

**AUDIT REPORT
OF
WEBSTER COUNTY**

JULY 1, 2017, THROUGH JUNE 30, 2018

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the Auditor of Public Accounts.**

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Issued on April 17, 2019

WEBSTER COUNTY

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WEBSTER COUNTY
621 N Cedar Street
Red Cloud, NE 68970

LIST OF COUNTY OFFICIALS
At June 30, 2018

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Commissioners	Dan Shipman	Jan. 2019
	Trevor Karr	Jan. 2021
	Roger Bohrer	Jan. 2019
	Keith Buschow	Jan. 2021
	JoAnn Reiher	Jan. 2019
Assessor	Sonja Krueger	Jan. 2019
Attorney	Sara Bockstadter	Jan. 2019
Clerk	Debra Klingenberger	Jan. 2019
Election Commissioner		
Register of Deeds		
Clerk of the District Court		
Sheriff	Troy Schmitz	Jan. 2019
Treasurer	Janet Knehans	Jan. 2019
Veterans' Service Officer	Gary Ratzlaff	Appointed
Weed Superintendent	Dennis VanWey	Appointed
Highway Superintendent	Tom Krueger	Appointed
Surveyor		
Emergency Manager	Ron Sunday	Appointed
Planning/Zoning	Lonnie Knehans	Appointed



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WEBSTER COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Webster 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 Webster 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 Webster 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 Webster 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 20-30, are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2019, on our consideration of Webster 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 Webster County's internal control over financial reporting and compliance.

April 11, 2019



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 2,891,762
TOTAL ASSETS	\$ 2,891,762
NET POSITION	
Restricted for:	
Visitor Promotion	\$ 14,519
Preservation of Records	7,079
Debt Service	247,290
County Museum	76,565
Unrestricted	2,546,309
TOTAL NET POSITION	\$ 2,891,762

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

WEBSTER 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	\$ (1,494,782)	\$ 193,211	\$ 18,483	\$ (1,283,088)
Public Safety	(940,959)	191,711	34,867	(714,381)
Public Works	(3,088,325)	136,006	996,486	(1,955,833)
Public Assistance	(25,245)	-	-	(25,245)
Culture and Recreation	(39,079)	-	-	(39,079)
Debt Payments	(434,494)	-	-	(434,494)
Total Governmental Activities	\$ (6,022,884)	\$ 520,928	\$ 1,049,836	(4,452,120)
General Receipts:				
Property Taxes				3,444,259
Grants and Contributions Not Restricted to Specific Programs				615,751
Investment Income				34,141
Licenses and Permits				12,692
County Museum Receipts				76,356
Miscellaneous				120,394
Total General Receipts				4,303,593
Increase in Net Position				(148,527)
Net Position - Beginning of year				3,040,289
Net Position - End of year				\$ 2,891,762

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

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

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Capital Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents (Note 1.D)	\$ 590,579	\$ 458,100	\$ 1,019,460	\$ 259,596	\$ 564,027	\$ 2,891,762
TOTAL ASSETS	<u>\$ 590,579</u>	<u>\$ 458,100</u>	<u>\$ 1,019,460</u>	<u>\$ 259,596</u>	<u>\$ 564,027</u>	<u>\$ 2,891,762</u>
FUND BALANCES						
Restricted for:						
Visitor Promotion	-	-	-	-	14,519	14,519
Preservation of Records	-	-	-	-	7,079	7,079
Debt Service	-	-	-	-	247,290	247,290
County Museum	-	-	-	-	76,565	76,565
Committed to:						
Law Enforcement	-	-	-	-	3,410	3,410
Road Maintenance	-	458,100	-	259,596	-	717,696
Aid and Assistance	-	-	-	-	38,106	38,106
Self Insured Dental	-	-	-	-	83,812	83,812
Noxious Weeds	-	-	-	-	16,752	16,752
County Ambulance	-	-	-	-	76,494	76,494
Assigned to:						
Other Purposes	-	-	1,019,460	-	-	1,019,460
Unassigned	590,579	-	-	-	-	590,579
TOTAL CASH BASIS FUND BALANCES	<u>\$ 590,579</u>	<u>\$ 458,100</u>	<u>\$ 1,019,460</u>	<u>\$ 259,596</u>	<u>\$ 564,027</u>	<u>\$ 2,891,762</u>

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

WEBSTER 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	Capital Construction Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$ 2,864,257	\$ -	\$ 167,141	\$ -	\$ 412,861	\$ 3,444,259
Licenses and Permits	12,692	-	-	-	-	12,692
Investment Income	32,817	-	-	-	1,324	34,141
Intergovernmental	342,083	985,399	-	299,044	39,061	1,665,587
Charges for Services	308,420	136,006	-	-	76,502	520,928
Miscellaneous	48,713	53,508	-	17,096	77,433	196,750
TOTAL RECEIPTS	<u>3,608,982</u>	<u>1,174,913</u>	<u>167,141</u>	<u>316,140</u>	<u>607,181</u>	<u>5,874,357</u>
DISBURSEMENTS						
General Government	1,448,148	-	17,898	-	28,736	1,494,782
Public Safety	864,391	-	-	-	76,568	940,959
Public Works	-	1,879,574	-	1,147,561	61,190	3,088,325
Public Assistance	18,422	-	-	-	6,823	25,245
Culture and Recreation	-	-	-	-	39,079	39,079
Debt Service:						
Principal Payments	-	-	-	-	370,000	370,000
Interest and Fiscal Charges	-	-	-	-	64,494	64,494
TOTAL DISBURSEMENTS	<u>2,330,961</u>	<u>1,879,574</u>	<u>17,898</u>	<u>1,147,561</u>	<u>646,890</u>	<u>6,022,884</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>1,278,021</u>	<u>(704,661)</u>	<u>149,243</u>	<u>(831,421)</u>	<u>(39,709)</u>	<u>(148,527)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	345,000	780,000	-	600,000	93,321	1,818,321
Transfers out	(1,458,844)	(13,145)	(345,000)	-	(1,332)	(1,818,321)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,113,844)</u>	<u>766,855</u>	<u>(345,000)</u>	<u>600,000</u>	<u>91,989</u>	<u>-</u>
Net Change in Fund Balances	164,177	62,194	(195,757)	(231,421)	52,280	(148,527)
CASH BASIS FUND BALANCES - BEGINNING	<u>426,402</u>	<u>395,906</u>	<u>1,215,217</u>	<u>491,017</u>	<u>511,747</u>	<u>3,040,289</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 590,579</u>	<u>\$ 458,100</u>	<u>\$ 1,019,460</u>	<u>\$ 259,596</u>	<u>\$ 564,027</u>	<u>\$ 2,891,762</u>

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

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

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 220,200
 LIABILITIES	
Due to other governments	
State	70,338
Schools	83,589
Educational Service Units	956
Technical College	6,012
Natural Resource Districts	3,950
Fire Districts	742
Municipalities	11,268
Agricultural Society	449
Others	42,896
TOTAL LIABILITIES	220,200
 TOTAL NET ASSETS	 \$ -

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

WEBSTER 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 Webster County.

A. Reporting Entity

Webster County, Nebraska, (County) is a governmental entity established under and governed by the laws of the State of Nebraska (State). The County is managed by county officials who are elected on a political ballot for four-year terms. As a political subdivision of the State, the County is exempt from State and Federal income taxes. The financial statements include all funds of the County that are not legally separate. The County has also considered all potential component units for which it is financially accountable, as well as other organizations that are either fiscally dependent on the County or maintain a significant relationship with the County, such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County. The County is also considered financially accountable if an organization is fiscally dependent on and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

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

Joint Organization.

