

**AUDIT REPORT
OF THE
VILLAGE OF FORDYCE**

OCTOBER 1, 2020, THROUGH SEPTEMBER 30, 2021

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the Auditor of Public Accounts.**

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Issued on March 21, 2022

VILLAGE OF FORDYCE

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VILLAGE OF FORDYCE

BACKGROUND

The Village of Fordyce (Village) is located in Cedar 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 Board was comprised of the following members:

- Tom Pinkelman, Chairperson
- Doug Stevens, Vice Chairperson
- Charles Kramer
- Roger Becker
- Dan Thoene – Term ended December 21, 2020
- Bryan Thoene – Term started December 21, 2020

Diane Limoges was hired as the Village Clerk/Treasurer on January 18, 2010. On January 18, 2021, the Board hired Dan Thoene as the Village Maintenance employee.



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VILLAGE OF FORDYCE

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Village of Fordyce, Nebraska

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, and each major fund of the Village of Fordyce (Village), as of and for the year ended September 30, 2021, 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 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, business-type activities, and each major fund of the Village as of September 30, 2021, and the respective changes in cash-basis financial position for the year then ended in conformity with the 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 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's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison information on page 17 is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. 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 March 15, 2022, on our consideration of the Village'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, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and considering the Village's internal control over financial reporting and compliance.



Craig Kubicek, CPA, CFE
Deputy Auditor
Lincoln, Nebraska

March 15, 2022

VILLAGE OF FORDYCE
STATEMENT OF NET POSITION – CASH BASIS
September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 150,073	\$ 55,279	\$ 205,352
Cash on Hand with County Treasurer	222	-	222
Restricted Cash and Cash Equivalents	56,037	-	56,037
TOTAL ASSETS	\$ 206,332	\$ 55,279	\$ 261,611
 NET POSITION			
Restricted for:			
Street Projects and Maintenance	56,037	-	56,037
Unrestricted	150,295	55,279	205,574
TOTAL NET POSITION	\$ 206,332	\$ 55,279	\$ 261,611

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

VILLAGE OF FORDYCE
STATEMENT OF ACTIVITIES – CASH BASIS
For the Year Ended September 30, 2021

Functions/Programs:	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
General Government	\$ 38,663	\$ -	\$ -	\$ (38,663)	\$ -	\$ (38,663)
Public Works	489,061	-	417,496	(71,565)	-	(71,565)
Culture and Recreation	7,259	756	-	(6,503)	-	(6,503)
Debt Service	21,903	-	-	(21,903)	-	(21,903)
Total Governmental Activities	556,886	756	417,496	(138,634)	-	(138,634)
Business-Type Activities:						
Water	53,758	64,504	-	-	10,746	10,746
Sewer	14,001	5,080	-	-	(8,921)	(8,921)
Sanitation	18,522	16,215	-	-	(2,307)	(2,307)
Total Business-Type Activities	86,281	85,799	-	-	(482)	(482)
Total Primary Government	\$ 643,167	\$ 86,555	\$ 417,496	(138,634)	(482)	(139,116)
General Receipts and Transfers:						
Taxes:						
Property Taxes - General Purposes				13,598	-	13,598
Local Option Sales Taxes				7,572	3,860	11,432
Motor Vehicle Taxes				4,192	-	4,192
Licenses and Permits				647	-	647
Grants and Contributions Not Restricted to Specific Programs				30,202	-	30,202
Investment Income				1,477	-	1,477
Debt Proceeds				101,850	-	101,850
Other Miscellaneous Receipts				2,245	2,598	4,843
Transfers				(168)	168	-
Total General Receipts and Transfers				161,615	6,626	168,241
Increase in Net Position				22,981	6,144	29,125
Net Position - Beginning of year				183,351	49,135	232,486
Net Position - End of year				\$ 206,332	\$ 55,279	\$ 261,611

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

VILLAGE OF FORDYCE
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
September 30, 2021

	General Fund	Street Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 150,073	\$ -	\$ 150,073
Cash on Hand with County Treasurer	222	-	222
Restricted Cash and Cash Equivalents	-	56,037	56,037
TOTAL ASSETS	\$ 150,295	\$ 56,037	\$ 206,332
 FUND BALANCES			
Restricted for:			
Street Projects and Maintenance	\$ -	\$ 56,037	\$ 56,037
Unassigned	150,295	-	150,295
TOTAL CASH BASIS FUND BALANCES	\$ 150,295	\$ 56,037	\$ 206,332

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

VILLAGE OF FORDYCE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

	General Fund	Street Fund	Total
RECEIPTS			
Taxes	\$ 25,362	\$ -	\$ 25,362
Intergovernmental	30,241	417,457	447,698
Charges for Services	756	-	756
Licenses and Permits	647	-	647
Investment Income	1,293	184	1,477
Miscellaneous	2,245	-	2,245
TOTAL RECEIPTS	\$ 60,544	\$ 417,641	\$ 478,185
DISBURSEMENTS			
General Government	38,663	-	38,663
Public Works	-	489,061	489,061
Culture and Recreation	7,259	-	7,259
Debt Service			
Principal	-	21,000	21,000
Interest	-	903	903
TOTAL DISBURSEMENTS	45,922	510,964	556,886
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	14,622	(93,323)	(78,701)
OTHER FINANCING SOURCES (USES)			
Debt Proceeds	-	101,850	101,850
Transfers In	-	-	-
Transfers Out	(168)	-	(168)
TOTAL OTHER FINANCING SOURCES (USES)	(168)	101,850	101,682
Net Change in Cash Basis Fund Balances	14,454	8,527	22,981
CASH BASIS FUND BALANCES - BEGINNING	135,841	47,510	183,351
CASH BASIS FUND BALANCES - ENDING	\$ 150,295	\$ 56,037	\$ 206,332

