

**AUDIT REPORT
OF
CUSTER COUNTY**

JULY 1, 2018, THROUGH JUNE 30, 2019

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the Auditor of Public Accounts.**

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Issued on January 6, 2020

CUSTER COUNTY

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CUSTER COUNTY
431 S. 10th Street
Broken Bow, NE 68822

LIST OF COUNTY OFFICIALS
At June 30, 2019

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Supervisors	Matt Eggleston	Jan. 2021
	Tammy Kleeb	Jan. 2021
	Doug Stunkel	Jan. 2021
	Donald Olson	Jan. 2023
	Barry Fox	Jan. 2023
	Dwain Bryner	Jan. 2021
	Robert Myers	Jan. 2023
Assessor	Lana Lymber	Jan. 2023
Attorney	Steven Bowers	Jan. 2023
Clerk Election Commissioner	Conni Gracey	Jan. 2023
Register of Deeds	Christie Trumbull	Jan. 2023
Clerk of the District Court	Amy Oxford	Jan. 2023
Sheriff	Dan Osmond	Jan. 2023
Treasurer	Sheri Bryant	Jan. 2023
Veterans' Service Officer	Emory Haynes	Appointed
Emergency Manager	Mark Rempe	Appointed
Planning and Zoning	Darci Tibbs	Appointed
Recycling Center	Kelly Flynn	Appointed
Surveyor	Jay Gormley	Appointed
Weed Superintendent	Ridge Horky	Appointed
Highway Superintendent	Chris Jacobsen	Appointed



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CUSTER COUNTY

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matters – Basis of Accounting

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

Report on Supplementary Information

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

The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, pages 19-30, 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 December 23, 2019, on our consideration of Custer County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Custer County's internal control over financial reporting and compliance.



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

December 23, 2019

CUSTER COUNTY
STATEMENT OF NET POSITION - CASH BASIS

June 30, 2019

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 5,254,515
Investments (Note 1.D)	5,939,093
TOTAL ASSETS	\$ 11,193,608
 NET POSITION	
Restricted for:	
Visitor Promotion	\$ 68,210
911 Emergency Services	125,314
Drug Education	1,051
Economic Development	384,368
Preservation of Records	11,990
Debt Service	5,073
Road Maintenance	346,447
Child Support	37,934
Unrestricted	10,213,221
TOTAL NET POSITION	\$ 11,193,608

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

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

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (3,316,340)	\$ 647,727	\$ 169,332	\$ (2,499,281)
Public Safety	(1,955,725)	86,723	156,904	(1,712,098)
Public Works	(9,683,689)	218,766	3,262,999	(6,201,924)
Public Assistance	(102,989)	-	-	(102,989)
Culture and Recreation	(116,659)	-	-	(116,659)
Debt Payments	(243,222)	-	-	(243,222)
Capital Outlay	(604,760)	-	-	(604,760)
Total Governmental Activities	<u><u>\$ (16,023,384)</u></u>	<u><u>\$ 953,216</u></u>	<u><u>\$ 3,589,235</u></u>	<u><u>(11,480,933)</u></u>

General Receipts:

Property Taxes	7,447,659
Grants and Contributions Not Restricted to Specific Programs	996,848
Investment Income	209,812
Licenses and Permits	50,584
Miscellaneous	287,144
Total General Receipts	<u><u>8,992,047</u></u>
Increase in Net Position	(2,488,886)
Net Position - Beginning of year	13,682,494
Net Position - End of year	<u><u>\$ 11,193,608</u></u>

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

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

June 30, 2019

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents (Note 1.D)	\$ 2,629,622	\$ 415,693	\$ -	\$ 2,209,200	\$ 5,254,515
Investments (Note 1.D)	-	-	5,131,316	807,777	5,939,093
TOTAL ASSETS	<u>\$ 2,629,622</u>	<u>\$ 415,693</u>	<u>\$ 5,131,316</u>	<u>\$ 3,016,977</u>	<u>\$ 11,193,608</u>
FUND BALANCES					
Restricted for:					
Visitor Promotion	-	-	-	68,210	68,210
911 Emergency Services	-	-	-	125,314	125,314
Drug Education	-	-	-	1,051	1,051
Economic Development	-	-	-	384,368	384,368
Preservation of Records	-	-	-	11,990	11,990
Debt Service	-	-	-	5,073	5,073
Road Maintenance	-	-	-	346,447	346,447
Child Support	-	-	-	37,934	37,934
Committed to:					
Law Enforcement	-	-	-	95,354	95,354
Road Maintenance	-	415,693	-	-	415,693
Aid and Assistance	-	-	-	98,946	98,946
Capital Improvement Projects	-	-	-	1,060,830	1,060,830
Disaster Recovery and Relief Aid	-	-	-	781,460	781,460
Assigned to:					
Other Purposes	-	-	5,131,316	-	5,131,316
Unassigned	2,629,622	-	-	-	2,629,622
TOTAL CASH BASIS FUND BALANCES	<u>\$ 2,629,622</u>	<u>\$ 415,693</u>	<u>\$ 5,131,316</u>	<u>\$ 3,016,977</u>	<u>\$ 11,193,608</u>

