

**AUDIT REPORT
OF
WEBSTER COUNTY**

JULY 1, 2020, THROUGH JUNE 30, 2021

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the Auditor of Public Accounts.**

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Issued on March 21, 2022

WEBSTER COUNTY

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WEBSTER COUNTY
621 N Cedar Street
Red Cloud, NE 68970

LIST OF COUNTY OFFICIALS
At June 30, 2021

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Commissioners	TJ Vance	Jan. 2023
	Tim Gilbert	Jan. 2025
	Gary Ratzlaff	Jan. 2023
	Trevor Karr	Jan. 2025
	Dan Shipman	Jan. 2023
Assessor	Sonja Krueger	Jan. 2023
Attorney	Patrick Calkins	Jan. 2023
Clerk	Louise Petsch	Jan. 2023
Election Commissioner		
Register of Deeds		
Clerk of the District Court		
Sheriff	Troy Schmitz	Jan. 2023
Treasurer	Janet Knehans	Jan. 2023
Surveyor	Thomas Krueger	Appointed
Veterans' Service Officer	Gary Ratzlaff	Appointed
Weed Superintendent	Brian Pedersen	Appointed
Highway Superintendent	Lance Harter	Appointed
Planning & Zoning	Tami Scheuneman	Appointed
Emergency Manager	Ron Sunday	Appointed



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WEBSTER COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Webster County, Nebraska

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Webster County, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

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

Basis for Adverse Opinion on the Discretely Presented Component Unit

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of Webster County, as of June 30, 2021, or the change in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and aggregate remaining fund information of Webster County, as of June 30, 2021, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Emphasis of Matters – Basis of Accounting

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

Report on Supplementary Information

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

The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, pages 19-30, are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2022, on our consideration of Webster County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and considering Webster County’s internal control over financial reporting and compliance.



Pat Reding, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

March 15, 2022

WEBSTER COUNTY
STATEMENT OF NET POSISTION - CASH BASIS
 June 30, 2021

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 7,347,287
TOTAL ASSETS	\$ 7,347,287
NET POSITION	
Restricted for:	
Visitor Promotion	\$ 19,456
Preservation of Records	8,071
Debt Service	172,017
Road Improvements	1,501,067
Federal Relief	338,655
County Museum	73,746
Self-Insured Dental Plan	58,583
Unrestricted	5,175,692
TOTAL NET POSITION	\$ 7,347,287

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

WEBSTER COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2021

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (1,389,438)	\$ 188,447	\$ 30,723	\$ (1,170,268)
Public Safety	(923,938)	135,131	143,912	(644,895)
Public Works	(2,111,368)	1,654	1,427,211	(682,503)
Public Assistance	(22,477)	-	-	(22,477)
Culture and Recreation	(61,934)	2,158	-	(59,776)
Debt Payments	(429,903)	-	-	(429,903)
Total Governmental Activities	\$ (4,939,058)	\$ 327,390	\$ 1,601,846	(3,009,822)

General Receipts:

Taxes	4,005,987
Grants and Contributions Not Restricted to Specific Programs	775,526
Investment Income	17,216
Licenses and Permits	22,093
Proceeds from Sale of Bonds	1,501,287
Miscellaneous	90,287
Total General Receipts	6,412,396
Increase in Net Position	3,402,574
Net Position - Beginning of year	3,944,713
Net Position - End of year	\$ 7,347,287

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

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

June 30, 2021

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Capital Construction Fund</u>	<u>Bladen Highway North Project Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and Cash Equivalents (Note 1.D)	\$ 1,352,712	\$1,227,331	\$1,418,573	\$ 1,017,894	\$ 1,501,067	\$ 829,710	\$ 7,347,287
TOTAL ASSETS	<u>\$ 1,352,712</u>	<u>\$1,227,331</u>	<u>\$1,418,573</u>	<u>\$ 1,017,894</u>	<u>\$ 1,501,067</u>	<u>\$ 829,710</u>	<u>\$ 7,347,287</u>
FUND BALANCES							
Restricted for:							
Visitor Promotion	-	-	-	-	-	19,456	19,456
Preservation of Records	-	-	-	-	-	8,071	8,071
Debt Service	-	-	-	-	-	172,017	172,017
Road Improvements	-	-	-	-	1,501,067	-	1,501,067
Federal Relief	-	-	-	-	-	338,655	338,655
County Museum	-	-	-	-	-	73,746	73,746
Self-Insured Dental Plan	-	-	-	-	-	58,583	58,583
Committed to:							
Law Enforcement	-	-	-	-	-	11,771	11,771
Road Maintenance	-	1,227,331	-	1,017,894	-	-	2,245,225
Aid and Assistance	-	-	-	-	-	45,576	45,576
Noxious Weed Control	-	-	-	-	-	18,575	18,575
Ambulance Service	-	-	-	-	-	83,260	83,260
Assigned to:							
Other Purposes	-	-	1,418,573	-	-	-	1,418,573
Unassigned	1,352,712	-	-	-	-	-	1,352,712
TOTAL CASH BASIS FUND BALANCES	<u>\$ 1,352,712</u>	<u>\$1,227,331</u>	<u>\$1,418,573</u>	<u>\$ 1,017,894</u>	<u>\$ 1,501,067</u>	<u>\$ 829,710</u>	<u>\$ 7,347,287</u>