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

VILLAGE OF FORDYCE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS – CASH BASIS
 September 30, 2021

	Water Fund	Sewer Fund	Sanitation Fund	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 43,801	\$ 13,785	\$ (2,307)	\$ 55,279
TOTAL ASSETS	43,801	13,785	(2,307)	55,279
NET POSITION				
Unrestricted	43,801	13,785	(2,307)	55,279
TOTAL NET POSITION	\$ 43,801	\$ 13,785	\$ (2,307)	\$ 55,279

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

VILLAGE OF FORDYCE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS – CASH BASIS
For the Year Ended September 30, 2021

	Water Fund	Sewer Fund	Sanitation Fund	Total
RECEIPTS				
Charges for Services	\$ 64,504	\$ 5,080	\$ 16,215	\$ 85,799
Sales Taxes	3,860	-	-	3,860
Miscellaneous	2,598	-	-	2,598
TOTAL RECEIPTS	<u>70,962</u>	<u>5,080</u>	<u>16,215</u>	<u>92,257</u>
DISBURSEMENTS				
Personnel Services	2,424	176	-	2,600
Professional Fees	-	100	-	100
Materials and Supplies	969	3,985	-	4,954
Repairs and Maintenance	9,526	-	-	9,526
Utilities	37,177	-	-	37,177
Contracted Services	-	-	18,522	18,522
Capital Improvements	-	9,740	-	9,740
Miscellaneous	3,662	-	-	3,662
TOTAL DISBURSEMENTS	<u>53,758</u>	<u>14,001</u>	<u>18,522</u>	<u>86,281</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>17,204</u>	<u>(8,921)</u>	<u>(2,307)</u>	<u>5,976</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	168	168
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>168</u>	<u>168</u>
Net Change in Net Position	<u>17,204</u>	<u>(8,921)</u>	<u>(2,139)</u>	<u>6,144</u>
NET POSITION - BEGINNING	<u>26,597</u>	<u>22,706</u>	<u>(168)</u>	<u>49,135</u>
NET POSITION - ENDING	<u>\$ 43,801</u>	<u>\$ 13,785</u>	<u>\$ (2,307)</u>	<u>\$ 55,279</u>

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

VILLAGE OF FORDYCE

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2021

1. **Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies utilized in the accounting system of the Village of Fordyce (Village).

A. Reporting Entity

The Village is a governmental entity established under and governed by the laws of the State of Nebraska (State) and located in Cedar County, Nebraska. The Village is managed by a Board of Trustees that exercises control over activities 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 that are not legally separate. 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 reporting government as a whole and are in the format of government-wide statements, as required by GASB Statement Number 34. These statements include all the financial activities of the Village. The effects of interfund activity have been removed from these statements. The Village reports governmental activities 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 FORDYCE

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

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.

The Village reports the following 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 streets and is mainly funded by State and Federal monies.

The Village did not have any other non-major governmental fund types.

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 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 water system. Revenues primarily include charges for water services, and expenses are generally for purchasing water.

VILLAGE OF FORDYCE

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Sanitation Fund: This fund accounts for the revenues and expenses related to garbage collection services. Revenues primarily include charges for services, and expenses are generally paid to the Village's contracted garbage hauler.

The Village designates fund balances for governmental funds as follows. Proprietary fund net position is classified the same as in the government-wide statements.

Nonspendable. Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

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 financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting, receipts are recorded when earned, and disbursements are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used, as described above. This differs from governmental GAAP, which requires governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, receipts are recognized as soon as they are both measurable and available. Receipts are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Disbursements are generally recorded when a liability is incurred, as under accrual accounting. However, disbursements related to compensated absences, and claims and judgments are recorded only when payment is due.

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.

VILLAGE OF FORDYCE

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

D. Assets and Net Position

Cash and Cash Equivalents. The Village's cash and cash equivalents are considered to be cash on hand, certificates of deposits, and demand deposits.

Cash on Hand with County Treasurer. The County Treasurer's cash represents revenues collected by the County Treasurer 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 and proprietary funds. GAAP requires capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), to be reported in the applicable governmental activities columns in the government-wide financial statements.

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

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

Long-Term Debt. Long-term debt for both the government-wide and fund statements is not reported as liabilities. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

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 \$56,037 of restricted net position, which is fully restricted by enabling legislation.

As of September 30, 2021, the Street Fund was the only fund with a restricted fund balance with a balance of \$56,037.

Budgetary Process. The Village adopts an annual budget in accordance with the statutory requirements of the Nebraska Budget Act. The budget is prepared on the cash receipts and disbursements basis of accounting. The budget contains only those receipts actually received by the Village. The Village does not utilize an encumbrance accounting system.

VILLAGE OF FORDYCE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

- 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) 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.
- 6) The Village adopts a budget by ordinance for all funds.

