

**AUDIT REPORT
OF
HARLAN COUNTY**

JULY 1, 2021, THROUGH JUNE 30, 2022

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the Auditor of Public Accounts.**

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Issued on May 25, 2023

HARLAN COUNTY

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HARLAN COUNTY
706 W 2nd Street
Alma, NE 68920

LIST OF COUNTY OFFICIALS
At June 30, 2022

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Supervisors	Cindy Boehler	Jan. 2025
	Jeff Bash	Jan. 2023
	Max Schultz	Jan. 2025
	Christian Schluntz	Jan. 2023
	Ron Imm	Jan. 2025
	Mike Clements	Jan. 2023
	Anthony Gulizia	Jan. 2023
Assessor	Kim Fouts	Jan. 2023
Attorney	Bryan McQuay	Jan. 2023
Clerk	Janet Dietz	Jan. 2023
Election Commissioner		
Register of Deeds		
Clerk of the District Court		
Sheriff	Chris Becker	Jan. 2023
Emergency Manager		Appointed
Treasurer	Sandy Artz	Jan. 2023
Surveyor	Vacant	
Veterans' Service Officer	Michael Richman	Appointed
Weed Superintendent	Tim Burgeson	Appointed
Highway Superintendent		
Planning & Zoning	Ron Melbye	Appointed



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HARLAN COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Harlan County, Nebraska

Report on the Audit of Financial Statements

Adverse and Unmodified Opinions

We have audited the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harlan County, as of and for the year ended June 30, 2022, 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.

Summary of Opinions

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

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of Harlan County, as of June 30, 2022, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harlan County, as of June 30, 2022, and the respective changes in cash-basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, and unmodified audit opinions.

Matters Giving Rise to 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.

Emphasis of Matter – 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that 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, pages 18-29, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 May 22, 2023, on our consideration of Harlan 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 solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harlan County's internal control over financial reporting and compliance.



Dakota Christensen, CPA, CISA, CFE
Audit Manager
Lincoln, Nebraska

May 22, 2023

HARLAN COUNTY
STATEMENT OF NET POSITION - CASH BASIS
June 30, 2022

	Governmental Activities
	<hr/>
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 3,801,728
TOTAL ASSETS	<hr/> <hr/>
 NET POSITION	
Restricted for:	
Visitor Promotion	\$ 24,137
911 Emergency Services	3,684
Drug Education	12,835
Preservation of Records	1,093
Debt Service	275,291
Road and Bridge Maintenance	249,582
Federal Relief	568,955
Unrestricted	2,666,151
TOTAL NET POSITION	<hr/> <hr/>

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

HARLAN COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2022

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	\$ (1,456,529)	\$ 195,736	\$ 106,943	\$ (1,153,850)
Public Safety	(843,962)	113,895	21,908	(708,159)
Public Works	(1,562,316)	1,615	1,125,491	(435,210)
Public Assistance	(9,602)	-	-	(9,602)
Culture and Recreation	(25,318)	-	-	(25,318)
Debt Payments	(398,335)	-	-	(398,335)
Total Governmental Activities	<u>\$ (4,296,062)</u>	<u>\$ 311,246</u>	<u>\$ 1,254,342</u>	<u>(2,730,474)</u>

General Receipts:

Taxes	2,461,712
Grants and Contributions Not Restricted to Specific Programs	604,335
Investment Income	9,643
Licenses and Permits	25,359
Miscellaneous	55,593
Total General Receipts	<u>3,156,642</u>
Change in Net Position	426,168
Net Position - Beginning of year	3,375,560
Net Position - End of year	<u>\$ 3,801,728</u>

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

HARLAN COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Road Fund	Inheritance Fund	COVID American Rescue Plan Fund	Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents (Note 1.D)	\$ 882,803	\$ 87,463	\$ 991,390	\$ 568,955	\$ 1,271,117	\$ 3,801,728
TOTAL ASSETS	<u>\$ 882,803</u>	<u>\$ 87,463</u>	<u>\$ 991,390</u>	<u>\$ 568,955</u>	<u>\$ 1,271,117</u>	<u>\$ 3,801,728</u>
FUND BALANCES						
Restricted for:						
Visitor Promotion	-	-	-	-	24,137	24,137
911 Emergency Services	-	-	-	-	3,684	3,684
Drug Education	-	-	-	-	12,835	12,835
Preservation of Records	-	-	-	-	1,093	1,093
Debt Service	-	-	-	-	275,291	275,291
Road and Bridge Maintenance	-	-	-	-	249,582	249,582
Federal Relief	-	-	-	568,955	-	568,955
Committed to:						
Law Enforcement	-	-	-	-	4,035	4,035
Road and Bridge Maintenance	-	87,463	-	-	58,006	145,469
County Buildings	-	-	-	-	318,854	318,854
Equipment Purchases	-	-	-	-	290,000	290,000
Property Reappraisal	-	-	-	-	30,191	30,191
Community Betterment	-	-	-	-	3,409	3,409
Assigned to:						
Other Purposes	-	-	991,390	-	-	991,390
Unassigned	882,803	-	-	-	-	882,803
TOTAL CASH BASIS FUND BALANCES	<u>\$ 882,803</u>	<u>\$ 87,463</u>	<u>\$ 991,390</u>	<u>\$ 568,955</u>	<u>\$ 1,271,117</u>	<u>\$ 3,801,728</u>

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

HARLAN COUNTY
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General Fund	Road Fund	Inheritance Fund	COVID American Rescue Plan Fund	Nonmajor Funds	Total Governmental Funds
RECEIPTS						
Taxes	\$2,042,035	\$ -	\$ 119,307	\$ -	\$ 300,370	\$ 2,461,712
Licenses and Permits	22,446	2,913	-	-	-	25,359
Investment Income	7,511	-	-	-	2,132	9,643
Intergovernmental	373,801	1,002,175	-	328,262	154,439	1,858,677
Charges for Services	292,332	1,615	-	-	17,299	311,246
Miscellaneous	33,934	3,675	-	-	17,984	55,593
TOTAL RECEIPTS	<u>2,772,059</u>	<u>1,010,378</u>	<u>119,307</u>	<u>328,262</u>	<u>492,224</u>	<u>4,722,230</u>
DISBURSEMENTS						
General Government	1,334,447	-	-	87,570	34,512	1,456,529
Public Safety	834,536	-	-	-	9,426	843,962
Public Works	2,037	1,560,279	-	-	-	1,562,316
Public Assistance	9,602	-	-	-	-	9,602
Culture and Recreation	-	-	-	-	25,318	25,318
Debt Service:						
Principal Payments	-	-	-	-	390,000	390,000
Interest and Fiscal Charges	-	-	-	-	8,335	8,335
TOTAL DISBURSEMENTS	<u>2,180,622</u>	<u>1,560,279</u>	<u>-</u>	<u>87,570</u>	<u>467,591</u>	<u>4,296,062</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>591,437</u>	<u>(549,901)</u>	<u>119,307</u>	<u>240,692</u>	<u>24,633</u>	<u>426,168</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	470,000	-	-	535,560	1,005,560
Transfers out	(755,000)	-	(250,560)	-	-	(1,005,560)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(755,000)</u>	<u>470,000</u>	<u>(250,560)</u>	<u>-</u>	<u>535,560</u>	<u>-</u>
Net Change in Fund Balances	(163,563)	(79,901)	(131,253)	240,692	560,193	426,168
CASH BASIS FUND BALANCES - BEGINNING	<u>1,046,366</u>	<u>167,364</u>	<u>1,122,643</u>	<u>328,263</u>	<u>710,924</u>	<u>3,375,560</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 882,803</u>	<u>\$ 87,463</u>	<u>\$ 991,390</u>	<u>\$ 568,955</u>	<u>\$1,271,117</u>	<u>\$ 3,801,728</u>

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

HARLAN COUNTY
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
FIDUCIARY FUNDS
For the Year Ended June 30, 2022

	Custodial Fund Balances July 1, 2021	Receipts	Disbursements	Custodial Fund Balances June 30, 2022
ASSETS				
Cash and Cash Equivalents	\$ 358,796	\$ 14,788,209	\$ 14,510,471	\$ 636,534
LIABILITIES				
Due to other governments				
State - Collected by County Treasurer	103,980	1,163,828	1,151,796	116,012
State - Collected by Other Offices	3,963	61,396	61,763	3,596
Schools	175,853	9,697,356	9,772,985	100,224
Educational Service Units	2,359	149,284	150,748	895
Technical College	14,475	914,367	923,363	5,479
Natural Resource Districts	18,964	1,168,354	1,184,405	2,913
Fire Districts	2,920	188,797	190,601	1,116
Municipalities	20,123	656,708	654,813	22,018
Agricultural Society	1,386	87,956	88,815	527
Townships	2,999	41,399	43,927	471
Others - Collected by County Treasurer	-	574,257	208,738	365,519
Others - Collected by Other Offices	11,774	84,507	78,517	17,764
TOTAL LIABILITIES	<u>358,796</u>	<u>14,788,209</u>	<u>14,510,471</u>	<u>636,534</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.