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

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

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS					
Property Taxes	\$ 5,873,624	\$ -	\$ 1,187,004	\$ 387,031	\$ 7,447,659
Licenses and Permits	50,584	-	-	-	50,584
Investment Income	197,836	-	-	11,976	209,812
Intergovernmental	1,085,628	2,887,782	-	612,673	4,586,083
Charges for Services	703,495	218,766	-	30,955	953,216
Miscellaneous	196,847	90,297	-	-	287,144
TOTAL RECEIPTS	<u>8,108,014</u>	<u>3,196,845</u>	<u>1,187,004</u>	<u>1,042,635</u>	<u>13,534,498</u>
DISBURSEMENTS					
General Government	3,209,336	-	386	106,618	3,316,340
Public Safety	1,519,110	-	-	436,615	1,955,725
Public Works	272,810	8,693,590	-	717,289	9,683,689
Public Assistance	97,989	-	-	5,000	102,989
Culture and Recreation	-	-	-	116,659	116,659
Debt Service:					
Principal Payments	-	-	-	180,000	180,000
Interest and Fiscal Charges	-	-	-	63,222	63,222
Capital Outlay	-	-	-	604,760	604,760
TOTAL DISBURSEMENTS	<u>5,099,245</u>	<u>8,693,590</u>	<u>386</u>	<u>2,230,163</u>	<u>16,023,384</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>3,008,769</u>	<u>(5,496,745)</u>	<u>1,186,618</u>	<u>(1,187,528)</u>	<u>(2,488,886)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	3,386,960	-	1,159,438	4,546,398
Transfers out	<u>(3,025,493)</u>	<u>-</u>	<u>(1,475,000)</u>	<u>(45,905)</u>	<u>(4,546,398)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,025,493)</u>	<u>3,386,960</u>	<u>(1,475,000)</u>	<u>1,113,533</u>	<u>-</u>
Net Change in Fund Balances	(16,724)	(2,109,785)	(288,382)	(73,995)	(2,488,886)
CASH BASIS FUND BALANCES - BEGINNING	<u>2,646,346</u>	<u>2,525,478</u>	<u>5,419,698</u>	<u>3,090,972</u>	<u>13,682,494</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 2,629,622</u>	<u>\$ 415,693</u>	<u>\$ 5,131,316</u>	<u>\$ 3,016,977</u>	<u>\$ 11,193,608</u>

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

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

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 1,082,249
 LIABILITIES	
Due to other governments	
State	245,415
Schools	613,109
Educational Service Units	4,361
Technical College	22,863
Natural Resource Districts	8,952
Fire Districts	4,374
Municipalities	41,752
Agricultural Society	1,295
Cemetery Districts	54
Townships	79,524
Reclamation Districts	513
Hospital	3,144
Others	56,893
TOTAL LIABILITIES	1,082,249
 TOTAL NET ASSETS	 \$ -

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

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

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

As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the County (the primary government). No component units were identified.

Joint Organization.

Behavioral Health Region 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 \$27,808 toward the operation of the Region during fiscal year 2019. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Department of Health and Human Services requires the Region to be audited annually in accordance with State statute. Financial information for the Region is available in those audit reports.

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

The Department’s governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County did not contribute toward the operation of the Department during fiscal year 2019. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is audited in accordance with Neb. Rev. Stat. § 84-304(4) (Cum. Supp. 2018). Financial information for the Department is available in that report.

B. Basis of Presentation

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

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

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

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

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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

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

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

Debt Service Fund. The Building Bond Fund accounts 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.

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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.

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 \$980,387 of restricted net position, which is fully restricted by enabling legislation.

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

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

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

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. Deposits and Investments

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

At year end, the County's carrying amount of deposits was \$5,254,515 for County funds and \$1,082,249 for Fiduciary funds. The bank balances for all funds totaled \$6,212,178. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2019, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

The County's carrying value of investments is stated at cost, which approximates market. Investments consisted of \$5,939,093 deposited in the Nebraska Public Agency Investment Trust (NPAIT). NPAIT is a public entity investment pool operated under the direction of a nine-member Board of Trustees. All net income of the trust is determined as of the close of business on each banking day and is credited thereafter pro rata to each participant's account. Net income that has accrued to each participant is converted as of the close of business of each calendar month into additional units, which thereafter are held in each participant's trust account. Since net income of the fund is allocated among participants each time net income is determined, the net asset value remains at \$1.00 per unit. Securities held by NPAIT are not held in the County's name.

3. Property Taxes

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

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

The levy set in October 2018, for the 2018 taxes, which will be materially collected in May and September 2019, was set at \$.164751/\$100 of assessed valuation. The levy set in October 2017, for the 2017 taxes, which were materially collected in May and September 2018, was set at \$.167037/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

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

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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, 2019, 113 employees contributed \$195,689, and the County contributed \$291,551. Contributions included \$3,961 in cash contributions towards the supplemental law enforcement plan for seven law enforcement employees. Lastly, the County paid \$300 directly to three retired employees for prior service benefits.

5. Risk Management

The County is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of the Nebraska Intergovernmental Risk Management Association (NIRMA), a public entity risk pool currently operating as a common risk management and insurance program for 96 counties and local governments throughout Nebraska.

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. **Risk Management** (Concluded)

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

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

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

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

6. **Interfund Transfers**

Interfund transfers for the year ended June 30, 2019, consisted of the following:

<u>Transfers to</u>	<u>Transfers from</u>			Total
	General Fund	Inheritance Fund	Nonmajor Funds	
Road Fund	\$ 3,021,960	\$ 365,000	\$ -	\$ 3,386,960
Inheritance Fund	-	-	-	-
Nonmajor Funds	3,533	1,110,000	45,905	1,159,438
Total	<u>\$ 3,025,493</u>	<u>\$ 1,475,000</u>	<u>\$ 45,905</u>	<u>\$ 4,546,398</u>

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

7. **Contingent Liabilities**

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the County Attorney believes the resolution of these matters will not have a materially adverse effect on the financial condition of the County.

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

8. Notes Receivable

Emergency Appropriations

On May 21, 2019, the County Board approved the transfer of \$1,000,000 from the Inheritance Tax Fund to the Disaster Relief Fund to fund temporary emergency appropriation loans to County townships for emergency management purposes. Repayment of such loans must be made within one year from the loan execution and must be made from all available funding, including Federal reimbursements and property taxes. The following loans are outstanding as of June 30, 2019:

Township	Initial Loan Amount	Amount Due
Ansley Township	\$ 75,110	\$ 75,110
Broken Bow Township	71,439	71,439
Ryno Township	54,107	54,107
Victoria Township	17,884	17,884
	\$ 218,540	\$ 218,540

Department of Economic Development – Community Development Block Grants

In 2002, the County received a Community Development Block Grant from the Nebraska Department of Economic Development (DED) in the amount of \$400,440. Over the years, the amount was loaned to various businesses that, in turn, repaid the money to the County. The DED program has now ended, and any money left in the Fund or still being returned to the County is being used as a match for projects approved by the DED. The County has contracted with the Custer Economic Development Corporation for the administration of the loans. The following loans are outstanding as of June 30, 2019:

Loan	Loan Amount	Future Payments Due	Due Date
Loan #1	\$ 19,850	\$ 3,399	2008*
Loan #2	100,000	44,713	2021
Loan #3	33,000	8,652	2021
Loan #4	50,000	15,488	2018
Loan #5	12,000	9,677	2026
Loan #6	25,000	21,537	2026
Loan #7	125,000	110,833	2022
Loan #8	40,000	40,000	2023
Loan #9	40,000	40,000	2023
	\$ 444,850.00	\$ 294,299.00	

*This loan is past due; however, it is being actively reviewed by the Custer Economic Development Corporation.

