

**AUDIT REPORT
OF
CUSTER COUNTY**

JULY 1, 2019, THROUGH JUNE 30, 2020

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on January 28, 2021

CUSTER COUNTY

TABLE OF CONTENTS

	<u>Page</u>
List of County Officials	1
Financial Section	
Independent Auditor's Report	2 - 3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Cash Basis	4
Statement of Activities - Cash Basis	5
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds	6
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds	7
Statement of Cash Basis Net Position - Fiduciary Funds	8
Notes to Financial Statements	9 - 17
Combining Statements and Schedules:	
Budgetary Comparison Schedule - Budget and Actual - General Fund	18 - 19
Budgetary Comparison Schedule - Budget and Actual - Major Funds	20
Budgetary Comparison Schedule - Budget and Actual - Nonmajor Funds	21 - 24
Combining Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Nonmajor Governmental Funds	25 - 27
Schedule of Office Activities	28
Schedule of Taxes Certified and Collected for All Political Subdivisions in the County	29
Schedule of Expenditures of Federal Awards	30
Notes to the Schedule of Expenditures of Federal Awards	31
Government Auditing Standards Section	
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 <i>Government Auditing Standards</i>	32 - 33
Report on Compliance for each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	34 - 35
Schedule of Findings and Questioned Costs	36 - 37

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

LIST OF COUNTY OFFICIALS
At June 30, 2020

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Supervisors	Matt Eggleston	Jan. 2021
	Tammy Kleeb	Jan. 2021
	Doug Stunkel	Jan. 2023
	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
Surveyor	Jay Gormley	Jan. 2023
Veterans' Service Officer	Emory Haynes	Appointed
Highway Superintendent	Chris Jacobsen	Appointed
Planning & Zoning	Darci Tibbs	Appointed
Recycling Center	Kelly Flynn	Appointed
Emergency Manager	Mark Rempe	Appointed



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

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, 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 Custer 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.

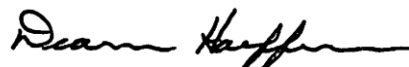
Report on Supplementary Information

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, schedule of expenditures of Federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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, schedule of expenditures of Federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and schedule of taxes certified and collected, pages 18-30, 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 January 12, 2021, 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

January 12, 2021

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 10,305,201
Investments (Note 1.D)	337,801
TOTAL ASSETS	\$ 10,643,002
NET POSITION	
Restricted for:	
Visitor Promotion	\$ 62,364
911 Emergency Services	166,408
Drug Education	1,051
Law Enforcement	42,548
Preservation of Records	15,507
Debt Service	4,636
Road Maintenance	653,004
Child Support	5,425
Economic Development	435,746
Unrestricted	9,256,313
TOTAL NET POSITION	\$ 10,643,002

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, 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	\$ (3,172,283)	\$ 640,169	\$ 193,718	\$ (2,338,396)
Public Safety	(1,972,374)	92,982	302,440	(1,576,952)
Public Works	(8,068,237)	198,525	3,218,973	(4,650,739)
Public Assistance	(101,980)	-	-	(101,980)
Culture and Recreation	(104,924)	-	-	(104,924)
Debt Payments	(1,159,320)	-	-	(1,159,320)
Capital Outlay	(297,062)	-	-	(297,062)
Total Governmental Activities	<u><u>\$ (14,876,180)</u></u>	<u><u>\$ 931,676</u></u>	<u><u>\$ 3,715,131</u></u>	<u><u>(10,229,373)</u></u>

General Receipts:

Property Taxes	7,556,126
Grants and Contributions Not Restricted to Specific Programs	1,644,259
Investment Income	140,219
Licenses and Permits	48,606
Miscellaneous	289,557
Total General Receipts	<u><u>9,678,767</u></u>
 Increase in Net Position	 (550,606)
Net Position - Beginning of year	11,193,608
Net Position - End of year	<u><u>\$ 10,643,002</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, 2020

	<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)	\$ 2,676,363	\$ 1,752,525	\$ 3,066,904	\$ 2,809,409	\$ 10,305,201
Investments (Note 1.D)	-	-	337,801	-	337,801
TOTAL ASSETS	<u><u>\$ 2,676,363</u></u>	<u><u>\$ 1,752,525</u></u>	<u><u>\$ 3,404,705</u></u>	<u><u>\$ 2,809,409</u></u>	<u><u>\$ 10,643,002</u></u>
FUND BALANCES					
Restricted for:					
Visitor Promotion	-	-	-	62,364	62,364
911 Emergency Services	-	-	-	166,408	166,408
Drug Education	-	-	-	1,051	1,051
Law Enforcement	-	-	-	42,548	42,548
Preservation of Records	-	-	-	15,507	15,507
Debt Service	-	-	-	4,636	4,636
Road Maintenance	-	-	-	653,004	653,004
Child Support	-	-	-	5,425	5,425
Economic Development	-	-	-	435,746	435,746
Committed to:					
Law Enforcement	-	-	-	105,131	105,131
Road Maintenance	-	1,752,525	-	-	1,752,525
Aid and Assistance	-	-	-	100,649	100,649
Capital Improvement Projects	-	-	-	800,290	800,290
Disaster Recover and Relief Aid	-	-	-	416,650	416,650
Assigned to:					
Other Purposes	-	-	3,404,705	-	3,404,705
Unassigned	2,676,363	-	-	-	2,676,363
TOTAL CASH BASIS FUND BALANCES	<u><u>\$ 2,676,363</u></u>	<u><u>\$ 1,752,525</u></u>	<u><u>\$ 3,404,705</u></u>	<u><u>\$ 2,809,409</u></u>	<u><u>\$ 10,643,002</u></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, 2020