Deficit Fund Balance. The Sanitation Fund had a deficit fund balance of \$2,307 as of September 30, 2021. The fund incurred disbursements that are currently not part of the original costs approved by the Village Board, and the Village plans to transfer funds from the General Fund to cover the disbursements.

E. Significant Receipts

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

The tax levies for all political subdivisions in Cedar 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.

Property taxes are recorded as receipts when received by the County.

Sales and Use Tax. The Village presently levies a 1.0% 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. Sales tax collected on the sale of motor vehicles is recorded in the Street Fund as required by Neb. Rev. Stat. § 39-2510 (Cum. Supp. 2020).

Electrical Distribution System Lease. The Village recognizes receipts under a net lease of the electric distribution system. Rental payments are equal to 12 percent of the adjusted gross revenues received during the preceding three months from sales to customers purchasing electricity from the distribution system.

VILLAGE OF FORDYCE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The Village entered into a lease agreement with the Cedar Knox Public Power District on September 16, 2019, which was set to expire December 31, 2039.

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.

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

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 \$261,611, including County Treasurer balances. The bank balance for all funds was \$261,300. For purposes of classifying categories of custodial risk, the bank balances of the Village's deposits as of September 30, 2021, were either entirely insured or collateralized with securities held by the Village's agent in the Village's name.

3. **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 FORDYCE

NOTES TO FINANCIAL STATEMENTS
(Concluded)

4. **Interfund Transfers**

Interfund transfers for the year ended September 30, 2021, consisted of the following:

Transfer Out	Transfer In	Amount
General Fund	Sanitation Fund	\$ 168

5. **Long-Term Obligations**

Highway Allocation Fund Pledge Bonds, Series 2020. The Village issued bonds on October 9, 2020, in the amount of \$105,000 for the purpose of paying the costs of related to constructing certain streets of the Village and related improvements. The bond payable balance as of September 30, 2021, was \$90,000. 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. Future tax resources and Highway Allocation funds will be used to pay off the bonds.

Fiscal Year	Principal	Interest	Total
2022		\$ 878	\$ 878
2023	\$ 15,000	\$ 743	\$ 15,743
2024	\$ 15,000	\$ 607	\$ 15,607
2025	\$ 20,000	\$ 450	\$ 20,450
2026	\$ 20,000	\$ 270	\$ 20,270
2027	\$ 20,000	\$ 90	\$ 20,090
Total Payments	\$ 90,000	\$ 3,038	\$ 93,038

During fiscal year 2021, the Village made the first principal payment, totaling \$15,000, on September 23, 2021, which was due on October 1, 2021, per the original debt schedule. The principal amount owed as of September 30, 2021, accounts for this early principal payment.

6. **Subsequent Events**

Management has evaluated subsequent events through March 15, 2022, the date on which the financial statements were available for issue.

VILLAGE OF FORDYCE
SUPPLEMENTARY 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, 2021

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS			
Property Taxes	\$ 15,149	\$ 13,598	\$ (1,551)
Federal Receipts	-	389,230	389,230
State Highway Allocation	21,269	28,227	6,958
State Municipal Equalization	5,754	-	(5,754)
State Motor Vehicle	2,700	4,231	1,531
Other State Receipts	400,000	30,202	(369,798)
Local Motor Vehicle	3,900	-	(3,900)
Local Option Sales Tax	6,000	11,432	5,432
Local In Lieu of Tax	3,000	-	(3,000)
Other Local Receipts	105,000	195,372	90,372
TOTAL RECEIPTS	562,772	672,292	109,520
DISBURSEMENTS			
General Government	50,000	38,663	11,337
Public Works - Streets	575,000	489,061	85,939
Culture and Recreation	13,000	7,259	5,741
Debt Service	-	21,903	(21,903)
Water	45,000	53,758	(8,758)
Sewer	10,000	14,001	(4,001)
Sanitation	25,000	18,522	6,478
TOTAL DISBURSEMENTS	\$ 718,000	643,167	\$ 74,833
Net Change in Cash Basis Fund Balance		29,125	
CASH BASIS FUND BALANCE - BEGINNING		232,486	
CASH BASIS FUND BALANCE - ENDING		\$ 261,611	

Notes to the Budgetary Comparison Schedule

As described in Note 1 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 and proprietary funds in the fund financial statements.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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VILLAGE OF FORDYCE
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 Fordyce, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Village of Fordyce (Village), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated March 15, 2022. The report notes the financial statements were prepared on the basis of cash receipts and disbursements.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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.

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. We consider the following deficiency to be a material weakness:

- The Village lacked a segregation of duties, as one person could handle all aspects of processing a transaction from beginning to end. Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. Inadequate segregation of duties could lead to the misappropriation of assets or improper reporting. Due to the limited number of personnel, an adequate segregation of duties may not be possible without additional cost.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Additional Items

We also noted certain matters that we reported to the management of the Village in a separate letter dated March 15, 2022.

Village's Response to Findings

The Village's response to the findings identified in our audit is described in the separate management letter. 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, and 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.



Craig Kubicek, CPA, CFE
Deputy Auditor
Lincoln, Nebraska

March 15, 2022



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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March 15, 2022

Board of Trustees
Village of Fordyce, Nebraska

Dear Board of Trustees:

We have audited the basic financial statements of the Village of Fordyce (Village) for the fiscal year ended September 30, 2021, and have issued our report thereon dated March 15, 2022. 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. Control Environment

The Village of Fordyce (Village) lacked a sufficient segregation of duties. Specifically, one person was capable of handling all aspects of processing transactions from beginning to end. Due to the limited size of the Village staff, an adequate segregation of duties was not possible without additional costs. One Village employee was able to process unilaterally all accounting transactions, such as receiving money owed to the Village, making bank deposits, writing checks, receiving bank statements, preparing the claims listing for Village Board approval, and entering financial information into the Village's accounting system.

