

**AUDIT REPORT
OF
WAYNE COUNTY**

JULY 1, 2019, THROUGH JUNE 30, 2020

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the Auditor of Public Accounts.**

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Issued on October 6, 2020

WAYNE COUNTY

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WAYNE COUNTY
510 Pearl Street
Wayne, NE 68787

LIST OF COUNTY OFFICIALS
At June 30, 2020

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Commissioners	Dean Burbach	Jan. 2021
	Terry Sievers	Jan. 2023
	James Rabe	Jan. 2023
Assessor	Dawn Duffy	Jan. 2023
Attorney	Amy Miller	Jan. 2023
Clerk	Debra Finn	Jan. 2023
Election Commissioner		
Register of Deeds		
Clerk of the District Court	Debra Allemann-Dannelly	Jan. 2023
Sheriff	Jason Dwinell	Jan. 2023
Treasurer	Tammy Paustian	Jan. 2023
Surveyor	Terry Schulz	Jan. 2023
Veterans' Service Officer	Bradley Wieland	Appointed
Weed Superintendent	Doug Deck	Appointed
Highway Superintendent	Mark Casey	Appointed
Emergency Manager	Nicholas Kemnitz	Appointed



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WAYNE COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Wayne 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 Wayne County, as of and for the year ended June 30, 2020, 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 Wayne County as of June 30, 2020, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Emphasis of Matters – Basis of Accounting

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

Report on Supplementary Information

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

The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, pages 18-27, 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 October 2, 2020, on our consideration of Wayne 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 Wayne County's internal control over financial reporting and compliance.



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

October 2, 2020

WAYNE COUNTY
STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2020

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 10,563,521
Investments (Note 1.D)	13,188
TOTAL ASSETS	\$ 10,576,709
 NET POSITION	
Restricted for:	
Visitor Promotion	\$ 32,820
County Buildings	1,029,177
Drug Education	55
Preservation of Records	24,403
Debt Service	184,062
Veterans' Aid	2,553
Road Maintenance	1,229,786
Unrestricted	8,073,853
TOTAL NET POSITION	\$ 10,576,709

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

WAYNE COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2020

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (2,948,017)	\$ 346,385	\$ 28,087	\$ (2,573,545)
Public Safety	(851,051)	23,687	32,209	(795,155)
Public Works	(3,838,961)	3,737	1,647,442	(2,187,782)
Public Assistance	(59,597)	-	-	(59,597)
Culture and Recreation	(21,561)	-	-	(21,561)
Debt Payments	(835,550)	-	-	(835,550)
Capital Outlay	(1,336,006)	-	-	(1,336,006)
Total Governmental Activities	\$ (9,890,743)	\$ 373,809	\$ 1,707,738	(7,809,196)

General Receipts:

Property Taxes	5,586,311
Grants and Contributions Not Restricted to Specific Programs	833,301
Investment Income	174,777
Licenses and Permits	32,231
Miscellaneous	141,822
Total General Receipts	6,768,442
Increase in Net Position	(1,040,754)
Net Position - Beginning of year	11,617,463
Net Position - End of year	\$ 10,576,709

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

WAYNE COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Road & Bridge Fund	Inheritance Fund	Highway Bridge Buyback Fund	Special Road, Snow Removal, and Equipment Fund	County Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents (Note 1.D)	\$ 2,916,467	\$ 1,629,934	\$ 976,255	\$ 1,229,786	\$ 2,538,009	\$ 1,029,177	\$ 243,893	\$ 10,563,521
Investments (Note 1.D)	-	-	13,188	-	-	-	-	13,188
TOTAL ASSETS	<u>\$ 2,916,467</u>	<u>\$ 1,629,934</u>	<u>\$ 989,443</u>	<u>\$ 1,229,786</u>	<u>\$ 2,538,009</u>	<u>\$ 1,029,177</u>	<u>\$ 243,893</u>	<u>\$ 10,576,709</u>
FUND BALANCES								
Restricted for:								
Visitor Promotion	-	-	-	-	-	-	32,820	32,820
County Buildings	-	-	-	-	-	1,029,177	-	1,029,177
Drug Education	-	-	-	-	-	-	55	55
Preservation of Records	-	-	-	-	-	-	24,403	24,403
Debt Service	-	-	-	-	-	-	184,062	184,062
Veterans' Aid	-	-	-	-	-	-	2,553	2,553
Road Maintenance	-	-	-	1,229,786	-	-	-	1,229,786
Committed to:								
Road Maintenance	-	1,629,934	-	-	2,538,009	-	-	4,167,943
Assigned to:								
Other Purposes	-	-	989,443	-	-	-	-	989,443
Unassigned	2,916,467	-	-	-	-	-	-	2,916,467
TOTAL CASH BASIS FUND BALANCES	<u>\$ 2,916,467</u>	<u>\$ 1,629,934</u>	<u>\$ 989,443</u>	<u>\$ 1,229,786</u>	<u>\$ 2,538,009</u>	<u>\$ 1,029,177</u>	<u>\$ 243,893</u>	<u>\$ 10,576,709</u>

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

WAYNE COUNTY
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Road & Bridge Fund	Inheritance Fund	Highway Bridge Buyback Fund
RECEIPTS				
Property Taxes	\$4,096,301	\$ -	\$ 795,104	\$ -
Licenses and Permits	32,231	-	-	-
Investment Income	174,777	-	-	-
Intergovernmental	591,398	1,638,446	-	224,463
Charges for Services	363,079	3,737	-	-
Miscellaneous	54,964	85,132	1,726	-
TOTAL RECEIPTS	<u>5,312,750</u>	<u>1,727,315</u>	<u>796,830</u>	<u>224,463</u>
DISBURSEMENTS				
General Government	2,785,644	-	157,817	-
Public Safety	851,051	-	-	-
Public Works	91,644	2,761,616	-	-
Public Assistance	59,597	-	-	-
Culture and Recreation	-	-	-	-
Debt Service:				
Principal Payments	-	295,000	-	-
Interest and Fiscal Charges	-	51,280	-	-
Capital Outlay	-	-	-	-
TOTAL DISBURSEMENTS	<u>3,787,936</u>	<u>3,107,896</u>	<u>157,817</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>1,524,814</u>	<u>(1,380,581)</u>	<u>639,013</u>	<u>224,463</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,600,000	-	-
Transfers out	(1,600,000)	(1,088,835)	(500,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,600,000)</u>	<u>511,165</u>	<u>(500,000)</u>	<u>-</u>
Net Change in Fund Balances	(75,186)	(869,416)	139,013	224,463
CASH BASIS FUND BALANCES - BEGINNING				
	<u>2,991,653</u>	<u>2,499,350</u>	<u>850,430</u>	<u>1,005,323</u>
CASH BASIS FUND BALANCES - ENDING				
	<u>\$2,916,467</u>	<u>\$1,629,934</u>	<u>\$ 989,443</u>	<u>\$1,229,786</u>