Behavioral Health Region 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 \$9,199 toward

WEBSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

Health Department – The County has entered into an agreement with the South Heartland District Health Department (Department) to provide public health services. The agreement was established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636 (Reissue 2018).

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

B. Basis of Presentation

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

Restricted. This category results when constraints are externally imposed on net asset use by creditors, grantors, or contributors, or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then the unrestricted resources as they are needed.

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

WEBSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include the following: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements. The fund financial statements provide information about the County's funds, including its fiduciary funds. GAAP requires separate statements by fund category – governmental, proprietary, and fiduciary. The County uses only the governmental and fiduciary fund categories. The County Board is the highest level of decision-making authority and has the authority, by resolution, to establish, modify, or rescind the commitment or assignment of a fund balance to a specific purpose. When resources for a specific purpose are available in more than one fund balance classification, the County's policy is to use resources in the following order: restricted, committed, assigned, and unassigned. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

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

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

Capital Construction Fund. This fund is used to account for costs associated with the repair and maintenance of roads and bridges in the County. It is primarily funded by amounts received from the State of Nebraska through the Federal Funds Purchase Program and transfers from the General Fund.

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.

WEBSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

The County designates fund balances as follows:

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

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

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

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

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

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

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used, as described above. This differs from governmental GAAP, which requires governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus 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.

WEBSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

D. Assets and Net Position

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

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

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

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

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

Restricted Net Position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$345,453 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.

WEBSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

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

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

2. Deposits and Investments

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

At year end, the County's carrying amount of deposits was \$2,891,762 for County funds and \$220,200 for Fiduciary funds. The bank balances for all funds totaled \$3,093,474. 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.

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 \$.318082/\$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 \$.315459/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

WEBSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Property Taxes (Concluded)

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

4. Retirement System

The Retirement System for Nebraska Counties (Plan) is a multiple-employer plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2334 (Reissue 2012, Cum. Supp. 2018) and may be amended through legislative action.

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

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

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

For the year ended June 30, 2018, 52 employees contributed \$71,768, and the County contributed \$106,404. Contributions included \$2,500 in cash contributions towards the supplemental law enforcement plan for eight law enforcement employees. Lastly, the County paid \$216 directly to three retired employees for prior service benefits.

WEBSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. **Risk Management**

The County is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of the Nebraska Intergovernmental Risk Management Association (NIRMA), a public entity risk pool currently operating as a common risk management and insurance program for 91 counties and local governments throughout Nebraska.

The County pays an annual deposit premium, as calculated by the administrator of the pool. The premium is based on the losses and exposures of each County and the entire pool. If the pool becomes insolvent or otherwise unable to discharge its legal liabilities and obligations, the County may be assessed for an additional contribution. Each county remains liable for such assessments, regardless of such county's withdrawal from participation or the termination of the agreement, as well as for liabilities of the pool incurred during such county's period of membership.

The agreement with NIRMA requires the risk pool to provide coverage for up to a maximum amount per occurrence and purchase commercial insurance for claims in excess of coverage provided. In the event of a liability exceeding the commercial insurance, the County would be responsible for funding the excess amount.

	NIRMA Coverage	Maximum Coverage
General Liability Claim	\$ 300,000	\$ 5,000,000
Workers' Compensation Claim	\$ 550,000	Statutory Limits
Property Damage Claim	\$ 250,000	Insured Value at Replacement Cost

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

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	\$ 780,000	\$ -	\$ -	\$ -	\$ 780,000
Capital Construction Fund	600,000	-	-	-	600,000
General Fund	-	345,000	-	-	345,000
Nonmajor Funds	78,844	-	13,145	1,332	93,321
Total	<u>\$ 1,458,844</u>	<u>\$ 345,000</u>	<u>\$ 13,145</u>	<u>\$ 1,332</u>	<u>\$ 1,818,321</u>

WEBSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. Interfund Transfers (Concluded)

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.

The County operates a self-insured dental plan. Transfers of \$32,844, \$13,145, and \$1,332 were made to the Self-Insured Dental Fund from the General Fund, Road Fund, and Noxious Weed Fund, respectively, to pay dental plan premiums.

7. Capital Leases Payable

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

	<u>Motorgraders</u>
Balance July 1, 2017	\$ 501,831
Purchases	-
Payments	82,702
Balance June 30, 2018	\$ 419,129
Future Payments:	
Year	
2019	\$ 82,093
2020	116,470
2021	140,329
2022	68,753
2023	34,377
Total Payments	442,022
Less Interest	22,893
Present Value of Future Minimum Lease Payments	\$ 419,129
Carrying Value of the Related Fixed Asset	\$ 828,800

8. Long-Term Debt

Hospital Bonds. The County issued bonds on August 15, 2012, in the amount of \$1,615,000 for the purpose of paying the principal and interest on the County's Hospital Refunding Bonds, Series 2009, and paying certain costs of issuing the bonds. The bond payable balance, as of June 30, 2018, was \$765,000. 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.

WEBSTER COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

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

Future Payments:			
Year	Principal	Interest	Total
2019	\$ 200,000	\$ 12,953	\$ 212,953
2020	200,000	10,253	210,253
2021	205,000	7,152	212,152
2022	160,000	3,360	163,360
Total Payments	<u>\$ 765,000</u>	<u>\$ 33,718</u>	<u>\$ 798,718</u>

Bridge Bonds. The County issued bonds on April 24, 2013, in the amount of \$2,700,000 for the purpose of paying the costs of repairing, renovating, and constructing improvements to certain bridges on roads of the County, and paying certain costs of issuing the Bonds. The bond payable balance, as of June 30, 2018, was \$1,940,000. 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	\$ 175,000	\$ 47,805	\$ 222,805
2020	175,000	45,267	220,267
2021	180,000	42,205	222,205
2022	185,000	38,605	223,605
2023	190,000	34,535	224,535
2024-2028	1,035,000	94,098	1,129,098
Total Payments	<u>\$ 1,940,000</u>	<u>\$ 302,515</u>	<u>\$ 2,242,515</u>

9. **Beginning Fund Balances**

The beginning fund balance of the General Fund was decreased by \$23,000, and the beginning fund balance of the Noxious Weed Fund was increased by \$23,000 from the ending balances reported in the County's fiscal year 2017 audit report. These adjustments were made to correct prior-year errors and agree balances to the County Treasurer's records.