Additionally, the Auditor of Public Accounts (APA) identified the following control environment issues:

- The Village did not have a formal, written inventory policy that provided a threshold for when items should be added to or removed from the inventory list or how often that list should be reviewed.
- During testing, the APA noted that the Village lacked procedures to ensure that interest earned on its bank accounts and Certificates of Deposits was receipted into the accounting records in a timely manner. As of September 30, 2021, the APA noted unreceipted interest of \$207, as detailed in the following table:

Bank – Account	Amount
Cedar Security Bank – Water Savings	\$ 5.08
Cedar Security Bank – General Savings	\$ 4.62
Cedar Security Bank – General CDs	\$ 197.67
Total Unreceipted Interest	\$ 207.37

For both savings accounts, interest from March 2021 through September 2021 was not receipted as of audit fieldwork in February 2022. For one of the Certificates of Deposit, the November 2020 and May 2021 interest was not receipted as of fieldwork; for the other Certificate of Deposit, the May 2021 interest was not receipted as of fieldwork in February 2022.

- During the audit, the Village did not provide documentation to support that the Village Board approved the fees for utility delinquency, reconnection, and building/zoning permits. The Village received a total of \$1,450 from utility delinquent fees and \$647 from building/zoning permits during fiscal year 2021.
- The Village utilized a debit card during the fiscal year 2021, totaling \$2,925. With the use of a debit card, the Village increases its risk of unrecoverable loss of funds due to fraud because debit cards do not provide as much fraud protection as a credit card or other purchasing cards. The Village also increases its risk of payments being made prior to, or even without, Board approval because the debit card does not require dual signatures. It was noted during the audit that the Village did not have a formal, written purchasing card policy outlining procedures for safeguarding Village assets when using the Village card, including such allowable purchases and authorized individuals.
- The Village did not maintain an employee handbook to define policies and procedures for the Village, such as vacation and sick leave accruals, vacation and sick leave payouts, and meal and mileage reimbursements.

Neb. Rev. Stat. § 13-610 (Reissue 2012) authorizes political subdivisions in Nebraska to establish a purchasing card program. Subsection (1) of that statute says, in relevant part, “The governing body shall determine the type of purchasing card or cards utilized in the purchasing card program and shall approve or disapprove those persons who will be assigned a purchasing card.” Subsection (4) provides for the suspension of card privileges “in accordance with rules and regulations adopted and promulgated by the political subdivision.” Likewise, subsection (6) states, “No officer or employee of a political subdivision shall use a political subdivision purchasing card for any unauthorized use as determined by the governing body.” Ensuring that Village purchasing cards are used only for authorized purposes, or the privilege of their use is properly suspended, as required by law, is difficult, if not impossible, without formal municipal guidelines or, as referenced in statute, “rules and regulations adopted and promulgated by the political subdivision” to establish the parameters for such legitimate use.

Further, without a proper segregation of duties and an effective control environment, there is an increased risk of misuse or misappropriation of Village funds. Additionally, good internal control procedures require: 1) an inventory policy that provides a threshold for when items should be added to the Village’s inventory list; 2) a policy to ensure that interest earned is receipted in a timely manner; 3) documentation to support that the Village Board approved all municipal fees; 4) adequate controls over the Village’s purchasing card, including an approved card policy that outlines procedures for the allowable use of the Village card and authorized users; and 5) an employee handbook outlining policies for employment with the Village.

The lack of such procedures increases the risk of loss or misuse of public funds.

We recommend the Village consider the need for a proper segregation of duties. As always, the cost of hiring additional personnel versus the benefit of a segregation of duties must be weighed. Furthermore, we recommend the Village determine if a purchasing card is necessary and, if so, the Village not only utilizes a purchasing card with credit capability to ensure increased protection of Village funds against fraud but also promulgates formal policies for the proper use of such card. We also recommend the Village Board implement procedures to ensure the following:

- An inventory policy and inventory list are approved and maintained. This would include performing an annual inventory of all items on the list to ensure that such items were properly added or removed.

- Interest earned is receipted into the Village’s accounting system in a timely manner.
- All fees charged by the Village are approved, as well as documented, by the Village Board.
- A Village employee handbook is approved and maintained.

2. Fund Balances and Accounting Issues

During the audit, the APA noted the following accounting and fund balance issues:

- The ending balances as of September 30, 2020, reported on the fiscal year 2020 audit waiver request did not agree to the ending balances on the September 2020 Treasurer’s Report. In addition to tracking individual fund balances using a “Treasurer’s Report” excel spreadsheet, the Village uses QuickBooks as its accounting system to record financial activity and most municipal bank accounts. The following table illustrates the different balances reported on the fiscal year 2020 audit waiver request and the September 2020 Treasurer’s Report compared to the beginning fund balances in the fiscal year 2021 audit report.

