



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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January 27, 2026

Karen Bredthauer, Commissioner  
Hall County  
Hall County Extension Board  
200 South Sycamore Street  
Grand Island, NE 68801

Dear Commissioner Bredthauer:

As you may know, the Nebraska Auditor of Public Accounts (APA) has received concerns regarding the lease agreement between Hall County (County) and College Park at Grand Island (College Park) for the building space occupied by the Hall County Extension Office (Extension Office). As a result, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. Pursuant thereto, the APA obtained financial records and other relevant documentation from the Extension Office and College Park. Based on the outcome of this preliminary planning work, including an analysis of the information obtained, the APA has determined that a separate financial audit or attestation is unnecessary at this time.

Nevertheless, during the course of the preliminary planning work, the APA noted certain issues that merit corrective action.

### **Background Information**

The County entered into an agreement in December 1990 with College Park for the purchase of land and construction of a building, which would include a portion that would be leased to the County as the Hall County Building Area for a term of 40 years with an option to extend under the same terms and conditions for four separate and successive periods of 10 years.

While the lease agreement between College Park and the County does not include a monthly lease payment, paragraph 4.1 of the agreement provides for reimbursement of College Park operating costs on a monthly basis, as follows:

*In addition to the amount paid by Hall County for the construction and purchase of the Hall County Building Area under Paragraph 3.17 hereof, Hall County shall pay to College Park an amount as determined herein. The amount paid by Hall County to College Park shall be based on the proportion of operating costs of the Building and Real Property allocated to Hall County. Operating costs shall include depreciation reserve and other costs of operation of the Building and Real Property excluding the costs of administration under Paragraph 7.3 hereof and secretarial costs. Subject to Paragraph 5.4 hereof, the depreciation reserve as set forth in Paragraph 5.1 hereof shall be payable from Hall County to College Park on the date of commencement under Paragraph 2.2 hereof, and on the anniversary date of the date of commencement for each year thereafter. The remaining operating costs, excluding depreciation reserve, shall be allocated to Hall County beginning on the date of commencement under Paragraph 2.2 hereof based on the proportion of square feet of the Hall County Building Area to the total square feet of the Building including the Hall County Building Area.*

(Emphasis added.) Paragraph 7.3 of the agreement provides the following for “costs of administration,” as referenced above:

*College Park shall employ an administrator to coordinate the use of the portion of the Building excluding the Hall County Building Area among College Park, Hall County, School District, Kearney State College, the University of Nebraska-Lincoln, Central Community College, Hastings College and other organizations designated by College Park.*

Additionally, paragraphs 5.1 through 5.5 of the agreement provide for the County to fund a depreciation reserve account for the costs of alterations and repairs to the Hall County Building Area. See below for relevant parts of these paragraphs.

*5.1 Depreciation Reserve Account. The depreciation reserve payable by Hall County to College Park pursuant to Paragraph 4.1 shall be Seven Thousand Five Hundred and No/100 Dollars (\$7,500.00) each year. The amount allocated to depreciation reserve shall be credited to the Hall County Building Area Depreciation Reserve Account to be established and maintained, together with interest thereon, by College Park for the benefit of Hall County.*

*5.2 Accounting. College Park shall provide to Hall County on the anniversary date of the commencement of this Agreement for Leasehold Interest and each year thereafter an accounting of all credits and debits to the Hall County Building Area Depreciation Reserve Account, the beginning and ending balances thereof, and such other information as required by Hall County.*

\* \* \* \*

*5.5 Payment Upon Termination. If Hall County terminates this Agreement for Leasehold Interest as provided in Paragraph 15.1 or upon the expiration of the initial term or any subsequent term, unless Hall County exercises its option to renew and extend this Agreement for Leasehold Interest, College Park shall pay to Hall County the balance, if any, remaining in the Hall County Building Area Depreciation Reserve Account.*

The following comments and recommendations, which have been discussed with the appropriate members of the County, the Extension Office, College Park, and its management, are intended to improve internal control or result in other operating efficiencies.

### **Comments and Recommendations**

#### **1. Administration Costs Improperly Charged**

While the lease agreement provides for College Park to invoice the County for a portion of the operating costs of the College Park building, it was noted that the County was also invoiced for the College Park Executive Director’s salary and benefits. This appears inappropriate because paragraph 4.1 of the agreement specifically excludes “the costs of administration under Paragraph 7.3 hereof,” which includes costs of employing an administrator to coordinate the College Park building’s use. When this was discussed with College Park, no documentation was available to support that the Executive Director’s salary was not an administrative cost as defined under paragraph 7.3 of the agreement.

