

**AUDIT REPORT
OF
HARLAN COUNTY**

JULY 1, 2017, THROUGH JUNE 30, 2018

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the Auditor of Public Accounts.**

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Issued on January 2, 2019

HARLAN COUNTY

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HARLAN COUNTY
706 W 2nd Street
Alma, NE 68920

LIST OF COUNTY OFFICIALS
At June 30, 2018

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Supervisors	Traci Dietz	Jan. 2021
	Gary Dunse	Jan. 2019
	Lonny Hanna	Jan. 2019
	Douglas Horwart	Jan. 2021
	Rodney Metzger	Jan. 2021
	J.D. Schluntz	Jan. 2019
	Max Schultz	Jan. 2021
Assessor	Kim Wessels	Jan. 2019
Attorney	Bryan McQuay	Jan. 2019
Clerk	Janet Dietz	Jan. 2019
Election Commissioner		
Register of Deeds		
Clerk of the District Court		
Sheriff	Chris Becker	Jan. 2019
Treasurer	Diane Grotfeld (Resigned July 2018)	Jan. 2019
Veterans' Service Officer	Michael Richman	Appointed
Weed Superintendent	Tim Burgeson	Appointed
Highway Superintendent		



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HARLAN COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Harlan 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 Harlan 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

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

Basis for Adverse Opinion on the Discretely Presented Component Unit

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of Harlan 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 Harlan County, as of June 30, 2018, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Emphasis of Matters – Basis of Accounting

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

Report on Supplementary Information

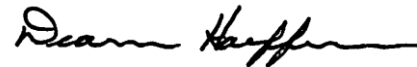
Our audit was conducted for the purpose of forming opinions on the financial statements as a whole, which collectively comprise the County’s basic financial statements. The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes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

The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, pages 18-34, 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 December 5, 2018, on our consideration of Harlan 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 Harlan County's internal control over financial reporting and compliance.

December 5, 2018



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 2,233,921
TOTAL ASSETS	\$ 2,233,921
NET POSITION	
Restricted for:	
Visitor Promotion	\$ 16,712
911 Emergency Services	10,235
Drug Education	1,430
Preservation of Records	5,230
Debt Service	156,611
Road and Bridge Maintenance	94,850
Unrestricted	1,948,853
TOTAL NET POSITION	\$ 2,233,921

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

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

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (1,252,869)	\$ 224,939	\$ 17,779	\$ (1,010,151)
Public Safety	(2,062,605)	50,667	39,486	(1,972,452)
Public Works	(206,238)	-	971,171	764,933
Public Assistance	(62,092)	-	-	(62,092)
Culture and Recreation	(27,631)	-	-	(27,631)
Debt Payments	(405,488)	-	-	(405,488)
Total Governmental Activities	\$ (4,016,923)	\$ 275,606	\$ 1,028,436	(2,712,881)
General Receipts:				
Property Taxes				2,145,864
Grants and Contributions Not Restricted to Specific Programs				346,218
Investment Income				7,826
Licenses and Permits				16,286
Miscellaneous				71,599
Total General Receipts				2,587,793
Increase in Net Position				(125,088)
Net Position - Beginning of year				2,359,009
Net Position - End of year				\$ 2,233,921

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

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

	General Fund	Road Fund	Inheritance Fund	Hospital Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents (Note 1.D)	\$ 187,811	\$ 67,884	\$ 1,366,500	\$ 156,611	\$ 455,115	\$ 2,233,921
TOTAL ASSETS	<u>\$ 187,811</u>	<u>\$ 67,884</u>	<u>\$ 1,366,500</u>	<u>\$ 156,611</u>	<u>\$ 455,115</u>	<u>\$ 2,233,921</u>
FUND BALANCES						
Restricted for:						
Visitor Promotion	-	-	-	-	16,712	16,712
911 Emergency Services	-	-	-	-	10,235	10,235
Drug Education	-	-	-	-	1,430	1,430
Preservation of Records	-	-	-	-	5,230	5,230
Debt Service	-	-	-	156,611	-	156,611
Road and Bridge Maintenance	-	-	-	-	94,850	94,850
Committed to:						
Law Enforcement	-	-	-	-	14,243	14,243
Road Maintenance	-	67,884	-	-	16,299	84,183
Aid and Assistance	-	-	-	-	29,904	29,904
County Buildings	-	-	-	-	131,095	131,095
Equipment Purchases	-	-	-	-	6,237	6,237
Property Reappraisal	-	-	-	-	1,091	1,091
Community Projects	-	-	-	-	125,501	125,501
Noxious Weeds	-	-	-	-	2,222	2,222
Historical Society	-	-	-	-	66	66
Assigned to:						
Other Purposes	-	-	1,366,500	-	-	1,366,500
Unassigned	187,811	-	-	-	-	187,811
TOTAL CASH BASIS FUND BALANCES	<u>\$ 187,811</u>	<u>\$ 67,884</u>	<u>\$ 1,366,500</u>	<u>\$ 156,611</u>	<u>\$ 455,115</u>	<u>\$ 2,233,921</u>

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

HARLAN 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	Hospital Bond Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$1,613,050	\$ -	\$ 232,815	\$ 274,661	\$ 25,338	\$ 2,145,864
Licenses and Permits	14,596	1,690	-	-	-	16,286
Investment Income	6,357	-	-	1,296	173	7,826
Intergovernmental	251,655	891,984	-	29,533	201,482	1,374,654
Charges for Services	249,580	-	-	-	26,026	275,606
Miscellaneous	6,461	6,938	-	45,488	12,712	71,599
TOTAL RECEIPTS	<u>2,141,699</u>	<u>900,612</u>	<u>232,815</u>	<u>350,978</u>	<u>265,731</u>	<u>3,891,835</u>
DISBURSEMENTS						
General Government	1,146,783	-	1,168	-	104,918	1,252,869
Public Safety	711,758	1,312,800	-	-	38,047	2,062,605
Public Works	30,937	-	-	-	175,301	206,238
Public Assistance	9,531	-	-	-	52,561	62,092
Culture and Recreation	-	-	-	-	27,631	27,631
Debt Service:						
Principal Payments	-	-	-	360,000	-	360,000
Interest and Fiscal Charges	-	-	-	45,488	-	45,488
TOTAL DISBURSEMENTS	<u>1,899,009</u>	<u>1,312,800</u>	<u>1,168</u>	<u>405,488</u>	<u>398,458</u>	<u>4,016,923</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>242,690</u>	<u>(412,188)</u>	<u>231,647</u>	<u>(54,510)</u>	<u>(132,727)</u>	<u>(125,088)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	604,800	487,629	190,300	-	208,736	1,491,465
Transfers out	(867,820)	(10,000)	(587,300)	-	(26,345)	(1,491,465)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(263,020)</u>	<u>477,629</u>	<u>(397,000)</u>	<u>-</u>	<u>182,391</u>	<u>-</u>
Net Change in Fund Balances	(20,330)	65,441	(165,353)	(54,510)	49,664	(125,088)
CASH BASIS FUND BALANCES - BEGINNING	<u>208,141</u>	<u>2,443</u>	<u>1,531,853</u>	<u>211,121</u>	<u>405,451</u>	<u>2,359,009</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 187,811</u>	<u>\$ 67,884</u>	<u>\$ 1,366,500</u>	<u>\$ 156,611</u>	<u>\$ 455,115</u>	<u>\$ 2,233,921</u>

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

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

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 357,352
 LIABILITIES	
Due to other governments	
State	75,116
Schools	69,247
Educational Service Units	786
Technical College	5,049
Natural Resource Districts	8,228
Fire Districts	828
Municipalities	19,586
Agricultural Society	292
Townships	23,216
Others	155,004
TOTAL LIABILITIES	357,352
 TOTAL NET ASSETS	 \$ -

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

HARLAN 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 Harlan County.

A. Reporting Entity

Harlan 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.

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

Joint Organization.

Behavioral Health Region III – The County has entered into an agreement with surrounding counties and the Nebraska Department of Health and Human Services to provide services to carry out the provisions of the Nebraska Behavioral Health Services Act (Act). Agreements were established under the authority of the Interlocal Cooperation Act for services to be provided under the Act. Region III (Region) consists of the following counties: Blaine, Loup, Garfield, Wheeler, Custer, Valley, Greeley, Sherman, Howard, Buffalo, Hall, Phelps, Kearney, Adams, Clay, Furnas, Harlan, Hamilton, Merrick, Franklin, Webster, and Nuckolls.

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$8,867 toward the operation of the Region during fiscal year 2018. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Department of Health and Human Services requires the Region to be audited annually in accordance with State statute. Financial information for the Region is available in those audit reports.

HARLAN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Health Department – The County has entered into an agreement with the Two Rivers Public Health Department (Department) to provide public health services. The agreement was established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636 (Reissue 2009, Cum. Supp. 2016, Supp. 2017).

The Department’s governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County did not contribute toward the operation of the Department during fiscal year 2018. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is audited in accordance with Neb. Rev. Stat. § 84-304(4) (Supp. 2017). Financial information for the Department is available in that report.

B. Basis of Presentation

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

HARLAN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for financial resources of the general government, except those required to be accounted for in another fund.

Road Fund. This fund is used to account for costs associated with the repair and maintenance of roads and bridges and is primarily funded by State tax receipts.

Inheritance Fund. This fund is used to account for the receipts generated from inheritance taxes and is used for various projects.

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

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

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

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

The County designates fund balances as follows:

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

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

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the County are maintained and the government-wide financial statements were reported on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis. Receipts are recognized when received, and disbursements are recognized when warrants are paid. This differs from governmental GAAP, which requires the government-

HARLAN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

wide and fiduciary fund financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting, receipts are recorded when earned, and disbursements are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

D. Assets and Net Position

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

Investments. The types of investments in which the County is authorized to invest funds are enumerated in Neb. Rev. Stat. § 77-2315, § 77-2340, and § 77-2341 (Reissue 2009) and generally include U.S. Government obligations, certificates of deposit, and time deposits and securities, which are authorized by the Nebraska Investment Council.

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

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

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

HARLAN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Restricted Net Position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$285,068 of restricted net position, which is fully restricted by enabling legislation.

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

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

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

Excess of Disbursements Over Appropriations. For the year ended June 30, 2018, disbursements exceeded budgeted appropriations in the Miscellaneous function of the General Fund by \$132,308. These over-expenditures were funded by the available fund balance in the General Fund.

2. **Deposits and Investments**

The County has generally pooled the cash resources of the various funds for investment purposes. Interest earned on pooled funds is credited to the County General Fund in accordance with Neb. Rev. Stat. § 77-2315 (Reissue 2009).

