

**AUDIT REPORT
OF
KEARNEY COUNTY**

JULY 1, 2019, THROUGH JUNE 30, 2020

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Issued on January 20, 2021

KEARNEY COUNTY

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KEARNEY COUNTY
424 N Colorado Ave.
Minden, NE 68959

LIST OF COUNTY OFFICIALS
At June 30, 2020

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Supervisors	Richard Schwenka	Jan. 2023
	Brent Stewart	Jan. 2023
	William Pittner	Jan. 2021
	Robert Swanson	Jan. 2023
	Ross Bruning	Jan. 2021
	Wayne Anderson	Jan. 2023
	Larry Landstrom	Jan. 2021
Assessor	Jennifer Pittner	Jan. 2023
Attorney	Melodie Bellamy	Jan. 2023
Clerk	Myra Johnson	Jan. 2023
Election Commissioner		
Register of Deeds		
Clerk of the District Court	Jill Fritson	Jan. 2023
Sheriff	Scott White	Jan. 2023
Treasurer	Jody Payne	Jan. 2023
Veterans' Service Officer	Philip Heun	Appointed
Weed Superintendent	Joe Anderson	Appointed
Planning & Zoning		
Floodplain Administrator		
Highway Superintendent	Randall Smith	Appointed
Emergency Manager	Jeff England	Appointed
Public Defender	Tom Lieske	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

KEARNEY COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Kearney 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 Kearney County, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

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

Basis for Adverse Opinion on the Discretely Presented Component Unit

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of Kearney County, as of June 30, 2020, or the change in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and aggregate remaining fund information of Kearney County, as of June 30, 2020, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Emphasis of Matters – Basis of Accounting

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

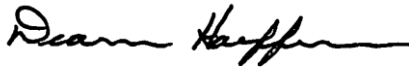
Report on Supplementary Information

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

The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, pages 18-29, 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 15, 2021, on our consideration of Kearney County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and considering Kearney County’s internal control over financial reporting and compliance.



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

January 15, 2021

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 5,484,397
TOTAL ASSETS	\$ 5,484,397
NET POSITION	
Restricted for:	
Visitor Promotion	\$ 17,050
911 Emergency Services	211,599
Drug Education	1,121
Preservation of Records	2,283
Debt Service	279,385
Hospital Services	3,927
Unrestricted	4,969,032
TOTAL NET POSITION	\$ 5,484,397

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

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

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (2,075,911)	\$ 359,578	\$ 61,453	\$ (1,654,880)
Public Safety	(1,055,713)	23,884	38,535	(993,294)
Public Works	(3,434,817)	1,212	1,603,252	(1,830,353)
Health and Sanitation	(405,400)	-	-	(405,400)
Public Assistance	(35,766)	-	-	(35,766)
Culture and Recreation	(1,000)	-	-	(1,000)
Debt Payments	(864,926)	-	-	(864,926)
Total Governmental Activities	\$ (7,873,533)	\$ 384,674	\$ 1,703,240	(5,785,619)

General Receipts:

Property Taxes	4,597,484
Grants and Contributions Not Restricted to Specific Programs	599,048
Investment Income	45,668
Licenses and Permits	31,020
Miscellaneous	52,490
Total General Receipts	5,325,710
 Increase in Net Position	 (459,909)
Net Position - Beginning of year	5,944,306
Net Position - End of year	\$ 5,484,397

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

KEARNEY 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>Hospital Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents (Note 1.D)	\$ 1,200,064	\$1,064,618	\$ 2,550,474	\$279,385	\$ 389,856	\$ 5,484,397
TOTAL ASSETS	<u>\$ 1,200,064</u>	<u>\$1,064,618</u>	<u>\$ 2,550,474</u>	<u>\$279,385</u>	<u>\$ 389,856</u>	<u>\$ 5,484,397</u>
FUND BALANCES						
Restricted for:						
Visitor Promotion	-	-	-	-	17,050	17,050
911 Emergency Services	-	-	-	-	211,599	211,599
Drug Education	-	-	-	-	1,121	1,121
Preservation of Records	-	-	-	-	2,283	2,283
Debt Service	-	-	-	279,385	-	279,385
Hospital Services	-	-	-	-	3,927	3,927
Committed to:						
Law Enforcement	-	-	-	-	5,789	5,789
Road Maintenance	-	1,064,618	-	-	-	1,064,618
Aid and Assistance	-	-	-	-	22,823	22,823
Unemployment	-	-	-	-	15,799	15,799
Economic Development	-	-	-	-	109,465	109,465
Assigned to:						
Other Purposes	-	-	2,550,474	-	-	2,550,474
Unassigned	1,200,064	-	-	-	-	1,200,064
TOTAL CASH BASIS FUND BALANCES	<u>\$ 1,200,064</u>	<u>\$1,064,618</u>	<u>\$ 2,550,474</u>	<u>\$279,385</u>	<u>\$ 389,856</u>	<u>\$ 5,484,397</u>