WEBSTER 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	\$ 3,079,750	\$ 3,079,750	\$ 2,864,257	\$ (215,493)
Licenses and Permits	12,450	12,450	12,692	242
Interest	25,200	25,200	32,817	7,617
Intergovernmental	237,007	237,007	342,083	105,076
Charges for Services	273,920	273,920	308,420	34,500
Miscellaneous	5,000	5,000	48,713	43,713
TOTAL RECEIPTS	<u>3,633,327</u>	<u>3,633,327</u>	<u>3,608,982</u>	<u>(24,345)</u>
DISBURSEMENTS				
General Government:				
County Board	134,164	134,164	126,026	8,138
County Clerk	166,957	166,957	153,035	13,922
County Treasurer	235,410	235,410	222,096	13,314
County Assessor	207,724	207,724	202,162	5,562
Election Commissioner	27,623	27,623	23,591	4,032
Building and Zoning	5,680	5,680	3,977	1,703
County Appraiser	51,026	51,026	50,508	518
Clerk of the District Court	56,766	56,766	47,928	8,838
County Court System	6,312	6,312	5,334	978
District Judge	800	800	11	789
Building and Grounds	238,900	238,900	144,468	94,432
Agricultural Extension Agent	92,525	92,525	89,179	3,346
Miscellaneous	516,048	506,048	379,833	126,215
Public Safety				
County Sheriff	747,931	747,931	715,693	32,238
County Attorney	116,611	116,611	83,206	33,405
County Jail	54,801	64,801	59,860	4,941
Emergency Management	11,941	11,941	5,632	6,309
Public Assistance				
Veterans' Service Officer	18,923	18,923	18,422	501
TOTAL DISBURSEMENTS	<u>2,690,142</u>	<u>2,690,142</u>	<u>2,330,961</u>	<u>359,181</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>943,185</u>	<u>943,185</u>	<u>1,278,021</u>	<u>334,836</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	352,250	352,250	345,000	(7,250)
Transfers out	(1,426,000)	(1,426,000)	(1,458,844)	(32,844)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,073,750)</u>	<u>(1,073,750)</u>	<u>(1,113,844)</u>	<u>(40,094)</u>
Net Change in Fund Balance	(130,565)	(130,565)	164,177	294,742
FUND BALANCE - BEGINNING	<u>426,402</u>	<u>426,402</u>	<u>426,402</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 295,837</u>	<u>\$ 295,837</u>	<u>\$ 590,579</u>	<u>\$ 294,742</u>

WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Intergovernmental	\$ 929,006	\$ 929,006	\$ 985,399	\$ 56,393
Charges for Services	-	-	136,006	136,006
Miscellaneous	78,850	78,850	53,508	(25,342)
TOTAL RECEIPTS	<u>1,007,856</u>	<u>1,007,856</u>	<u>1,174,913</u>	<u>167,057</u>
DISBURSEMENTS	<u>2,159,360</u>	<u>2,159,360</u>	<u>1,879,574</u>	<u>279,786</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,151,504)</u>	<u>(1,151,504)</u>	<u>(704,661)</u>	<u>446,843</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	980,000	980,000	780,000	(200,000)
Transfers out	(200,000)	(200,000)	(13,145)	186,855
TOTAL OTHER FINANCING SOURCES (USES)	<u>780,000</u>	<u>780,000</u>	<u>766,855</u>	<u>(13,145)</u>
Net Change in Fund Balance	(371,504)	(371,504)	62,194	433,698
FUND BALANCE - BEGINNING	395,906	395,906	395,906	-
FUND BALANCE - ENDING	<u>\$ 24,402</u>	<u>\$ 24,402</u>	<u>\$ 458,100</u>	<u>\$ 433,698</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 100,000	\$ 100,000	\$ 167,141	\$ 67,141
Intergovernmental	1,900	1,900	-	(1,900)
TOTAL RECEIPTS	<u>101,900</u>	<u>101,900</u>	<u>167,141</u>	<u>65,241</u>
DISBURSEMENTS	<u>10,000</u>	<u>10,000</u>	<u>17,898</u>	<u>(7,898)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>91,900</u>	<u>91,900</u>	<u>149,243</u>	<u>57,343</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	400,000	400,000	-	(400,000)
Transfers out	(752,250)	(752,250)	(345,000)	407,250
TOTAL OTHER FINANCING SOURCES (USES)	<u>(352,250)</u>	<u>(352,250)</u>	<u>(345,000)</u>	<u>7,250</u>
Net Change in Fund Balance	(260,350)	(260,350)	(195,757)	64,593
FUND BALANCE - BEGINNING	1,215,217	1,215,217	1,215,217	-
FUND BALANCE - ENDING	<u>\$ 954,867</u>	<u>\$ 954,867</u>	<u>\$ 1,019,460</u>	<u>\$ 64,593</u>

WEBSTER 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)
<u>CAPITAL CONSTRUCTION FUND</u>				
RECEIPTS				
Intergovernmental	\$ 348,500	\$ 348,500	\$ 299,044	\$ (49,456)
Miscellaneous	150,000	150,000	17,096	(132,904)
TOTAL RECEIPTS	<u>498,500</u>	<u>498,500</u>	<u>316,140</u>	<u>(182,360)</u>
 DISBURSEMENTS	 <u>1,491,000</u>	 <u>1,491,000</u>	 <u>1,147,561</u>	 <u>343,439</u>
 EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	 <u>(992,500)</u>	 <u>(992,500)</u>	 <u>(831,421)</u>	 <u>161,079</u>
 OTHER FINANCING SOURCES (USES)				
Transfers in	800,000	800,000	600,000	(200,000)
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>200,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>
 Net Change in Fund Balance	 (392,500)	 (392,500)	 (231,421)	 161,079
FUND BALANCE - BEGINNING	491,017	491,017	491,017	-
FUND BALANCE - ENDING	<u>\$ 98,517</u>	<u>\$ 98,517</u>	<u>\$ 259,596</u>	<u>\$ 161,079</u>

(Concluded)

WEBSTER 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>VISITOR'S PROMOTION FUND</u>				
Receipts	\$ 5,500	\$ 5,500	\$ 4,421	\$ (1,079)
Disbursements	(8,700)	(8,700)	(3,404)	5,296
Net Change in Fund Balance	(3,200)	(3,200)	1,017	4,217
Fund Balance - Beginning	8,773	8,773	8,773	-
Fund Balance - Ending	<u>\$ 5,573</u>	<u>\$ 5,573</u>	<u>\$ 9,790</u>	<u>\$ 4,217</u>
<u>VISITOR'S IMPROVEMENT FUND</u>				
Receipts	\$ 1,750	\$ 1,750	\$ 4,729	\$ 2,979
Disbursements	(1,750)	(1,750)	-	1,750
Net Change in Fund Balance	-	-	4,729	4,729
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,729</u>	<u>\$ 4,729</u>
<u>PRESERVATION AND MODERNIZATION FUND</u>				
Receipts	\$ 2,500	\$ 2,500	\$ 3,486	\$ 986
Disbursements	(1,700)	(1,700)	(1,294)	406
Net Change in Fund Balance	800	800	2,192	1,392
Fund Balance - Beginning	4,887	4,887	4,887	-
Fund Balance - Ending	<u>\$ 5,687</u>	<u>\$ 5,687</u>	<u>\$ 7,079</u>	<u>\$ 1,392</u>
<u>SELF INSURED DENTAL FUND</u>				
Receipts	\$ 46,000	\$ 46,000	\$ -	\$ (46,000)
Disbursements	(44,000)	(44,000)	(27,442)	16,558
Transfers in	-	-	47,321	47,321
Transfers out	(10,000)	(10,000)	-	10,000
Net Change in Fund Balance	(8,000)	(8,000)	19,879	27,879
Fund Balance - Beginning	63,933	63,933	63,933	-
Fund Balance - Ending	<u>\$ 55,933</u>	<u>\$ 55,933</u>	<u>\$ 83,812</u>	<u>\$ 27,879</u>

(Continued)