The APA analyzed invoices for fiscal years 2023 through 2025, which cover the period July 2022 through June 2025, and noted College Park invoiced the County for the Executive Director’s salary along with payroll taxes and IRA match benefits. The share of these costs that were allocable to the County was 17.63%, the portion of the College Park Building occupied by the Hall County Building Area. In total for fiscal years 2023 through 2025, College Park invoiced the County for \$40,408.86 of payroll that lacked documentation to support the propriety of that amount under the lease agreement. The table below summarizes the portion of the Executive Director’s salary, taxes, and IRA match invoiced to the County for each fiscal year:

<b>Fiscal Year</b>	<b>Salary</b>	<b>Taxes</b>	<b>IRA Match</b>	<b>Total</b>
2023	\$ 12,331.27	\$ 943.34	\$ 369.93	\$ 13,644.55
2024	\$ 12,331.27	\$ 943.34	\$ 369.93	\$ 13,644.55
2025	\$ 11,856.99	\$ 907.06	\$ 355.70	\$ 13,119.76
<b>Totals</b>	<b>\$ 36,519.53</b>	<b>\$ 2,793.74</b>	<b>\$ 1,095.56</b>	<b>\$ 40,408.86</b>

Additionally, after meeting with representatives from the County and the Extension Office in August 2025, College Park stopped including the Executive Director's salary in the reimbursement invoice. Subsequent to this meeting, the Executive Director began tracking his time to document what portion thereof was spent on general operations and maintenance of the College Park building to determine what amount could be properly invoiced as operating costs under the lease agreement.

A proper system of internal controls requires procedures to ensure that amounts invoiced and paid are in accordance with the express terms of the lease agreement. Without such procedures, there is an increased risk for the loss or misuse of County funds.

While the APA reviewed invoices for three fiscal years, the Executive Director's payroll costs appear to have been included in the monthly operating costs invoice for several years; therefore, we recommend College Park work with the County to determine the amount that was improperly invoiced and agree upon the amount that should be returned to the County.

*College Park Response:*

*College Park intends to continue documenting the Executive Director's time to determine the appropriate reimbursable amount and will continue to work with Hall County on any resolution.*

## **2. Improper Safekeeping and Records of County Funds**

As noted in the Background Information section of this letter, the lease agreement between the County and College Park provides for the establishment and funding of the Hall County Building Area Depreciation Reserve Account (Account) to fund repairs and maintenance of the Extension Office. Any balance remaining in the Account must be returned to the County upon the termination or expiration of the agreement.

Because it contains County funds, the Account is subject to the Public Funds Deposit Security Act (Act), which is set out at Neb. Rev. Stat. §§ 77-2386 – 77-23,108 (Reissue 2018, Cum. Supp. 2024). Neb. Rev. Stat. § 77-2395(1) (Cum. Supp. 2024) of the Act requires the following:

*If a bank, capital stock financial institution, or qualifying mutual financial institution designated as a depository provides a deposit guaranty bond or furnishes securities or any combination thereof, pursuant to section 77-2389, the custodial official shall not have on deposit in such depository any public money or public funds in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation, unless and until the depository has provided a deposit guaranty bond or furnished securities, or any combination thereof, to the custodial official, and the total value of such deposit guaranty bond and the market value of such securities are in an amount not less than one hundred two percent of the amount on deposit which is in excess of the amount so insured or guaranteed.*

However, while reviewing support for the depreciation reserve account, it was noted that the funds paid by the County for the depreciation reserve account were commingled with other College Park funds and maintained in an investment account. Additionally, per review of the accounts statements for January 1, 2025, through June 30, 2025, and the accounting provided by College Park, it was noted that the amount recorded as the County's share of interest, dividends, and earnings on the commingled account does not appear to be a proportionate share of the income generated by College Park's investment accounts.