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

KEARNEY 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	Hospital Bond Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$3,043,292	\$ -	\$ 237,625	\$ 779,178	\$ 537,389	\$ 4,597,484
Licenses and Permits	31,020	-	-	-	-	31,020
Investment Income	44,534	-	-	-	1,134	45,668
Intergovernmental	458,605	1,626,939	-	95,812	120,932	2,302,288
Charges for Services	377,694	1,212	-	-	5,768	384,674
Miscellaneous	16,596	26,548	-	2,183	7,163	52,490
TOTAL RECEIPTS	<u>3,971,741</u>	<u>1,654,699</u>	<u>237,625</u>	<u>877,173</u>	<u>672,386</u>	<u>7,413,624</u>
DISBURSEMENTS						
General Government	2,011,301	-	-	-	64,610	2,075,911
Public Safety	804,489	-	-	-	251,224	1,055,713
Public Works	47,375	2,850,829	536,613	-	-	3,434,817
Health and Sanitation	-	-	-	-	405,400	405,400
Public Assistance	35,766	-	-	-	-	35,766
Culture and Recreation	-	-	-	-	1,000	1,000
Debt Service:						
Principal Payments	-	-	-	675,000	-	675,000
Interest and Fiscal Charges	-	-	-	189,926	-	189,926
TOTAL DISBURSEMENTS	<u>2,898,931</u>	<u>2,850,829</u>	<u>536,613</u>	<u>864,926</u>	<u>722,234</u>	<u>7,873,533</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>1,072,810</u>	<u>(1,196,130)</u>	<u>(298,988)</u>	<u>12,247</u>	<u>(49,848)</u>	<u>(459,909)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	1,014,894	-	-	33,522	1,048,416
Transfers out	(1,014,894)	-	-	-	(33,522)	(1,048,416)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,014,894)</u>	<u>1,014,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	57,916	(181,236)	(298,988)	12,247	(49,848)	(459,909)
CASH BASIS FUND BALANCES - BEGINNING	<u>1,142,148</u>	<u>1,245,854</u>	<u>2,849,462</u>	<u>267,138</u>	<u>439,704</u>	<u>5,944,306</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 1,200,064</u>	<u>\$ 1,064,618</u>	<u>\$ 2,550,474</u>	<u>\$ 279,385</u>	<u>\$ 389,856</u>	<u>\$ 5,484,397</u>

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

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

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 664,617
 LIABILITIES	
Due to other governments	
State	293,967
Schools	220,972
Educational Service Units	2,906
Technical College	18,026
Natural Resource Districts	4,162
Fire Districts	3,421
Municipalities	35,880
Agricultural Society	520
Drainage Districts	11,622
Townships	1,964
Fort Kearny Board	45,669
Others	25,508
TOTAL LIABILITIES	664,617
TOTAL NET ASSETS	\$ -

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

KEARNEY 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 Kearney County.

A. Reporting Entity

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

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

Joint Organization.

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

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$19,623 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.

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

The Department's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County did not contribute toward the operation of the Department during fiscal year 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.

Fort Kearny Preservation, Restoration and Development Board – As explained in “Buffalo Tales,” Volume 11, No. 6, and Volume 23, No. 3, published by the Buffalo County Historical Society, local citizens formed the Fort Kearny Memorial Association in 1922 for “the perpetuation and preservation of the Old Fort Kearny Site as a patriotic and historic park and the marking of same by suitable monuments.” The Memorial Association was replaced by the Fort Kearny Preservation, Restoration and Development Board (FKPRD Board), as decreed by Governor Ralph Brooks. Contributions continue to be collected by the FKPRD Board and deposited with the Kearney County Treasurer. Withdrawals are made by warrant requests signed by the authorized members of the current board. As of June 30, 2020, the Kearney County Treasurer was holding \$45,669 for the FKPRD Board.

B. Basis of Presentation

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

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

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

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.

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

The County reports the following major governmental funds:

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

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

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

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

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

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

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

The County designates fund balances as follows:

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

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

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

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

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

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

D. **Assets and Net Position**

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

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

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

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.

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

Restricted Net Position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$515,365 of restricted net position, which is fully restricted by enabling legislation.

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

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

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

2. Deposits and Investments

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

At year end, the County's carrying amount of deposits was \$5,484,397 for County funds and \$664,617 for Fiduciary funds. The bank balances for all funds totaled \$6,400,196. 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.

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.