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS					
Property Taxes	\$ 6,210,686	\$ 18	\$ 932,007	\$ 413,415	\$ 7,556,126
Licenses and Permits	48,606	-	-	-	48,606
Investment Income	132,133	-	-	8,086	140,219
Intergovernmental	1,332,771	3,219,034	-	807,585	5,359,390
Charges for Services	699,184	198,525	-	33,967	931,676
Miscellaneous	50,040	187,119	-	52,398	289,557
TOTAL RECEIPTS	<u>8,473,420</u>	<u>3,604,696</u>	<u>932,007</u>	<u>1,315,451</u>	<u>14,325,574</u>
DISBURSEMENTS					
General Government	3,146,059	-	-	26,224	3,172,283
Public Safety	1,562,937	-	-	409,437	1,972,374
Public Works	278,362	7,143,139	-	646,736	8,068,237
Public Assistance	101,980	-	-	-	101,980
Culture and Recreation	-	-	-	104,924	104,924
Debt Service:					
Principal Payments	-	-	-	1,095,000	1,095,000
Interest and Fiscal Charges	-	-	-	64,320	64,320
Capital Outlay	-	-	-	297,062	297,062
TOTAL DISBURSEMENTS	<u>5,089,338</u>	<u>7,143,139</u>	<u>-</u>	<u>2,643,703</u>	<u>14,876,180</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>3,384,082</u>	<u>(3,538,443)</u>	<u>932,007</u>	<u>(1,328,252)</u>	<u>(550,606)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	37,934	4,875,275	-	1,214,332	6,127,541
Transfers out	(3,375,275)	-	(2,658,618)	(93,648)	(6,127,541)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,337,341)</u>	<u>4,875,275</u>	<u>(2,658,618)</u>	<u>1,120,684</u>	<u>-</u>
Net Change in Fund Balances	46,741	1,336,832	(1,726,611)	(207,568)	(550,606)
CASH BASIS FUND BALANCES - BEGINNING	<u>2,629,622</u>	<u>415,693</u>	<u>5,131,316</u>	<u>3,016,977</u>	<u>11,193,608</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 2,676,363</u>	<u>\$ 1,752,525</u>	<u>\$ 3,404,705</u>	<u>\$ 2,809,409</u>	<u>\$ 10,643,002</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, 2020

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 1,296,387
 LIABILITIES	
Due to other governments	
State	319,373
Schools	644,188
Educational Service Units	8,265
Technical College	40,800
Natural Resource Districts	18,626
Fire Districts	9,490
Municipalities	82,351
Agricultural Society	2,612
Reclamation Districts	496
Townships	81,160
Cemetery Districts	186
Hospital	6,662
Others	82,178
TOTAL LIABILITIES	1,296,387
 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, 2020

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 \$32,505 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 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).

CUSTER 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) (2020 Neb. Laws, LB 781, § 8). 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.

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

The County reports the following major governmental funds:

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

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

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

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.

Capital Project Funds. The Sinking Fund accounts for all resources received and used for the acquisition or development of major capital improvements.

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.

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.

CUSTER 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 \$1,386,689 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.

CUSTER 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 \$10,305,201 for County funds and \$1,296,387 for Fiduciary funds. The bank balances for all funds totaled \$11,406,435. 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 \$337,801 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 \$.190334/\$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 \$.164751/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

CUSTER 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, 114 employees contributed \$205,711, and the County contributed \$306,263. Contributions included \$4,603 in cash contributions towards the supplemental law enforcement plan for nine law enforcement employees. Lastly, the County paid \$340 directly to four 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 98 counties and local governments throughout Nebraska.

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

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. **Risk Management** (Concluded)

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, 2020, consisted of the following:

<u>Transfers to</u>	<u>Transfers from</u>			<u>Total</u>
	<u>General Fund</u>	<u>Inheritance Fund</u>	<u>Nonmajor Funds</u>	
Road Fund	\$ 3,375,275	\$ 1,500,000	\$ -	\$ 4,875,275
Inheritance Fund	-	-	-	-
General Fund	-	-	37,934	37,934
Nonmajor Funds	-	1,158,618	55,714	1,214,332
Total	<u>\$ 3,375,275</u>	<u>\$ 2,658,618</u>	<u>\$ 93,648</u>	<u>\$ 6,127,541</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.

In the year ended June 30, 2020, the County made a one-time transfer of \$37,934 from the Child Support Incentive Fund to the General Fund to reimburse for child support collection expenses recorded in the General Fund.

7. **Notes Receivable**

Emergency Appropriations. On May 21, 2019, the County Board approved to transfer \$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. The original loan terms required repayment of such loans to be made within one year from the loan execution; however, on May 26, 2020, the County Board approved to extend the due date another year. Repayment must be made from all available funding, including Federal reimbursements and property taxes. The following loans are outstanding as of June 30, 2020:

CUSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. Notes Receivable (Concluded)

Township	Loan Amount	Balance Due
Ansley Township	\$ 75,110	\$ 10,307
Arnold Township	\$ 99,870	\$ 99,870
Berwyn Township	\$ 32,277	\$ 32,277
Broken Bow Township	\$ 133,112	\$ 108,385
Cliff Township	\$ 65,969	\$ 65,969
Elm Township	\$ 40,000	\$ 40,000
Elm Township #2	\$ 9,627	\$ 9,627
Lillian Township	\$ 179,532	\$ 179,532
Loup Township	\$ 23,000	\$ 23,000
Triumph Township	\$ 15,025	\$ 15,025
Totals	\$ 673,522	\$ 583,992

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 who, 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, 2020:

Loan**	Loan Amount	Future Payments Due	Due Date
Loan #1	\$ 19,850	\$ 16,451	2008*
Loan #2	\$ 100,000	\$ 44,713	2021
Loan #5	\$ 12,000	\$ 8,714	2026
Loan #6	\$ 25,000	\$ 19,160	2026
Loan #7	\$ 125,000	\$ 100,921	2022
Loan #8	\$ 40,000	\$ 33,414	2023
Loan #9	\$ 40,000	\$ 37,100	2023
	\$ 361,850	\$ 260,473	

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

**Loan numbers are the same as noted in prior year; Loans 3 and 4 were paid off during fiscal year 2020.

8. 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. During fiscal year 2020, the County made a payment of \$913,618, including \$3,618 of interest, to pay off part of the bond early. The bond payable balance, as of June 30, 2020, was \$1,190,000. 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)