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

WEBSTER COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	General Fund	Road Fund	Inheritance Fund	Capital Construction Fund	Bladen Highway North Project Fund	Nonmajor Funds	Total Governmental Funds
RECEIPTS							
Taxes	\$3,237,493	\$ -	\$ 338,406	\$ -	\$ -	\$430,088	\$ 4,005,987
Licenses and Permits	22,093	-	-	-	-	-	22,093
Investment Income	16,741	-	-	-	280	195	17,216
Intergovernmental	568,576	1,257,470	-	161,246	-	390,080	2,377,372
Charges for Services	245,780	1,654	-	-	-	79,956	327,390
Miscellaneous	8,654	66,655	-	-	-	14,978	90,287
TOTAL RECEIPTS	4,099,337	1,325,779	338,406	161,246	280	915,297	6,840,345
DISBURSEMENTS							
General Government	1,348,429	-	8,819	-	-	32,190	1,389,438
Public Safety	855,850	-	-	-	-	68,088	923,938
Public Works	-	1,885,292	-	170,566	-	55,510	2,111,368
Public Assistance	18,468	-	-	-	-	4,009	22,477
Culture and Recreation	-	-	-	-	-	61,934	61,934
Debt Service:							
Principal Payments	-	-	-	-	-	400,000	400,000
Interest and Fiscal Charges	-	-	-	-	500	29,403	29,903
TOTAL DISBURSEMENTS	2,222,747	1,885,292	8,819	170,566	500	651,134	4,939,058
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	1,876,590	(559,513)	329,587	(9,320)	(220)	264,163	1,901,287
OTHER FINANCING SOURCES (USES)							
Transfers in	-	780,000	80,000	600,000	-	183,722	1,643,722
Transfers out	(1,472,400)	(10,914)	(80,000)	-	-	(80,408)	(1,643,722)
Proceeds from Sale of Bonds	-	-	-	-	1,501,287	-	1,501,287
TOTAL OTHER FINANCING SOURCES (USES)	(1,472,400)	769,086	-	600,000	1,501,287	103,314	1,501,287
Net Change in Fund Balances	404,190	209,573	329,587	590,680	1,501,067	367,477	3,402,574
CASH BASIS FUND BALANCES - BEGINNING							
	948,522	1,017,758	1,088,986	427,214	-	462,233	3,944,713
CASH BASIS FUND BALANCES - ENDING							
	<u>\$1,352,712</u>	<u>\$ 1,227,331</u>	<u>\$1,418,573</u>	<u>\$1,017,894</u>	<u>\$ 1,501,067</u>	<u>\$829,710</u>	<u>\$ 7,347,287</u>

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

WEBSTER COUNTY
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
FIDUCIARY FUNDS
For the Year Ended June 30, 2021

	Custodial Fund Balances July 1, 2020 (as restated)	Receipts	Disbursements	Custodial Fund Balances June 30, 2021
ASSETS				
Cash and Cash Equivalents	\$ 326,160	\$ 12,960,264	\$ 13,032,460	\$ 253,964
LIABILITIES				
Due to other governments				
State - Collected by County Treasurer	114,210	1,107,705	1,109,002	112,913
State - Collected by Other Offices	7,614	61,260	60,288	8,586
Schools	146,755	9,048,681	9,098,350	97,086
Educational Service Units	2,030	151,353	152,169	1,214
Technical College	12,592	931,285	936,435	7,442
Natural Resource Districts	11,376	704,144	708,747	6,773
Fire Districts	2,553	223,625	224,528	1,650
Municipalities	15,316	521,337	522,974	13,679
Agricultural Society	1,004	74,326	74,735	595
Others - Collected by County Treasurer	9,260	87,568	96,208	620
Others - Collected by Other Offices	3,450	48,980	49,024	3,406
TOTAL LIABILITIES	<u>326,160</u>	<u>12,960,264</u>	<u>13,032,460</u>	<u>253,964</u>
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

WEBSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2021

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

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

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

Joint Organization.

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

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$9,198 toward the operation of the Region during fiscal year 2021. 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.

WEBSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

The Department's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County did not contribute toward the operation of the Department during fiscal year 2021. 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) (Supp. 2021). Financial information for the Department is available in that report.

B. Basis of Presentation

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

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

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

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.

WEBSTER 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.

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

Bladen Highway North Project Fund. This fund is used to account for costs associated with the Bladen Highway North project and is primarily funded by proceeds from the sale of bonds.

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.

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

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

The County designates fund balances as follows:

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

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

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the County are maintained and the government-wide financial statements were reported on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the

WEBSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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, certificates of deposits, 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 and securities, which are authorized by the Nebraska Investment Council.

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

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

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

Restricted Net Position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$2,171,595 of restricted net position, which is fully restricted by enabling legislation.

WEBSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 \$7,347,287 for County funds and \$253,964 for Fiduciary funds. The bank balances for all funds totaled \$7,603,935. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2021, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

3. **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 2020, for the 2020 taxes, which will be materially collected in May and September 2021, was set at \$.3837010/\$100 of assessed valuation. The levy set in October 2019, for the 2019 taxes, which were materially collected in May and September 2020, was set at \$.3837010/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

WEBSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **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.

The tax receipts classification also contains collections from the assessment of inheritance taxes and lodging taxes.

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. 2020) 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, 2021, 56 employees contributed \$82,102, and the County contributed \$121,748. Contributions included \$2,798 in cash contributions towards the supplemental law enforcement plan for six law enforcement employees. Lastly, the County paid \$411 directly to three retired employees for prior service benefits.

5. **Risk Management**

The County is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of the Nebraska Intergovernmental Risk Management Association (NIRMA), a public entity risk pool currently operating as a common risk management and insurance program for 104 counties and local governments throughout Nebraska.

WEBSTER 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 the county's withdrawal from participation or the termination of the agreement, as well as for liabilities of the pool incurred during the 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.

The County administers a self-insured dental plan for County employees. The County's total claims exposure is limited to \$4,000 per participating employee, per calendar year. Further coverage information is available upon request from the County Clerk. The self-insured dental plan is funded by County contributions to the plan. The activity of the plan is reflected in the County's financial statements under the Self-Insured Dental Fund. No settlements have exceeded coverage in any of the past three fiscal years.