(Continued)

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

WAYNE COUNTY
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	Special Road, Snow Removal, and Equipment Fund	County Improvement Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS				
Property Taxes	\$ -	\$ 422,335	\$ 272,571	\$ 5,586,311
Licenses and Permits	-	-	-	32,231
Investment Income	-	-	-	174,777
Intergovernmental	-	49,448	37,284	2,541,039
Charges for Services	-	-	6,993	373,809
Miscellaneous	-	-	-	141,822
TOTAL RECEIPTS	-	471,783	316,848	8,849,989
DISBURSEMENTS				
General Government	-	-	4,556	2,948,017
Public Safety	-	-	-	851,051
Public Works	985,701	-	-	3,838,961
Public Assistance	-	-	-	59,597
Culture and Recreation	-	-	21,561	21,561
Debt Service:				
Principal Payments	-	-	470,000	765,000
Interest and Fiscal Charges	-	-	19,270	70,550
Capital Outlay	-	1,336,006	-	1,336,006
TOTAL DISBURSEMENTS	985,701	1,336,006	515,387	9,890,743
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(985,701)	(864,223)	(198,539)	(1,040,754)
OTHER FINANCING SOURCES (USES)				
Transfers in	808,835	500,000	280,000	3,188,835
Transfers out	-	-	-	(3,188,835)
TOTAL OTHER FINANCING SOURCES (USES)	808,835	500,000	280,000	-
Net Change in Fund Balances	(176,866)	(364,223)	81,461	(1,040,754)
CASH BASIS FUND BALANCES - BEGINNING				
	2,714,875	1,393,400	162,432	11,617,463
CASH BASIS FUND BALANCES - ENDING				
	\$ 2,538,009	\$ 1,029,177	\$ 243,893	\$ 10,576,709

(Concluded)

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

WAYNE COUNTY
STATEMENT OF CASH BASIS NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 680,767
 LIABILITIES	
Due to other governments	
State	290,452
Schools	250,175
Educational Service Units	2,502
Technical College	16,054
Natural Resource Districts	4,005
Fire Districts	5,942
Municipalities	69,597
Agricultural Society	784
Cemetery Districts	2,515
Hospital	1
Others	38,740
TOTAL LIABILITIES	680,767
 TOTAL NET ASSETS	 \$ -

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

WAYNE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2020

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

Wayne County, Nebraska, (County) is a governmental entity established under and governed by the laws of the State of Nebraska (State). The County is managed by county officials who are elected on a political ballot for four-year terms. As a political subdivision of the State, the County is exempt from State and Federal income taxes. The financial statements include all funds of the County that are not legally separate. The County has also considered all potential component units for which it is financially accountable, as well as other organizations that are either fiscally dependent on the County or maintain a significant relationship with the County, such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County. The County is also considered financially accountable if an organization is fiscally dependent on and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board. As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the County (the primary government). No component units were identified.

Joint Organization.

Behavioral Health Region IV – The County has entered into an agreement with surrounding counties and the Nebraska Department of Health and Human Services to provide services to carry out the provisions of the Nebraska Behavioral Health Services Act (Act). Agreements were established under the authority of the Interlocal Cooperation Act for services to be provided under the Act. Region IV (Region) consists of the following counties: Cherry, Keya Paha, Boyd, Brown, Rock, Holt, Knox, Cedar, Dixon, Dakota, Thurston, Wayne, Pierce, Antelope, Boone, Nance, Madison, Stanton, Cuming, Burt, Colfax, and Platte.

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$38,604 toward the operation of the Region during fiscal year 2020. 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 Northeast Nebraska Public Health Department (Department) to provide public health services. The agreement was established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636 (Reissue 2018).

WAYNE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 2020. 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.

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.

WAYNE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Road & Bridge 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.

Highway Bridge Buyback Fund. This fund is used to account for costs associated with repair and maintenance of special road and bridge projects and is funded by State receipts.

Special Road, Snow Removal, and Equipment Fund. This fund is used to account for costs associated with special road projects, including emergency snow removal and purchases of road equipment. This fund is primarily funded by transfers from the Road & Bridge Fund.

County Improvement Fund. This fund is used to account for taxes collected and the expenditures of such funds for the purpose of acquiring or repairing courthouse facilities.

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 Rural Road Improvement 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.

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.

WAYNE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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 \$2,502,856 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.

WAYNE 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 \$10,563,521 for County funds and \$680,767 for Fiduciary funds. The bank balances for all funds totaled \$11,201,425. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2020, 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 \$13,188 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 2019, for the 2019 taxes, which will be materially collected in May and September 2020, was set at \$.252885/\$100 of assessed valuation. The levy set in October 2018, for the 2018 taxes, which were materially collected in May and September 2019, was set at \$.252311/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

WAYNE 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, Supp. 2019) 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, 2020, 60 employees contributed \$106,795, and the County contributed \$158,833. Contributions included \$2,714 in cash contributions towards the supplemental law enforcement plan for six law enforcement employees. Lastly, the County paid \$1,747 directly to 18 retired employees for prior service benefits.

5. **Risk Management**

The County is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has purchased commercial insurance to cover the risk of loss and believes adequate coverage exists for potential exposures. There were no significant reductions of insurance coverage from the prior year, and the County did not incur any expenses that exceeded the coverage amounts for the fiscal year ended June 30, 2020.

WAYNE COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. **Interfund Transfers**

Interfund transfers for the year ended June 30, 2020, consisted of the following:

Transfers to	Transfers from			Total
	General Fund	Inheritance Fund	Road & Bridge Fund	
Road & Bridge Fund	\$ 1,600,000	\$ -	\$ -	\$ 1,600,000
County Improvement Fund	-	500,000	-	500,000
Special Road, Snow Removal, Equipment Fund	-	-	808,835	808,835
Nonmajor Funds	-	-	280,000	280,000
Total	\$ 1,600,000	\$ 500,000	\$ 1,088,835	\$ 3,188,835

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 also made transfers out of the Road & Bridge Fund to the Special Road, Snow Removal, Equipment Fund and the Rural Road Improvement Fund to finance special road projects and highway allocation bond debt service payments.

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:

	Maxxum Tractor
Balance July 1, 2019	\$ 54,160
Purchases	-
Payments	27,080
Balance June 30, 2020	<u>\$ 27,080</u>
Future Payments:	
Year	
2021 Payments	<u>\$ 27,080</u>
Carrying Value of the Related Fixed Asset	<u>\$ 135,401</u>

Total future payments above include the amortized interest.