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Property Taxes** (Concluded)

The levy set in October 2019, for the 2019 taxes, which will be materially collected in May and September 2020, was set at \$.221797/\$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 \$.206740/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

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

4. **Retirement System**

The Retirement System for Nebraska Counties (Plan) is a multiple-employer plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2334 (Reissue 2012, Cum. Supp. 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, 63 employees contributed \$108,326, and the County contributed \$160,701. Contributions included \$3,573 in cash contributions towards the supplemental law enforcement plan for seven law enforcement employees. Lastly, the County paid \$1,845 directly to 17 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.

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. **Risk Management** (Concluded)

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

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

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

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

6. **Interfund Transfers**

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

Transfers to	Transfers from		Total
	General Fund	Nonmajor Funds	
Road Fund	\$ 1,014,894	\$ -	\$ 1,014,894
Nonmajor Funds	-	33,522	33,522
Total	<u>\$ 1,014,894</u>	<u>\$ 33,522</u>	<u>\$ 1,048,416</u>

Transfers are used to move unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In the year ended June 30, 2020, in addition to a couple of small transfers, the County made a one-time transfer of \$33,185 from the 911 Wireless Service Fund to the Central Communications Fund to pay for the wages of the dispatch employees.

7. **Long-Term Debt**

Series 2012 General Obligation Bond. The County issued bonds on January 17, 2012, in the amount of \$1,140,000 for the purpose of refunding Series 2009 General Obligation Bonds originally issued for paying the costs of improvements, additions, and equipment for the County's existing hospital facilities. The bond payable balance, as of June 30, 2020, was \$530,000. 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.

KEARNEY COUNTY

NOTES TO FINANCIAL STATEMENTS

(Concluded)

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

Future Payments:

Year	Principal	Interest	Total
2021	\$ 100,000	\$ 10,372	\$ 110,372
2022	105,000	8,422	113,422
2023	105,000	6,244	111,244
2024	110,000	3,850	113,850
2025	110,000	1,293	111,293
Total Payments	<u>\$ 530,000</u>	<u>\$ 30,181</u>	<u>\$ 560,181</u>

Series 2019 General Obligation Bond. The County issued bonds on December 30, 2019, in the amount of \$5,585,000 for the purpose of refunding Series 2014 General Obligation Bonds originally issued for paying the costs of constructing renovations, improvements, and additions to, and providing equipment for, the existing hospital facilities. The bond payable balance, as of June 30, 2020, was \$6,170,000, which includes a final payment on the Series 2014 bonds. The County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds. Future tax resources will be used to pay off the bonds.

Future Payments:

Year	Principal	Interest	Total
2021	\$ 585,000	\$ 196,700	\$ 781,700
2022	560,000	185,000	745,000
2023	580,000	162,600	742,600
2024	605,000	139,400	744,400
2025	630,000	115,200	745,200
2026-2030	3,210,000	281,250	3,491,250
Total Payments	<u>\$ 6,170,000</u>	<u>\$ 1,080,150</u>	<u>\$ 7,250,150</u>

8. **Notes Receivable**

In 1997, the County received a Community Development Block Grant from the Nebraska Department of Economic Development (DED) in the amount of \$200,000. Over the years, the amount was loaned to various businesses, which 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 to projects approved by the DED. The County has one loan that is still being repaid with an interest rate of 4.125%. The business owes the County \$16,369 as of June 30, 2020. Each loan, the amount due, and expected repayment date is available at the City of Minden.

KEARNEY 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	\$ 3,337,758	\$ 3,337,758	\$ 3,043,292	\$ (294,466)
Licenses and Permits	21,230	21,230	31,020	9,790
Interest	20,150	20,150	44,534	24,384
Intergovernmental	111,845	111,845	458,605	346,760
Charges for Services	330,695	330,695	377,694	46,999
Miscellaneous	15,000	15,000	16,596	1,596
TOTAL RECEIPTS	<u>3,836,678</u>	<u>3,836,678</u>	<u>3,971,741</u>	<u>135,063</u>
DISBURSEMENTS				
General Government:				
County Board	97,750	97,750	94,665	3,085
County Clerk	198,188	198,188	171,451	26,737
County Treasurer	203,633	203,633	171,966	31,667
County Assessor	153,168	153,168	119,786	33,382
Election Commissioner	40,800	40,800	17,182	23,618
Building and Zoning	17,162	17,162	13,188	3,974
Clerk of the District Court	85,202	85,202	79,257	5,945
County Court System	11,300	11,300	5,201	6,099
District Judge	67,597	67,597	66,699	898
Public Defender	67,934	67,934	63,460	4,474
Building and Grounds	105,445	105,445	76,455	28,990
Reappraisal	80,000	80,000	73,400	6,600
Agricultural Extension Agent	69,553	69,553	59,738	9,815
Data Processing	91,000	91,000	65,215	25,785
County Superintendent	4,565	4,565	4,459	106
Miscellaneous	1,290,345	1,290,345	929,179	361,166
Public Safety				
County Sheriff	423,774	423,774	385,939	37,835
County Attorney	190,965	190,965	166,221	24,744
County Jail	131,518	131,518	119,749	11,769
Emergency Management	291,428	291,428	88,075	203,353
Child Supt Agrmt Atty	39,836	39,836	39,836	-
Juvenile Probation	6,400	6,400	4,669	1,731
Public Works				
County Surveyor	6,732	6,732	550	6,182
Noxious Weed Control	53,287	53,287	46,825	6,462
Public Assistance				
Veterans' Service Officer	36,350	36,350	35,766	584
TOTAL DISBURSEMENTS	<u>3,763,932</u>	<u>3,763,932</u>	<u>2,898,931</u>	<u>865,001</u>