6. **Interfund Transfers**

Interfund transfers for the year ended June 30, 2021, consisted of the following:

Transfers to	Transfers from				Total
	General Fund	Inheritance Fund	Road Fund	Nonmajor Funds	
Road Fund	\$ 780,000	\$ -	\$ -	\$ -	\$ 780,000
Inheritance Fund	-	-	-	80,000	80,000
Capital Construction Fund	600,000	-	-	-	600,000
Nonmajor Funds	92,400	80,000	10,914	408	183,722
Total	<u>\$ 1,472,400</u>	<u>\$ 80,000</u>	<u>\$ 10,914</u>	<u>\$ 80,408</u>	<u>\$ 1,643,722</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.

WEBSTER COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. **Interfund Transfers** (Concluded)

In the year ended June 30, 2021, the County made a one-time transfer of \$40,000 from the Hospital Bond Fund and the Bridge Bond Fund to the Inheritance Fund to repay previous transfers. Additionally, the County operates a self-insured dental plan. Transfers of \$32,400, \$10,914, and \$408 were made to the Self-Insured Dental Fund from the General Fund, Road Fund, and Noxious Weed Fund, respectively, to pay dental plan premiums.

7. **Long-Term Obligations**

Capital Leases

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

	<u>Motorgraders</u>
Balance July 1, 2020	\$ 203,138
Purchases	-
Payments	112,088
Balance June 30, 2021	<u>\$ 91,050</u>
Future Payments:	
Year	
2022	\$ 92,613
Less Interest	<u>1,563</u>
Present Value of Future Minimum Lease Payments	<u>\$ 91,050</u>
Carrying Value of the Related Fixed Asset	<u>\$ 828,800</u>

Bonds

Hospital Bonds. The County issued bonds on August 15, 2012, in the amount of \$1,615,000 for the purpose of paying the costs of the principal and interest on the County's Hospital Refunding Bonds, Series 2009, and paying certain costs of issuing the bonds. The bond payable balance as of June 30, 2021, was \$160,000. The County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds. Future tax resources will be used to pay off the bonds.

Future Payments:			
Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>\$ 160,000</u>	<u>\$ 1,680</u>	<u>\$ 161,680</u>

Bridge Bonds. The County issued bonds on May 12, 2020, in the amount of \$1,615,000 for the purpose of paying the costs of the principal and interest on the County's General Obligation Bonds, Series 2013, dated April 24, 2013, and paying certain costs of issuing the bonds. The bond payable balance as of June 30, 2021, was \$1,420,000. The County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds. Future tax resources will be used to pay off the bonds.

WEBSTER COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

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

Future Payments:			
Year	Principal	Interest	Total
2022	\$ 200,000	\$ 21,832	\$ 221,832
2023	205,000	19,133	224,133
2024	205,000	16,262	221,262
2025	215,000	13,290	228,290
2026	215,000	10,065	225,065
2027-2028	380,000	9,595	389,595
Total Payments	<u>\$ 1,420,000</u>	<u>\$ 90,177</u>	<u>\$ 1,510,177</u>

Highway Allocation Bonds. The County issued bonds on March 25, 2021, in the amount of \$1,525,000 for the purpose of paying the cost of road improvements constructed within the County, and to pay costs of issuance of the bonds. The bond payable balance as of June 30, 2021, was \$1,525,000. 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. The County anticipates using future State highway allocation receipts to pay off the bonds.

Future Payments:			
Year	Principal	Interest	Total
2022	\$ 145,000	\$ 13,962	\$ 158,962
2023	150,000	12,113	162,113
2024	150,000	11,437	161,437
2025	150,000	10,613	160,613
2026	150,000	9,637	159,637
2027-2031	780,000	27,372	807,372
Total Payments	<u>\$ 1,525,000</u>	<u>\$ 85,134</u>	<u>\$ 1,610,134</u>

WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 3,401,399	\$ 3,401,399	\$ 3,237,493	\$ (163,906)
Licenses and Permits	17,500	17,500	22,093	4,593
Investment Income	52,650	52,650	16,741	(35,909)
Intergovernmental	123,528	123,528	568,576	445,048
Charges for Services	235,795	235,795	245,780	9,985
Miscellaneous	7,600	7,600	8,654	1,054
TOTAL RECEIPTS	<u>3,838,472</u>	<u>3,838,472</u>	<u>4,099,337</u>	<u>260,865</u>
DISBURSEMENTS				
General Government:				
County Board	168,557	168,557	166,876	1,681
County Clerk	172,754	172,754	170,384	2,370
County Treasurer	263,822	263,822	222,527	41,295
County Assessor	238,481	238,481	223,649	14,832
Election Commissioner	40,584	40,584	38,459	2,125
Building and Zoning	11,889	11,889	7,274	4,615
County Appraiser	54,471	54,471	52,741	1,730
Clerk of the District Court	63,486	63,486	58,755	4,731
County Court System	4,912	4,912	3,038	1,874
District Judge	800	800	12	788
Building and Grounds	400,350	400,350	110,922	289,428
Agricultural Extension Agent	97,301	97,301	91,106	6,195
Miscellaneous	460,252	460,252	202,686	257,566
Public Safety				
County Sheriff	758,522	758,522	722,612	35,910
County Attorney	108,336	108,336	90,227	18,109
County Jail	52,489	52,489	32,481	20,008
Emergency Management	17,059	17,059	10,530	6,529
Public Assistance				
Veterans' Service Officer	19,182	19,182	18,468	714
TOTAL DISBURSEMENTS	<u>2,933,247</u>	<u>2,933,247</u>	<u>2,222,747</u>	<u>710,500</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>905,225</u>	<u>905,225</u>	<u>1,876,590</u>	<u>971,365</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	-	(200,000)
Transfers out	(1,440,000)	(1,440,000)	(1,472,400)	(32,400)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,240,000)</u>	<u>(1,240,000)</u>	<u>(1,472,400)</u>	<u>(232,400)</u>
Net Change in Fund Balance	(334,775)	(334,775)	404,190	738,965
FUND BALANCE - BEGINNING	948,522	948,522	948,522	-
FUND BALANCE - ENDING	<u>\$ 613,747</u>	<u>\$ 613,747</u>	<u>\$ 1,352,712</u>	<u>\$ 738,965</u>

WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Intergovernmental	\$ 1,295,003	\$ 1,295,003	\$1,257,470	\$ (37,533)
Charges for Services	3,000	3,000	1,654	(1,346)
Miscellaneous	16,800	16,800	66,655	49,855
TOTAL RECEIPTS	<u>1,314,803</u>	<u>1,314,803</u>	<u>1,325,779</u>	<u>10,976</u>
DISBURSEMENTS	<u>2,205,710</u>	<u>2,205,710</u>	<u>1,885,292</u>	<u>320,418</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(890,907)</u>	<u>(890,907)</u>	<u>(559,513)</u>	<u>331,394</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,080,000	1,080,000	780,000	(300,000)
Transfers out	(800,000)	(800,000)	(10,914)	789,086
TOTAL OTHER FINANCING SOURCES (USES)	<u>280,000</u>	<u>280,000</u>	<u>769,086</u>	<u>489,086</u>
Net Change in Fund Balance	(610,907)	(610,907)	209,573	820,480
FUND BALANCE - BEGINNING	<u>1,017,758</u>	<u>1,017,758</u>	<u>1,017,758</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 406,851</u>	<u>\$ 406,851</u>	<u>\$1,227,331</u>	<u>\$ 820,480</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 259,500	\$ 259,500	\$ 338,406	\$ 78,906
TOTAL RECEIPTS	<u>259,500</u>	<u>259,500</u>	<u>338,406</u>	<u>78,906</u>
DISBURSEMENTS	<u>-</u>	<u>-</u>	<u>8,819</u>	<u>(8,819)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>259,500</u>	<u>259,500</u>	<u>329,587</u>	<u>70,087</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	80,000	80,000	80,000	-
Transfers out	(630,000)	(630,000)	(80,000)	550,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(550,000)</u>	<u>(550,000)</u>	<u>-</u>	<u>550,000</u>
Net Change in Fund Balance	(290,500)	(290,500)	329,587	620,087
FUND BALANCE - BEGINNING	<u>1,088,986</u>	<u>1,088,986</u>	<u>1,088,986</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 798,486</u>	<u>\$ 798,486</u>	<u>\$1,418,573</u>	<u>\$ 620,087</u>

WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
CAPITAL CONSTRUCTION FUND				
RECEIPTS				
Intergovernmental	\$ 161,246	\$ 161,246	\$ 161,246	\$ -
Miscellaneous	1,000	1,000	-	(1,000)
TOTAL RECEIPTS	162,246	162,246	161,246	(1,000)
DISBURSEMENTS	1,691,500	1,691,500	170,566	1,520,934
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,529,254)	(1,529,254)	(9,320)	1,519,934
OTHER FINANCING SOURCES (USES)				
Transfers in	1,400,000	1,400,000	600,000	(800,000)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,400,000	1,400,000	600,000	(800,000)
Net Change in Fund Balance	(129,254)	(129,254)	590,680	719,934
FUND BALANCE - BEGINNING	427,214	427,214	427,214	-
FUND BALANCE - ENDING	\$ 297,960	\$ 297,960	\$1,017,894	\$ 719,934
BLADEN HIGHWAY NORTH PROJECT FUND				
RECEIPTS				
Investment Income	\$ 213	\$ 213	\$ 280	\$ 67
TOTAL RECEIPTS	213	213	280	67
DISBURSEMENTS	500	500	500	-
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(287)	(287)	(220)	67
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from Sale of Bonds	1,501,287	1,501,287	1,501,287	-
TOTAL OTHER FINANCING SOURCES (USES)	1,501,287	1,501,287	1,501,287	-
Net Change in Fund Balance	1,501,000	1,501,000	1,501,067	67
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	\$ 1,501,000	\$ 1,501,000	\$1,501,067	\$ 67

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

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
SHERIFF'S DEPARTMENT FUNDRAISING FUND				
Receipts	\$ 7,500	\$ 7,500	\$ 110	\$ (7,390)
Disbursements	(16,173)	(16,173)	(1,238)	14,935
Net Change in Fund Balance	(8,673)	(8,673)	(1,128)	7,545
Fund Balance - Beginning	8,673	8,673	8,673	-
Fund Balance - Ending	\$ -	\$ -	\$ 7,545	\$ 7,545
VISITORS PROMOTION FUND				
Receipts	\$ 4,000	\$ 4,000	\$ 4,114	\$ 114
Disbursements	(10,287)	(10,287)	(2,500)	7,787
Net Change in Fund Balance	(6,287)	(6,287)	1,614	7,901
Fund Balance - Beginning	6,287	6,287	6,287	-
Fund Balance - Ending	\$ -	\$ -	\$ 7,901	\$ 7,901
VISITORS IMPROVEMENT FUND				
Receipts	\$ 4,000	\$ 4,000	\$ 4,114	\$ 114
Disbursements	(11,441)	(11,441)	-	11,441
Net Change in Fund Balance	(7,441)	(7,441)	4,114	11,555
Fund Balance - Beginning	7,441	7,441	7,441	-
Fund Balance - Ending	\$ -	\$ -	\$ 11,555	\$ 11,555
PRESERVATION AND MODERNIZATION FUND				
Receipts	\$ 3,100	\$ 3,100	\$ 3,464	\$ 364
Disbursements	(9,000)	(9,000)	(3,563)	5,437
Net Change in Fund Balance	(5,900)	(5,900)	(99)	5,801
Fund Balance - Beginning	8,170	8,170	8,170	-
Fund Balance - Ending	\$ 2,270	\$ 2,270	\$ 8,071	\$ 5,801
SELF-INSURED DENTAL FUND				
Receipts	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Disbursements	(60,000)	(60,000)	(28,627)	31,373
Transfers in	46,500	46,500	43,722	(2,778)
Transfers out	-	-	-	-
Net Change in Fund Balance	(12,500)	(12,500)	15,095	27,595
Fund Balance - Beginning	43,488	43,488	43,488	-
Fund Balance - Ending	\$ 30,988	\$ 30,988	\$ 58,583	\$ 27,595

