

**AUDIT REPORT
OF THE
VILLAGE OF GREENWOOD**

OCTOBER 1, 2018, THROUGH SEPTEMBER 30, 2019

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the Auditor of Public Accounts.**

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Issued on March 5, 2020

VILLAGE OF GREENWOOD

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VILLAGE OF GREENWOOD

BACKGROUND

The Village of Greenwood (Village) is located in Cass County, Nebraska. The Village Board of Trustees (Board) is the governmental body that exercises financial accountability and control over activities relevant to the operations of the Village. The Village receives funding from State and local government sources and must comply with the requirements of these funding sources. Board members are elected by the public and have broad decision-making authority, including the power to levy taxes and to designate management, the ability to exert significant influence over all Village operations, and the primary responsibility for related fiscal matters.

During the audit period, the Village was comprised of the following members:

Member	Effective Dates	Board Chair Dates
Don Wilken	April 2018 to current	May 30, 2018 to current
Larry Meyer	December 2014 to December 2018	
Kevin Gerlach	December 2016 to current	
Megan Piehl	December 2016 to current	
Matt Starr	December 2016 to current	
George Mack	December 2018 to current	

Cheris Cadwell is the current Village Clerk, with a hire date of June 18, 2018.

The Village also paid an accounting firm to help with the accounting functions of the office.



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VILLAGE OF GREENWOOD

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Village of Greenwood, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental and business-type activities – cash basis, and each major fund – cash basis for the governmental and proprietary funds – of the Village of Greenwood, Nebraska, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major governmental fund of the Village of Greenwood, as of September 30, 2019, and the respective changes in cash-basis financial position thereof for the year then ended in conformity with the cash basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the business-type activities and each major proprietary fund of the Village of Greenwood, as of September 30, 2019, and the respective changes in cash-basis financial position thereof for the year then ended in conformity with the cash basis of accounting described in Note 1.

Emphasis of Matters – Basis of Accounting

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole, which collectively comprise the Village of Greenwood's basic financial statements. The combining nonmajor fund financial statements and the budgetary comparison information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor financial statements and budgetary comparison information on pages 20-22 are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2020, on our consideration of the Village of Greenwood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on 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 the Village of Greenwood's internal control over financial reporting and compliance.



February 25, 2020

Craig Kubicek, CPA, CFE
Assistant Deputy Auditor

VILLAGE OF GREENWOOD
STATEMENT OF NET POSITION
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
CASH BASIS
 September 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ (11,896)	\$ 751,774	\$ 739,878
Cash on Hand with County Treasurer	38,746	-	38,746
Restricted Cash and Cash Equivalents	881,134	-	881,134
TOTAL ASSETS	907,984	751,774	1,659,758
NET POSITION			
Restricted for:			
TIF	480,377	-	480,377
Street	235,825	-	235,825
Fire	130,333	-	130,333
Keno	59,391	-	59,391
Debt Service	2,083	-	2,083
Unrestricted	(25)	751,774	751,749
TOTAL NET POSITION	\$ 907,984	\$ 751,774	\$ 1,659,758

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

VILLAGE OF GREENWOOD
STATEMENT OF ACTIVITIES
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES - CASH BASIS
For the Year Ended September 30, 2019

Functions/Programs:	Program Receipts		Net (Disbursements) Receipts and Changes in Net Position		
	Disbursements/ Expenses	Charges for Services	Primary Government		
			Governmental Activities	Business-Type Activities	Total
Governmental Activities:					
General Government	\$ 106,993	\$ 27,408	\$ (79,585)	\$ -	\$ (79,585)
Public Health and Safety	37,442	19,861	(17,581)	-	(17,581)
Public Works	96,600	-	(96,600)	-	(96,600)
Culture and Recreation	48,419		(48,419)	-	(48,419)
Community Development	7,333	8,489	1,156	-	1,156
Debt Service	100,408	-	(100,408)	-	(100,408)
Total Governmental Activities	<u>397,195</u>	<u>55,758</u>	<u>(341,437)</u>	<u>-</u>	<u>(341,437)</u>
Business-Type Activities:					
Water	116,267	155,167	-	38,900	38,900
Sewer	92,769	95,334	-	2,565	2,565
Electric	493,655	559,584	-	65,929	65,929
Total Business-Type Activities	<u>702,691</u>	<u>810,085</u>	<u>-</u>	<u>107,394</u>	<u>107,394</u>
Total Primary Government	<u>\$ 1,099,886</u>	<u>\$ 865,843</u>	<u>(341,437)</u>	<u>107,394</u>	<u>(234,043)</u>
General Receipts and Transfers:					
Taxes:					
Property Taxes - General Purposes			150,808	-	150,808
Property Taxes - Tax Increment Financing			171,900	-	171,900
City Sales Taxes			87,410	-	87,410
City Motor Vehicle Sales Taxes			13,971	-	13,971
Licenses and Permits			3,588	-	3,588
Intergovernmental			141,010	-	141,010
Other Miscellaneous Receipts			29,368	2,097	31,465
Transfers			(3,500)	3,500	-
Total General Receipts and Transfers			<u>594,555</u>	<u>5,597</u>	<u>600,152</u>
Increase in Net Position			253,118	112,991	366,109
Net Position - Beginning of year			<u>654,866</u>	<u>638,783</u>	<u>1,293,649</u>
Net Position - End of year			<u>\$ 907,984</u>	<u>\$ 751,774</u>	<u>\$ 1,659,758</u>

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

VILLAGE OF GREENWOOD
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS - CASH BASIS
September 30, 2019

	General Fund	Street Fund	Fire	TIF	Other Governmental Funds	Total
ASSETS						
Cash and Cash Equivalents	\$ (25,867)	\$ 13,971	\$ -	\$ -	\$ -	\$ (11,896)
Cash on Hand with County Treasurer	11,871	1,263	2,242	21,517	1,853	38,746
Restricted Cash and Cash Equivalents	-	234,562	128,091	458,860	59,621	881,134
TOTAL ASSETS	<u>\$ (13,996)</u>	<u>\$ 249,796</u>	<u>\$ 130,333</u>	<u>\$ 480,377</u>	<u>\$ 61,474</u>	<u>\$ 907,984</u>
FUND BALANCE						
Restricted	\$ -	\$ 235,825	\$ -	\$ 480,377	\$ -	\$ 716,202
Assigned	-	13,971	130,333	-	61,474	205,778
Unassigned	(13,996)	-	-	-	-	(13,996)
TOTAL CASH BASIS FUND BALANCES	<u>\$ (13,996)</u>	<u>\$ 249,796</u>	<u>\$ 130,333</u>	<u>\$ 480,377</u>	<u>\$ 61,474</u>	<u>\$ 907,984</u>

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

VILLAGE OF GREENWOOD
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS - CASH BASIS
For the Year Ended September 30, 2019

	General Fund	Street Fund	Fire	TIF	Other Governmental Funds	Total
RECEIPTS						
Taxes	\$ 110,373	\$ 101,381	\$ 20,852	\$ 171,900	\$ 19,583	\$ 424,089
Intergovernmental	13,306	121,104	6,600	-	-	141,010
Charges for Services	45,694	-	1,575	-	8,489	55,758
Licenses and Permits	3,588	-	-	-	-	3,588
Miscellaneous	17,290	116	-	11,901	61	29,368
TOTAL RECEIPTS	<u>190,251</u>	<u>222,601</u>	<u>29,027</u>	<u>183,801</u>	<u>28,133</u>	<u>653,813</u>
DISBURSEMENTS						
General Government	106,993	-	-	-	-	106,993
Public Health and Safety	25,044	-	12,398	-	-	37,442
Public Works	-	96,600	-	-	-	96,600
Culture and Recreation	48,419	-	-	-	-	48,419
Community Development	-	-	-	-	7,333	7,333
Debt Service						
Principal	26,603	25,000	-	38,825	-	90,428
Interest	2,937	7,043	-	-	-	9,980
TOTAL DISBURSEMENTS	<u>209,996</u>	<u>128,643</u>	<u>12,398</u>	<u>38,825</u>	<u>7,333</u>	<u>397,195</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(19,745)</u>	<u>93,958</u>	<u>16,629</u>	<u>144,976</u>	<u>20,800</u>	<u>256,618</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	14,000	-	-	-	-	14,000
Transfers Out	-	-	-	-	(17,500)	(17,500)
TOTAL OTHER FINANCING SOURCES	<u>14,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,500)</u>	<u>(3,500)</u>
Net Change in Cash Basis Fund Balances	<u>(5,745)</u>	<u>93,958</u>	<u>16,629</u>	<u>144,976</u>	<u>3,300</u>	<u>253,118</u>
CASH BASIS FUND BALANCES - BEGINNING	<u>(8,251)</u>	<u>155,838</u>	<u>113,704</u>	<u>335,401</u>	<u>58,174</u>	<u>654,866</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ (13,996)</u>	<u>\$ 249,796</u>	<u>\$ 130,333</u>	<u>\$ 480,377</u>	<u>\$ 61,474</u>	<u>\$ 907,984</u>