KEARNEY COUNTY
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	72,746	72,746	1,072,810	1,000,064
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,014,894)	(1,014,894)	(1,014,894)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,014,894)	(1,014,894)	(1,014,894)	-
Net Change in Fund Balance	(942,148)	(942,148)	57,916	1,000,064
FUND BALANCE - BEGINNING	1,142,148	1,142,148	1,142,148	-
FUND BALANCE - ENDING	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 1,200,064</u>	<u>\$ 1,000,064</u>

(Concluded)

KEARNEY 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				
Intergovernmental	\$ 1,513,097	\$ 1,513,097	\$1,626,939	\$ 113,842
Charges for Services	-	-	1,212	1,212
Miscellaneous	23,920	23,920	26,548	2,628
TOTAL RECEIPTS	<u>1,537,017</u>	<u>1,537,017</u>	<u>1,654,699</u>	<u>117,682</u>
DISBURSEMENTS	<u>3,597,765</u>	<u>3,597,765</u>	<u>2,850,829</u>	<u>746,936</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(2,060,748)</u>	<u>(2,060,748)</u>	<u>(1,196,130)</u>	<u>864,618</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,014,894	1,014,894	1,014,894	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,014,894</u>	<u>1,014,894</u>	<u>1,014,894</u>	<u>-</u>
Net Change in Fund Balance	(1,045,854)	(1,045,854)	(181,236)	864,618
FUND BALANCE - BEGINNING	1,245,854	1,245,854	1,245,854	-
FUND BALANCE - ENDING	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$1,064,618</u>	<u>\$ 864,618</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 300,538	\$ 300,538	\$ 237,625	\$ (62,913)
TOTAL RECEIPTS	<u>300,538</u>	<u>300,538</u>	<u>237,625</u>	<u>(62,913)</u>
DISBURSEMENTS	<u>3,150,000</u>	<u>3,150,000</u>	<u>536,613</u>	<u>2,613,387</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(2,849,462)</u>	<u>(2,849,462)</u>	<u>(298,988)</u>	<u>2,550,474</u>
Net Change in Fund Balance	(2,849,462)	(2,849,462)	(298,988)	2,550,474
FUND BALANCE - BEGINNING	2,849,462	2,849,462	2,849,462	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,550,474</u>	<u>\$ 2,550,474</u>

(Continued)

KEARNEY 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)
HOSPITAL BOND FUND				
RECEIPTS				
Taxes	\$ 861,000	\$ 861,000	\$ 779,178	\$ (81,822)
Interest	1	1	-	(1)
Intergovernmental	-	-	95,812	95,812
Miscellaneous	-	5,945,164	2,183	(5,942,981)
TOTAL RECEIPTS	<u>861,001</u>	<u>6,806,165</u>	<u>877,173</u>	<u>(5,928,992)</u>
DISBURSEMENTS	<u>865,062</u>	<u>6,810,226</u>	<u>864,926</u>	<u>5,945,300</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(4,061)</u>	<u>(4,061)</u>	<u>12,247</u>	<u>16,308</u>
Net Change in Fund Balance	(4,061)	(4,061)	12,247	16,308
FUND BALANCE - BEGINNING	<u>267,138</u>	<u>267,138</u>	<u>267,138</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 263,077</u>	<u>\$ 263,077</u>	<u>\$ 279,385</u>	<u>\$ 16,308</u>

(Concluded)