9. Long-Term Debt

The County issued bonds on June 10, 2015, in the amount of \$3,000,000 for the purpose of paying the costs of constructing, equipping, and furnishing a new judicial building. The bond payable balance, as of June 30, 2019, was \$2,285,000. 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.

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

9. Long-Term Debt (Concluded)

Future Payments:

Year	Principal	Interest	Total
2020	\$ 185,000	\$ 60,302	\$ 245,302
2021	190,000	57,250	247,250
2022	190,000	53,735	243,735
2023	195,000	49,745	244,745
2024	200,000	45,358	245,358
2025-2029	1,085,000	142,228	1,227,228
2030-2034	240,000	8,040	248,040
Total Payments	\$ 2,285,000	\$ 416,658	\$ 2,701,658

CUSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 6,443,699	\$ 6,443,699	\$ 5,873,624	\$ (570,075)
Licenses and Permits	46,200	46,200	50,584	4,384
Interest	75,200	75,200	197,836	122,636
Intergovernmental	975,893	975,893	1,085,628	109,735
Charges for Services	610,528	610,528	703,495	92,967
Miscellaneous	407,604	407,604	196,847	(210,757)
TOTAL RECEIPTS	8,559,124	8,559,124	8,108,014	(451,110)
DISBURSEMENTS				
General Government:				
County Board	190,750	190,750	187,690	3,060
County Clerk	105,640	105,640	103,112	2,528
County Treasurer	266,310	269,731	269,731	-
Register of Deeds	106,730	106,730	105,352	1,378
County Assessor	207,630	207,630	186,427	21,203
Election Commissioner	78,760	78,760	66,696	12,064
Building and Zoning	58,230	58,230	48,984	9,246
Data Processing Department	93,850	93,850	82,053	11,797
Personnel	361,330	361,330	354,770	6,560
Unemployment	30,000	30,000	529	29,471
Insurance	1,042,230	1,042,230	806,200	236,030
GIS Department	25,000	25,000	19,219	5,781
Clerk of District Court	128,570	128,570	116,184	12,386
County Court System	15,700	15,700	4,638	11,062
District Judge	21,600	21,600	16,373	5,227
Judicial Center	78,540	78,540	64,104	14,436
District Court Child Support	18,320	18,320	5,714	12,606
Building and Grounds	128,350	128,350	84,498	43,852
Reappraisal	94,600	94,600	73,330	21,270
Agricultural Extension Agent	128,710	128,710	125,422	3,288
County Building	36,750	36,750	13,927	22,823
Judicial Center Miscellaneous	12,560	13,881	13,881	-
Miscellaneous	524,750	510,372	460,502	49,870
Public Safety				
County Sheriff	670,620	670,620	670,598	22
County Attorney	232,750	232,750	223,552	9,198
County Attorney Child Support	70,070	79,706	79,706	-
County Jail	294,310	294,310	292,554	1,756
Emergency Management	122,350	122,350	111,070	11,280
Grants	721,520	721,520	141,630	579,890

CUSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
DISBURSEMENTS (Continued)				
Public Works				
County Surveyor	87,160	87,160	70,932	16,228
Noxious Weed Control	56,520	56,520	49,643	6,877
Recycling	168,400	168,400	152,235	16,165
Public Assistance				
Veterans' Service Officer	85,670	85,670	83,564	2,106
Institutions	10,000	10,000	4,241	5,759
Relief	31,500	31,500	10,184	21,316
TOTAL DISBURSEMENTS	<u>6,305,780</u>	<u>6,305,780</u>	<u>5,099,245</u>	<u>1,206,535</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>2,253,344</u>	<u>2,253,344</u>	<u>3,008,769</u>	<u>755,425</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(3,099,690)	(3,099,690)	(3,025,493)	74,197
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,099,690)</u>	<u>(3,099,690)</u>	<u>(3,025,493)</u>	<u>74,197</u>
Net Change in Fund Balance	(846,346)	(846,346)	(16,724)	829,622
FUND BALANCE - BEGINNING	2,646,346	2,646,346	2,646,346	-
FUND BALANCE - ENDING	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 2,629,622</u>	<u>\$ 829,622</u>

(Concluded)

CUSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Intergovernmental	\$ 2,898,617	\$ 2,898,617	\$ 2,887,782	\$ (10,835)
Charges for Services	165,000	165,000	218,766	53,766
Miscellaneous	50,005	50,005	90,297	40,292
TOTAL RECEIPTS	<u>3,113,622</u>	<u>3,113,622</u>	<u>3,196,845</u>	<u>83,223</u>
DISBURSEMENTS	<u>8,700,250</u>	<u>8,700,250</u>	<u>8,693,590</u>	<u>6,660</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(5,586,628)</u>	<u>(5,586,628)</u>	<u>(5,496,745)</u>	<u>89,883</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,461,150	3,461,150	3,386,960	(74,190)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,461,150</u>	<u>3,461,150</u>	<u>3,386,960</u>	<u>(74,190)</u>
Net Change in Fund Balance	(2,125,478)	(2,125,478)	(2,109,785)	15,693
FUND BALANCE - BEGINNING	<u>2,525,478</u>	<u>2,525,478</u>	<u>2,525,478</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 415,693</u>	<u>\$ 15,693</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 680,302	\$ 680,302	\$ 1,187,004	\$ 506,702
TOTAL RECEIPTS	<u>680,302</u>	<u>680,302</u>	<u>1,187,004</u>	<u>506,702</u>
DISBURSEMENTS	<u>5,625,000</u>	<u>5,625,000</u>	<u>386</u>	<u>5,624,614</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(4,944,698)</u>	<u>(4,944,698)</u>	<u>1,186,618</u>	<u>6,131,316</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(475,000)	(475,000)	(1,475,000)	(1,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(475,000)</u>	<u>(475,000)</u>	<u>(1,475,000)</u>	<u>(1,000,000)</u>
Net Change in Fund Balance	(5,419,698)	(5,419,698)	(288,382)	5,131,316
FUND BALANCE - BEGINNING	<u>5,419,698</u>	<u>5,419,698</u>	<u>5,419,698</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,131,316</u>	<u>\$ 5,131,316</u>

CUSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HIGHWAY BRIDGE BUYBACK PROGRAM				
FUND				
Receipts	\$ 371,743	\$ 371,743	\$ 371,726	\$ (17)
Disbursements	(822,900)	(822,900)	(476,436)	346,464
Net Change in Fund Balance	(451,157)	(451,157)	(104,710)	346,447
Fund Balance - Beginning	451,157	451,157	451,157	-
Fund Balance - Ending	\$ -	\$ -	\$ 346,447	\$ 346,447
SINKING FUND				
Receipts	\$ 52,463	\$ 52,463	\$ 76,484	\$ 24,021
Disbursements	(1,659,770)	(1,659,770)	(622,961)	1,036,809
Net Change in Fund Balance	(1,607,307)	(1,607,307)	(546,477)	1,060,830
Fund Balance - Beginning	1,607,307	1,607,307	1,607,307	-
Fund Balance - Ending	\$ -	\$ -	\$ 1,060,830	\$ 1,060,830
CHILD SUPPORT INCENTIVE FUND				
Receipts	\$ 14,187	\$ 14,187	\$ 5,935	\$ (8,252)
Disbursements	(50,000)	(50,000)	(3,814)	46,186
Net Change in Fund Balance	(35,813)	(35,813)	2,121	37,934
Fund Balance - Beginning	35,813	35,813	35,813	-
Fund Balance - Ending	\$ -	\$ -	\$ 37,934	\$ 37,934
VISITOR'S PROMOTION FUND				
Receipts	\$ 48,999	\$ 48,999	\$ 48,874	\$ (125)
Disbursements	(52,800)	(52,800)	(50,209)	2,591
Net Change in Fund Balance	(3,801)	(3,801)	(1,335)	2,466
Fund Balance - Beginning	23,801	23,801	23,801	-
Fund Balance - Ending	\$ 20,000	\$ 20,000	\$ 22,466	\$ 2,466
VISITOR'S IMPROVEMENT FUND				
Receipts	\$ 49,000	\$ 49,000	\$ 48,874	\$ (126)
Disbursements	(92,320)	(92,320)	(66,450)	25,870
Net Change in Fund Balance	(43,320)	(43,320)	(17,576)	25,744
Fund Balance - Beginning	63,320	63,320	63,320	-
Fund Balance - Ending	\$ 20,000	\$ 20,000	\$ 45,744	\$ 25,744

(Continued)

CUSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PRESERVATION & MODERNIZATION FUND				
Receipts	\$ 8,515	\$ 8,515	\$ 9,415	\$ 900
Disbursements	(18,300)	(18,300)	(7,210)	11,090
Net Change in Fund Balance	(9,785)	(9,785)	2,205	11,990
Fund Balance - Beginning	9,785	9,785	9,785	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,990</u>	<u>\$ 11,990</u>
VETERAN'S AID FUND				
Receipts	\$ 555	\$ 555	\$ 1,501	\$ 946
Disbursements	(103,000)	(103,000)	(5,000)	98,000
Net Change in Fund Balance	(102,445)	(102,445)	(3,499)	98,946
Fund Balance - Beginning	102,445	102,445	102,445	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,946</u>	<u>\$ 98,946</u>
STOP PROGRAM FUND				
Receipts	\$ 28,413	\$ 28,413	\$ 8,525	\$ (19,888)
Disbursements	(50,000)	(50,000)	(25,771)	24,229
Net Change in Fund Balance	(21,587)	(21,587)	(17,246)	4,341
Fund Balance - Beginning	21,587	21,587	21,587	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,341</u>	<u>\$ 4,341</u>
DRUG LAW ENFORCEMENT AND EDUCATION FUND				
Receipts	\$ 23,949	\$ 23,949	\$ -	\$ (23,949)
Disbursements	(25,000)	(25,000)	-	25,000
Net Change in Fund Balance	(1,051)	(1,051)	-	1,051
Fund Balance - Beginning	1,051	1,051	1,051	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,051</u>	<u>\$ 1,051</u>
REUSE GRANT FUND				
Receipts	\$ 38,999	\$ 38,999	\$ 41,979	\$ 2,980
Disbursements	(454,070)	(454,070)	(81,207)	372,863
Net Change in Fund Balance	(415,071)	(415,071)	(39,228)	375,843
Fund Balance - Beginning	415,071	415,071	415,071	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,843</u>	<u>\$ 375,843</u>

CUSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HOUSING REUSE GRANT FUND				
Receipts	\$ 2,977	\$ 2,977	\$ 3,459	\$ 482
Disbursements	(8,050)	(8,050)	-	8,050
Transfers in	3,540	3,540	3,533	(7)
Transfers out	-	-	-	-
Net Change in Fund Balance	(1,533)	(1,533)	6,992	8,525
Fund Balance - Beginning	1,533	1,533	1,533	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,525</u>	<u>\$ 8,525</u>
DISASTER RELIEF FUND				
Receipts	\$ 1,000,000	\$ 1,000,000	\$ 22,313	\$ (977,687)
Disbursements	(1,000,000)	(1,000,000)	(240,853)	759,147
Transfers in	-	-	1,000,000	1,000,000
Transfers out	-	-	-	-
Net Change in Fund Balance	-	-	781,460	781,460
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 781,460</u>	<u>\$ 781,460</u>
E911 WIRELESS SERVICE FUND				
Receipts	\$ 55,335	\$ 55,335	\$ 55,339	\$ 4
Disbursements	(55,335)	(55,335)	-	55,335
Transfers in	-	-	-	-
Transfers out	(32,035)	(32,035)	(45,905)	(13,870)
Net Change in Fund Balance	(32,035)	(32,035)	9,434	41,469
Fund Balance - Beginning	32,035	32,035	32,035	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,469</u>	<u>\$ 41,469</u>
E911 WIRELESS SERVICE HOLDING FUND				
Receipts	\$ 8	\$ 8	\$ -	\$ (8)
Disbursements	(102,880)	(102,880)	(19,027)	83,853
Transfers in	32,035	32,035	32,035	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(70,837)	(70,837)	13,008	83,845
Fund Balance - Beginning	70,837	70,837	70,837	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,845</u>	<u>\$ 83,845</u>

(Continued)

CUSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
BUILDING BOND FUND				
Receipts	\$ 5	\$ 5	\$ 610	\$ 605
Disbursements	(247,690)	(247,690)	(243,222)	4,468
Transfers in	110,000	110,000	110,000	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(137,685)	(137,685)	(132,612)	5,073
Fund Balance - Beginning	137,685	137,685	137,685	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,073</u>	<u>\$ 5,073</u>
COMMUNICATIONS FUND				
Receipts	\$ 376,095	\$ 376,095	\$ 347,601	\$ (28,494)
Disbursements	(428,640)	(428,640)	(388,003)	40,637
Transfers in	-	-	13,870	13,870
Transfers out	-	-	-	-
Net Change in Fund Balance	(52,545)	(52,545)	(26,532)	26,013
Fund Balance - Beginning	117,545	117,545	117,545	-
Fund Balance - Ending	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ 91,013</u>	<u>\$ 26,013</u>

(Concluded)

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

For the Year Ended June 30, 2019

	Highway Bridge Buyback Program Fund	Sinking Fund	Child Support Incentive Fund	Visitor's Promotion Fund	Visitor's Improvement Fund
RECEIPTS					
Property Taxes	\$ -	\$ 62,218	\$ -	\$ 48,874	\$ 48,874
Investment Income	-	7,702	-	-	-
Intergovernmental	371,726	6,564	5,935	-	-
Charges for Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
TOTAL RECEIPTS	<u>371,726</u>	<u>76,484</u>	<u>5,935</u>	<u>48,874</u>	<u>48,874</u>
DISBURSEMENTS					
General Government	-	18,201	-	-	-
Public Safety	-	-	3,814	-	-
Public Works	476,436	-	-	-	-
Public Assistance	-	-	-	-	-
Culture and Recreation	-	-	-	50,209	66,450
Debt Service:					
Principal Payments	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Projects	-	604,760	-	-	-
TOTAL DISBURSEMENTS	<u>476,436</u>	<u>622,961</u>	<u>3,814</u>	<u>50,209</u>	<u>66,450</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(104,710)</u>	<u>(546,477)</u>	<u>2,121</u>	<u>(1,335)</u>	<u>(17,576)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(104,710)	(546,477)	2,121	(1,335)	(17,576)
FUND BALANCES - BEGINNING	<u>451,157</u>	<u>1,607,307</u>	<u>35,813</u>	<u>23,801</u>	<u>63,320</u>
FUND BALANCES - ENDING	<u>\$ 346,447</u>	<u>\$ 1,060,830</u>	<u>\$ 37,934</u>	<u>\$ 22,466</u>	<u>\$ 45,744</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	22,466	45,744
911 Emergency Services	-	-	-	-	-
Drug Education	-	-	-	-	-
Economic Development	-	-	-	-	-
Preservation of Records	-	-	-	-	-
Debt Service	-	-	-	-	-
Road Maintenance	346,447	-	-	-	-
Child Support	-	-	37,934	-	-
Committed to:					
Law Enforcement	-	-	-	-	-
Aid and Assistance	-	-	-	-	-
Capital Improvement Projects	-	1,060,830	-	-	-
Disaster Recovery and Relief Aid	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 346,447</u>	<u>\$ 1,060,830</u>	<u>\$ 37,934</u>	<u>\$ 22,466</u>	<u>\$ 45,744</u>

(Continued)

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

	Preservation & Modernization Fund	Veteran's Aid Fund	STOP Program Fund	Drug Law Enforcement and Education Fund	Reuse Grant Fund	Housing Reuse Grant Fund
RECEIPTS						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income	-	1,501	-	-	2,192	9
Intergovernmental	-	-	3,500	-	39,787	3,450
Charges for Services	9,415	-	5,025	-	-	-
Miscellaneous	-	-	-	-	-	-
TOTAL RECEIPTS	<u>9,415</u>	<u>1,501</u>	<u>8,525</u>	<u>-</u>	<u>41,979</u>	<u>3,459</u>
DISBURSEMENTS						
General Government	7,210	-	-	-	81,207	-
Public Safety	-	-	25,771	-	-	-
Public Works	-	-	-	-	-	-
Public Assistance	-	5,000	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Debt Service:						
Principal Payments	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>7,210</u>	<u>5,000</u>	<u>25,771</u>	<u>-</u>	<u>81,207</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>2,205</u>	<u>(3,499)</u>	<u>(17,246)</u>	<u>-</u>	<u>(39,228)</u>	<u>3,459</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	3,533
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,533</u>
Net Change in Fund Balances	2,205	(3,499)	(17,246)	-	(39,228)	6,992
FUND BALANCES - BEGINNING	<u>9,785</u>	<u>102,445</u>	<u>21,587</u>	<u>1,051</u>	<u>415,071</u>	<u>1,533</u>
FUND BALANCES - ENDING	<u>\$ 11,990</u>	<u>\$ 98,946</u>	<u>\$ 4,341</u>	<u>\$ 1,051</u>	<u>\$ 375,843</u>	<u>\$ 8,525</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	-	-	-	-	-
911 Emergency Services	-	-	-	-	-	-
Drug Education	-	-	-	1,051	-	-
Economic Development	-	-	-	-	375,843	8,525
Preservation of Records	11,990	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Road Maintenance	-	-	-	-	-	-
Child Support	-	-	-	-	-	-
Committed to:						
Law Enforcement	-	-	4,341	-	-	-
Aid and Assistance	-	98,946	-	-	-	-
Capital Improvement Projects	-	-	-	-	-	-
Disaster Recovery and Relief Aid	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 11,990</u>	<u>\$ 98,946</u>	<u>\$ 4,341</u>	<u>\$ 1,051</u>	<u>\$ 375,843</u>	<u>\$ 8,525</u>

