

**AUDIT REPORT
OF THE
VILLAGE OF VERDIGRE**

OCTOBER 1, 2020, THROUGH SEPTEMBER 30, 2021

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Issued on March 25, 2022

VILLAGE OF VERDIGRE

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VILLAGE OF VERDIGRE

BACKGROUND

The Village of Verdigre (Village) is located in Knox 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:

- Dave Wickett, Chairperson (appointed Chairperson in June 2021)
- Ryan Vesely (started July 2021)
- Joshua Frazier (started December 2020)
- Joan Vakoc (started July 2021)
- Alex Bottolfsen (resigned October 2021)
- Jon Hansen (resigned December 2020)
- Deanna Fulton-Coles (resigned June 2021)
- Leroy Hollmann (resigned June 2021)

For the entire fiscal year 2021, the Clerk/Treasurer was Heidi Ruzicka. In August 2021, the Village hired Denise Burman as the Office Grant Manager.



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VILLAGE OF VERDIGRE

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Village of Verdigre, Nebraska

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities and business-type activities, each major fund, the aggregate remaining fund information, and the aggregate discretely presented component unit (Verdigre Library Foundation) of the Village of Verdigre (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.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Discretely Presented Component Unit – Verdigre Library Foundation	Unmodified
Discretely Presented Component Unit – Alpine Village Retirement Center	Adverse
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements do not include financial data for the Village’s legally separate component unit, Alpine Village Retirement Center. Accounting principles generally accepted in the United States of America require the financial data for that component unit to be reported with the financial data of the Village’s primary government unless the Village also issues financial statements for the financial reporting entity that include the financial data for its component units. The Village has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, net position, receipts, and disbursements of the government-wide financial statements has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit, Alpine Village Retirement Center, of the Village, as of September 30, 2021, or the change in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash-basis financial position of the governmental activities and business-type activities, each major fund, aggregate remaining fund information, and the aggregate discretely presented component unit (Verdigre Library Foundation) 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 21 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 23, 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 23, 2022

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 521,810	\$ 227,202	\$ 749,012	\$ 28,820
Cash on Hand with County Treasurer	13,353	-	13,353	-
Restricted Cash and Cash Equivalents	922,404	131,433	1,053,837	-
TOTAL ASSETS	\$ 1,457,567	\$ 358,635	\$ 1,816,202	\$ 28,820
NET POSITION				
Restricted for:				
Debt Service	58,701	131,433	190,134	-
Community Development	284,289	-	284,289	-
Street Projects and Maintenance	146,553	-	146,553	-
Park Improvements	103,241	-	103,241	-
Flood Relief	26,974	-	26,974	-
Disaster Support	38,428	-	38,428	-
Street and General Purposes	221,360	-	221,360	-
Coronavirus Relief and Assistance	46,636	-	46,636	-
Unrestricted	531,385	227,202	758,587	28,820
TOTAL NET POSITION	\$ 1,457,567	\$ 358,635	\$ 1,816,202	\$ 28,820

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

VILLAGE OF VERDIGRE
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			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Governmental Activities:								
General Government	\$ 69,034	\$ 3,204	\$ -	\$ -	\$ (65,830)	\$ -	\$ (65,830)	
Public Safety	102,326	37,651	-	-	(64,675)	-	(64,675)	
Public Works	411,359	-	412,207	41,000	41,848	-	41,848	
Culture and Recreation	114,716	8,033	-	-	(106,683)	-	(106,683)	
Community Development	4,819	-	-	-	(4,819)	-	(4,819)	
Debt Service	48,060	-	-	-	(48,060)	-	(48,060)	
Total Governmental Activities	750,314	48,888	412,207	41,000	(248,219)	-	(248,219)	
Business-Type Activities:								
Water	135,070	125,946	-	-	-	(9,124)	(9,124)	
Sewer	351,673	165,436	47,504	-	-	(138,733)	(138,733)	
Trash	130,736	75,002	-	-	-	(55,734)	(55,734)	
Total Business-Type Activities	617,479	366,384	47,504	-	-	(203,591)	(203,591)	
Total Primary Government	\$ 1,367,793	\$ 415,272	\$ 459,711	\$ 41,000	(248,219)	(203,591)	(451,810)	
Component Unit:								
Verdigre Library Foundation	\$ 1,535	\$ -	\$ -	\$ 5,911				\$ 4,376
General Receipts and Transfers:								
Taxes:								
Property Taxes - General Purposes					122,051	-	122,051	-
Property Taxes - Tax Increment Financing					6,606	-	6,606	-
Local Option Sales Taxes					120,287	-	120,287	-
Motor Vehicle Taxes					289	-	289	-
Franchise Taxes					3,201	-	3,201	-
Licenses and Permits					12,367	-	12,367	-
Grants and Contributions Not Restricted to								
Specific Programs					147,873	-	147,873	-
Loan Collections					13,858	-	13,858	-
Investment Income					5,221	2,807	8,028	84
Loan Proceeds					-	132,601	132,601	-
Other Miscellaneous Receipts					38,680	2,094	40,774	-
Transfers					(116,484)	116,484	-	-
Total General Receipts and Transfers					353,949	253,986	607,935	84
Increase (Decrease) in Net Position					105,730	50,395	156,125	4,460
Net Position - Beginning of Year					1,351,837	308,240	1,660,077	24,360
Net Position - End of Year					\$ 1,457,567	\$ 358,635	\$ 1,816,202	\$ 28,820

