

**AUDIT REPORT
OF
DIXON COUNTY**

JULY 1, 2023, THROUGH JUNE 30, 2024

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

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

Issued on October 7, 2024

The Nebraska Auditor of Public Accounts Office was created by the first territorial Legislature in 1855. The Auditor was the general accountant and revenue officer of the territory. Those duties have expanded and evolved over the decades, as modern accounting theory has been implemented. The office of the Auditor of Public Accounts is one of six offices making up the executive branch of Nebraska State Government. Mike Foley was elected in November 2006 and re-elected in November 2010 and November 2022 as the Nebraska Auditor of Public Accounts. He was sworn into office on January 5, 2023, and is Nebraska's 24th State Auditor.

The mission of the Nebraska Auditor of Public Accounts' office is to provide independent, accurate, and timely audits, reviews, or investigations of the financial operations of Nebraska State and local governments.

We will provide this information, as required by statute, to all policymakers and taxpayers through written reports and our Internet-based Budget and Audit databases.

We will maintain a professionally prepared staff, utilizing up-to-date technology, and following current Government Auditing Standards.

Audit Staff Working On This Report

Rachel Wittler, CPA, CFE – Audit Manager

Emily Parker – Audit Manager

Rob Giraud – Auditor-In-Charge

Haylee Miller – Auditor II

Brady Neal – Auditor I

Our reports can be found electronically at: auditors.nebraska.gov

Additionally, you may request them by contacting us at:

Nebraska Auditor of Public Accounts

State Capitol, Suite 2303

P.O. Box 98917

Lincoln, Nebraska 68509

Phone: 402-471-2111

DIXON COUNTY

TABLE OF CONTENTS

	<u>Page</u>
List of County Officials	1
Financial Section	
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 Fiduciary Net Position - Cash Basis	9
Statement of Changes in Fiduciary Net Position - Cash Basis	10
Notes to Financial Statements	11 - 19
Combining Statements and Schedules:	
Budgetary Comparison Schedule - Budget and Actual - General Fund	20 - 21
Budgetary Comparison Schedule - Budget and Actual - Major Funds	22 - 23
Budgetary Comparison Schedule - Budget and Actual - Nonmajor Funds	24 - 28
Combining Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Nonmajor Funds	29 - 32
Schedule of Office Activities	33
Schedule of Taxes Certified and Collected for All Political Subdivisions in the County	34
Schedule of Expenditures of Federal Awards	35
Notes to the Schedule of Expenditures of Federal Awards	36
Government Auditing Standards Section	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37 - 38
Independent Auditor's Report on Compliance for each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	39 - 41
Schedule of Findings and Questioned Costs	42 - 45
Auditee Section	
Corrective Action Plan	46

DIXON COUNTY
302 3rd Street
Ponca, NE 68770

LIST OF COUNTY OFFICIALS
At June 30, 2024

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Supervisors	Donald Andersen	Jan. 2027
	Deric Anderson	Jan. 2025
	Roger Peterson	Jan. 2027
	Neil R. Blohm	Jan. 2025
	Lisa Lunz	Jan. 2027
	Terry L. Nicholson	Jan. 2025
	Steve Hassler	Jan. 2027
Assessor	Amy Watchorn	Jan. 2027
Attorney	Leland Miner	Jan. 2027
Clerk Election Commissioner Register of Deeds	Cathy Stilwell	Jan. 2027
Clerk of the District Court	Quin Rohan	Jan. 2027
Sheriff	Tom Decker	Jan. 2027
Treasurer	JoAnn Brennan	Jan. 2027
Surveyor	Michael Skroch	Appointed
Veterans' Service Officer	Nicholas Nieman	Appointed
Weed Superintendent	Mike Elton	Appointed
Highway Superintendent	Arnold Mellick	Appointed
Emergency Manager	Shea Scollard	Appointed
911 Director	Sara Kumm	Appointed



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

DIXON COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Dixon 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 Dixon County, as of and for the year ended June 30, 2024, 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 Dixon County as of June 30, 2024, and the respective changes in cash-basis financial position for the year then ended in accordance with the cash 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements 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.

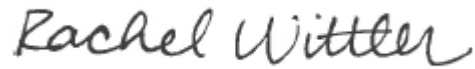
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 20-35, 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 September 19, 2024, on our consideration of Dixon 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 Dixon County's internal control over financial reporting and compliance.