WEBSTER 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 RELIEF FUND				
Receipts	\$ 5	\$ 5	\$ 4	\$ (1)
Disbursements	(21,700)	(21,700)	(6,823)	14,877
Transfers in	10,000	10,000	-	(10,000)
Transfers out	-	-	-	-
Net Change in Fund Balance	(11,695)	(11,695)	(6,819)	4,876
Fund Balance - Beginning	41,455	41,455	41,455	-
Fund Balance - Ending	<u>\$ 29,760</u>	<u>\$ 29,760</u>	<u>\$ 34,636</u>	<u>\$ 4,876</u>
VETERAN'S AID FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(3,400)	(3,400)	-	3,400
Net Change in Fund Balance	(3,400)	(3,400)	-	3,400
Fund Balance - Beginning	3,470	3,470	3,470	-
Fund Balance - Ending	<u>\$ 70</u>	<u>\$ 70</u>	<u>\$ 3,470</u>	<u>\$ 3,400</u>
DIVERSION PROGRAM FUND				
Receipts	\$ 4,500	\$ 4,500	\$ 2,309	\$ (2,191)
Disbursements	(2,500)	(2,500)	(2,423)	77
Net Change in Fund Balance	2,000	2,000	(114)	(2,114)
Fund Balance - Beginning	3,524	3,524	3,524	-
Fund Balance - Ending	<u>\$ 5,524</u>	<u>\$ 5,524</u>	<u>\$ 3,410</u>	<u>\$ (2,114)</u>
NOXIOUS WEED FUND				
Receipts	\$ 120,250	\$ 120,250	\$ 388	\$ (119,862)
Disbursements	(167,674)	(167,674)	(61,190)	106,484
Transfers in	46,000	46,000	46,000	-
Transfers out	-	-	(1,332)	(1,332)
Net Change in Fund Balance	(1,424)	(1,424)	(16,134)	(14,710)
Fund Balance - Beginning	9,887	9,887	32,886	-
Fund Balance - Ending	<u>\$ 8,463</u>	<u>\$ 8,463</u>	<u>\$ 16,752</u>	<u>\$ (14,710)</u>

(Continued)

WEBSTER 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 MUSEUM FUND				
Receipts	\$ 36,417	\$ 36,417	\$ 111,906	\$ 75,489
Disbursements	(47,000)	(47,000)	(35,675)	11,325
Net Change in Fund Balance	(10,583)	(10,583)	76,231	86,814
Fund Balance - Beginning	11,587	11,587	334	-
Fund Balance - Ending	<u>\$ 1,004</u>	<u>\$ 1,004</u>	<u>\$ 76,565</u>	<u>\$ 86,814</u>
AMBULANCE FUND				
Receipts	\$ 82,500	\$ 82,500	\$ 72,880	\$ (9,620)
Disbursements	(96,500)	(96,500)	(74,145)	22,355
Net Change in Fund Balance	(14,000)	(14,000)	(1,265)	12,735
Fund Balance - Beginning	77,759	77,759	77,759	-
Fund Balance - Ending	<u>\$ 63,759</u>	<u>\$ 63,759</u>	<u>\$ 76,494</u>	<u>\$ 12,735</u>
HOSPITAL BOND FUND				
Receipts	\$ 201,876	\$ 201,876	\$ 196,833	\$ (5,043)
Disbursements	(215,477)	(215,477)	(214,238)	1,239
Net Change in Fund Balance	(13,601)	(13,601)	(17,405)	(3,804)
Fund Balance - Beginning	190,174	190,174	190,174	-
Fund Balance - Ending	<u>\$ 176,573</u>	<u>\$ 176,573</u>	<u>\$ 172,769</u>	<u>\$ (3,804)</u>
BRIDGE BOND FUND				
Receipts	\$ 214,985	\$ 214,985	\$ 210,225	\$ (4,760)
Disbursements	(220,284)	(220,284)	(220,256)	28
Net Change in Fund Balance	(5,299)	(5,299)	(10,031)	(4,732)
Fund Balance - Beginning	84,552	84,552	84,552	-
Fund Balance - Ending	<u>\$ 79,253</u>	<u>\$ 79,253</u>	<u>\$ 74,521</u>	<u>\$ (4,732)</u>

(Concluded)

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

	Visitor's Promotion Fund	Visitor's Improvement Fund	Preservation and Modernization Fund	Self Insured Dental Fund	County Relief Fund
RECEIPTS					
Property Taxes	\$ 4,421	\$ 4,729	\$ -	\$ -	\$ -
Investment Income	-	-	-	-	-
Intergovernmental	-	-	-	-	4
Charges for Services	-	-	3,486	-	-
Miscellaneous	-	-	-	-	-
TOTAL RECEIPTS	<u>4,421</u>	<u>4,729</u>	<u>3,486</u>	<u>-</u>	<u>4</u>
DISBURSEMENTS					
General Government	-	-	1,294	27,442	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Public Assistance	-	-	-	-	6,823
Culture and Recreation	3,404	-	-	-	-
Debt Service:					
Principal Payments	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>3,404</u>	<u>-</u>	<u>1,294</u>	<u>27,442</u>	<u>6,823</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>1,017</u>	<u>4,729</u>	<u>2,192</u>	<u>(27,442)</u>	<u>(6,819)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	47,321	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,321</u>	<u>-</u>
Net Change in Fund Balances	1,017	4,729	2,192	19,879	(6,819)
FUND BALANCES - BEGINNING	<u>8,773</u>	<u>-</u>	<u>4,887</u>	<u>63,933</u>	<u>41,455</u>
FUND BALANCES - ENDING	<u>\$ 9,790</u>	<u>\$ 4,729</u>	<u>\$ 7,079</u>	<u>\$ 83,812</u>	<u>\$ 34,636</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	9,790	4,729	-	-	-
Preservation of Records	-	-	7,079	-	-
Debt Service	-	-	-	-	-
County Museum	-	-	-	-	-
Committed to:					
Law Enforcement	-	-	-	-	-
Aid and Assistance	-	-	-	-	34,636
Self Insured Dental	-	-	-	83,812	-
Noxious Weeds	-	-	-	-	-
County Ambulance	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 9,790</u>	<u>\$ 4,729</u>	<u>\$ 7,079</u>	<u>\$ 83,812</u>	<u>\$ 34,636</u>

(Continued)

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

	Veteran's Aid Fund	Diversion Program Fund	Noxious Weed Fund	County Museum Fund
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ 32,512
Investment Income	-	-	-	-
Intergovernmental	-	1,484	-	3,038
Charges for Services	-	825	-	-
Miscellaneous	-	-	388	76,356
TOTAL RECEIPTS	-	2,309	388	111,906
DISBURSEMENTS				
General Government	-	-	-	-
Public Safety	-	2,423	-	-
Public Works	-	-	61,190	-
Public Assistance	-	-	-	-
Culture and Recreation	-	-	-	35,675
Debt Service:				
Principal Payments	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
TOTAL DISBURSEMENTS	-	2,423	61,190	35,675
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	-	(114)	(60,802)	76,231
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	46,000	-
Transfers out	-	-	(1,332)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	44,668	-
Net Change in Fund Balances	-	(114)	(16,134)	76,231
FUND BALANCES - BEGINNING	3,470	3,524	32,886	334
FUND BALANCES - ENDING	\$ 3,470	\$ 3,410	\$ 16,752	\$ 76,565
FUND BALANCES:				
Restricted for:				
Visitor Promotion	-	-	-	-
Preservation of Records	-	-	-	-
Debt Service	-	-	-	-
County Museum	-	-	-	76,565
Committed to:				
Law Enforcement	-	3,410	-	-
Aid and Assistance	3,470	-	-	-
Self Insured Dental	-	-	-	-
Noxious Weeds	-	-	16,752	-
County Ambulance	-	-	-	-
TOTAL FUND BALANCES	\$ 3,470	\$ 3,410	\$ 16,752	\$ 76,565