KEARNEY 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)
VISITOR'S PROMOTION FUND				
Receipts	\$ 3,000	\$ 3,000	\$ 3,807	\$ 807
Disbursements	(17,243)	(17,243)	(1,000)	16,243
Net Change in Fund Balance	(14,243)	(14,243)	2,807	17,050
Fund Balance - Beginning	14,243	14,243	14,243	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,050</u>	<u>\$ 17,050</u>
REGISTER OF DEEDS PRESERVATION AND MODERNIZATION FUND				
Receipts	\$ 5,001	\$ 5,001	\$ 4,808	\$ (193)
Disbursements	(7,086)	(7,086)	(4,610)	2,476
Net Change in Fund Balance	(2,085)	(2,085)	198	2,283
Fund Balance - Beginning	2,085	2,085	2,085	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,283</u>	<u>\$ 2,283</u>
EMPLOYMENT SECURITY FUND				
Receipts	\$ 1	\$ 1	\$ -	\$ (1)
Disbursements	(15,800)	(15,800)	-	15,800
Net Change in Fund Balance	(15,799)	(15,799)	-	15,799
Fund Balance - Beginning	15,799	15,799	15,799	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,799</u>	<u>\$ 15,799</u>
RELIEF MEDICAL FUND				
Receipts	\$ 6	\$ 6	\$ 4	\$ (2)
Disbursements	(22,825)	(22,825)	-	22,825
Net Change in Fund Balance	(22,819)	(22,819)	4	22,823
Fund Balance - Beginning	22,819	22,819	22,819	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,823</u>	<u>\$ 22,823</u>
STOP PROGRAM FUND				
Receipts	\$ 1,401	\$ 1,401	\$ 960	\$ (441)
Disbursements	(8,128)	(8,128)	(1,898)	6,230
Net Change in Fund Balance	(6,727)	(6,727)	(938)	5,789
Fund Balance - Beginning	6,727	6,727	6,727	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,789</u>	<u>\$ 5,789</u>

(Continued)

KEARNEY 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)
COUNTY DRUG LAW ENFORCEMENT AND EDUCATION FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(1,282)	(1,282)	(161)	1,121
Net Change in Fund Balance	(1,282)	(1,282)	(161)	1,121
Fund Balance - Beginning	1,282	1,282	1,282	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,121</u>	<u>\$ 1,121</u>
FEDERAL GRANT FUND				
Receipts	\$ 13,832	\$ 13,832	\$ 8,297	\$ (5,535)
Disbursements	(175,000)	(175,000)	(60,000)	115,000
Net Change in Fund Balance	(161,168)	(161,168)	(51,703)	109,465
Fund Balance - Beginning	161,168	161,168	161,168	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,465</u>	<u>\$ 109,465</u>
911 WIRELESS SERVICE FUND				
Receipts	\$ 50,501	\$ 50,501	\$ 50,502	\$ 1
Disbursements	(52,252)	(52,252)	(19,067)	33,185
Transfers in	-	-	337	337
Transfers out	-	-	(33,185)	(33,185)
Net Change in Fund Balance	(1,751)	(1,751)	(1,413)	338
Fund Balance - Beginning	1,751	1,751	1,751	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338</u>	<u>\$ 338</u>
911 WIRELESS SERVICE HOLDING FUND				
Receipts	\$ 1	\$ 1	\$ -	\$ (1)
Disbursements	(122,201)	(122,201)	(875)	121,326
Net Change in Fund Balance	(122,200)	(122,200)	(875)	121,325
Fund Balance - Beginning	122,200	122,200	122,200	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,325</u>	<u>\$ 121,325</u>
HOSPITAL MAINTENANCE FUND				
Receipts	\$ 12,200,729	\$ 12,200,729	\$ 407,549	\$ (11,793,180)
Disbursements	(12,202,507)	(12,202,507)	(405,400)	11,797,107
Net Change in Fund Balance	(1,778)	(1,778)	2,149	3,927
Fund Balance - Beginning	1,778	1,778	1,778	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,927</u>	<u>\$ 3,927</u>

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

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>CENTRAL COMMUNICATIONS FUND</u>				
Receipts	\$ 214,124	\$ 214,124	\$ 196,459	\$ (17,665)
Disbursements	(258,976)	(258,976)	(229,223)	29,753
Transfers in	-	-	33,185	33,185
Transfers out	-	-	(337)	(337)
Net Change in Fund Balance	(44,852)	(44,852)	84	44,936
Fund Balance - Beginning	89,852	89,852	89,852	-
Fund Balance - Ending	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 89,936</u>	<u>\$ 44,936</u>

(Concluded)

