

**AUDIT REPORT  
OF  
KNOX COUNTY**

**JULY 1, 2022, THROUGH JUNE 30, 2023**

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**Issued on November 7, 2023**

# KNOX COUNTY

## TABLE OF CONTENTS

	<u>Page</u>
<b>List of County Officials</b>	1
<b>Financial Section</b>	
Independent Auditor's Report	2 - 4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Cash Basis	5
Statement of Activities - Cash Basis	6
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds	7
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds	8
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Fiduciary Funds	9
Notes to Financial Statements	10 - 17
Combining Statements and Schedules:	
Budgetary Comparison Schedule - Budget and Actual - General Fund	18 - 19
Budgetary Comparison Schedule - Budget and Actual - Major Funds	20 - 21
Budgetary Comparison Schedule - Budget and Actual - Nonmajor Funds	22 - 24
Combining Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Nonmajor Funds	25 - 27
Schedule of Office Activities	28
Schedule of Taxes Certified and Collected for All Political Subdivisions in the County	29
Schedule of Expenditures of Federal Awards	30
Notes to the Schedule of Expenditures of Federal Awards	31
<b>Government Auditing Standards Section</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32 - 33
Independent Auditor's Report on Compliance for each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	34 - 36
Schedule of Findings and Questioned Costs	37 - 40
<b>Auditee Section</b>	
Schedule of Prior Audit Findings	41
Corrective Action Plan	42

KNOX COUNTY  
206 Main Street  
Center, NE 68724

**LIST OF COUNTY OFFICIALS**  
At June 30, 2023

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Supervisors	Jim Borgmann	Jan. 2027
	Patrick Liska	Jan. 2025
	Kevin Mackeprang	Jan. 2027
	David Pierce	Jan. 2027
	Marty O'Connor	Jan. 2027
	Danny Schlote	Jan. 2025
	Jim Sokol Jr.	Jan. 2025
Assessor	Monica McManigal	Jan. 2027
Attorney	John Thomas	Jan. 2027
Clerk	Joann Fischer	Jan. 2027
Election Commissioner		
Register of Deeds		
Clerk of the District Court	Matt Fischer	Jan. 2027
Sheriff	Donald Henery	Jan. 2027
Treasurer	Lori Ebel	Jan. 2027
Surveyor	Michael Skroch	Jan. 2027
Veterans' Service Officer	Gary Jones	Appointed
Weed Superintendent	Steven Banks	Appointed
Highway Superintendent	Kevin Barta	Appointed
Emergency Manager	Kelsy Jelinek	Appointed
Planning & Zoning		



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### KNOX COUNTY

### INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
Knox County, Nebraska

#### **Report on the Audit of the Financial Statements**

##### ***Opinions***

We have audited the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Knox County, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

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 Knox County as of June 30, 2023, 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 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 further 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 relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

##### ***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, schedule of expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and schedule of taxes certified and collected, pages 18-30, are 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 October 26, 2023, on our consideration of Knox 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 Knox County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dakota Christensen". The signature is written in a cursive, flowing style.

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

October 26, 2023

KNOX COUNTY  
**STATEMENT OF NET POSITION - CASH BASIS**  
June 30, 2023

	Governmental Activities
<hr/>	
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 1.D)	\$ 6,869,965
Investments (Note 1.D)	4,691,156
TOTAL ASSETS	<u>\$ 11,561,121</u>
<b>NET POSITION</b>	
Restricted for:	
Visitor Promotion	\$ 92,803
911 Emergency Services	116,954
Drug Education	438
Preservation of Records	14,602
Child Support Enforcement	102,032
Road and Bridge Maintenance	149,051
Aid and Assistance	4,500
Federal Relief	868,846
Unrestricted	10,211,895
TOTAL NET POSITION	<u>\$ 11,561,121</u>

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

KNOX COUNTY  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
For the Year Ended June 30, 2023

<b>Functions:</b>	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
General Government	\$ (3,258,627)	\$ 550,545	\$ 24,426	\$ (2,683,656)
Public Safety	(1,268,134)	254,074	82,639	(931,421)
Public Works	(8,252,397)	2,989	2,945,015	(5,304,393)
Public Assistance	(49,271)	-	-	(49,271)
Culture and Recreation	(218,395)	-	10,250	(208,145)
Total Governmental Activities	<u>\$ (13,046,824)</u>	<u>\$ 807,608</u>	<u>\$ 3,062,330</u>	<u>(9,176,886)</u>

General Receipts:

Taxes:	
Property	3,625,789
Motor Vehicle	412,543
Inheritance	1,121,158
Other	283,940
Grants and Contributions Not Restricted to Specific Programs	197,373
Investment Income	352,207
Miscellaneous	157,194
Total General Receipts	<u>6,150,204</u>
Change in Net Position	(3,026,682)
Net Position - Beginning of year	14,587,803
Net Position - End of year	<u>\$ 11,561,121</u>

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



KNOX COUNTY  
**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
June 30, 2023

	General Fund	Road Fund	Inheritance Fund	Flowage Easement Road Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents (Note 1.D)	\$ 1,157,545	\$ 173,011	\$ -	\$ 4,868,157	\$ 671,252	\$ 6,869,965
Investments (Note 1.D)	926,649	-	2,273,022	474,245	1,017,240	4,691,156
<b>TOTAL ASSETS</b>	<u>\$ 2,084,194</u>	<u>\$ 173,011</u>	<u>\$ 2,273,022</u>	<u>\$ 5,342,402</u>	<u>\$ 1,688,492</u>	<u>\$ 11,561,121</u>
<b>FUND BALANCES</b>						
Restricted for:						
Visitor Promotion	-	-	-	-	92,803	92,803
911 Emergency Services	-	-	-	-	116,954	116,954
Drug Education	-	-	-	-	438	438
Preservation of Records	-	-	-	-	14,602	14,602
Child Support Enforcement	-	-	-	-	102,032	102,032
Road and Bridge Maintenance	-	-	-	-	149,051	149,051
Aid and Assistance	-	-	-	-	4,500	4,500
Federal Relief	-	-	-	-	868,846	868,846
Committed to:						
Law Enforcement	-	-	-	-	11,521	11,521
Road Maintenance	-	173,011	-	-	-	173,011
Road Projects	-	-	-	5,342,402	-	5,342,402
County Wellness Program	-	-	-	-	53,458	53,458
Economic & Community Development	-	-	-	-	269,061	269,061
Community Betterment	-	-	-	-	5,226	5,226
Assigned to:						
Other Purposes	-	-	2,273,022	-	-	2,273,022
Unassigned	2,084,194	-	-	-	-	2,084,194
<b>TOTAL CASH BASIS FUND BALANCES</b>	<u>\$ 2,084,194</u>	<u>\$ 173,011</u>	<u>\$ 2,273,022</u>	<u>\$ 5,342,402</u>	<u>\$ 1,688,492</u>	<u>\$ 11,561,121</u>

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

KNOX COUNTY  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BASIS FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2023