8. **Long-Term Debt**

Highway Allocation Bonds – Series 2019. The County issued Highway Allocation Bonds (Series 2014) on June 6, 2014, in the amount of \$2,500,000, for the purpose of paying the costs of improvements of certain streets, highways, and roads within Wayne County. In October 2019, the County partially refinanced this bond (Series 2019). As the refinancing was at the same financial institution, no exchange of cash was made and reflected in the financial statements. The bond payable balance, as of June 30, 2020, was \$1,730,000. The County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds. Future tax resources and Highway Allocation funds will be used to pay off the bonds.

WAYNE COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

8. Long-Term Debt (Concluded)

Future Payments:			
Year	Principal	Interest	Total
2021	\$ 180,000	\$ 30,363	\$ 210,363
2022	185,000	26,701	211,701
2023	185,000	23,211	208,211
2024	200,000	19,985	219,985
2025	210,000	16,448	226,448
2026-2028	770,000	22,025	792,025
Total Payments	<u>\$ 1,730,000</u>	<u>\$ 138,733</u>	<u>\$ 1,868,733</u>

Highway Allocation Bonds – Series 2015. The County issued Highway Allocation Bonds (Series 2015) on July 15, 2015, in the amount of \$1,500,000, for the purpose of paying the costs of improvements of certain streets, highways, and roads within Wayne County. The bond payable balance, as of June 30, 2020, was \$1,035,000. The County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds. Future tax resources and Highway Allocation funds will be used to pay off the bonds.

Future Payments:			
Year	Principal	Interest	Total
2021	\$ 125,000	\$ 24,788	\$ 149,788
2022	125,000	22,288	147,288
2023	125,000	19,631	144,631
2024	130,000	16,470	146,470
2025	130,000	12,960	142,960
2026-2028	400,000	17,347	417,347
Total Payments	<u>\$ 1,035,000</u>	<u>\$ 113,484</u>	<u>\$ 1,148,484</u>

Bond Anticipation Notes. The County issued Bond Anticipation Notes on August 30, 2017, in the amount of \$470,000 for the purpose of paying the costs of certain road and related infrastructure improvements in the Rural Road Improvement District No. 2016-1. During fiscal year 2020, the County paid this bond in full.

Providence Medical Center – Conduit Debt. To provide for the financing to pay the costs of acquiring, constructing, furnishing, and equipping improvements to the facilities of the Providence Medical Center (Center), a non-profit entity, the County issued revenue bonds on July 31, 2015, in the amounts of \$8,400,000 and \$4,100,000, and again on March 8, 2016, in the amount of \$4,100,000, with all bonds maturing on July 31, 2027. These bonds are special limited obligations of the County payable solely from and secured by loan payments to be received from the Hospital. The bonds do not constitute a debt or pledge of faith of the County and, accordingly, have not been reported in the accompanying financial statements. The outstanding debt balance as of December 31, 2019, was \$11,346,429 per the Center’s audit report. Additional information may be obtained from the Center’s Administrative Office.

9. Noxious Weed Board

The County has a separately elected Noxious Weed Board (Weed Board). The Weed Board has the authority to set rates and approve bids for the activity of the County’s Noxious Weed Department.

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 4,315,169	\$ 4,315,169	\$ 4,096,301	\$ (218,868)
Licenses and Permits	23,000	23,000	32,231	9,231
Interest	150,000	150,000	174,777	24,777
Intergovernmental	198,200	198,200	591,398	393,198
Charges for Services	307,805	307,805	363,079	55,274
Miscellaneous	30,500	30,500	54,964	24,464
TOTAL RECEIPTS	5,024,674	5,024,674	5,312,750	288,076
DISBURSEMENTS				
General Government:				
County Board	139,650	139,650	136,529	3,121
County Clerk	180,803	180,803	180,755	48
County Treasurer	185,605	185,605	177,383	8,222
Register of Deeds	4,500	4,500	1,649	2,851
County Assessor	199,277	199,277	180,962	18,315
Election Commissioner	36,400	36,400	33,774	2,626
Clerk of the District Court	116,721	116,721	113,179	3,542
County Court System	5,000	5,000	5,000	-
District Judge	76,298	76,298	72,935	3,363
Building and Grounds	303,300	303,300	131,601	171,699
Agricultural Extension Agent	95,192	95,192	90,307	4,885
Miscellaneous	2,732,100	2,689,100	1,661,570	1,027,530
Public Safety				
County Sheriff	170,644	170,644	162,700	7,944
County Attorney	168,074	168,074	162,337	5,737
County Jail	175,350	198,350	197,729	621
Emergency Management	91,447	91,447	83,699	7,748
Special Police	310,500	310,500	221,147	89,353
Child Support	-	20,000	17,711	2,289
Juvenile Center	11,500	11,500	5,728	5,772
Public Works				
County Surveyor	28,000	28,000	16,969	11,031
Noxious Weed Control	40,925	40,925	15,327	25,598
Highway Department	72,100	72,100	59,348	12,752
Public Health				
Miscellaneous	30,000	30,000	-	30,000
Public Assistance				
Veterans' Service Officer	37,985	37,985	35,223	2,762
Institutions	10,000	10,000	2,277	7,723
County Relief	15,000	15,000	5,450	9,550
Social Services	20,250	20,250	16,647	3,603
TOTAL DISBURSEMENTS	5,256,621	5,256,621	3,787,936	1,468,685

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(231,947)	(231,947)	1,524,814	1,756,761
OTHER FINANCING SOURCES (USES)				
Transfers in	300,000	300,000	-	(300,000)
Transfers out	(2,059,706)	(2,059,706)	(1,600,000)	459,706
TOTAL OTHER FINANCING SOURCES (USES)	(1,759,706)	(1,759,706)	(1,600,000)	159,706
Net Change in Fund Balance	(1,991,653)	(1,991,653)	(75,186)	1,916,467
FUND BALANCE - BEGINNING	2,991,653	2,991,653	2,991,653	-
FUND BALANCE - ENDING	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 2,916,467</u>	<u>\$ 1,916,467</u>

(Concluded)