September 19, 2024

Rachel Wittler, CPA, CFE
Audit Manager
Lincoln, Nebraska

DIXON COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2024

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

Dixon 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 \$17,097 toward the operation of the Region during fiscal year 2024. 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 Northeast Nebraska Public Health Department (Department) to provide public health services. The agreement was established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636 (Reissue 2018).

DIXON 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 contributed \$75,000 toward the operation of the Department during fiscal year 2024. 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) (2024 Neb. Laws, L.B. 1143, § 3). Financial information for the Department is available in that report.

B. Basis of Presentation

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

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

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

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

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

DIXON COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The County reports the following major governmental funds:

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

Road & Bridge 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.

County Health Insurance Fund. This fund is used to account for the costs of insurance premiums and claims, and is primarily funded by County and employee contributions, rebates, and reimbursements.

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

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

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

Debt Service Fund. The Highway Bridge Buyback Program Fund accounts for the costs associated with the repair and maintenance of roads and bridges in the County and the resources for, and the payment of, general long-term debt principal, interest, and related costs.

The County designates fund balances as follows:

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

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

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

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

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

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

DIXON COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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, 2024 Neb. Laws, L.B. 1074, § 96) and generally include U.S. Government obligations and securities, which are authorized by the Nebraska Investment Council.

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

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

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

Restricted Net Position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$3,976,756 of restricted net position, which is fully restricted by enabling legislation.

DIXON COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Budgetary Process. The County adopts an annual budget in accordance with the statutory requirements of the Nebraska Budget Act 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 \$3,646,755 for County funds and \$716,863 for Fiduciary funds. The bank balances for all funds totaled \$4,293,159. For purposes of classifying categories of custodial credit risk, the bank balances of the County's deposits, as of June 30, 2024, 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 \$6,769,444 deposited in Nebraska Federal Investment Trust (NFIT) and of \$253,264 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. NFIT is a public entity investment pool. 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 NFIT are not held in the County's name.

DIXON 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 2023, for the 2023 taxes, which will be materially collected in May and September 2024, was set at \$.264734/\$100 of assessed valuation. The levy set in October 2022, for the 2022 taxes, which were materially collected in May and September 2023, was set at \$.239417/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

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

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

4. **Retirement System**

The Retirement System for Nebraska Counties (the Plan) is a multiple-employer plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2334 (Reissue 2022, Supp. 2023, 2024 Neb. Laws, L.B. 198, § 4) 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. Through September 1, 2023, employees contributed 1% of their salary. Starting September 2, 2023, this contribution was increased to

DIXON COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. Retirement System (Concluded)

2%. 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, 2024, 64 employees contributed \$120,702, and the County contributed \$176,846. Contributions included \$9,387 in cash contributions towards the supplemental law enforcement plan for 10 law enforcement employees. Lastly, the County paid \$1,818 directly to 20 retired employees for prior service benefits.

5. Risk Management

The County is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of the Nebraska Intergovernmental Risk Management Association (NIRMA), a public entity risk pool currently operating as a common risk management and insurance program for 112 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	\$ 500,000	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 Group Resources to administer the County’s self-insured plan through June 30, 2024. Details of the coverage are available upon request from the County Clerk. The self-insured plan is funded through a combination of employee and County contributions, rebates, and reimbursements. The activity of the plan is reflected in the County’s financial statements under the County Health Insurance Fund. No settlements exceeded coverage in any of the past three fiscal years. The County has obtained stop-loss coverage to limit the County’s total exposure to \$30,000 per enrolled member, per year, except for one member which the County’s total exposure was limited to \$70,000 per year, and another member which the County’s total exposure was limited to \$75,000 per year if the member received cancer treatment, or \$225,000 per year if the member required systemic therapy.