	General Fund	Road Fund	Inheritance Fund	Flowage Easement Road Fund	Nonmajor Funds	Total Governmental Funds
<b>RECEIPTS</b>						
Taxes:						
Property	\$3,625,789	\$ -	\$ -	\$ -	\$ -	\$ 3,625,789
Motor Vehicle	412,543	-	-	-	-	412,543
Inheritance	-	-	1,121,158	-	-	1,121,158
Other	125,884	-	-	-	158,056	283,940
Investment Income	262,760	-	-	84,574	4,873	352,207
Intergovernmental	252,038	2,545,191	-	-	462,474	3,259,703
Charges for Services	795,632	2,989	-	-	8,987	807,608
Miscellaneous	30,414	120,335	-	-	6,445	157,194
<b>TOTAL RECEIPTS</b>	<b>5,505,060</b>	<b>2,668,515</b>	<b>1,121,158</b>	<b>84,574</b>	<b>640,835</b>	<b>10,020,142</b>
<b>DISBURSEMENTS</b>						
General Government	2,796,360	-	163,679	-	298,588	3,258,627
Public Safety	1,163,640	-	-	-	104,494	1,268,134
Public Works	210,969	4,033,771	1,469,663	865,314	1,672,680	8,252,397
Public Assistance	49,271	-	-	-	-	49,271
Culture and Recreation	-	-	-	-	218,395	218,395
<b>TOTAL DISBURSEMENTS</b>	<b>4,220,240</b>	<b>4,033,771</b>	<b>1,633,342</b>	<b>865,314</b>	<b>2,294,157</b>	<b>13,046,824</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>1,284,820</b>	<b>(1,365,256)</b>	<b>(512,184)</b>	<b>(780,740)</b>	<b>(1,653,322)</b>	<b>(3,026,682)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	460,591	1,034,829	-	303,241	55,132	1,853,793
Transfers out	(1,375,270)	-	(460,591)	-	(17,932)	(1,853,793)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(914,679)</b>	<b>1,034,829</b>	<b>(460,591)</b>	<b>303,241</b>	<b>37,200</b>	<b>-</b>
Net Change in Fund Balances	370,141	(330,427)	(972,775)	(477,499)	(1,616,122)	(3,026,682)
<b>CASH BASIS FUND BALANCES - BEGINNING</b>	<b>1,714,053</b>	<b>503,438</b>	<b>3,245,797</b>	<b>5,819,901</b>	<b>3,304,614</b>	<b>14,587,803</b>
<b>CASH BASIS FUND BALANCES - ENDING</b>	<b>\$2,084,194</b>	<b>\$ 173,011</b>	<b>\$ 2,273,022</b>	<b>\$ 5,342,402</b>	<b>\$1,688,492</b>	<b>\$11,561,121</b>

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

KNOX COUNTY  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BASIS FUND BALANCES**  
**FIDUCIARY FUNDS**  
For the Year Ended June 30, 2023

	Custodial Fund Balances July 1, 2022	Receipts	Disbursements	Custodial Fund Balances June 30, 2023
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,400,149	\$ 30,680,539	\$ 30,990,334	\$ 1,090,354
<b>LIABILITIES</b>				
Due to other governments				
State - Collected by County Treasurer	203,864	2,594,565	2,547,725	250,704
State - Collected by Other Offices	9,901	174,052	173,634	10,319
Schools	196,225	19,615,366	19,530,510	281,081
Educational Service Units	2,280	345,890	344,210	3,960
Technical College	14,287	2,142,476	2,132,343	24,420
Natural Resource Districts	3,616	532,587	529,985	6,218
Fire Districts	14,659	1,112,169	1,108,761	18,067
Municipalities	34,422	1,411,306	1,406,183	39,545
Agricultural Society	1,011	168,501	167,515	1,997
Airport Authorities	15,865	22,084	22,344	15,605
Townships	10,247	1,456,858	1,450,921	16,184
Sanitary and Improvement Districts	239,811	186,776	182,939	243,648
Tentative Inheritance Taxes	650,338	63,123	642,596	70,865
Others - Collected by County Treasurer	-	211,784	211,784	-
Others - Collected by Other Offices	3,623	643,002	538,884	107,741
<b>TOTAL LIABILITIES</b>	<u>1,400,149</u>	<u>30,680,539</u>	<u>30,990,334</u>	<u>1,090,354</u>
<b>TOTAL NET POSITION</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

## KNOX COUNTY

### NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2023

#### 1. Summary of Significant Accounting Policies

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

##### **A. Reporting Entity**

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

##### **Joint Organization.**

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

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$10,086 toward the operation of the Region during fiscal year 2023. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Department of Health and Human Services requires the Region to be audited annually in accordance with State statute. Financial information for the Region is available in those audit reports.

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

## KNOX COUNTY

### NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The Department's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County did not contribute toward the operation of the Department during fiscal year 2023. 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.

Knox County Economic Development Agency – The County has entered into an agreement with the Knox County Economic Development Agency (Agency) to establish County-wide economic development. Participating members of the Agency are the cities of Bloomfield, Creighton, and Crofton, the villages of Center, Niobrara, Santee, Verdigre, and Wausa, the County of Knox, and Great Plains Communications, Inc. The Agency's governing board is established by interlocal agreement and includes representatives from the participating political subdivisions. Funding is provided by the participating entities as a percentage of the annual budget. The County contributed the salary of the Executive Director, plus benefits, and office space for the Agency. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. Financial information for the Agency is included in the Community Development Fund of the County financial statements.

#### B. Basis of Presentation

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

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

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

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include the following: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

## KNOX COUNTY

### NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

The County reports the following major governmental funds:

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

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

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

**Flowage Easement Road Fund.** This fund is used to account for monies received from grant reimbursements. Receipts are from interest earned on the balance in the fund and grant reimbursements. The funds are used for various improvements of County roadways.

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.

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.

KNOX COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

## KNOX COUNTY

### NOTES TO FINANCIAL STATEMENTS

(Continued)

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

financial statements and would be recorded in accordance with the County's policy, which is to recognize the expense and accrued liability when vacation and compensatory leave is earned.

**Restricted Net Position.** When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$1,349,226 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 30, 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 \$6,869,965 for County funds and \$1,090,354 for Fiduciary funds. The bank balances for all funds totaled \$8,109,037. For purposes of classifying categories of custodial credit risk, the bank balances of the County's deposits, as of June 30, 2023, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

The County's carrying value of investments is stated at cost, which approximates market. Investments consisted of \$4,691,156 deposited in the Nebraska Public Agency Investment Trust (NPAIT). NPAIT is a public entity investment pool operated under the direction of a nine-member Board of Trustees. All net income of the trust is determined as of the close of business on each banking day and is credited thereafter pro rata to each participant's account. Net income that has accrued to each participant is converted as of the close of business of each calendar month into additional units, which thereafter are held in each participant's trust account. Since net income of the fund is allocated among participants each time net income is determined, the net asset value remains at \$1.00 per unit. Securities held by NPAIT are not held in the County's name.



## KNOX COUNTY

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 3. Taxes

Property taxes are levied by the County Board on or before October 20 of each year for all political subdivisions in the County. Real estate and personal property taxes are due and attach as an enforceable lien on January 1 following the levy date, and they become delinquent in two equal installments on May 1 and September 1. Motor vehicle taxes are due when application is made for registration of a motor vehicle.

Counties are permitted by the State Constitution to levy a tax of up to \$.50/\$100 of assessed valuation for general governmental services other than the payment of principal and interest on bonded debt. Counties may levy taxes in addition to the 50-cent limitation upon a vote of the people.

The levy set in October 2022, for the 2022 taxes, which will be materially collected in May and September 2023, was set at \$.157603/\$100 of assessed valuation. The levy set in October 2021, for the 2021 taxes, which were materially collected in May and September 2022, was set at \$.161837/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

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

#### 4. Retirement System

The Retirement System for Nebraska Counties (Plan) is a multiple-employer plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2334 (Reissue 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, 2023, 85 employees contributed \$153,724, and the County contributed \$228,917. Contributions included \$3,335 in cash contributions towards the supplemental law enforcement plan for seven law enforcement employees. Lastly, the County paid \$1,562 directly to 18 retired employees for prior service benefits.

# KNOX 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 107 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	\$ 500,000	\$ 5,000,000
Workers' Compensation Claim	\$ 550,000	Statutory Limits
Property Damage Claim	\$ 250,000	Insured Value at Replacement Cost

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

The County self-insures for employee health insurance and has contracted with 90 Degree Benefits to administer the County's self-insured plan. Details of the coverage are available upon request from the County Clerk. The self-insured plan is funded through a combination of County and employee contributions. No settlements exceeded coverage in any of the past three fiscal years. The County has obtained specific stop-loss coverage to limit the County's total exposure to \$30,000 per enrolled member, per calendar year. The County has also obtained aggregate stop-loss coverage to limit the County's maximum exposure for the calendar year. For calendar year 2023, the maximum exposure for Knox County was \$388,106.

