Debt Service:				
Principal Payments	-	150,000	25,000	175,000
Interest and Fiscal Charges	-	54,468	119	54,587
<b>TOTAL DISBURSEMENTS</b>	<u>10,094</u>	<u>204,468</u>	<u>140,887</u>	<u>575,682</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>39,138</u>	<u>(47,846)</u>	<u>(32,921)</u>	<u>(116,796)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	100,000	100,000	316,600
Transfers out	(40,131)	-	-	(50,871)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(40,131)</u>	<u>100,000</u>	<u>100,000</u>	<u>265,729</u>
Net Change in Fund Balances	(993)	52,154	67,079	148,933
<b>FUND BALANCES - BEGINNING</b>	<u>212,942</u>	<u>72,051</u>	<u>42,900</u>	<u>740,479</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 211,949</u>	<u>\$ 124,205</u>	<u>\$ 109,979</u>	<u>\$ 889,412</u>
<b>FUND BALANCES:</b>				
Restricted for:				
Visitor Promotion	-	-	-	23,276
911 Emergency Services	211,949	-	-	247,535
Drug Education	-	-	-	1,222
Preservation of Records	-	-	-	5,391
Debt Service	-	124,205	109,979	234,184
Road Maintenance	-	-	-	258,573
Committed to:				
Law Enforcement	-	-	-	11,388
Road Maintenance	-	-	-	100,000
Aid and Assistance	-	-	-	7,843
<b>TOTAL FUND BALANCES</b>	<u>\$ 211,949</u>	<u>\$ 124,205</u>	<u>\$ 109,979</u>	<u>\$ 889,412</u>

(Concluded)



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

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Highway Superintendent	Veterans' Service Officer	County Public Transit	County Handyman	County Fair	Total
BALANCES JULY 1, 2017	\$ 5,410	\$ 10,937	\$ 22,590	\$ -	\$ -	\$ 7,909	\$ -	\$ -	\$ 19,870	\$ 66,716
<b>RECEIPTS</b>										
Property Taxes	-	-	49,231	-	-	-	-	-	-	49,231
Licenses and Permits	400	-	800	-	-	-	-	-	-	1,200
Intergovernmental	-	-	327,240	-	-	10,000	-	24,460	19,962	381,662
Charges for Services	47,099	5,391	21,053	80	-	-	915	2,815	-	77,353
Miscellaneous	1	-	31,925	-	15,686	950	-	-	-	48,562
State Fees	56,901	5,589	-	-	-	-	-	-	-	62,490
Other Liabilities	246	81,217	51,012	-	-	-	-	-	29,586	162,061
<b>TOTAL RECEIPTS</b>	<b>104,647</b>	<b>92,197</b>	<b>481,261</b>	<b>80</b>	<b>15,686</b>	<b>10,950</b>	<b>915</b>	<b>27,275</b>	<b>49,548</b>	<b>782,559</b>
<b>DISBURSEMENTS</b>										
Payments to County Treasurer	48,062	4,899	403,245	80	15,686	-	915	27,218	-	500,105
Payments to State Treasurer	57,736	5,508	-	-	-	-	-	-	-	63,244
Other Liabilities	246	65,407	86,990	-	-	14,216	-	-	49,456	216,315
<b>TOTAL DISBURSEMENTS</b>	<b>106,044</b>	<b>75,814</b>	<b>490,235</b>	<b>80</b>	<b>15,686</b>	<b>14,216</b>	<b>915</b>	<b>27,218</b>	<b>49,456</b>	<b>779,664</b>
BALANCES JUNE 30, 2018	<u>\$ 4,013</u>	<u>\$ 27,320</u>	<u>\$ 13,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,643</u>	<u>\$ -</u>	<u>\$ 57</u>	<u>\$ 19,962</u>	<u>\$ 69,611</u>
<b>BALANCES CONSIST OF:</b>										
Due to County Treasurer	\$ 2,280	\$ 571	\$ 12,477	\$ -	\$ -	\$ 4,643	\$ -	\$ 57	\$ 19,962	\$ 39,990
Petty Cash	100	-	-	-	-	-	-	-	-	100
Due to State Treasurer	1,633	300	-	-	-	-	-	-	-	1,933
Due to Others	-	26,449	1,139	-	-	-	-	-	-	27,588
BALANCES JUNE 30, 2018	<u>\$ 4,013</u>	<u>\$ 27,320</u>	<u>\$ 13,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,643</u>	<u>\$ -</u>	<u>\$ 57</u>	<u>\$ 19,962</u>	<u>\$ 69,611</u>