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

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COUNTY RELIEF FUND				
Receipts	\$ 4	\$ 4	\$ 5	\$ 1
Disbursements	(28,500)	(28,500)	(4,009)	24,491
Net Change in Fund Balance	(28,496)	(28,496)	(4,004)	24,492
Fund Balance - Beginning	38,678	38,678	38,678	-
Fund Balance - Ending	<u>\$ 10,182</u>	<u>\$ 10,182</u>	<u>\$ 34,674</u>	<u>\$ 24,492</u>
VETERANS' AID FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(3,470)	(3,470)	-	3,470
Net Change in Fund Balance	(3,470)	(3,470)	-	3,470
Fund Balance - Beginning	3,470	3,470	3,470	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,470</u>	<u>\$ 3,470</u>
HANDI-BUS FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	7,432	7,432	7,432	-
Fund Balance - Ending	<u>\$ 7,432</u>	<u>\$ 7,432</u>	<u>\$ 7,432</u>	<u>\$ -</u>
DIVERSION PROGRAM FUND				
Receipts	\$ 1,000	\$ 1,000	\$ 1,600	\$ 600
Disbursements	(3,526)	(3,526)	(900)	2,626
Net Change in Fund Balance	(2,526)	(2,526)	700	3,226
Fund Balance - Beginning	3,526	3,526	3,526	-
Fund Balance - Ending	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 4,226</u>	<u>\$ 3,226</u>
COVID AMERICAN RESCUE PLAN FUND				
Receipts	\$ -	\$ -	\$ 338,655	\$ 338,655
Disbursements	-	-	-	-
Net Change in Fund Balance	-	-	338,655	338,655
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338,655</u>	<u>\$ 338,655</u>

(Continued)

WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HOSPITAL BOND FUND				
Receipts	\$ 200,911	\$ 200,911	\$ 199,903	\$ (1,008)
Disbursements	(212,677)	(212,677)	(210,780)	1,897
Transfers in	40,000	40,000	40,000	-
Transfers out	(40,000)	(40,000)	(40,000)	-
Net Change in Fund Balance	(11,766)	(11,766)	(10,877)	889
Fund Balance - Beginning	125,291	125,291	125,291	-
Fund Balance - Ending	<u>\$ 113,525</u>	<u>\$ 113,525</u>	<u>\$ 114,414</u>	<u>\$ 889</u>
BRIDGE BOND FUND				
Receipts	\$ 225,103	\$ 225,103	\$ 233,731	\$ 8,628
Disbursements	(219,147)	(219,147)	(218,623)	524
Transfers in	40,000	40,000	40,000	-
Transfers out	(40,000)	(40,000)	(40,000)	-
Net Change in Fund Balance	5,956	5,956	15,108	9,152
Fund Balance - Beginning	42,495	42,495	42,495	-
Fund Balance - Ending	<u>\$ 48,451</u>	<u>\$ 48,451</u>	<u>\$ 57,603</u>	<u>\$ 9,152</u>
NOXIOUS WEED FUND				
Receipts	\$ 50,270	\$ 50,270	\$ 535	\$ (49,735)
Disbursements	(108,787)	(108,787)	(55,510)	53,277
Transfers in	110,000	110,000	60,000	(50,000)
Transfers out	-	-	(408)	(408)
Net Change in Fund Balance	51,483	51,483	4,617	(46,866)
Fund Balance - Beginning	13,958	13,958	13,958	-
Fund Balance - Ending	<u>\$ 65,441</u>	<u>\$ 65,441</u>	<u>\$ 18,575</u>	<u>\$ (46,866)</u>
COUNTY MUSEUM FUND				
Receipts	\$ 48,081	\$ 48,081	\$ 55,495	\$ 7,414
Disbursements	(88,950)	(88,950)	(59,434)	29,516
Net Change in Fund Balance	(40,869)	(40,869)	(3,939)	36,930
Fund Balance - Beginning	77,685	77,685	77,685	-
Fund Balance - Ending	<u>\$ 36,816</u>	<u>\$ 36,816</u>	<u>\$ 73,746</u>	<u>\$ 36,930</u>

(Continued)

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

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RED CLOUD AMBULANCE FUND				
Receipts	\$ 92,525	\$ 92,525	\$ 73,571	\$ (18,954)
Disbursements	(104,110)	(104,110)	(65,950)	38,160
Net Change in Fund Balance	(11,585)	(11,585)	7,621	19,206
Fund Balance - Beginning	75,639	75,639	75,639	-
Fund Balance - Ending	\$ 64,054	\$ 64,054	\$ 83,260	\$ 19,206

(Concluded)

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

For the Year Ended June 30, 2021

	Sheriff's Department Fundraising Fund	Visitors Promotion Fund	Visitors Improvement Fund	Preservation and Modernization Fund	Self-Insured Dental Fund
RECEIPTS					
Taxes	\$ -	\$ 4,114	\$ 4,114	\$ -	\$ -
Investment Income	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	3,464	-
Miscellaneous	110	-	-	-	-
TOTAL RECEIPTS	110	4,114	4,114	3,464	-
DISBURSEMENTS					
General Government	-	-	-	3,563	28,627
Public Safety	1,238	-	-	-	-
Public Works	-	-	-	-	-
Public Assistance	-	-	-	-	-
Culture and Recreation	-	2,500	-	-	-
Debt Service:					
Principal Payments	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
TOTAL DISBURSEMENTS	1,238	2,500	-	3,563	28,627
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,128)	1,614	4,114	(99)	(28,627)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	43,722
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	43,722
Net Change in Fund Balances	(1,128)	1,614	4,114	(99)	15,095
FUND BALANCES - BEGINNING	8,673	6,287	7,441	8,170	43,488
FUND BALANCES - ENDING	\$ 7,545	\$ 7,901	\$ 11,555	\$ 8,071	\$ 58,583
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	7,901	11,555	-	-
Preservation of Records	-	-	-	8,071	-
Debt Service	-	-	-	-	-
Federal Relief	-	-	-	-	-
County Museum	-	-	-	-	-
Self-Insured Dental Plan	-	-	-	-	58,583
Committed to:					
Law Enforcement	7,545	-	-	-	-
Aid and Assistance	-	-	-	-	-
Noxious Weed Control	-	-	-	-	-
Ambulance Service	-	-	-	-	-
TOTAL FUND BALANCES	\$ 7,545	\$ 7,901	\$ 11,555	\$ 8,071	\$ 58,583