### 6. Interfund Transfers

Interfund transfers for the year ended June 30, 2023, consisted of the following:

Transfers to	Transfers from			Total
	General Fund	Inheritance Fund	Nonmajor Funds	
General Fund	\$ -	\$ 460,591	\$ -	\$ 460,591
Road Fund	1,034,829	-	-	1,034,829
Flowage Easement Road Fund	303,241	-	-	303,241
Nonmajor Funds	37,200	-	17,932	55,132
Total	\$ 1,375,270	\$ 460,591	\$ 17,932	\$ 1,853,793

KNOX COUNTY

NOTES TO FINANCIAL STATEMENTS  
(Concluded)

6. **Interfund Transfers** (Concluded)

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.

7. **Interfund Loans**

Interfund loans for the year ended June 30, 2023, consisted of the following outstanding interfund loans:

Receivable Fund	Payable Fund	Amount
Flowage Easement Road Fund	General Fund	\$ 2,425,927

8. **Notes Receivable**

In 1985, the County received a Community Development Block Grant from the Nebraska Department of Economic Development (DED) in the amount of \$154,000. An additional grant, totaling \$347,210, was received in 1990. Over the years, the amount was loaned to various businesses that, in turn, repaid the money to the County. The DED program has now ended, and any money left in the Fund or still being returned to the County is being used as a match to projects approved by the DED. The County has seven loans that are still being repaid with interest rates ranging from 4% to 5%. These businesses owed the County \$108,762 as of June 30, 2023. In December 2018, the County entered into an agreement with the Northeast Economic Development, Inc., (NED) to sub-grant all future economic loans to be reused by NED for economic development activities throughout a 26-county area.

9. **Contingent Liabilities**

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the County Attorney believes the resolution of these matters will not have a materially adverse effect on the financial condition of the County.

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

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 4,147,610	\$ 4,147,610	\$ 4,164,216	\$ 16,606
Investment Income	50,170	50,170	262,760	212,590
Intergovernmental	274,693	274,693	252,038	(22,655)
Charges for Services	671,319	671,319	795,632	124,313
Miscellaneous	4,700	4,700	30,414	25,714
<b>TOTAL RECEIPTS</b>	<b>5,148,492</b>	<b>5,148,492</b>	<b>5,505,060</b>	<b>356,568</b>
<b>DISBURSEMENTS</b>				
General Government:				
County Board	191,438	191,438	188,934	2,504
County Clerk	176,351	176,351	173,510	2,841
County Treasurer	299,523	299,523	261,062	38,461
Register of Deeds	46,800	46,800	40,563	6,237
County Assessor	317,042	317,042	312,804	4,238
Election Commissioner	67,352	67,352	56,572	10,780
Building and Zoning	51,500	51,500	38,786	12,714
District Court - Judicial	23,500	23,500	2,173	21,327
Clerk of the District Court	121,567	121,567	118,023	3,544
County Court System	10,000	10,000	3,503	6,497
District Judge	6,000	6,000	5,641	359
Building and Grounds	204,750	204,750	168,836	35,914
Reappraisal	21,675	21,675	18,938	2,737
Agricultural Extension Agent	117,956	117,956	111,816	6,140
Grants	150,000	150,000	-	150,000
Miscellaneous	1,419,122	1,418,268	1,295,199	123,069
Public Safety				
County Sheriff	629,200	629,200	558,916	70,284
County Attorney	141,132	141,132	132,361	8,771
County Jail	455,700	455,700	379,919	75,781
Emergency Management	104,884	104,884	92,444	12,440
Public Works				
County Surveyor	9,700	10,554	10,554	-
Noxious Weed Control	50,175	50,175	39,587	10,588
Highway Department	162,099	162,099	160,828	1,271

(Continued)

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

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Assistance				
Veterans' Service Officer	55,400	55,400	49,271	6,129
County Relief	10,000	10,000	-	10,000
Institutions	5,000	5,000	-	5,000
TOTAL DISBURSEMENTS	<u>4,847,866</u>	<u>4,847,866</u>	<u>4,220,240</u>	<u>627,626</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>300,626</u>	<u>300,626</u>	<u>1,284,820</u>	<u>984,194</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	460,591	460,591	460,591	-
Transfers out	<u>(1,375,270)</u>	<u>(1,375,270)</u>	<u>(1,375,270)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(914,679)</u>	<u>(914,679)</u>	<u>(914,679)</u>	<u>-</u>
Net Change in Fund Balance	(614,053)	(614,053)	370,141	984,194
<b>FUND BALANCE - BEGINNING</b>	<u>1,714,053</u>	<u>1,714,053</u>	<u>1,714,053</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 1,100,000</u></u>	<u><u>\$ 1,100,000</u></u>	<u><u>\$ 2,084,194</u></u>	<u><u>\$ 984,194</u></u>

(Concluded)

KNOX COUNTY  
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL  
MAJOR FUNDS

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>ROAD FUND</b>				
RECEIPTS				
Intergovernmental	\$ 2,542,054	\$ 2,542,054	\$ 2,545,191	\$ 3,137
Charges for Services	5,500	5,500	2,989	(2,511)
Miscellaneous	92,127	92,127	120,335	28,208
TOTAL RECEIPTS	2,639,681	2,639,681	2,668,515	28,834
DISBURSEMENTS	4,177,948	4,177,948	4,033,771	144,177
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,538,267)	(1,538,267)	(1,365,256)	173,011
OTHER FINANCING SOURCES (USES)				
Transfers in	1,034,829	1,034,829	1,034,829	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,034,829	1,034,829	1,034,829	-
Net Change in Fund Balance	(503,438)	(503,438)	(330,427)	173,011
FUND BALANCE - BEGINNING	503,438	503,438	503,438	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 173,011	\$ 173,011
<b>INHERITANCE FUND</b>				
RECEIPTS				
Taxes	\$ 800,400	\$ 800,400	\$ 1,121,158	\$ 320,758
TOTAL RECEIPTS	800,400	800,400	1,121,158	320,758
DISBURSEMENTS	3,585,606	3,585,606	1,633,342	1,952,264
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,785,206)	(2,785,206)	(512,184)	2,273,022
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(460,591)	(460,591)	(460,591)	-
TOTAL OTHER FINANCING SOURCES (USES)	(460,591)	(460,591)	(460,591)	-
Net Change in Fund Balance	(3,245,797)	(3,245,797)	(972,775)	2,273,022
FUND BALANCE - BEGINNING	3,245,797	3,245,797	3,245,797	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 2,273,022	\$ 2,273,022

KNOX COUNTY  
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL  
MAJOR FUNDS

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>FLOWAGE EASEMENT ROAD FUND</b>				
RECEIPTS				
Investment Income	\$ 58,199	\$ 58,199	\$ 84,574	\$ 26,375
Miscellaneous	650,000	650,000	-	(650,000)
TOTAL RECEIPTS	708,199	708,199	84,574	(623,625)
DISBURSEMENTS	6,831,341	6,831,341	865,314	5,966,027
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,123,142)	(6,123,142)	(780,740)	5,342,402
OTHER FINANCING SOURCES (USES)				
Transfers in	303,241	303,241	303,241	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	303,241	303,241	303,241	-
Net Change in Fund Balance	(5,819,901)	(5,819,901)	(477,499)	5,342,402
FUND BALANCE - BEGINNING	5,819,901	5,819,901	5,819,901	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ 5,342,402	\$ 5,342,402

(Concluded)