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

Item	2013	2014	2015	2016	2017
<b>Tax Certified by Assessor</b>					
Real Estate	\$ 12,403,007	\$ 14,235,142	\$ 15,019,969	\$ 15,666,989	\$ 16,068,790
Personal and Specials	1,238,586	1,326,932	1,359,266	1,188,619	1,043,256
<b>Total</b>	<b>13,641,593</b>	<b>15,562,074</b>	<b>16,379,235</b>	<b>16,855,608</b>	<b>17,112,046</b>
<b>Corrections</b>					
Additions	7,712	2,223	3,784	1,254	1,340
Deductions	(33,830)	(10,232)	(2,745)	(6,818)	(2,494)
Net Additions/ (Deductions)	(26,118)	(8,009)	1,039	(5,564)	(1,154)
<b>Corrected Certified Tax</b>	<b>13,615,475</b>	<b>15,554,065</b>	<b>16,380,274</b>	<b>16,850,044</b>	<b>17,110,892</b>
<b>Net Tax Collected by County Treasurer during Fiscal Year Ending:</b>					
June 30, 2014	8,383,415	-	-	-	-
June 30, 2015	5,195,372	9,755,136	-	-	-
June 30, 2016	21,847	5,762,732	10,288,183	-	-
June 30, 2017	10,732	27,183	6,054,154	10,209,424	-
June 30, 2018	943	2,974	14,486	6,580,134	10,638,533
<b>Total Net Collections</b>	<b>13,612,309</b>	<b>15,548,025</b>	<b>16,356,823</b>	<b>16,789,558</b>	<b>10,638,533</b>
<b>Total Uncollected Tax</b>	<b>\$ 3,166</b>	<b>\$ 6,040</b>	<b>\$ 23,451</b>	<b>\$ 60,486</b>	<b>\$ 6,472,359</b>
<b>Percentage Uncollected Tax</b>	<b>0.02%</b>	<b>0.04%</b>	<b>0.14%</b>	<b>0.36%</b>	<b>37.83%</b>

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



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Charlie Janssen  
State Auditor

Charlie.Janssen@nebraska.gov  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.nebraska.gov](http://www.auditors.nebraska.gov)

### MORRILL COUNTY

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

Board of Commissioners  
Morrill 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 Morrill County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Morrill County's basic financial statements, and have issued our report thereon dated May 14, 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 Morrill County Hospital, a component unit of Morrill County.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Morrill 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 Morrill 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 Morrill 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**

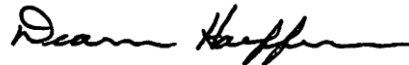
We also noted certain matters that we reported to the management of Morrill County in a separate letter dated May 14, 2019.

### **Morrill County's Response to Findings**

Morrill 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

May 14, 2019



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen  
State Auditor

Charlie.Janssen@nebraska.gov  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.nebraska.gov](http://www.auditors.nebraska.gov)

May 14, 2019

Board of Commissioners  
Morrill County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Morrill County (County) for the fiscal year ended June 30, 2018, and have issued our report thereon dated May 14, 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

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

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

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

## **Unclaimed Property**

During our audit, we noted multiple County offices did not report and remit unclaimed property – or such property was remitted late to the State Treasurer. The following list of County offices were not in compliance with the Uniform Disposition of Unclaimed Property Act (Act), as set out in Neb. Rev. Stat. §§ 69-1301 to 69-1329 (Reissue 2018):

- The County Clerk imprest account had four outstanding checks, totaling \$199. Check issue dates ranged from August 2012 through April 2014.
- The Clerk of the District Court had eight outstanding checks, totaling \$3,160. Check issue dates ranged from January 2009 through May 2015.
- The County Sheriff had 12 checks, totaling \$191. Check issue dates ranged from August 2010 through October 2014. Ten of these checks, totaling \$175, were remitted late to the State Treasurer in January 2019. The remaining two checks, totaling \$16, were still outstanding as of early April 2019.
- The County Treasurer had seven outstanding checks, totaling \$115. Check issue dates ranged from October 2013 through June 2015.

Section 69-1307.01 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.

Sound accounting practices and good internal control require procedures to ensure that unclaimed property is remitted timely to the State Treasurer.

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

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

*County Clerk of the District Court's Response: I have been working on these, but didn't make the deadline last fall. I will get these funds turned over to the State.*

*County Clerk's Response: Any uncashed checks over three years old will be turned into Unclaimed Property.*

## **Petty Cash Accountability**

During the audit, we noted that the County Board had authorized petty cash funds for multiple offices; however, the offices were unable to locate the petty cash funds. The offices had no records for determining if the petty cash funds were ever received or if they were subsequently refunded to the County.

Per the County Budget Message, the authorized petty cash funds, as of September 2017, were as follows:

- The Clerk of the District Court was authorized to have \$1,000 in 1992; however, that money cannot be located, and there is no record of it being returned to the County Treasurer.
- The Visitor’s Promotion Office was authorized to have \$1,000 in 1992, but the current office holder has no knowledge of the funds.
- The Veterans’ Service Officer was authorized to have \$2,250, but the current office holder has no knowledge of the funds.

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

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

Additionally, sound business practices and good internal controls require County offices to be accountable for their authorized petty cash funds.

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

We recommend the County Board implement procedures to ensure that authorized petty cash funds are appropriately accounted for, and County offices are responsible for those funds.

*County Clerk of the District Court’s Response: I was employed in this office then, but I do not recall ever having a “petty cash” fund in the office since I’ve been here.*

## **COUNTY VETERANS’ SERVICE OFFICER**

### **County Veterans’ Service Officer Theft**

#### ***Convicted Theft***

The former County Veterans’ Service Officer (CVSO), Devin Heumesser, entered into a plea agreement on February 4, 2019, in the District Court of Morrill County, where he pleaded guilty to four counts of Theft by Unlawful Taking, a Class I misdemeanor, and paid restitution to the County in January and February 2019, totaling \$18,389. He was sentenced to 12 months of probation and 30 days in jail. The theft occurred between the dates of March 14, 2017, and February 21, 2018. An investigation by the Nebraska State Patrol identified the following missing funds:

- |  |                  |
|--|------------------|
| • Checks made payable directly to the former CVSO, totaling          | \$ 3,500         |
| • Checks made payable to the CVSO’s personal utility bills, totaling | \$ 339           |
| • Cash withdrawals from the CVSO bank account, totaling              | <u>\$ 13,400</u> |
|  | <u>\$ 17,239</u> |

According to the Nebraska State Patrol, several of the checks noted above had been made payable to the former CVSO; however, they were altered in the County records to hide the actual payee. County records show that these altered checks were paid instead to Bridgeport Memorial Chapel.