HARLAN COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2022

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

Harlan 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 Harlan County Health Systems (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 \$8,916 toward the operation of the Region during fiscal year 2022. 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.

HARLAN 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 2022. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is audited in accordance with Neb. Rev. Stat. § 84-304(4) (Cum. Supp. 2022). 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.

HARLAN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

COVID American Rescue Plan Fund. This fund is used to account for aid received from the American Rescue Plan Act and is used for aid and assistance in accordance with Federal guidelines.

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 Fund. The Hospital Bond Fund accounts for the resources for, and the payment of, general long-term debt principal, interest, and related costs.

The County designates fund balances as follows:

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

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

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the County are maintained and the government-wide financial statements were reported on the basis of cash receipts and disbursements.

HARLAN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 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 deposit, 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.

HARLAN 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 \$1,135,577 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 and County Budget Act of 1937. 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 \$3,801,728 for County funds and \$636,534 for Fiduciary funds. The bank balances for all funds totaled \$4,444,759. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2022, 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.

HARLAN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Taxes** (Concluded)

The levy set in October 2021, for the 2021 taxes, which will be materially collected in May and September 2022, was set at \$.235188/\$100 of assessed valuation. The levy set in October 2020, for the 2020 taxes, which were materially collected in May and September 2021, was set at \$.235188/\$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.

The tax receipts classification also contains collections from the assessment of inheritance taxes, 911 surcharges, and lodging taxes.

4. **Retirement System**

The Retirement System for Nebraska Counties (the 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 2022) 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, 2022, 50 employees contributed \$72,052, and the County contributed \$106,934. Contributions included \$2,288 in cash contributions towards the supplemental law enforcement plan for four law enforcement employees. Lastly, the County paid \$600 directly to two retired employees for prior service benefits.

HARLAN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 106 counties and local governments throughout Nebraska.

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

6. Interfund Transfers

Interfund transfers for the year ended June 30, 2022, consisted of the following:

Transfers to	Transfers from		Total
	General Fund	Inheritance Fund	
Road Fund	\$ 470,000	\$	\$ 470,000
Nonmajor Funds	285,000	250,560	535,560
Total	\$ 755,000	\$ 250,560	\$ 1,005,560

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.

HARLAN COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

7. Long-Term Obligations

Bonds

The County issued bonds on June 10, 2021, in the amount of \$1,950,000 for the purpose of refinancing the Series 2016 bonds. The bond payable balance, as of June 30, 2022, was \$1,560,000. 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>
2023	\$ 390,000	\$ 7,020	\$ 397,020
2024	390,000	5,850	395,850
2025	390,000	4,290	394,290
2026	390,000	2,340	392,340
Total Payments	<u>\$ 1,560,000</u>	<u>\$ 19,500</u>	<u>\$ 1,579,500</u>

HARLAN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,202,580	\$ 2,202,580	\$ 2,042,035	\$ (160,545)
Licenses and Permits	21,000	21,000	22,446	1,446
Investment Income	8,500	8,500	7,511	(989)
Intergovernmental	158,700	158,700	373,801	215,101
Charges for Services	278,750	278,750	292,332	13,582
Miscellaneous	160	160	33,934	33,774
TOTAL RECEIPTS	<u>2,669,690</u>	<u>2,669,690</u>	<u>2,772,059</u>	<u>102,369</u>
DISBURSEMENTS				
General Government:				
County Board	146,167	146,167	141,309	4,858
County Clerk	151,656	151,656	146,617	5,039
County Treasurer	161,230	161,230	147,636	13,594
County Assessor	154,429	154,429	124,668	29,761
Election Commissioner	32,050	32,050	20,881	11,169
Building and Zoning	10,398	10,398	9,109	1,289
Clerk of the District Court	10,580	10,580	2,610	7,970
County Court System	17,760	17,760	10,131	7,629
Public Defender	48,000	48,000	48,000	-
Building and Grounds	106,850	106,850	106,485	365
Agricultural Extension Agent	93,051	93,051	66,108	26,943
Special Elections	1,850	1,850	-	1,850
Miscellaneous	640,483	640,483	510,893	129,590
Public Safety				
County Sheriff	522,365	522,365	390,254	132,111
County Attorney	155,182	155,182	150,315	4,867
County Jail	211,582	211,582	184,980	26,602
Emergency Management	102,475	102,475	86,392	16,083
Law Enforcement Mitigation	60,000	60,000	3,422	56,578
Child Support Enforcement	20,150	20,150	19,173	977
Homeland Security	50,000	50,000	-	50,000
Public Works				
County Surveyor	7,300	7,300	2,037	5,263
Public Assistance				
Veterans' Service Officer	13,943	13,943	9,602	4,341
TOTAL DISBURSEMENTS	<u>2,717,501</u>	<u>2,717,501</u>	<u>2,180,622</u>	<u>536,879</u>

(Continued)

HARLAN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(47,811)</u>	<u>(47,811)</u>	<u>591,437</u>	<u>639,248</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000,000	1,000,000	-	(1,000,000)
Transfers out	<u>(1,793,143)</u>	<u>(1,793,143)</u>	<u>(755,000)</u>	<u>1,038,143</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(793,143)</u>	<u>(793,143)</u>	<u>(755,000)</u>	<u>38,143</u>
Net Change in Fund Balance	(840,954)	(840,954)	(163,563)	677,391
FUND BALANCE - BEGINNING	<u>1,046,366</u>	<u>1,046,366</u>	<u>1,046,366</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 205,412</u></u>	<u><u>\$ 205,412</u></u>	<u><u>\$ 882,803</u></u>	<u><u>\$ 677,391</u></u>

(Concluded)

HARLAN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Licenses and Permits	6,500	6,500	2,913	(3,587)
Intergovernmental	939,092	939,092	1,002,175	63,083
Charges for Services	3,750	3,750	1,615	(2,135)
Miscellaneous	5,334	5,334	3,675	(1,659)
TOTAL RECEIPTS	954,676	954,676	1,010,378	55,702
DISBURSEMENTS	2,297,040	2,297,040	1,560,279	736,761
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,342,364)	(1,342,364)	(549,901)	792,463
OTHER FINANCING SOURCES (USES)				
Transfers in	1,225,000	1,225,000	470,000	(755,000)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,225,000	1,225,000	470,000	(755,000)
Net Change in Fund Balance	(117,364)	(117,364)	(79,901)	37,463
FUND BALANCE - BEGINNING	167,364	167,364	167,364	-
FUND BALANCE - ENDING	\$ 50,000	\$ 50,000	\$ 87,463	\$ 37,463
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 102,805	\$ 102,805	\$ 119,307	\$ 16,502
TOTAL RECEIPTS	102,805	102,805	119,307	16,502
DISBURSEMENTS	193,142	193,142	-	193,142
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(90,337)	(90,337)	119,307	209,644
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(1,000,000)	(1,000,000)	(250,560)	749,440
TOTAL OTHER FINANCING SOURCES (USES)	(1,000,000)	(1,000,000)	(250,560)	749,440
Net Change in Fund Balance	(1,090,337)	(1,090,337)	(131,253)	959,084
FUND BALANCE - BEGINNING	1,122,643	1,122,643	1,122,643	-
FUND BALANCE - ENDING	\$ 32,306	\$ 32,306	\$ 991,390	\$ 959,084