(Continued)

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

	Disaster Relief Fund	E911 Wireless Service Fund	E911 Wireless Service Holding Fund	Building Bond Fund	Communications Fund	Total Nonmajor Governmental Funds
RECEIPTS						
Property Taxes	\$ -	\$ 55,339	\$ -	\$ 38	\$ 171,688	\$ 387,031
Investment Income	-	-	-	572	-	11,976
Intergovernmental	22,313	-	-	-	159,398	612,673
Charges for Services	-	-	-	-	16,515	30,955
Miscellaneous	-	-	-	-	-	-
TOTAL RECEIPTS	<u>22,313</u>	<u>55,339</u>	<u>-</u>	<u>610</u>	<u>347,601</u>	<u>1,042,635</u>
DISBURSEMENTS						
General Government	-	-	-	-	-	106,618
Public Safety	-	-	19,027	-	388,003	436,615
Public Works	240,853	-	-	-	-	717,289
Public Assistance	-	-	-	-	-	5,000
Culture and Recreation	-	-	-	-	-	116,659
Debt Service:						
Principal Payments	-	-	-	180,000	-	180,000
Interest and Fiscal Charges	-	-	-	63,222	-	63,222
Capital Projects	-	-	-	-	-	604,760
TOTAL DISBURSEMENTS	<u>240,853</u>	<u>-</u>	<u>19,027</u>	<u>243,222</u>	<u>388,003</u>	<u>2,230,163</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(218,540)</u>	<u>55,339</u>	<u>(19,027)</u>	<u>(242,612)</u>	<u>(40,402)</u>	<u>(1,187,528)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,000,000	-	32,035	110,000	13,870	1,159,438
Transfers out	-	(45,905)	-	-	-	(45,905)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,000,000</u>	<u>(45,905)</u>	<u>32,035</u>	<u>110,000</u>	<u>13,870</u>	<u>1,113,533</u>
Net Change in Fund Balances	781,460	9,434	13,008	(132,612)	(26,532)	(73,995)
FUND BALANCES - BEGINNING	<u>-</u>	<u>32,035</u>	<u>70,837</u>	<u>137,685</u>	<u>117,545</u>	<u>3,090,972</u>
FUND BALANCES - ENDING	<u>\$ 781,460</u>	<u>\$ 41,469</u>	<u>\$ 83,845</u>	<u>\$ 5,073</u>	<u>\$ 91,013</u>	<u>\$ 3,016,977</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	-	-	-	-	68,210
911 Emergency Services	-	41,469	83,845	-	-	125,314
Drug Education	-	-	-	-	-	1,051
Economic Development	-	-	-	-	-	384,368
Preservation of Records	-	-	-	-	-	11,990
Debt Service	-	-	-	5,073	-	5,073
Road Maintenance	-	-	-	-	-	346,447
Child Support	-	-	-	-	-	37,934
Committed to:						
Law Enforcement	-	-	-	-	91,013	95,354
Aid and Assistance	-	-	-	-	-	98,946
Capital Improvement Projects	-	-	-	-	-	1,060,830
Disaster Recovery and Relief Aid	781,460	-	-	-	-	781,460
TOTAL FUND BALANCES	<u>\$ 781,460</u>	<u>\$ 41,469</u>	<u>\$ 83,845</u>	<u>\$ 5,073</u>	<u>\$ 91,013</u>	<u>\$ 3,016,977</u>

(Concluded)

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

	County Clerk	Register of Deeds	Clerk of the District Court	County Sheriff	County Attorney	Highway Superintendent	Veterans' Service Officer	County Planning and Zoning	County Recycling	Total
BALANCES JULY 1, 2018	\$ 569	\$ 19,760	\$ 258,923	\$ 3,720	\$ 4,495	\$ 76,616	\$ 1,104	\$ 200	\$ 632	\$ 366,019
RECEIPTS										
Property Taxes	-	-	-	1,074	-	-	-	-	-	1,074
Licenses and Permits	2,105	-	-	1,645	-	-	-	4,820	-	8,570
Intergovernmental	-	-	-	11,120	-	-	-	-	-	11,120
Charges for Services	19	97,465	14,032	49,914	-	303,413	-	-	32,373	497,216
Miscellaneous	25	100	-	4,723	2,683	980	5,007	53	-	13,571
State Fees	7,782	125,260	20,049	-	-	140	-	-	-	153,231
Other Liabilities	-	-	713,193	195,405	14,393	-	-	-	-	922,991
TOTAL RECEIPTS	9,931	222,825	747,274	263,881	17,076	304,533	5,007	4,873	32,373	1,607,773
DISBURSEMENTS										
Payments to County Treasurer	2,388	100,337	13,868	67,517	-	309,064	-	4,920	32,421	530,515
Payments to State Treasurer	6,810	128,926	19,695	-	-	140	-	-	-	155,571
Other Liabilities	25	-	766,885	196,478	17,504	980	2,667	53	-	984,592
TOTAL DISBURSEMENTS	9,223	229,263	800,448	263,995	17,504	310,184	2,667	4,973	32,421	1,670,678
BALANCES JUNE 30, 2019	<u>\$ 1,277</u>	<u>\$ 13,322</u>	<u>\$ 205,749</u>	<u>\$ 3,606</u>	<u>\$ 4,067</u>	<u>\$ 70,965</u>	<u>\$ 3,444</u>	<u>\$ 100</u>	<u>\$ 584</u>	<u>\$ 303,114</u>
BALANCES CONSIST OF:										
Due to County Treasurer	\$ 310	\$ 6,612	\$ 733	\$ 3,106	\$ -	\$ 70,715	\$ 3,444	\$ -	\$ 584	\$ 85,504
Petty Cash	100	100	-	500	2,577	250	-	100	-	3,627
Due to State Treasurer	867	6,610	1,154	-	-	-	-	-	-	8,631
Due to Others	-	-	203,862	-	1,490	-	-	-	-	205,352
BALANCES JUNE 30, 2019	<u>\$ 1,277</u>	<u>\$ 13,322</u>	<u>\$ 205,749</u>	<u>\$ 3,606</u>	<u>\$ 4,067</u>	<u>\$ 70,965</u>	<u>\$ 3,444</u>	<u>\$ 100</u>	<u>\$ 584</u>	<u>\$ 303,114</u>