The following table details the CVSO theft activity reported by the Nebraska State Patrol:

<b>Date</b>	<b>Amount</b>	<b>Transaction Type</b>
3/14/2017	\$ 500	Cash Withdrawal
3/30/2017	\$ 100	Cash Withdrawal
4/3/2017	\$ 100	Cash Withdrawal
4/17/2017	\$ 200	Cash Withdrawal
5/8/2017	\$ 50	Cash Withdrawal
5/18/2017	\$ 100	Cash Withdrawal
5/23/2017	\$ 100	Cash Withdrawal
5/24/2017	\$ 100	Cash Withdrawal
6/7/2017	\$ 500	Altered Check – Payable to Mr. Heumesser
6/13/2017	\$ 1,500	Cash Withdrawal
6/14/2017	\$ 137	Personal Utility Payment
6/28/2017	\$ 500	Altered Check – Payable to Mr. Heumesser
6/29/2017	\$ 1,500	Cash Withdrawal
8/10/2017	\$ 100	Cash Withdrawal
8/15/2017	\$ 200	Cash Withdrawal
8/18/2017	\$ 1,200	Cash Withdrawal
8/21/2017	\$ 300	Check Payable to Mr. Heumesser
8/22/2017	\$ 202	Personal Utility Payment
8/30/2017	\$ 300	Cash Withdrawal
9/5/2017	\$ 200	Cash Withdrawal
9/8/2017	\$ 300	Cash Withdrawal
9/13/2017	\$ 100	Cash Withdrawal
9/22/2017	\$ 100	Cash Withdrawal
10/5/2017	\$ 200	Cash Withdrawal
10/13/2017	\$ 250	Check Payable to Mr. Heumesser
10/20/2017	\$ 500	Cash Withdrawal
10/25/2017	\$ 200	Cash Withdrawal
10/30/2017	\$ 150	Cash Withdrawal
11/3/2017	\$ 250	Check Payable to Mr. Heumesser
11/7/2017	\$ 250	Cash Withdrawal
11/20/2017	\$ 200	Cash Withdrawal
11/27/2017	\$ 400	Cash Withdrawal
12/1/2017	\$ 500	Check Payable to Mr. Heumesser
12/7/2017	\$ 100	Cash Withdrawal
12/11/2017	\$ 200	Cash Withdrawal
12/15/2017	\$ 200	Check Payable to Mr. Heumesser
12/18/2017	\$ 150	Altered Check – Payable to Mr. Heumesser
12/20/2017	\$ 150	Cash Withdrawal
1/2/2018	\$ 500	Check Payable to Mr. Heumesser
1/9/2018	\$ 2,000	Cash Withdrawal
1/17/2018	\$ 400	Cash Withdrawal
1/23/2018	\$ 500	Cash Withdrawal
1/25/2018	\$ 200	Check Payable to Mr. Heumesser
1/31/2018	\$ 100	Cash Withdrawal



Date	Amount	Transaction Type
2/2/2018	\$ 400	Cash Withdrawal
2/13/2018	\$ 150	Check Payable to Mr. Heumesser
2/16/2018	\$ 500	Check Cashed on Behalf of Mr. Heumesser
2/21/2018	\$ 400	Cash Withdrawal
	<b>\$ 17,239</b>	

### *Additional Questioned Costs*

Due to the CVSO theft discussed above, we reviewed all reimbursements and credit card payments made to or on behalf of Mr. Heumesser during the fiscal year. We noted that 7 of the 12 claims tested lacked sufficient supporting documentation to allow for verification of those expenses.

### *Meal Reimbursements*

For two payments tested, meal expense reimbursements were allowed when no receipt or a non-itemized receipt was provided to the County Board. Further, both of those reimbursements exceeded the maximum per diem daily allowance established by the County Board.

Those two meal reimbursements are detailed in the following table:

Claim Number	Claim Date	Payee	Amount	Notes
17100158	10/24/2017	Kyoto Sushi and Steakhouse	\$ 40	Handwritten note stating the receipt was lost.
17120225	12/26/2017	Kyoto Sushi and Steakhouse	\$ 47	Non-itemized receipt was provided for \$39.64 plus \$7.36 in tip.
		<b>Total</b>	<b>\$ 87</b>	

In addition to the \$47 amount listed in the above table, claim 17120225 included a \$33 expense for the cost of a meal on December 3, 2017. Mr. Heumesser was also reimbursed for that amount – which was supported by adequate documentation – although it exceeded the maximum daily per diem allowance.

The Morrill County Employee Handbook, effective June 26, 2012, states, “Meals for events that involve overnight travel, meals shall be reimbursed to a maximum of \$30.00 per day.” Further, the County Board resets this policy annually, as noted in the County Board minutes.