9/30/2020 Balances Reported On	General Fund	Street Fund	Enterprise (Water, Sewer, Sanitation) Funds	Total
FY2020 Audit Waiver Request	\$ 180,682	\$ 20,882	\$ 21,724	\$ 223,288
September 2020 Treasurer Report	\$ 125,616	\$ 47,510	\$ 49,135	\$ 222,261
Beginning Balances in FY2021 Audit Report	\$ 135,841	\$ 47,510	\$ 49,135	\$ 232,486

- The differences noted above are due partially to two accounts held at Cedar Security Bank that were not recorded in either the Village’s accounting system, QuickBooks, the Village’s Treasurer’s Reports, or the fiscal year 2020 audit waiver. The following table summarizes the balances for these accounts as of September 30, 2020, and September 30, 2021.

Account	9/30/2020 Book Balance	9/30/2021 Book Balance
XXXX302	\$ 871	\$ 872
CD XXXX769	\$ 8,327	\$ 8,473
Totals	\$ 9,198	\$ 9,345

- In addition to the two accounts noted above, the following four accounts were not included in the Village’s accounting system, QuickBooks.

Account	9/30/2020 Book Balance	9/30/2021 Book Balance
CD XXXX750	\$ 42,587	\$ 43,412
CD XXXX751	\$ 6,593	\$ 6,659
CD XXXX752	\$ 6,549	\$ 6,549
CD XXXX780	\$ 8,937	\$ 9,122
Totals	\$ 64,666	\$ 65,742

- The Village’s Treasurer Report also does not report the balance held by the County Treasurer each month.
- Similar to the above finding, the ending fund balances on the September 2021 Treasurer’s Report did not agree to the ending fund balances reported in the fiscal year 2021 audit report. A comparison is shown below.

9/30/2021 Balances Reported On	General Fund	Street Fund	Enterprise (Water, Sewer, Sanitation) Funds	Total
September 2021 Treasurer Report	\$ 142,627	\$ 57,355	\$ 51,577	\$ 251,559
FY2021 Audit Report Ending Fund Balances	\$ 150,295	\$ 56,037	\$ 55,279	\$ 261,611
Variiances (1)	\$ (7,668)	\$ 1,318	\$ (3,702)	\$ (10,052)

(1) The variance is due to the Treasurer's Report not reporting the County Treasurer balance, the two bank accounts noted above, and undeposited funds (i.e., cash/checks on hand) as of September 30, 2021.

- The Sanitation Fund had a deficit balance of \$2,307 as of September 30, 2021. The Village Board is aware of the deficit balance and approved an interfund transfer to bring the balance to zero in October 2021.

Good internal control and sound accounting practices require procedures to ensure that all Village funds are entered correctly and accounted for in the Village's accounting system. Such procedures should also (1) include a reconciliation to verify that ending balances in all funds are accurate and appropriately reported to the Village Board, (2) ensure that Village fund balances are sufficient to cover fully all disbursements and transfers approved by the Board, and (3) ensure that the Board is apprised regularly of each Village fund balances and, therefore, placed in a position to take any action needed to resolve deficits therein.

Without such procedures, there is an increased risk of not only insufficient Village fund balances but also the resultant inability to cover fully all disbursements and transfers approved by the Board. There is an increased risk also for the loss, theft, or misuse of Village funds.

We recommend the Village Board implement procedures to ensure all Village funds are entered correctly and accounted for in the accounting system, and a reconciliation is performed to verify that ending balances in all funds are accurate and reported appropriately to the Village Board. We also recommend the Village Board implement procedures to ensure the Board is apprised regularly of each Village fund balance and, therefore, placed in a position to take any action needed to resolve deficits therein.

3. Incorrect Coding

During the audit, the APA noted the following issues regarding coding of receipts and disbursements:

- The Village lacked a Board-approved fund allocation policy for local sales tax receipts. Village Ordinance 1120A, approved by the Board on November 16, 2020, establishes a 1% local option sales tax, effective April 1, 2021, within the Village. That same ordinance directs "the revenue to be applied to street maintenance, improvements and general operations of the Village." As of audit fieldwork in February 2022, the Board had not approved an allocation for consistently allocating the tax revenue to the Street and General funds.

During the fiscal year 2021, the Village received \$7,572 in local option sale taxes, which was recorded as revenue in the General Fund. Of this amount, \$1,591 was motor vehicle sale taxes, which are restricted by Neb. Rev. Stat. § 39-2510 (Cum. Supp. 2020) for road and street purposes; however, these motor vehicle sale tax proceeds were not recorded appropriately as revenue in the Street Fund.

- Proceeds totaling \$101,850 from the Village's Highway Allocation Fund Pledge Bonds, Series 2020, were coded incorrectly to a Street Fund investment income revenue account rather than to a bond proceeds revenue account. The financial statements were adjusted for this misstatement.
- The Village incorrectly coded Community Development Block Grant (CDBG) grant receipts, totaling \$390,040, from the U.S. Department of Housing and Urban Development to either the investment income or highway allocation revenue accounts in the Street Fund rather than to a Federal grants revenue account. The financial statements were adjusted for this misstatement.

- All 12 payments from the Cedar County Treasurer received during fiscal year 2021 included amounts that were coded incorrectly by revenue account, as summarized below.