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

For the Year Ended June 30, 2021

	County Relief Fund	Veterans' Aid Fund	Handi-Bus Fund	Diversion Program Fund	COVID American Rescue Plan Fund	Hospital Bond Fund
RECEIPTS						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177,947
Investment Income	-	-	-	-	-	96
Intergovernmental	5	-	-	-	338,655	21,860
Charges for Services	-	-	-	1,600	-	-
Miscellaneous	-	-	-	-	-	-
TOTAL RECEIPTS	5	-	-	1,600	338,655	199,903
DISBURSEMENTS						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	900	-	-
Public Works	-	-	-	-	-	-
Public Assistance	4,009	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Debt Service:						
Principal Payments	-	-	-	-	-	205,000
Interest and Fiscal Charges	-	-	-	-	-	5,780
TOTAL DISBURSEMENTS	4,009	-	-	900	-	210,780
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(4,004)	-	-	700	338,655	(10,877)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	40,000
Transfers out	-	-	-	-	-	(40,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
Net Change in Fund Balances	(4,004)	-	-	700	338,655	(10,877)
FUND BALANCES - BEGINNING	38,678	3,470	7,432	3,526	-	125,291
FUND BALANCES - ENDING	\$ 34,674	\$ 3,470	\$ 7,432	\$ 4,226	\$ 338,655	\$ 114,414
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	-	-	-	-	-
Preservation of Records	-	-	-	-	-	-
Debt Service	-	-	-	-	-	114,414
Federal Relief	-	-	-	-	338,655	-
County Museum	-	-	-	-	-	-
Self-Insured Dental Plan	-	-	-	-	-	-
Committed to:						
Law Enforcement	-	-	-	4,226	-	-
Aid and Assistance	34,674	3,470	7,432	-	-	-
Noxious Weed Control	-	-	-	-	-	-
Ambulance Service	-	-	-	-	-	-
TOTAL FUND BALANCES	\$ 34,674	\$ 3,470	\$ 7,432	\$ 4,226	\$ 338,655	\$ 114,414

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

For the Year Ended June 30, 2021

	Bridge Bond Fund	Noxious Weed Fund	County Museum Fund	Red Cloud Ambulance Fund	Total Nonmajor Funds
RECEIPTS					
Taxes	\$ 203,775	\$ -	\$ 40,138	\$ -	\$ 430,088
Investment Income	99	-	-	-	195
Intergovernmental	24,719	-	4,841	-	390,080
Charges for Services	-	-	2,158	72,734	79,956
Miscellaneous	5,138	535	8,358	837	14,978
TOTAL RECEIPTS	<u>233,731</u>	<u>535</u>	<u>55,495</u>	<u>73,571</u>	<u>915,297</u>
DISBURSEMENTS					
General Government	-	-	-	-	32,190
Public Safety	-	-	-	65,950	68,088
Public Works	-	55,510	-	-	55,510
Public Assistance	-	-	-	-	4,009
Culture and Recreation	-	-	59,434	-	61,934
Debt Service:					
Principal Payments	195,000	-	-	-	400,000
Interest and Fiscal Charges	23,623	-	-	-	29,403
TOTAL DISBURSEMENTS	<u>218,623</u>	<u>55,510</u>	<u>59,434</u>	<u>65,950</u>	<u>651,134</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>15,108</u>	<u>(54,975)</u>	<u>(3,939)</u>	<u>7,621</u>	<u>264,163</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	40,000	60,000	-	-	183,722
Transfers out	(40,000)	(408)	-	-	(80,408)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>59,592</u>	<u>-</u>	<u>-</u>	<u>103,314</u>
Net Change in Fund Balances	15,108	4,617	(3,939)	7,621	367,477
FUND BALANCES - BEGINNING	<u>42,495</u>	<u>13,958</u>	<u>77,685</u>	<u>75,639</u>	<u>462,233</u>
FUND BALANCES - ENDING	<u>\$ 57,603</u>	<u>\$ 18,575</u>	<u>\$ 73,746</u>	<u>\$ 83,260</u>	<u>\$ 829,710</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	19,456
Preservation of Records	-	-	-	-	8,071
Debt Service	57,603	-	-	-	172,017
Federal Relief	-	-	-	-	338,655
County Museum	-	-	73,746	-	73,746
Self-Insured Dental Plan	-	-	-	-	58,583
Committed to:					
Law Enforcement	-	-	-	-	11,771
Aid and Assistance	-	-	-	-	45,576
Noxious Weed Control	-	18,575	-	-	18,575
Ambulance Service	-	-	-	83,260	83,260
TOTAL FUND BALANCES	<u>\$ 57,603</u>	<u>\$ 18,575</u>	<u>\$ 73,746</u>	<u>\$ 83,260</u>	<u>\$ 829,710</u>