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

VILLAGE OF GREENWOOD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - CASH BASIS
 September 30, 2019

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ 150,926	\$ 312,741	\$ 288,107	\$ 751,774
Cash on Hand with County Treasurer	-	-	-	-
TOTAL ASSETS	150,926	312,741	288,107	751,774
NET POSITION				
Unrestricted	<u>150,926</u>	<u>312,741</u>	<u>288,107</u>	<u>751,774</u>
TOTAL NET POSITION	<u><u>\$ 150,926</u></u>	<u><u>\$ 312,741</u></u>	<u><u>\$ 288,107</u></u>	<u><u>\$ 751,774</u></u>

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

VILLAGE OF GREENWOOD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS - CASH BASIS

For the Year Ended September 30, 2019

	Sewer Fund	Water Fund	Electric Fund	Total
OPERATING RECEIPTS				
Charges for Services	\$ 95,334	\$ 155,167	\$ 559,584	\$ 810,085
Miscellaneous		1,949	148	2,097
TOTAL OPERATING RECEIPTS	<u>95,334</u>	<u>157,116</u>	<u>559,732</u>	<u>812,182</u>
OPERATING DISBURSEMENTS				
Personnel Services	33,099	32,820	51,773	117,692
Professional Fees	6,708	6,305	9,132	22,145
Materials and Supplies	4,700	6,144	14,624	25,468
Repairs and Maintenance	3,176	7,102	7,372	17,650
Utilities	1,578	1,539	1,464	4,581
Contracted Services	34,353	34,353	374,232	442,938
Utilities Sales Tax Expense	6,847	8,073	29,979	44,899
Bond Interest Payments	-	3,333	-	3,333
Capital Improvements	-	14,272	-	14,272
Miscellaneous	2,308	2,326	5,079	9,713
TOTAL OPERATING DISBURSEMENTS	<u>92,769</u>	<u>116,267</u>	<u>493,655</u>	<u>702,691</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	17,500	-	17,500
Transfers Out	-	-	(14,000)	(14,000)
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>17,500</u>	<u>(14,000)</u>	<u>3,500</u>
Net Change in Cash Basis Fund Balances	<u>2,565</u>	<u>58,349</u>	<u>52,077</u>	<u>112,991</u>
TOTAL NET POSITION, BEGINNING	<u>148,361</u>	<u>254,392</u>	<u>236,030</u>	<u>638,783</u>
TOTAL NET POSITION, ENDING	<u>\$ 150,926</u>	<u>\$ 312,741</u>	<u>\$ 288,107</u>	<u>\$ 751,774</u>

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

VILLAGE OF GREENWOOD

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2019

1. **Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies used in the accounting system of the Village of Greenwood.

A. Reporting Entity

The Village is a governmental entity established under and governed by the laws of the State of Nebraska (State) located in Cass County, Nebraska. The Village is managed by a Board of Trustees that exercises control over activities that are relevant to the operations of the Village. Board members are elected by the public and have broad decision-making authority, including the power to levy taxes and to designate management, and primary responsibility for related fiscal matters.

As a political subdivision of the State, the Village is exempt from State and Federal income taxes. The financial statements include all funds of the Village. The Village 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 Village or maintain a significant relationship with the Village, 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 Village 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 Village. The Village 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 Village 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 Village (the primary government). No component units were identified.

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 Village and are in the format of government-wide statements, as required by GASB Statement Number 34. These statements include all of the financial activities of the Village. 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 Village reports governmental and business-type activities. Governmental activities are generally financed through taxes, intergovernmental receipts, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Statement of Net Position presents the Village's 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 Village's policy to use restricted resources first, then the unrestricted resources as they are needed.

VILLAGE OF GREENWOOD

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 disbursements 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: 1) charges to customers or applicants who purchase, use, or directly benefit from goods or 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 Village's funds. GAAP requires separate statements by fund category – governmental, proprietary, and fiduciary. The Village uses only the governmental and proprietary fund categories. The Village 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 Village's policy is to use resources in the following order: restricted, committed, assigned, and unassigned. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Village reports the following types of major governmental funds:

General Fund: The General Fund is the primary operating fund of the Village and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Street Fund: The Street Fund is used to account for costs associated with repair and maintenance of Village roads and is primarily financed by State aid.

Fire Fund: This fund is used to account for costs associated with providing firefighting services to the Village and is primarily financed through property taxes.

TIF Funds: This fund is used to account for the property taxes collected for tax increment financing purposes and the disbursements associated with those TIF projects.

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

General Funds: The Rescue and Library funds are used to account for activities of the Village's emergency and non-emergency ambulance service and the activities associated with the library.

Special Revenue Fund: The Special Revenue Fund includes the Keno Fund and is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Debt Service Fund: The Bond Fund is used to account for resources restricted for debt retirement expenditures.

VILLAGE OF GREENWOOD

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

The Village reports the following types of proprietary funds:

Enterprise Funds: Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The Village has the following major enterprise funds:

Sewer Fund: This fund accounts for the revenues and expenses related to the Village-owned and operated sewer system. Revenues primarily include charges for sewer services, and expenses are generally for system maintenance and testing.

Water Fund: This fund accounts for the revenues and expenses related to the Village-owned and operated water system. Revenues primarily include charges for water services, and expenses are generally for purchasing water.

Electric Fund: This fund accounts for the revenues and expenses related to the electrical services provided by the Village. Revenues primarily include charges for services, and expenses are generally paid to the Village's contracted electricity provider.

The Village 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 Village Board for a specific purpose.

Assigned. The fund balance has not been designated by the Village 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 Village 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 warrants are paid. This differs from governmental GAAP, which requires the government-wide and fiduciary fund financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting, receipts are recorded when earned, and disbursements are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used, as described above. This differs from governmental GAAP, which requires governmental fund financial statements to

VILLAGE OF GREENWOOD

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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.

The proprietary 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 proprietary fund financial statements to be reported using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Business-type activity equity is classified as net position.

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded, regardless of the measurement focus applied.

D. Assets and Net Position

Cash and Cash Equivalents. The Village’s cash and cash equivalents are considered to be cash on hand and demand deposits.

Cash on Hand with County Treasurer. Represents revenues collected not yet remitted to the Village.

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.

Restricted Assets. Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to proceeds of specific revenue sources that are legally restricted to disbursements for certain purposes.

Restricted Net Position. When both restricted and unrestricted resources are available for use, it is the Village’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 \$921,980 of restricted net position, which is fully restricted by enabling legislation.

VILLAGE OF GREENWOOD

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Budgetary Process. The Village is required by State laws to adopt annual budgets for all fund types. Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the Nebraska Budget Act.

The Nebraska Budget Act provides the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditure and/or tax levy limitations.