Type	Coding by Village	Correct Amount	Over/ (Under) Statement
Property Tax	\$ 13,420	\$ 13,298	\$ (122)
Homestead Exemption	\$ 1,640	\$ 1,635	\$ (5)
Motor Vehicle Tax	\$ 6	\$ 4,152	\$ 4,146
Motor Vehicle Fee	\$ 4,185	\$ 39	\$ (4,146)
County Treasurer Commission	\$ (127)	\$ -	\$ 127
Totals	\$ 19,124	\$ 19,124	\$ -

The Village did not correctly net County Treasurer commissions against the real estate and personal property tax revenues, but rather recorded the County Treasurer commission to an expense account. Further, the Homestead Exemption Commission for two of the six months was coded to a County Treasurer commission expense account instead of being netted with the Homestead Exemption revenue. The financial statements were adjusted for the motor vehicle tax and fee misstatements.

- Payments from EMC Insurance, totaling \$2,242, for a workers compensation rebate and premium adjustment, were incorrectly coded to an expense account rather than to a revenue account. The financial statements were adjusted for this misstatement.
- Three of 10 significant Village disbursements tested were coded incorrectly, as summarized below:

Vendor	Coding Errors	Note
Gilmore & Associates	\$ 30,063	Incorrectly coded to a revenue account rather than to an expense account, resulting in both receipts and disbursements being understated. The financial statements were adjusted for this misstatement.
Cedar Knox Rural Water Project	\$ 34,670	Incorrectly coded to a revenue account rather than to an expense account, resulting in both receipts and disbursements being understated. The financial statements were adjusted for this misstatement.
Plumbing & Electric	\$ 9,740	Coded to "Uncategorized Expenses."
Total	\$ 74,473	

Section 39-2510 states, in relevant part, the following:

(1) All money derived from fees, excises, or license fees relating to registration, operation, or use of vehicles on the public highways, or to fuels used for the propulsion of such vehicles, shall be expended for payment of highway obligations, cost of construction, reconstruction, maintenance, and repair of public highways and bridges and county, city, township, and village roads, streets, and bridges, and all facilities, appurtenances, and structures deemed necessary in connection with such highways, bridges, roads, and streets, or may be pledged to secure bonded indebtedness issued for such purposes, except for (a) the cost of administering laws under which such money is derived, (b) statutory refunds and adjustments provided therein, and (c) money derived from the motor vehicle operators' license fees or money received from parking meter proceeds, fines, and penalties.

(2)(a) The requirements of subsection (1) of this section also apply to sales and use taxes imposed on motor vehicles, trailers, and semitrailers pursuant to sections 13-319, 77-27,142, and 77-6403, except that such provisions shall not apply in a county or municipal county that has issued bonds (i) the proceeds of which were used for purposes listed in subsection (1) of this section and for which revenue other than sales and use taxes on motor vehicles, trailers, and semitrailers is pledged for payment or (ii) approved by a vote that required the use of sales and use taxes imposed on motor vehicles, trailers, and semitrailers for a specific purpose other than those listed in subsection (1) of this section, until all such bonds issued prior to January 1, 2006, have been paid or retired.

Good internal controls and sound accounting practices require the following: 1) an approved fund allocation of local option sales tax receipts to ensure they are utilized for intended purposes when not clearly outlined in State statute or the ballot language approving such local option sales tax; and 2) procedures to ensure all disbursements and receipts are correctly coded into the Village’s accounting system.

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

We recommend the Village approve a fund allocation to ensure local option sales tax revenues are properly allocated to the correct funds and used for allowable purposes. Furthermore, we recommend the Village implement procedures to ensure that all disbursements and receipts are correctly coded into the Village’s accounting system.

4. Payroll Procedure Issues

The APA identified the following issues with the Village’s payroll processes:

Incorrect Withholdings

For two employees tested, the withholdings on the April 16, 2021, paystub differed from those listed on the Internal Revenue Service (IRS) Form W-4 on file. One employee claimed \$40,000 of other income on his W-4 that was not accounted for when calculating income tax withholdings on his pay stub. The other employee changed her withholding amounts on one of her paychecks without submitting a new W-4 form. The variances in calculated withholding amounts and actual withholding amounts are summarized in the following table.

Income Tax	Employee 1			Employee 2		
	APA Calculated Withholding	Actual Withholding	Variance	APA Calculated Withholding	Actual Withholding	Variance
Federal	\$ 561.37	\$ 130.00	\$ 431.37	\$ 108.63	\$ 100.00	\$ 8.63
State	\$ 95.95	\$ 65.00	\$ 30.95	\$ 64.57	\$ 50.00	\$ 14.57
Total	\$ 657.32	\$ 195.00	\$ 462.32	\$ 173.20	\$ 150.00	\$ 23.20

Also, for Employee 2’s October 16, 2020, paystub, the State income tax withholding was \$7.12 less than what the APA calculated.

IRS Publication 15 (Circular E), 2022, “Employer’s Tax Guide,” outlines an employer’s responsibility to withhold income taxes based on each employee’s specific circumstances according to the employee’s Form W-4. Further, good internal controls require procedures to ensure the following: 1) required payroll forms, such as IRS Form W-4, are maintained and accurate for subsequent review; and 2) payroll taxes and other deductions are withheld appropriately.

Without such procedures, there an increased risk for not only noncompliance with applicable Federal regulations but also potential liability on the part of the Village or employees if tax withholdings and other deductions are incorrect.

We recommend the Village implement procedures to ensure the following: 1) required payroll forms, such as IRS Form W-4, are maintained and accurate for subsequent review; and 2) payroll taxes and other deductions are withheld appropriately.