At year end, the County's carrying amount of deposits was \$2,233,921 for County funds and \$357,352 for Fiduciary funds. The bank balances for all funds totaled \$2,640,858. 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.

HARLAN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

3. **Property Taxes**

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

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 \$.183243/\$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 \$.167499/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

Additionally, there is currently a statutory lid limitation, which limits taxation to the prior year's level, with provisions for growth. The lid may be increased by 1% upon the approval of a three-fourths majority of the County Board.

4. **Retirement System**

The Retirement System for Nebraska Counties (Plan) is a multiple-employer plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2334 (Reissue 2012, Cum. Supp. 2016, Supp. 2017) and may be amended through legislative action.

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

HARLAN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

the system or credit for participation in another governmental plan prior to actual contribution to the Plan. Non-vested County contributions are forfeited upon termination. Forfeitures are used to cover a portion of the pension plan's administrative expenses. Prior service benefits are paid directly by the County to the retired employee. The Plan's financial statements, including pension costs and obligations, are audited annually and can be obtained from the State of Nebraska Public Employees Retirement System.

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

For the year ended June 30, 2018, 47 employees contributed \$61,793, and the County contributed \$91,681. Contributions included \$2,016 in cash contributions towards the supplemental law enforcement plan for four law enforcement employees. Lastly, the County paid \$473 directly to two retired employees for prior service benefits.

5. **Risk Management**

The County is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of the Nebraska Intergovernmental Risk Management Association (NIRMA), a public entity risk pool currently operating as a common risk management and insurance program for 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

HARLAN COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

5. Risk Management (Concluded)

The County has not paid any additional assessments to the pool or paid out any amounts that exceeded coverage provided by the pool in the last three fiscal years. There were no significant reductions in insurance coverage from the prior year coverage.

6. Interfund Transfers

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

Transfers to	Transfers from				Total
	General Fund	Inheritance Fund	Road Fund	Nonmajor Funds	
Road Fund	\$ 487,629	\$ -	\$ -	\$ -	\$ 487,629
Inheritance Fund	190,300	-	-	-	190,300
General Fund	-	587,300	10,000	7,500	604,800
Nonmajor Funds	189,891	-	-	18,845	208,736
Total	\$ 867,820	\$ 587,300	\$ 10,000	\$ 26,345	\$ 1,491,465

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

7. Long-Term Debt

The County issued bonds in August 2016, in the amount of \$3,690,000 for the purpose of paying off the remaining balance on the 2011 series bonds. The 2011 series bonds were issued for the costs of an addition and remodeling to the County Hospital. The bond payable balance, as of June 30, 2018, was \$3,035,000. The County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds. Future tax resources will be used to pay off the bonds.

Future Payments:			
Year	Principal	Interest	Total
2019	\$ 365,000	\$ 41,748	\$ 406,748
2020	370,000	38,097	408,097
2021	375,000	34,028	409,028
2022	370,000	29,527	399,527
2023	380,000	24,718	404,718
2024-2026	1,175,000	39,750	1,214,750
Total Payments	\$ 3,035,000	\$ 207,868	\$ 3,242,868

HARLAN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,746,399	\$ 1,746,399	\$ 1,613,050	\$ (133,349)
Licenses and Permits	46,150	46,150	14,596	(31,554)
Interest	6,200	6,200	6,357	157
Intergovernmental	136,500	136,500	251,655	115,155
Charges for Services	230,050	230,050	249,580	19,530
Miscellaneous	1,550	1,550	6,461	4,911
TOTAL RECEIPTS	<u>2,166,849</u>	<u>2,166,849</u>	<u>2,141,699</u>	<u>(25,150)</u>
DISBURSEMENTS				
General Government:				
County Board	115,788	115,788	114,505	1,283
County Clerk	131,841	131,841	124,329	7,512
County Treasurer	142,107	142,107	141,478	629
County Assessor	139,446	139,446	102,663	36,783
Election Commissioner	26,550	26,550	16,343	10,207
Building and Zoning	9,966	9,966	8,503	1,463
Clerk of the District Court	11,375	11,375	2,753	8,622
County Court System	16,760	16,760	9,599	7,161
Building and Grounds	110,462	110,462	89,764	20,698
Agricultural Extension Agent	90,374	90,374	86,059	4,315
Special Elections	2,100	2,100	-	2,100
Miscellaneous	424,393	424,393	450,787	(26,394)
Public Safety				
County Sheriff	323,431	323,431	320,071	3,360
County Attorney	136,692	136,692	134,189	2,503
Law Enforcement Programs	50,000	50,000	-	50,000
Child Support Enforcement	19,330	19,330	17,261	2,069
STOP- Diversion Program	3,080	3,080	-	3,080
County Jail	184,259	184,259	154,696	29,563
Emergency Management	85,818	85,818	85,541	277
Homeland Security	50,000	50,000	-	50,000
Public Works				
County Surveyor	33,317	33,317	30,937	2,380
Public Assistance				
Veterans' Service Officer	11,151	11,151	9,531	1,620
TOTAL DISBURSEMENTS	<u>2,118,240</u>	<u>2,118,240</u>	<u>1,899,009</u>	<u>219,231</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>48,609</u>	<u>48,609</u>	<u>242,690</u>	<u>194,081</u>

HARLAN 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)
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	604,800	104,800
Transfers out	(772,494)	(772,494)	(867,820)	(95,326)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(272,494)</u>	<u>(272,494)</u>	<u>(263,020)</u>	<u>9,474</u>
Net Change in Fund Balance	(223,885)	(223,885)	(20,330)	203,555
FUND BALANCE - BEGINNING	<u>227,998</u>	<u>227,998</u>	<u>208,141</u>	<u>(19,857)</u>
FUND BALANCE - ENDING	<u><u>\$ 4,113</u></u>	<u><u>\$ 4,113</u></u>	<u><u>\$ 187,811</u></u>	<u><u>\$ 183,698</u></u>

(Concluded)

HARLAN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Licenses and Permits	\$ 2,000	\$ 2,000	\$ 1,690	\$ (310)
Intergovernmental	913,256	913,256	891,984	(21,272)
Miscellaneous	4,500	4,500	6,938	2,438
TOTAL RECEIPTS	<u>919,756</u>	<u>919,756</u>	<u>900,612</u>	<u>(19,144)</u>
DISBURSEMENTS	<u>1,747,039</u>	<u>1,747,039</u>	<u>1,312,800</u>	<u>434,239</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(827,283)</u>	<u>(827,283)</u>	<u>(412,188)</u>	<u>415,095</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	860,428	860,428	487,629	(372,799)
Transfers out	-	-	(10,000)	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>860,428</u>	<u>860,428</u>	<u>477,629</u>	<u>(382,799)</u>
Net Change in Fund Balance	33,145	33,145	65,441	32,296
FUND BALANCE - BEGINNING	2,443	2,443	2,443	-
FUND BALANCE - ENDING	<u>\$ 35,588</u>	<u>\$ 35,588</u>	<u>\$ 67,884</u>	<u>\$ 32,296</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 150,000	\$ 150,000	\$ 232,815	\$ 82,815
TOTAL RECEIPTS	<u>150,000</u>	<u>150,000</u>	<u>232,815</u>	<u>82,815</u>
DISBURSEMENTS	<u>814,353</u>	<u>814,353</u>	<u>1,168</u>	<u>813,185</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(664,353)</u>	<u>(664,353)</u>	<u>231,647</u>	<u>896,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	190,300	190,300
Transfers out	(800,000)	(800,000)	(587,300)	212,700
TOTAL OTHER FINANCING SOURCES (USES)	<u>(800,000)</u>	<u>(800,000)</u>	<u>(397,000)</u>	<u>403,000</u>
Net Change in Fund Balance	(1,464,353)	(1,464,353)	(165,353)	1,299,000
FUND BALANCE - BEGINNING	1,531,853	1,531,853	1,531,853	-
FUND BALANCE - ENDING	<u>\$ 67,500</u>	<u>\$ 67,500</u>	<u>\$ 1,366,500</u>	<u>\$ 1,299,000</u>

(Continued)

HARLAN 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)
HOSPITAL BOND FUND				
RECEIPTS				
Taxes	\$ 295,000	\$ 295,000	\$ 274,661	\$ (20,339)
Interest	-	-	1,296	1,296
Intergovernmental	3,265	3,265	29,533	26,268
Miscellaneous	36	36	45,488	45,452
TOTAL RECEIPTS	<u>298,301</u>	<u>298,301</u>	<u>350,978</u>	<u>52,677</u>
DISBURSEMENTS	<u>408,000</u>	<u>408,000</u>	<u>405,488</u>	<u>2,512</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(109,699)</u>	<u>(109,699)</u>	<u>(54,510)</u>	<u>55,189</u>
Net Change in Fund Balance	(109,699)	(109,699)	(54,510)	55,189
FUND BALANCE - BEGINNING	211,120	211,120	211,121	-
FUND BALANCE - ENDING	<u>\$ 101,421</u>	<u>\$ 101,421</u>	<u>\$ 156,611</u>	<u>\$ 55,189</u>

(Concluded)

HARLAN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HIGHWAY STREET BUYBACK PROGRAM				
FUND				
Receipts	\$ 77,998	\$ 77,998	\$ 77,998	\$ -
Disbursements	(162,201)	(162,201)	(159,417)	2,784
Net Change in Fund Balance	(84,203)	(84,203)	(81,419)	2,784
Fund Balance - Beginning	84,203	84,203	84,203	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,784</u>	<u>\$ 2,784</u>
HIGHWAY BRIDGE BUYBACK PROGRAM				
FUND				
Receipts	\$ 40,674	\$ 40,674	\$ 40,675	\$ 1
Disbursements	(92,065)	(92,065)	-	92,065
Net Change in Fund Balance	(51,391)	(51,391)	40,675	92,066
Fund Balance - Beginning	51,391	51,391	51,391	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,066</u>	<u>\$ 92,066</u>
ROAD BRIDGE CONSTRUCTION FUND				
Receipts	\$ 2	\$ 2	\$ 11	\$ 9
Disbursements	(16,290)	(16,290)	-	16,290
Net Change in Fund Balance	(16,288)	(16,288)	11	16,299
Fund Balance - Beginning	16,288	16,288	16,288	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,299</u>	<u>\$ 16,299</u>
SHERIFF EQUIPMENT SINKING FUND				
Receipts	\$ 2	\$ 2	\$ 28	\$ 26
Disbursements	(13,305)	(13,305)	(8,675)	4,630
Net Change in Fund Balance	(13,303)	(13,303)	(8,647)	4,656
Fund Balance - Beginning	13,303	13,303	13,303	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,656</u>	<u>\$ 4,656</u>
HUNTLEY BUILDING SINKING FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(14,000)	(14,000)	-	14,000
Net Change in Fund Balance	(14,000)	(14,000)	-	14,000
Fund Balance - Beginning	14,000	14,000	14,000	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,000</u>	<u>\$ 14,000</u>