The Village follows these procedures in establishing the budgetary data reflected in the accompanying financial statements:

- 1) On or before August 1, the Village prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.
- 2) The budget is published with subsequent public hearings to obtain taxpayer comments.
- 3) Prior to September 20, the Village Board adopts the budget, which is then filed with the appropriate State and county officials.
- 4) Total expenditures may not legally exceed total appropriations. Appropriations lapse at year end, and any revisions require board approval.
- 5) Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.
- 6) The County Clerk certifies a preliminary property tax levy for each fund of the Village that levied property taxes in the county the previous year based on the combined valuation and amount required for the Village the prior year. The preliminary levy becomes the final levy unless the governing board passes, by a majority vote, a resolution setting the levy at a different amount.
- 7) The property tax requirements resulting from the budget process are utilized by the County Assessor to establish the tax levy. Taxes are levied annually on or before October 15. Real property taxes and personal property taxes are due December 31, with the first half being delinquent on May 1 and the second half being delinquent on September 1.
- 8) The Village adopts a budget by ordinance for all funds.

E. Significant Receipts

Property Taxes. The Village has the power to: 1) levy taxes each year sufficient to pay any judgment existing against the Village and the interest and principal on bonded debt; and 2) collect taxes authorized by State law.

The tax levies for all political subdivisions in Cass County are certified by the County Board on or before October 15. Real estate taxes are due on December 31 and attach as an enforceable lien and become delinquent in two equal installments on May 1 and September 1. Personal property taxes are due in the same manner as real estate taxes. Delinquent taxes bear 14 percent interest.

VILLAGE OF GREENWOOD

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

Property taxes for 2018-2019 are recorded as receipts in the month in which they were collected by the County.

Tax Increment Financing. In 2009, the Village first utilized TIF funding for the acquisition and clearing of property located in the redevelopment area, installation of public infrastructure to prepare sites for redevelopment, additional repairs, improvements, replacements, and construction necessary to the foregoing. In fiscal year 2019, the Village collected \$145,595 in property taxes related to this project and paid out \$0.

In 2017, the Village added another TIF project, known as the Norma Jean LLC project, for the construction of a new commercial building to be used as retail, office, and warehouse space for a furniture store, with all necessary utilities, driveways, parking, and equipment for operation of the facility. In fiscal year 2019, the Village collected \$26,305 in property taxes related to this project and paid out \$38,825 for a loan related to the project.

Sales and Use Tax. The Village presently levies a 1% sales tax on taxable sales within the Village. The sales tax is collected by the Nebraska Department of Revenue and remitted to the Village in the month following receipt. The Nebraska Department of Revenue receives the sales tax approximately one month after collection by vendors. The sales tax is allocated according to the original ballot language that approved the tax, specifically for capital improvements to Village streets. As of October 1, 2006, sales tax collected on the sale of motor vehicles is recorded in the Street Fund, as required by Neb. Rev. Stat. § 39-2510 (Reissue 2016).

Interfund Transfers. Permanent reallocation of resources between funds of the reporting entity is classified as transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

The Village had the following operating transfers among funds during the fiscal year.

Transfer Out	Transfer In	Amount
Bond	Water	\$ 17,500
Electric	General	\$ 14,000
	Total	\$ 31,500

2. **Cash and Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Village's deposit policy for custodial credit risk requires compliance with the provisions of State law.

State law requires collateralization of all deposits with Federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The Village's demand deposits are insured up to \$250,000, and certificates of deposit/savings accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits or certificates of deposit in excess of the FDIC limits are insured by collateral held by the pledging institution in the Village's name.

VILLAGE OF GREENWOOD

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. **Cash and Deposits** (Concluded)

The Village's policies regarding deposits of cash are discussed in Note 1D. The categories of collateral are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the Village (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Village's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Village's name; or collateralized with no written or approved collateral agreement.

At year end, the Village's carrying amount of deposits was \$1,621,192.99. The bank balance for all funds was \$1,659,822.50. For purposes of classifying categories of custodial risk, the bank balances of the Village's deposits, as of September 30, 2019, were not either entirely insured or collateralized with securities held by the Village's agent in the Village's name. See the attached management letter, Comment and Recommendation Number 6.

The restricted assets as of September 30, 2019, were as follows:

Fund	Governmental Activities
TIF	\$ 458,860
Street	\$ 234,562
Fire	\$ 128,091
Keno	\$ 59,621
Total Cash and Cash Equivalents	\$ 881,134

3. **Retirement**

On January 1, 2013, the Village implemented a retirement plan in the form of a Simple IRA to all eligible, full-time employees. The Village makes a matching contribution to each employee account up to 3% of the employee's annual compensation. None of the Village's employees contributed to the retirement account during the fiscal year.

4. **Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village purchases commercial insurance to minimize the effect of possible exposure to these risks. There have been no significant reductions in insurance coverage from coverage in the prior year. During the past three fiscal years, there have been no settlements exceeding the amount of the Village's insurance coverage.

VILLAGE OF GREENWOOD

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. Commitments and Contingencies

Series 1015 Highway Allocations Bonds. On March 3, 2015, the Village issued \$420,000 of Highway Allocation bonds to redeem the 2010 Highway Allocation bonds. The bonds call for annual principal payments each January 15, beginning January 15, 2016. Semi-annual interest payments are due each July 15 and January 15. Interest varies from 0.45% to 2.8%. Final payment of the bonds is due January 15, 2029. The bonds are payable solely from highway allocation funds. The refunding resulted in an economic gain of \$61,233.

Future Payments:			
Year	Principal	Interest	Total
2020	\$ 25,000	\$ 6,736	\$ 31,736
2021	25,000	6,374	31,374
2022	30,000	5,917	35,917
2023	30,000	5,363	35,363
2024	30,000	4,755	34,755
2025-2029	175,000	12,143	187,143
Total Payments	<u>\$ 315,000</u>	<u>\$ 41,288</u>	<u>\$ 356,288</u>

Promissory Note, Bank. A promissory note, dated July 11, 2014, was issued to fund the Community Center improvements. The maximum loan amount is \$210,000, with a maturity period of nine years. Monthly interest only payments are due until November 2015, at which time the note will convert to semi-annual principal and interest payments due on December 15 and June 15 of each year for the remaining life of the loan. Interest is fixed at 4.5% for the first 60 months and will adjust to national prime plus 1.25% for the remaining term of the loan. During the fiscal year, the Village paid \$290 more than the schedule payments per the amortization schedule.

Future Payments:			
Year	Principal	Interest	Total
2020	\$ 24,585	\$ 4,944	\$ 29,529
2021	25,705	3,825	29,530
2022	26,874	2,656	29,530
2023	13,892	873	14,765
2024	-	-	-
2025	24,894	2,930	27,824
Total Payments	<u>\$ 115,950</u>	<u>\$ 15,228</u>	<u>\$ 131,178</u>

Series 2014 Revenue Bonds. On April 4, 2014, the Village issued \$335,000 of General Obligation Refunding bonds to redeem the Series 2009 General Obligation Water bonds. The bonds call for annual principal payments each October 1, beginning October 1, 2014. Semi-annual interest payments are due each April 1 and October 1. Interest varies from .4% to 3%. Final payment of the bonds is due October 1, 2023. The Village has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds. The refunding resulted in an economic gain of \$28,438. In September 2018, the Village made an advance payment for the principal and interest due on October 1, 2018.

VILLAGE OF GREENWOOD

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. Commitments and Contingencies (Concluded)

Future Payments:

Year	Principal	Interest	Total
2020	\$ 35,000	\$ 4,190	\$ 39,190
2021	35,000	3,525	38,525
2022	35,000	2,729	37,729
2023	40,000	1,750	41,750
2024	40,000	600	40,600
Total Payments	<u>\$ 185,000</u>	<u>\$ 12,794</u>	<u>\$ 197,794</u>

Series 2015 Revenue Bonds. On July 1, 2015, the Village issued \$155,000 of General Obligation Refunding bonds to redeem the Series 2010 General Obligation Water bonds. The bonds call for annual principal payments each October 1, beginning October 1, 2015. Semi-annual interest payments are due each April 1 and October 1. Interest varies from .4% to 2.75%. Final payment of the bonds is due October 1, 2024. The Village has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds. The refunding resulted in an economic gain of \$9,564. In September 2018, the Village made an advance payment for the principal and interest due on October 1, 2018.