WEBSTER COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2021

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Highway Superintendent	County Museum	Total
BALANCES JULY 1, 2020	\$ 56,021	\$ 7,170	\$ 5,499	\$ -	\$ -	\$ 77,098	\$ 145,788
RECEIPTS							
Licenses and Permits	2,007	-	680	-	-	-	2,687
Intergovernmental	-	-	-	-	-	45,204	45,204
Charges for Services	138,960	3,239	58,330	-	-	2,157	202,686
Miscellaneous	-	-	-	-	60,806	8,358	69,164
State Fees	53,188	7,619	-	-	453	-	61,260
Other Liabilities	-	34,940	12,963	1,077	-	-	48,980
TOTAL RECEIPTS	194,155	45,798	71,973	1,077	61,259	55,719	429,981
DISBURSEMENTS							
Payments to County Treasurer	128,053	3,583	59,197	-	60,806	-	251,639
Payments to State Treasurer	49,038	10,797	-	-	453	-	60,288
Petty Cash	-	-	-	-	-	59,435	59,435
Other Liabilities	-	34,984	12,963	1,077	-	-	49,024
TOTAL DISBURSEMENTS	177,091	49,364	72,160	1,077	61,259	59,435	420,386
BALANCES JUNE 30, 2021	<u>\$ 73,085</u>	<u>\$ 3,604</u>	<u>\$ 5,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,382</u>	<u>\$ 155,383</u>
BALANCES CONSIST OF:							
Due to County Treasurer	\$ 64,647	\$ 50	\$ 4,762	\$ -	\$ -	\$ 72,873	\$ 142,332
Petty Cash	-	-	550	-	-	509	1,059
Due to State Treasurer	8,438	148	-	-	-	-	8,586
Due to Others	-	3,406	-	-	-	-	3,406
BALANCES JUNE 30, 2021	<u>\$ 73,085</u>	<u>\$ 3,604</u>	<u>\$ 5,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,382</u>	<u>\$ 155,383</u>

WEBSTER COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2021

Item	2016	2017	2018	2019	2020
Tax Certified by Assessor					
Real Estate	\$ 13,012,921	\$ 12,784,589	\$ 13,189,912	\$ 12,664,730	\$ 11,760,867
Personal and Specials	568,411	504,139	454,903	444,662	1,178,073
Total	13,581,332	13,288,728	13,644,815	13,109,392	12,938,940
Corrections					
Additions	875	6,877	1,779	180	2,495
Deductions	(15,426)	(14,060)	(3,334)	(8,931)	(9,699)
Net Additions/ (Deductions)	(14,551)	(7,183)	(1,555)	(8,751)	(7,204)
Corrected Certified Tax	13,566,781	13,281,545	13,643,260	13,100,641	12,931,736
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2017	8,772,431	-	-	-	-
June 30, 2018	4,781,041	8,654,464	-	-	-
June 30, 2019	9,850	4,617,755	8,747,931	-	-
June 30, 2020	3,459	9,381	4,894,965	8,566,689	-
June 30, 2021	-	(55)	351	4,530,296	8,713,199
Total Net Collections	13,566,781	13,281,545	13,643,247	13,096,985	8,713,199
Total Uncollected Tax	\$ -	\$ -	\$ 13	\$ 3,656	\$ 4,218,537
Percentage Uncollected Tax	0.00%	0.00%	0.00%	0.03%	32.62%

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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

Board of Commissioners
Webster County, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Webster County, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Webster County's basic financial statements, and have issued our report thereon dated March 15, 2022. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and do not include the financial data of the Webster County Hospital, a component unit of Webster County.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Webster County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Webster County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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 Webster County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Additional Items

We also noted certain matters that we reported to the management of Webster County in a separate letter dated March 15, 2022.

Webster County's Response to Findings

Webster County declined to respond to the finding described above.

Purpose of this Report

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



Pat Reding, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

March 15, 2022



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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March 15, 2022

Board of Commissioners
Webster County, Nebraska

Dear Commissioners:

We have audited the basic financial statements of Webster County (County) for the fiscal year ended June 30, 2021, and have issued our report thereon dated March 15, 2022. 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 CLERK

Balancing Procedures

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

- The ending accounts receivable balance noted by the County Clerk for ambulance billings was not accurate. We calculated the accounts receivable balance as of June 30, 2021, as \$54,753; however, the balance as noted in the County Clerk's records was \$55,310. Of this \$557 variance, the County Clerk also identified \$512 as a long; however, no corrective action was taken to resolve the variance noted.
- For the County's Clerk's fee account, we noted a shortage of \$10 at June 30, 2021. The County Clerk collected \$13,580 during June 2021; however, the reconciled bank balance of \$13,428, and accounts receivable balance of \$142, only totaled \$13,570.

A good internal control plan and sound business practice require procedures to ensure office assets agree with office liabilities at all times, and any variances are identified and resolved in a timely manner. Such procedures should also ensure accounts receivable records are accurate.

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

A similar finding was noted in the prior audit.

We recommend the County Clerk implement monthly financial recordkeeping and balancing procedures to ensure office assets agree with office liabilities at all times, and any variances noted are resolved in a timely manner. We further recommend procedures are implemented to ensure accounts receivable activity and balances are recorded properly.

Vendor Imprest Account Reconciliation

During our audit, we noted the following related to the vendor imprest bank account maintained by the County Clerk to pay vendor claims:

- The County Clerk was not completing an accurate monthly bank reconciliation for the account. As of June 30, 2021, we noted that the reconciliation identified a \$5,893 error from March 2021 that had not been corrected timely. Additionally, there was an unknown variance of \$9 between the bank and book balances. The County Clerk was unable to identify the cause of this variance.
- We noted the County Clerk lacked adequate procedures to monitor bank balances to ensure the vendor imprest account was not overdrawn. During the fiscal year ending June 30, 2021, we noted that the account was overdrawn on eight days. Negative bank balances ranged from \$9,854 to \$22,271.

Sound accounting practices and good internal controls require procedures to ensure that office records reconcile with bank balances on, at least, a monthly basis, and bank accounts are not overdrawn. Reconciliation procedures should include the timely identification and resolution of all variances noted.

Without such procedures, the County is susceptible to intentional and/or unintentional errors or irregularities not being identified and corrected in a timely manner, increasing the risk of loss, theft, or misuse of public funds.