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

Item	2014	2015	2016	2017	2018
Tax Certified by Assessor					
Real Estate	\$ 31,753,912	\$ 35,049,115	\$ 35,699,746	\$ 35,826,713	\$ 36,373,835
Personal and Specials	3,676,258	3,589,669	3,247,917	2,817,696	2,783,469
Total	35,430,170	38,638,784	38,947,663	38,644,409	39,157,304
Corrections					
Additions	2,038	778	7,301	992	-
Deductions	(27,420)	(8,912)	(2,634)	(8,986)	(960)
Net Additions/ (Deductions)	(25,382)	(8,134)	4,667	(7,994)	(960)
Corrected Certified Tax	35,404,788	38,630,650	38,952,330	38,636,415	39,156,344
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2015	22,029,351	-	-	-	-
June 30, 2016	13,342,424	23,793,855	-	-	-
June 30, 2017	19,946	14,816,406	23,745,425	-	-
June 30, 2018	4,770	10,408	15,187,150	23,791,566	-
June 30, 2019	4,682	4,902	11,887	14,824,098	23,568,581
Total Net Collections	35,401,173	38,625,571	38,944,462	38,615,664	23,568,581
Total Uncollected Tax	\$ 3,615	\$ 5,079	\$ 7,868	\$ 20,751	\$ 15,587,763
Percentage Uncollected Tax	0.01%	0.01%	0.02%	0.05%	39.81%

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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

Board of Supervisors
Custer 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 Custer County, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Custer County's basic financial statements, and have issued our report thereon dated December 23, 2019. The report notes the financial statements were prepared on the basis of cash receipts and disbursements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Custer 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 Custer 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 Custer 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 Custer County in a separate letter dated December 23, 2019.

Custer County’s Response to Findings

Custer 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

December 23, 2019



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 23, 2019

Board of Supervisors
Custer County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Custer County (County) for the fiscal year ended June 30, 2019, and have issued our report thereon dated December 23, 2019. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

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

COUNTY OVERALL

Segregation of Duties

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

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

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

COUNTY ATTORNEY

Petty Cash Procedures

During our audit, we noted multiple issues regarding the County Attorney's petty cash procedures, as described below.

- As of June 30, 2019, the County Attorney held \$2,577 in funds considered petty cash, which is \$1,077 in excess of the authorized amount of \$1,500 approved by the County Board.
- Of the \$2,577 identified above, \$2,027 was held in a separate bank account that the County Attorney had identified in the prior year as being associated with the Drug Law Enforcement and Education Fund. During this fiscal year, the County Attorney made purchases, totaling \$300, out of this bank account, but the report filed with the Auditor of Public Accounts' (APA) office stated that the Drug Law Enforcement and Education Fund had no activity during fiscal year 2019 and had a balance of \$1,051.

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

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

Neb. Rev. Stat. § 28-1439.03 (Reissue 2016) states, in relevant part, the following:

A County Drug Law Enforcement and Education Fund Board shall be created by each county of this state to administer its respective fund pursuant to section 28-1439.02. The board may authorize use of the fund for drug enforcement and drug education purposes, in its own or any other county, by village, city, county, or state law enforcement agencies.

* * * *

If during any fiscal year the fund contains money forfeited pursuant to subdivision (1)(h) of section 28-431, the board shall meet at least once during such year and make an accounting of the expenditures of the fund. At the end of any fiscal year in which the fund has contained money, the board shall make a report summarizing the use of the fund during such year to the Auditor of Public Accounts, except that such report shall contain no information which would jeopardize an ongoing investigation. Such report shall indicate the amount of money placed in the fund, the amount of money disbursed, the number of cases opened and closed in which the fund was utilized, and the drug education activities for which money in the fund was utilized. The board may adopt and promulgate all rules and regulations necessary for the expenditures and accountability of such fund.

Sound accounting practices and good internal controls require procedures to ensure that petty cash held is reconciled to the authorized amount. Those same procedures should ensure also that all balances and activity of the Drug Law Enforcement and Education Fund are reported accurately to the APA.

Without such procedures, the County is more susceptible to intentional and/or unintentional errors or omissions, which increase the risk of loss, theft, or misuse of public funds.

We recommend the County Attorney implement procedures to ensure petty cash held is reconciled to the authorized amount, and all balances and activity of the Drug Law Enforcement and Education Fund are reported accurately to the APA.

COUNTY SHERIFF

Accounting Procedures

During the audit, we noted that the County Sheriff was remitting service fees to the County Treasurer when collected – not when earned, as required by State statute. Furthermore, the County Sheriff was unable to provide documentation to support its accounts receivable as of June 30, 2019. Per the County Sheriff, this was due to the office switching to a new accounting system.