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD & BRIDGE FUND				
RECEIPTS				
Intergovernmental	\$ 1,499,936	\$ 1,499,936	\$ 1,638,446	\$ 138,510
Charges for Services	120,000	120,000	3,737	(116,263)
Miscellaneous	9,800	9,800	85,132	75,332
TOTAL RECEIPTS	<u>1,629,736</u>	<u>1,629,736</u>	<u>1,727,315</u>	<u>97,579</u>
DISBURSEMENTS	<u>5,188,792</u>	<u>5,188,792</u>	<u>3,107,896</u>	<u>2,080,896</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(3,559,056)</u>	<u>(3,559,056)</u>	<u>(1,380,581)</u>	<u>2,178,475</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,420,006	2,420,006	1,600,000	(820,006)
Transfers out	(360,300)	(360,300)	(1,088,835)	(728,535)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,059,706</u>	<u>2,059,706</u>	<u>511,165</u>	<u>(1,548,541)</u>
Net Change in Fund Balance	(1,499,350)	(1,499,350)	(869,416)	629,934
FUND BALANCE - BEGINNING	<u>2,499,350</u>	<u>2,499,350</u>	<u>2,499,350</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,629,934</u>	<u>\$ 629,934</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 500,000	\$ 500,000	\$ 795,104	\$ 295,104
Miscellaneous	-	-	1,726	1,726
TOTAL RECEIPTS	<u>500,000</u>	<u>500,000</u>	<u>796,830</u>	<u>296,830</u>
DISBURSEMENTS	<u>550,430</u>	<u>550,430</u>	<u>157,817</u>	<u>392,613</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(50,430)</u>	<u>(50,430)</u>	<u>639,013</u>	<u>689,443</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(800,000)	(800,000)	(500,000)	300,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(800,000)</u>	<u>(800,000)</u>	<u>(500,000)</u>	<u>300,000</u>
Net Change in Fund Balance	(850,430)	(850,430)	139,013	989,443
FUND BALANCE - BEGINNING	<u>850,430</u>	<u>850,430</u>	<u>850,430</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 989,443</u>	<u>\$ 989,443</u>

(Continued)

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>HIGHWAY BRIDGE BUYBACK FUND</u>				
RECEIPTS				
Intergovernmental	\$ 195,000	\$ 195,000	\$ 224,463	\$ 29,463
TOTAL RECEIPTS	<u>195,000</u>	<u>195,000</u>	<u>224,463</u>	<u>29,463</u>
DISBURSEMENTS	<u>1,200,323</u>	<u>1,200,323</u>	<u>-</u>	<u>1,200,323</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,005,323)</u>	<u>(1,005,323)</u>	<u>224,463</u>	<u>1,229,786</u>
Net Change in Fund Balance	(1,005,323)	(1,005,323)	224,463	1,229,786
FUND BALANCE - BEGINNING	<u>1,005,323</u>	<u>1,005,323</u>	<u>1,005,323</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,229,786</u>	<u>\$ 1,229,786</u>
<u>SPECIAL ROAD, SNOW REMOVAL, AND EQUIPMENT FUND</u>				
RECEIPTS				
TOTAL RECEIPTS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS	<u>2,714,875</u>	<u>2,714,875</u>	<u>985,701</u>	<u>1,729,174</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(2,714,875)</u>	<u>(2,714,875)</u>	<u>(985,701)</u>	<u>1,729,174</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	808,835	808,835
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>808,835</u>	<u>808,835</u>
Net Change in Fund Balance	(2,714,875)	(2,714,875)	(176,866)	2,538,009
FUND BALANCE - BEGINNING	<u>2,714,875</u>	<u>2,714,875</u>	<u>2,714,875</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,538,009</u>	<u>\$ 2,538,009</u>

(Continued)

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COUNTY IMPROVEMENT FUND				
RECEIPTS				
Taxes	\$ 500,000	\$ 500,000	\$ 422,335	\$ (77,665)
Intergovernmental	900	900	49,448	48,548
TOTAL RECEIPTS	<u>500,900</u>	<u>500,900</u>	<u>471,783</u>	<u>(29,117)</u>
DISBURSEMENTS	<u>2,394,300</u>	<u>2,394,300</u>	<u>1,336,006</u>	<u>1,058,294</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,893,400)</u>	<u>(1,893,400)</u>	<u>(864,223)</u>	<u>1,029,177</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	500,000	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net Change in Fund Balance	(1,393,400)	(1,393,400)	(364,223)	1,029,177
FUND BALANCE - BEGINNING	<u>1,393,400</u>	<u>1,393,400</u>	<u>1,393,400</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,029,177</u>	<u>\$ 1,029,177</u>

(Concluded)

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

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RURAL ROAD IMPROVEMENT FUND				
Receipts	\$ 387,215	\$ 387,215	\$ 280,547	\$ (106,668)
Disbursements	(500,000)	(500,000)	(489,270)	10,730
Transfers in	360,300	360,300	280,000	(80,300)
Transfers out	(360,300)	(360,300)	-	360,300
Net Change in Fund Balance	(112,785)	(112,785)	71,277	184,062
Fund Balance - Beginning	112,785	112,785	112,785	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,062</u>	<u>\$ 184,062</u>
VISITORS PROMOTION FUND				
Receipts	\$ 20,000	\$ 20,000	\$ 29,307	\$ 9,307
Disbursements	(45,074)	(45,074)	(21,561)	23,513
Net Change in Fund Balance	(25,074)	(25,074)	7,746	32,820
Fund Balance - Beginning	25,074	25,074	25,074	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,820</u>	<u>\$ 32,820</u>
PRESERVATION & MODERNIZATION FUND				
Receipts	\$ 6,000	\$ 6,000	\$ 6,993	\$ 993
Disbursements	(27,966)	(27,966)	(4,556)	23,410
Net Change in Fund Balance	(21,966)	(21,966)	2,437	24,403
Fund Balance - Beginning	21,966	21,966	21,966	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,403</u>	<u>\$ 24,403</u>
VETERANS' AID FUND				
Receipts	\$ -	\$ -	\$ 1	\$ 1
Disbursements	(2,552)	(2,552)	-	2,552
Net Change in Fund Balance	(2,552)	(2,552)	1	2,553
Fund Balance - Beginning	2,552	2,552	2,552	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,553</u>	<u>\$ 2,553</u>
DRUG LAW ENFORCEMENT & EDUCATION FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(55)	(55)	-	55
Net Change in Fund Balance	(55)	(55)	-	55
Fund Balance - Beginning	55	55	55	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55</u>	<u>\$ 55</u>

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

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>LAW ENFORCEMENT GRANT FUND</u>				
Receipts	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Disbursements	(50,000)	(50,000)	-	50,000
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Concluded)

WAYNE COUNTY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	Rural Road Improvement Fund	Visitors Promotion Fund	Preservation & Modernization Fund	Veterans' Aid Fund	Drug Law Enforcement & Education Fund	Total Nonmajor Governmental Funds
RECEIPTS						
Property Taxes	\$ 243,263	\$ 29,307	\$ -	\$ 1	\$ -	\$ 272,571
Intergovernmental	37,284	-	-	-	-	37,284
Charges for Services	-	-	6,993	-	-	6,993
TOTAL RECEIPTS	280,547	29,307	6,993	1	-	316,848
DISBURSEMENTS						
General Government	-	-	4,556	-	-	4,556
Culture and Recreation	-	21,561	-	-	-	21,561
Debt Service:						
Principal Payments	470,000	-	-	-	-	470,000
Interest and Fiscal Charges	19,270	-	-	-	-	19,270
TOTAL DISBURSEMENTS	489,270	21,561	4,556	-	-	515,387
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(208,723)	7,746	2,437	1	-	(198,539)
OTHER FINANCING SOURCES (USES)						
Transfers in	280,000	-	-	-	-	280,000
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	280,000	-	-	-	-	280,000
Net Change in Fund Balances	71,277	7,746	2,437	1	-	81,461
FUND BALANCES - BEGINNING	112,785	25,074	21,966	2,552	55	162,432
FUND BALANCES - ENDING	\$ 184,062	\$ 32,820	\$ 24,403	\$ 2,553	\$ 55	\$ 243,893
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	32,820	-	-	-	32,820
Drug Education	-	-	-	-	55	55
Preservation of Records	-	-	24,403	-	-	24,403
Debt Service	184,062	-	-	-	-	184,062
Veterans' Aid	-	-	-	2,553	-	2,553
TOTAL FUND BALANCES	\$ 184,062	\$ 32,820	\$ 24,403	\$ 2,553	\$ 55	\$ 243,893