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

	Visitor's Promotion Fund	Register of Deeds Preservation and Modernization Fund	Employment Security Fund	Relief Medical Fund
RECEIPTS				
Property Taxes	\$ 3,807	\$ -	\$ -	\$ -
Investment Income	-	-	-	-
Intergovernmental	-	-	-	4
Charges for Services	-	4,808	-	-
Miscellaneous	-	-	-	-
TOTAL RECEIPTS	<u>3,807</u>	<u>4,808</u>	<u>-</u>	<u>4</u>
DISBURSEMENTS				
General Government	-	4,610	-	-
Public Safety	-	-	-	-
Health and Sanitation	-	-	-	-
Culture and Recreation	1,000	-	-	-
TOTAL DISBURSEMENTS	<u>1,000</u>	<u>4,610</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>2,807</u>	<u>198</u>	<u>-</u>	<u>4</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,807	198	-	4
FUND BALANCES - BEGINNING	<u>14,243</u>	<u>2,085</u>	<u>15,799</u>	<u>22,819</u>
FUND BALANCES - ENDING	<u>\$ 17,050</u>	<u>\$ 2,283</u>	<u>\$ 15,799</u>	<u>\$ 22,823</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	17,050	-	-	-
911 Emergency Services	-	-	-	-
Drug Education	-	-	-	-
Preservation of Records	-	2,283	-	-
Hospital Services	-	-	-	-
Committed to:				
Law Enforcement	-	-	-	-
Aid and Assistance	-	-	-	22,823
Unemployment	-	-	15,799	-
Economic Development	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 17,050</u>	<u>\$ 2,283</u>	<u>\$ 15,799</u>	<u>\$ 22,823</u>

(Continued)

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

	STOP Program Fund	County Drug Law Enforcement and Education Fund	Federal Grant Fund	911 Wireless Service Fund
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ 50,502
Investment Income	-	-	1,134	-
Intergovernmental	-	-	-	-
Charges for Services	960	-	-	-
Miscellaneous	-	-	7,163	-
TOTAL RECEIPTS	960	-	8,297	50,502
DISBURSEMENTS				
General Government	-	-	60,000	-
Public Safety	1,898	161	-	19,067
Health and Sanitation	-	-	-	-
Culture and Recreation	-	-	-	-
TOTAL DISBURSEMENTS	1,898	161	60,000	19,067
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(938)	(161)	(51,703)	31,435
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	337
Transfers out	-	-	-	(33,185)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(32,848)
Net Change in Fund Balances	(938)	(161)	(51,703)	(1,413)
FUND BALANCES - BEGINNING	6,727	1,282	161,168	1,751
FUND BALANCES - ENDING	\$ 5,789	\$ 1,121	\$ 109,465	\$ 338
FUND BALANCES:				
Restricted for:				
Visitor Promotion	-	-	-	-
911 Emergency Services	-	-	-	338
Drug Education	-	1,121	-	-
Preservation of Records	-	-	-	-
Hospital Services	-	-	-	-
Committed to:				
Law Enforcement	5,789	-	-	-
Aid and Assistance	-	-	-	-
Unemployment	-	-	-	-
Economic Development	-	-	109,465	-
TOTAL FUND BALANCES	\$ 5,789	\$ 1,121	\$ 109,465	\$ 338

(Continued)

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

	911 Wireless Service Holding Fund	Hospital Maintenance Fund	Central Communications Fund	Total Nonmajor Governmental Funds
RECEIPTS				
Property Taxes	\$ -	\$ 363,025	\$ 120,055	\$ 537,389
Investment Income	-	-	-	1,134
Intergovernmental	-	44,524	76,404	120,932
Charges for Services	-	-	-	5,768
Miscellaneous	-	-	-	7,163
TOTAL RECEIPTS	<u>-</u>	<u>407,549</u>	<u>196,459</u>	<u>672,386</u>
DISBURSEMENTS				
General Government	-	-	-	64,610
Public Safety	875	-	229,223	251,224
Health and Sanitation	-	405,400	-	405,400
Culture and Recreation	-	-	-	1,000
TOTAL DISBURSEMENTS	<u>875</u>	<u>405,400</u>	<u>229,223</u>	<u>722,234</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(875)</u>	<u>2,149</u>	<u>(32,764)</u>	<u>(49,848)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	33,185	33,522
Transfers out	-	-	(337)	(33,522)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>32,848</u>	<u>-</u>
Net Change in Fund Balances	(875)	2,149	84	(49,848)
FUND BALANCES - BEGINNING	<u>122,200</u>	<u>1,778</u>	<u>89,852</u>	<u>439,704</u>
FUND BALANCES - ENDING	<u>\$ 121,325</u>	<u>\$ 3,927</u>	<u>\$ 89,936</u>	<u>\$ 389,856</u>
FUND BALANCES:				
Restricted for:				
Visitor Promotion	-	-	-	17,050
911 Emergency Services	121,325	-	89,936	211,599
Drug Education	-	-	-	1,121
Preservation of Records	-	-	-	2,283
Hospital Services	-	3,927	-	3,927
Committed to:				
Law Enforcement	-	-	-	5,789
Aid and Assistance	-	-	-	22,823
Unemployment	-	-	-	15,799
Economic Development	-	-	-	109,465
TOTAL FUND BALANCES	<u>\$ 121,325</u>	<u>\$ 3,927</u>	<u>\$ 89,936</u>	<u>\$ 389,856</u>