### *Hotel and Mileage Reimbursements*

For six payments tested, hotel or mileage expense reimbursements were allowed despite a lack of documentation to support the actual cost or the purpose of the trip as legitimate CVSO business, as follows:

Claim Number	Claim Date	Transaction Type	Amount	Notes
17100158	10/24/2017	Credit Card	\$ 44	Invoice was provided for hotel stay, which included lodging and sales tax. A handwritten note was added to this invoice indicating an additional \$44 balance for “tax.”
17110198	11/28/2017	Credit Card	\$ 165	Booking information was provided for a one-night hotel stay on Saturday, October 21, at a casino in Deadwood, South Dakota. Trip was indicated as “training.” It does not appear reasonable, however, that training would occur on a Saturday or Sunday.

Claim Number	Claim Date	Transaction Type	Amount	Notes
17070057	7/8/2017	Mileage	\$ 212	Claim stated, "Mileage for meeting in Rapid City." No further information was provided.
17100025	10/10/2017	Mileage	\$ 479	Claim described two trips as "Mileage from Bridgeport to Kearney CVSOAN training" and "Scottsbluff to Aurora QTC Healthcare meeting."
17110048	11/14/2017	Mileage	\$ 251	Claim described "Mileage for VA health care Training in Deadwood, SD."
17120201	12/26/2017	Mileage	\$ 292	Claim stated "Mileage to Kearney for NACO."
		<b>Total</b>	<b>\$ 1,443</b>	

While some of these reimbursements may be reasonable, no documentation could be provided to verify them.

Sound accounting practices and good internal controls require procedures to ensure that adequate documentation is provided to the County Board to support all reimbursement requests and withdrawals from the County's bank account. Such documentation should include itemized receipts, mileage logs, or other records to support both the purpose and the amount of the expense reimbursed or the withdrawal.

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

We recommend the CVSO and County Board implement procedures to ensure all reimbursement requests and withdrawals from the County's bank account are adequately supported prior to payment. Such support should include documentation sufficient to verify both the purpose and amount of the expense reimbursed or the withdrawal, including, but not limited to, receipts, invoices, training agendas, and signed receipts for cash payments.

## COUNTY BOARD

### Inventory Issues

The following issues were noted with the County's inventory procedures:

- The County does not have a written inventory policy.
- The Building and Grounds' inventory listing did not include a filing date or documented County Board approval.
- The County Attorney's inventory listing included 10 items, totaling \$1,698, which could not be located when the current County Attorney took office in January 2019. Those items included an air conditioner (\$499), table (\$224), VCR (\$250), chair (\$125), and various other items.
- The County Assessor's inventory listing did not include one Microsoft Surface Pro laptop computer, which was located in the office.

Neb. Rev. Stat. § 23-347 (Reissue 2012) states the following:

*Within two calendar months after the close of each fiscal year, each county officer shall make, acknowledge under oath, and file with the county board of his or her county an inventory statement of all county personal property in the custody and possession of said county officer. The county board in each county shall examine into each inventory statement so filed, and, if said statement is correct and proper in every particular, the county board shall deliver each of said inventory statements to the clerk of the county for filing as a public record in said county clerk's office in a manner convenient for reference.*

Additionally, sound business practices and good internal controls require procedures to ensure that an up-to-date, written inventory policy is maintained, so inventory is adequately tracked and accounted for. Those same procedures should ensure also that all inventory statements are accurate, as well as filed and approved in a timely manner, as required by State statute.

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

We recommend the County Board implement procedures to ensure that an up-to-date, written inventory policy is maintained. Those procedures should ensure also that all inventory statements are accurate, as well as filed and approved in a timely manner, as required by State statute.

*County Clerk's Response: A policy for Inventories will be written and adopted as a Resolution.*

### **Leave Balances**

The following issues were noted related to County employees' leave balances:

- County employees' leave balances were not submitted to the County Board for review.
- The County Veterans' Service Office and the County Assessor's Office were unable to provide documentation to support the leave balances or leave earnings of their employees.
- One employee tested from the County Sheriff's Office used 5.33 hours of vacation leave in October 2017 that had not yet been earned. Thereby allowing them to go negative.
- One employee tested from the County Roads Department accrued leave for the entire year in January 2018. As a result, when the employee terminated in September 2018, he had used 20 hours of vacation leave that had not yet been earned.

The Morrill County Employee Handbook states the following, in relevant part:

*Employees shall be credited with vacation leave on a monthly basis at the rate of one-twelfth (1/12<sup>th</sup>) of the total vacation allotted for the year, beginning with the paycheck for the first full calendar month of employment.*

\* \* \* \*

*Full-time employees will accrue sick pay benefits at a rate of one and on-half (1 1/2) working days for each month of service after completing one (1) month of service.*

Additionally, good internal controls and sound accounting practices require procedures to ensure that the County Board obtains and reviews employee vacation, sick, and compensatory leave balances in order to identify any balances that appear unreasonable, as well as to be aware if the County would be responsible for a large payout upon employee termination. Those same procedures should ensure also that employee leave is appropriately taken, and leave balances are accurate.

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

We recommend the County Board implement procedures to ensure employee leave is properly accrued, used, and reported to the County Board for review.

## **Payroll and Timesheet Issues**

County offices were not reporting hours worked on the same two-week pay period. Additionally, one County Veterans' Service Office employee reported 70 hours worked for one pay period; however, the office was able to support only 47.5 hours actually worked. The office claimed that the variance in hours was due to leave taken; however, as noted in the comment above, no leave records are maintained by this office.