WAYNE COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2020

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Weed Superintendent	Highway Superintendent	Veterans' Service Officer	County Health Insurance Reimbursement Account	Total
BALANCES JULY 1, 2019	\$ 13,034	\$ 13,628	\$ 1,133	\$ 492	\$ -	\$ -	\$ 550	\$ 112,416	\$ 141,253
RECEIPTS									
Property Taxes	-	-	-	-	-	-	-	-	-
Licenses and Permits	925	-	595	-	-	-	-	-	1,520
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for Services	76,911	12,901	13,077	1,105	75	-	-	-	104,069
Miscellaneous	722	-	265	-	-	14,224	-	195,000	210,211
State Fees	79,039	8,099	-	-	-	-	-	-	87,138
Other Liabilities	-	210,180	12,429	450	-	-	-	-	223,059
TOTAL RECEIPTS	157,597	231,180	26,366	1,555	75	14,224	-	195,000	625,997
DISBURSEMENTS									
Payments to County Treasurer	77,802	12,392	13,554	80	75	14,224	-	-	118,127
Payments to State Treasurer	81,548	7,247	-	-	-	-	-	-	88,795
Other Liabilities	722	220,915	12,057	450	-	-	30	178,362	412,536
TOTAL DISBURSEMENTS	160,072	240,554	25,611	530	75	14,224	30	178,362	619,458
BALANCES JUNE 30, 2020	\$ 10,559	\$ 4,254	\$ 1,888	\$ 1,517	\$ -	\$ -	\$ 520	\$ 129,054	\$ 147,792
BALANCES CONSIST OF:									
Due to County Treasurer	\$ 6,079	\$ 509	\$ 1,506	\$ 1,125	\$ -	\$ -	\$ 520	\$ 129,054	\$ 138,793
Petty Cash	-	-	-	-	-	-	-	-	-
Due to State Treasurer	4,480	852	-	-	-	-	-	-	5,332
Due to Others	-	2,893	382	392	-	-	-	-	3,667
BALANCES JUNE 30, 2020	\$ 10,559	\$ 4,254	\$ 1,888	\$ 1,517	\$ -	\$ -	\$ 520	\$ 129,054	\$ 147,792

WAYNE COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2020

Item	2015	2016	2017	2018	2019
Tax Certified by Assessor					
Real Estate	\$ 23,361,312	\$ 24,055,519	\$ 23,197,684	\$ 23,395,245	\$ 23,391,188
Personal and Specials	1,645,458	1,462,493	1,320,105	1,173,551	1,101,340
Total	25,006,770	25,518,012	24,517,789	24,568,796	24,492,528
Corrections					
Additions	1,596	578	395	1,705	-
Deductions	(3,881)	(606)	(1,124)	(2,958)	-
Net Additions/ (Deductions)	(2,285)	(28)	(729)	(1,253)	(1,765)
Corrected Certified Tax	25,004,485	25,517,984	24,517,060	24,567,543	24,490,763
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2016	16,297,213	-	-	-	-
June 30, 2017	8,702,037	16,507,967	-	-	-
June 30, 2018	2,854	9,004,066	16,325,375	-	-
June 30, 2019	399	2,298	8,188,915	15,952,467	-
June 30, 2020	2,602	2,921	2,662	8,613,532	15,754,697
Total Net Collections	25,005,105	25,517,252	24,516,952	24,565,999	15,754,697
Total Uncollected Tax	\$ (620)	\$ 732	\$ 108	\$ 1,544	\$ 8,736,066
Percentage Uncollected Tax	0.00%	0.00%	0.00%	0.01%	35.67%

Note: Tax refunds are netted against tax collections to determine Net Tax Collected. The Uncollected Taxes figure will be reported as per the Treasurer records.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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WAYNE 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
Wayne 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 Wayne County, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Wayne County's basic financial statements, and have issued our report thereon dated October 2, 2020. 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 Wayne 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 Wayne County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We consider the following deficiency in the County's internal control to be a significant deficiency:

- 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 Wayne 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 Wayne County in a separate letter dated October 2, 2020.

Wayne County's Response to Findings

Wayne 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

October 2, 2020



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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October 2, 2020

Board of Commissioners
Wayne County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Wayne County (County) for the fiscal year ended June 30, 2020, and have issued our report thereon dated October 2, 2020. 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 BOARD

Retirement Remittance Allocation Approval

The County's share of employee retirement contributions is allocated among the General, Road & Bridge, and Inheritance Tax funds; however, the County Board does not approve this allocation. The payroll register includes retirement withholdings for general and road employees, but no employees are paid from the Inheritance Tax Fund; no support is on file for why the County share is being paid from the Inheritance Tax Fund or that the allocation was Board approved.

Sound business practices and good internal control require procedures to ensure the County Board reviews and approves the retirement remittance allocation.

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

We recommend the County Board review and approve the retirement remittance fund allocation.

Leave Balances

During our audit, we noted that the County Board is not reviewing and approving leave balances for County employees. All County employees are accruing vacation leave on an annual basis rather than a monthly basis as outlined in the Wayne County Personnel Manual (amended June 19, 2018) (Personnel Manual). Additionally, for three of five employees tested, the office was not accurately tracking their leave balances. Finally, for two of five employees tested, employees were accumulating compensatory time, but the Personnel Manual has no formal compensatory time policy.

The Personnel Manual states the following regarding vacation leave:

<u>Section 4.2 Vacation.</u>	
A. Permanent full-time employees shall be granted paid vacation leave. Vacation leave shall accrue on a monthly basis at the following rates according to time worked:	
	<u>Monthly Accrual</u>
First year: 40 hours (5 days)	3.34 hours (5/12 day)
Second year through 10 th year: 80 hours (10 days)	6.67 hours (10/12 day)
11 th year and more: 120 hours (15 days)	10 hours (1¼ days)

Sound business practices and a good internal control plan requires the following: 1) leave is accrued in accordance with County policy; 2) all types of leave accruals are approved by the County Board and included in the Personnel Manual; 3) management keeps adequate documentation of employee leave records; and 4) the County Board reviews and approves employee leave balances.