(Continued)

HARLAN 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)
COURTHOUSE EQUIPMENT SINKING FUND				
Receipts	\$ -	\$ -	\$ 50	\$ 50
Disbursements	(17,000)	(17,000)	(6,584)	10,416
Transfers in	16,090	16,090	7,000	(9,090)
Net Change in Fund Balance	(910)	(910)	466	1,376
Fund Balance - Beginning	910	910	910	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,376</u>	<u>\$ 1,376</u>
COURTHOUSE IMPROVEMENT SINKING FUND				
Receipts	\$ -	\$ -	\$ 12,712	\$ 12,712
Disbursements	(200,000)	(200,000)	(95,617)	104,383
Transfers in	121,683	121,683	121,683	-
Net Change in Fund Balance	(78,317)	(78,317)	38,778	117,095
Fund Balance - Beginning	78,317	78,317	78,317	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,095</u>	<u>\$ 117,095</u>
ROAD EQUIPMENT SINKING FUND				
Receipts	\$ -	\$ -	\$ 69	\$ 69
Disbursements	(10,029)	(10,029)	(10,000)	29
Transfers in	3,293	3,293	3,400	107
Net Change in Fund Balance	(6,736)	(6,736)	(6,531)	205
Fund Balance - Beginning	6,736	6,736	6,736	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205</u>	<u>\$ 205</u>
TOURISM FUND				
Receipts	\$ 15,002	\$ 15,002	\$ 14,145	\$ (857)
Disbursements	(21,826)	(21,826)	(14,631)	7,195
Net Change in Fund Balance	(6,824)	(6,824)	(486)	6,338
Fund Balance - Beginning	17,198	17,198	17,198	-
Fund Balance - Ending	<u>\$ 10,374</u>	<u>\$ 10,374</u>	<u>\$ 16,712</u>	<u>\$ 6,338</u>
REAPPRAISAL FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(1,091)	(1,091)	-	1,091
Net Change in Fund Balance	(1,091)	(1,091)	-	1,091
Fund Balance - Beginning	1,091	1,091	1,091	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,091</u>	<u>\$ 1,091</u>

HARLAN 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)
PRESERVATION AND MODERNIZATION FUND				
Receipts	\$ 3,533	\$ 3,533	\$ 3,473	\$ (60)
Disbursements	(7,000)	(7,000)	(1,710)	5,290
Net Change in Fund Balance	(3,467)	(3,467)	1,763	5,230
Fund Balance - Beginning	3,467	3,467	3,467	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,230</u>	<u>\$ 5,230</u>
EMERGENCY RELIEF FUND				
Receipts	\$ -	\$ -	\$ 12	\$ 12
Disbursements	(10,200)	(10,200)	-	10,200
Net Change in Fund Balance	(10,200)	(10,200)	12	10,212
Fund Balance - Beginning	13,950	13,950	13,950	-
Fund Balance - Ending	<u>\$ 3,750</u>	<u>\$ 3,750</u>	<u>\$ 13,962</u>	<u>\$ 10,212</u>
INSTITUTIONS FUND				
Receipts	\$ 1	\$ 1	\$ 7	\$ 6
Disbursements	(4,801)	(4,801)	-	4,801
Net Change in Fund Balance	(4,800)	(4,800)	7	4,807
Fund Balance - Beginning	7,061	7,061	7,061	-
Fund Balance - Ending	<u>\$ 2,261</u>	<u>\$ 2,261</u>	<u>\$ 7,068</u>	<u>\$ 4,807</u>
VETERAN'S AID FUND				
Receipts	\$ 17	\$ 17	\$ 43	\$ 26
Disbursements	(6,000)	(6,000)	-	6,000
Net Change in Fund Balance	(5,983)	(5,983)	43	6,026
Fund Balance - Beginning	8,713	8,713	8,694	-
Fund Balance - Ending	<u>\$ 2,730</u>	<u>\$ 2,730</u>	<u>\$ 8,737</u>	<u>\$ 6,026</u>
SERVICES FOR AGING FUND				
Receipts	\$ -	\$ -	\$ 136	\$ 136
Disbursements	(18,844)	(18,844)	(18,844)	-
Transfers in	18,844	18,844	18,845	1
Net Change in Fund Balance	-	-	137	137
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137</u>	<u>\$ 137</u>

(Continued)

HARLAN 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)
COUNTY ATTORNEY DIVERSION FUND				
Receipts	\$ -	\$ -	\$ 700	\$ 700
Disbursements	(3,600)	(3,600)	-	3,600
Net Change in Fund Balance	(3,600)	(3,600)	700	4,300
Fund Balance - Beginning	4,599	4,599	4,599	-
Fund Balance - Ending	<u>\$ 999</u>	<u>\$ 999</u>	<u>\$ 5,299</u>	<u>\$ 4,300</u>
DRUG LAW ENFORCEMENT AND EDUCATION FUND				
Receipts	\$ 1	\$ 1	\$ -	\$ (1)
Disbursements	(960)	(960)	-	960
Net Change in Fund Balance	(959)	(959)	-	959
Fund Balance - Beginning	1,430	1,430	1,430	-
Fund Balance - Ending	<u>\$ 471</u>	<u>\$ 471</u>	<u>\$ 1,430</u>	<u>\$ 959</u>
SHERIFF GRANT FUND				
Receipts	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Disbursements	(10,000)	(10,000)	(753)	9,247
Transfers in	-	-	794	794
Net Change in Fund Balance	-	-	41	41
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41</u>	<u>\$ 41</u>
LOTTERY FUND				
Receipts	\$ 20,085	\$ 20,085	\$ 21,983	\$ 1,898
Disbursements	(43,000)	(43,000)	(11,007)	31,993
Transfers out	(18,844)	(18,844)	(18,845)	(1)
Net Change in Fund Balance	(41,759)	(41,759)	(7,869)	33,890
Fund Balance - Beginning	50,561	50,561	50,561	-
Fund Balance - Ending	<u>\$ 8,802</u>	<u>\$ 8,802</u>	<u>\$ 42,692</u>	<u>\$ 33,890</u>
MEDICAL REIMBURSEMENT FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(35,000)	(35,000)	(33,717)	1,283
Transfers in	33,000	33,000	31,014	(1,986)
Net Change in Fund Balance	(2,000)	(2,000)	(2,703)	(703)
Fund Balance - Beginning	2,703	2,703	2,703	-
Fund Balance - Ending	<u>\$ 703</u>	<u>\$ 703</u>	<u>\$ -</u>	<u>\$ (703)</u>

(Continued)

HARLAN 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)
LAW ENFORCEMENT OPERATING FUND				
Receipts	\$ 1,202	\$ 1,202	\$ -	\$ (1,202)
Disbursements	(12,000)	(12,000)	(1,978)	10,022
Net Change in Fund Balance	(10,798)	(10,798)	(1,978)	8,820
Fund Balance - Beginning	10,798	10,798	10,798	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,820</u>	<u>\$ 8,820</u>
PREDATOR CONTROL FUND				
Receipts	\$ 1	\$ 1	\$ 39	\$ 38
Disbursements	(8,020)	(8,020)	(8,012)	8
Transfers in	6,000	6,000	6,000	-
Net Change in Fund Balance	(2,019)	(2,019)	(1,973)	46
Fund Balance - Beginning	2,056	2,056	2,056	-
Fund Balance - Ending	<u>\$ 37</u>	<u>\$ 37</u>	<u>\$ 83</u>	<u>\$ 46</u>
NOXIOUS WEED FUND				
Receipts	\$ 1	\$ 1	\$ -	\$ (1)
Disbursements	(27,395)	(27,395)	(5,884)	21,511
Transfers in	22,000	22,000	10,000	(12,000)
Transfers out	-	-	(7,500)	(7,500)
Net Change in Fund Balance	(5,394)	(5,394)	(3,384)	2,010
Fund Balance - Beginning	5,606	5,606	5,606	-
Fund Balance - Ending	<u>\$ 212</u>	<u>\$ 212</u>	<u>\$ 2,222</u>	<u>\$ 2,010</u>
HISTORICAL SOCIETY FUND				
Receipts	\$ 1	\$ 1	\$ 38	\$ 37
Disbursements	(10,000)	(10,000)	(10,000)	-
Transfers in	10,000	10,000	10,000	-
Net Change in Fund Balance	1	1	38	37
Fund Balance - Beginning	28	28	28	-
Fund Balance - Ending	<u>\$ 29</u>	<u>\$ 29</u>	<u>\$ 66</u>	<u>\$ 37</u>
911 EMERGENCY SERVICES FUND				
Receipts	\$ 11,499	\$ 11,499	\$ 10,803	\$ (696)
Disbursements	(18,000)	(18,000)	(11,629)	6,371
Net Change in Fund Balance	(6,501)	(6,501)	(826)	5,675
Fund Balance - Beginning	11,061	11,061	11,061	-
Fund Balance - Ending	<u>\$ 4,560</u>	<u>\$ 4,560</u>	<u>\$ 10,235</u>	<u>\$ 5,675</u>

(Continued)

HARLAN 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)
<u>PAYMENT IN LIEU OF TAXES FUND</u>				
Receipts	\$ -	\$ -	\$ 82,809	\$ 82,809
Disbursements	-	-	-	-
Net Change in Fund Balance	-	-	82,809	82,809
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,809</u>	<u>\$ 82,809</u>
<u>GRANTS SPECIAL PROJECTS FUND</u>				
Receipts	\$ 1,000,000	\$ 1,000,000	\$ -	\$ (1,000,000)
Disbursements	(1,000,000)	(1,000,000)	-	1,000,000
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Concluded)