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

Future Payments:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 190,000	\$ 28,310	\$ 218,310
2022	190,000	24,795	214,795
2023	195,000	20,805	215,805
2024	200,000	16,418	216,418
2025	205,000	11,417	216,417
2026	210,000	5,985	215,985
Total Payments	<u>\$ 1,190,000</u>	<u>\$ 107,730</u>	<u>\$ 1,297,730</u>

CUSTER 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	\$ 7,143,770	\$ 7,143,770	\$ 6,210,686	\$ (933,084)
Licenses and Permits	46,200	46,200	48,606	2,406
Interest	100,210	100,210	132,133	31,923
Intergovernmental	922,129	922,129	1,332,771	410,642
Charges for Services	608,028	608,028	699,184	91,156
Miscellaneous	330,000	330,000	50,040	(279,960)
TOTAL RECEIPTS	<u>9,150,337</u>	<u>9,150,337</u>	<u>8,473,420</u>	<u>(676,917)</u>
DISBURSEMENTS				
General Government:				
County Board	189,351	189,351	186,854	2,497
County Clerk	112,650	112,650	110,865	1,785
County Treasurer	295,043	295,043	278,090	16,953
Register of Deeds	111,453	111,453	109,190	2,263
County Assessor	221,501	221,501	203,216	18,285
Election Commissioner	84,139	84,139	61,039	23,100
Building and Zoning	58,513	58,513	46,195	12,318
Data Processing Department	97,060	97,060	64,633	32,427
Personnel	392,300	392,300	373,244	19,056
Unemployment	30,000	30,000	-	30,000
Insurance	1,074,834	1,074,834	746,328	328,506
GIS Department	25,000	25,000	19,219	5,781
Clerk of District Court	128,665	128,665	104,690	23,975
County Court System	15,700	15,700	10,390	5,310
District Judge	21,600	23,301	23,301	-
Judicial Center	77,893	77,893	61,941	15,952
District Court Child Support	16,810	16,810	14,469	2,341
Building and Grounds	126,520	126,520	95,848	30,672
Reappraisal	66,300	66,300	16,213	50,087
Agricultural Extension Agent	132,801	132,801	116,011	16,790
County Building	36,750	36,750	12,002	24,748
Judicial Center Miscellaneous	20,135	20,135	15,399	4,736
Miscellaneous	552,735	526,172	476,922	49,250
Public Safety				
County Sheriff	678,358	678,358	677,549	809
County Attorney	210,505	215,033	215,033	-
County Attorney Child Support	105,226	105,226	96,489	8,737
County Jail	304,413	304,413	294,699	9,714
Emergency Management	123,150	143,484	143,484	-
Grants	661,903	661,903	135,683	526,220

(Continued)

CUSTER 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)
DISBURSEMENTS (Continued)				
Public Works				
County Surveyor	90,755	90,755	72,754	18,001
Noxious Weed Control	58,695	58,695	45,174	13,521
Recycling	171,825	171,825	160,434	11,391
Public Assistance				
Veterans' Service Officer	87,960	87,960	84,207	3,753
Institutions	10,000	10,000	2,721	7,279
Relief	31,500	31,500	15,052	16,448
TOTAL DISBURSEMENTS	<u>6,422,043</u>	<u>6,422,043</u>	<u>5,089,338</u>	<u>1,332,705</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>2,728,294</u>	<u>2,728,294</u>	<u>3,384,082</u>	<u>655,788</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	37,934	37,934	37,934	-
Transfers out	<u>(3,595,850)</u>	<u>(3,595,850)</u>	<u>(3,375,275)</u>	<u>220,575</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,557,916)</u>	<u>(3,557,916)</u>	<u>(3,337,341)</u>	<u>220,575</u>
Net Change in Fund Balance	(829,622)	(829,622)	46,741	876,363
FUND BALANCE - BEGINNING	<u>2,629,622</u>	<u>2,629,622</u>	<u>2,629,622</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 1,800,000</u></u>	<u><u>\$ 1,800,000</u></u>	<u><u>\$ 2,676,363</u></u>	<u><u>\$ 876,363</u></u>

(Concluded)

CUSTER 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 FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ 18	\$ 18
Intergovernmental	3,338,407	3,338,407	3,219,034	(119,373)
Charges for Services	175,000	175,000	198,525	23,525
Miscellaneous	75,000	75,000	187,119	112,119
TOTAL RECEIPTS	3,588,407	3,588,407	3,604,696	16,289
DISBURSEMENTS	10,099,950	10,099,950	7,143,139	2,956,811
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(6,511,543)	(6,511,543)	(3,538,443)	2,973,100
OTHER FINANCING SOURCES (USES)				
Transfers in	7,095,850	7,095,850	4,875,275	(2,220,575)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	7,095,850	7,095,850	4,875,275	(2,220,575)
Net Change in Fund Balance	584,307	584,307	1,336,832	752,525
FUND BALANCE - BEGINNING	415,693	415,693	415,693	-
FUND BALANCE - ENDING	\$ 1,000,000	\$ 1,000,000	\$ 1,752,525	\$ 752,525
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 668,684	\$ 1,582,302	\$ 932,007	\$ (650,295)
TOTAL RECEIPTS	668,684	1,582,302	932,007	(650,295)
DISBURSEMENTS	2,055,000	2,055,000	-	2,055,000
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,386,316)	(472,698)	932,007	1,404,705
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(3,745,000)	(4,658,618)	(2,658,618)	2,000,000
TOTAL OTHER FINANCING SOURCES (USES)	(3,745,000)	(4,658,618)	(2,658,618)	2,000,000
Net Change in Fund Balance	(5,131,316)	(5,131,316)	(1,726,611)	3,404,705
FUND BALANCE - BEGINNING	5,131,316	5,131,316	5,131,316	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 3,404,705	\$ 3,404,705