Timesheets and Timeliness of Pay

Two hourly employees were paid on April 16, 2021, for all hours worked between January 20, 2021, and April 9, 2021. The employees requested that their pay be held until they had worked more hours; however, compensation for these hours worked was not made in a timely manner.

Additionally, the hours paid on these two paystubs did not agree to the hours listed on the respective timesheets. The variance between the hours worked and the hours paid are summarized in the following table.

	Employee 1			Employee 2		
	Timesheet	Pay Stub	Over/ (Under)	Timesheet	Pay Stub	Over/ (Under)
Hours	88.55	80.55	(8.00)	5.20	5.50	0.30
Gross Pay	\$ 1,416.80	\$ 1,288.80	\$ (128.00)	\$ 104.00	\$ 110.00	\$ 6.00

Good internal controls require procedures to ensure that employees are paid in a timely manner for the correct number of hours worked. Without such procedures, there is an increased risk of employees being paid the incorrect amount and loss or misuse of Village funds.

We recommend the Village implement procedures to ensure employees are paid in a timely manner for the correct number of hours worked.

Other Payroll Issues

The APA also noted the following issues regarding Village payroll processes:

- For the three employees tested, the Village did not have an Employment Eligibility Verification Form I-9 on file. Form I-9 is completed by employees in order to verify the identify and employment authorization of individuals hired for employment in the United States.
- For one employee tested, changes to his existing IRS W-4 form were made, instead of filling out a new form.
- Compensation for attending Board meetings for the Village Clerk was added as an adjustment to net pay instead of being added to gross wage and being subject to the appropriate payroll taxes. During fiscal year 2021, the Clerk was paid \$260 for attending Board meetings.

The U.S. Department of Justice Immigration Reform and Control Act of 1986 requires an Employment Eligibility Verification Form I-9 to be completed for every employee hired after November 6, 1986. Form I-9 must be kept by the employer either for three years after the date of hire or for one year after employment is terminated, whichever is later.

Good internal controls require procedures to ensure the following: 1) required employment verification forms are maintained for all Village employees; 2) a new form W-4 is filed when an employee wishes to change payroll withholding amounts; and 3) all taxable compensation is appropriately included in gross wages and subject to payroll taxes.

Without such procedures, there an increased risk of not only noncompliance with applicable Federal regulations but also potential liability on the part of the Village or employees if tax withholdings and other deductions are incorrect.

We recommend the Village implement procedures to ensure the following: 1) required employment verification forms are maintained for all Village employees; 2) new W-4 forms are filed when employees wish to change withholding amounts; and 3) all taxable compensation is appropriately included in gross wages and subject to payroll taxes.

5. Claim Issues

The APA identified the following issues with the Village’s claims processes:

Lack of Claim Purpose

During the review of the Village’s meeting minutes, the APA noted that most claims listed in the Board’s official proceedings lacked descriptions of their respective purposes.

The following is an example of the approved claims listing provided by the Village for the September 20, 2021, Board meeting:

The following claims were submitted for payment: Arts Garbage Service, \$1464.80, Blackburn & Stevens, Prof. LLC., \$35.00, Cedar County News, \$196.42, Cedar Knox Public Power Service, \$796.98, Cedar Knox Rural Water Project, \$3943.40, Chase, \$21,000.00, Chase, \$451.50, Core & Main, \$649.92, Floral Designs, \$51.36, Great Plains Comm., \$75.65, Hunhoff, Joe CPA, \$915.00, Kayton, \$17.61, Koch, Donna, (Maintenance) \$48.00, Limoges, Diane, (Clerk), \$847.14, NE Department of Revenue, \$25.00, NE Public Health Environmental Lab., \$776.75, Nebraska Rural Water Association, \$160.00, Thoene, Dan, (Maintenance) \$421.38, Thoene, Dan, \$92.50, Wiebelhaus Service, \$67.41. Charles Kramer made a motion to accept the

Neb. Rev. Stat. § 19-1102 (Cum. Supp. 2020) requires publication of the Board’s official proceedings, which must include, among other things, the purpose of each claim allowed, as follows:

It shall be the duty of each city clerk or village clerk in every city or village 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 city council or village board of trustees within thirty days after any meeting of the city council or village board of trustees. The publication shall be in a legal newspaper in or of general circulation in the city or village, 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. Between July 15 and August 15 of each year, the employee job titles and the current annual, monthly, or hourly salaries corresponding to such job titles shall be published. Each job title published shall be descriptive and indicative of the duties and functions of the position. The charge for the publication shall not exceed the rates provided for in section 23-122.

(Emphasis added.) Good internal control and sound accounting practices require procedures to ensure that the Board’s official proceedings describe the purpose of each claim allowed. Without such procedures, there is an increased risk of not only failure to comply with statutory publication requirements but also a lack of transparency regarding the nature of public expenditures.

We recommend the Board implement procedures to ensure the purpose of each claim allowed is included in the Board’s official proceedings and published in accordance with State statute.