HARLAN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>COVID AMERICAN RESCUE PLAN FUND</u>				
RECEIPTS				
Intergovernmental	328,262	328,262	328,262	-
TOTAL RECEIPTS	328,262	328,262	328,262	-
DISBURSEMENTS	656,525	656,525	87,570	568,955
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(328,263)	(328,263)	240,692	568,955
Net Change in Fund Balance	(328,263)	(328,263)	240,692	568,955
FUND BALANCE - BEGINNING	328,263	328,263	328,263	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 568,955	\$ 568,955

(Concluded)

HARLAN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HIGHWAY STREET BUYBACK PROGRAM				
FUND				
Receipts	\$ 83,978	\$ 83,978	\$ 82,908	\$ (1,070)
Disbursements	(165,242)	(165,242)	-	165,242
Net Change in Fund Balance	(81,264)	(81,264)	82,908	164,172
Fund Balance - Beginning	81,264	81,264	81,264	-
Fund Balance - Ending	\$ -	\$ -	\$ 164,172	\$ 164,172
HIGHWAY BRIDGE BUYBACK PROGRAM				
FUND				
Receipts	\$ 40,408	\$ 40,408	\$ 40,408	\$ -
Disbursements	(85,410)	(85,410)	-	85,410
Net Change in Fund Balance	(45,002)	(45,002)	40,408	85,410
Fund Balance - Beginning	45,002	45,002	45,002	-
Fund Balance - Ending	\$ -	\$ -	\$ 85,410	\$ 85,410
ROAD BRIDGE CONSTRUCTION FUND				
Receipts	\$ 1	\$ 1	\$ -	\$ (1)
Disbursements	(350,000)	(350,000)	-	350,000
Transfers in	291,993	291,993	-	(291,993)
Transfers out	-	-	-	-
Net Change in Fund Balance	(58,006)	(58,006)	-	58,006
Fund Balance - Beginning	58,006	58,006	58,006	-
Fund Balance - Ending	\$ -	\$ -	\$ 58,006	\$ 58,006
SHERIFF EQUIPMENT SINKING FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(15,000)	(15,000)	-	15,000
Net Change in Fund Balance	(15,000)	(15,000)	-	15,000
Fund Balance - Beginning	15,000	15,000	15,000	-
Fund Balance - Ending	\$ -	\$ -	\$ 15,000	\$ 15,000
COURTHOUSE IMPROVEMENT SINKING				
FUND				
Receipts	\$ 1	\$ 1	\$ -	\$ (1)
Disbursements	(350,000)	(350,000)	(11,870)	338,130
Transfers in	269,835	269,835	250,560	(19,275)
Transfers out	-	-	-	-
Net Change in Fund Balance	(80,164)	(80,164)	238,690	318,854
Fund Balance - Beginning	80,164	80,164	80,164	-
Fund Balance - Ending	\$ -	\$ -	\$ 318,854	\$ 318,854

(Continued)

HARLAN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD EQUIPMENT SINKING FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	-	-	-	-
Transfers in	-	-	275,000	275,000
Transfers out	-	-	-	-
Net Change in Fund Balance	-	-	275,000	275,000
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,000</u>	<u>\$ 275,000</u>
VISITORS PROMOTION FUND				
Receipts	\$ 16,000	\$ 16,000	\$ 20,019	\$ 4,019
Disbursements	(34,000)	(34,000)	(25,318)	8,682
Net Change in Fund Balance	(18,000)	(18,000)	(5,299)	12,701
Fund Balance - Beginning	29,436	29,436	29,436	-
Fund Balance - Ending	<u>\$ 11,436</u>	<u>\$ 11,436</u>	<u>\$ 24,137</u>	<u>\$ 12,701</u>
REAPPRAISAL FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(20,000)	(20,000)	-	20,000
Transfers in	-	-	10,000	10,000
Transfers out	-	-	-	-
Net Change in Fund Balance	(20,000)	(20,000)	10,000	30,000
Fund Balance - Beginning	20,191	20,191	20,191	-
Fund Balance - Ending	<u>\$ 191</u>	<u>\$ 191</u>	<u>\$ 30,191</u>	<u>\$ 30,000</u>
PRESERVATION AND MODERNIZATION FUND				
Receipts	\$ 3,400	\$ 3,400	\$ 3,992	\$ 592
Disbursements	(7,000)	(7,000)	(6,499)	501
Net Change in Fund Balance	(3,600)	(3,600)	(2,507)	1,093
Fund Balance - Beginning	3,600	3,600	3,600	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,093</u>	<u>\$ 1,093</u>
STOP DIVERSION PROGRAM FUND				
Receipts	\$ 1	\$ 1	\$ 120	\$ 119
Disbursements	(2,451)	(2,451)	-	2,451
Net Change in Fund Balance	(2,450)	(2,450)	120	2,570
Fund Balance - Beginning	2,450	2,450	2,450	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,570</u>	<u>\$ 2,570</u>

(Continued)

HARLAN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
DRUG LAW ENFORCEMENT AND EDUCATION FUND				
Receipts	\$ -	\$ -	\$ 12,835	\$ 12,835
Disbursements	-	-	-	-
Net Change in Fund Balance	-	-	12,835	12,835
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,835</u>	<u>\$ 12,835</u>
LOTTERY FUND				
Receipts	\$ 11,014	\$ 11,014	\$ 9,371	\$ (1,643)
Disbursements	(27,510)	(27,510)	(16,143)	11,367
Transfers in	6,315	6,315	-	(6,315)
Transfers out	-	-	-	-
Net Change in Fund Balance	(10,181)	(10,181)	(6,772)	3,409
Fund Balance - Beginning	10,181	10,181	10,181	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,409</u>	<u>\$ 3,409</u>
SHERIFF COMMISSARY FUND				
Receipts	\$ 500	\$ 500	\$ 352	\$ (148)
Disbursements	(1,200)	(1,200)	(89)	1,111
Net Change in Fund Balance	(700)	(700)	263	963
Fund Balance - Beginning	1,202	1,202	1,202	-
Fund Balance - Ending	<u>\$ 502</u>	<u>\$ 502</u>	<u>\$ 1,465</u>	<u>\$ 963</u>
911 EMERGENCY SERVICES FUND				
Receipts	\$ 8,417	\$ 8,417	\$ 7,338	\$ (1,079)
Disbursements	(14,100)	(14,100)	(9,337)	4,763
Net Change in Fund Balance	(5,683)	(5,683)	(1,999)	3,684
Fund Balance - Beginning	5,683	5,683	5,683	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,684</u>	<u>\$ 3,684</u>
HOSPITAL BOND FUND				
Receipts	\$ 328,378	\$ 328,378	\$ 314,881	\$ (13,497)
Disbursements	(467,123)	(467,123)	(398,335)	68,788
Net Change in Fund Balance	(138,745)	(138,745)	(83,454)	55,291
Fund Balance - Beginning	358,745	358,745	358,745	-
Fund Balance - Ending	<u>\$ 220,000</u>	<u>\$ 220,000</u>	<u>\$ 275,291</u>	<u>\$ 55,291</u>

(Concluded)

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

For the Year Ended June 30, 2022

	Highway Street Buyback Program Fund	Highway Bridge Buyback Program Fund	Road Bridge Construction Fund	Sheriff Equipment Sinking Fund	Courthouse Improvement Sinking Fund
RECEIPTS					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income	-	-	-	-	-
Intergovernmental	82,908	40,408	-	-	-
Charges for Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
TOTAL RECEIPTS	<u>82,908</u>	<u>40,408</u>	<u>-</u>	<u>-</u>	<u>-</u>
DISBURSEMENTS					
General Government	-	-	-	-	11,870
Public Safety	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service:					
Principal Payments	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,870</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>82,908</u>	<u>40,408</u>	<u>-</u>	<u>-</u>	<u>(11,870)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	250,560
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,560</u>
Net Change in Fund Balances	82,908	40,408	-	-	238,690
FUND BALANCES - BEGINNING	<u>81,264</u>	<u>45,002</u>	<u>58,006</u>	<u>15,000</u>	<u>80,164</u>
FUND BALANCES - ENDING	<u>\$ 164,172</u>	<u>\$ 85,410</u>	<u>\$ 58,006</u>	<u>\$ 15,000</u>	<u>\$ 318,854</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	-	-	-	-
911 Emergency Services	-	-	-	-	-
Drug Education	-	-	-	-	-
Preservation of Records	-	-	-	-	-
Debt Service	-	-	-	-	-
Road and Bridge Maintenance	164,172	85,410	-	-	-
Committed to:					
Law Enforcement	-	-	-	-	-
Road and Bridge Maintenance	-	-	58,006	-	-
County Buildings	-	-	-	-	318,854
Equipment Purchases	-	-	-	15,000	-
Property Reappraisal	-	-	-	-	-
Community Betterment	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 164,172</u>	<u>\$ 85,410</u>	<u>\$ 58,006</u>	<u>\$ 15,000</u>	<u>\$ 318,854</u>