DIXON COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. Interfund Transfers

Interfund transfers for the year ended June 30, 2024, consisted of the following:

<u>Transfers to</u>	<u>Transfers from</u>			<u>Total</u>
	<u>General Fund</u>	<u>Road & Bridge Fund</u>	<u>Nonmajor Funds</u>	
Road & Bridge Fund	\$ 756,786	\$ -	\$ -	\$ 756,786
County Health Insurance Fund	1,663,784	116	28,050	1,691,950
General Fund	-	-	34,099	34,099
Nonmajor Funds	437,778	200,000	1,943	639,721
Total	\$ 2,858,348	\$ 200,116	\$ 64,092	\$ 3,122,556

Transfers are used to move unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended June 30, 2024, the County made a one-time transfer of \$200,000 from the Road & Bridge Fund to the Special Road Fund to set aside funds for future road projects. Additionally, the County made two transfers totaling \$28,035 from the Emergency Services Fund to the County Health Insurance Fund to pay for the cost of health insurance for the emergency management employees. Lastly, the County made two transfers totaling \$34,099 from the COVID American Rescue Plan Fund to the General Fund, to transfer interest earned on the balance held in the bank account.

7. Long-Term Obligations

Lease-Purchase Agreements

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

	<u>Brite – In Car</u>		<u>Total</u>
	<u>Video Equipment</u>	<u>JD Motor Grader</u>	
Balance July 1, 2023	\$ 35,112	\$ 205,231	\$ 240,343
Purchases	-	-	-
Payments	35,112	46,109	81,221
Balance June 30, 2024	\$ -	\$ 159,122	\$ 159,122
 Future Payments:			
Year			
2025	\$ -	\$ 51,280	\$ 51,280
2026	-	51,281	51,281
2027	-	51,280	51,280
2028	-	12,820	12,820
Total Payments	-	166,661	166,661
Less Interest	-	7,539	7,539
Present Value of Future Minimum Lease Payments	<u>\$ -</u>	<u>\$ 159,122</u>	<u>\$ 159,122</u>
Carrying Value of the Related Fixed Asset	<u>\$ 86,800</u>	<u>\$ 344,000</u>	<u>\$ 430,800</u>

DIXON COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

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

Bonds

The County issued bonds on July 14, 2017, in the amount of \$910,000 for the purpose of paying the costs of the improvements of certain bridges, drainage structures, streets, highways, and roads within the County.

The bond payable balance, as of June 30, 2024, was \$300,000. The County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds. Future tax resources and highway buyback program funds will be used to pay off the bonds.

Future Payments:

Year	Principal	Interest	Total
2025	\$ 100,000	\$ 6,900	\$ 106,900
2026	100,000	4,600	104,600
2027	100,000	2,300	102,300
Total Payments	<u>\$ 300,000</u>	<u>\$ 13,800</u>	<u>\$ 313,800</u>

8. **Noxious Weed Board**

The County has a separately elected Noxious Weed Board (Weed Board). The Weed Board has the authority to set rates and approve bids for the activity of the County's Noxious Weed Department.

DIXON COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2024

1. Basis of Presentation

The accompanying schedule of expenditures of Federal awards (Schedule) includes the federal award activity of Dixon County (County) under programs of the federal government for the year ended June 30, 2024. 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 Dixon 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. Dixon County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



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

DIXON 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
Dixon 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dixon County (County), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 19, 2024. 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. We identified certain deficiencies in internal control, described below, that we consider to be a material weakness:

- The County offices lacked a segregation of duties, as one person could handle all aspects of processing a transaction from beginning to end. A proper system of 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 Board Response: The County has discussed the finding but must consider the cost of adequate segregation of duties when determining the use of tax money. At this time, the cost of hiring additional personnel to maintain segregation of duties is not fiscally responsible, therefore, the County Board will continue to monitor the transactions of the County.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 the County in a separate letter dated September 19, 2024.

Dixon County's Response to Findings

Government Auditing Standards requires 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.



Rachel Wittler, CPA, CFE
Audit Manager
Lincoln, Nebraska

September 19, 2024



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

DIXON 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
Dixon County, Nebraska

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Dixon 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 Dixon County's major Federal programs for the year ended June 30, 2024. Dixon 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, Dixon 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, 2024.

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 Dixon 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 Dixon 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 Dixon 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 Dixon 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 Dixon 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 Dixon 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 Dixon 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 Dixon 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 #2024-002. 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 Dixon County's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Dixon 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.

Dixon County is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Dixon 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 Finding #2024-002 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 Dixon County's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Dixon 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.

Dixon County is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Dixon 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.

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.



Rachel Witter, CPA, CFE
Audit Manager
Lincoln, Nebraska

September 19, 2024

DIXON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2024

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?

X Yes ___ No

Significant deficiencies identified?