Sound business practices and a good internal control plan require procedures to ensure that employees are accurately documenting and reporting the hours worked each pay period. For the sake of consistency and uniformity, moreover, those procedures should ensure also that all County offices report employee work hours on the same two-week pay period.

Without such procedures, there is an increased risk of employees misreporting the hours that they actually work, and payroll being incorrect.

We recommend the County Board implement procedures to ensure employees are accurately documenting and reporting the hours worked each pay period, and all County offices report employee work hours on the same two-week pay period.

## **Use of County Vehicle**

We noted that the County Road Superintendent used a County vehicle to commute to work; however, this fringe benefit was not included in his taxable wages, as required by the Internal Revenue Service (IRS).

IRS Publication 15-B (2018), "Employer's Tax Guide to Fringe Benefits," Section 3, "Fringe Benefit Valuation Rules," (pg. 25), the "Commuting Rule" states, in relevant part, "Under this rule, you determine the value of a vehicle you provide to an employee for commuting use by multiplying each one-way commute (that is, from home to work or from work to home) by \$1.50."

Sound business practices and a good internal control plan require procedures to ensure that the proper value of using a County vehicle to commute to work is included in the employee's taxable wages.

Without such procedures, there is an increased risk of the County failing to report proper employee wage amounts to the IRS.

We recommend the County Board implement procedures to ensure the proper value of using a County vehicle to commute to work is included in the employee's taxable wages.

## **Claim Documentation**

For seven claims tested, \$12,025 in expenses did not have adequate supporting documentation, such as receipts or invoices, to support the payment. This included purchases made with a County credit card.

The table below details of the claims tested:

Claim Number	Claim Date	Payee	Amount	Notes
17100043	10/10/2017	Morrill County Fair Board	\$ 4,901	Claim was for \$35,800 paid in advance for County Fair expenses. The Fair Board provides documentation to the Board after the County Fair to support purchases; however, of the \$35,800 paid, only \$30,899 was supported with documentation.
18010201	1/23/2018	Flagship Publishing	\$ 2,600	No documentation was provided.
18020163	2/27/2018	Ray Cranmore	\$ 150	Claim provided stated that Mr. Cranmore completed bus washes and maintenance at the Public Transit building; however, no documentation of those services was provided.
18020205	2/27/2018	Staples Credit Plan	\$ 529	Summary statement provided with a handwritten note stating office supplies were purchased.
17070184	7/12/2017	Microsoft Office	\$ 11	Purchase by Assessor's office on County credit card.
17070184	7/12/2017	Google	\$ 85	Purchase by Clerk's office on County credit card.
17070184	7/12/2017	REI Payment Center	\$ 72	Purchase by Attorney's office on County credit card.
17070184	7/12/2017	Allo Communications	\$ 60	Purchase by Attorney's office on County credit card.
17070184	7/12/2017	Hardee's	\$ 11	Purchase by Veterans' office on County credit card.
17070184	7/12/2017	Western Pathology Consult	\$ 2,155	Purchase by Attorney's office on County credit card.
17100158	10/24/2017	Google	\$ 80	Purchase by Clerk's office on County credit card.
17100158	10/24/2017	Microsoft Office	\$ 11	Purchase by Assessor's office on County credit card.
17100158	10/24/2017	Kyoto Steakhouse	\$ 40	Purchase by Veterans' office on County credit card.
17100158	10/24/2017	Options in Psychology	\$ 800	Purchase by Attorney's office on County credit card.
17100158	10/24/2017	Bridgeport News	\$ 171	Purchase by Attorney's office on County credit card.
17100158	10/24/2017	USPS	\$ 7	Purchase by Attorney's office on County credit card.
17100158	10/24/2017	REI Payment Center	\$ 72	Purchase by Attorney's office on County credit card.
17110198	11/28/2017	Google	\$ 80	Purchase by Clerk's office on County credit card.
17110198	11/28/2017	Microsoft Office	\$ 11	Purchase by Assessor's office on County credit card.
17110198	11/28/2017	REI Payment Center	\$ 72	Purchase by Attorney's office on County credit card.
17110198	11/28/2017	Comfort Inn	\$ 107	Purchase by Sheriff's office on County credit card.
		<b>Total</b>	<b>\$ 12,025</b>	

When purchases were made with a County credit card, the County Board received a cut-out of the statement to support the amounts expensed, but no receipts showing what was purchased were submitted.

Neb. Rev. Stat. § 13-610 (Reissue 2012) provides, in relevant part, the following:

*(1) A political subdivision, through its governing body, may create its own purchasing card program. The governing body shall determine the type of purchasing card or cards utilized in the purchasing card program and shall approve or disapprove those persons who will be assigned a purchasing card . . .*

(2) Any political subdivision may utilize its purchasing card program for the purchase of goods and services for and on behalf of the political subdivision.

\* \* \* \*

(4) An itemized receipt for purposes of tracking expenditures shall accompany all purchasing card purchases. In the event that a receipt does not accompany such a purchase, purchasing card privileges shall be temporarily or permanently suspended in accordance with rules and regulations adopted and promulgated by the political subdivision.

(5) Upon the termination or suspension of employment of an individual using a purchasing card, such individual's purchasing card account shall be immediately closed and he or she shall return the purchasing card to the political subdivision.

(6) No officer or employee of a political subdivision shall use a political subdivision purchasing card for any unauthorized use as determined by the governing body.