Future Payments:

Year	Principal	Interest	Total
2020	\$ 15,000	\$ 2,050	\$ 17,050
2021	15,000	1,776	16,776
2022	15,000	1,465	16,465
2023	15,000	1,120	16,120
2024	15,000	745	15,745
2025	20,000	275	20,275
Total Payments	<u>\$ 95,000</u>	<u>\$ 7,431</u>	<u>\$ 102,431</u>

TIF Indebtedness Note Payable. A developer note, issued November 8, 2016, was issued for the Norma Jean LLC TIF project. The total TIF indebtedness was \$466,200, at a rate of 3% for 15 years. Semi-annual principal and interest payments, totaling \$19,412.50, are due in June and December each year. The Village grants the redeveloper a substantial portion (\$420,000) of the proceeds of the TIF notes. The remainder of the loan will be retained by the Village and used for fees and expenses. The loan will be paid using TIF revenues.

Future Payments:

Year	Principal	Interest	Total
2020	\$ 26,166	\$ 12,657	\$ 38,823
2021	26,959	11,866	38,825
2022	27,774	11,051	38,825
2023	28,614	10,211	38,825
2024	29,478	9,347	38,825
2025-2029	161,309	32,816	194,125
2030-2033	128,089	7,799	135,888
Total Payments	<u>\$ 428,389</u>	<u>\$ 95,747</u>	<u>\$ 524,136</u>

VILLAGE OF GREENWOOD

NOTES TO THE FINANCIAL STATEMENTS

(Concluded)

6. **Interlocal Agreements**

The Village has the following interlocal agreements in effect as of September 30, 2019:

<u>Parties to Agreement</u>	<u>Description</u>
Cass County	Law enforcement
Greenwood Rural Fire Board	Fire protection

7. **Capital and Operating Leases**

The Village had an operating lease for a copier and did not have any capital leases.

8. **Subsequent Events**

Management has evaluated subsequent events through February 25, 2020, the date on which the financial statements were available for issue.

VILLAGE OF GREENWOOD

OTHER INFORMATION

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL ALL-PURPOSE FUND
For the Year Ended September 30, 2019**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS			
Property Taxes	\$ 146,596	\$ 150,808	\$ 4,212
State Highway Allocation	81,685	113,443	31,758
State Municipal Equalization	12,328	12,506	178
State Motor Vehicle	6,195	7,661	1,466
Local Motor Vehicle	12,500	13,971	1,471
City Sales Tax	85,000	87,410	2,410
Other Local Receipts	836,340	908,296	71,956
TIF Property Taxes	165,000	171,900	6,900
Transfer In of Surplus Fees	14,000	14,000	-
Transfer In Other Than Surplus	17,500	17,500	-
TOTAL RECEIPTS	1,377,144	1,497,495	120,351
DISBURSEMENTS			
General Government	116,644	106,993	9,651
Public Health and Safety	99,300	37,442	61,858
Public Works - Streets	248,053	96,600	151,453
Culture and Recreation	32,983	48,419	(15,436)
Community Development	55,000	7,333	47,667
Debt Service	182,660	100,408	82,252
Electric	617,298	493,655	123,643
Sewer	158,562	92,769	65,793
Water	225,570	116,267	109,303
TOTAL DISBURSEMENTS	\$ 1,736,070	1,099,886	\$ 636,184
Net Change in Cash Basis Fund Balance		<u>397,609</u>	
CASH BASIS FUND BALANCE - BEGINNING		<u>1,293,649</u>	
CASH BASIS FUND BALANCE - ENDING		<u><u>\$1,691,258</u></u>	

Notes to the Budgetary Comparison Schedule

As described in Note 2 to the financial statements, an all-purpose budget is adopted on the cash basis of accounting which is consistent with the financial reporting basis for governmental funds in the fund financial statements. The proprietary funds differ from this budgetary basis because of their "economic resource" measurement focus.

VILLAGE OF GREENWOOD
COMBINING STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS - CASH BASIS
September 30, 2019

	General Funds			Debt Service Fund	Special Revenue Fund	Total Nonmajor Other Governmental Funds
	Rescue	Library	Total	Bond	Keno	
ASSETS						
Cash and Cash Equivalents	\$ 72,159	\$ (3,892)	\$ 68,267	\$ 230	\$ 59,391	\$ 59,621
Cash on Hand with County Treasurer	-	1,536	1,536	1,853	-	1,853
TOTAL ASSETS	\$ 72,159	\$ (2,356)	\$ 69,803	\$ 2,083	\$ 59,391	\$ 61,474
FUND BALANCES						
Restricted	\$ -	\$ -	\$ -	\$ 2,083	\$ 59,391	\$ 61,474
Assigned	72,159	(2,356)	69,803	-	-	-
TOTAL CASH BASIS FUND BALANCES	\$ 72,159	\$ (2,356)	\$ 69,803	\$ 2,083	\$ 59,391	\$ 61,474

VILLAGE OF GREENWOOD
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - CASH BASIS
For the Year Ended September 30, 2019

	General Funds			Debt Service Fund	Special Revenue Fund	Total Nonmajor Other Governmental Funds
	Rescue	Library	Total Nonmajor General Funds	Bond	Keno	
RECEIPTS						
Taxes	\$ -	\$ 14,277	\$ 14,277	\$ 19,583	\$ -	\$ 19,583
Intergovernmental	-	800	800	-	-	-
Charges for Services	18,286	-	18,286	-	8,489	8,489
Miscellaneous	167	1,568	1,735	-	61	61
TOTAL RECEIPTS	18,453	16,645	35,098	19,583	8,550	28,133
DISBURSEMENTS						
General Government	-	-	-	-	-	-
Public Health and Safety	15,444	-	15,444	-	-	-
Culture and Recreation	-	24,008	24,008	-	-	-
Community Development	-	-	-	-	7,333	7,333
TOTAL DISBURSEMENTS	15,444	24,008	39,452	-	7,333	7,333
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	3,009	(7,363)	(4,354)	19,583	1,217	20,800
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	(17,500)	-	(17,500)
TOTAL OTHER FINANCING SOURCES	-	-	-	(17,500)	-	(17,500)
Net Change in Cash Basis Fund Balances	3,009	(7,363)	(4,354)	2,083	1,217	3,300
CASH BASIS FUND BALANCES - BEGINNING	69,150	5,007	74,157	-	58,174	58,174
CASH BASIS FUND BALANCES - ENDING	\$ 72,159	\$ (2,356)	\$ 69,803	\$ 2,083	\$ 59,391	\$ 61,474



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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VILLAGE OF GREENWOOD
**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 Trustees
Village of Greenwood, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental and business-type activities – cash basis, and each major fund – cash basis for governmental and proprietary funds of the Village of Greenwood, Nebraska (Village) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated February 25, 2020. Our report on the basic financial statements disclosed that, as described in Note 1, the Village prepares its financial statements for the governmental and proprietary funds on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 Village's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

We consider the following deficiencies, as noted in the attached separate letter, to be material weaknesses: (1) Issues with Claims Paid; (2) Village Accounting Processes; and (3) Internal Control Issues.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*: (1) Issues with Claims Paid; (3) Internal Control Issues; and (6) Pledged Collateral.

Additional Items

We also noted certain matters that we reported to the management of the Village of Greenwood in a separate letter dated February 25, 2020.