Neb. Rev. Stat. § 33-117(3) (Reissue 2016) provides the following:

The sheriff shall, on the first Tuesday in January, April, July, and October of each year, make a report to the county board showing (a) the different items of fees, except mileage, collected or earned, from whom, at what time, and for what service, (b) the total amount of the fees collected or earned by the officer since the last report, and (c) the amount collected or earned for the current year. He or she shall pay all fees earned to the county treasurer who shall credit the fees to the general fund of the county.

A good internal control plan and sound accounting practices require procedures to ensure that all County Sheriff service fees are remitted to the County Treasurer when earned, as required by law. Those same procedures should ensure also that the County Sheriff's office maintains documentation to support its accounts receivable.

Without such procedures, there is an increased risk for not only noncompliance with State statute but also the loss, theft, or misuse of funds, allowing errors and/or irregularities to go undetected more easily.

We recommend the County Sheriff implement procedures to ensure all County Sheriff service fees earned are remitted to the County Treasurer, as required by law, and documentation to support accounts receivable is maintained.

County Sheriff's Response:

Earned fees reporting – We report our fees 12 times a year, instead of 4, this limits a chance of loss, theft or inaccuracies and makes our accounting easier. Our reports are only off by 1 month on the required quarterly report. To change this we would need to have a petty cash fund of at least \$2000-3000. This would create an even greater chance of theft or loss, unnecessary accounting and cost the county more in postage, billing and refunds. Our reports are accurate and provide the needed information.

Earned fees report – We have a new Records Management System that produces the report needed now.

Petty Cash

During the audit, we noted that the County Sheriff maintained \$500 in cash to purchase and seize drugs for undercover operations; however, that petty cash fund was neither authorized by the County Board nor included in the County's budget message.

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

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

A good internal control plan and sound business practices require procedures to ensure that all petty cash funds of County offices, including the County Sheriff, are authorized by the County Board and included in the County’s budget message.

Without such procedures, there is an increased risk for both noncompliance with State statute and the loss, theft, or misuse of public funds.

We recommend the County Sheriff implement procedures to ensure the petty cash fund at issue is authorized by the County Board and included in the County’s budget message.

County Sheriff’s Response: A \$500 petty cash fund is on the agenda for the Dec 23, 2019 Custer County Board meeting.

COUNTY BOARD

Visitor Promotion and Improvement Fund Payments

During the fiscal year, the County made payments, totaling \$115,625, to multiple entities to promote local tourism; however, no subsequent follow-up was completed by the County to ensure the funds were used appropriately. The following table summarizes these payments.

Name	Amount Paid in FY19
Custer County Agricultural Society	\$ 45,000
Broken Bow Chamber of Commerce	15,000
NE One Box Convention Center	12,500
Custer County Historical Society	11,200
Custer Economic Development Corp.	8,875
Arnold Economic Development Corp.	7,000
Seven Valley's Historical Society	5,000
Huntrex	2,150
Helpful Homemakers	2,000
Arnold Chamber of Commerce	1,000
Other Entities	5,900
Total	\$ 115,625

Note: Only the top 10 entities are shown. All other entities are grouped under “Other Entities.”

A good internal control plan and sound business practices require procedures to ensure that any grant of public funds is supported by adequate documentation showing that the monies were spent appropriately.

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

We recommend the County Board implement procedures to ensure any grant of public funds is supported by adequate documentation showing that the monies were spent appropriately.

Leave Balances

During our audit, we noted that the County Board is not actively reviewing employee leave balances. For one of three County employees tested, the vacation leave balance, totaling 58 hours, was inappropriately carried over into calendar year 2019 – not paid out, as required by the Custer County Employee Handbook (Handbook).

Regarding the carrying over of vacation hours, the Handbook, under the “Benefits – Vacation” section, states, in relevant part, the following:

Vacation hours will not be allowed to be carried over from year to year, if the employee does not utilize the vacation in the year that it is eligible to be used, the employee shall be paid the equivalent amount of the vacation at the end of the period.

Sound accounting practices and good internal controls require procedures for properly tracking employee leave balances to ensure compliance with the applicable provisions of the Handbook.

Without such procedures, there is an increased risk for not only improper employee leave balances but also the loss, theft, or misuse of funds.

We recommend the County Board implement procedures for properly tracking employee leave balances to ensure compliance with the applicable provisions of the Handbook.

COUNTY CLERK

Incorrect Fee Charged

During our audit, we noted that the County Clerk was incorrectly charging a \$5.00 fee for issuing a certified copy of a marriage license – not the \$9.00 fee required by State statute. Consequently, during fiscal year 2019, the County Clerk undercharged a total of \$564 for issuing certified copies of marriage licenses.

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

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.

Sound accounting practices and good internal controls require procedures to ensure that statutory fees are charged appropriately.

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

We recommend the County Clerk implement procedures to ensure fees are charged in accordance with State statute.

County Clerk’s Response: I have corrected our Website to show the \$9.00 charge, and corrected our application also to the \$9.00 charge.

Audit Report Publication

Contrary to State statute, the County failed to publish a brief statement disclosing the conclusion of its fiscal year 2018 audit report.

Neb. Rev. Stat. § 23-1608(1) (Reissue 2012) provides, in relevant part, “Each county board shall cause an examination and a complete and comprehensive annual audit to be made of the books, accounts, records, and affairs of all county officers in the county.”

Subsection (2) of the same statute adds, “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.”

Neb. Rev. Stat. § 23-122 (Reissue 2012) states, in 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. . . .

Sound accounting practices and good internal controls require procedures to ensure that the County publishes, as required by State statute, a brief statement disclosing the conclusion of its annual audit report.

Without such procedures, there is an increased risk for not only noncompliance with State law but also a lack of transparency and/or accountability to taxpayers and other concerned citizens.

We recommend the County Clerk implement procedures to ensure the publication, as required by State statute, of a brief statement disclosing the conclusion of the County’s annual audit report.

County Clerk’s Response: I have the approval of the 2019 Audit Report already on the Agenda for the December 23rd, 2019, Custer County Board of Supervisors meeting.

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

Draft copies of this report were furnished to the County to provide management with an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the County declined to respond. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

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

Sincerely,



Deann Haeffner, CPA
Assistant Deputy Auditor