(Concluded)

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

	County Clerk	Clerk of the District Court	County Sheriff	Highway Superintendent	Veterans' Service Officer	County Planning and Zoning	Total
BALANCES JULY 1, 2019	\$ 2,435	\$ 45,741	\$ 13,258	\$ -	\$ 439	\$ -	\$ 61,873
RECEIPTS							
Property Taxes	-	-	15,477	-	-	-	15,477
Licenses and Permits	825	-	420	-	-	850	2,095
Intergovernmental	-	-	-	-	1,000	-	1,000
Charges for Services	61,241	5,083	21,409	22,628	-	-	110,361
Miscellaneous	-	-	-	-	-	-	-
State Fees	82,802	8,026	-	-	-	-	90,828
Other Liabilities	-	543,620	37,400	-	-	-	581,020
TOTAL RECEIPTS	144,868	556,729	74,706	22,628	1,000	850	800,781
DISBURSEMENTS							
Payments to County Treasurer	60,066	5,029	21,880	22,628	-	850	110,453
Payments to State Treasurer	82,802	6,049	-	-	-	-	88,851
Other Liabilities	-	579,539	52,636	-	981	-	633,156
TOTAL DISBURSEMENTS	142,868	590,617	74,516	22,628	981	850	832,460
BALANCES JUNE 30, 2020	<u>\$ 4,435</u>	<u>\$ 11,853</u>	<u>\$ 13,448</u>	<u>\$ -</u>	<u>\$ 458</u>	<u>\$ -</u>	<u>\$ 30,194</u>
BALANCES CONSIST OF:							
Due to County Treasurer	\$ 4,435	\$ 409	\$ 11,118	\$ -	\$ 458	\$ -	\$ 16,420
Due to State Treasurer	-	3,084	-	-	-	-	3,084
Due to Others	-	8,360	2,330	-	-	-	10,690
BALANCES JUNE 30, 2020	<u>\$ 4,435</u>	<u>\$ 11,853</u>	<u>\$ 13,448</u>	<u>\$ -</u>	<u>\$ 458</u>	<u>\$ -</u>	<u>\$ 30,194</u>

KEARNEY 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	\$ 21,236,351	\$ 20,952,097	\$ 20,945,702	\$ 20,981,389	\$ 21,310,593
Personal and Specials	1,232,608	1,184,413	1,142,744	1,044,862	1,012,202
Total	22,468,959	22,136,510	22,088,446	22,026,251	22,322,795
Corrections					
Additions	4,838	2,014	59,721	520	40,329
Deductions	(2,948)	(1,638)	(15,020)	(14,535)	(6,051)
Net Additions/ (Deductions)	1,890	376	44,701	(14,015)	34,278
Corrected Certified Tax	22,470,849	22,136,886	22,133,147	22,012,236	22,357,073
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2016	14,623,975	-	-	-	-
June 30, 2017	7,841,512	14,232,553	-	-	-
June 30, 2018	1,396	7,897,764	14,524,150	-	-
June 30, 2019	2,205	3,278	7,600,784	14,194,792	-
June 30, 2020	568	2,254	6,498	7,810,781	14,516,829
Total Net Collections	22,469,656	22,135,849	22,131,432	22,005,573	14,516,829
Total Uncollected Tax	\$ 1,193	\$ 1,037	\$ 1,715	\$ 6,663	\$ 7,840,244
Percentage Uncollected Tax	0.01%	0.00%	0.01%	0.03%	35.07%

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



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

KEARNEY 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
Kearney 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 Kearney County, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Kearney County's basic financial statements, and have issued our report thereon dated January 15, 2021. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and do not include the financial data of the Kearney County Hospital, a component unit of Kearney County.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kearney 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 Kearney 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.

County Treasurer's Response: I will be working with all employees on additional training, hopefully to eliminate processing of an entire job by one person and to allow for more double checking everything.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kearney 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

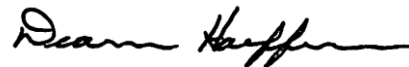
We also noted certain matters that we reported to the management of Kearney County in a separate letter dated January 15, 2021.