(Continued)

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

For the Year Ended June 30, 2022

	Road Equipment Sinking Fund	Visitors Promotion Fund	Reappraisal Fund	Preservation and Modernization Fund	Stop Diversion Program Fund
RECEIPTS					
Taxes	\$ -	\$ 20,019	\$ -	\$ -	\$ -
Investment Income	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	3,992	120
Miscellaneous	-	-	-	-	-
TOTAL RECEIPTS	<u>-</u>	<u>20,019</u>	<u>-</u>	<u>3,992</u>	<u>120</u>
DISBURSEMENTS					
General Government	-	-	-	6,499	-
Public Safety	-	-	-	-	-
Culture and Recreation	-	25,318	-	-	-
Debt Service:					
Principal Payments	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>-</u>	<u>25,318</u>	<u>-</u>	<u>6,499</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>-</u>	<u>(5,299)</u>	<u>-</u>	<u>(2,507)</u>	<u>120</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	275,000	-	10,000	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>275,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	275,000	(5,299)	10,000	(2,507)	120
FUND BALANCES - BEGINNING	<u>-</u>	<u>29,436</u>	<u>20,191</u>	<u>3,600</u>	<u>2,450</u>
FUND BALANCES - ENDING	<u>\$ 275,000</u>	<u>\$ 24,137</u>	<u>\$ 30,191</u>	<u>\$ 1,093</u>	<u>\$ 2,570</u>
FUND BALANCES:					
Restricted for:					
Visitor Promotion	-	24,137	-	-	-
911 Emergency Services	-	-	-	-	-
Drug Education	-	-	-	-	-
Preservation of Records	-	-	-	1,093	-
Debt Service	-	-	-	-	-
Road and Bridge Maintenance	-	-	-	-	-
Committed to:					
Law Enforcement	-	-	-	-	2,570
Road and Bridge Maintenance	-	-	-	-	-
County Buildings	-	-	-	-	-
Equipment Purchases	275,000	-	-	-	-
Property Reappraisal	-	-	30,191	-	-
Community Betterment	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 275,000</u>	<u>\$ 24,137</u>	<u>\$ 30,191</u>	<u>\$ 1,093</u>	<u>\$ 2,570</u>

(Continued)

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

For the Year Ended June 30, 2022

	Drug Law Enforcement and Education Fund	Lottery Fund	Sheriff Commissary Fund	911 Emergency Services Fund	Hospital Bond Fund	Total Nonmajor Funds
RECEIPTS						
Taxes	\$ -	\$ -	\$ -	\$ 7,338	\$ 273,013	\$ 300,370
Investment Income	-	10	-	-	2,122	2,132
Intergovernmental	-	-	-	-	31,123	154,439
Charges for Services	12,835	-	352	-	-	17,299
Miscellaneous	-	9,361	-	-	8,623	17,984
TOTAL RECEIPTS	<u>12,835</u>	<u>9,371</u>	<u>352</u>	<u>7,338</u>	<u>314,881</u>	<u>492,224</u>
DISBURSEMENTS						
General Government	-	16,143	-	-	-	34,512
Public Safety	-	-	89	9,337	-	9,426
Culture and Recreation	-	-	-	-	-	25,318
Debt Service:						
Principal Payments	-	-	-	-	390,000	390,000
Interest and Fiscal Charges	-	-	-	-	8,335	8,335
TOTAL DISBURSEMENTS	<u>-</u>	<u>16,143</u>	<u>89</u>	<u>9,337</u>	<u>398,335</u>	<u>467,591</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>12,835</u>	<u>(6,772)</u>	<u>263</u>	<u>(1,999)</u>	<u>(83,454)</u>	<u>24,633</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	535,560
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>535,560</u>
Net Change in Fund Balances	12,835	(6,772)	263	(1,999)	(83,454)	560,193
FUND BALANCES - BEGINNING	<u>-</u>	<u>10,181</u>	<u>1,202</u>	<u>5,683</u>	<u>358,745</u>	<u>710,924</u>
FUND BALANCES - ENDING	<u>\$ 12,835</u>	<u>\$ 3,409</u>	<u>\$ 1,465</u>	<u>\$ 3,684</u>	<u>\$ 275,291</u>	<u>\$ 1,271,117</u>
FUND BALANCES:						
Restricted for:						
Visitor Promotion	-	-	-	-	-	24,137
911 Emergency Services	-	-	-	3,684	-	3,684
Drug Education	12,835	-	-	-	-	12,835
Preservation of Records	-	-	-	-	-	1,093
Debt Service	-	-	-	-	275,291	275,291
Road and Bridge Maintenance	-	-	-	-	-	249,582
Committed to:						
Law Enforcement	-	-	1,465	-	-	4,035
Road and Bridge Maintenance	-	-	-	-	-	58,006
County Buildings	-	-	-	-	-	318,854
Equipment Purchases	-	-	-	-	-	290,000
Property Reappraisal	-	-	-	-	-	30,191
Community Betterment	-	3,409	-	-	-	3,409
TOTAL FUND BALANCES	<u>\$ 12,835</u>	<u>\$ 3,409</u>	<u>\$ 1,465</u>	<u>\$ 3,684</u>	<u>\$ 275,291</u>	<u>\$ 1,271,117</u>

(Concluded)

HARLAN COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2022

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Highway Superintendent	Total
BALANCES JULY 1, 2021	\$ 8,099	\$ 12,277	\$ 1,676	\$ 250	\$ -	\$ 22,302
RECEIPTS						
Licenses and Permits	450	-	575	-	2,912	3,937
Charges for Services	44,033	2,156	11,724	-	-	57,913
Miscellaneous	44	-	120	42	3,675	3,881
State Fees	57,306	4,090	-	-	-	61,396
Other Liabilities	-	53,583	30,924	-	-	84,507
TOTAL RECEIPTS	101,833	59,829	43,343	42	6,587	211,634
DISBURSEMENTS						
Payments to County Treasurer	46,039	2,307	12,585	-	6,587	67,518
Payments to State Treasurer	58,429	3,334	-	-	-	61,763
Petty Cash & Other Payments	44	-	-	42	-	86
Other Liabilities	-	47,633	30,884	-	-	78,517
TOTAL DISBURSEMENTS	104,512	53,274	43,469	42	6,587	207,884
BALANCES JUNE 30, 2022	\$ 5,420	\$ 18,832	\$ 1,550	\$ 250	\$ -	\$ 26,052
BALANCES CONSIST OF:						
Due to County Treasurer	\$ 2,710	\$ 212	\$ 1,470	\$ -	\$ -	\$ 4,392
Petty Cash	50	-	-	250	-	300
Due to State Treasurer	2,660	936	-	-	-	3,596
Due to Others	-	17,684	80	-	-	17,764
BALANCES JUNE 30, 2022	\$ 5,420	\$ 18,832	\$ 1,550	\$ 250	\$ -	\$ 26,052