Without such controls, there is an increased risk of the County incurring a significant liability due to an employee accumulating a large leave balance, which could be required to be paid out upon the employee’s termination.

We recommend the County implement procedures to ensure the following: 1) leave is accrued in accordance with County policy; 2) all types of leave accruals are approved by the County Board and included in the Personnel Manual; 3) management keeps adequate documentation of employee leave records; and 4) the County Board reviews and approves employee leave balances.

Duplicate Payments

During our audit, we noted three claims that were duplicate payments. The table below provides a summary of those double expenditures:

Payee	Duplicate Amount	Original Claim		Duplicate Claim	
		Date	Claim #	Date	Claim #
Hansen Brothers	\$ 304	6/2/2020	20060028	6/16/2020	20060116
NMC Exchange LLC	\$ 901	10/15/2019	19100106	12/17/2019	19120117
RDO Truck Centers	\$ 59	2/18/2020	20020116	3/3/2020	20030038
Total	\$ 1,264				

The County received credits and cancelled checks back from the payees to recover these duplicate payments; however, the County was made aware of the duplicate claims only from the vendors and did not have proper internal controls in place to catch the duplicate claims.

Good internal controls and sound business practices require procedures for reviewing all claims prior to approval to ensure they are not duplicate payments.

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 all claims are reviewed prior to approval to ensure they are not duplicate payments.

Inventory Filings and Policy

The County uses a \$200 threshold for requiring offices to record property on the annual inventory form; however, the County Board has neither approved that threshold nor implemented a formal policy evidencing such approval.

Additionally, out of 31 personal property inventory listings tested, two were filed after August 31, 2019, and three were not signed by the County Board, as required by State statute.

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

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

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

Without such procedures, there is an increased risk for theft, loss, or misuse of County property and noncompliance with State statute.

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

COUNTY CLERK

Health Reimbursement Account Reconciliation and Petty Cash Authorization

During our audit, we noted that the County Clerk maintained two petty cash bank accounts during the fiscal year that were neither approved by the County Board nor included in the fiscal policy of the annual budget message:

- One account was maintained in order to reimburse employees for medical expenses up to the plan deductible. The account was not reconciled each month to a set dollar amount, and reimbursement requests were not based on actual expenses. The balance in the account as of June 30, 2020, was \$129,054. We noted employees were reimbursed \$178,362 in medical expenses during the fiscal year, representing account disbursements, and four claims were submitted to the County Board for reimbursement, totaling \$195,000, representing account deposits.
- The second account was maintained to transmit payroll taxes electronically and was reconciled to \$10 each month. This amount was maintained in the account in order to avoid any service charges.

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.

Sound business practices and good internal controls require procedures to ensure that petty cash accounts are both approved by the County Board and included in the fiscal policy of the annual budget message. Those same procedures should ensure also that petty cash accounts are based on actual expenses and reconciled to the authorized amounts.

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

We recommend the County implement procedures to ensure that all petty cash funds are both approved by the County Board and included in the annual budget message. Those same procedures should ensure also that petty cash accounts are based on actual expenses and reconciled to the authorized amounts.

Unauthorized Expenses from Fee Funds

During the audit, we noted that the County Clerk was using as a petty cash fund a bank account into which office fees were deposited. Purchases totaling \$722 were made from that account throughout the fiscal year, as detailed in the following table:

Date	Entity	Amount
9/13/2019	City of Wayne – Recycling Event	\$ 60
9/27/2019	Postage Fees	\$ 20
1/24/2020	Nebraska Department of Revenue –Sales Tax	\$ 592
5/15/2020	Postage Fees	\$ 50
	Total	\$ 722

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.

Additionally, good internal controls and sound accounting practices require procedures to ensure that all petty cash funds are authorized by the County Board and reflected in the fiscal policy of the annual budget message.

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

We recommend the County Clerk implement procedures to ensure all petty cash funds are authorized by the County Board and reflected in the fiscal policy of the annual budget message.

COUNTY TREASURER

Real Estate Tax Credit Distribution

During our testing of real property tax credit distributions, we noted that the second-half tax credit was distributed twice in April 2020, the duplicate distribution being paid out to the political subdivisions in May 2020. On May 22, 2020, the duplicate distribution was reversed; however, the duplicate payments were already made. This resulted in multiple political subdivision funds being negative at the end of May.

As of June 24, 2020, the County Treasurer ran a fund balance listing to determine which political subdivisions still had a negative balance after the June 2020 collections, and on June 25, 2020, the County Treasurer visited each of these political subdivisions to recover the remaining overpayments.

The following table contains the following: 1) the name of each political subdivision that received the duplicate distribution; 2) the amount of real property tax credit that was distributed twice; 3) the negative fund balances as of June 24, 2020, if applicable; and 4) the amount recovered.

Subdivision	Duplicate Distribution	Negative Fund Balances as of 6/24/2020	Payments Recovered on 6/25/2020
County Funds	\$ 205,750		
Wayne	\$ 25,474		
Winside	\$ 2,270		
Carroll	\$ 692		
Wakefield	\$ 3,068		
Hoskins	\$ 1,121		
Carroll FD 1	\$ 3,245		
Wayne FD 2	\$ 3,095		
Hoskins FD 3	\$ 1,414		
Winside FD 4	\$ 2,448		
Pender FD 5	\$ 246	\$ (29)	\$ 29
Randolph FD 7	\$ 774	\$ (53)	\$ 53
Wisner FD 8	\$ 409	\$ (110)	\$ 110
Wakefield FD 9	\$ 2,168		
Stanton FD 11	\$ 288	\$ (236)	\$ 236
Pierce FD 12	\$ 29	\$ (28)	\$ 28
Lower Elkhorn NRD	\$ 19,282		
Ag Society	\$ 3,809		
Wayne City Airport Authority	\$ 2,319		
Pender Hospital	\$ 161		
Pathway 2 Tomorrow	\$ 348	\$ (24)	\$ 24
ESU 1	\$ 11,111		
ESU 2	\$ 185	\$ (94)	\$ 94
ESU 8	\$ 803		
Northeast Community College	\$ 77,292		
Wayne SD 17	\$ 337,234		
Wakefield SD 60R	\$ 75,546	\$ (12,255)	\$ 12,255
Winside SD 595	\$ 151,341		
Randolph SD 45	\$ 50,352	\$ (13,093)	\$ 13,093
Laurel-Concord-Coleridge SD 54	\$ 9,796	\$ (4,558)	\$ 4,558
Wisner-Pilger SD 30	\$ 8,130	\$ (4,140)	\$ 4,140
Wisner-Pilger SD 30 Bond 9-12	\$ 209	\$ (107)	\$ 107
Norfolk SD 2	\$ 42,888		
Pierce SD 2	\$ 18,696	\$ (11,888)	\$ 11,888
Pender SD 1	\$ 18,155		
TIF Funds	\$ 7,856	\$ (5,743)	\$ 5,743
Totals	\$ 1,088,004	\$ (52,358)	\$ 52,358

It should be noted that the political subdivisions without a negative fund balance in the above table had the duplicate distribution covered by subsequent receipts (e.g., property taxes). No negative fund balances were noted as of June 30, 2020.