CUSTER 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)
HIGHWAY BRIDGE BUYBACK PROGRAM FUND				
Receipts	\$ 392,871	\$ 392,871	\$ 392,871	\$ -
Disbursements	(739,318)	(739,318)	(86,314)	653,004
Net Change in Fund Balance	(346,447)	(346,447)	306,557	653,004
Fund Balance - Beginning	346,447	346,447	346,447	-
Fund Balance - Ending	\$ -	\$ -	\$ 653,004	\$ 653,004
SINKING FUND				
Receipts	\$ 52,405	\$ 52,405	\$ 55,157	\$ 2,752
Disbursements	(1,113,235)	(1,113,235)	(315,697)	797,538
Net Change in Fund Balance	(1,060,830)	(1,060,830)	(260,540)	800,290
Fund Balance - Beginning	1,060,830	1,060,830	1,060,830	-
Fund Balance - Ending	\$ -	\$ -	\$ 800,290	\$ 800,290
CHILD SUPPORT INCENTIVE FUND				
Receipts	\$ 10,000	\$ 10,000	\$ 5,786	\$ (4,214)
Disbursements	(10,000)	(10,000)	(361)	9,639
Transfers in	-	-	-	-
Transfers out	(37,934)	(37,934)	(37,934)	-
Net Change in Fund Balance	(37,934)	(37,934)	(32,509)	5,425
Fund Balance - Beginning	37,934	37,934	37,934	-
Fund Balance - Ending	\$ -	\$ -	\$ 5,425	\$ 5,425
VISITORS PROMOTION FUND				
Receipts	\$ 48,500	\$ 48,500	\$ 49,539	\$ 1,039
Disbursements	(50,966)	(50,966)	(46,022)	4,944
Net Change in Fund Balance	(2,466)	(2,466)	3,517	5,983
Fund Balance - Beginning	22,466	22,466	22,466	-
Fund Balance - Ending	\$ 20,000	\$ 20,000	\$ 25,983	\$ 5,983
VISITORS IMPROVEMENT FUND				
Receipts	\$ 48,500	\$ 48,500	\$ 49,539	\$ 1,039
Disbursements	(74,244)	(74,244)	(58,902)	15,342
Net Change in Fund Balance	(25,744)	(25,744)	(9,363)	16,381
Fund Balance - Beginning	45,744	45,744	45,744	-
Fund Balance - Ending	\$ 20,000	\$ 20,000	\$ 36,381	\$ 16,381

(Continued)

CUSTER 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)
PRESERVATION & MODERNIZATION FUND				
Receipts	\$ 8,101	\$ 8,101	\$ 8,220	\$ 119
Disbursements	(20,091)	(20,091)	(4,703)	15,388
Net Change in Fund Balance	(11,990)	(11,990)	3,517	15,507
Fund Balance - Beginning	11,990	11,990	11,990	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,507</u>	<u>\$ 15,507</u>
VETERAN'S AID FUND				
Receipts	\$ -	\$ -	\$ 1,703	\$ 1,703
Disbursements	(98,946)	(98,946)	-	98,946
Net Change in Fund Balance	(98,946)	(98,946)	1,703	100,649
Fund Balance - Beginning	98,946	98,946	98,946	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,649</u>	<u>\$ 100,649</u>
STOP PROGRAM FUND				
Receipts	\$ 45,659	\$ 45,659	\$ 8,075	\$ (37,584)
Disbursements	(50,000)	(50,000)	(4,795)	45,205
Net Change in Fund Balance	(4,341)	(4,341)	3,280	7,621
Fund Balance - Beginning	4,341	4,341	4,341	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,621</u>	<u>\$ 7,621</u>
DRUG LAW ENFORCEMENT AND EDUCATION FUND				
Receipts	\$ 48,949	\$ 48,949	\$ -	\$ (48,949)
Disbursements	(50,000)	(50,000)	-	50,000
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>
FEDERAL DRUG LAW ENFORCEMENT FUND				
Receipts	\$ -	\$ -	\$ 42,548	\$ 42,548
Disbursements	-	-	-	-
Net Change in Fund Balance	-	-	42,548	42,548
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,548</u>	<u>\$ 42,548</u>

(Continued)

CUSTER 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)
REUSE GRANT FUND				
Receipts	\$ 53,533	\$ 53,533	\$ 50,929	\$ (2,604)
Disbursements	(425,843)	(425,843)	(2,886)	422,957
Net Change in Fund Balance	(372,310)	(372,310)	48,043	420,353
Fund Balance - Beginning	372,310	372,310	375,843	3,533
Fund Balance - Ending	\$ -	\$ -	\$ 423,886	\$ 423,886
HOUSING REUSE GRANT FUND				
Receipts	\$ 4,345	\$ 4,345	\$ 3,335	\$ (1,010)
Disbursements	(12,870)	(12,870)	-	12,870
Net Change in Fund Balance	(8,525)	(8,525)	3,335	11,860
Fund Balance - Beginning	8,525	8,525	8,525	-
Fund Balance - Ending	\$ -	\$ -	\$ 11,860	\$ 11,860
DISASTER RELIEF FUND				
Receipts	\$ -	\$ -	\$ 195,612	\$ 195,612
Disbursements	(781,460)	(781,460)	(560,422)	221,038
Net Change in Fund Balance	(781,460)	(781,460)	(364,810)	416,650
Fund Balance - Beginning	781,460	781,460	781,460	-
Fund Balance - Ending	\$ -	\$ -	\$ 416,650	\$ 416,650
E911 WIRELESS SERVICE FUND				
Receipts	\$ 55,339	\$ 55,339	\$ 55,339	\$ -
Disbursements	(55,339)	(55,339)	-	55,339
Transfers in	-	-	-	-
Transfers out	(41,469)	(41,469)	(55,714)	(14,245)
Net Change in Fund Balance	(41,469)	(41,469)	(375)	41,094
Fund Balance - Beginning	41,469	41,469	41,469	-
Fund Balance - Ending	\$ -	\$ -	\$ 41,094	\$ 41,094
E911 WIRELESS SERVICE HOLDING FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(125,314)	(125,314)	-	125,314
Transfers in	41,469	41,469	41,469	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(83,845)	(83,845)	41,469	125,314
Fund Balance - Beginning	83,845	83,845	83,845	-
Fund Balance - Ending	\$ -	\$ -	\$ 125,314	\$ 125,314