Village's Response to Findings

The Village's response to the findings identified in our audit are described in the separate letter dated February 25, 2020. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, not to provide an opinion on the effectiveness of the Village'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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



February 25, 2020

Craig Kubicek, CPA, CFE
Assistant Deputy Auditor



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February 25, 2020

Board of Trustees
Village of Greenwood, Nebraska

Dear Board of Trustees:

We have audited the basic financial statements of the Village of Greenwood (Village), Nebraska, for the fiscal year ended September 30, 2019, and have issued our report thereon dated February 25, 2020. In planning and performing our audit of the basic financial statements of the Village, 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 Village'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:

1. Issues with Claims Paid

The Auditor of Public Accounts (APA) identified a number of issues with the payments of certain claims, as detailed below:

Payments Prior to Board Approval

The APA identified two checks and two electronic payments, shown in the table below, that were issued before the Board approved the associated claims.

GL Date	Board Approval	Vendor Name	Description	Amount
1/23/2019	1/30/2019	Jones & Bartlett	EFT FOR BOOKS FOR EMS/FIRE DEPT	\$ 331.33
1/14/2019	1/30/2019	University of Nebraska Omaha	EFT for Municipal Clerk Institute & Academy registration for Cadwell*	\$ 393.00
Total				\$ 724.33

*Note: The Board approved attendance at the Academy, but the cost was not included in the minutes.

Neb. Rev. Stat. § 17-715 (Cum. Supp. 2018) states, in relevant part, the following:

Upon the allowance of claims by the city council of a city of the second class or village board of trustees, the order for their payment shall specify the particular fund or appropriation out of which they are payable as specified in the adopted budget statement

When claims are paid before being approved by the Board, there is an increased risk for not only loss, misuse, or theft of Village funds, but also noncompliance with State statute.

We recommend that all claims be approved by the Board before they are paid, in accordance with State statute.

Payment of Unapproved Claims

The APA also identified two checks and two electronic payments, totaling \$1,939.91, which were paid but not included on the claims listing approved by the Board.

Date	Check #	Vendor Name	Description	Amount
8/22/2019	1035	Four Sons	Payment to Keno vendor	\$ 890.04
5/28/2019	19456	Carquest	Various parts and shop supplies	\$ 210.88
6/4/2019	EFT #1	Amazon.com	Books and supplies for library	\$ 268.04
3/22/2019	EFT #2	Holiday Inn Express	CLERK HOTEL ROOM FEES FOR STAY DURING NEW CLERK SCHOOL	\$ 570.95
Total				\$ 1,939.91

Neb. Rev. Stat. § 17-714(1) (Cum. Supp. 2018) requires the following of claims paid by the Village:

All liquidated and unliquidated claims and accounts payable against a city of the second class or village shall (a) be presented in writing, (b) state the name and address of the claimant and the amount of the claim, and (c) fully and accurately identify the items or services for which payment is claimed or the time, place, nature, and circumstances giving rise to the claim.

In addition to being presented to the Board for approval, such information should be maintained on file with the Village.

Good internal control requires procedures to ensure that all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

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

We recommend the Board implement procedures to ensure all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

Lack of Documentation

The Village lacked adequate documentation to support a number of its expenses. The APA selected a sample of 35 payments to vendors for testing and found six lacked adequate documentation.

The details for those six payments are provided in the table below:

#	Date	Vendor	Amount	Description
1	10/29/18	Remboldt Ludtke LLC	\$ 8,066.00	The APA noted that the rate for services provided in the contract with Remboldt Ludtke LLP (\$240 per hour) does not agree to the actual rate charged on the invoice (\$260 per hour). In addition, the contract was from the prior year, and no renewal documentation was provided.
2	11/13/18	Pavers, Inc.	\$ 7,397.13	The Village failed to provide adequate documentation to support this expense, as a signed contract or agreement was not provided.
3	12/12/18	Watts Electric	\$ 6,351.59	The Village had an apparent agreement with Bakers Candies to pay for some new electrical work. However, the Village was unable to provide a copy of that agreement. Consequently, the Village could not show that the payment at issue was: 1) compliant with the terms of the underlying agreement; and 2) permissible as a valid expenditure of public funds, which did not violate the traditional “principle of law that public funds cannot be expended for private purposes.” See <i>Haman v. Marsh</i> , 237 Neb. 699, 722, 467 N.W.2d 836, 851 (1991).

#	Date	Vendor	Amount	Description
4	3/12/19	HBE Becker Meyer Love LLP	\$ 6,145.00	The Village failed to provide adequate documentation to support this expense, as the invoice provided did not list the dates and amount of time worked, and the engagement letter provided did not contain any set costs or hourly rates to be charged for the work performed.
			\$ 27,959.72	

Good internal control requires procedures to ensure that all Village expenses are supported by adequate documentation that agrees to amounts paid.

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

We recommend the Village implement procedures to ensure adequate documentation is on file to support all claims paid.

Payroll Claims

The APA tested the payroll of two Village employees and noted the following:

- The Village failed to approve overtime worked and paid in accordance with its own policies. The Clerk received payment of \$37.80 for 1.4 hours of overtime on her August 17, 2019, paycheck. The Village failed to provide documentation to support the advance approval of the overtime by a supervisor. The APA noted that overtime was consistently worked and paid throughout the fiscal year.
- The Village was unable to provide documentation to support one employee’s authorized pay rate. For the March 2019 pay period tested, the rate of pay was \$11.23. The Board did not approve the rate until December 2019.
- The number of allowances used to calculate one employee’s payroll did not agree to her W-4 form.
- One employee had an additional \$25 of Federal income tax withheld from his paycheck. However, the employee did not authorize this additional withholding on his W-4 form.
- Payroll claims were not included in the claims listings in the Village Board’s published meeting minutes during fiscal year 2019.

Neb. Rev. Stat. § 17-209 (Cum. Supp. 2018) states the following:

The appointive officials and other employees of the village shall receive such compensation as the chairperson and village board of trustees shall designate by ordinance; and the annual salary of the chairperson and other members of the village board of trustees shall be fixed by ordinance.

The Village’s Employee Handbook (revised December 16, 2015), Section 3, “Pay and Performance,” subsection “Overtime,” states the following:

Overtime must always be authorized in advance by a supervisor and documented. No overtime will be credited if an employee clocks out later than his scheduled ending time without approval from the employee’s supervisor Overtime for exempt or non-exempt employees will be compensated on the basis of one and one-half times the regular hourly rate for each hour worked and recorded on a timecard, more than 40 hours a week, and not any portion of time that simply exceeds 8 hours in one working day.

On September 25, 2019, the Board approved a new revision to the Village’s Employee Handbook. The section for overtime in this new revision found in Part 1, “Overtime,”states the following:

Overtime is work performed in excess of forty (40) hours per week. Overtime requires prior authorization from the Village. There should be no overtime except in extenuating circumstances . . . The Village will notify employees of applicable procedures for obtaining prior authorization of overtime.

(Emphasis added.) The new language regarding overtime still requires overtime to be authorized in advance.

Neb. Rev. Stat. § 19-1102 (Neb. Laws 2019, LB 193, § 100) states, in relevant part, the following:

It shall be the duty of each village or city clerk in every village or city having a population of not more than one hundred thousand inhabitants as determined by the most recent federal decennial census or the most recent revised certified count by the United States Bureau of the Census to prepare and publish the official proceedings of the village or city board, council, or commission within thirty days after any meeting of the board, council, or commission. The publication shall be in a newspaper in or of general circulation in the village or city, shall set forth a statement of the proceedings of the meeting, and shall also include the amount of each claim allowed, the purpose of the claim, and the name of the claimant, except that the aggregate amount of all payroll claims may be included as one item

(Emphasis added.) Good internal controls requires procedures to ensure that all payments are supported by adequate documentation, Village employees' pay is calculated correctly, additional withholdings from a Village employees' pay are elected and verified, Village policies and State statutes are complied with, and all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

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

We recommend the Board implement procedures to ensure the following:

- All overtime payments are documented by preapproval of the work, in accordance with the Village policies;
- Payments to all employees are supported by adequate documentation, and employees' pay rates are approved by the Board in accordance with State statute;
- Village employees' pay is calculated correctly;
- All additional withholdings from Village employees' pay are elected by the employees; and
- Payroll claims are included in the claims listings for the Board's published meeting minutes.