(Emphasis added.) Additionally, good internal controls and sound business practice require procedures to ensure that all expenditures of County funds are supported by appropriate documentation, especially when a County credit card is used to make the purchase.

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

We recommend the County Board implement procedures to ensure all expenditures of County funds are supported by appropriate documentation, especially when a County credit card is used to make the purchase.

### COUNTY CLERK

#### Preservation Fees Coded to General Fund

For four months during the fiscal year, the County Clerk incorrectly coded a total of \$1,060 in preservation fees to the General Fund. These fees should have instead been coded instead to the Preservation and Modernization Fund.

Neb. Rev. Stat. § 33-109(1) (Cum. Supp. 2018) states the following:

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

Good internal controls and sound business practice require procedures to ensure that fees collected by County officers are coded to the appropriate fund, and any coding errors are corrected.

Without such procedures, there is an increased risk of not only County fees being improperly restricted but also noncompliance with State statute. There is also an increased risk for the loss or misuse of County funds.

We recommend the County Clerk implement procedures to ensure that County fees are coded to the appropriate fund, and any coding errors are corrected.

*County Clerk's Response: The Preservation & Modernization Fund monies of \$1,059.50 were coded in error for remittance to the General Fund and the Treasurer corrected it with a journal entry instead of a Transfer.*

**Bank Account Reconciliations**

During the audit, we noted that the imprest bank account was not reconciled on a monthly basis. As of June 30, 2018, the account had an excess of \$2,228, consisting of the following:

- A balance of \$2,107 that was transferred from an old bank account that was closed many years ago.
- Interest of \$60 received from October 2017 through June 2018.
- Old bank errors, totaling \$61, for which the County Clerk was unable to provide any details regarding when they occurred.

Additionally, we noted that interest received for two bank accounts was not remitted to the County Treasurer in a timely manner.

The following table details the disposition of those interest amounts:

<b>Interest Earned</b>	<b>Bank Account</b>	<b>Amount</b>	<b>Paid to Co. Treasurer</b>
January 2017 – August 2017	Imprest	\$ 75	October 2017
September 2017 – December 2017	Imprest	\$ 43	July 2018
January 2018 – June 2018	Imprest	\$ 64	August 2018
June 2017 – May 2018	Health Insurance	\$ 584	June 2018

Sound accounting practices and good internal control require procedures to ensure that office records reconcile with bank activity on, at least, a monthly basis. Those reconciliation procedures should include the timely identification and resolution of all variances noted, providing also for the timely remittance of interest earned to the County Treasurer.

Without such procedures, there is an increased risk of accounting errors or omissions leading to the loss, theft, or misuse of County funds.

We recommend the implementation of procedures to ensure that that office records reconcile with bank activity on, at least, a monthly basis, and all variances noted are identified and resolved timely. Those same procedures should ensure also that interest earned is remitted timely to the County Treasurer.

*County Clerk's Response: The County's Imprest Account is reconciled every month, it has been off for several years in the amount of \$2,107.14 which was from outstanding checks when the account was moved from one bank to another. We are correcting this amount when we do the next claim period along with the amount of \$60.88 which were checks that the bank says were processed.*

## **COUNTY CLERK OF THE DISTRICT COURT**

### **Monthly Report Review**

During the audit, we noted that the Clerk of the District Court was not adequately reviewing the Overdue Case Balance Reports to ensure that the balances therein were proper, and any action needed was taken timely.

During testing of five overdue balances, four, totaling \$4,804, did not have subsequent action taken by the District Court to ensure collection and/or resolution of the balances, such as the issuance of warrants and/or suspensions or the declaration of certain overdue balances as uncollectible. As of April 5, 2019, the report contained 69 overdue case balances, totaling \$30,965. Of those 69 cases, none had a current warrant or suspension issued for nonpayment.

Good internal control and sound business practices require overdue balances of the District Court to be reviewed on an ongoing, timely basis to determine what action should be taken to collect or otherwise resolve those balances.

Without a regular review of the Overdue Case Balance Reports, there is an increased risk that overdue balances may either not have proper follow-up action taken or have been previously resolved and should no longer be reflected as being overdue.

We recommend the District Court implement an ongoing, timely review of its Overdue Case Balance Reports to ensure the timely collection or resolution of overdue balances.

*County Clerk of the District Court's Response: I have no authority to issue a warrant to attempt to collect these overdue balances. I have spoken to two District Court Judges, and they did not have any advice for me. I have prepared "reminders" for several of these cases. It is difficult, as I do not know where they go when they leave here. I am documenting what I am doing, so I can show that I have attempted to collect. I do have one bond that needs to be addressed, as well as four cases where the party is deceased. I will refer these to my Judge to see if we can get these cleaned up.*

## **COUNTY FAIR**

### **Office Accountability**

During our audit, we noted the following issues with the accounting procedures of the County Fair:

- An accurate book balance was not maintained. The County Fair had an unknown long, totaling \$160, between the reconciled bank balance and the book balance at June 30, 2018. In addition, the County Fair added \$335 back to its book balance for "2017 outstanding checks" in March 2018; however, a majority of those checks were still outstanding at June 30, 2018, contributing to the book balance not accurately reflecting the true balance held.
- The completion of a monthly reconciliation appears not to have been completed or documented. In addition, a listing of outstanding checks was not maintained as of June 30, 2018, by the County Fair.
- The County Fair failed to account for monies received by the office in a separate receipt book or other method of accounting. As a result, the auditor had to compile receipts collected by the County Fair, using the deposits noted in the checkbook register or the bank statements.