CUSTER 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)
BUILDING BOND FUND				
Receipts	\$ -	\$ -	\$ 265	\$ 265
Disbursements	(250,073)	(1,163,690)	(1,159,320)	4,370
Transfers in	245,000	1,158,618	1,158,618	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(5,073)	(5,072)	(437)	4,635
Fund Balance - Beginning	5,073	5,073	5,073	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 4,636</u>	<u>\$ 4,635</u>
COMMUNICATIONS FUND				
Receipts	\$ 408,987	\$ 408,987	\$ 396,533	\$ (12,454)
Disbursements	(435,000)	(435,000)	(404,281)	30,719
Transfers in	-	-	14,245	14,245
Transfers out	-	-	-	-
Net Change in Fund Balance	(26,013)	(26,013)	6,497	32,510
Fund Balance - Beginning	91,013	91,013	91,013	-
Fund Balance - Ending	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ 97,510</u>	<u>\$ 32,510</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, 2020

	Highway Bridge Buyback Program Fund	Sinking Fund	Child Support Incentive Fund	Visitors Promotion Fund	Visitors Improvement Fund	Preservation & Modernization Fund
RECEIPTS						
Property Taxes	\$ -	\$ 44,670	\$ -	\$ 49,539	\$ 49,539	\$ -
Investment Income	-	4,255	-	-	-	-
Intergovernmental	392,871	6,232	5,786	-	-	-
Charges for Services	-	-	-	-	-	8,220
Miscellaneous	-	-	-	-	-	-
TOTAL RECEIPTS	<u>392,871</u>	<u>55,157</u>	<u>5,786</u>	<u>49,539</u>	<u>49,539</u>	<u>8,220</u>
DISBURSEMENTS						
General Government	-	18,635	-	-	-	4,703
Public Safety	-	-	361	-	-	-
Public Works	86,314	-	-	-	-	-
Culture and Recreation	-	-	-	46,022	58,902	-
Debt Service:						
Principal Payments	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Capital Projects	-	297,062	-	-	-	-
TOTAL DISBURSEMENTS	<u>86,314</u>	<u>315,697</u>	<u>361</u>	<u>46,022</u>	<u>58,902</u>	<u>4,703</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>306,557</u>	<u>(260,540)</u>	<u>5,425</u>	<u>3,517</u>	<u>(9,363)</u>	<u>3,517</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(37,934)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(37,934)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	306,557	(260,540)	(32,509)	3,517	(9,363)	3,517
FUND BALANCES - BEGINNING	<u>346,447</u>	<u>1,060,830</u>	<u>37,934</u>	<u>22,466</u>	<u>45,744</u>	<u>11,990</u>
FUND BALANCES - ENDING	<u>\$ 653,004</u>	<u>\$ 800,290</u>	<u>\$ 5,425</u>	<u>\$ 25,983</u>	<u>\$ 36,381</u>	<u>\$ 15,507</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	-	-	25,983	36,381	-
911 Emergency Services	-	-	-	-	-	-
Drug Education	-	-	-	-	-	-
Law Enforcement	-	-	-	-	-	-
Preservation of Records	-	-	-	-	-	15,507
Debt Service	-	-	-	-	-	-
Road Maintenance	653,004	-	-	-	-	-
Child Support	-	-	5,425	-	-	-
Economic Development	-	-	-	-	-	-
Committed to:						
Law Enforcement	-	-	-	-	-	-
Aid and Assistance	-	-	-	-	-	-
Capital Improvement Projects	-	800,290	-	-	-	-
Disaster Recover and Relief Aid	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 653,004</u>	<u>\$ 800,290</u>	<u>\$ 5,425</u>	<u>\$ 25,983</u>	<u>\$ 36,381</u>	<u>\$ 15,507</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, 2020

	Veteran's Aid Fund	STOP Program Fund	Drug Law Enforcement and Education Fund	Federal Drug Law Enforcement Fund	Reuse Grant Fund	Housing Reuse Grant Fund
RECEIPTS						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income	1,703	-	-	12	1,851	15
Intergovernmental	-	-	-	42,536	-	-
Charges for Services	-	8,075	-	-	-	-
Miscellaneous	-	-	-	-	49,078	3,320
TOTAL RECEIPTS	<u>1,703</u>	<u>8,075</u>	<u>-</u>	<u>42,548</u>	<u>50,929</u>	<u>3,335</u>
DISBURSEMENTS						
General Government	-	-	-	-	2,886	-
Public Safety	-	4,795	-	-	-	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Debt Service:						
Principal Payments	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>-</u>	<u>4,795</u>	<u>-</u>	<u>-</u>	<u>2,886</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>1,703</u>	<u>3,280</u>	<u>-</u>	<u>42,548</u>	<u>48,043</u>	<u>3,335</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,703	3,280	-	42,548	48,043	3,335
FUND BALANCES - BEGINNING	<u>98,946</u>	<u>4,341</u>	<u>1,051</u>	<u>-</u>	<u>375,843</u>	<u>8,525</u>
FUND BALANCES - ENDING	<u>\$ 100,649</u>	<u>\$ 7,621</u>	<u>\$ 1,051</u>	<u>\$ 42,548</u>	<u>\$ 423,886</u>	<u>\$ 11,860</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	-	-	-	-	-
911 Emergency Services	-	-	-	-	-	-
Drug Education	-	-	1,051	-	-	-
Law Enforcement	-	-	-	42,548	-	-
Preservation of Records	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Road Maintenance	-	-	-	-	-	-
Child Support	-	-	-	-	-	-
Economic Development	-	-	-	-	423,886	11,860
Committed to:						
Law Enforcement	-	7,621	-	-	-	-
Aid and Assistance	100,649	-	-	-	-	-
Capital Improvement Projects	-	-	-	-	-	-
Disaster Recover and Relief Aid	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 100,649</u>	<u>\$ 7,621</u>	<u>\$ 1,051</u>	<u>\$ 42,548</u>	<u>\$ 423,886</u>	<u>\$ 11,860</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, 2020