2. Village Accounting Processes

Similar to the prior audit, the APA identified a number of financial accounting issues, as described below.

Property Tax Allocation

The APA noted that property tax amounts received from the County Treasurer were not recorded using the percentages approved by the Board at its October 30, 2018, meeting. At that time, the Board approved the allocation of unrestricted property taxes in the following percentages: 49.42% General Fund; 7.59% Street Fund; 21.92% Fire Fund; 6.07% Rescue Fund; and 15% Library Fund.

However, the actual allocation of the unrestricted property tax funds was 73.23% General Fund; 15.89% Fire Fund; and 10.88% Library Fund. The Village collected \$132,084.77 in unrestricted property taxes for the fiscal year.

A good internal control plan and good accounting practice requires the Village to follow the allocation methods set by the Board.

Without such procedures, there is an increased risk of financial misstatements and loss or misuse of Village funds.

Motor Vehicle Tax Allocation

Similar to the issue above, the APA determined that the Village had recorded all of the property taxes received from the County to the Street Fund. However, the use of the motor vehicle taxes is not restricted, so the Village should allocate the motor vehicle taxes in the same manner as the property taxes noted above, or should approve a different allocation of the motor vehicle tax monies received.

The Village recorded \$13,971.51 in motor vehicle taxes from the County.

A good internal control plan and good accounting practice requires the Village to follow the allocation methods set by the Board.

Without such procedures, there is an increased risk of financial misstatements and loss or misuse of Village funds.

Allocation of Expenses

The APA determined that the Village lacked documentation to support the allocation of certain expenses to its funds.

The following table shows the details of the transactions at issue:

Date	Payee	Account	Class	Amount	Description
5/7/2019	Ty's Outdoor Power & Service, Inc.	3600 · Capital Outlay	Street	\$ 7,373.92	This expense was for the purchase of a lawn mower and was charged to the Street Fund. The Clerk stated that the mower is used on both the street right-of-ways and in the Village park. Therefore, it appears that some of the expense should have been coded to the General Fund.
#1 Total				\$ 7,373.92	
2/12/2019	Miller Monroe Farrell	3130 · Insurance	Electric	\$ 5,241.38	This expense was payment of several Village insurance policies. In the prior year, the APA noted that the expense was allocated evenly between all of the Village funds and recommended the Village approve a method to allocate these types of administrative expenses. The Clerk stated that this expense was charged to each fund based upon whether the specific insurance policy was relevant to each fund. However, the Village did not provide adequate documentation to support the allocation or the reason for the allocation.
2/12/2019	Miller Monroe Farrell	3130 · Insurance	Street	\$ 6,055.32	
2/12/2019	Miller Monroe Farrell	3130 · Insurance	Water	\$ 3,492.32	
2/12/2019	Miller Monroe Farrell	3130 · Insurance	Sewer	\$ 4,416.33	
2/12/2019	Miller Monroe Farrell	3130 · Insurance	Library	\$ 1,040.09	
2/12/2019	Miller Monroe Farrell	3130 · Insurance	General	\$ 3,966.56	
2/12/2019	Miller Monroe Farrell	3130 · Insurance	Fire	\$ 616.50	
2/12/2019	Miller Monroe Farrell	3130 · Insurance	Rescue	\$ 616.50	
#2 Total				\$ 25,445.00	
4/24/2019	CHM Computer Services	3310 · Supplies	Library	\$ 1,382.49	This expense was for the purchase of various computer equipment items. According to the Clerk, one of those items, totaling \$249, should have been coded to the Fire Fund because it is used by the Fire Department.
4/24/2019	CHM Computer Services	3310 · Supplies	General	\$ 1,191.50	
4/24/2019	CHM Computer Services	3273 · Computer Support/Repair/Maint	General	\$ 71.25	
#3 Total				\$ 2,645.24	

Date	Payee	Account	Class	Amount	Description
11/27/2018	Nebraska Auditor of Public Accounts	3214 · Auditing	General	\$ 832.89	This is the fiscal year 2017 attestation expense paid to the APA, which was split evenly between the General, Street, Water, Electric, Sewer, Fire, Rescue, Library, and Keno accounts. In the prior year, the APA took exception to a similar expense, pointing out that dividing it evenly among all of the funds might not be the best method of allocation.
11/27/2018	Nebraska Auditor of Public Accounts	3214 · Auditing	Street	\$ 832.89	
11/27/2018	Nebraska Auditor of Public Accounts	3214 · Auditing	Water	\$ 832.89	
11/27/2018	Nebraska Auditor of Public Accounts	3214 · Auditing	Electric	\$ 832.89	
11/27/2018	Nebraska Auditor of Public Accounts	3214 · Auditing	Sewer	\$ 832.88	
11/27/2018	Nebraska Auditor of Public Accounts	3214 · Auditing	Fire	\$ 832.88	
11/27/2018	Nebraska Auditor of Public Accounts	3214 · Auditing	Rescue	\$ 832.88	
11/27/2018	Nebraska Auditor of Public Accounts	3214 · Auditing	Library	\$ 832.88	
11/27/2018	Nebraska Auditor of Public Accounts	3214 · Auditing	Keno	\$ 832.88	
#4 Total				\$ 7,495.96	
7/10/2019	Nebraska Auditor of Public Accounts	3214 · Auditing	General	\$ 1,885.03	This is the fiscal year 2018 attestation expense to the APA. As noted in item #4 above, the APA recommended using a different method for allocating these types of administrative costs. Per discussion with the Clerk, the Village's CPA also recommended that the allocation method be changed, although the Clerk could not remember the specific reasoning for the new allocation method.
7/10/2019	Nebraska Auditor of Public Accounts	3214 · Auditing	Water	\$ 1,885.03	
7/10/2019	Nebraska Auditor of Public Accounts	3214 · Auditing	Electric	\$ 1,885.03	
7/10/2019	Nebraska Auditor of Public Accounts	3214 · Auditing	Sewer	\$ 1,885.04	
#5 Total				\$ 7,540.13	
5/28/2019	Carquest	3270 · Repair/Maintenance	Street	\$ 182.80	The \$182.80 charged to Repair/Maintenance in the Street Fund is related to parts for the Village's mower – which, as noted in item #1, should have been split between the Street and General funds.
5/28/2019	Carquest	3292 · Dues/Fees	General	\$ 1.53	
5/28/2019	Carquest	3310 · Supplies	Water	\$ 8.85	
5/28/2019	Carquest	3310 · Supplies	Electric	\$ 8.85	
5/28/2019	Carquest	3310 · Supplies	Sewer	\$ 8.85	
#6 Total				\$ 210.88	

The Board should also ensure the allocation of pay for the Clerk and others is adequately supported.

The Village should maintain documentation to support its method for allocating expenses to the various municipal funds.

Bond Payment Inaccurately Recorded

In its attestation report for fiscal year 2017, the APA identified certain errors, totaling \$30,000, in recording bond payments between the General Fund, Street Fund, and Water Fund. Those errors do not appear to have been corrected.

The following information was included in the fiscal year 2017 attestation report:

Description	General Fund	Street Fund	Water Fund	Electric Fund	Sewer Fund
Per Amortization Schedules	\$ 118,126.21	\$ 40,938.00	\$ 61,347.50	\$ 3,425.00	\$ 3,425.00
Amounts Per GL	\$ 88,302.07	\$ 60,933.46	\$ 71,347.50	\$ 3,425.00	\$ 3,425.00
Miscellaneous Adjustments	\$ 175.86	\$ (4.54)	\$ 0.00	\$ 0.00	\$ 0.00
Variance	\$ 30,000.00	\$ (20,000.00)	\$ (10,000.00)	\$ 0.00	\$ 0.00

The General Fund appears to have been missing a payment of \$30,000 made on July 6, 2017, for the July 2015 promissory note. That amount was incorrectly included in the Water Fund.

A general obligation water refunding bond payment for \$20,000 was recorded to the Street Fund on October 3, 2016. That payment should have been recorded in the Water Fund.