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

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>HIGHWAY BRIDGE BUYBACK FUND</b>				
Receipts	\$ 371,897	\$ 371,897	\$ 390,074	\$ 18,177
Disbursements	(1,386,953)	(1,386,953)	(1,256,079)	130,874
Net Change in Fund Balance	(1,015,056)	(1,015,056)	(866,005)	149,051
Fund Balance - Beginning	1,015,056	1,015,056	1,015,056	-
Fund Balance - Ending	\$ -	\$ -	\$ 149,051	\$ 149,051
<b>CHILD SUPPORT FUND</b>				
Receipts	\$ 20,000	\$ 20,000	\$ 19,785	\$ (215)
Disbursements	(114,114)	(114,114)	(11,867)	102,247
Net Change in Fund Balance	(94,114)	(94,114)	7,918	102,032
Fund Balance - Beginning	94,114	94,114	94,114	-
Fund Balance - Ending	\$ -	\$ -	\$ 102,032	\$ 102,032
<b>VISITORS PROMOTION FUND</b>				
Receipts	\$ 42,000	\$ 42,000	\$ 37,294	\$ (4,706)
Disbursements	(79,330)	(79,330)	(56,111)	23,219
Net Change in Fund Balance	(37,330)	(37,330)	(18,817)	18,513
Fund Balance - Beginning	37,330	37,330	37,330	-
Fund Balance - Ending	\$ -	\$ -	\$ 18,513	\$ 18,513
<b>VISITORS IMPROVEMENT FUND</b>				
Receipts	\$ 42,000	\$ 42,000	\$ 37,294	\$ (4,706)
Disbursements	(156,043)	(156,043)	(77,047)	78,996
Net Change in Fund Balance	(114,043)	(114,043)	(39,753)	74,290
Fund Balance - Beginning	114,043	114,043	114,043	-
Fund Balance - Ending	\$ -	\$ -	\$ 74,290	\$ 74,290
<b>REGISTER OF DEEDS PRESERVATION &amp; MODERNIZATION FUND</b>				
Receipts	\$ 9,750	\$ 9,750	\$ 6,168	\$ (3,582)
Disbursements	(22,253)	(22,253)	(4,069)	18,184
Net Change in Fund Balance	(12,503)	(12,503)	2,099	14,602
Fund Balance - Beginning	12,503	12,503	12,503	-
Fund Balance - Ending	\$ -	\$ -	\$ 14,602	\$ 14,602
<b>COUNTY INSURANCE &amp; WELLNESS FUND</b>				
Receipts	\$ 125	\$ 125	\$ 393	\$ 268
Disbursements	(60,586)	(60,586)	(7,396)	53,190
Net Change in Fund Balance	(60,461)	(60,461)	(7,003)	53,458
Fund Balance - Beginning	60,461	60,461	60,461	-
Fund Balance - Ending	\$ -	\$ -	\$ 53,458	\$ 53,458

(Continued)



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

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>VETERANS' AID FUND</b>				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(4,500)	(4,500)	-	4,500
Net Change in Fund Balance	(4,500)	(4,500)	-	4,500
Fund Balance - Beginning	4,500	4,500	4,500	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ 4,500</u>
<b>STOP PROGRAM FUND</b>				
Receipts	\$ 620	\$ 620	\$ 120	\$ (500)
Disbursements	(900)	(900)	-	900
Net Change in Fund Balance	(280)	(280)	120	400
Fund Balance - Beginning	280	280	280	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 400</u>
<b>DRUG LAW ENFORCEMENT &amp; EDUCATION FUND</b>				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(438)	(438)	-	438
Net Change in Fund Balance	(438)	(438)	-	438
Fund Balance - Beginning	438	438	438	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 438</u>	<u>\$ 438</u>
<b>AMERICAN RESCUE PLAN ACT FUND</b>				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(1,552,529)	(1,552,529)	(683,683)	868,846
Net Change in Fund Balance	(1,552,529)	(1,552,529)	(683,683)	868,846
Fund Balance - Beginning	1,552,529	1,552,529	1,552,529	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 868,846</u>	<u>\$ 868,846</u>
<b>ECONOMIC DEVELOPMENT FUND</b>				
Receipts	\$ 71,500	\$ 71,500	\$ 26,847	\$ (44,653)
Disbursements	(224,997)	(224,997)	(3,512)	221,485
Net Change in Fund Balance	(153,497)	(153,497)	23,335	176,832
Fund Balance - Beginning	153,497	153,497	153,497	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,832</u>	<u>\$ 176,832</u>
<b>COMMUNITY DEVELOPMENT FUND</b>				
Receipts	\$ 30,100	\$ 30,100	\$ 36,660	\$ 6,560
Disbursements	(167,394)	(167,394)	(81,725)	85,669
Transfers in	37,200	37,200	37,200	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(100,094)	(100,094)	(7,865)	92,229
Fund Balance - Beginning	100,094	100,094	100,094	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,229</u>	<u>\$ 92,229</u>

(Continued)

KNOX COUNTY  
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL  
NONMAJOR FUNDS

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>KENO FUND</b>				
Receipts	\$ 26,532	\$ 26,532	\$ 2,732	\$ (23,800)
Disbursements	(37,200)	(37,200)	(8,174)	29,026
Net Change in Fund Balance	(10,668)	(10,668)	(5,442)	5,226
Fund Balance - Beginning	10,668	10,668	10,668	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,226</u>	<u>\$ 5,226</u>
<b>911 EMERGENCY FUND</b>				
Receipts	\$ 35,000	\$ 35,000	\$ 34,620	\$ (380)
Disbursements	(63,883)	(63,883)	(8,942)	54,941
Net Change in Fund Balance	(28,883)	(28,883)	25,678	54,561
Fund Balance - Beginning	28,883	28,883	28,883	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,561</u>	<u>\$ 54,561</u>
<b>911 WIRELESS SERVICE FUND</b>				
Receipts	\$ 44,962	\$ 44,962	\$ 48,848	\$ 3,886
Disbursements	(44,961)	(44,961)	(19,176)	25,785
Transfers in	-	-	-	-
Transfers out	(17,932)	(17,932)	(17,932)	-
Net Change in Fund Balance	(17,931)	(17,931)	11,740	29,671
Fund Balance - Beginning	17,931	17,931	17,931	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,671</u>	<u>\$ 29,671</u>
<b>911 WIRELESS SERVICE HOLDING FUND</b>				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(109,098)	(109,098)	(76,376)	32,722
Transfers in	17,932	17,932	17,932	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(91,166)	(91,166)	(58,444)	32,722
Fund Balance - Beginning	91,166	91,166	91,166	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,722</u>	<u>\$ 32,722</u>
<b>SHERIFF COMMISSARY FUND</b>				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(11,121)	(11,121)	-	11,121
Net Change in Fund Balance	(11,121)	(11,121)	-	11,121
Fund Balance - Beginning	11,121	11,121	11,121	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,121</u>	<u>\$ 11,121</u>
<b>DIVERSION PROGRAM FUND</b>				
Receipts	\$ 2,300	\$ 2,300	\$ -	\$ (2,300)
Disbursements	(2,300)	(2,300)	-	2,300
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Concluded)