	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	\$ -	\$ 15	\$ 214,313	\$ 413,415
Investment Income	-	-	-	250	-	8,086
Intergovernmental	195,612	-	-	-	164,548	807,585
Charges for Services	-	-	-	-	17,672	33,967
Miscellaneous	-	-	-	-	-	52,398
TOTAL RECEIPTS	<u>195,612</u>	<u>55,339</u>	<u>-</u>	<u>265</u>	<u>396,533</u>	<u>1,315,451</u>
DISBURSEMENTS						
General Government	-	-	-	-	-	26,224
Public Safety	-	-	-	-	404,281	409,437
Public Works	560,422	-	-	-	-	646,736
Culture and Recreation	-	-	-	-	-	104,924
Debt Service:						
Principal Payments	-	-	-	1,095,000	-	1,095,000
Interest and Fiscal Charges	-	-	-	64,320	-	64,320
Capital Projects	-	-	-	-	-	297,062
TOTAL DISBURSEMENTS	<u>560,422</u>	<u>-</u>	<u>-</u>	<u>1,159,320</u>	<u>404,281</u>	<u>2,643,703</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(364,810)</u>	<u>55,339</u>	<u>-</u>	<u>(1,159,055)</u>	<u>(7,748)</u>	<u>(1,328,252)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	41,469	1,158,618	14,245	1,214,332
Transfers out	-	(55,714)	-	-	-	(93,648)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(55,714)</u>	<u>41,469</u>	<u>1,158,618</u>	<u>14,245</u>	<u>1,120,684</u>
Net Change in Fund Balances	(364,810)	(375)	41,469	(437)	6,497	(207,568)
FUND BALANCES - BEGINNING	<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 - ENDING	<u>\$ 416,650</u>	<u>\$41,094</u>	<u>\$ 125,314</u>	<u>\$ 4,636</u>	<u>\$ 97,510</u>	<u>\$ 2,809,409</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	-	-	-	-	62,364
911 Emergency Services	-	41,094	125,314	-	-	166,408
Drug Education	-	-	-	-	-	1,051
Law Enforcement	-	-	-	-	-	42,548
Preservation of Records	-	-	-	-	-	15,507
Debt Service	-	-	-	4,636	-	4,636
Road Maintenance	-	-	-	-	-	653,004
Child Support	-	-	-	-	-	5,425
Economic Development	-	-	-	-	-	435,746
Committed to:						
Law Enforcement	-	-	-	-	97,510	105,131
Aid and Assistance	-	-	-	-	-	100,649
Capital Improvement Projects	-	-	-	-	-	800,290
Disaster Recover and Relief Aid	416,650	-	-	-	-	416,650
TOTAL FUND BALANCES	<u>\$ 416,650</u>	<u>\$41,094</u>	<u>\$ 125,314</u>	<u>\$ 4,636</u>	<u>\$ 97,510</u>	<u>\$ 2,809,409</u>

(Concluded)

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

	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, 2019	\$ 1,277	\$ 13,322	\$ 205,749	\$ 3,606	\$ 4,067	\$ 70,965	\$ 3,444	\$ 100	\$ 584	\$ 303,114
RECEIPTS										
Property Taxes	-	-	-	27,630	-	-	-	-	-	27,630
Licenses and Permits	1,822	-	-	1,725	-	-	-	4,325	-	7,872
Intergovernmental	-	-	-	22,390	-	-	-	-	-	22,390
Charges for Services	2,046	97,436	16,728	44,121	-	346,854	-	-	23,566	530,751
Miscellaneous	61	16	-	1,491	1,758	31,990	5	25	-	35,346
State Fees	7,312	119,884	21,498	-	-	-	-	-	-	148,694
Other Liabilities	-	-	1,961,523	123,699	13,545	194	-	-	-	2,098,961
TOTAL RECEIPTS	11,241	217,336	1,999,749	221,056	15,303	379,038	5	4,350	23,566	2,871,644
DISBURSEMENTS										
Payments to County Treasurer	4,268	93,091	17,030	69,847	-	385,644	-	4,325	21,655	595,860
Payments to State Treasurer	6,832	113,984	21,302	-	-	194	-	-	-	142,312
Other Liabilities	61	16	2,106,340	151,329	15,154	526	1,132	25	-	2,274,583
TOTAL DISBURSEMENTS	11,161	207,091	2,144,672	221,176	15,154	386,364	1,132	4,350	21,655	3,012,755
BALANCES JUNE 30, 2020	\$ 1,357	\$ 23,567	\$ 60,826	\$ 3,486	\$ 4,216	\$ 63,639	\$ 2,317	\$ 100	\$ 2,495	\$ 162,003
BALANCES CONSIST OF:										
Due to County Treasurer	\$ 266	\$ 10,957	\$ 430	\$ 2,873	\$ 2,081	\$ 63,389	\$ 2,317	\$ -	\$ 2,495	\$ 84,808
Petty Cash	100	100	-	500	550	250	-	100	-	1,600
Due to State Treasurer	991	12,510	1,351	-	-	-	-	-	-	14,852
Due to Others	-	-	59,045	113	1,585	-	-	-	-	60,743
BALANCES JUNE 30, 2020	\$ 1,357	\$ 23,567	\$ 60,826	\$ 3,486	\$ 4,216	\$ 63,639	\$ 2,317	\$ 100	\$ 2,495	\$ 162,003