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

After retaining one percent of the receipts for costs, the county treasurer shall allocate the remaining receipts to each taxing unit based on its share of the credits granted to all taxpayers in the taxing unit.

Additionally, a good internal control plan requires procedures to ensure that real property tax credits are distributed in accordance with applicable statutory requirements. Those same procedures should ensure also that any overpayments or other distribution errors are resolved in a timely manner.

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

We recommend the County Treasurer implement procedures to ensure real property tax credits are distributed in accordance with State statute, and any errors or overpayments are resolved in a timely manner.

Motor Vehicle Pro-Rate Distribution

We noted that the County Treasurer’s fiscal year 2020 distributions of Motor Vehicle Pro-Rate were incorrect. Two political subdivisions’ funds were not included in those distribution. Consequently, the various political subdivisions did not receive the correct amount of funding, as detailed in the following table:

Subdivision	Over/(Under) Payments
County General	\$ 4
Wayne City	\$ 9
Winside	\$ 5
Wakefield	\$ 3
Carroll FD 1	\$ (3)
Lower Elkhorn NRD	\$ 3
Ag Society	\$ (3)
Wayne SD 17	\$ (14)
Wakefield SD 60R	\$ (7)
Winside SD 595	\$ (3)
Randolph SD 45	\$ 7
Laurel-Concord-Coleridge SD 54	\$ 4
Norfolk SD 2	\$ (5)
Pierce SD 2	\$ 5
Pender SD 1	\$ 2
Wayne SD 17 Bond	\$ (19)
Pender SD 1 Bond K-8	\$ 25
Pender SD 1 Bond 9-12	\$ (19)
Wisner-Pilger SD 30 Bond 9-12	\$ 6

Neb. Rev. Stat. § 60-3,202(3) (Supp. 2019) states the following:

Upon receipt of motor vehicle tax funds from the State Treasurer, the county treasurer shall distribute such funds to taxing agencies within the county in the same proportion that the levy of each such taxing agency bears to the total of such levies of all taxing agencies in the county.

Additionally, good internal controls require procedures to ensure that distributions are calculated correctly and in accordance with applicable State statutes.

Without such procedures, there is an increased risk of political subdivisions receiving an inappropriate amount of funding, loss or misuse of funds, and noncompliance with State statute.

We recommend the County Treasurer correct the erroneous distributions. Additionally, we recommend the County Treasurer implement procedures to ensure that future Motor Vehicle Pro-Rate distributions are calculated correctly.

5% Gross In Lieu Distribution

During our audit, we noted that the distribution of 5% Gross In Lieu was not calculated correctly. The errors were due to the tax levies for the County and Village of Hoskins being inappropriately included twice.

The following table details the improper payments at issue:

Subdivision	Fund Number	Over/(Under) Payment
County Funds	100, 802, 4000	\$ 769
Norfolk School District 2 General Fund	6103	\$ (1,021)
Norfolk School District 2 Special Building	6303	\$ (96)
Norfolk School District 2 QCPF	6800	\$ 5
Norfolk School District 2 Bond K-8	6283	\$ (55)
Norfolk School District 2 Bond 9-12	6293	\$ (32)
Winside School District General Fund	6102	\$ (703)
Winside School District Sinking Fund	6302	\$ (82)
Village of Hoskins	8604	\$ 1,215

Neb. Rev. Stat. § 70-651.04 (Reissue 2018) states the following:

All payments which are based on retail revenue from each incorporated city or village shall be divided and distributed by the county treasurer to that city or village, to the school districts located in that city or village, to any learning community located in that city or village for payments distributed prior to September 1, 2017, and to the county in which may be located any such incorporated city or village in the proportion that their respective property tax levies in the preceding year bore to the total of such levies, except that the only learning community levies to be included are the common levies for which the proceeds are distributed to member school districts pursuant to section 79-1073.

Good internal controls and sound accounting practices require procedures to ensure that 5% Gross In Lieu distributions are calculated correctly and in accordance with State statute.

Without such procedures, there is an increased risk of political subdivisions receiving an inappropriate amount of funding, the loss or misuse of funds, and noncompliance with State statute.

We recommend the County Treasurer correct the erroneous distributions. Additionally, we recommend the County Treasurer implement procedures to ensure that future In Lieu distributions are calculated correctly.

Debt Service Payment and Fund Approval

During our audit, we noted that the County Treasurer made a debt service payment on March 13, 2020, totaling \$473,020, for the final payment on the 2017 Road Improvement Bond. The County Board did not approve that payment. In June 2020, or three months later, the Clerk recorded the debt service payment in her disbursement records. Additionally, for all debt service payments made during fiscal year 2020, totaling \$835,550, the County Board failed to approve the fund out of which the payments were to be made. As a result, \$13,230 was paid from the Rural Road Improvement Fund, while the Clerk recorded this payment to the Road & Bridge Fund.

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

It is the duty of the county treasurer to receive all money belonging to the county, from whatsoever source derived and by any method of payment provided by section 77-1702, and all other money which is by law directed to be paid to him or her. All money received by the county treasurer for the use of the county shall be paid out by him or her only on warrants issued by the county board according to law, except when special provision for payment of county money is otherwise made by law.

(Emphasis added.) Good internal controls and sound accounting practice require procedures to ensure that the County Board approves all disbursements prior to their actually occurring.

Without such procedures, there is an increased risk of the County Board not being fully apprised of the financial status of the County's funds, the loss, theft, or misuse of County money, and noncompliance with State statute.

We recommend the County Treasurer implement procedures to ensure that County Funds are not disbursed prior to approval by the County Board.

Debt Service Payment Coding

During our audit, we noted that the County Treasurer incorrectly recorded debt service payments made during the fiscal year, totaling \$835,550, to two transfers accounts. During fiscal year 2020, the County Treasurer recorded \$346,280 to the transfers account in the Road Fund and \$489,270 to the transfers account in the Rural Road Improvement Fund, as summarized in the table below.