HARLAN COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2022

Item	2017	2018	2019	2020	2021
Tax Certified by Assessor					
Real Estate	\$ 11,313,401	\$ 11,540,689	\$ 11,642,791	\$ 11,442,657	\$ 11,764,119
Personal and Specials	588,992	551,154	595,819	584,665	680,957
Total	<u>11,902,393</u>	<u>12,091,843</u>	<u>12,238,610</u>	<u>12,027,322</u>	<u>12,445,076</u>
Corrections					
Additions	1,352	195	2,532	10,085	1,066
Deductions	(2,084)	(3,296)	(11,566)	(5,980)	(13,254)
Net Additions/ (Deductions)	<u>(732)</u>	<u>(3,101)</u>	<u>(9,034)</u>	<u>4,105</u>	<u>(12,188)</u>
Corrected Certified Tax	<u>11,901,661</u>	<u>12,088,742</u>	<u>12,229,576</u>	<u>12,031,427</u>	<u>12,432,888</u>
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2018	7,966,895	-	-	-	-
June 30, 2019	3,915,502	7,995,726	-	-	-
June 30, 2020	10,192	4,072,181	8,008,351	-	-
June 30, 2021	6,801	14,139	4,200,814	8,250,046	-
June 30, 2022	1,197	3,522	13,635	3,762,978	8,770,134
Total Net Collections	<u>11,900,587</u>	<u>12,085,568</u>	<u>12,222,800</u>	<u>12,013,024</u>	<u>8,770,134</u>
Total Uncollected Tax	<u>\$ 1,074</u>	<u>\$ 3,174</u>	<u>\$ 6,776</u>	<u>\$ 18,403</u>	<u>\$ 3,662,754</u>
Percentage Uncollected Tax	<u>0.01%</u>	<u>0.03%</u>	<u>0.06%</u>	<u>0.15%</u>	<u>29.46%</u>

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



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HARLAN 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
Harlan 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 Harlan County, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 22, 2023. 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 Harlan County Hospital, a component unit of Harlan County.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing 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 the 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 a 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 first paragraph of this section 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 Response: Each office will review and discuss procedures to improve segregation of duties, when possible, with limited number of personnel.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harlan 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 financial statements. 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 Harlan County in a separate letter dated May 22, 2023.

Harlan County's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the County's response to the finding identified in our audit and described previously. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 results 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.



Dakota Christensen, CPA, CISA, CFE
Audit Manager
Lincoln, Nebraska

May 22, 2023



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May 22, 2023

Board of Supervisors
Harlan County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Harlan County (County) for the fiscal year ended June 30, 2022, and have issued our report thereon dated May 22, 2023. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

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

COUNTY BOARD

Possible Violation of the Open Meetings Act

During our audit, we received a complaint about a potential violation of the Open Meetings Act (Act), which is set out at Neb. Rev. Stat. § 84-1407 et seq. (Reissue 2014, Cum. Supp. 2022). On August 9, 2022, the County Board held a "budget workshop" to work on and finalize the County's fiscal year 2023 budget. The complaint states that all seven Board members were present; however, the meeting was not held in accordance with the requirements of the Act. Among other things, no advance public notice of the meeting was given, and no meeting minutes were taken.

We contacted the County Board Chairperson to ask who was present at the workshop and what was discussed. He responded that no record was kept of who attended the workshop, but all of the County Board members were invited. The workshop was held, it was explained further, to finalize the County's budget before publication and adoption.

Based upon the response received, a quorum of the County Board may have been present at the workshop, and County business – namely, the budget – appears to have been discussed. Consequently, the workshop was likely a meeting subject to the provisions of the Act.

Neb. Rev. Stat. § 84-1408 (Reissue 2014) states the intent of the Act, as follows:

It is hereby declared to be the policy of this state that the formation of public policy is public business and may not be conducted in secret.

Every meeting of a public body shall be open to the public in order that citizens may exercise their democratic privilege of attending and speaking at meetings of public bodies, except as otherwise provided by the Constitution of Nebraska, federal statutes, and the Open Meetings Act.

(Emphasis added.) Neb. Rev. Stat. § 84-1412 (Cum. Supp. 2022) emphasizes that “the public has the right to attend and the right to speak at meetings of public bodies”

Neb. Rev. Stat. § 84-1409(1) (Cum. Supp. 2022) specifies the various types of public bodies (i.e., governmental entities) that are subject to the Act, including “governing bodies of all political subdivisions of the State of Nebraska.”

Section 84-1409(2) provides the following definition of “meeting” for purposes of the Act:

Meeting means all regular, special, or called meetings, formal or informal, of any public body for the purposes of briefing, discussion of public business, formation of tentative policy, or the taking of any action of the public body[.]

(Emphasis added.) Additionally, the Nebraska Attorney General has explained that the provisions of the Act are applicable to a meeting of a public body attended by a quorum of its members. Op. Att’y Gen. No. 97050 (September 18, 1997).

Per Neb. Rev. Stat. § 84-1411 (Cum. Supp. 2022), advance notice of meetings by public bodies must be given, as follows:

(1)(a) Each public body shall give reasonable advance publicized notice of the time and place of each meeting as provided in this subsection. Such notice shall be transmitted to all members of the public body and to the public.

(b)(i) Except as provided in subdivision (1)(b)(ii) of this section, in the case of a public body described in subdivision (1)(a)(i) of section 84-1409 or such body's advisory committee, such notice shall be published in a newspaper of general circulation within the public body's jurisdiction and, if available, on such newspaper's website.

* * * *

(c) In addition to a method of notice required by subdivision (1)(b)(i) or (ii) of this section, such notice may also be provided by any other appropriate method designated by such public body or such advisory committee.

(d) Each public body shall record the methods and dates of such notice in its minutes.

(e) Such notice shall contain an agenda of subjects known at the time of the publicized notice or a statement that the agenda, which shall be kept continually current, shall be readily available for public inspection at the principal office of the public body during normal business hours. Agenda items shall be sufficiently descriptive to give the public reasonable notice of the matters to be considered at the meeting. . . .

Additionally, Neb. Rev. Stat. § 84-1413 (Cum. Supp. 2022) requires minutes to be kept for all meetings of public bodies:

(1) Each public body shall keep minutes of all meetings showing the time, place, members present and absent, and the substance of all matters discussed.

(2) Any action taken on any question or motion duly moved and seconded shall be by roll call vote of the public body in open session, and the record shall state how each member voted or if the member was absent or not voting. The requirements of a roll call or viva voce vote shall be satisfied by a public body which utilizes an electronic voting device which allows the yeas and nays of each member of such public body to be readily seen by the public.

* * * *

(4) The minutes of all meetings and evidence and documentation received or disclosed in open session shall be public records and open to public inspection during normal business hours.

(5) Minutes shall be written or kept as an electronic record and shall be available for inspection within ten working days or prior to the next convened meeting, whichever occurs earlier, except that cities of the second class and villages may have an additional ten working days if the employee responsible for writing or keeping the minutes is absent due to a serious illness or emergency.

Neb. Rev. Stat. § 84-1414(4) (Reissue 2014) provides the following:

Any member of a public body who knowingly violates or conspires to violate or who attends or remains at a meeting knowing that the public body is in violation of any provision of the Open Meetings Act shall be guilty of a Class IV misdemeanor for a first offense and a Class III misdemeanor for a second or subsequent offense.

Good internal controls require procedures to ensure that all meetings, as defined by § 84-1409(2), of public bodies are held in compliance with the Open Meetings Act.

Without such procedures, there is an increased risk of not only violating State statute but also failing to provide for the type of transparency needed for the public to have a full understanding of the actions of its elected officials.

We recommend the County Board implement procedures to ensure that all meetings, as defined by Section 84-1409(2), are held in compliance with the Open Meetings Act.

County Response: The County Board will review and implement procedures to ensure all meetings are held in compliance with the Open Meeting Act.

Bidding Issues

During testing, we noted that the County failed to follow proper bidding procedures for two claims. As detailed in the table below, these claims were for renovations to the Harlan County Courthouse:

Claim Number	Vendor/Payee	Date Approved	Amount	Description
21080108	Joseph R. Hewgley & Associates	8/17/2021	\$ 32,170	Architectural services
22060161	TL Sunds Constructors	6/21/2022	\$ 87,570	Work on windows, plumbing, carpentry
Total			\$ 119,740	

The County did not receive bids for either of the above claims.

Additionally, we noted that the County entered into a lease agreement with Titan Machinery for the use of a tractor and a mower. The original retail sales agreement was dated June 29, 2022; however, the County amended this agreement to become a lease agreement dated September 30, 2022. The total amount of these lease payments and the purchase option price is \$135,153. The County was unable to provide documentation to support that bids were received for this equipment lease.