Kearney County's Response to Findings

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

Purpose of this Report

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



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

January 15, 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

January 15, 2021

Board of Supervisors
Kearney County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Kearney County (County) for the fiscal year ended June 30, 2020, and have issued our report thereon dated January 15, 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

Tax Reconciliation Procedures

We noted that the County Treasurer did not perform adequate procedures to ensure the total taxes to be collected as noted in the system were in agreement with the total taxes to be collected as certified by the County Assessor. The County Treasurer did not ensure taxes were rolled over to the system correctly from the County Assessor, nor were any subsequent monthly reconciliations performed to ensure tax corrections were entered properly into the system. When we attempted to perform this reconciliation, the following variances by tax year were noted:

Tax Year	Variance
2019	\$ (2,464)
2018	215
2017	7,496
2015	233

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

Without such procedures, there is an increased risk that the taxes collected by the County Treasurer will not be in agreement with those certified by the County Assessor. Additionally, there is an increased risk that tax corrections approved by the County Board of Equalization may be entered into the accounting system incorrectly, and remain unidentified.

A similar issue was noted during the prior audit.

We recommend the County Treasurer implement tax reconciliation procedures to ensure the total taxes to be collected per the Treasurer's system are in agreement with total taxes certified by the County Assessor, and tax corrections were entered properly into the system.

County Treasurer's Response: I have received additional training on this process and have been working closely with the Assessor and at MIPS. I am going to train all office employees on the process and the importance of this procedure. Tax corrections are being made promptly in the system and reconciled monthly.

Trust Balances

A listing could not be provided to support the balance held for partial tax payments collected by the County Treasurer. As of June 30, 2020, the balance maintained was \$25,140. The County Treasurer was unable to provide support for \$1,976 of the total balance. Due to the lack of support, we were unable to determine the age of the balances held.

Good internal controls and sound business practices require procedures to ensure that trust balances of the County are reviewed on an ongoing, timely basis to determine what action should be taken to resolve those balances.

When the County's trust balances are not consistently reviewed, there is an increased risk of errors, omissions, and/or irregularities not being detected and resolved in a timely manner. A similar finding was noted in the prior year's audit.

We recommend the County Treasurer implement procedures to ensure ongoing, detailed, and timely reviews of all trust balances are performed so that any unusual balances are promptly identified and resolved.

County Treasurer's Response: This is an issue that we have been and are currently working on to get resolved. Since some of the money that makes up the balance is at least 15 or more years old, we were having difficulty figuring out what do with those amounts. We received some advice on what the correct procedure is to take care of these items. Once we get them cleared out of our books, we will have a better understanding of the remaining amount and can begin to figure out where that amount is coming from and how to handle it. Our main goal is to be able to support all of the funds in this account.

Fines Remitted to General Fund

The County Treasurer received fines, totaling \$12,500, from the District Court; however, these funds were recorded improperly to the County General Fund, instead of the County School Fines and Licenses Fund. Since these amounts were not recorded to the proper fund, the fines were not subsequently distributed to the various County school funds, as required by State statute.

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

A good internal control plan requires procedures to ensure that fines are remitted to the County School Fines and Licenses Fund.

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

A similar issue was noted during the prior audit.

We recommend the County Treasurer implement procedures to ensure that fines received are recorded properly to the County School Fines and Licenses Fund.

County Treasurer's Response: The amount of \$12500.00 that was recorded into the County General Fund has been corrected by miscellaneous receipt and is now in the County School Fines & Licenses and will be disbursed to the school this month.

COUNTY BOARD

Lack of Supporting Documentation

During the fiscal year, the County Board paid \$5,000 to the Kearney County Historical Society and \$10,500 to the Court Appointed Special Advocate (CASA) Program for operational costs; however, the County received no documentation to support how the funds were used.

Sound accounting practices and good internal control require procedures to ensure that adequate documentation is provided to the County Board to support the proper use of all County funds.

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

We recommend the County Board implement procedures to ensure adequate documentation is provided, at least annually, by recipients of County funds to support the need for and proper use of those monies.

County Clerk's Response: Claims for CASA and the Kearney County Historical Society were mentioned. After the auditors brought these up, we have received a copy of an invoice to replace a roof at the Historical Society and a payroll register from an employee with CASA for supporting documentation for these claims. We sent an email to all offices who submit claims and let them know the Board would reject their claim if supporting documentation that added up to the amount of the claim was not attached. Going forward, all claims will have supporting documentation.

COUNTY OVERALL

Segregation of Duties

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

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

This issue was also noted in prior audits.

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

County Treasurer's Response: I will be working with all employees on additional training, hopefully to eliminate processing of an entire job by one person and to allow for more double checking everything.

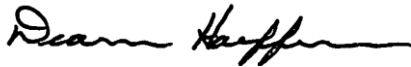
* * * * *

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,

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

Deann Haeffner, CPA
Assistant Deputy Auditor