CUSTER 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	\$ 35,049,115	\$ 35,699,746	\$ 35,826,713	\$ 36,373,835	\$ 36,506,308
Personal and Specials	3,589,669	3,247,917	2,817,696	2,783,469	2,942,094
Total	38,638,784	38,947,663	38,644,409	39,157,304	39,448,402
Corrections					
Additions	779	7,792	1,631	531	20,375
Deductions	(8,912)	(2,826)	(8,986)	(960)	(40,409)
Net Additions/ (Deductions)	(8,133)	4,966	(7,355)	(429)	(20,034)
Corrected Certified Tax	38,630,651	38,952,629	38,637,054	39,156,875	39,428,368
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2016	23,793,855	-	-	-	-
June 30, 2017	14,816,406	23,745,425	-	-	-
June 30, 2018	10,408	15,187,150	23,791,566	-	-
June 30, 2019	4,902	11,887	14,824,098	23,568,581	-
June 30, 2020	1,613	3,379	11,387	15,553,726	23,526,604
Total Net Collections	38,627,184	38,947,841	38,627,051	39,122,307	23,526,604
Total Uncollected Tax	\$ 3,467	\$ 4,788	\$ 10,003	\$ 34,568	\$ 15,901,764
Percentage Uncollected Tax	0.01%	0.01%	0.03%	0.09%	40.33%

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

CUSTER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
DEPARTMENT OF HOMELAND SECURITY			
Passed through Nebraska Military Department			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	unavailable	* \$ 1,179,243
Emergency Management Performance Grants	97.042	unavailable	<u>75,430</u>
Total U.S. Department of Homeland Security			<u>1,254,673</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Nebraska Department of Health and Human Services			
Child Support Enforcement	93.563	unavailable	<u>200,802</u>
Total U.S. Department of Health and Human Services			<u>200,802</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,455,475</u></u>

* Represents Major Program

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CUSTER COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of Federal awards (Schedule) includes the Federal award activity of Custer County (County) under programs of the Federal government for the year ended June 30, 2020, except as noted in Note 2 below. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Custer County, it is not intended to and does not present the financial position, changes or net assets of the County. The County's reporting entity is defined in Note 1.A. to the County's financial statements. Federal awards received directly from Federal agencies, as well as those passed through other government agencies, are included in the Schedule. Unless otherwise noted on the Schedule, all programs are received directly from the respective Federal agency.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Custer County has elected to use the 10 percent de minimis indirect cost rate, as allowed under Uniform Guidance.

3. Disaster Grants – Public Assistance (Presidentially Declared Disasters)

After a presidentially declared disaster, FEMA provides Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA 97.036) to reimburse eligible costs associated with the repair, replacement, or restoration of disaster-damaged infrastructure. The Schedule of Expenditures of Federal Awards reports expenditures of \$1,179,243 for this program. Of this amount, \$215,708 was incurred and paid in the fiscal year ending June 30, 2019. The remaining amounts were incurred and paid in the fiscal year ending June 30, 2020.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

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, 2020, and the related notes to the financial statements, which collectively comprise Custer County's basic financial statements, and have issued our report thereon dated January 12, 2021. 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.

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 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

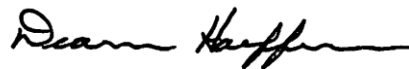
We also noted certain matters that we reported to the management of Custer County in a separate letter dated January 12, 2021.

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

January 12, 2021



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

CUSTER COUNTY
**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND
REPORT ON THE SCHEDULE OF EXPENITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

Board of Supervisors
Custer County, Nebraska

Report on Compliance for Each Major Federal Program

We have audited Custer County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Custer County's major Federal programs for the year ended June 30, 2020. Custer County's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Custer County's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Custer County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Custer County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Custer County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Custer County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Custer County's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Custer County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

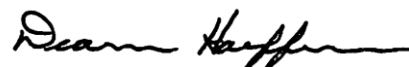
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of the internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Custer County as of and for the year ended June 30, 2020, and have issued our report thereon dated January 12, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements, which collectively comprise the basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis, as required by the Uniform Guidance, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the financial statements as a whole. The report notes the financial statements were prepared on the basis of cash receipts and disbursements.

January 12, 2021



Deann Haeffner
Assistant Deputy Auditor
Lincoln, Nebraska

CUSTER COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with cash basis of accounting:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

___ Yes X None Reported

Significant deficiencies identified?

X Yes ___ No

Noncompliance material to financial statements noted?

___ Yes X None Reported

Federal Awards

Internal control over major programs:

Material weaknesses identified?

___ Yes X None Reported

Significant deficiencies identified?

___ Yes X None Reported

Type of auditor’s report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___ Yes X No

Major programs: **Disaster Grants – Public Assistance (Presidentially Declared Disasters): CFDA #97.036**

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

___ Yes X No

CUSTER COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Concluded)

Section II – Financial Statement Findings

Finding # 2020-1

- Condition - There is a lack of segregation of accounting functions among various County offices and personnel. This is a continuing item from the prior year.
- Criteria - Authorization or approval of transactions, recording of transactions, and custody of assets should normally be segregated from each other.
- Context - Various County offices collect money; most of those offices employ one or two individuals. The offices remit the money to the County Treasurer.
- Effect - This lack of segregation of duties results in an inadequate overall internal control structure design.
- Cause - The County does not employ sufficient office personnel to segregate properly accounting functions.
- Recommendation - The County should be aware of the inherent risks associated with improper segregation of accounting functions. The County should also develop mitigating controls to reduce the risk of errors or fraud associated with the improper segregation of accounting functions.
- View of Officials - The County has discussed the finding but must consider the cost of adequate segregation of duties when determining the use of tax money.