(Continued)

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

	Ambulance Fund	Hospital Bond Fund	Bridge Bond Fund	Total Nonmajor Governmental Funds
RECEIPTS				
Property Taxes	\$ -	\$ 179,489	\$ 191,710	\$ 412,861
Investment Income	-	607	717	1,324
Intergovernmental	-	16,737	17,798	39,061
Charges for Services	72,191	-	-	76,502
Miscellaneous	689	-	-	77,433
TOTAL RECEIPTS	<u>72,880</u>	<u>196,833</u>	<u>210,225</u>	<u>607,181</u>
DISBURSEMENTS				
General Government	-	-	-	28,736
Public Safety	74,145	-	-	76,568
Public Works	-	-	-	61,190
Public Assistance	-	-	-	6,823
Culture and Recreation	-	-	-	39,079
Debt Service:				
Principal Payments	-	200,000	170,000	370,000
Interest and Fiscal Charges	-	14,238	50,256	64,494
TOTAL DISBURSEMENTS	<u>74,145</u>	<u>214,238</u>	<u>220,256</u>	<u>646,890</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,265)</u>	<u>(17,405)</u>	<u>(10,031)</u>	<u>(39,709)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	93,321
Transfers out	-	-	-	(1,332)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,989</u>
Net Change in Fund Balances	(1,265)	(17,405)	(10,031)	52,280
FUND BALANCES - BEGINNING	<u>77,759</u>	<u>190,174</u>	<u>84,552</u>	<u>511,747</u>
FUND BALANCES - ENDING	<u>\$ 76,494</u>	<u>\$ 172,769</u>	<u>\$ 74,521</u>	<u>\$ 564,027</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	-	-	-	14,519
Preservation of Records	-	-	-	7,079
Debt Service	-	172,769	74,521	247,290
County Museum	-	-	-	76,565
Committed to:				
Law Enforcement	-	-	-	3,410
Aid and Assistance	-	-	-	38,106
Self Insured Dental	-	-	-	83,812
Noxious Weeds	-	-	-	16,752
County Ambulance	76,494	-	-	76,494
TOTAL FUND BALANCES	<u>\$ 76,494</u>	<u>\$ 172,769</u>	<u>\$ 74,521</u>	<u>\$ 564,027</u>

(Concluded)

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

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Highway Superintendent	County Museum	Total
BALANCES JULY 1, 2017	\$ 17,531	\$ 43,961	\$ 12,777	\$ -	\$ -	\$ 93,490	\$ 167,759
RECEIPTS							
Licenses and Permits	1,832	-	310	-	-	-	2,142
Intergovernmental	-	-	-	-	-	35,675	35,675
Charges for Services	109,554	6,421	118,140	-	163,188	515	397,818
Miscellaneous	-	-	7,344	716	22,918	15,554	46,532
State Fees	37,196	4,950	-	-	-	-	42,146
Other Liabilities	-	118,155	17,669	-	-	-	135,824
TOTAL RECEIPTS	148,582	129,526	143,463	716	186,106	51,744	660,137
DISBURSEMENTS							
Payments to County Treasurer	113,346	5,645	117,474	-	183,986	-	420,451
Payments to State Treasurer	39,577	5,019	-	-	-	-	44,596
Other Liabilities	968	120,376	21,584	716	-	68,659	212,303
TOTAL DISBURSEMENTS	153,891	131,040	139,058	716	183,986	68,659	677,350
BALANCES JUNE 30, 2018	<u>\$ 12,222</u>	<u>\$ 42,447</u>	<u>\$ 17,182</u>	<u>\$ -</u>	<u>\$ 2,120</u>	<u>\$ 76,575</u>	<u>\$ 150,546</u>
BALANCES CONSIST OF:							
Due to County Treasurer	\$ 10,012	\$ 838	\$ 16,632	\$ -	\$ 2,120	\$ 76,575	\$ 106,177
Petty Cash	-	-	550	-	-	-	550
Due to State Treasurer	2,210	108	-	-	-	-	2,318
Due to Others	-	41,501	-	-	-	-	41,501
BALANCES JUNE 30, 2018	<u>\$ 12,222</u>	<u>\$ 42,447</u>	<u>\$ 17,182</u>	<u>\$ -</u>	<u>\$ 2,120</u>	<u>\$ 76,575</u>	<u>\$ 150,546</u>

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

Item	2014	2015	2016	2017
Tax Certified by Assessor				
Real Estate	\$ 11,957,468	\$ 13,252,916	\$ 13,012,921	\$ 12,784,589
Personal and Specials	744,965	663,739	568,411	504,139
Total	12,702,433	13,916,655	13,581,332	13,288,728
Corrections				
Additions	7,855	19,678	8	6,499
Deductions	(6,221)	(17,630)	(15,214)	(13,548)
Net Additions/ (Deductions)	1,634	2,048	(15,206)	(7,049)
Corrected Certified Tax	12,704,067	13,918,703	13,566,126	13,281,679
Net Tax Collected by				
County Treasurer during				
Fiscal Year Ending:				
June 30, 2015	8,343,541	-	-	-
June 30, 2016	4,343,234	9,198,553	-	-
June 30, 2017	11,364	4,703,787	8,772,431	-
June 30, 2018	4,771	13,238	4,781,041	8,654,464
Total Net Collections	12,702,910	13,915,578	13,553,472	8,654,464
Total Uncollected Tax	\$ 1,157	\$ 3,125	\$ 12,654	\$ 4,627,215
Percentage Uncollected Tax	0.01%	0.02%	0.09%	34.84%

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



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

Board of Commissioners
Webster 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 Webster County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Webster County's basic financial statements, and have issued our report thereon dated April 11, 2019. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and do not include the financial data of the Webster County Hospital, a component unit of Webster County.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster 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 Webster County in a separate letter dated April 11, 2019.

Webster County’s Response to Findings

Webster County declined to respond to the finding described above.

Purpose of this Report

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



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

April 11, 2019



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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April 11, 2019

Board of Commissioners
Webster County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Webster County (County) for the fiscal year ended June 30, 2018, and have issued our report thereon dated April 11, 2019. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

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

COUNTY OVERALL

Segregation of Duties

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

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

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

Office Fee Approval

We noted the County Clerk and County Sheriff were collecting fees that had not been approved by the County Board. The following table details those fees and the total amount collected during the fiscal year:

Office	Fee Type	Total Collections during FY 2018
County Clerk	Plat Books	\$ 420
County Clerk	Copy Fees	\$ 424
County Sheriff	Prisoner Boarding	\$ 58,500
County Sheriff	Copy Fees	\$ 53
Total		\$ 59,397

Neb. Rev. Stat. § 23-106(1) (Reissue 2012) states, “The county board shall manage the county funds and county business except as otherwise specifically provided.” A good internal control plan requires all fees charged by County offices to be approved by the County Board. When not all fees are approved by the County Board, there is an increased risk fees will not be charged consistently, resulting in the potential loss or misuse of funds.

We recommend all fees charged by County offices, that are not otherwise set by statute, be approved by the County Board.