___ Yes X 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

DIXON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

Section II – Financial Statement Findings

Finding # 2024-001

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

Section III – Federal Award Findings and Questioned Costs

Finding # 2024-002

- Program - AL 21.027 - COVID-19 – Coronavirus State and Local Fiscal Recovery Funds – Suspension & Debarment
- Grant Number & Year - SLFRP1468; March 3, 2021, through December 31, 2024
- Federal Grantor Agency - U.S. Department of the Treasury
- Criteria - Title 2 of the U.S. Code of Federal Regulations (CFR) § 200.303 (January 1, 2024) 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).

DIXON 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, 2024), 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, 2024) 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, 2024) 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 vendors paid with Federal funds are not suspended, debarred, or otherwise excluded from or ineligible for participation in Federal programs or activities.

Condition -

The 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 two vendors over \$25,000, totaling \$548,036 during the fiscal year ended June 30, 2024. 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
Motorola Solutions	\$ 148,660
Theisen Construction Inc	399,376
Total	\$ 548,036

DIXON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Concluded)

- Cause - Lack of procedures and knowledge regarding suspension and debarment requirements.
- Effect - Without adequate procedures to ensure vendors 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.
- Recommendation - We recommend the County implement procedures to ensure, prior to entering into a covered transaction, that a vendor is not suspended, debarred, or otherwise excluded from or ineligible for participation in Federal programs or activities, and those procedures are adequately documented.
- View of Officials - The County will implement procedures to ensure when a contractor is paid with federal funds, sam.gov will be utilized to verify the entity has not been suspended or debarred and such procedure will be adequately documented.



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

September 19, 2024

Board of Supervisors
Dixon County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Dixon County (County) for the fiscal year ended June 30, 2024, and have issued our report thereon dated September 19, 2024. 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

Claim Issues

We noted the following issues with claims approved by the County Board during the fiscal year:

- In November 2023, the County Board approved a payment of \$53,539 to Sid Dillion for the purchase of a pickup truck for the Noxious Weed Superintendent; however, the County did not follow the competitive sealed bidding process, as required by Neb. Rev. Stat. § 23-3108(1) (Reissue 2022), for the purchase.
- A credit card claim, #24020126, for the County Sheriff's Office, approved by the County Board in February 2024, included 5 out-of-state transactions, totaling \$116, which lacked adequate supporting documentation, such as a receipt, invoice, or bill, to support the amount paid, as shown in the following table below:

Date	Vendor - Location	Location	Total
12/4/23	Papa John's	Jonesboro, AR	\$ 26
12/7/23	Wings to Go	Jonesboro, AR	14
12/13/23	Chefs in Downtown Cafe	Jonesboro, AR	16
12/14/23	Casa Blanca Mexican Grill	Jonesboro, AR	17
12/14/23	Caseys	Jonesboro, AR	43
Total			\$ 116

- The County Sheriff's Office paid \$16 to the U.S. Post Office in November 2023, out of the office petty cash fund. However, this expense was not claimed to the County Board within 90 days, as required by Neb. Rev. Stat. § 23-135(1) (Reissue 2022).

- The County Board approved one payment, totaling \$75,000, to Northeast Nebraska Public Health Department in September 2023, without receiving any support in return to ensure the funds were spent appropriately.

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

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

(a) Through the competitive sealed bidding process prescribed in section 23-3111 if the estimated value of the purchase is:

(i) Before January 1, 2025, fifty thousand dollars or more[.]

Neb. Rev. Stat. §13-610(4) (Reissue 2022) provides the following, in relevant part:

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

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

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

Additionally, good internal control requires procedures to ensure: 1) applicable statutory bidding requirements are followed for all County purchases; 2) expenditures made with a purchasing card are supported by an itemized receipt; 3) all claims against the County are submitted timely; and 4) all County payments and funding requests are supported by adequate documentation, including a contract or agreement and support showing how those funds were spent by the receiving entity.

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

We recommend the County implement procedures to ensure the following: 1) applicable statutory bidding requirements are followed for all County purchases; 2) expenditures made with a purchasing card are supported by an itemized receipt; 3) all claims against the County are submitted timely; and 4) all County payments and funding requests are supported by adequate documentation, including a contract or agreement and support showing how those funds were spent by the receiving entity.