HARLAN 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 Buyback Program Fund	Highway Bridge Buyback Program Fund	Road Bridge Construction Fund	Sheriff Equipment Sinking Fund	Huntley Building Sinking Fund
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ 11	\$ 28	\$ -
Investment Income	-	-	-	-	-
Intergovernmental	77,998	40,675	-	-	-
Charges for Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
TOTAL RECEIPTS	<u>77,998</u>	<u>40,675</u>	<u>11</u>	<u>28</u>	<u>-</u>
DISBURSEMENTS					
General Government	-	-	-	-	-
Public Safety	-	-	-	8,675	-
Public Works	159,417	-	-	-	-
Public Assistance	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>159,417</u>	<u>-</u>	<u>-</u>	<u>8,675</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(81,419)</u>	<u>40,675</u>	<u>11</u>	<u>(8,647)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(81,419)	40,675	11	(8,647)	-
FUND BALANCES - BEGINNING	<u>84,203</u>	<u>51,391</u>	<u>16,288</u>	<u>13,303</u>	<u>14,000</u>
FUND BALANCES - ENDING	<u>\$ 2,784</u>	<u>\$ 92,066</u>	<u>\$ 16,299</u>	<u>\$ 4,656</u>	<u>\$ 14,000</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	-
911 Emergency Services	-	-	-	-	-
Drug Education	-	-	-	-	-
Preservation of Records	-	-	-	-	-
Road and Bridge Maintenance	2,784	92,066	-	-	-
Committed to:					
Law Enforcement	-	-	-	-	-
Road Maintenance	-	-	16,299	-	-
Aid and Assistance	-	-	-	-	-
County Buildings	-	-	-	-	14,000
Equipment Purchases	-	-	-	4,656	-
Property Reappraisal	-	-	-	-	-
Community Projects	-	-	-	-	-
Noxious Weeds	-	-	-	-	-
Historical Society	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 2,784</u>	<u>\$ 92,066</u>	<u>\$ 16,299</u>	<u>\$ 4,656</u>	<u>\$ 14,000</u>

(Continued)

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

	Courthouse Equipment Sinking Fund	Courthouse Improvement Sinking Fund	Road Equipment Sinking Fund	Tourism Fund	Reappraisal Fund
RECEIPTS					
Property Taxes	\$ 50	\$ -	\$ 69	\$ 14,145	\$ -
Investment Income	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Miscellaneous	-	12,712	-	-	-
TOTAL RECEIPTS	50	12,712	69	14,145	-
DISBURSEMENTS					
General Government	6,584	95,617	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	10,000	-	-
Public Assistance	-	-	-	-	-
Culture and Recreation	-	-	-	14,631	-
TOTAL DISBURSEMENTS	6,584	95,617	10,000	14,631	-
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(6,534)	(82,905)	(9,931)	(486)	-
OTHER FINANCING SOURCES (USES)					
Transfers in	7,000	121,683	3,400	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	7,000	121,683	3,400	-	-
Net Change in Fund Balances	466	38,778	(6,531)	(486)	-
FUND BALANCES - BEGINNING	910	78,317	6,736	17,198	1,091
FUND BALANCES - ENDING	\$ 1,376	\$ 117,095	\$ 205	\$ 16,712	\$ 1,091
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	16,712	-
911 Emergency Services	-	-	-	-	-
Drug Education	-	-	-	-	-
Preservation of Records	-	-	-	-	-
Road and Bridge Maintenance	-	-	-	-	-
Committed to:					
Law Enforcement	-	-	-	-	-
Road Maintenance	-	-	-	-	-
Aid and Assistance	-	-	-	-	-
County Buildings	-	117,095	-	-	-
Equipment Purchases	1,376	-	205	-	-
Property Reappraisal	-	-	-	-	1,091
Community Projects	-	-	-	-	-
Noxious Weeds	-	-	-	-	-
Historical Society	-	-	-	-	-
TOTAL FUND BALANCES	\$ 1,376	\$ 117,095	\$ 205	\$ 16,712	\$ 1,091

(Continued)

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

	Preservation and Modernization Fund	Emergency Relief Fund	Institutions Fund	Veteran's Aid Fund	Services for Aging Fund	County Attorney Diversion Fund
RECEIPTS						
Property Taxes	\$ -	\$ 12	\$ 7	\$ -	\$ 136	\$ -
Investment Income	-	-	-	43	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	3,473	-	-	-	-	700
Miscellaneous	-	-	-	-	-	-
TOTAL RECEIPTS	<u>3,473</u>	<u>12</u>	<u>7</u>	<u>43</u>	<u>136</u>	<u>700</u>
DISBURSEMENTS						
General Government	1,710	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Public Assistance	-	-	-	-	18,844	-
Culture and Recreation	-	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>1,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,844</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>1,763</u>	<u>12</u>	<u>7</u>	<u>43</u>	<u>(18,708)</u>	<u>700</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	18,845	-
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,845</u>	<u>-</u>
Net Change in Fund Balances	1,763	12	7	43	137	700
FUND BALANCES - BEGINNING	<u>3,467</u>	<u>13,950</u>	<u>7,061</u>	<u>8,694</u>	<u>-</u>	<u>4,599</u>
FUND BALANCES - ENDING	<u>\$ 5,230</u>	<u>\$ 13,962</u>	<u>\$ 7,068</u>	<u>\$ 8,737</u>	<u>\$ 137</u>	<u>\$ 5,299</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	-	-	-	-	-
911 Emergency Services	-	-	-	-	-	-
Drug Education	-	-	-	-	-	-
Preservation of Records	5,230	-	-	-	-	-
Road and Bridge Maintenance	-	-	-	-	-	-
Committed to:						
Law Enforcement	-	-	-	-	-	5,299
Road Maintenance	-	-	-	-	-	-
Aid and Assistance	-	13,962	7,068	8,737	137	-
County Buildings	-	-	-	-	-	-
Equipment Purchases	-	-	-	-	-	-
Property Reappraisal	-	-	-	-	-	-
Community Projects	-	-	-	-	-	-
Noxious Weeds	-	-	-	-	-	-
Historical Society	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 5,230</u>	<u>\$ 13,962</u>	<u>\$ 7,068</u>	<u>\$ 8,737</u>	<u>\$ 137</u>	<u>\$ 5,299</u>

(Continued)

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

	Drug Law Enforcement and Education Fund	Sheriff Grant Fund	Lottery Fund	Medical Reimbursement Fund	Law Enforcement Operating Fund
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income	-	-	130	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	21,853	-	-
Miscellaneous	-	-	-	-	-
TOTAL RECEIPTS	-	-	21,983	-	-
DISBURSEMENTS					
General Government	-	-	1,007	-	-
Public Safety	-	753	7,000	-	1,978
Public Works	-	-	-	-	-
Public Assistance	-	-	-	33,717	-
Culture and Recreation	-	-	3,000	-	-
TOTAL DISBURSEMENTS	-	753	11,007	33,717	1,978
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	-	(753)	10,976	(33,717)	(1,978)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	794	-	31,014	-
Transfers out	-	-	(18,845)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	794	(18,845)	31,014	-
Net Change in Fund Balances	-	41	(7,869)	(2,703)	(1,978)
FUND BALANCES - BEGINNING	1,430	-	50,561	2,703	10,798
FUND BALANCES - ENDING	\$ 1,430	\$ 41	\$ 42,692	\$ -	\$ 8,820
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	-
911 Emergency Services	-	-	-	-	-
Drug Education	1,430	-	-	-	-
Preservation of Records	-	-	-	-	-
Road and Bridge Maintenance	-	-	-	-	-
Committed to:					
Law Enforcement	-	41	-	-	8,820
Road Maintenance	-	-	-	-	-
Aid and Assistance	-	-	-	-	-
County Buildings	-	-	-	-	-
Equipment Purchases	-	-	-	-	-
Property Reappraisal	-	-	-	-	-
Community Projects	-	-	42,692	-	-
Noxious Weeds	-	-	-	-	-
Historical Society	-	-	-	-	-
TOTAL FUND BALANCES	\$ 1,430	\$ 41	\$ 42,692	\$ -	\$ 8,820

(Continued)

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

	Predator Control Fund	Noxious Weed Fund	Historical Society Fund	911 Emergency Services Fund	Payment In Lieu of Taxes Fund	Total Nonmajor Governmental Funds
RECEIPTS						
Property Taxes	\$ 39	\$ -	\$ 38	\$ 10,803	\$ -	\$ 25,338
Investment Income	-	-	-	-	-	173
Intergovernmental	-	-	-	-	82,809	201,482
Charges for Services	-	-	-	-	-	26,026
Miscellaneous	-	-	-	-	-	12,712
TOTAL RECEIPTS	39	-	38	10,803	82,809	265,731
DISBURSEMENTS						
General Government	-	-	-	-	-	104,918
Public Safety	8,012	-	-	11,629	-	38,047
Public Works	-	5,884	-	-	-	175,301
Public Assistance	-	-	-	-	-	52,561
Culture and Recreation	-	-	10,000	-	-	27,631
TOTAL DISBURSEMENTS	8,012	5,884	10,000	11,629	-	398,458
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(7,973)	(5,884)	(9,962)	(826)	82,809	(132,727)
OTHER FINANCING SOURCES (USES)						
Transfers in	6,000	10,000	10,000	-	-	208,736
Transfers out	-	(7,500)	-	-	-	(26,345)
TOTAL OTHER FINANCING SOURCES (USES)	6,000	2,500	10,000	-	-	182,391
Net Change in Fund Balances	(1,973)	(3,384)	38	(826)	82,809	49,664
FUND BALANCES - BEGINNING	2,056	5,606	28	11,061	-	405,451
FUND BALANCES - ENDING	\$ 83	\$ 2,222	\$ 66	\$ 10,235	\$ 82,809	\$ 455,115
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	-	-	-	-	16,712
911 Emergency Services	-	-	-	10,235	-	10,235
Drug Education	-	-	-	-	-	1,430
Preservation of Records	-	-	-	-	-	5,230
Road and Bridge Maintenance	-	-	-	-	-	94,850
Committed to:						
Law Enforcement	83	-	-	-	-	14,243
Road Maintenance	-	-	-	-	-	16,299
Aid and Assistance	-	-	-	-	-	29,904
County Buildings	-	-	-	-	-	131,095
Equipment Purchases	-	-	-	-	-	6,237
Property Reappraisal	-	-	-	-	-	1,091
Community Projects	-	-	-	-	82,809	125,501
Noxious Weeds	-	2,222	-	-	-	2,222
Historical Society	-	-	66	-	-	66
TOTAL FUND BALANCES	\$ 83	\$ 2,222	\$ 66	\$ 10,235	\$ 82,809	\$ 455,115

(Concluded)