COUNTY BOARD

Webster County Transportation

Webster County entered into a Memorandum of Understanding (MOU) with Midlands Area Agency on Aging (Midlands) to manage the fiscal, invoicing, reporting, and application requirements of Webster County Transportation. Per the MOU, the County would provide vehicles, a bus barn, local matching requirements for the Nebraska Department of Transportation (NDOT) Public Transit Program, and have oversight of Webster County Transportation. Conversely, Midlands would provide administration of the program, including all NDOT applications, invoices and reports, billing and fiscal management, Intelliride applications and billings, and drivers and dispatchers who would be employees of Midlands.

Monthly Payments

We noted the County paid monthly claims of differing amounts to Midlands related to the Webster County Transportation program. The County was unable to explain how the monthly amount paid to Midlands was determined. In addition, the MOU between the County and Midlands did not detail how the monthly amount paid was to be determined. The total amount paid to Midlands pursuant to the Webster County Transportation program during fiscal year 2018 was \$17,403.

Bank Account Maintained Outside of the County Treasurer

In December 2018, the County Clerk opened a bank account and deposited therein funds previously maintained by the Webster County Senior Services Committee, which were to be used for the replacement of the Webster County Transportation vehicles. The activity in this account from opening in December 2018 through February 2019 is detailed in the following table:

Beginning Balance	Deposits	Withdrawals	Ending Balance
\$ -	\$ 23,657	\$ 22	\$ 23,635

Neb. Rev. Stat. § 23-1601(1) (Reissue 2012) requires the County Treasurer to receive all money belonging to the County, as follows:

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.

Good internal controls and sound business practices require all agreements entered into by the County to contain specific details regarding how the various aspects of the contractual relationship are to be handled, including how all payment amounts are to be determined. Without such specifics, there is an increased risk for the loss and/or misuse of funds.

When all money belonging to the County is not in the custody of the County Treasurer, the County is not in compliance with State statute, further increasing the risk for the loss and/or misuse of funds.

We recommend the County Board review the current MOU with Midlands, revising it as needed to ensure all responsibilities of both parties thereto are sufficiently detailed, including how monthly payment amounts are to be determined. Additionally, we recommend all money in the vehicle replacement bank account be turned over to, and maintained by, the County Treasurer.

Claims Issues

During testing of claims paid by the County Board, we identified the following issues:

- Claim #18020189 dated February 20, 2018, and #18030070 dated March 6, 2018, were duplicate payments. Both claims were issued to Pediatric Dental Specialists for \$77. The County was able to provide support that a refund check for \$58 issued on June 26, 2018, was received from Pediatric Dental Specialists. No support could be provided to support that the County received a credit or refund for the remaining amount. Additionally, we noted that the \$58 refund check was being held by the County Clerk, but had not been deposited as of audit fieldwork in March 2019.
- Claim #71000010 dated October 3, 2017, was paid to the First National Bank of Omaha to pay charges made on the County's credit card. Included on the credit card statement were charges from the Lied Lodge and Conference Center on August 30, 2017, that included \$85 in lodging and sales tax. The County is exempt from paying these taxes.
- Claim #70800008 dated August 1, 2017, was also paid to the First National Bank of Omaha to pay charges on the County's credit card and included charges from Dell, totaling \$2,445. Detailed supporting documentation was not attached to the claim to support what was purchased. Instead, the only support was the credit card statement. Further inquiry discovered the purchase was a laptop computer for the County Assessor's office.
- Claim #18020111 dated February 6, 2018, paid \$1,500 to Williams Funeral Home for a County indigent burial. No support was attached to the claim. Per the County, the price was negotiated verbally with the funeral home.

Neb. Rev. Stat. 77-2704.15(1)(a) (Reissue 2018) states, in relevant part, the following:

Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of purchases by the state, including public educational institutions recognized or established under the provisions of Chapter 85, or by any county. . . .

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

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

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

* * * *

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

Neb. Rev. Stat. § 23-135.01 provides:

Whoever files any claim against any county as provided in section 23-135, knowing the claim to contain any false statement or representation as to a material fact, or whoever obtains or receives any money or any warrant for money from any county knowing that the claim therefor was based on a false statement or representation as to a material fact, if the amount claimed or money obtained or received or if the face value of the warrant for money shall be one thousand five hundred dollars or more, shall be guilty of a Class IV felony. If the amount is five hundred dollars or more but less than one thousand five hundred dollars, the person so offending shall be guilty of a Class II misdemeanor. If the amount is less than five hundred dollars, the person so offending shall be guilty of a Class III misdemeanor.

Good internal controls and sound business practices require procedures for reviewing all claims prior to approval to ensure the following: 1) duplicate payments are not involved; 2) recovery of all duplicate payments, including consulting with the County Attorney, if necessary; 3) sales tax is not paid on County purchases; and 4) detailed supporting documentation is attached to all claims, especially those representing purchases made with the County's charge card.

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 a detailed review of all claims is performed prior to approval. This review should be made to ensure the following: 1) duplicate payments are not involved; 2) recovery of all duplicate payments, including consulting with the County Attorney, if necessary; 3) sales tax is not paid on County purchases; and 4) detailed supporting documentation is attached to all claims, especially those representing purchases made with the County's charge card.

Leave Balances

During our audit, we noted the following issues regarding the County's policies and procedures for vacation and sick leave:

- The County Board is not receiving and reviewing leave usage and balances for all employees to ensure applicable County policies are being followed.
- Three employees tested were granted the full year's vacation and sick leave accruals at the beginning of the year, rather than earning them on a weekly basis, as required by the County's Employee Manual.

Per the County's Employee Manual:

Employees shall be credited with vacation leave on a weekly basis at the rate of one-fifty second (1/52) of the total vacation allotted for the year. . . . Employees shall be credited with sick leave on a weekly basis at the rate of one-fifty second (1/52) of the total sick leave allotted for the year.

Good internal controls and sound business practices require procedures to ensure the County Board reviews employee vacation and sick leave balances periodically in order to identify any balances that might appear unreasonable and to be aware if the County would be responsible for a large payout upon employee termination. Those same procedures should ensure also that leave is accrued in accordance with the provisions of the County's Employee Manual.

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 paid leave is properly accrued, used, and reported to the County Board for periodic review.

County Board Meeting Minutes and Publications

During our audit, we noted the following issues with the County Board's meeting minutes and their publication:

- For 23 of 25 meetings occurring during fiscal year 2018, newspaper publications were not made within 10 business days of the County Board's meeting. For the remaining two meetings, no support could be provided for when the publications were made.
- The County Treasurer presented the distress warrant report and delinquent tax listing to the County Board; however, this was not documented in the meeting minutes.
- A listing of claims approved for payment was not included with the meeting minutes published in a newspaper of general circulation.
- A roll call vote was not consistently documented for all action taken by County Board. Consequently, we were unable to determine if Commissioner Dan Shipman abstained from voting on a \$6,000 contract awarded to Shipman Dozing, a business in which he had noted a financial interest on his Accountability and Disclosure form. Additionally, the County Veterans' Service Officer was elected to the County Board in January 2019. Without a documented roll call vote, we were also unable to determine if this County Board member was abstaining from approving his Veterans' Service Officer wages. This County Board member received a total of \$2,297 in Veterans' Service Officer wages for January and February 2019.
- Disclosure of the County's fiscal year 2017 audit report issuance was not published within 10 business days of the report's issuance.

Neb. Rev. Stat. § 84-1413(2) (Cum. Supp. 2018) states, in relevant part, the following:

Any action taken on any question or motion duly moved and seconded shall be by roll call vote of the public body in open session, and the record shall state how each member voted or if the member was absent or not voting. The requirements of a roll call or viva voce vote shall be satisfied by a public body which utilizes an electronic voting device which allows the yeas and nays of each member of such public body to be readily seen by the public.