We recommend the County Clerk implement procedures to ensure timely, complete, and accurate bank reconciliations are performed monthly, and any variances identified are resolved timely. We further recommend such procedures ensure the imprest account is not overdrawn.

COUNTY BOARD

Claims Documentation

During testing, we noted three claims for which there was either no supporting documentation, or the County lacked procedures to ensure grant funds were spent appropriately. Further details of these claims are provided below.

- The following two claims provided funding requests to other entities in the County to support their operations. However, the County lacked procedures to follow-up and ensure that the funds were spent appropriately.

Claim #	Claim Date	Payee	Amount
20110024	11/3/2020	Revive Ministries/Horizon Recovery	\$ 2,000
21020006	2/2/2021	CASA of South Central Nebraska	\$ 3,000

- Claim 20110072 paid a total of \$1,292 to the Blue Hill Leader; however, the County had documentation on file to support only \$137 of this claim. No documentation was on file to support the remaining \$1,155.

Good internal controls require adequate documentation to be maintained for all claims paid by the County. Furthermore, good internal controls and sound business practice require procedures to ensure that all County funding request payments are supported by documentation showing how those funds were spent by the receiving entity.

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

A similar finding was noted in the prior audit.

We recommend the County Board implement policies and procedures to ensure that adequate supporting documentation is kept for all claims paid by the County, and funding requests are supported by documentation showing those funds were spent appropriately.

Payroll Procedures

During our testing of payroll, we noted the following issues:

- The County paid State and Federal payroll taxes for salaried employees in advance of payday and the full month worked. The County's procedures were to pay payroll taxes after the County Board's approval in the middle of each month; however, the payroll approved by the County Board was the monthly salary not fully earned or paid until the end of the month.
- Two of three employees tested did not accrue sick and vacation leave in accordance with the County Employee Policy Manual (Manual).
 - For one employee in the County Clerk's office, leave was accrued at the beginning of the year, instead of being accrued on a weekly basis at the rate of one-fifty second (1/52) of the total sick and vacation leave allotted for the year, in accordance with the Manual.
 - For one employee in the County Assessor's office, 12.5 hours of vacation leave was accrued during the month tested (April 2021). Projected to a complete year, this employee would have earned 150 hours, which does not agree to any of the yearly accrual rates outlined in the Manual. Additionally, this employee did not earn any sick leave during the month tested; however, the Manual states sick leave is to be earned at the rate of one-fifty second (1/52) of the total sick leave allotted for the year.

Per the Manual:

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

Good internal controls require procedures to ensure paid leave accruals are in accordance with County policy, and State and Federal tax withholdings are paid after the payroll expenses have been incurred.

Without such procedures, there is an increased risk that employees' payroll will not be in accordance with IRS regulation, or the County's own policies, further increasing the risk of loss or misuse of funds.

A similar finding was noted in the prior audit.

We recommend the County Board implement procedures to ensure leave accruals are in accordance with County policies, and State and Federal tax withholdings are paid after the payroll expenses have been incurred.

CLERK OF THE DISTRICT COURT

Bond Forfeiture Coding

During our audit, we noted bond forfeitures, totaling \$88, were remitted to the County General Fund rather than being distributed to the County schools, as required by the Nebraska Constitution.

Article VII, § 5, of the Nebraska Constitution provides, in relevant part, the following:

(1) Except as provided in subsections (2) and (3) of this section, all fines, penalties, and license money arising under the general laws of the state, except fines and penalties for violation of laws prohibiting the overloading of vehicles used upon the public roads and highways of this state, shall belong and be paid over to the counties respectively where the same may be levied or imposed, and all fines, penalties, and license money arising under the rules, bylaws, or ordinances of cities, villages, precincts, or other municipal subdivision less than a county shall belong and be paid over to the same respectively. All such fines, penalties, and license money shall be appropriated exclusively to the use and support of the common schools in the respective subdivisions where the same may accrue, except that all fines and penalties for violation of laws prohibiting the overloading of vehicles used upon the public roads and highways shall be placed as follows: Seventy-five per cent in a fund for state highways and twenty-five per cent to the county general fund where the fine or penalty is paid.

A good internal control plan requires procedures to ensure that bond forfeitures are distributed in accordance with Nebraska law.

Without such procedures, there is an increased risk of not only bond forfeitures being improperly retained by the County but also noncompliance with the Nebraska Constitution.

We recommend the County Clerk of the District Court work with the County Treasurer to correct the error. We further recommend the implementation of procedures to ensure future bond forfeitures are properly distributed to the County schools.

COUNTY TREASURER

5% Gross In-Lieu Distribution

In testing the County Treasurer’s distribution of 5% Gross In-Lieu taxes received from South Central Public Power District, we noted that the distribution was incorrect. The error resulted from the County Treasurer’s omission of Red Cloud Community Schools from the distribution calculation for the Village of Cowles. The Village of Cowles includes both Red Cloud Community Schools and Blue Hill Community Schools; however, only the latter of the two was included in the calculation.

As a result of this error, the following overpayments and underpayments were noted:

Entity	Over/(Under) Payment
Webster County	\$ 124
Red Cloud Community Schools	\$ (518)
Blue Hill Community Schools	\$ 316
Village of Cowles	\$ 78

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

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

Additionally, good internal controls require procedures to ensure that the distribution of 5% Gross In-Lieu taxes is calculated in accordance with State statute and includes all school districts within each municipality.

Without such procedures, there is an increased risk of not only political subdivisions not receiving the appropriate amount of funding but also the loss or misuse of funds.

We recommend the County Treasurer correct the erroneous distribution and implement procedures to ensure future distributions are calculated correctly and in compliance with State statute.

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 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.

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

Draft copies of this report were furnished to the County to provide management with an opportunity to review the report and to respond to the comments and recommendations included in this report. The County declined to respond.

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.

Sincerely,



Pat Reding, CPA
Assistant Deputy Auditor