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

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	County Historical	Highway Superintendent	County Assessor	Total
BALANCES JULY 1, 2017	\$ 3,346	\$ 46,314	\$ 5,200	\$ 780	\$ 15,897	\$ 5	\$ 12	\$ 71,554
RECEIPTS								
Licenses and Permits	584	-	510	-	-	1,685	-	2,779
Charges for Services	36,839	16,088	14,279	-	-	-	-	67,206
Miscellaneous	182	-	17,854	-	10,610	7,028	150	35,824
State Fees	45,008	3,401	-	-	-	179	11	48,599
Other Liabilities	-	312,295	56,342	-	-	-	-	368,637
TOTAL RECEIPTS	82,613	331,784	88,985	-	10,610	8,892	161	523,045
DISBURSEMENTS								
Payments to County Treasurer	36,076	17,026	32,587	-	-	8,428	-	94,117
Payments to State Treasurer	41,590	3,251	-	-	-	-	11	44,852
Other Liabilities	182	342,799	57,142	-	6,083	-	150	406,356
TOTAL DISBURSEMENTS	77,848	363,076	89,729	-	6,083	8,428	161	545,325
BALANCES JUNE 30, 2018	<u>\$ 8,111</u>	<u>\$ 15,022</u>	<u>\$ 4,456</u>	<u>\$ 780</u>	<u>\$ 20,424</u>	<u>\$ 469</u>	<u>\$ 12</u>	<u>\$ 49,274</u>
BALANCES CONSIST OF:								
Due to County Treasurer	\$ 3,509	\$ 162	\$ 4,450	\$ -	\$ -	\$ 469	\$ -	\$ 8,590
Petty Cash	48	-	6	780	-	-	12	846
Due to State Treasurer	4,554	292	-	-	-	-	-	4,846
Due to Others	-	14,568	-	-	20,424	-	-	34,992
BALANCES JUNE 30, 2018	<u>\$ 8,111</u>	<u>\$ 15,022</u>	<u>\$ 4,456</u>	<u>\$ 780</u>	<u>\$ 20,424</u>	<u>\$ 469</u>	<u>\$ 12</u>	<u>\$ 49,274</u>

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

Item	2013	2014	2015	2016	2017
Tax Certified by Assessor					
Real Estate	\$ 8,912,729	\$ 10,699,358	\$ 11,138,866	\$ 11,277,526	\$ 11,313,401
Personal and Specials	707,751	721,398	669,734	562,727	588,992
Total	9,620,480	11,420,756	11,808,600	11,840,253	11,902,393
Corrections					
Additions	348	313	1,666	619	844
Deductions	(4,800)	-	(12,819)	(3,795)	(1,237)
Net Additions/ (Deductions)	(4,452)	313	(11,153)	(3,176)	(393)
Corrected Certified Tax	9,616,028	11,421,069	11,797,447	11,837,077	11,902,000
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2014	6,585,102	-	-	-	-
June 30, 2015	3,012,121	7,784,731	-	-	-
June 30, 2016	9,432	3,601,540	8,020,580	-	-
June 30, 2017	5,796	27,376	3,759,513	7,705,979	-
June 30, 2018	2,157	3,069	8,928	4,109,817	7,966,895
Total Net Collections	9,614,608	11,416,716	11,789,021	11,815,796	7,966,895
Total Uncollected Tax	\$ 1,420	\$ 4,353	\$ 8,426	\$ 21,281	\$ 3,935,105
Percentage Uncollected Tax	0.01%	0.04%	0.07%	0.18%	33.06%

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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HARLAN COUNTY

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

Board of Supervisors
Harlan 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 Harlan County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Harlan County's basic financial statements, and have issued our report thereon dated December 5, 2018. 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 Harlan County Hospital, a component unit of Harlan County.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harlan 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 Harlan 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 certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies to be material weaknesses:

- 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.
- The County Treasurer lacked adequate procedures to prevent the loss of funds. This lack of procedures allowed cash collected in the office to be lost. Good internal control requires procedures be in place to ensure all money collected is correctly receipted into the accounting system. Without such procedures, there is an increased risk of theft or loss of funds. See the management letter for additional information.

County's Overall Response: Each office will review and discuss their procedures for further segregation of duties.

Limit the amount of cash in vault, two people count funds, employees take turns taking the deposit to the bank, employees to initial the deposit slip

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harlan 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 Harlan County in a separate letter dated December 5, 2018.

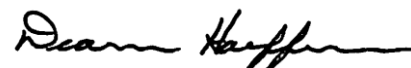
Harlan County's Response to Findings

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

Purpose of this Report

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

December 5, 2018



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska



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December 5, 2018

Board of Supervisors
Harlan County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Harlan County (County) for the fiscal year ended June 30, 2018, and have issued our report thereon dated December 5, 2018. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

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

COUNTY OVERALL

Segregation of Duties

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

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

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

County's Overall Response: Each office will review and discuss their procedures for further segregation of duties.

Petty Cash Procedures

We noted several issues with petty cash funds being held in various offices:

- The County Attorney has a petty cash fund of \$780 that has not been approved by the County Board and is not listed in the budget message.
- The County Clerk has an approved petty cash fund of \$45, but the amount counted on September 11, 2018, was \$48. The County Clerk did not have adequate records to support the extra money or the activity during the fiscal year. Claims to reimburse the petty cash fund for fiscal year 2018 totaled \$183.
- The County Sheriff did not have adequate records to support the difference between the approved petty cash fund of \$20 and the amount counted on September 10, 2018, of \$6.
- The County Assessor was selling plat maps and using the proceeds to buy office supplies. The sale proceeds were not remitted to the County Treasurer, and records were not maintained to support the purchases made with those funds. The total proceeds collected during fiscal year 2018 was \$32.

Neb. Rev. Stat. § 23-1601(1) (Reissue 2012) provides 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.

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

- (1) *The county board shall manage the county funds and county business except as otherwise specifically provided.*
- (2) *The county board shall have the authority to establish a petty cash fund for such county for the purpose of making payments for subsidiary general operational expenditures and purchases. Such county board shall set, by resolution of the board, the amount of money to be carried in such petty cash fund and the dollar limit of an expenditure from such fund and such amount shall be stated in the fiscal policy of the county board budget message.*

Good internal control requires procedures to ensure that money belonging to the County is remitted to the County Treasurer, cash funds are maintained at the authorized amounts, and records document how money was disbursed. Without such procedures, there is an increased risk for the loss or misuse of funds.

We recommend the County implement procedures to ensure money belonging to the County is remitted to the County Treasurer. Such funds should not be used for purchases; rather, if necessary, a petty cash fund should be established. Those same procedures should also require petty cash funds to be maintained at the authorized amounts, as listed in the budget message, and adequate records to be maintained for all purchases.

County's Overall Response:

County Attorney's Office – *Will do a resolution to appropriate the funds and establish a petty cash checking account with proposed balance of \$300*

County Clerk – Corrected per Budget 2018 – \$50.00

County Sheriff – Will obtain a resolution to establish a petty cash fund, all service fees will go through the treasurers office

County Assessor – Plat maps are no longer being sold from their office

COUNTY TREASURER

Reconciliation Procedures and Missing Cash

During the APA’s recent attempt to reconcile the County Treasurer’s bank account to accounting records, we found that the former County Treasurer had not been completing accurate reconciliations. The reconciliations performed by the former County Treasurer contained suspicious reconciling items, such as outstanding checks issued prior to July 2016, which appear to have been falsified and could not be tied to any records. Due to the questions raised by those apparently falsified reconciling items, we expanded our audit to include a reconciliation of the bank account from July 1, 2015, through July 31, 2018. This ending date was selected because it was for the period in which the former County Treasurer resigned her position on July 17, 2018.

During the expanded reconciliation testing, we discovered records indicating that \$112,400 of cash receipts were removed from not only the County Treasurer’s vault but also the corresponding daily balance sheets; consequently, that amount was never actually deposited into the bank account.

The following table details the missing cash receipts noted during our expanded reconciliation testing:

Date	Amount
August 11, 2015	\$ 7,450.00
September 3, 2015	\$ 6,450.00
October 6, 2015	\$ 5,100.00
December 16, 2015	\$ 8,200.00
February 4, 2016	\$ 8,350.00
March 28, 2016	\$ 8,750.00
August 22, 2016	\$ 5,710.00
September 9, 2016	\$ 5,000.00
September 13, 2016	\$ 5,050.00
November 22, 2016	\$ 6,700.00
December 28, 2016	\$ 6,720.00
January 24, 2017	\$ 6,640.00
April 26, 2016	\$ 7,060.00
August 2, 2017	\$ 6,340.00
August 22, 2017	\$ 7,310.00
December 7, 2017	\$ 6,230.00
January 19, 2018	\$ 3,540.00
May 7, 2018	\$ 1,800.00
Total Cash Deposits Missing	\$ 112,400.00

We also noted two cash deposits into the County Treasurer’s bank account, totaling \$4,147.50, and one cash withdrawal for \$40, which were not recorded as activity in the accounting records. The APA was unable to identify the source of these cash deposits and withdrawal; thus, they were deducted from the amount of missing funds detailed above.

The results of our testing, which revealed these questionable transactions, appear to indicate that the former County Treasurer may have misappropriated \$108,292.50 in public funds, as detailed in the table below:

Total Cash Deposits Missing	\$ 112,400.00
Extra 2 Cash Deposits less \$40 for cash withdrawal	\$ (4,107.50)
Net Cash Possible Theft Amount	\$ 108,292.50

In an apparent attempt to conceal these missing cash items in the accounting system, the former County Treasurer recorded receipts in a month that had been previously reconciled and closed, resulting in the receipts not being posted to the accounting funds; instead, they were recorded as paid on the tax rolls. We noted 11 instances, totaling \$107,401.39, of receipts having been recorded after the month end closing. This failure to receipt on the correct day resulted in the funds not being distributed to the various political subdivisions to which they were owed.

The table below details the collected funds to which the tax money was not distributed or paid to the rightful recipients. Until the missing money is recovered, the needed distributions could be made from the County's General or Inheritance funds.