Other Inaccurate Accounting Entries

In the prior attestation report, the APA cautioned the Village about adjusting the accounting system records after the monthly reconciliations had been completed. The APA noted similar adjustments still occurred in fiscal year 2019, as follows:

Description	Deposits/ Credits	Checks/ Debits	Description
		\$ (2,930.51)	Checks voided in November 2018 were backdated to fiscal year 2018.
The Village added a deposit to the accounting system in November 2019 – after the reconciliation was completed.	\$ 428.56		
		\$ (862.59)	The Village deleted an EFT payment from the system in November 2019 – after the reconciliation was completed.

Good internal controls require procedures to ensure that the Village’s financial information is properly recorded. Without such procedures, there is an increased risk of loss, misuse, or theft of Village funds.

A similar finding was reported in the prior year.

We recommend the Village Board implement procedures to ensure its financial information is properly recorded and accurate. In addition, the Village Board should ensure the following:

- The allocation of unrestricted property taxes to its funds is in accordance with the allocation methods approved by the Board;
- The motor vehicle taxes are allocated to its funds based on a method approved by the Board;
- The method to allocate expenses is documented;
- All transactions are properly recorded to the correct fund and account, and errors identified in the prior reports related to bond payments are corrected; and
- Transactions processed after performance of the bank reconciliations are limited.

3. Internal Control Issues

The Village lacked several key internal control processes during the audit period, as follows:

Segregation of Duties

A lack of segregation of duties existed, as one individual, the Clerk, controlled all aspects of the financial accounting processes. Due to the size of the Village staff, the Board would need to perform detailed reviews to compensate for the lack of segregation of duties.

- Payroll: The Clerk has both access to the payroll system and the ability to change employee work hours and pay rates. A Board member reviews and signs a report from the timekeeping system of hours worked. The Board also receives a payroll detail report that shows hours worked and rate paid for each employee. This report is not signed by the Board.
- Receipts: The Clerk is solely responsible for accounting for all monies received by the Village. There is no monthly review by the Board of receipt amounts to ensure that they are reasonable.

Good internal control requires procedures to ensure a proper segregation of duties, so no one individual is in a position both to perpetrate and to conceal errors or irregularities. If a segregation of duties is not possible, then compensating controls, such as documented reviews, should be performed by the Board.

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

We recommend the Board ensure its review of the payroll detail reports is documented with the signature of a Board member to evidence the performance of a review of the hours worked by, as well as the rates paid to, each employee. We also recommend the Board implement a monthly review of amounts received to ensure the receipt amounts are reasonable.

Rescue Department Receipts

The municipal Rescue Department received \$18,236 for services provided by its ambulance and rescue squad. The Village has a contract with a vendor to perform the billing services for the Rescue Department. The following language is from Section 2k of that agreement, dated July 2000:

- K. Provide to MEDICAL SERVICE PROVIDER monthly accounts receivable, transactions, and itemized payment and write-off summaries, all to be provided to MEDICAL SERVICE PROVIDER no later than the 10th day for the following month. Any write-off on unpaid invoices or balances after payment by public or private insurance carriers or other third party payors shall be at the direction of the MEDICAL SERVICE PROVIDER pursuant to its policies and procedures in accordance with all state and federal regulations regarding billing and write-offs for medical services.

The Clerk stated that she did not receive these reports because the Rescue Department claimed they contained confidential information that could not be released. Upon request, however, the Rescue Department did provide the Clerk with partial information on the receipts selected for testing by the APA. Even if some of the information recorded by the vendor is not public and must be treated as confidential, the Village should have access to the details necessary to determine that the amount deposited – which is comprised wholly of municipal funds belonging to the political subdivision – is correct.

Without procedures to ensure that the Village is provided with the information required by the vendor service agreement referenced above, there is an increased risk that all Rescue Department monies belonging to the Village will not be deposited.

We recommend the Rescue Department provide the Clerk with the reports required by the vendor service agreement, so the Clerk can ensure that the amounts received from the Rescue Department were correct.

Approval of Village Fees/Taxes

The APA found that the Village Board did not approve its hall rental fee or occupation taxes. The Village collected \$1,990 in hall rental fees and \$450 in occupation taxes during fiscal year 2019.

Good internal controls require procedures to ensure that the fees and taxes collected by the Board are properly established and approved.

When fees and occupation taxes collected by the Board are not properly approved, there is a risk that not all customers will be charged consistently. Additionally, the Village is not in compliance with the provisions of its own Code Book.

We recommend the Board establish and approve all fees collected by the Village, specifically the hall rental fee and occupation taxes.

Meeting Minutes

The substance of all matters discussed was not always included in the minutes. The following are examples of this issue:

Board Meeting Date	Issue
10/30/2018	The Board approved revisions to the Hovarth agreement, but the revisions were not specified in the meeting minutes.
2/13/2019	The Board approved the lower deductible for insurance through Miller Monroe, but the amounts were not specified in the meeting minutes.
2/27/2019	The Board authorized the execution of the cell tower agreement with Hovarth Towers; however, the meeting minutes did not include the specific details of the agreement.
4/10/2019	The Board approved the purchase of 60 tons of rock, 15 tons of asphalt millings, and one pallet of tar. The price was not specified in the meeting minutes.
4/24/2019	The Board approved the purchase of a lawn mower and oil at \$7,979.93. The vendor was not included.
5/15/2019	The Board approved a contract with SENHAC for nuisance abatement. No details of the contract were included.
6/12/2019	The meeting minutes indicated that the Clerk met with Midwest Farmers Coop, which is going to make payment on the electrical billing recalculation by August. The amount of the recalculation was not provided.
9/4/2019	The Board approved the rural fire agreement with the City of Lincoln. No details were provided.
9/25/2019	The Board approved the purchase of ambulance parts and repair. No details were provided.
9/25/2019	The Board approved the hiring of a temporary maintenance man. No details, such as a pay rate, were provided.

Neb. Rev. Stat. § 84-1413(1) (Cum. Supp. 2018) states the following:

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

(Emphasis added.) Without procedures to ensure that the Board’s meeting minutes contain sufficient details, there is an increased risk for noncompliance with State statute.

We recommend the Board implement procedures to ensure its meeting minutes contain the “substance of all matters discussed,” as required by State statute.

Fixed Asset Policy

The Board failed to review or approve the Village’s listing of its fixed assets. Furthermore, the Board did not review the additions or deletions of assets from the list.

Good internal controls require procedures to ensure that the Board approves both the Village’s fixed asset listing and any additions to or deletions from it.

Without such procedures, there is an increased risk for the loss of Village assets.

We recommend the implementation of procedures to ensure the Board approves both the Village's fixed asset listing and any additions to or deletions from it.

4. TIF Funds

The Village currently has two TIF projects, as noted in Footnote 1E of this report. The first of these TIF projects was undertaken for the following purpose:

TIF funds used for the acquisition and clearing of property located in the redevelopment area; installation of public infrastructure to prepare sites for redevelopment; additional repairs, improvements, replacements and construction necessary to the foregoing. City Amended 11-11-2015 removed 17 lots from original TIF project, effective 12-11-2015.

During the fiscal year, the Village received \$145,595.45 in TIF property taxes but incurred no expenses associated with the above-described TIF project. At September 30, 2019, the balance of the original TIF fund was \$467,778.66.

In the prior year, the APA noted that the Village had used the TIF funds to pay off its loan for a playground and to make payments on its loan for improvements to a local Community Center – neither of which appear to be allowable uses of TIF funds, according to the project description. As such, the Village Board appears to lack an adequate knowledge of the State laws governing TIF funding.

Furthermore, the Village was unable to provide a map of the redevelopment area for this project; however, it believes the entire Village was included, making all properties within the Village corporate limits subject to the ad valorem tax.