Neb. Rev. Stat. § 49-14,103.01 (Reissue 2010) states, in relevant part, the following:

*(1) For purposes of sections 49-14,103.01 to 49-14,103.06, unless the context otherwise requires, officer means. . .
(b) a member of any board or commission of any county, school district, city, or village which spends and administers its own funds, who is dealing with a contract made by such board or commission. . . .*

(2) Except as provided in section 49-1499.04 or 70-624.04, no officer may have an interest in any contract to which his or her governing body, or anyone for its benefit, is a party. The existence of such an interest in any contract shall render the contract voidable by decree of a court of competent jurisdiction as to any person who entered into the contract or took assignment of such contract with actual knowledge of the prohibited conflict.

* * * *

(4) The prohibition in this section shall apply only when the officer or his or her parent, spouse, or child (a) has a business association as defined in section 49-1408 with the business involved in the contract or (b) will receive a direct pecuniary fee or commission as a result of the contract.

(5) The prohibition in this section does not apply if the contract is an agenda item approved at a board meeting and the interested officer:

(a) Makes a declaration on the record to the governing body responsible for approving the contract regarding the nature and extent of his or her interest prior to official consideration of the contract;

(b) Does not vote on the matters of granting the contract, making payments pursuant to the contract, or accepting performance of work under the contract, or similar matters relating to the contract, except that if the number of members of the governing body declaring an interest in the contract would prevent the body with all members present from securing a quorum on the issue, then all members may vote on the matters; and

(c) Does not act for the governing body which is party to the contract as to inspection or performance under the contract in which he or she has an interest.

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

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

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

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

A good internal control plan requires procedures to ensure the following: 1) the County Board's meeting minutes comply with all statutory requirements; 2) when the County enters into a contract in which a County Board member has a financial interest, all statutory requirements are met; 3) a brief statement of the proceedings of each County Board meeting is published within 10 working days of such meeting; and 4) a brief statement disclosing the issuance of any County audit report is published within 10 days of such issuance.

Without such procedures, there is an increased risk of the County's noncompliance with State statutes.

We recommend the County Board implement procedures to ensure the following: 1) the County Board's meeting minutes comply with all statutory requirements; 2) when the County enters into a contract in which a County Board member has a financial interest, all statutory requirements are met;

3) a brief statement of the proceedings of each County Board meeting is published within 10 working days of such meeting; and 4) a brief statement disclosing the issuance of any County audit report is published within 10 days of such issuance.

Inventory Statement Procedures

We noted the following regarding the County’s inventory statement filings and procedures:

- The County Board has not adopted a formal inventory policy directing offices on which items should and should not be included on the annual inventory statements.
- Eighteen of 20 offices’ inventory statements were not filed by the statutorily required due date of August 31, 2018, as detailed in the following table:

Office	Date Filed	Days Late
Co. Comm. District #1	9/18/18	18
Co. Comm. District #2	9/18/18	18
Co. Comm. District #3	9/18/18	18
Co. Comm. District #4	9/18/18	18
Co. Comm. District #5	9/18/18	18
County Assessor	9/18/18	18
County Treasurer	9/18/18	18
County Sheriff	9/18/18	18
County Attorney	10/2/18	32
County Court	9/18/18	18
County Judge	9/18/18	18
Veteran Service Officer	9/18/18	18
Noxious Weed	9/18/18	18
Planning & Zoning	9/18/18	18
Extension Office	9/18/18	18
Co. Road Dept.	10/2/18	32
Red Cloud Ambulance	9/18/18	18
Blue Hill Ambulance	9/18/18	18

- During testing, we noted that the County purchased a 2011 Peterbilt truck on May 15, 2018, which was not added to the County Highway Department’s inventory statement filed in October 2018.

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

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

A good internal control plan and sound business practices require procedures to ensure the following: 1) the County Board adopts a formal inventory policy; 2) all County officers file an inventory statement with the County Board within the timeframe required by statute; and 3) all County inventory statements are complete, including the addition of all recordable items purchased during the year.

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

We recommend the County Board implement procedures to ensure that a formal inventory policy is adopted. Such procedures should ensure also that inventory statements are filed timely and include the addition of all recordable items purchased during the year.

Capital Construction Fund Budget

We noted the fiscal year 2018 budget for the Capital Construction Fund did not balance. The ending cash reserve balance per the budget document totaled \$298,517; however, actual cash reserve based on the beginning balance and budgeted receipts and disbursements was \$98,517. This appears to have been caused by \$200,000 in property taxes being included in the cash reserve calculation but not actually being included as a budgeted receipt. The County did not levy any property taxes in the Capital Construction Fund for fiscal year 2018.

Neb. Rev. Stat. § 23-903 (Reissue 2012) states, in relevant part, the following:

The budget of the county shall present a complete financial plan for the period for which said budget is drawn, as hereinafter provided. It shall set forth (1) all proposed expenditures for the administration, operation and maintenance of all offices, departments, activities, funds and institutions of the county, (2) the actual or estimated operating deficits from prior years

When the budget does not accurately reflect the financial position of the County, there is an increased risk of financial management decisions being based on inaccurate information.

We recommend the County Board implement procedures to ensure the adopted budget reflects accurately the financial position of the County.

Delinquent Personal Property Tax Review

A listing of delinquent personal property taxes was not reviewed for inclusion of vendors prior to payment of claims.

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

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

When claims are not reviewed for delinquent personal property taxes, the County is not in compliance with State statute, nor is the County utilizing all options available for the collection of delinquent taxes.

We recommend the County Board implement procedures to review claims for delinquent personal property taxes before being approved and paid by the County.

COUNTY CLERK

Office Procedures

We noted the following regarding the County Clerk's financial recordkeeping and balancing procedures:

- Office records indicated a shortage of \$1,094 existed at June 30, 2018. The office lacked monthly balancing procedures to ensure office assets (reconciled bank balance, cash on hand, and accounts receivable) were in agreement with office liabilities (unremitted fee collections and trust balances).
- Thirty-one dollars was paid out twice, once to the County Treasurer and once as a refund to the individual from whom the fee was originally received.
- Deposits were not recorded in the office's check register until the beginning of the next month, although deposits were made to the bank throughout the month.
- March 2018 collections, totaling \$1,078, for copy, planning and zoning, and plat map fees, as well as occupation tax, were not remitted to the County Treasurer until May 2018. As a result of the shortage noted above, payment was delayed because there were not sufficient funds in the bank account to issue payment.
- The office charged \$15 for each marriage license issued and \$12 for each certified copy, instead of the \$25 and \$9 fees, respectively, set in State statute.

Neb. Rev. Stat. § 33-110 (Reissue 2016), states the following, in relevant part:

County clerks shall receive a fee of twenty-five dollars for the entire proceedings of issuing a marriage license, administering the related oaths or affirmations, and recording a marriage certificate. An additional fee of nine dollars shall be made for each certified copy of a marriage record on file in the office of the county clerk. Both such fees shall be deposited in the county general fund.

(Emphasis added.) Neb. Rev. Stat. § 33-130 (Reissue 2016), states the following:

Each county clerk or register of deeds shall, not later than the fifteenth day of the month following the calendar month in which fees are received, pay over to the county treasurer all fees received and take the receipt of the county treasurer therefor. Except as provided by section 25-2712, all fees received by the county treasurer pursuant to this section shall be credited to the general fund of the county.