Real Estate, Personal Property, and Centrally Assessed Taxes Collected and Not Distributed:	
Fund	Not Distributed
County Funds:	
County General	\$ 11,359.46
County Road	\$ 8.34
County Relief - Medical Fund	\$ 3.60
County Museum	\$ 5.97
County Serv for Aging	\$ 19.91
County Predator Control	\$ 6.35
County Courthouse Equipment	\$ 9.20
County 911 Emergency	\$ 2.65
Hospital Bond	\$ 3,041.83
School District Funds:	
Alma 2 General	\$ 36,963.93
Alma 2 Special Building	\$ 1,784.38
Alma 2 QCPUF	\$ 1,380.94
Southern Valley 540 General	\$ 19,147.31
Southern Valley 540 Special Building	\$ 858.58
Southern Valley 540 QCPUF	\$ 74.59
Southern Valley 540 Bond	\$ 1,599.58
Franklin R6	\$ 42.37
Holdrege 44 General	\$ 999.66
Holdrege 44 Special Building	\$ 71.60
Holdrege 44 QCPUF	\$ 6.72
Holdrege 44 Bond	\$ 113.10
Loomis 55 General	\$ 672.02
Loomis 55 Special Building	\$ 155.70
Loomis 55 Bond	\$ 61.49
Wilcox-Hildreth 1 General	\$ 6,330.26
Wilcox-Hildreth 1 Special Building	\$ 506.34
Fire District Funds:	
Orleans Fire	\$ 79.18
Holdrege Fire General	\$ 4.24
Holdrege Fire Other	\$ 13.03
Alma Fire General	\$ 26.15
Alma Fire Other	\$ 10.46
Alma Fire Bond	\$ 74.77

Real Estate, Personal Property, and Centrally Assessed Taxes Collected and Not Distributed:	
Fund	Not Distributed
Stamford Fire General	\$ 48.01
Stamford Fire Other	\$ 5.33
Wilcox Fire General	\$ 127.13
Wilcox Fire Other	\$ 95.99
Wilcox Fire Bond	\$ 73.42
Republican City Fire General	\$ 136.32
Republican City Fire Other	\$ 45.74
Oxford Fire General	\$ 116.25
Oxford Fire Bond	\$ 32.63
Municipality Funds:	
Alma City General	\$ 1,686.04
Alma City Bond	\$ 636.70
Orleans City	\$ 1,037.30
Huntley City	\$ 154.70
Republican City	\$ 1,479.89
Oxford City	\$ 645.43
Oxford City Bond	\$ 190.12
Oxford City - CRA	\$ 98.57
Stamford City General	\$ 255.08
Stamford City Bond	\$ 23.81
Miscellaneous Funds:	
Republican City Cemetery	\$ 28.92
Alma City Cemetery	\$ 55.34
Orleans Township	\$ 332.78
ESU 11	\$ 1,147.74
LRNRD	\$ 5,556.64
Central CC General	\$ 5,535.56
Central CC Other	\$ 1,991.23
Agricultural Society	\$ 431.04
Total All Funds	\$ 107,401.39

The difference between the possible theft amount of \$108,292.50 and the incorrect receipting of \$107,401.39 was \$891.11. This difference was included with numerous other reconciling errors noted as not corrected in the accounting system. These errors were made in recording deposits, State of Nebraska payments, and payments received electronically. The net adjustments that need to be made for these items in order for the County Treasurer's bank account to reconcile to the accounting records are detailed in the following table:

Description of Bank Reconciliation Errors	Fund	Amount
Lodging Tax not receipted in accounting records.	Visitor Promotion	\$ 1,767.26
Various Unknown Reconciling items prior to 2016	General Fund	\$ 2,567.50
Reconciling Items 2016 thru 7/31/18	General Fund	\$ 15.03
Total Amount of Errors Noted on Reconciliation		\$ 4,349.79

Neb. Rev. Stat. § 23-1601(1) (Reissue 2012) provides 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. § 28-512 (Reissue 2016) states, in relevant part, the following:

A person commits theft if he obtains property of another by deception. A person deceives if he intentionally:

- (1) *Creates or reinforces a false impression, including false impressions as to law, value, intention, or other state of mind; but deception as to a person's intention to perform a promise shall not be inferred from the fact alone that he did not subsequently perform the promise; or*
- (2) *Prevents another from acquiring information which would affect his judgment of a transaction; or*
- (3) *Fails to correct a false impression which the deceiver previously created or reinforced, or which the deceiver knows to be influencing another to whom he stands in a fiduciary or confidential relationship; or*
- (4) *Uses a credit card, charge plate, or any other instrument which purports to evidence an undertaking to pay for property or services delivered or rendered to or upon the order of a designated person or bearer (a) where such instrument has been stolen, forged, revoked, or canceled, or where for any other reason its use by the actor is unauthorized, or (b) where the actor does not have the intention and ability to meet all obligations to the issuer arising out of his use of the instrument.*

Neb. Rev. Stat. § 28-603 (Reissue 2016) provides the following:

- (1) *Whoever, with intent to deceive or harm, falsely makes, completes, endorses, alters, or utters any written instrument which is or purports to be, or which is calculated to become or to represent if completed, a written instrument which does or may evidence, create, transfer, terminate, or otherwise affect a legal right, interest, obligation, or status, commits forgery in the second degree.*
- (2) *Forgery in the second degree is a Class IIA felony when the face value, or purported face value, or the amount of any proceeds wrongfully procured or intended to be procured by the use of such instrument, is five thousand dollars or more.*
- (3) *Forgery in the second degree is a Class IV felony when the face value, or purported face value, or the amount of any proceeds wrongfully procured or intended to be procured by the use of such instrument, is one thousand five hundred dollars or more but is less than five thousand dollars.*
- (4) *Forgery in the second degree is a Class I misdemeanor when the face value, or purported face value, or the amount of any proceeds wrongfully procured or intended to be procured by the use of such instrument, is five hundred dollars or more but is less than one thousand five hundred dollars.*
- (5) *Forgery in the second degree is a Class II misdemeanor when the face value, or purported face value, or the amount of any proceeds wrongfully procured or intended to be procured by the use of such instrument, is less than five hundred dollars.*
- (6) *For the purpose of determining the class of penalty for forgery in the second degree, the face values, or purported face values, or the amounts of any proceeds wrongfully procured or intended to be procured by the use of more than one such instrument, may be aggregated in the indictment or information if such instruments were part of the same scheme or course of conduct which took place within a sixty-day period and within one county. Such values or amounts shall not be aggregated into more than one offense.*

Neb. Rev. Stat. § 28-911 (Reissue 2016) prohibits “abuse of public records,” as follows:

- (1) *A person commits abuse of public records, if:*
 - (a) *He knowingly makes a false entry in or falsely alters any public record; or*
 - (b) *Knowing he lacks the authority to do so, he intentionally destroys, mutilates, conceals, removes, or impairs the availability of any public record; or*
 - (c) *Knowing he lacks the authority to retain the record, he refuses to deliver up a public record in his possession upon proper request of any person lawfully entitled to receive such record; or*
 - (d) *He makes, presents, or uses any record, document, or thing, knowing it to be false, and with the intention that it be taken as a genuine part of the public record.*

- (2) *As used in this section, the term public record includes all official books, papers, or records created, received, or used by or in any governmental office or agency.*
- (3) *Abuse of public records is a Class II misdemeanor.*

Neb. Rev. Stat. § 28-924 (Reissue 2016) creates the offense of “official misconduct” by a public servant, as follows:

- (1) *A public servant commits official misconduct if he knowingly violates any statute or lawfully adopted rule or regulation relating to his official duties.*
- (2) *Official misconduct is a Class II misdemeanor.*

Sound accounting practices and good internal controls require that comprehensive, detailed reconciliation procedures be utilized, at least on a monthly basis, to ensure proper balancing and reconciliation of the County Treasurer’s book and bank balances. Those procedures should include the timely identification and resolution of all variances noted. Without such procedures, there is an increased risk of loss or misuse of County funds.

We recommend the County Treasurer implement procedures to ensure all receipts are issued on the day money is received, and cash deposits are properly accounted for and deposited into the bank in a timely manner. Until the missing monies are recovered, the County Board should consider authorizing the current County Treasurer to utilize money from the General or Inheritance funds to make needed distributions to the affected subdivisions.

We are referring the information contained herein to the Harlan County Attorney and the Nebraska State Patrol for further review and any action they deem appropriate.

County’s Overall Response: Limit the amount of cash in vault, two people count funds, employees take turns taking the deposit to the bank, employees to initial the deposit slip

Petty Cash

The APA noted the following items associated with the Expense Petty Cash Fund:

- Inadequate records are maintained by the office. When an employee comes to the office to obtain petty cash funds, cash is given out of the drawer from collections for that day. A duplicate receipt is created to be signed by the employee who received the cash; however, these receipts are not always used. In many instances, the duplicative receipt is written over, so no records were on file to support all disbursements from the expense account.
- The office did not have procedures in place to ensure documentation was on file to support the purchases made out of the expense fund. The office did not require users of the fund to provide support, such as a receipt, for what the payment was for and the amount used.
- During the fiscal year, we noted \$85 reimbursed on the daily balance sheet without documentation on file to support from whom this balance was received.

- No reconciliations to the authorized amount of \$3,000 were completed. We noted several times throughout the year in which the balance in the expense account was maintained at an amount higher than the authorized amount. These variances were due to funds being claimed for reimbursement without a corresponding disbursement recorded on the daily balance sheet.
- The petty cash of \$3,000 was not included on the budget message. The budget message indicates a petty cash fund of \$20.
- We noted \$25 in cash maintained in a file folder in the office without a corresponding receipt.

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. § 23-106(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.

Good internal controls and sound business practices require procedures to ensure all payments out of a petty cash fund are adequately supported and documented. Those same procedures should also require that comprehensive, detailed reconciliation procedures be utilized, at least on a monthly basis, to ensure proper balancing and reconciliation of the County Treasurer's records.

Without such procedures, there is an increased risk of County funds being subject to accounting errors, fraud, or misuse.

We recommend the County Treasurer implement procedures to ensure all petty cash accounts are properly reconciled, at least monthly, to the authorized amount, and all variances are resolved in a timely manner. Those same procedures should ensure all disbursements from the fund are properly documented and recorded by the office, including the timely receipt of supporting documentation from the users of the account.

County's Overall Response: Board Resolution, \$900 checking, \$75.00 cash box, \$25.00 long & short, reconcile multiple times per month

Cash from the drawer / expense fund – procedures changed, employee with sign sheet and bring receipt back to account for funds disbursed

Petty cash of \$3,000 – was eliminated

\$25 in cash file folder – returned to general fund

Inaccurate Daily Balance Sheets

The County Treasurer balanced the accounting records on a daily basis to a spreadsheet called a “daily balance sheet.” As of June 30, 2018, the daily balance sheet did not accurately reflect the balances, as follows:

- One bank account maintained for the Huntley School District, totaling \$26, was not included on the daily balance sheet.
- Documentation was not on file to support the cash items held by the office, totaling \$802. One of the cash items listed, totaling \$162, appears to have been falsified, as the individual noted wrote a bad check in August 2007 for \$120, resulting in a unknown variance of \$42. In March 2017, this same cash item was increased to \$1,704 before being reduced back down to \$162 in June 2018 with no support. The remaining \$640 of cash items is listed as Title Fees, but a listing of individuals or banks could not be provided to support the figure.
- For two months, receipts totaling \$537 were adjusted into the beginning balance, not activity, resulting in the ending balance per the daily balance sheet not matching the accounting system activity.
- We noted \$776 of cash held in the office received in connection with the mailing of new license plates. The activity was not receipted or deposited by the office. No log was maintained for the amounts received, so the amount held could not be verified. During the cash count, we noted a postage receipt dated June 27, 2018, for \$19; it appears collections were spent without authorization.