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

For the Year Ended June 30, 2023

	Highway Bridge Buyback Fund	Child Support Fund	Visitors Promotion Fund	Visitors Improvement Fund	Register of Deeds Preservation & Modernization Fund	County Insurance & Wellness Fund
<b>RECEIPTS</b>						
Taxes:						
Other	\$ -	\$ -	\$ 37,294	\$ 37,294	\$ -	\$ -
Investment Income	-	-	-	-	-	393
Intergovernmental	390,074	19,785	-	-	-	-
Charges for Services	-	-	-	-	6,168	-
Miscellaneous	-	-	-	-	-	-
<b>TOTAL RECEIPTS</b>	<b>390,074</b>	<b>19,785</b>	<b>37,294</b>	<b>37,294</b>	<b>6,168</b>	<b>393</b>
<b>DISBURSEMENTS</b>						
General Government	-	11,867	-	-	4,069	7,396
Public Safety	-	-	-	-	-	-
Public Works	1,256,079	-	-	-	-	-
Culture and Recreation	-	-	56,111	77,047	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>1,256,079</b>	<b>11,867</b>	<b>56,111</b>	<b>77,047</b>	<b>4,069</b>	<b>7,396</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(866,005)</b>	<b>7,918</b>	<b>(18,817)</b>	<b>(39,753)</b>	<b>2,099</b>	<b>(7,003)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(866,005)	7,918	(18,817)	(39,753)	2,099	(7,003)
<b>FUND BALANCES - BEGINNING</b>	<b>1,015,056</b>	<b>94,114</b>	<b>37,330</b>	<b>114,043</b>	<b>12,503</b>	<b>60,461</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 149,051</b>	<b>\$102,032</b>	<b>\$ 18,513</b>	<b>\$ 74,290</b>	<b>\$ 14,602</b>	<b>\$ 53,458</b>
<b>FUND BALANCES:</b>						
Restricted for:						
Visitor Promotion	-	-	18,513	74,290	-	-
911 Emergency Services	-	-	-	-	-	-
Drug Education	-	-	-	-	-	-
Preservation of Records	-	-	-	-	14,602	-
Child Support Enforcement	-	102,032	-	-	-	-
Road and Bridge Maintenance	149,051	-	-	-	-	-
Aid and Assistance	-	-	-	-	-	-
Federal Relief	-	-	-	-	-	-
Committed to:						
Law Enforcement	-	-	-	-	-	-
County Wellness Program	-	-	-	-	-	53,458
Economic & Community Development	-	-	-	-	-	-
Community Betterment	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ 149,051</b>	<b>\$102,032</b>	<b>\$ 18,513</b>	<b>\$ 74,290</b>	<b>\$ 14,602</b>	<b>\$ 53,458</b>

(Continued)

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

For the Year Ended June 30, 2023

	Veterans' Aid Fund	STOP Program Fund	Drug Law Enforcement & Education Fund	American Rescue Plan Act Fund	Economic Development Fund	Community Development Fund
<b>RECEIPTS</b>						
Taxes:						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income	-	-	-	-	4,447	-
Intergovernmental	-	-	-	-	22,400	30,215
Charges for Services	-	120	-	-	-	-
Miscellaneous	-	-	-	-	-	6,445
<b>TOTAL RECEIPTS</b>	<b>-</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>26,847</b>	<b>36,660</b>
<b>DISBURSEMENTS</b>						
General Government	-	-	-	267,082	-	-
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	416,601	-	-
Culture and Recreation	-	-	-	-	3,512	81,725
<b>TOTAL DISBURSEMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>683,683</b>	<b>3,512</b>	<b>81,725</b>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	-	120	-	(683,683)	23,335	(45,065)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	37,200
Transfers out	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,200</b>
Net Change in Fund Balances	-	120	-	(683,683)	23,335	(7,865)
<b>FUND BALANCES - BEGINNING</b>	<b>4,500</b>	<b>280</b>	<b>438</b>	<b>1,552,529</b>	<b>153,497</b>	<b>100,094</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 4,500</b>	<b>\$ 400</b>	<b>\$ 438</b>	<b>\$ 868,846</b>	<b>\$ 176,832</b>	<b>\$ 92,229</b>
<b>FUND BALANCES:</b>						
Restricted for:						
Visitor Promotion	-	-	-	-	-	-
911 Emergency Services	-	-	-	-	-	-
Drug Education	-	-	438	-	-	-
Preservation of Records	-	-	-	-	-	-
Child Support Enforcement	-	-	-	-	-	-
Road and Bridge Maintenance	-	-	-	-	-	-
Aid and Assistance	4,500	-	-	-	-	-
Federal Relief	-	-	-	868,846	-	-
Committed to:						
Law Enforcement	-	400	-	-	-	-
County Wellness Program	-	-	-	-	-	-
Economic & Community Development	-	-	-	-	176,832	92,229
Community Betterment	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ 4,500</b>	<b>\$ 400</b>	<b>\$ 438</b>	<b>\$ 868,846</b>	<b>\$ 176,832</b>	<b>\$ 92,229</b>

(Continued)

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

For the Year Ended June 30, 2023

	Keno Fund	911 Emergency Fund	911 Wireless Service Fund	911 Wireless Service Holding Fund	Sheriff Commissary Fund	Total Nonmajor Funds
<b>RECEIPTS</b>						
Taxes:						
Other	\$ -	\$ 34,620	\$ 48,848	\$ -	\$ -	\$ 158,056
Investment Income	33	-	-	-	-	4,873
Intergovernmental	-	-	-	-	-	462,474
Charges for Services	2,699	-	-	-	-	8,987
Miscellaneous	-	-	-	-	-	6,445
<b>TOTAL RECEIPTS</b>	<b>2,732</b>	<b>34,620</b>	<b>48,848</b>	<b>-</b>	<b>-</b>	<b>640,835</b>
<b>DISBURSEMENTS</b>						
General Government	8,174	-	-	-	-	298,588
Public Safety	-	8,942	19,176	76,376	-	104,494
Public Works	-	-	-	-	-	1,672,680
Culture and Recreation	-	-	-	-	-	218,395
<b>TOTAL DISBURSEMENTS</b>	<b>8,174</b>	<b>8,942</b>	<b>19,176</b>	<b>76,376</b>	<b>-</b>	<b>2,294,157</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(5,442)</b>	<b>25,678</b>	<b>29,672</b>	<b>(76,376)</b>	<b>-</b>	<b>(1,653,322)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	17,932	-	55,132
Transfers out	-	-	(17,932)	-	-	(17,932)
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(17,932)</b>	<b>17,932</b>	<b>-</b>	<b>37,200</b>
Net Change in Fund Balances	(5,442)	25,678	11,740	(58,444)	-	(1,616,122)
<b>FUND BALANCES - BEGINNING</b>	<b>10,668</b>	<b>28,883</b>	<b>17,931</b>	<b>91,166</b>	<b>11,121</b>	<b>3,304,614</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 5,226</b>	<b>\$ 54,561</b>	<b>\$ 29,671</b>	<b>\$ 32,722</b>	<b>\$ 11,121</b>	<b>\$ 1,688,492</b>
<b>FUND BALANCES:</b>						
Restricted for:						
Visitor Promotion	-	-	-	-	-	92,803
911 Emergency Services	-	54,561	29,671	32,722	-	116,954
Drug Education	-	-	-	-	-	438
Preservation of Records	-	-	-	-	-	14,602
Child Support Enforcement	-	-	-	-	-	102,032
Road and Bridge Maintenance	-	-	-	-	-	149,051
Aid and Assistance	-	-	-	-	-	4,500
Federal Relief	-	-	-	-	-	868,846
Committed to:						
Law Enforcement	-	-	-	-	11,121	11,521
County Wellness Program	-	-	-	-	-	53,458
Economic & Community Development	-	-	-	-	-	269,061
Community Betterment	5,226	-	-	-	-	5,226
<b>TOTAL FUND BALANCES</b>	<b>\$ 5,226</b>	<b>\$ 54,561</b>	<b>\$ 29,671</b>	<b>\$ 32,722</b>	<b>\$ 11,121</b>	<b>\$ 1,688,492</b>

(Concluded)

KNOX COUNTY  
**SCHEDULE OF OFFICE ACTIVITIES**  
For the Year Ended June 30, 2023