TIF is a mechanism included in the Community Development Law, found at Neb. Rev. Stat. § 18-2101 (Neb. Laws 2019, L.B. 86, § 1) et seq. Specifically, § 18-2147(1) of the Community Development Law authorizes the division of an ad valorem tax (TIF) as follows:

Any redevelopment plan as originally approved or as later modified pursuant to section 18-2117 may contain a provision that any ad valorem tax levied upon real property, or any portion thereof, in a redevelopment project for the benefit of any public body shall be divided, for a period not to exceed fifteen years after the effective date as identified in the project redevelopment contract or in the resolution of the authority authorizing the issuance of bonds pursuant to section 18-2124

Without a proper knowledge of the Community Development Law, there is an increased risk that the ad valorem taxes will be used for purposes other than intended.

We recommend the Village discontinue the collection of the ad valorem tax on the original project area until the Board obtains a proper understanding of the Community Development Law and ensures that its projects meet all of the requirements contained within those statutes.

5. Utility Account Testing

The Village lacked procedures to ensure that amounts billed to and collected from its utility customers were accurate and in accordance with Village ordinances.

The APA selected 10 customers to test, five from each utility billed in January 2019 and August 2019 for the prior month's utility usage. The sample included four commercial customers and six residential customers. For each customer, only one account was utilized; therefore, 10 accounts were reviewed.

The APA found the following issues for six customers:

APA #	Account	Amount	Variance	Description
1	1239001	\$ 5.00	\$ 5.00	The customer was not charged the \$5 per month customer service charge per resolution 13-5.
4	1023001	\$ 5.00	\$ 5.00	The customer was not charged the \$5 per month customer service charge per resolution 13-5.
5	1039002	\$ 5.00	\$ 5.00	The customer was not charged the \$5 per month customer service charge per resolution 13-5.
7	1022001	\$ 34.15	\$ 31.28	The Village charged a penalty in the amount of \$34.15 to this account in September 2019. At that time, the total outstanding balance was \$654.33. The Village's utility ordinance calls for a penalty in the amount of 10% of the outstanding charges for water, sewer, and electrical services, or \$65.43. The Village was unable to provide an explanation for the miscalculation of the penalty charged.
9	1297001	\$ 23.19	\$ 4.15	The Village charged a penalty in the amount of \$23.19 to this account in September 2019. At that time, the total outstanding balance was \$273.40. The Village's utility ordinance calls for a penalty in the amount of 10% of the outstanding charges for water, sewer, and electrical services, or \$27.34. The Village was unable to provide an explanation for the miscalculation of the penalty charged.
10	1027002	\$ 28.63	\$ 28.40	The Village charged a penalty in the amount of \$28.63 to this account in September 2019. At that time, the total outstanding balance was \$570.26. The Village's utility ordinance calls for a penalty in the amount of 10% of the outstanding charges for water, sewer, and electrical services, or \$57.03. The Village was unable to provide an explanation for the miscalculation of the penalty charged.
Totals		\$ 100.97	\$ 78.83	

This issue was also noted in the prior report.

Chapter 7 of the Village's Municipal Code governs public utilities. Specifically, § 7-101 therein authorizes the Board to set utility rates, as follows:

The Village Board is authorized to establish by ordinance such rates for water, sewer and electrical service as may be deemed fair and reasonable.

Prior to June 12, 2019, § 7-102(A) addressed the penalty assessed for delinquent utility payments:

Charges for water, sewer and electrical services shall be billed jointly on a monthly basis. Utility bills shall be mailed on or about the 1st day of each month, and shall be due and payable by the 15th day of each month. Bills not paid by the 15th day of each month shall be deemed to be delinquent and shall have a penalty charged [sic] added thereto in the amount of 10% of the outstanding charges for electrical service.

On June 12, 2019, the Village Board approved Ordinance 486 to amend Section 7-102(A). The amended language now reads as follows:

Charges for water, sewer and electrical services shall be billed jointly on a monthly basis. Utility bills shall be mailed on or about the 1st day of each month, and shall be due and payable by the 15th day of each month. Bills not paid by the 15th day of each month shall be deemed to be delinquent and shall have a penalty charged [sic] added thereto in the amount of 10% of the outstanding charges for water, sewer, and electrical services.

On January 13, 2016, the Board approved Village Ordinance 452, which authorizes a 4% increase in electrical rates. The electrical rates in effect at the time were set by Board Resolution 13-5, dated September 24, 2013. Key provisions from that resolution include the following:

RESIDENTIAL SERVICE	
Customer Service Charge	\$5.00/month
First 500 Kwh/month	@\$.1124
Next 500 Kwh/month	@\$.0926
Over 1,000 Kwh/month	@\$.0849

4% increase:
$\$.1124 * 1.04 = \$.116896$
$\$.0926 * 1.04 = \$.096304$
$\$.0849 * 1.04 = \$.088296$

COMMERCIAL SERVICE / NO DEMAND MOTOR	
Customer Service Charge	\$10.00/month
First 500 Kwh/month	@\$.2223
Next 500 Kwh/month	@\$.1233
Over 1,000 Kwh/month	@\$.1168
Over 2,000 Kwh/month	@\$.1039

4% increase:
$\$.2223 * 1.04 = \$.231192$
$\$.1233 * 1.04 = \$.128232$
$\$.1168 * 1.04 = \$.121472$
$\$.1039 * 1.04 = \$.108056$

SINGLE PHASE & THREE PHASE / DEMAND MOTOR	
Total Computation Formula	
"Demand" Plus Kwh consumed	
"Demand" KW x Rate x Potential Factor	
Summer Rate	\$2.50 June, July, August, September
Winter Rate	\$1.25 January, February, March, April, May, October, November, December

4% increase:
$\$2.50 * 1.04 = \2.60
$\$1.25 * 1.04 = \1.30

KWH DETERMINATION	
Customer Service Charge	\$10.00/month
First 1,000 Kwh/month	@\$.1463
Next 4,000 Kwh/month	@\$.1035
Over 5,000 Kwh/month	@\$.0995
Over 10,000 Kwh/month	@\$.0968

4% increase:
$\$.1463 * 1.04 = \$.152152$
$\$.1035 * 1.04 = \$.10764$
$\$.0995 * 1.04 = \$.10348$
$\$.0968 * 1.04 = \$.100672$

Good internal control requires procedures for ensuring that utility amounts are calculated and billed in accordance with the Board-approved ordinances or resolutions.

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

We recommend the Board make it a priority to ensure the rates entered into the billing software are accurate and in accordance with Village ordinances. Specifically, the Board should ensure the following issues are addressed:

- The system properly calculates and applies late fees in accordance with the approved ordinance, and documentation is available to support the balance due.
- The system properly applies customer base service charges in accordance with the approved ordinance.

6. Pledged Collateral

The APA determined that the Village did not have sufficient pledged collateral at one bank to protect its deposits. At September 30, 2019, the Village had \$1,189,331 in pledged securities and Federal Deposit Insurance Corporation (FDIC) coverage at Pinnacle Bank. However, the Village's deposits were \$1,433,146 at that time. Therefore, the Village did not have sufficient collateral to cover its deposits.

Neb. Rev. Stat. § 77-2395(1) (Reissue 2018) provides the following:

If a bank, capital stock financial institution, or qualifying mutual financial institution designated as a depository furnishes securities, 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 furnished to the custodial official securities, the market value of which 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.

Further, good internal controls require procedures to ensure that all Village deposits are secured by adequate pledged collateral and/or FDIC insurance.

Without such procedures, there is an increased risk of not only loss of Village funds in the event of a bank failure but also noncompliance with State statute.

We recommend the Board implement procedures to ensure its deposits are adequately secured by pledged collateral and/or FDIC coverage. This would include periodic monitoring of the balance(s) at each bank in which the Village has deposited funds.

Overall Village Response: The Village of Greenwood respectfully accepts the findings in your report. We appreciate the oversight and welcome your suggestions on ways we can improve. We have started taking corrective action and hope to have the mentioned issues resolved soon.

* * * * *

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 Village.

Draft copies of this report were furnished to the Village 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. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

This report is intended solely for the information and use of the Village, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and it is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,



Craig Kubicek, CPA, CFE
Assistant Deputy Auditor