- Interest earned on the bank account during the fiscal year, totaling \$54, was not remitted to the County Treasurer.

A good internal control plan and sound business practices require procedures to ensure the following: 1) a monthly reconciliation of the bank and book balances is completed; 2) an accurate book balance and listing of outstanding checks is maintained; 3) all monies received are accounted for; and 4) interest earned on the bank account is remitted timely to the County Treasurer.

Without such procedures, there is an increased risk for financial errors and/or irregularities to occur and remain undetected.

We recommend the County Fair implement procedures to ensure the following: 1) a monthly reconciliation of the bank and book balances is completed; 2) an accurate book balance and listing of outstanding checks is maintained; 3) all monies received are accounted for; and 4) interest earned on the bank account is remitted timely to the County Treasurer.

## COUNTY SHERIFF

### Sheriff Office Procedures

During our audit, we noted the following issues related to the procedures of the County Sheriff's Office:

- The County Sheriff was unable to identify the proper owner of \$13,616 held by the office at June 30, 2018.
- One receipt tested for prisoner boarding, totaling \$2,250, was not adequately supported. The previous bookkeeper did not save a copy of the invoices, so documentation was unavailable to support the details of the invoice, including the prisoners and their length of stay.
- One disbursement tested for inmate meals, totaling \$1,216, could not be supported by documentation showing how many meals were provided.
- During the fiscal year, the County Sheriff received \$26,626 related to prisoner boarding, donations, reimbursements for training, interest, etc., that was not remitted to the County Treasurer.
- The County Sheriff made payments without going through the County Board's claims process. Funds not remitted to the County Treasurer, as well as funds already in the beginning balance, were used to make the following purchases:

Description Provided	Amount
Vehicle Expenses (Vehicle Purchase, Fuel, Decals, etc.)	\$ 31,402
Inmate Meals	\$ 1,216
Ammo	\$ 999
Prisoner Boarding	\$ 945
Uniforms	\$ 595
Other	\$ 272
<b>Total</b>	<b>\$ 35,429</b>

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.*

Sound business practices and good internal controls require procedures to ensure that adequate records are maintained to support all financial activity of the County’s offices, including all receipts, disbursements, and balances held. Those same procedures should ensure that funds received are remitted to the County Treasurer, and purchases and expenditures are made through the County Board’s claims process.

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

We recommend the County Sheriff implement procedures to ensure the following: 1) adequate records are maintained to support all financial activity of the County’s offices, including all receipts, disbursements, and balances held; 2) funds received are remitted to the County Treasurer; and 3) purchases and expenditures are made through the County Board’s claims process.

**COUNTY TREASURER**

**5% Gross In-Lieu Distribution**

During testing, we noted that the two 5% Gross In-Lieu distributions made during April 2018, were not calculated correctly. The errors were due to the inclusion of additional school district funds and the exclusion of one County fund and one village fund.

The table below shows the variances noted:

<b>Fund Description</b>	<b>Auditor’s Distribution</b>	<b>Treasurer’s Distribution</b>	<b>Over/(Under) Payments</b>
County General	\$ 16,566	\$ 11,509	\$ (5,057)
Hospital Bond	\$ 733	\$ 509	\$ (224)
Courthouse Building	\$ 669	\$ 0	\$ (669)
Bridgeport School District	\$ 52,891	\$ 36,744	\$ (16,147)
Bridgeport School District Bond	\$ 4,704	\$ 0	\$ (4,704)
Bridgeport School District Building	\$ 0	\$ 22	\$ 22
Garden County School District	\$ 0	\$ 12,082	\$ 12,082
Garden County School District Building	\$ 0	\$ 1,538	\$ 1,538
Leyton School District	\$ 1,392	\$ 22,089	\$ 20,697
Leyton School District Building	\$ 21	\$ 310	\$ 289
Bridgeport	\$ 21,673	\$ 14,709	\$ (6,964)
Broadwater	\$ 863	\$ 0	\$ (863)
	<b>\$ 99,512</b>	<b>\$ 99,512</b>	<b>\$ 0</b>

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.*

Sound business practices and good internal controls require procedures to ensure that Gross In-Lieu distributions are calculated correctly. Those same procedures should also ensure also that corrections are made for any erroneous distributions.

Without such procedures, there is an increased risk that political subdivisions will not receive the appropriate amount of funding, increasing the risk for loss or misuse of funds as well.

We recommend the County Treasurer implement procedures to ensure that gross in-lieu distributions are calculated correctly, and corrections are made for any erroneous distributions.

### **Real Property Tax Credit Distribution**

During testing, we noted that the Real Property Tax Credit distributed in February and April 2018, was incorrect. While running a tax credit report from the system to determine the amounts to distribute, the County Treasurer inadvertently excluded the tax credit related to centrally assessed properties. This resulted in the County Treasurer using the incorrect percentage for each subdivision.