Neb. Rev. Stat. § 23-3108(1) (Reissue 2022) states the following, in relevant part:

Except as provided in section 23-3109, purchases of personal property or services by the county board or purchasing agent shall be made:

(a) Through the competitive sealed bidding process prescribed in section 23-3111 if the estimated value of the purchase is fifty thousand dollars or more;

(b) By securing and recording at least three informal bids, if practicable, if the estimated value of the purchase is equal to or exceeds ten thousand dollars, but is less than fifty thousand dollars.

Good internal controls require procedures to ensure that bids are received for applicable purchases in accordance with State law.

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

A similar comment was noted in the prior year's report.

We recommend the County implement procedures to ensure bids are received for applicable purchases in accordance with State law.

County Response: The County will review procedures to ensure bids are received in accordance with State Law.

Lack of Adequate Documentation

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

- The County paid claims, totaling \$25,226, to certain entities to support their operations, as detailed in the following table. However, documentation for how the funds were used by those entities was not obtained and reviewed to ensure that the monies were spent appropriately.

Entity	Amount
Harlan County Historical Society	\$ 10,000
Harlan County Senior Center	\$ 2,226
C.B. Preston Memorial Library	\$ 1,000
Harlan County CASA	\$ 12,000
Total	\$ 25,226

- The County made two payments on the Hospital Bond, including a total of \$270 in additional fees for which the County could provide no supporting documentation.
- The County made one \$288 payment to the Tourism Director, Emily White, to reimburse travel and meal costs for a trip to Lincoln, Nebraska. However, the County could not provide documentation for the reason she traveled.

Good internal controls and sound business practices require procedures to ensure the following: 1) any grant of public funds is supported by adequate documentation showing that the monies were spent appropriately; 2) all claims, including associated fees, are supported by appropriate documentation; and 3) reimbursement payments for travel and meal expenses are supported by documentation showing the underlying reason for those costs.

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

A similar comment was noted in the prior year's report.

We recommend the County Board implement procedures to ensure the following: 1) any grant of public funds is supported by adequate documentation showing that the monies were spent appropriately; 2) all claims, including associated fees, are supported by appropriate documentation; and 3) reimbursement payments for travel and meal expenses are supported by documentation showing the underlying reason for those costs.

County Response: The County Board will review and continue to implement procedures involving appropriate and supported documentation as needed. A new procedure, as of Jan. 17th, 2023, is in place for claims and for reimbursement payments.

Inventory Listing Issues

During the audit, the County was unable to provide documentation to support that the annual inventory listings of four offices were filed with the County Clerk before August 31, 2021. Those four offices were: County Attorney, County Tourism, County Real Estate, and County Veterans' Service Officer.

Additionally, we noted that the annual inventory listings for the County Board and the County Caretaker were not on file with the office of the County Clerk.

Neb. Rev. Stat § 23-347 (Reissue 2022) states the following:

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

Neb. Rev. Stat. § 23-348.01 (Reissue 2022) provides the following:

Within two calendar months after the close of each fiscal year, each county board shall make, or cause to be made, acknowledged under oath, and filed with the county clerk of such county, an inventory statement of all real estate and real property in which such county has any interest of any kind. Such inventory shall include all real estate owned by the county or in which the county has an interest or lien of any kind including liens acquired by operation of law for any purpose except real estate tax liens which have not been established by judicial decree and except those parcels of land owned by the county for road rights-of-way and other utility rights-of-way. Such inventory shall set forth a description of such properties with sufficient details that the property may be identified in the records of the register of deeds, and shall set forth, if within an area in which the property abuts upon a street, the street and street number of such property and shall set forth the use being made of such property. The county clerk shall retain such inventory for filing as a public record in his or her office in a manner convenient for reference.

Good internal controls requires procedures to ensure the proper filing of statutorily required inventory listings

Without such procedures, there is an increased risk for not only violation of State law but also loss of County property through fraud or abuse.

We recommend the implementation of procedures to ensure that all County offices file the statutorily required inventory listings.

County Response: The procedures for filing inventory listings will be reviewed to meet statutory requirements.

Payroll Issues

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

- The County's elected officials received salary increases of 1.48% for calendar year 2021. However, Harlan County Board Resolution #1-2018 stated that the salary for County elected officials "shall increase each year of the elected term by the Social Security Cost of Living Adjustment, not to be less than 1% or greater than 5%." The Social Security Cost of Living Adjustment for 2021 was 1.3%, which was .18% less than the increases that the elected officials received.
- The 2021 salary paid to the County Sheriff was in excess of the amount approved by the County Board. The County Board approved a salary of \$57,000 for calendar year 2019 for the County Sheriff, which increased to \$58,665 based on the Social Security Cost of Living Adjustments of 1.6% for the calendar year 2020 and 1.3% for the calendar year 2021. However, the Sheriff was paid \$68,547, or an additional salary of \$9,882. This additional pay appears to have been to compensate the County Sheriff for serving also as the Emergency Manager. However, the County could not provide documentation to support the added pay for that extra duty.
- There was no documented approval of the pay rates for three of three employees tested.

- The County could not provide documentation to support that the vacation and sick leave balances for three of three employees tested were being tracked properly.

Neb. Rev. Stat. § 23-1114(1) (Reissue 2022) states the following:

The salaries of all elected officers of the county shall be fixed by the county board prior to January 15 of the year in which a general election will be held for the respective offices.

Harlan County Board Resolution #1-2018 states, “[W]ith prior Board approval, Elected Officials are also entitled to and may be compensated for duties, labors, and responsibilities performed for the County that would clearly exist outside of their respective offices”

Additionally, good internal controls and sound accounting practices require procedures to ensure: 1) payroll amounts are consistent with salaries approved by the County Board; 2) sufficient records are maintained to support all payroll transactions; and 3) employee leave balances, accruals, and usages are adequately tracked.

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

A similar comment was noted in the prior year’s report.

We would recommend the implementation of procedures to ensure: 1) payroll amounts are consistent with salaries approved by the County Board; 2) sufficient records are maintained to support all payroll transactions; and 3) employee leave balances, accruals, and usages are adequately tracked.

County Response: The procedures to ensure consistency, sufficient records and adequately tracked benefits will be reviewed and implemented.

Credit Card Policy and Approval of Authorized User

During testing, we noted that several County offices hold County credit cards for the purpose of making purchases without needing to go through the regular claims process. However, the County does not have a purchasing card policy that outlines what purchases are allowed and who is authorized to utilize a County credit card.

Additionally, the County was unable to provide documentation of the County Board’s approval for the County Tourism office to use one of these governmental credit cards.

Neb. Rev. Stat. § 13-610 (Reissue 2022) states, in relevant part, the following:

(1) A political subdivision, through its governing body, may create its own purchasing card program. The governing body shall determine the type of purchasing card or cards utilized in the purchasing card program and shall approve or disapprove those persons who will be assigned a purchasing card. . . .

(2) Any political subdivision may utilize its purchasing card program for the purchase of goods and services for and on behalf of the political subdivision.

* * * *

(4) An itemized receipt for purposes of tracking expenditures shall accompany all purchasing card purchases. In the event that a receipt does not accompany such a purchase, purchasing card privileges shall be temporarily or permanently suspended in accordance with rules and regulations adopted and promulgated by the political subdivision.

* * * *

(6) No officer or employee of a political subdivision shall use a political subdivision purchasing card for any unauthorized use as determined by the governing body.

(Emphasis added.) In order to ensure compliance with the provisions of § 13-610, the County Board must adopt a formal policy specifying, among other things, both the authorized users of the County's credit cards and the types purchases that may be made with them.

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

We recommend the County Board adopt a formal policy specifying, among other things, both the authorized users of the County's credit cards and the types purchases that may be made with them.

County Response: The County Board will review and discuss a formal policy.

COUNTY CLERK

Reconciliation Procedures

During our review of the County Board's imprest account, we noted that a complete and accurate bank reconciliation of the account was not completed for June 30, 2022. The lack of reconciliation resulted in an unknown variance of \$855 between the reconciled bank balance and the book balance.

Based on a discussion with the County Clerk, \$633 of the variance consists of outstanding checks that were due to the State Treasurer as abandoned property but had not been remitted; however, the cause of the remaining \$222 balance remains unknown.