Claims Not Properly Approved

During testing of the Village’s claims, the APA identified the following debit card purchases, totaling \$1,118, which were paid but not included on the claims listing to be approved by the Board. Details of the unapproved payments are shown in the table below:

Name/Vendor	Transaction Date	Amount
Norton Software	10/8/2020	\$ 111
Econo Lodge	3/17/2021	\$ 121
Gotomypc.com	7/25/2021	\$ 886
Total		\$ 1,118

Additionally, the APA noted that all payroll checks tested and one Village debit card purchase, totaling \$2,801, were issued before the underlying claims were approved by the Board. The table below provides a summary of the premature payments:

Name/Vendor	Amount	Approval Date	Check/ Transaction Date	Days Paid Before Approval
Employee 1	\$ 736	10/19/2020	10/16/2020	3
Bomgaars	\$ 127	4/19/2021	4/1/2021	18
Employee 1	\$ 841	4/19/2021	4/16/2021	3
Employee 2	\$ 102	4/19/2021	4/16/2021	3
Employee 3	\$ 995	4/19/2021	4/16/2021	3
Total	\$ 2,801			

Neb. Rev. Stat. § 17-614(1) (Supp. 2021) sets out the proper method for the appropriation or payment of money by the Village, as follows:

All ordinances and resolutions or orders for the appropriation or payment of money shall require for their passage or adoption the concurrence of a majority of all members elected to the city council in a city of the second class or village board of trustees.

(Emphasis added.) 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 the loss or misuse 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.

Improper Payment of Sales Tax

The APA noted that the Village made improper payments of sales taxes, totaling \$53.97, on municipal purchases.

- The Village was charged \$7.77 for Nebraska and local option sale taxes on a payment to Bomgaars, a retail farm and ranch supply store, on April 1, 2021.
- The Village was charged \$46.20 for Nebraska sales tax on a payment to GoToMyPC on July 25, 2021.

Per Neb. Rev. Stat. § 77-2704.15(1)(a) (Reissue 2018), purchases made by the State, or its political subdivisions, are exempt from sales tax, as follows:

Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of purchases by the state, including public educational institutions recognized or established under the provisions of Chapter 85, or by any county, township, city, village . . .

Good internal controls require procedures to ensure that sales taxes are not paid on municipal purchases.

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

We recommend the Village implement procedures to ensure sales taxes are not paid on municipal purchases.

Lack of Adequate Documentation

The Village lacked sufficient documentation, including missing invoices and receipts, for the following debit card purchases:

- For one \$121.10 debit card purchase at Econo Lodge, the Village did not have adequate documentation on file.

- For one \$110.76 debit card purchase from Norton Software, the Village could not provide the receipt supporting the purchase.

Neb. Rev. Stat. § 13-610(4) (Reissue 2012) requires all purchases with a political subdivision's purchasing card to be supported by an itemized receipt, as follows:

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

(Emphasis added.) Good internal control requires procedures to ensure proper documentation is maintained for all disbursement transactions, including purchases made with the Village's purchasing card.

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

We recommend the Village implement procedures to ensure proper documentation is maintained for all disbursement transactions, including purchases made with the Village's purchasing card.

6. Impermissible Gratuity

During review of the January 18, 2021, Board meeting minutes, the APA noted that the Board approved payment of a \$150 bonus to the Village Clerk. This bonus was included in the Clerk's paycheck dated February 12, 2021, and, per the Clerk, this payment was in addition to her regular wages and was not for any work performed. Furthermore, the Village lacked a policy addressing extra compensation or bonus payments.

For the reasons set out below, the APA questions the constitutionality of this bonus payment.

Article III, § 19, of the Nebraska Constitution contains the following prohibition against gratuitous payments to public employees:

The Legislature shall never grant any extra compensation to any public officer, agent, or servant after the services have been rendered nor to any contractor after the contract has been entered into, except that retirement benefits of retired public officers and employees may be adjusted to reflect changes in the cost of living and wage levels that have occurred subsequent to the date of retirement.

According to the Nebraska Supreme Court, this constitutional prohibition is applicable to both the State and its many political subdivisions. Retired City Civilian Employees Club of City of Omaha v. City of Omaha Employees' Retirement System et al., 199 Neb. 507, 512, 260 N.W.2d 472, 475 (1977). Consequently, the Village is subject to the injunction against gratuities.

The Nebraska Attorney General has commented upon the prohibition in Article III, § 19, as follows:

[T]he purpose of state constitutional provisions such as Art. III, § 19 which prohibit extra compensation to public employees after services are rendered is to prevent payments in the nature of gratuities for past services.

Op. Att'y Gen. 95063 (Aug. 9, 1995). The Nebraska Attorney General (Attorney General) has summarized this constitutional provision by explaining, "Nebraska law generally requires work be performed in order for payment to be received." Op. Att'y Gen. 95071 (Sept. 13, 1995).

Based upon the information noted above, the APA questions whether the bonus payment was permissible – especially since the employee was already receiving their regular pay, and no additional work was performed for this additional payment.

Good internal control requires procedures to ensure that any payments, including bonuses and other forms of remuneration, to Village employees are both constitutionally permissible and made in strict accordance with any other applicable statutory provisions or grant agreement requirements.

Without such procedures, there is an increased risk of improper remittances being made.

We recommend the Village consult with the Village Attorney, the County Attorney, or the Nebraska Attorney General regarding the permissibility of giving supplementary pay or bonuses to public employees.

Village Overall Response: We do not see any fault with your findings. We are working to make the needed corrections pointed out in the findings.

* * * * *

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.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.

Sincerely,



Craig Kubicek, CPA, CFE
Deputy Auditor