During this period, College Park allocated \$3,055.17 of dividends and interest from its investment account between the depreciation reserve accounts for the Extension Office, Grand Island Little Theatre (GILT), and College Park quarterly based on the balance of those accounts at the end of the previous quarter. See the following table for the balances of each depreciation reserve account during this period:

	Hall County Extension Office	GILT	College Park	Total
December 31, 2024	\$ 108,803.76	\$ 15,204.08	\$ 168,005.20	\$ 292,013.04
March 31, 2025	\$ 109,483.54	\$ 15,899.07	\$ 148,454.86	\$ 273,837.47
June 30, 2025	\$ 109,975.61	\$ 16,570.53	\$ 108,522.08	\$ 235,068.22

While the interest and dividends earned during this period were allocated on balances totaling \$292,013.04 and \$273,837.47, the investment accounts earning the interest and dividends had approximately 60% of that balance. See the following table for a summary of the interest and dividends earned by month and the account balances as of the end of each month:

	Account Balance	Dividends/ Interest
January 2025	\$ 179,321.93	\$ 639.76
February 2025	\$ 181,120.87	\$ 600.07
March 2025	\$ 161,439.17	\$ 584.60
April 2025	\$ 142,033.57	\$ 566.71
May 2025	\$ 142,089.79	\$ 363.17
June 2025	\$ 122,772.63	\$ 300.86
<b>Total</b>	<b>\$</b>	<b>3,055.17</b>

However, College Park's overall investment accounts, where the County's funds appear to have been commingled, generated much more in dividends, interest, and change in asset value, as noted in the following table:

	Ending Balance	Dividends/ Interest	Change in Value
January 2025	\$ 632,440.22	\$ 1,052.24	\$ 13,286.06
February 2025	\$ 633,911.28	\$ 1,025.79	\$ 482.10
March 2025	\$ 600,175.62	\$ 1,780.72	\$ (15,090.84)
April 2025	\$ 575,787.65	\$ 971.93	\$ (3,795.82)
May 2025	\$ 590,280.69	\$ 786.52	\$ 14,128.45
June 2025	\$ 585,962.37	\$ 5,073.13	\$ 11,050.71
<b>Totals</b>	<b>\$</b>	<b>10,690.33</b>	<b>\$ 20,060.66</b>

Therefore, while the County's account should have been safeguarded in compliance with the Act, the County should receive a proportionate share of the income generated from its funds in the College Park investment accounts. See below for a calculation of the County's share of the interest and income generated by the College Park investment accounts. It should be noted that, because the APA is reviewing only six months of activity, the beginning balance noted for January 2025 is based on College Park's calculation of the balance in its depreciation reserve account. However, going back further would likely result in similar understatement of the amounts allocated to the County's account for previous years.

	Beginning Balance	Interest & Income	Extension Office Beg. Balance	Extension Office Income
January 2025	\$ 640,216.54	\$ 14,338.30	\$ 108,803.77	\$ 2,436.77
February 2025	\$ 632,440.22	\$ 1,507.89	\$ 111,240.54	\$ 265.22
March 2025	\$ 633,911.28	\$ (13,310.12)	\$ 111,505.77	\$ (2,341.27)
April 2025	\$ 600,175.62	\$ (2,823.89)	\$ 109,164.50	\$ (513.63)
May 2025	\$ 575,787.65	\$ 14,914.97	\$ 108,650.87	\$ 2,814.45
June 2025	\$ 590,280.69	\$ 16,123.84	\$ 111,465.32	\$ 3,044.74
<b>Totals</b>	<b>\$</b>	<b>30,750.99</b>	<b>\$</b>	<b>5,706.28</b>

The APA calculated the County's proportionate share of the interest and income from the investment account for the period January 2025 through June 2025 as \$5,706.28; however, the County was allocated only \$1,171.84 of interest during this period.

After discussion with the County and the Extension Office in August 2025, College Park moved the balance of the County's account into a separate investment account in September 2025 and then into an interest-bearing money market account at a bank in November 2025.

A proper system of internal controls requires procedures to ensure public funds are adequately safeguarded, and amounts earned from public funds are properly allocated to those funds. Without such procedures, there is an increased risk for the loss or misuse of County funds.

We recommend College Park provide account statements to the County and work with the County and the Extension Office to determine the appropriate balance of the depreciation reserve account and transfer additional funds to the County's account for the proportionate share of interest and income generated with the County's funds.

*College Park Response:*

*College Park intends to work with Hall County to come to a mutual resolution or agreement on the appropriate balance of the account and rectify the balance.*

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Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use the knowledge gained during our work to make comments and recommendations that we hope will be useful to the County, the Extension Office, and College Park.

Draft copies of this letter were furnished to the County, the Extension Office, and College Park to provide their management with an opportunity to review and to respond to the comments and recommendations contained herein. Any formal response received has been incorporated into this letter. Such response has been objectively evaluated and recognized, as appropriate, in the letter. A response that indicates corrective action has been taken was not verified at this time.

This communication is intended solely for the information and use of the County, the Extension Office, College Park and their management. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this communication is a matter of public record, and its distribution is not limited.

If you have any questions regarding the above information, please contact our office.

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Sincerely,



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