	County Clerk	Register of Deeds	Clerk of the District Court	County Sheriff	County Attorney	Veterans' Service Officer	County Planning and Zoning	County Self-Insurance Account	Total
BALANCES JULY 1, 2022	\$ 865	\$ 15,570	\$ 4,063	\$ 3,932	\$ 20	\$ 2,258	\$ -	\$ 416,118	\$ 442,826
RECEIPTS									
Intergovernmental	-	-	-	-	-	-	-	635,790	635,790
Charges for Services	33,973	87,127	6,277	22,228	230	-	20,461	-	170,296
Miscellaneous	-	-	-	-	-	-	-	84,578	84,578
State Fees	5,012	163,856	5,184	-	-	-	-	-	174,052
Other Liabilities	-	186	599,011	39,426	4,379	-	-	-	643,002
TOTAL RECEIPTS	38,985	251,169	610,472	61,654	4,609	-	20,461	720,368	1,707,718
DISBURSEMENTS									
Payments to County Treasurer	33,842	87,068	6,188	21,063	250	-	20,461	-	168,872
Payments to State Treasurer	4,987	163,582	5,065	-	-	-	-	-	173,634
Petty Cash & Other Payments	-	-	-	-	-	-	-	648,809	648,809
Other Liabilities	-	186	494,767	39,555	4,376	-	-	-	538,884
TOTAL DISBURSEMENTS	38,829	250,836	506,020	60,618	4,626	-	20,461	648,809	1,530,199
BALANCES JUNE 30, 2023	\$ 1,021	\$ 15,903	\$ 108,515	\$ 4,968	\$ 3	\$ 2,258	\$ -	\$ 487,677	\$ 620,345
BALANCES CONSIST OF:									
Due to County Treasurer	\$ 284	\$ 6,648	\$ 664	\$ 4,404	\$ -	\$ 2,258	\$ -	\$ 487,677	\$ 501,935
Petty Cash	50	-	-	300	-	-	-	-	350
Due to State Treasurer	687	9,255	377	-	-	-	-	-	10,319
Due to Others	-	-	107,474	264	3	-	-	-	107,741
BALANCES JUNE 30, 2023	\$ 1,021	\$ 15,903	\$ 108,515	\$ 4,968	\$ 3	\$ 2,258	\$ -	\$ 487,677	\$ 620,345

KNOX COUNTY  
**SCHEDULE OF TAXES CERTIFIED AND COLLECTED**  
**FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY**  
June 30, 2023

Item	2018	2019	2020	2021	2022
Tax Certified by Assessor					
Real Estate	\$ 22,097,883	\$ 22,904,454	\$ 23,706,465	\$ 23,771,094	\$ 24,638,779
Personal and Specials	932,194	1,300,894	1,438,491	1,431,501	1,527,955
Total	<u>23,030,077</u>	<u>24,205,348</u>	<u>25,144,956</u>	<u>25,202,595</u>	<u>26,166,734</u>
Corrections					
Additions	23,449	3,156	6,378	5,125	1,105
Deductions	<u>(2,273)</u>	<u>(38,925)</u>	<u>(5,763)</u>	<u>(5,671)</u>	<u>(505)</u>
Net Additions/ (Deductions)	<u>21,176</u>	<u>(35,769)</u>	<u>615</u>	<u>(546)</u>	<u>600</u>
Corrected Certified Tax	<u>23,051,253</u>	<u>24,169,579</u>	<u>25,145,571</u>	<u>25,202,049</u>	<u>26,167,334</u>
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2019	14,908,468	-	-	-	-
June 30, 2020	8,140,997	15,868,701	-	-	-
June 30, 2021	920	8,296,824	16,924,033	-	-
June 30, 2022	868	2,775	8,217,259	17,441,328	-
June 30, 2023	<u>-</u>	<u>785</u>	<u>3,361</u>	<u>7,758,578</u>	<u>18,138,335</u>
Total Net Collections	<u>23,051,253</u>	<u>24,169,085</u>	<u>25,144,653</u>	<u>25,199,906</u>	<u>18,138,335</u>
Total Uncollected Tax	<u>\$ -</u>	<u>\$ 494</u>	<u>\$ 918</u>	<u>\$ 2,143</u>	<u>\$ 8,028,999</u>
Percentage Uncollected Tax	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.01%</u>	<u>30.68%</u>

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

KNOX COUNTY  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through Nebraska Military Department			
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	107-99107-00	\$ 4,640
Emergency Management Performance Grants	97.042	22-SR 8731-01	26,604
BRIC: Building Resilient Infrastructure and Communities	97.047	EMK-2020-BR-013	62,044
Total U.S. Department of Homeland Security			<u>93,288</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through Nebraska Department of Health and Human Services			
Child Support Enforcement	93.563	51328 Y3	24,248
Total U.S. Department of Health and Human Services			<u>24,248</u>
<b>DEPARTMENT OF THE TREASURY</b>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Applicable *	683,683
Total U.S. Department of the Treasury			<u>683,683</u>
<b>DEPARTMENT OF AGRICULTURE</b>			
Passed through the University of Nebraska - Lincoln			
Rural Development Cooperative Agreement Program	10.890	25-6382-0002-003	2,755
Total U.S. Department of Agriculture			<u>2,755</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 803,974</u></u>

\* Represents Major Program

See accompanying Notes to the Schedule of Expenditures of Federal Awards



## KNOX COUNTY

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

**1. Basis of Presentation**

The accompanying schedule of expenditures of Federal awards (Schedule) includes the Federal award activity of Knox County (County) under programs of the Federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Knox County, it is not intended to and does not present the financial position or changes in net assets of the County. The County's reporting entity is defined in Note 1.A. to the County's financial statements. Federal awards received directly from Federal agencies, as well as those passed through other government agencies, are included in the Schedule. Unless otherwise noted on the Schedule, all programs are received directly from the respective Federal agency.

**2. Summary of Significant Accounting Policies**

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



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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### KNOX 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  
Knox 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 Knox County, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 26, 2023. The report notes the financial statements were prepared on the basis of cash receipts and disbursements.

#### **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: The County has discussed the finding but must consider the cost of adequate segregation of duties when determining the use of tax money.*

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Knox 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 Knox County in a separate letter dated October 26, 2023.

### **Knox 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

October 26, 2023



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley  
State Auditor

Mike.Foley@nebraska.gov

PO Box 98917

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Lincoln, Nebraska 68509

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### KNOX COUNTY INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Supervisors  
Knox County, Nebraska

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on Each Major Federal Program***

We have audited Knox County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Knox County's major Federal programs for the year ended June 30, 2023. Knox County's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Knox County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2023.

##### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Knox County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of Knox County's compliance with the compliance requirements referred to above.

##### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Knox County's Federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Knox County's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Knox County's compliance with the requirements of each major Federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Knox County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Knox County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Knox County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding #2023-002. Our opinion on each major Federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Knox County's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Knox County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Knox County is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Knox County's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Knox County's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Knox County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Knox County is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Knox County's corrective action plan was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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



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

October 26, 2023

KNOX COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2023

**Section I – Summary of Auditor’s Results**

**Financial Statements**

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

**Unmodified**

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_ Yes X No

Significant deficiencies identified?

X Yes \_\_\_ None Reported

Noncompliance material to financial statements noted?

\_\_\_ Yes X No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified?

\_\_\_ Yes X No

Significant deficiencies identified?

X Yes \_\_\_ None Reported

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

**Unmodified**

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

X Yes \_\_\_ No

Major programs: **COVID-19 – Coronavirus State and Local Fiscal Recovery Funds: AL #21.027**

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

\$750,000

Auditee qualified as low-risk auditee?

\_\_\_ Yes X No

KNOX COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

(Continued)

**Section II – Financial Statement Findings**

**Finding # 2023-001**

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

**Section III – Federal Award Findings and Questioned Cost**

**Finding # 2023-002**

<u>Program</u> -	AL 21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Suspension & Debarment
<u>Grant Number &amp; Year</u> -	SLFRP3090, March 3, 2021, through December 31, 2024
<u>Federal Grantor Agency</u> -	U.S. Department of the Treasury
<u>Criteria</u> -	Title 2 of the U.S. Code of Federal Regulations (CFR) § 200.303 (January 1, 2023) states the following, in relevant part:

*The non-Federal entity must:*

*(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).*



## KNOX COUNTY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

The U.S. Department of the Treasury adopted the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in 2 CFR § 1000.10 (January 1, 2023), which states the following:

*Except for the deviations set forth elsewhere in this Part, the Department of the Treasury adopts the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, set forth at 2 CFR part 200.*

2 CFR § 200.214 (January 1, 2023) states the following:

*Non-Federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. The regulations in 2 CFR part 180 restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.*

2 CFR § 180.300 (January 1, 2023) requires non-Federal entities to verify that an entity is not excluded or disqualified prior to entering into a covered transaction by: "(a) Checking SAM Exclusions; or (b) Collecting a certification from that . . . [entity]; or (c) Adding a clause or condition to the covered transaction with that . . . [entity]."