Neb. Rev. Stat. § 69-1307.01 (Reissue 2018) states the following:

Except as otherwise provided by law, all intangible personal property held for the owner by any court, public corporation, public authority, or public officer of this state, or a political subdivision thereof, that has remained unclaimed by the owner for more than three years is presumed abandoned.

Neb. Rev. Stat. § 69-1310 (Cum. Supp. 2022) states, in relevant part, the following:

(a) Every person holding funds or other property, tangible or intangible, presumed abandoned under the Uniform Disposition of Unclaimed Property Act shall report to the State Treasurer with respect to the property as hereinafter provided.

* * * *

The report shall be filed before November 1 of each year as of June 30 next preceding, but the report of life insurance corporations shall be filed before May 1 of each year as of December 31 next preceding. A one-time supplemental report shall be filed by life insurance corporations with regard to property subject to section 69-1307.05 before November 1, 2003, as of December 31, 2002, as if section 69-1307.05 had been in effect before January 1, 2003. The property must accompany the report unless excused by the State Treasurer for good cause. The State Treasurer may postpone the reporting date upon written request by any person required to file a report. Any person holding intangible property presumed abandoned due to be reported with a cumulative value of fifty dollars or less in a single reporting year shall not be required to report the property in that year but shall report the property in any year when the property value or total report value exceeds fifty dollars.

Sound accounting practices and good internal controls require procedures to ensure that office records are accurate and reconcile with bank activity on, at least, a monthly basis. Reconciliation procedures should include the timely resolution of all variances noted.

Without such procedures, there is an increased risk of the County being susceptible to intentional and/or unintentional errors or omissions, which increase the risk of loss, theft, or misuse of public funds. Additionally, without procedures to ensure that outstanding checks qualifying as abandoned property are remitted timely to the State Treasurer, there is an increased risk of noncompliance with State statute.

A similar comment was noted in the prior year's report.

We recommend the County implement procedures to ensure that office records are accurate and reconcile with bank activity on, at least, a monthly basis. Reconciliation procedures should include the timely resolution of all variances noted. We also recommend the County Clerk implement procedures to ensure that outstanding checks qualifying as abandoned property are remitted to the State Treasurer in accordance with State statute.

County Clerk Response: The current clerk will review the reconciliation procedures and abandoned property procedures and will implement procedures accordingly.

COUNTY SHERIFF

Accounting Procedures

During our audit, we noted the following issues regarding the accounting procedures of the County Sheriff's office:

- The Sheriff's bank account had a negative balance two times during the fiscal year, resulting in \$30 in overdraft fees. The following table shows the periods that the bank balance was negative and the largest negative balance during each period:

Period	Largest Negative Balance
04/06/2022 - 04/11/2022	\$ 59
05/04/2022 - 05/06/2022	\$ 41

- A monthly asset-to-liability reconciliation was not performed for the Sheriff's bank account, resulting in a cash short of \$233. This short consists of a known short of \$59 and an unknown short of \$174. The table below summarizes the cash short as of June 30, 2022:

Assets - As of June 30, 2022	
Reconciled Bank Balance	\$ 675
Cash on Hand	\$ 80
Receivables	\$ 55
Total Assets	\$ 810
Liabilities - As of June 30, 2022	
Unremitted County Fees	\$ 963
Due to Others	\$ 80
Total Liabilities	\$ 1,043
Cash Short	\$ (233)

- On September 28, 2021, the Sheriff received \$41 for Sheriff sales. This amount was remitted correctly to the District Court on October 3, 2021; however, on that same date, the amount was remitted also to the County Treasurer. This \$41 contributes to the known short noted above and is due from the County Treasurer.

- On August 9, 2021, the Sheriff issued a check, totaling \$18, to refund a customer for civil service fees paid twice. The amount was not held in the Sheriff's bank account, however, it appears to have been remitted previously to the County Treasurer. This \$18 contributes to the known short noted above and is due from the Treasurer.
- On March 15, 2022, the Sheriff's bank account was charged \$25 for a stop payment fee. On May 4, 2022, the Sheriff's bank account was charged a \$30 overdraft fee. No claims have been submitted to the County Board for reimbursement of these fees as of April 2023.
- The bank reconciliation provided by the Sheriff's office as of June 30, 2022, did not contain an accurate book balance and did not list all outstanding checks. One check, totaling \$2, was noted as outstanding on the reconciliation provided as of June 30, 2021. This check did not clear the bank and was not voided during fiscal year 2022; however, it was not included on the bank reconciliation as of June 30, 2022.
- As of June 30, 2022, the Sheriff had civil service fees and mileage accounts receivable of \$507. This amount was not remitted to the County Treasurer when the fees were earned.
- During our review of the Sheriff's accounts receivable balances, we noted that one accounts receivable balance, totaling \$19, was removed from the office's records. The County Sheriff failed to obtain County Board's approval to write off this balance.

Neb. Rev. Stat. § 23-135(1) (Reissue 2022) provides, in part, the following:

All claims against a county shall be filed with the county clerk within ninety days from the time when any materials or labor, which form the basis of the claims, have been furnished or performed

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

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

Neb. Rev. Stat. § 23-106(1) (Reissue 2022) states, "The county board shall manage the county funds and county business except as otherwise specifically provided."

Additionally, good internal controls and sound business practices require procedures to ensure the following: 1) sufficient funds are available in the Sheriff's bank account to cover disbursements; 2) office assets (cash on hand, reconciled bank balances, and accounts receivable) agree with office liabilities (fees on hand, trust accounts, and accounts payable), and any variances noted are resolved timely; 3) fees and refunds are remitted correctly and not mistakenly disbursed multiple times; 4) claims for reimbursement are submitted timely for all fees incurred by the Sheriff; 5) the book balance and bank reconciliation performed by the Sheriff correctly include all outstanding checks; 6) civil service fees are remitted to the County Treasurer when earned, not when payment is received; and 7) accounts receivable balances are not removed without proper approval from the County Board.

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

A similar finding was included in past reports.

We recommend the County Sheriff implement procedures to ensure the following:
1) sufficient funds are available in the Sheriff's bank account to cover disbursements; 2) office assets (cash on hand, reconciled bank balances, and

accounts receivable) agree with office liabilities (fees on hand, trust accounts, and accounts payable), and any variances noted are resolved timely; 3) fees and refunds are remitted correctly and not mistakenly disbursed multiple times; 4) claims for reimbursement are submitted timely for all fees incurred by the Sheriff; 5) the book balance and bank reconciliation performed by the Sheriff correctly include all outstanding checks; 6) civil service fees are remitted to the County Treasurer when earned, not when payment is received; and 7) accounts receivable balances are not removed without proper approval from the County Board.

Petty Cash

The County Sheriff was authorized to maintain a \$1,000 petty cash fund; however, based on a discussion with office staff, those funds were never received from the County. The 2022-2023 budget message listed the County Sheriff as having a \$1,000 petty cash fund.

Neb. Rev. Stat. § 23-106(2) (Reissue 2022) states the following:

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

Good internal controls require procedures to ensure that petty cash funds are maintained, reconciled to, and reported at the amounts authorized by the County Board.

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

A similar finding was included in the prior year's report.

We recommend the County Sheriff implement procedures to ensure petty cash funds are maintained at the authorized amount or discuss adjusting the authorized amount with the County Board.

County Sheriff Response: Sheriff Becker has asked the County Board to get rid of the Petty Cash Acct as this has been a recurring problem with the Accountants and his Office.

COUNTY TREASURER

5% Gross In-Lieu Distribution

During the audit, we tested the County Treasurer's February 2022 through June 2022 distributions of 5% Gross In-Lieu taxes, totaling \$20,955, from the Twin Valley's Public Power District and noted that the calculation was incorrect. The errors were a result of the County Treasurer using the incorrect tax levy rates from tax year 2020 instead of the updated rates for tax year 2021. As a result of these errors, the following over- and underpayments were noted:

Entity	Over/(Under) Payment
Harlan County	\$ 503
Alma Public Schools	\$ 15
Franklin Public Schools	\$ (4)
Wilcox-Hildreth Public Schools	\$ (45)
Southern Valley Public Schools	\$ 1,720
Village of Orleans	\$ (2,167)
Village of Stamford	\$ (38)
Village of Republican City	\$ 6
Village of Ragan	\$ 10

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, using the correct tax levy rates.