Payroll Issues

We noted the County did not properly withhold the supplemental law enforcement retirement plan employee and employer contributions for two County Sheriff employees, as follows:

- One employee was a certified law enforcement officer since August 2023; however, the County did not withhold supplemental contributions from the employee's September 2023 through May 2024 paychecks, resulting in a \$1,445 shortage in contributions for this member.
- One employee did not possess a valid law enforcement officer certificate or diploma; however, the County withheld the additional supplemental contributions from the employee's paychecks, resulting in a \$306 overage in contributions for this member.

Additionally, we noted the County Board did not approve monthly payroll prior to the payment of the wages during the fiscal year, resulting in employee wages paid for a period ranging from 8 to 19 days prior to Board approval, as shown in the table below. The County Board meets the second Tuesday of each month and approves claims and payroll at those meetings; however, County employees are paid at the end of each month, prior to the County Board’s scheduled meetings.

Check Date	Approved Date	Variance In Days	Net Pay
7/31/23	8/8/23	8	\$ 161,577
8/31/23	9/12/23	12	164,228
9/29/23	10/10/23	11	158,204
10/31/23	11/14/23	14	157,241
11/30/23	12/19/23	19	165,652
12/29/23	1/9/24	11	160,290
1/31/24	2/13/24	13	162,693
2/29/24	3/12/24	12	149,497
3/29/24	4/9/24	11	147,787
4/30/24	5/14/24	14	154,952
5/31/24	6/11/24	11	154,140
6/28/24	7/9/24	11	165,259
Total			\$ 1,901,520

Neb. Rev. Stat. § 23-2332.01 (Supp. 2023) states, in part, the following:

Any county with a population of eighty-five thousand inhabitants or less that participates in the Retirement System for Nebraska Counties established by the County Employees Retirement Act shall establish and fund a supplemental retirement plan for the benefit of all present and future commissioned law enforcement personnel employed by such county who possess a valid law enforcement officer certificate or diploma, as established by the Nebraska Police Standards Advisory Council.

The Nebraska County Retirement Systems Employer Manual (Rev. April 2024) states that if make-up contributions are required, "The employer is responsible for submitting employer and employee contributions . . . within 60 days even if the employee has not signed the [Make-up contribution Agreement] form."

Further, Neb. Rev. Stat. § 23-135 (Reissue 2022) restricts County governments from making advance payments, except for certain personal property purchases, which would not include payroll expenses.

Good internal controls and sound business practices require procedures to ensure that retirement contributions are paid in accordance with State statute, and payments are issued only after the expense has been approved by the County Board.

We recommend the County Board strengthen procedures to ensure all County employees contributing at the certified law enforcement rate are properly certified, and such contributions are paid in a timely manner. Additionally, we recommend the County Board implement procedures to ensure payments are issued only after the expense has been approved by the County Board.

COUNTY SHERIFF

Balancing Procedures

We noted that a monthly asset-to-liability reconciliation was not performed for the County Sheriff’s General Account, resulting in an unknown short balance of \$414 on June 30, 2024, which is the same unresolved short that was noted in the prior audit. Further, we noted that the County Sheriff’s office maintained a trust balance of \$70 in the General Account as of June 30, 2024; however, the office could not identify the proper recipients(s) of that balance.

Sound accounting practices and good internal controls require procedures to ensure that adequate reconciliation and balancing methods are utilized, and all variances identified are resolved. Additionally, those same procedures should include ensuring adequate records are maintained to identify the proper recipient(s) of all trust funds held in the office's bank accounts.

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

This was also noted in prior audits.

We recommend the County Sheriff implement procedures to ensure adequate reconciliation and balancing methods are utilized, and variances are identified and resolved in a timely manner. Further, we recommend the County Sheriff implement procedures for reviewing monies held in trust in order to identify the proper recipient(s) thereof and, upon such identification, remitting such trust balances to the appropriate individual(s) in a timely manner.

County Sheriff Response: A claim for the short balance, totaling \$414, will be submitted to the County for reimbursement.

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.

A proper system of 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 Board Response: The County has discussed the finding but must consider the cost of adequate segregation of duties when determining the use of tax money. At this time, the cost of hiring additional personnel to maintain segregation of duties is not fiscally responsible, therefore, the County Board will continue to monitor the transactions of the County.

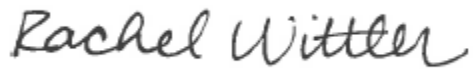
* * * * *

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,

A handwritten signature in cursive script that reads "Rachel Wittler".

Rachel Wittler, CPA, CFE
Audit Manager