A good internal control plan requires the County to have proper procedures in place to verify that contractors paid with Federal funds are not suspended, debarred, or otherwise excluded from or ineligible for participation in Federal programs or activities.

Condition -

Knox County could not provide documentation to support that the County implemented effective internal controls to ensure that suspension and debarment requirements were followed and adequately documented.

We noted the County used Coronavirus State and Local Fiscal Recovery Funds to pay three vendors over \$25,000, totaling \$633,021, during the fiscal year ended June 30, 2023. The County failed to ensure that these vendors were not excluded or disqualified prior to entering into these covered transactions.

We reviewed SAM.gov, and noted that none of these vendors were suspended, debarred, or otherwise excluded from participation in Federal programs or activities as of the date testing was performed.

Repeat Finding -

No

Questioned Costs -

None

Statistical Sample -

No

Context -

The following table provides details of the covered transactions noted:

VENDOR	AMOUNT
MURPHY TRACTOR & EQUIPMENT CO	\$ 416,601
EAGLEVIEW - PICTOMETRY INT. CORP.	175,546
APPLIED CONNECTIVE TECHNOLOGIES LLC	40,874
<b>TOTAL</b>	<b>\$ 633,021</b>

KNOX COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

(Concluded)

<u>Cause</u> -	Lack of procedures and knowledge regarding suspension and debarment requirements
<u>Effect</u> -	Without adequate procedures to ensure contractors are not suspended, debarred, or otherwise excluded from or ineligible for participation in Federal programs or activities, there is an increased risk for the misuse of Federal funds and noncompliance with Federal regulations, leading to possible Federal sanctions.
<u>Recommendation</u> -	We recommend the County implement procedures to ensure, prior to entering into a covered transaction, that a contractor is not suspended, debarred, or otherwise excluded from or ineligible for participation in Federal programs or activities, and those procedures are adequately documented.
<u>View of Officials</u> -	The County has discussed checking the SAM (System for Award Management formerly Excluded Parties Listing System (EPLS), which is maintained by the General Services Administration to ensure vendors are not suspended or debarred before entering a transaction.

Martin J. O'Connor  
District #1

Patrick J. Liska  
District #2

David L. Pierce  
District #3

KNOX COUNTY BOARD OF SUPERVISORS  
Knox County Courthouse  
P.O. Box 166  
Center, NE 68724-0166

Kevin D. Mackeprang  
District #5, Chairman

James Sokol, Jr.  
District #4

Danny R. Schlote  
District #6, Vice-Chairman

James J. Borgmann  
District #7

**SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Year Ended June 30, 2023

**Finding 2022-1 (Since 2022) Segregation of Duties**

**Status:** On-going

**Reason for Recurrence:** The County has discussed the finding but must consider the cost of adequate segregation of duties when determining the use of tax money.

  
Kevin Mackeprang, County Board Chairperson

*Knox County is an Equal Opportunity Employer\**



Martin J. O'Connor  
District #1

KNOX COUNTY BOARD OF SUPERVISORS  
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District #5, Chairman

James J. Borgmann  
District #7

**KNOX COUNTY  
CORRECTIVE ACTION PLAN**

Year Ended June 30, 2023

The corrective action plan for the findings included in the Schedule of Findings and Questioned Costs are summarized as follows:

**I. Findings Related to the Financial Statements**

**Finding 2023-001: Segregation of Duties**

Corrective Action Planned:

The County has discussed the finding but must consider the cost of adequate segregation of duties when determining the use of tax money.

Anticipated Completion Date:

Ongoing

Responsible Party:

Kevin Mackeprang, County Board Chairperson

**II. Findings Related to Federal Awards:**

**Finding 2023-002: Coronavirus State and Local Fiscal Recovery Funds – Suspension & Debarment**

Program:

AL 21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Suspension & Debarment

Corrective Action Planned:

The County has discussed checking the SAM (System for Award Management formerly Excluded Parties Listing System (EPLS), which is maintained by the General Services Administration to ensure vendors are not suspended or debarred before entering a transaction.

Anticipated Completion Date:

Ongoing

Responsible Party:

Krista Nix, Deputy County Clerk

*Knox County is an Equal Opportunity Employer\**





## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley  
State Auditor

Mike.Foley@nebraska.gov

PO Box 98917

State Capitol, Suite 2303

Lincoln, Nebraska 68509

402-471-2111, FAX 402-471-3301

auditors.nebraska.gov

October 26, 2023

Board of Supervisors  
Knox County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Knox County (County) for the fiscal year ended June 30, 2023, and have issued our report thereon dated October 26, 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**

#### **County Self-Insurance Health Account**

During fiscal year 2023, Knox County self-insured for employee health insurance and contracted with 90 Degree Benefits to administer the County's self-insured plan. For the self-insured plan, a bank account is maintained to account for the County's self-insurance funds. We noted the following regarding this account:

- As of June 30, 2023, the bank account had a balance of \$487,677, and total receipts and disbursements for this account for fiscal year 2023 were \$720,369 and \$648,809, respectively.

However, this account, under the County's Federal Tax Identification Number, is held outside the County Treasurer and is not included in the County's financials. The County was unable to provide documentation to support that the County Board approved this account to be maintained outside the County Treasurer. Likewise, the amount of such account has not been stated in the County Board budget message.

- While the County is the owner of the bank account and the funds therein, 90 Degree Benefits had direct access to the account to make deposits and to withdraw money therefrom without prior approval of the County Board.
- The account was held at a bank that was not included in the list of depositories approved by the County Board.

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.*

Neb. Rev. Stat. § 77-2312 (Reissue 2018) provides, in relevant part, the following:

*The county treasurer of each and every county in the State of Nebraska shall deposit, and at all times keep on deposit for safekeeping in the state or national banks, capital stock financial institutions, or qualifying mutual financial institutions doing business in the county of approved and responsible standing, the amount of money in his or her hands collected and held by him or her as county treasurer.*

Furthermore, Neb. Rev. Stat. § 77-2313 (Reissue 2018) states the following, in relevant part:

*[T]he county treasurer shall not deposit such money or any part thereof in any bank, capital stock financial institution, or qualifying mutual financial institution other than such as may have been so selected by the county board for such purposes, if any such bank, capital stock financial institution, or qualifying mutual financial institution has been so selected by the county board.*

Neb. Rev. Stat. § 23-106 (Reissue 2022) states the following regarding management of county funds and authorized petty cash funds:

*(1) The county board shall manage the county funds and county business except as otherwise specifically provided.*

*(2) 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.*

Per the above statutory provisions, County funds are to be held by the County Treasurer in designated financial institutions and managed by the County Board, which may authorize use of a petty cash fund for “subsidiary general operational expenditures and purchases.”

Unless the County Board designates the self-insurance bank account as a “petty cash fund” under § 23-106(2), there is no authority for allowing it to be maintained outside the County Treasurer. If the bank account is to be treated as a “petty cash fund” under § 23-106(2), moreover, the County Board budget message should reflect the authorized petty cash amount to ensure compliance with State statute.

Good internal controls and sound accounting practices require procedures to ensure that County funds remain in the custody and care of the County Treasurer – unless, however, the County Board authorizes those monies to be placed in petty cash fund – and accounted for accordingly in the County’s financial records. Furthermore, for any authorized petty cash fund, those same administrative procedures should ensure also that periodic reconciliation and balancing methods are used to verify that such fund is maintained at the authorized amount, and the County Board reimburses the account for actual expenses.

Without such procedures, there is not only an increased risk of a possible financial misstatement, as well as loss, theft, or misuse of County funds, but also noncompliance with State statute.