Without such procedures, there is an increased risk of not only political subdivisions not receiving the appropriate amount of funding but also 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 Treasurer Response: The 5% In-Lieu distribution error was corrected with a journal entry on 4/20/2023.

Improper Issuance of Refund

During the audit, we noted that, on February 15, 2022, the County Treasurer issued check #44696 in the amount of \$1,354 to refund what was incorrectly believed to have been an overpayment of motor vehicle sales tax. The vehicle was originally purchased in Illinois, and the dealership in that state paid the Harlan County Treasurer for the sales tax and registration fees. The County Treasurer believed mistakenly that the sales tax had already been paid to the State of Illinois, so the refund check was issued.

After this refund check was selected for testing, the County Treasurer noted that Nebraska sales tax should have been paid. Since this issue was discovered, the County Treasurer has collected the amount incorrectly refunded.

Neb. Rev. Stat. § 77-2703(1)(i) (Cum. Supp. 2022) states the following, in relevant part:

The tax imposed by this section on the sales of motor vehicles, semitrailers, and trailers as defined in sections 60-339, 60-348, and 60-354 shall be the liability of the purchaser and, with the exception of motor vehicles, semitrailers, and trailers registered pursuant to section 60-3,198, the tax shall be collected by the county treasurer as provided in the Motor Vehicle Registration Act or by an approved licensed dealer participating in the electronic dealer services system pursuant to section 60-1507 at the time the purchaser makes application for the registration of the motor vehicle, semitrailer, or trailer for operation upon the highways of this state. The tax imposed by this section on motor vehicles, semitrailers, and trailers registered pursuant to section 60-3,198 shall be collected by the Department of Motor Vehicles at the time the purchaser makes application for the registration of the motor vehicle, semitrailer, or trailer for operation upon the highways of this state. . . .

Neb. Rev. Stat. § 60-3,186(2)(a) (Reissue 2021) provides, as is relevant, the following:

The motor vehicle tax, motor vehicle fee, registration fee, sales tax, and any other applicable taxes and fees shall be paid to the county treasurer prior to the registration of the motor vehicle for the following registration period.

"Instructions for County Treasurers: Sales and Use Tax and Tire Fee Collection for Motor Vehicles, Trailers, and Semitrailers, ATVs/UTVs, and Motorboats," Section A: "Motor Vehicles, Trailers, and Semitrailers" (Revised November 15, 2021), issued by the Nebraska Department of Revenue, states the following regarding motor vehicles purchased in another state:

Any person who purchases a motor vehicle in another state, commonwealth, territory, possession, or country (other jurisdiction) and operates the motor vehicle on its highways on an in-transit or temporary permit, or other temporary license for a limited time with intent to remove it from the other jurisdiction, is required to pay the tax at the time the motor vehicle is registered in this state.

Good internal controls require procedures to ensure that sales tax is paid in accordance with State statute, and refund checks are issued only in the event of an actual overpayment.

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

We recommend the County Treasurer implement procedures to ensure that sales tax is paid in accordance with State statute, and refund checks are issued only in the event of an actual overpayment.

CLERK OF THE DISTRICT COURT

Unclaimed Property

During our audit, it was noted that, as of February 2023, the Clerk of the District Court was in possession of a \$500 check that should have been remitted to the State Treasurer as abandoned property in November 2022. Originally written on March 7, 2019, the check was voided by the District Court in April 2022 because it had not been cashed. Having been issued more than three years ago, the uncashed check qualified as abandoned property and should have been remitted to the State Treasurer. Additionally, a copy of the voided check was not maintained on file for subsequent review.

Neb. Rev. Stat. § 69-1307.01 (Reissue 2018) provides the following:

Except as otherwise provided by law, all intangible personal property held for the owner by any court, public corporation, public authority, or public officer of this state, or a political subdivision thereof, that has remained unclaimed by the owner for more than three years is presumed abandoned.

Neb. Rev. Stat. § 69-1310 (Cum. Supp. 2022) states, in relevant part, the following:

(a) Every person holding funds or other property, tangible or intangible, presumed abandoned under the Uniform Disposition of Unclaimed Property Act shall report to the State Treasurer with respect to the property as hereinafter provided.

* * * *

(d) The report shall be filed before November 1 of each year as of June 30 next preceding The property must accompany the report unless excused by the State Treasurer for good cause. The State Treasurer may postpone the reporting date upon written request by any person required to file a report. . . .

Furthermore, good internal controls and sound accounting practices require procedures to ensure that checks qualifying as abandoned property are remitted to the State Treasurer in a timely manner. Additionally, those same procedures should ensure that copies of voided checks are maintained on file for subsequent review.

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

We recommend the District Court implement procedures to ensure that checks qualifying as abandoned property are remitted to the State Treasurer in accordance with State statute. We also recommend that copies of voided checks are maintained on file for subsequent inspection.

County CDC Response: Clerk of the District Court will review and implement procedures accordingly for compliance.

Unremitted Funds

During our review of the Case Balances Report as of June 30, 2022, we noted that a balance of \$463 held by the District Court should have been remitted to the County Treasurer. It was determined that this balance consisted of excess proceeds from the sale of real property by foreclosure in June 2020. As such, these funds should be remitted to the County Treasurer for use by the County.

Neb. Rev. Stat. § 77-1915 (Reissue 2018) states the following:

From the proceeds of the sale of any real property, the costs charged thereto shall first be paid. When the plaintiff is a private person, firm, or corporation, the balance thereof, or so much thereof as is necessary, shall be paid to the plaintiff. When the plaintiff is a governmental subdivision other than a land bank, or is a municipal corporation or drainage or irrigation district, the balance thereof, or so much thereof as is necessary, shall be paid to the county treasurer for distribution to the various governmental subdivisions, municipal corporations, or drainage or irrigation districts entitled thereto in discharge of all claims, excluding any lien on real estate for special assessments levied by any sanitary and improvement district which special assessments have not been previously offered for sale by the county treasurer. When the plaintiff is a land bank, the balance thereof, or so much thereof as is necessary, shall be paid to the land bank.

(Emphasis added.) Neb. Rev. Stat. § 23-1601(1) (Reissue 2022) provides the following:

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

Furthermore, good internal controls and sound accounting practices require procedures to ensure that excess proceeds held by the District Court from the sale of real property by foreclosure are remitted timely to the County Treasurer.

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

We recommend the implementation of procedures to ensure excess proceeds held by the District Court from the sale of real property by foreclosure are remitted timely to the County Treasurer.

County CDC Response: Clerk of the District Court will review matters and implement procedures for remitting funds accordingly.

Incorrect Disbursement

During our audit, it was noted that the District Court received \$5,000 for a \$50,000 appearance bond on December 16, 2021. On June 30, 2022, this \$5,000 was released back to the assignee as ordered by the judge. However, the District Court failed to retain 10% of the amount paid to the District Court, or \$500, for bond costs.

Neb. Rev. Stat. § 29-901(3)(c)(i) (Cum. Supp. 2022) requires the following:

The execution of an appearance bond in a specified amount and the deposit with the clerk of the court in cash of a sum not to exceed ten percent of the amount of the bond, ninety percent of such deposit to be returned to the defendant upon the performance of the appearance or appearances and ten percent to be retained by the clerk as appearance bond costs, except that when no charge is subsequently filed against the defendant or if the charge or charges which are filed are dropped before the appearance of the defendant which the bond was to assure, the entire deposit shall be returned to the defendant.

Furthermore, good internal controls and sound accounting practices require procedures to ensure that amounts paid out by the District Court are correct and in compliance with State statute.

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

We recommend the implementation of procedures to ensure that amounts paid out by the District Court are correct and in compliance with State statute.

County CDC Response: Clerk of the District Court will review and implement procedures for paying out correct amounts in compliance with State statutes.

COUNTY OVERALL

Segregation of Duties

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

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

This 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 Response: Each office will review and discuss procedures to improve segregation of duties, when possible, with limited number of personnel.

* * * * *

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.

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,



Dakota Christensen, CPA, CISA, CFE
Audit Manager