Journal Entry Number	Date	Fund	Account	Account Description	Amount
190518	9/16/2019	Rural Road Improvement Fund	0802-590-02	Interfund Transfer Out	\$ 3,020
190530	12/4/2019	Road & Bridge Fund	0300-590-02	Interfund Transfer Out	\$ 14,840
190531	12/4/2019	Road & Bridge Fund	0300-590-02	Interfund Transfer Out	\$ 139,469
190532	12/4/2019	Road & Bridge Fund	0300-590-02	Interfund Transfer Out	\$ 175,056
190542	3/16/2020	Rural Road Improvement Fund	0802-590-02	Interfund Transfer Out	\$ 473,020
190553	6/15/2020	Road & Bridge Fund	0300-590-02	Interfund Transfer Out	\$ 3,696
190554	6/15/2020	Road & Bridge Fund	0300-590-02	Interfund Transfer Out	\$ 13,219
190555	6/15/2020	Rural Road Improvement Fund	0802-590-02	Interfund Transfer Out	\$ 13,230

Good internal controls and sound accounting practices require procedures to ensure that County expenses are recorded to the appropriate accounts.

Without such procedures, there is an increased risk of not only the County Board not being fully apprised of the financial status of the County’s funds and actual disbursements but also the loss, theft, or misuse of County money.

We recommend the County Treasurer implement procedures to ensure expenses are recorded to the appropriate accounts.

Approval of Interfund Transfers

During our audit, we noted that the County Treasurer recorded four interfund transfers, totaling \$2,380,000, that were not approved by the County Board. Those unapproved transfers are summarized in the following table:

Date	Transfer Out	Transfer In	Amount
6/22/2020	General Fund	Road & Bridge Fund	\$ 300,000.00
6/22/2020	Inheritance Fund	County Improvement Fund	\$ 500,000.00
3/11/2020	General Fund	Road & Bridge Fund	\$ 1,300,000.00
3/11/2020	Road & Bridge Fund	Rural Road Improvement Fund	\$ 280,000.00

Good internal controls and sound accounting practices require procedures to ensure that the County Board approves all transfers and disbursements prior to their actually occurring.

Without such procedures, there is an increased risk of not only the County Board not being fully apprised of the financial status of the County’s funds but also the loss, theft, or misuse of County money.

We recommend the County Treasurer implement procedures to ensure the County Board approves all transfers and disbursements prior to their occurrence.

COUNTY ATTORNEY

Diversion Funds Not Remitted to Treasurer

During the audit, we noted the following issues with the County Attorney's balancing procedures at June 30, 2020:

- Funds received for diversion fees, totaling, \$1,125, were not remitted to the County Treasurer.
- There was an unknown balance of \$392 in the restitution account.

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

It is the duty of the county treasurer to receive all money belonging to the county, from whatsoever source derived and by any method of payment provided by section 77-1702, and all other money which is by law directed to be paid to him or her. All money received by the county treasurer for the use of the county shall be paid out by him or her only on warrants issued by the county board according to law, except when special provision for payment of county money is otherwise made by law.

Sound accounting practices and good internal controls require procedures to ensure the following: 1) fees received by the County Attorney are remitted to the County Treasurer; and 2) adequate reconciliation and balancing methods are utilized, including procedures to ensure office assets (cash on hand, reconciled bank balance, accounts receivable, etc.) are in agreement with office liabilities (fee and trust accounts) on at least a monthly basis. Such procedures should also include the timely identification and resolution of all variances noted and the maintenance of proper documentation to support correct balances.

Without such procedures, there is an increased risk of not only errors going undetected more easily, resulting in the possible loss, theft, or misuse of County funds, but also noncompliance with State statute.

We recommend the County Attorney implement procedures to ensure all fees received are remitted to the County Treasurer. Those same procedures should ensure also the performance of monthly asset-to-liability reconciliations, including the regular review all funds held and the remittance of excess funds to the appropriate parties.

COUNTY HIGHWAY DEPARTMENT

Receipting Procedures

The County Commissioners have been collecting highway fees for the County's three road districts; however, receipts are not issued or noted in a ledger/log at the time those funds are collected. The Commissioners eventually give the funds received to the Clerk, who does maintain a log of the funds collected. The Clerk then remits those funds to the County Treasurer.

During the fiscal year, a total of \$14,224 in highway fees was collected. The County Commissioners collected \$1,512 of this amount, and the remainder was either mailed or paid directly to the Clerk.

Good internal controls and sound business practices require procedures to ensure that all highway fees collected by the County Commissioners are receipted or entered into a ledger/log at the time the funds are collected.

Without such procedures, there is an increased risk of loss or theft of public funds before they are receipted in the County Treasurer's office.

We recommend the implementation of procedures to ensure all highway fees collected by County Commissioners are receipted or entered into a ledger/log at the time the funds are collected.

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.

Fee Approvals

During our audit, we noted that there was no documented fee approval by the Board of Commissioners for fees charged by the following offices:

- County Highway Department collected \$14,224 for the sale of materials during the fiscal year.
- County Attorney collected \$1,025 in diversion fees during the fiscal year.
- County Sheriff collected \$260 for accident, picture, theft, and incident fees during the fiscal year.
- County Noxious Weed Department collected \$75 for weed spraying fees during the fiscal year. A separate elected Weed Board was unable to provide the fee approval.

Neb. Rev. Stat. § 23-106(1) (Reissue 2012) assigns to the County Board responsibility for managing County funds and business.

Additionally, good internal controls and sound business practice require fees to be set by the County Board and documentation of this approval to be maintained.

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

We recommend the implementation of procedures to ensure that the County Board approves all County office fees not set by statute and maintains documentation of such approvals for subsequent review. Additionally, we recommend that the separate Weed Board approve all fees being charged by the Noxious Weed Department and document such approval.

Distress Warrant Reports

During our audit, we noted that the County Sheriff failed to report to the County Board the total amount collected on distress warrants by August 1, 2019, as required by State statute. Rather, the report was completed in September 2019 and provided to the County Treasurer. In addition, the County Treasurer failed to verify that report to the County Board, as required by State statute.

Neb. Rev. Stat. § 77-1719.01 (Reissue 2018) states the following:

On or before August 1 of each year, the sheriff shall report to the county board showing the total amount collected on current distress warrants and the amount remaining uncollected.

Neb. Rev. Stat. § 77-1719.02 (Reissue 2018) states, in relevant part, the following:

On or before October 1 of each year, the county treasurer shall verify this report to the county board, and shall make an itemized report covering the amount uncollected. Such itemized report shall include the number of the distress warrant, the name and address of the taxpayer, the amount involved, and the reason for failure to collect same, or the failure of the sheriff to make a legal return on same.

Good internal controls and sound business practices require procedures to ensure that the County Sheriff makes a timely report to the County Board of amounts collected on distress warrants, and the County Treasurer verifies that report.

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

We recommend the implementation of procedures to ensure that the County Sheriff makes a timely report to the County Board of amounts collected on distress warrants, and the County Treasurer verifies that report.

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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. 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,



Deann Haeffner, CPA
Assistant Deputy Auditor