Good internal control and sound business practices require procedures to ensure that records of the office are maintained adequately and supported to make certain that all balances are accurate and proper. Those same procedures should ensure that all monies collected and maintained by the office are accurately reflected in the accounting records. Without such procedures, there is an increased risk of loss, theft, or misuse of funds.

We recommend the County Treasurer implement procedures to ensure all figures noted on the daily balance sheets are accurate and supported. Further, we recommend the County Treasurer implement procedures to ensure all funds held by the office are appropriately recorded.

County’s Overall Response:

Huntley School District – Funds were transferred pursuant to auditors suggestion

\$776 cash – deposited into general checking

Timely Receipt of Interest

During the fiscal year, we noted that the County Treasurer had not receipted interest earned on four County bank accounts in a timely manner, as follows:

- Interest earned from January 2013 through June 2018 for one Certificate of Deposit held at First State Bank, totaling \$2,034, was not receipted at the time of fieldwork in September 2018.

- Interest earned in May 2018 for one bank account held at First State Bank, totaling \$112, was not receipted until July 2018.
- Interest earned throughout the fiscal year for one bank account held at First State Bank, totaling \$620, was not receipted until August 2018.
- Interest earned from September 2017 through June 2018, totaling \$3, for a bank account held at Commercial State Bank, was not receipted at the time of fieldwork in September 2018.

Good internal control and sound accounting practice require procedures requiring interest earned on the County's bank accounts to be recorded in a timely manner to ensure all balances are accurately reflected in the accounting records. Without such procedures, there is an increased risk of loss, theft, or misuse of funds.

We recommend the County Treasurer implement procedures requiring interest earned on all County bank accounts to be accurately recorded in a timely manner to ensure account balances are properly stated.

County's Overall Response: Reconcile monthly when bank statements are received

Dormant Bank Accounts

During the audit, we noted two bank accounts that have not had activity for several years:

- One account at First State Bank contained a balance of \$26 that is due to the Huntley School District, which has been closed for close to 20 years. This account has been sitting dormant for that period.
- One account at Heritage Bank, containing a balance of \$2, has had no activity for several years.

Sound accounting practices require procedures to ensure that dormant or otherwise inactive bank accounts are routinely reviewed for appropriateness. Without such procedures, there is an increased risk for the loss, theft, or misuse of funds.

We recommend the County Treasurer implement procedures to ensure dormant or otherwise inactive bank accounts are routinely reviewed for appropriateness.

County's Overall Response: All dormant accounts have been closed and transferred funds pursuant to auditors suggestion

Negative Fund Balances

We noted 19 funds that, at some point during the fiscal year, carried a negative balance without corrective action being taken in a timely manner. Of these funds, six were still negative as of June 30, 2018.

The table below indicates the funds and the number of months that each had a negative balance without corrective action.

Fund	Fund Number	Months of Negative Balances
Road Fund	200	1
Courthouse Equipment Sinking Fund	940	1
Medical Reimbursement Fund	2900	1
ATV Sales Tax Fund	6022	11
ATV Sales Tax	6027	11
Hwy Trust Specialty Fund	6058	11
Specialty Plates	6060	11
Aquatic Fund	6064	11
Property Tax Reimbursement*	6402	3
R-2 Hazardous Materials Fund*	6503	3
System Modernization	8692	11
System Modernization	8693	11
System Modernization	8694	11
System Modernization*	8695	11
System Modernization	8697	12
7-44 Aff. Phelps R6 Fund*	9605	12
ProRate Motor Vehicle Tax Fund*	9506	12
Property Tax Credit Fund	9507	7
Personal Property Tax Credit Fund*	9516	1

*These funds were negative as of June 30, 2018.

A good internal control plan and sound accounting practice require procedures to ensure that only funds received are paid out. Additionally, those procedures should provide for the periodic review of the fund balance listing and the resolution of any issues noted, such as negative balances, in a timely manner.

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

We recommend the County Treasurer implement procedures to ensure: 1) only funds received are paid out; 2) the fund balance listing is reviewed periodically; and 3) any issues noted are resolved in a timely manner.

County's Overall Response: Monitoring accounts to prevent negative balances

Semi-Annual Fund Errors

During the audit, we noted the following errors with the Fund Balance Report for the fiscal year:

- For nine funds, we noted activity or a balance held; however, the fund name is non-descriptive, and the County Treasurer was unable to provide information regarding the nature of the funds or to whom the money was owed. In many instances, the fund was entitled “Fund” or “Fund Name,” and no description of the payee was provided.
- For four funds, fund numbers used were not appropriate and were not included on the prescribed fund listing.
- For seven funds associated with School Districts, money has been held without any activity since before August 2015. Further, these funds had inappropriate fund numbers according to the prescribed fund listing. According to the fund names, these monies appear to have been received for affiliated schools, but they have not been received since the 1990’s.

- On the published semiannual statement, balances for six funds were inappropriately combined, resulting in incorrect account information given to taxpayers.
- For 14 funds, the ending balance as of May 31, 2018, did not agree to the beginning balance as of June 1, 2018. The total overall balance agreed; however, the individual fund balances appear to have been changed after the close of month end.

Neb. Rev. Stat. § 23-1606 (Reissue 2012) requires the County Treasurer’s semiannual statement to do the following:

[S]how (1) the amount of money received and for what fund; (2) the amount of warrants or orders presented and registered, and upon what fund; (3) the amount of warrants or orders paid and from what fund; (4) the amount of money on hand in each fund; (5) the amount of outstanding warrants or orders registered and unpaid; (6) the total amount of money on hand; and (7) the total amount of unpaid claims of the county as of June 15 and December 15 each year, as certified to the county treasurer by the county clerk.

Neb. Rev. Stat. § 23-1611 (Reissue 2012) states, in relevant part, “The Auditor of Public Accounts shall establish a uniform system of accounting of all county officers. The system, when established, shall be installed and used by all county officers”

Good internal controls and sound business practice require procedures to ensure that the semiannual statement presents an accurate record of all financial activity of the County, including a listing of all funds, with sufficient fund names to determine the payee of those monies. Those same procedures should ensure also that changes to the accounting system are not made after the closing of month end.

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

We recommend the County Treasurer implement procedures to ensure all funds are presented accurately on the semiannual statement. Further, those procedures should ensure all funds have been paid to the appropriate parties, and all fund balances are accurate.

County’s Overall Response: Treasurer is working with the auditors to correct

Trust Balances Not Current

None of the County’s 10 trust fund balances held as of June 30, 2018, were current, as follows:

- A full listing of the balance held in the Partial Payment Fund could not be provided. Additionally, we noted 16 balances held, totaling \$12,231, which have had no activity for several years, including nine balances received prior to June 2008.
- A balance of \$1,282 held for the Community College had no activity, with the exception of interest earned, since prior to August 2015. Information as to when these funds were received could not be provided.
- An error in the distribution of Motor Vehicle ProRate was made in April 2016, resulting a minor negative balance held in this fund. No correction of this error was noted.

- A payment of unused property tax credit was made out of the incorrect fund, resulting in a negative balance held until this error was corrected in July 2018.
- Eight payments of 1957 In Lieu Taxes received from January 2014 through March 2018 and one payment of 5% Gross In Lieu Taxes received in January 2016, totaling \$6,460, were not distributed.
- A balance of \$3,689 in “undistributed tax” has been held for an unknown purpose since prior to August 2015. Information as to whom these funds were owed and why the monies were held could not be provided.
- A balance of \$154 in “Driver’s License Refunds” has been held for an unknown purpose since prior to August 2015. Information as to whom these funds were owed and why the monies were held could not be provided.
- A balance of \$33,935 for flood control has been held for an unknown purpose since prior to August 2015. Information as to whom these funds were owed and why the monies were held could not be provided.

Per Neb. Rev. Stat. § 69-1307.01 (Reissue 2009), personal property that is held by public entities or political subdivisions and remains unclaimed for more than three years is presumed abandoned. Additionally, Neb. Rev. Stat. § 69-1310 (Reissue 2009) requires such items to be reported to the Nebraska State Treasurer before November 1st of each year as of June 30 next preceding.

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

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

Good internal control and sound business practices require procedures to ensure that trust balances of the County are reviewed on an ongoing, timely basis to determine what action should be taken to resolve those balances. Without such procedures, there is an increased risk of non-compliance with relevant state statutes.

We recommend the County Treasurer implement procedures to ensure all trust balances are appropriately maintained and paid out, when necessary, to the proper entities.

County’s Overall Response: Funds have been disbursed per the auditors recommendations

5% Gross In Lieu Distribution

The County Treasurer did not appropriately distribute the Public Power District In Lieu of Tax payments. Further, two school district funds were inappropriately excluded from the calculation, resulting in variances to all county, municipality, and school funds. The table below details these variances.

Entity	Over (Under) Payment
Wilcox Hildreth School District	\$ 227
Southern Valley School District	\$ 133
Orleans	\$ 53
Republican City	\$ 30
Franklin School District	\$ 20
Huntley	\$ (4)
Hospital Bond Fund	\$ (13)
Stamford	\$ (15)
Alma School District	\$ (44)
Ragan	\$ (53)
County General Fund	\$ (62)
Alma	\$ (272)

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

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

When distributions are not made according to State statute, there is an increased risk of loss or misuse of funds.

We recommend the County Treasurer correct the distribution of In Lieu of Tax payments and implement procedures to ensure the accuracy of all future distributions.

County's Overall Response: Treasurer will work with auditor to correct future transactions

Property Tax Credit Distribution

During the year, an adjustment of \$7,001 in real estate property tax credit was considered unused and paid back to the State of Nebraska; however, the County has no documentation to support why these additional funds were returned to the State.

Good internal control requires procedures to ensure that documentation is maintained to support adjustments made to the accounting records.

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

We recommend the County Treasurer implement procedures to ensure documentation is maintained to support all accounting adjustments.

County's Overall Response: Treasurer has corrected pursuant to auditors suggestion

Transfers Between Funds

The County Treasurer made transfers, totaling \$886,665, between County funds without written documentation from the County Board supporting such transfers. Transfers were based on proposed transfers in the County budget document.

Good internal control requires the County Treasurer to obtain and maintain documentation to support the transfer of money between County funds. Without such documentation, there is no evidence of the County Board having approved the transfers.