We recommend the County Board implement procedures to ensure County funds remain in the custody and care of the County Treasurer – unless, however, the County Board authorizes those monies to be placed in a petty cash fund – and accounted for accordingly in the County’s financial records. If the County Board approves such a petty cash fund, we recommend the County implement procedures to ensure the following: (1) the fund is maintained at the authorized amount; (2) a periodic reconciliation to the authorized petty cash amount is performed; (3) the County Board reimburses the account for actual expenses; and (4) the County Board budget message reflects all authorized petty cash balances.

## **County Credit Card Policy**

During the audit, we noted that several offices in the County held credit cards for the purpose of making purchases without needing to go through the claims process. However, the County's credit card policy fails to specify who is authorized to utilize the County credit cards.

The following table shows the number of County credit cards held by various offices and employees:

Office/Employee	Number Of Cards
Sheriff Office/Vehicles	8
Assessor Office	1
Highway Office	1
Economic Development	1
Emergency Manager	1
Extension	2
Other County Employees	3
<b>Total Cards</b>	<b>17</b>

Neb. Rev. Stat. § 13-610(1) (Reissue 2022) states, in relevant part, the following:

*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 . . . .*

(Emphasis added.) In order to ensure compliance with the above statutory provision, the County's credit card policy should specify who is authorized to utilize the County credit cards.

Without such specificity, 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's credit card policy be updated to specify who is authorized to utilize the County credit cards.

## **County Deputy Attorney Salary**

During the audit, we noted that the County Deputy Attorney was not receiving at least 65% of the County Attorney's salary, as required by State statute. After further inquiry, it was determined the Deputy Attorney was averaging about 32 hours a week, which would be considered a full-time employee per the County's employee handbook. For the pay periods tested, the Deputy Attorney was receiving approximately 45% of the County Attorney's salary.

Neb. Rev. Stat. § 23-1114.09 (Reissue 2022) states the following:

*The salary of one full-time deputy of the various county offices shall not be less than sixty-five percent of the county officer's salary. No full-time deputy shall, except for vacation and sick leave periods established by the county board, be entitled to such salary during any period of time that such deputy is not actually engaged in the performance of the official duties of a deputy.*

(Emphasis added.) Per the Knox County Employee Handbook (effective June 30, 2022), a "Regular Full-Time Employee" is defined, in relevant part, as follows:

*An employee who has completed the introductory period and is regularly scheduled to work 30 or more hours per week. . . .*

Good internal controls require procedures to ensure that County deputies are paid in accordance with State statute. Without such procedures, there is an increased risk of statutory noncompliance.

We recommend the County implement procedures to ensure County deputies are paid in accordance with State statute.

*County Attorney Response: Neb Rev Stat 23-1204 provides: “The county attorney may, with the approval and consent of the county board, appoint one or more deputies, who shall receive such compensation as shall be fixed by the county board, to assist him in the discharge of his duties.”*

**APA Response: Neb. Rev. Stat. § 23-1204 (Reissue 2022) does indeed authorize the County Attorney to appoint “one or more deputies, who shall receive such compensation as shall be fixed by the county board . . .” However, that general authority does not override the clear requirement in Neb. Rev. Stat. § 23-1114.09 (Reissue 2022) that “[t]he salary of one full-time deputy of the various county offices shall not be less than sixty-five percent of the county officer's salary.” The County Attorney has one full-time deputy. Consequently, per § 23-1114.09, the deputy is entitled to a minimum salary equal to sixty-five percent of that received by the County Attorney. In carrying out its responsibility under § 23-1204 to fix the compensation received by the deputy, the County Board must do so in compliance with the requirement in § 23-1114.09 – meaning that the approved salary may be greater than the mandatory 65% but not less than that amount.**

### **Duplicate Payments**

During the audit, we noted that one claim was a duplicate payment, as summarized in the table below:

		Original Claim		Duplicate Claim	
Payee	Duplicate Amount	Date	Claim #	Date	Claim #
Applied Connective Technologies	\$ 3,188	12/8/2022	22120002	12/29/2022	22120163

Good internal controls and sound business practices require procedures to ensure that invoices are paid only once, and any duplicate payments are resolved in a timely manner.

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

We recommend the County Board implement procedures to ensure invoices are paid only once, and any duplicate payments are resolved in a timely manner.

## **COUNTY SHERIFF**

### **Accounting Procedures and Bank Reconciliations**

During the audit, we noted the following issues with the County Sheriff’s accounting procedures at June 30, 2023:

- An accurate book balance and accurate listing of outstanding checks were not maintained for the fee and mileage account. The following issues were identified with the County Sheriff’s June 30, 2023, reconciliation for the fee and mileage account:
  - The book balance was maintained on the following three different documents: 1) check stubs; 2) bank log spreadsheet; and 3) the bank reconciliation on the back side of the bank statement. However, the book balance on these records were incorrect.
  - The book balance on the bank reconciliation was \$6,436 as of June 30, 2023. The bank reconciliation book balance was overstated due to the outstanding checks being added rather than subtracted and the outstanding check listing being incomplete. The outstanding check listing on the reconciliation failed to include \$591 in outstanding checks at June 30, 2023.
  - The book balance on the bank log and check stubs was \$5,769; however, it was overstated by \$1,929 due to the following errors:



<b>Description</b>	<b>Overstated/ (Understated)</b>
Bank Deposit Not on Bank Log	\$ 1,954
Unknown Increase in Bank Log Balance	(3,970)
Transposition Error on Bank Log	297
Check Recording Errors or Missing Check on Bank Log	(10)
Bank Log Deposit that Did Not Clear Bank	(200)
<b>Net Overstatement of Book Balance</b>	<b>\$ (1,929)</b>

- The inmate commissary account has continued to hold a balance of \$87 due to the County since January 2021. Per the County Sheriff, these funds are being held to avoid the account being closed by the bank; however, these funds should be remitted to the County Treasurer as commissary fees, and only authorized petty cash funds should be held each month.
- Monthly asset-to-liability reconciliation procedures were not performed for the fee account, resulting in an unknown shortage of \$28 as of June 30, 2023. This short is the result of the office not maintaining an accurate listing of accounts payable for advance fees and accounts receivable.

Good internal controls and sound business practices require procedures to ensure the following: 1) reconciliations, including book balances, are complete and accurate; 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 are resolved timely; and 3) accurate accounts payable records that detail the proper recipients of funds and accurate accounts receivable balances are maintained.

A lack of such procedures increases the risk of loss, theft, or misuse of County funds and allows errors to go undetected more easily.

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

We recommend the County Sheriff implement procedures to ensure the following: 1) reconciliations, including book balances, are complete and accurate; 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 are resolved timely; and 3) accurate accounts payable records that detail the proper recipients of funds and accurate accounts receivable balances are maintained.

## **COUNTY CLERK OF THE DISTRICT COURT**

### **Overdue Case Balance Report**

During our audit, we noted that the District Court failed to take action – such as the issuance of warrants and/or suspensions or the designation of certain amounts as uncollectible – to ensure collection and/or resolution of three out of six overdue case balances tested, totaling \$2,388.

As of June 30, 2023, overdue case balances, excluding restitution judgments, totaled \$9,237.

Sound accounting practices and good internal controls require procedures to ensure that the Overdue Case Account Report is reviewed on an ongoing, timely basis to determine what action should be taken to collect or otherwise address the balances listed therein. Such review and follow-up should be adequately documented.

Without such procedures, there is an increased risk that overdue balances may either not have proper follow-up action taken timely, resulting in the District Court not collecting all funds owed to it, or have been resolved previously and should no longer be reflected as overdue in the accounting system.

We recommend the District Court implement procedures to ensure that the Overdue Case Account Report is reviewed on an ongoing, timely basis, and such review is documented adequately. Potential courses of action for follow-up on overdue case balances would include the issuance of warrants, a judge's determination and order to waive certain costs, if allowable, or a declaration of certain balances as being uncollectible. If the District Court determines no further action is necessary on specific balances, we recommend the District Court document such determination and the underlying reason therefore.

## 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: The County has discussed the finding but must consider the cost of adequate segregation of duties when determining the use of tax money.*

\* \* \* \* \*

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