The table below summarizes the variances noted:

<b>Subdivision</b>	<b>Over/(Under) Payment</b>
County Funds	\$ (2,713)
City of Bridgeport	\$ 1,439
City of Bayard	\$ 621
Village of Broadwater	\$ (139)
Bridgeport Fire	\$ (204)
Dalton Fire	\$ 168
Bayard Fire	\$ 123
Broadwater Fire	\$ (365)
Fire Districts (2 Districts)	\$ 96
North Platte NRD	\$ (447)
Cemetery Districts (5 Districts)	\$ (83)
Bayard Cemetery District	\$ 110
ESU 13	\$ (109)
Western NE Comm. College	\$ (746)
Banner School District	\$ 4,165
Bayard School District	\$ 6,712
Garden Co. School District	\$ (3,594)
Bridgeport School District	\$ (10,859)
Alliance School District	\$ 5,875
Leyton School District	\$ (3,077)

<b>Subdivision</b>	<b>Over/(Under) Payment</b>
Scottsbluff School District	\$ 95
TIF Dollar General	\$ 33
TIF B'Port Ethanol	\$ 2,662
TIF Bomgaars	\$ 210
TIF Bayard/Claver Trust	\$ 13
TIF Bayard/Claver Storage	\$ 14
Total	\$ 0

Neb. Rev. Stat. § 77-4212(4)(b) (Reissue 2018) states the following:

*Beginning with tax year 2017, the amount disbursed to each county shall be equal to the amount available for disbursement determined under subsection (1) of this section multiplied by the ratio of the credit allocation valuation in the county to the credit allocation valuation in the state. By September 15, the Property Tax Administrator shall determine the amount to be disbursed under this subdivision to each county and certify such amounts to the State Treasurer and to each county. The disbursements to the counties shall occur in two equal payments, the first on or before January 31 and the second on or before April 1. After retaining one percent of the receipts for costs, the county treasurer shall allocate the remaining receipts to each taxing unit based on its share of the credits granted to all taxpayers in the taxing unit.*

Additionally, a good internal control plan requires procedures to ensure that Real Property Tax Credit distributions are calculated in accordance with applicable statutory requirements. Those same procedures should ensure also that corrections are made for any erroneous calculations.

Without such procedures, there is an increased risk of Real Property Tax Credit distributions not being calculated correctly and political subdivisions not receiving the appropriate amount of funding, increasing the risk for loss or misuse of funds as well.

We recommend the County Treasurer implement procedures to ensure future Real Property Tax Credit distributions are calculated correctly, and corrections are made for any erroneous calculations.

### **Fund Coding**

During review of the County's Fund Balance Statement, we noted 69 fund numbers that differed from those specified in the Auditor of Public Accounts' approved listing, as follows:

- Four municipality funds were coded in the 300 fund numbers, one in the 8300 fund numbers, and six in the 9500 fund numbers, instead of the 8600-8799 funds, as prescribed.
- Twelve fire district funds were coded in the 400 fund numbers, instead of the 7700-7899 funds, as prescribed.
- One natural resource district fund was coded in the 500 fund numbers, instead of the 7300-7499 funds, as prescribed.
- Eight cemetery funds were coded in the 600 fund numbers, instead of the 7600-7699 funds, as prescribed.
- Four educational service unit funds were coded in the 700 fund numbers, instead of the 6900-7099 funds, as prescribed.

- Three technical college funds were coded in the 800 fund numbers, instead of the 7100-7299 funds, as prescribed.
- Thirty school district funds were coded in the 900 fund numbers, instead of the 6100-6899 funds, as prescribed.

Neb. Rev. Stat. § 23-1611 (Reissue 2012) states the following, in relevant part:

*The Auditor of Public Accounts shall establish a uniform system of accounting for all county officers. The system, when established, shall be installed and used by all county officers . . . .*

The State Auditor's office has established a Nebraska Accounting Code Manual for Counties, which is maintained on our website at [www.auditors.nebraska.gov](http://www.auditors.nebraska.gov).

Additionally, a good internal control plan requires procedures to ensure that County funds are coded in accordance with the provisions of the Auditor of Public Accounts' approved listing.

Without such procedures, there is an increased risk of not only the County funds being coded improperly but also noncompliance with State statute.

We recommend the County Treasurer implement procedures to ensure that all funds are coded in accordance with the provisions of the Auditor of Public Accounts' approved listing, and any erroneous fund numbers are corrected accordingly.

### **Bond Forfeiture Credited to Incorrect Fund**

Bond forfeitures, totaling \$5,654, were collected from the County Court in July 2017; however, this balance was credited to the County General Fund, not to the Fines and Licenses Fund. Because they were credited to the incorrect fund, the bond forfeitures were not subsequently remitted to the County School Fund, as required by State statute.

Neb. Rev. Stat. § 29-2708 (Reissue 2016) states the following, 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 . . . .*

A good internal control plan requires procedures to ensure that bond forfeitures are credited to the Fines and Licenses Fund, for subsequent remittance to the County School Fund. Those same procedures should ensure also that corrections are made for any monies that were credited to the wrong fund.

Without such procedures, there is an increased risk of not only bond forfeitures being credited to the wrong fund, preventing them from being subsequently remitted to the County School Fund, but also noncompliance with State statute, increasing the risk for loss or misuse of funds as well.

We recommend the County Treasurer implement procedures to ensure that bond forfeitures are credited to the Fines and Licenses Fund, for subsequent remittance to the County School Fund, and corrections are made for any monies that were credited to the wrong fund.

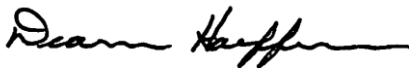
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It should be noted this report is critical in nature, as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strong features of the County.

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,

A handwritten signature in black ink, appearing to read "Deann Haeffner", with a long horizontal flourish extending to the right.

Deann Haeffner, CPA  
Assistant Deputy Auditor