Additionally, a good internal control plan, and sound business practices require procedures to ensure office assets are in agreement with office liabilities at all times, and any variances are identified and resolved in a timely manner. Furthermore, such procedures should ensure that the County Clerk collects fees in the amounts specified by State statute, and such funds collected are remitted to the County Treasurer in accordance with the timeframe provided by statute.

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

We recommend the County Clerk implement monthly financial reconciliation and balancing procedures to ensure office assets are in agreement with office liabilities at all times, and any variances noted are identified and resolved in a timely manner. After implementation of such

procedures, if a variance continues to exist, the office should reconcile to the same variance every month. After a consistent variance is identified, the County Clerk may submit a claim to the County Board for any shortage noted. If the County Board denies this claim, the shortage is the personal responsibility of the County Clerk. Additionally, we recommend procedures be implemented to ensure fees are charged in the correct amounts and remitted to the County Treasurer in accordance with State statute.

Vendor Imprest Account Procedures

During our audit, we noted a complete and accurate reconciliation of the County's vendor imprest checking account was not completed. When attempting to reconcile the account as of June 30, 2018, we noted that the County did not include two outstanding checks, totaling \$111, in its reconciliation. Also, we noted a claim for \$16 was voided; however, this additional money remaining in the account was not adjusted on requests for additional funds from the County Treasurer to pay future claims. After we attempted to reconcile the account, an unknown short of \$71 existed at June 30, 2018.

Additionally, we noted that the vendor imprest checking account was not fully protected by sufficient pledged securities, as required by Neb. Rev. Stat. § 77-2395(1) (Cum. Supp. 2018). That statute provides, in relevant part, the following:

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

The vendor imprest checking account was under collateralized for 21 days, in amounts ranging from \$9,941 to \$654,397.

Sound accounting practices and good internal controls require procedures to ensure that office records reconcile with bank activity on at least a monthly basis. Reconciliation procedures should include the timely identification and resolution of all variances noted. Such procedures should ensure also that the County's vendor imprest checking account is fully collateralized at all times.

Without such procedures, the County is not only susceptible to intentional and/or unintentional errors or irregularities, which increases the risk of loss, theft, or misuse of public funds, but also noncompliance with State statute.

We recommend the County Clerk implement procedures to ensure timely, complete, and accurate bank reconciliations are performed monthly, and any discrepancies identified are resolved timely. Further, we recommend such procedures ensure the County's vendor imprest checking account is fully collateralized at all times.

Certification of Unpaid Claims

The County Clerk did not certify unpaid claims to the County Treasurer as of June 15 and December 15 annually.

Neb. Rev. Stat. § 23-1302(4) (Reissue 2012) states, in relevant part, “[T]he county clerk shall certify to the county treasurer as of June 15 and December 15 of each year the total amount of unpaid claims of the county. . . .”

When unpaid claims are not certified to the County Treasurer as of June 15 and December 15 annually, the County Clerk is not in compliance with State statute.

We recommend the County Clerk ensure unpaid claims are certified to the County Treasurer as required by statute.

COUNTY CLERK OF THE DISTRICT COURT

Fee Report

The Clerk of the District Court did not file monthly reports containing the financial activity of the office with the County Board.

Neb. Rev. Stat. § 33-106.02(1) (Reissue 2016) states, in relevant part, the following:

The clerk shall on or before the fifteenth day of each month make a report to the county board, under oath, showing the different items of such fees, revenue, perquisites, or receipts received, from whom, at what time, and for what service, and the total amount received by such officer since the last report, and also the amount received for the current year.

When the Clerk of the District Court fails to file monthly financial activity reports with the County Board, a violation of State statute occurs, and the County Board is left unaware of the District Court’s financial activity.

We recommend the Clerk of the District Court file monthly financial activity reports with the County Board, as required by State statute.

Fines Incorrectly Distributed

During the fiscal year, the District Court received \$500 in fines that were remitted incorrectly to the County General Fund. Those monies should have been posted instead to the County School Fund and subsequently distributed to the school districts located in the County.

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

When fines received are not distributed to the school districts of the County, the District Court is not in compliance with State statute.

We recommend the Clerk of the District Court implement procedures to ensure all fines are remitted to the County Treasurer and identified as school funds.

Monthly Report Review

During our audit, we noted the District Court was not adequately reviewing the monthly financial reports, including the Case Balance Report and the Overdue Case Account Report.

Case Balance Report

We tested seven balances held by the District Court and noted that three of those balances, totaling \$1,217, did not have timely action taken to resolve the balance, as follows:

- For two balances tested, totaling \$158, the cases had been previously mandated in 2016; however, the balances were still being held during audit fieldwork in March 2019.
- One balance tested, totaling \$1,059, was due to the State Treasurer as unclaimed property on November 1, 2018, but had not been remitted as of audit fieldwork in March 2019.

Overdue Case Account Report

We tested six balances that were overdue to the District Court and noted four balances, totaling \$559, did not have subsequent action taken by the District Court to ensure collection and/or resolution of the balances. As of March 1, 2019, the report contained 66 overdue balances, totaling \$18,895. Only one case had a current warrant issued. Of those balances, 20 balances, totaling \$16,755, were related to criminal cases. The following table summarizes the overdue amounts by year for criminal cases:

Year Case Filed	Number of Cases	Amount
2001	1	\$ 10
2003	1	\$ 52
2013	3	\$ 2,014
2014	3	\$ 582
2015	4	\$ 3,325
2016	4	\$ 3,102
2017	2	\$ 6,650
2018	2	\$ 1,020
Total	20	\$ 16,755

The remaining 46 balances, totaling \$2,141, were related to civil cases. During discussions with the District Court, these balances had previously been collected, but the accounting system was still erroneously showing the balances as owed. No follow-up procedures were performed to correct the accounting system error responsible for allowing the collected balances to continue being shown erroneously as still outstanding.

Good internal controls and sound business practices require trust case balances and overdue amounts of the District Court to be reviewed on an ongoing, timely basis to determine what action should be taken to collect, remit, and/or otherwise resolve those balances. Without a regular, detailed review of the monthly financial reports, there is an increased risk that balances may either not have proper follow-up action taken timely, or have been previously resolved and should no longer be reflected as a balance in the accounting system.

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

COUNTY TREASURER

Tax Reconciliations

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

- Neither the County Assessor nor the County Treasurer was able to provide a report showing the certified taxes for the 2013 tax year.
- The County Treasurer’s office did not begin completing a reconciliation of taxes collected to the original certified tax amount until the 2015 tax year, when the current County Treasurer took office. Due to the lack of a tax reconciliation, the following unknown variances existed when we attempted to perform the reconciliation:

Tax Year	Unknown Variance
2014	\$ 2,807
2015	\$ 4,250

- For the 2015 tax year, two tax corrections were entered incorrectly into the accounting system, causing an erroneous \$464 addition to taxes due.
- For the 2016 tax year, three tax corrections reducing taxes due by a total of \$1,023 were not entered into the accounting system.

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

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

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

When a tax reconciliation is not performed on a regular basis, or the tax reconciliation is not accurate, there is an increased risk that the amounts shown within the County Treasurer’s accounting system will be inaccurate. Additionally, when tax corrections are not entered into the accounting system, the County Treasurer is not in compliance with State statute.

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

* * * * *

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. The County declined to respond.

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

Sincerely,

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

Deann Haeffner, CPA
Assistant Deputy Auditor