We recommend the County Treasurer not transfer money between County funds unless documentation is received from the County Board to support such transaction.

County's Overall Response: All fund transfers will be approved by the Board of Supervisors

County Treasurer's Response: This audit reflects the work of the previous County Treasurer and as the new County Treasurer effective 7/18/18 I have been taking and will continue to take corrective action with the help of the state auditors.

COUNTY BOARD

Payroll Procedures

During review of payroll records, we noted the following:

- Elected officials are paid a monthly salary at the beginning of the month instead of at the end of the month – being paid, therefore, before they actually provide services. As a result, the County Treasurer resigned on July 17, 2018, but was paid for the entire month of July.
- State payroll taxes for one employee tested were withheld at the married rate, but the employee had elected the single rate on the W-4 form. For the month tested, this resulted in a \$45 difference in net pay.
- The Road Superintendent is allowed to use a County-owned vehicle to commute to work. The IRS-required \$3 a day benefit was not added to his taxable wages.
- The timesheets on file for four of the five employees tested were not approved by their supervisor.
- One employee with 21 years of service was earning 17.5 hours of vacation each month; however, based on years of service, only 16 hours of vacation should have been earned monthly.

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

According to IRS Publication 15-B, “Employer’s Tax Guide to Fringe Benefits,” the value of an employer’s vehicle provided to an employee to be used for business purposes is calculated by the miles for each one-way commute (that is, from home to work or from work to home) by \$1.50.

The County’s “Employee Personnel Manual,” dated April 5, 2016, provides that an employee with 20 to 24 years of service will earn two days of vacation leave per month.

Good internal controls require procedures to ensure the following: 1) payments are not made before services are provided; 2) payroll taxes are withheld at the correct rate; 3) an employee’s use of a County-owned vehicle is included as a taxable benefit; 4) employee timesheets are reviewed and approved by a supervisor; and 5) employees earn leave at the correct rate based on the years of service.

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

We recommend the County implement procedures to ensure the following: 1) payments are not made before services are provided; 2) payroll taxes are withheld at the correct rate; 3) an employee's use of a County-owned vehicle is included as a taxable benefit; 4) employee timesheets are reviewed and approved by a supervisor; and 5) employees earn leave at the correct rate based on the years of service.

County's Overall Response: Making adjustment to pay elected officials at the end of the month, after services are provided

Make sure to withhold at correct rate

Road Superintendent County owned vehicle – County attorney is addressing the issue with the IRS

Time sheets will be approved by supervisors

Vacation leave will be earned at correct rate

Claim Procedures

During a review of claims approved by the County Board, we noted the following:

- Six purchases with the County's credit card, totaling \$990, did not have invoices attached to support the expenses.
- Christmas party supplies, totaling \$ 23, were purchased by the Road Department.
- Payments made to the Senior Center, CASA, and various libraries, totaling \$17,875, \$7,000, and \$3,000, respectively, did not have supporting documentation for how the funds were spent by those organizations.
- Claimants were not reviewed for delinquent personal property taxes prior to claim approval.

Neb. Rev. Stat. § 13-610(4) (Reissue 2012) provides the following:

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.

No statutes governing the operations of counties in Nebraska nor any provisions of the Local Government Miscellaneous Expenditure Act, which is set out at Neb. Rev. Stat. § 13-2201 (Reissue 2012) et. seq., authorize the use of public funds to purchase holiday supplies.

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

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

Additionally, good internal control requires procedures for obtaining supporting documentation, including evidence of appropriate use of tax dollars, for all payments made by the County.

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

We recommend the County Board implement procedures to ensure proper supporting documentation, including evidence of appropriate use of tax dollars, is obtained for all payments made by the County. Such procedures should ensure also that public funds are spent only as authorized by statute. Finally, those procedures should ensure also that delinquent personal property taxes are deducted from claims presented to the County.

County's Overall Response: Invoices will be required to support credit card expenses

Christmas party supplies will not be purchased by County

Documentation will now be required to support payments

Personal Property taxes will now be reviewed

Overspent Budgets

For the fiscal year ended June 30, 2018, expenditures exceeded budgeted appropriations in the Miscellaneous function of the General Fund by \$132,308.

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

After the adoption of the county budget, no officer, department or other expending agency shall expend or contract to expend any money . . . in excess of the amounts provided in said budget for such office, department or expending agency . . . for such fiscal year.

When actual expenditures exceed budgeted expenditures, the County is not in compliance with State statute.

We recommend the County ensure that actual expenditures do not exceed budgeted expenditures during the fiscal year.

County's Overall Response: With monitoring, actual expenditures shall not exceed budgeted expenditures

Inventory Statement Filings

During a review of inventory statements filed for 2017, we noted the following:

- The County Surveyor statement was not filed until September 13, 2017.
- Inventory statements for the County Board, County Sheriff, and County Real Estate were not dated, so it could not be determined if the statements were filed on time.
- The County Road Department statement included only supply items; a list of machinery and equipment was not filed until October 2017, with the annual road plan report.

- The 2018 County Sheriff’s statement filed on August 13, 2018, did not include a new pickup truck purchased in April 2018.

Neb. Rev. Stat. § 23-347 (Reissue 2012) requires, in part, 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.

When inventory statements are not filed timely and accurately, there is an increased risk for the loss or misuse of County property.

We recommend County officers file a complete and accurate statement of their inventory by August 31st each year, as required by statute.

County’s Overall Response: County will require each department file their inventory by deadline

COUNTY CLERK

Accounting Procedures

The County Clerk’s records indicated the following:

- A short of \$63 on June 30, 2018, in the recording fees.
- A short of \$18 on June 30, 2018, in the imprest bank account.
- An October 2017 law enforcement billing for \$3,468 that was not sent to the City of Alma.

Good internal control requires procedures to ensure that assets agree to liabilities at all times, and billings are sent in a timely manner.

Without such procedures, there is an increased risk of assets going missing and the County not collecting all money due.

We recommend the County Clerk implement procedures to ensure assets agree to liabilities at all times, and billings are sent in a timely manner.

County’s Overall Response: Correcting errors pursuant to auditors suggestions

Other matters corrected per auditors direction

COUNTY DISTRICT COURT

Trust Balances

The Clerk of the District Court did not adequately review the case balance reports to ensure the case balances reflected therein were proper, and appropriate action was taken timely.

- Two case balances tested, totaling \$4,175, did not include current activity to reflect that the Court had attempted to remit the money to the correct party.

- Three case balances tested, totaling \$225, were also noted on the Overdue Case Balance Report, indicating that the defendant owed the Court money.
- Three cases noted on the Overdue Case Balance Report, with balances totaling \$1,011, had no follow-up action taken by the Court after the balances became due.
- A \$3,000 check deposited on September 12, 2017, was not receipted into the case balance until October 4, 2017.

Good internal controls require procedures to ensure case balance reports are reviewed, and prompt action is taken to make certain that case balances are accurate and current.

Without such procedures, there is an increased risk of errors or losses occurring.

We recommend the District Court implement procedures to ensure case balance reports are reviewed, and prompt action is taken to make certain that case balances are accurate and current.

County's Overall Response: Working with the Judge and County Attorney to correct errors and will pursue payments, if possible

Will review case balance reports and take actions promptly to ensure case balances are accurate & current

COUNTY SHERIFF

Accounting Procedures

During our audit, we noted the following issues with the procedures of the County Sheriff's office:

- At June 30, 2018, office records indicated an unexplained cash long of \$3,365. The County Sheriff was unable to identify the proper recipient(s) of these funds.
- The bank statement was not reconciled to the accounting records on a monthly basis, so an accurate listing of outstanding checks or book balance could not be provided.
- All civil process fees earned were not remitted to the County Treasurer. The County Sheriff remitted fees collected, but not all fees earned.
- A listing of accounts receivable at June 30, 2018, could not be provided.
- The County Sheriff made a payment of \$800 directly toward a credit card billing from fees collected and deposited in the bank account.

Neb. Rev. Stat. § 33-117(3) (Reissue 2016) requires the County Sheriff to “pay all fees earned to the county treasurer who shall credit the fees to the general fund of the county.”

Neb. Rev. Stat. § 23-1601(1) (Reissue 2012) provides 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. § 23-106 (Reissue 2012) states the following:

- (1) The county board shall manage the county funds and county business except as otherwise specifically provided.*
- (2) 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, good internal control and sound business practices require procedures to ensure the following: 1) office assets (cash on hand, reconciled bank balances, and accounts receivable) agree with office liabilities (fees on hand, trust accounts, and accounts payable), and any variances noted are resolved timely; 2) bank account balances are reconciled to accounting records on a monthly basis; 3) all monies earned are remitted timely to the County Treasurer; 4) procedures are performed to document accounts receivable balances; and 5) public monies, other than those authorized for a petty cash fund, are expended only through the County Treasurer at the direction of the County Board.

We recommend the County Sheriff implement procedures to ensure office assets agree with office liabilities, and any variances noted are resolved timely. Those same procedures should ensure bank account balances are reconciled to accounting records on a monthly basis, all monies earned are remitted timely to the County Treasurer, procedures are performed to document accounts receivable balances, and public monies, other than those authorized for a petty cash fund, are expended only through the County Treasurer at the at the direction of the County Board.

County's Overall Response: Will receipt all cash funds

Will reconcile bank statements when received

Will remit all fees earned and collected to the County Treasurer

Will maintain a listing of accounts receivables

Will have documentation for payments made

Distress Warrant Report

The County Sheriff did not file a distress warrant report with the County Board by August 1, 2017.

Neb. Rev. Stat. § 77-1719.01 (Reissue 2009) states, "On or before August 1 of each year, the sheriff shall report to the county board showing the total amount collected on current distress warrants and the amount remaining uncollected."

Good internal controls require procedures to ensure that distress warrant reports are submitted annually to the County Board.

Without such procedures, there is an increased risk of not only the County Board being uninformed of delinquent taxes but also noncompliance with State statute.

We recommend the implementation of procedures to ensure distress warrant reports are submitted annually to the County Board, as required by State statute.

County's Overall Response: A report will be submitted by August 1st to the County Board as required by State

All findings to correct the issues found and procedures to omit similar issues are being addressed by each County office.

County Sheriff's Response: The Sheriff's Office will work towards correcting problems that have been mentioned.

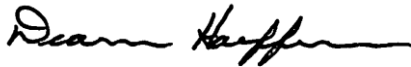
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It should be noted this report is critical in nature, as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strong features of the County.

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. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

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

Sincerely,



Deann Haeffner, CPA
Assistant Deputy Auditor