Section III – Federal Award Findings and Questioned Costs

None Noted



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

January 12, 2021

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, 2020, and have issued our report thereon dated January 12, 2021. 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 TREASURER

Fines and License Distribution

We noted that, for the period January through June 2020, the County Treasurer's distributions of money from the collection of fines and licenses were incorrect. The County Treasurer failed to update the student census numbers used in the distribution calculation after the Nebraska Department of Education had made updated census information available. Consequently, the various school districts did not receive the correct amount of funding, as detailed in the following table:

School District	Over/(Under) Payment
Sandhills Public Schools	\$ (28)
Anselmo-Merna Public Schools	\$ 70
Broken Bow Public Schools	\$ 218
Ansley Public Schools	\$ (314)
Sargent Public Schools	\$ 59
Arnold Public Schools	\$ (444)
Callaway Public Schools	\$ 71
Gothenburg Public Schools	\$ 10
Sumner-Eddyville-Miller Schools	\$ 67
Litchfield Schools	\$ 327
Ord Public Schools	\$ (33)
Arcadia Public Schools	\$ (3)

Neb. Rev. Stat. § 79-1037 (Reissue 2014) provides the following:

(1) Each county treasurer shall add (a) all money received by the county treasurer of his or her county on account of fines and licenses, (b) the proceeds from the sale of schoolhouses, sites, or other property of a school district, and (c) all unexpended balances of proceeds of taxes levied by a district when the district has been taken by the United States for any defense, flood control, irrigation, or war project.

(2) The sum total referred to in subsection (1) of this section shall be distributed to the several districts of the county pro rata according to the enumeration of those children who are five through eighteen years of age for which the district is obligated to report on the census last returned by the districts.

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 schools not receiving the appropriate amount of funding, leading to possible loss or misuse of funds.

We recommend the County Treasurer correct the erroneous distributions of money from fines and licenses. Additionally, we recommend the County Treasurer implement procedures to ensure future distributions of fines and license monies are calculated correctly.

County Treasurer's Response: The student census numbers were correct in the ledger but the formulas used to calculate the distribution had been removed from the spreadsheet causing the rate to remain unchanged from the prior year. This error has been corrected and journal entries have been done to correct the over/under payments to the schools involved. Moving forward, the spreadsheet has been created and additional markers added to verify the formulas are in place.

Sales Tax Collection Fee

During our audit, we noted that \$2,228 in additional sale tax collection fees was recorded incorrectly to the County General Fund rather than the County Road Fund, as required by State statute.

Neb. Rev. Stat. § 77-2703(1)(i) (Supp. 2019) states, in relevant part, the following:

The county treasurer, for his or her collection fee, shall deduct and withhold, from all amounts required to be collected under this subsection, the collection fee permitted to be deducted by any retailer collecting the sales tax, all of which shall be deposited in the county general fund, plus an additional amount equal to one-half of one percent of all amounts in excess of six thousand dollars remitted each month. Prior to January 1, 2023, fifty percent of such additional amount shall be deposited in the county general fund and fifty percent of such additional amount shall be deposited in the county road fund. On and after January 1, 2023, seventy-five percent of such additional amount shall be deposited in the county general fund and twenty-five percent of such additional amount shall be deposited in the county road fund.

Additionally, good internal controls require procedures to ensure that sale tax collection fees are recorded to the appropriate funds in accordance with applicable State statutes.

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

We recommend the County Treasurer correct the erroneous coding of the additional sales tax collection fees. Additionally, we recommend the County Treasurer implement procedures to ensure the future recording of such fees is appropriate.

County Treasurer's Response: The errors in the 50/50 split have been corrected by journal entry between the County General Fund and the Road Fund. The templates in our distributions program have also been updated for future distributions.

COUNTY ATTORNEY

Bank Account Balance

During our audit, we noted that the County Attorney's office had a bank account containing \$2,027 as of June 30, 2020, with no activity during fiscal year 2020. In the prior year, the County Attorney identified this account as being petty cash associated with the Drug Law Enforcement and Education Fund.

On December 21, 2020, the County Attorney stated that this account was no longer a drug fund account; however, the recipients of the funds could not be identified. Furthermore, a bank reconciliation was not provided to support that the account reconciled to a specific petty cash balance authorized by the County Board.

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 accounting practices and good internal controls require procedures to ensure that all funds held by the County Attorney's office are either remitted to the appropriate parties or reconciled to the authorized petty cash balance approved by the County Board.

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

A similar comment was included in the prior-year report.

We recommend the County Attorney determine the recipients of the monies held in the bank account and make any necessary disbursements of those funds. If the recipients cannot be determined, the County Attorney should either remit the balance to the County Treasurer or determine if the funds are necessary for a petty cash fund. Any such petty cash fund should be authorized by resolution of the County Board, reconciled to the amount approved, and stated in the fiscal policy of the County Board budget message.

COUNTY SHERIFF

Accounting Procedures

During the audit, we noted that the County Sheriff remitted fees collected to the County Treasurer; however, this is contrary to State statute, which requires fees earned to be remitted.

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.

(Emphasis added.) Sound accounting practices and good internal controls require procedures to ensure that all County Sheriff service fees are remitted to the County Treasurer when earned, as required by law.

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

A similar comment was included in the prior-year report.

We recommend the County Sheriff implement procedures to ensure all sheriff service fees earned are remitted to the County Treasurer, as required by § 33-117(3).

COUNTY CLERK

Audit Report Publication

The County failed to publish a brief statement disclosing the conclusion of its fiscal year 2019 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.

A similar comment was included in the prior-year report.

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: This finding was brought about after our 2019 Audit, and I did publish in our minutes of December 23, 2019 this statement: Chairman Fox reviewed the 2019 Audit report as presented and the Co. Board will not make any response to findings. Motion by Olson, 2nd Myers, to accept the 2019 Audit report as completed by the State of NE Auditor of Public Accounts and approve Chairman Fox to sign the Management Letter for the 2019 Audit. The 2019 Audit report will be on file in the County Clerk’s office and open to the public. Roll call vote. Ayes-all.

The only problem was that was just the Draft report we had received, not the final print. So some confusion on my part, but with better communication with the Auditors this year – I will wait for the Final Draft of the 2020 Audit Report and then record and publish this notice.

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.

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.

This issue has been noted in prior audits.

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

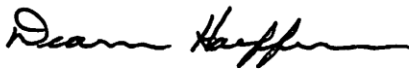
* * * * *

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