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

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

	General Fund	Street Fund	CDBG Fund	Sales Tax Fund	Nonmajor Funds	Total
ASSETS						
Cash and Cash Equivalents	\$ 275,583	\$ -	\$ -	\$ -	\$ 246,227	\$ 521,810
Cash on Hand with County Treasurer	9,575	600	-	-	3,178	13,353
Restricted Cash and Cash Equivalents	110,507	145,953	284,289	221,360	160,295	922,404
TOTAL ASSETS	\$ 395,665	\$ 146,553	\$ 284,289	\$ 221,360	\$ 409,700	\$ 1,457,567
FUND BALANCES						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 58,136	\$ 58,136
Restricted:						
Debt Service	-	-	-	-	58,701	58,701
Community Development	-	-	284,289	-	-	284,289
Street Projects and Maintenance	-	146,553	-	-	-	146,553
Park Improvements	45,105	-	-	-	-	45,105
Flood Relief	26,974	-	-	-	-	26,974
Disaster Support	38,428	-	-	-	-	38,428
Street and General Purposes	-	-	-	221,360	-	221,360
Coronavirus Relief and Assistance	-	-	-	-	46,636	46,636
Committed:						
Library	-	-	-	-	107,731	107,731
Rescue	-	-	-	-	136,115	136,115
Fire	-	-	-	-	2,381	2,381
Unassigned	285,158	-	-	-	-	285,158
TOTAL CASH BASIS FUND BALANCES	\$ 395,665	\$ 146,553	\$ 284,289	\$ 221,360	\$ 409,700	\$ 1,457,567

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

VILLAGE OF VERDIGRE
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	CDBG Fund	Sales Tax Fund	Nonmajor Funds	Total
RECEIPTS						
Taxes	\$ 76,649	\$ 58,751	\$ -	\$ 77,923	\$ 39,111	\$ 252,434
Intergovernmental	399,628	140,904	-	-	60,548	601,080
Charges for Services	8,875	-	-	29	39,984	48,888
Loan Collections	1,109	-	12,749	-	-	13,858
Licenses and Permits	12,292	-	-	75	-	12,367
Investment Income	1,637	10	1,729	-	1,845	5,221
Miscellaneous	19,145	1,799	-	-	17,736	38,680
TOTAL RECEIPTS	<u>519,335</u>	<u>201,464</u>	<u>14,478</u>	<u>78,027</u>	<u>159,224</u>	<u>972,528</u>
DISBURSEMENTS						
General Government	50,207	-	-	18,444	383	69,034
Public Safety	66,060	-	-	-	36,266	102,326
Public Works	270,347	141,012	-	-	-	411,359
Culture and Recreation	97,915	-	-	-	16,801	114,716
Community Development	1,557	-	3,262	-	-	4,819
Debt Service						
Principal	-	-	-	-	35,000	35,000
Interest	-	-	-	-	13,045	13,045
Fees and Penalties	-	-	-	-	15	15
TOTAL DISBURSEMENTS	<u>486,086</u>	<u>141,012</u>	<u>3,262</u>	<u>18,444</u>	<u>101,510</u>	<u>750,314</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>33,249</u>	<u>60,452</u>	<u>11,216</u>	<u>59,583</u>	<u>57,714</u>	<u>222,214</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	144,887	-	-	-	-	144,887
Transfers Out	(116,484)	-	(84,887)	(60,000)	-	(261,371)
TOTAL OTHER FINANCING SOURCES	<u>28,403</u>	<u>-</u>	<u>(84,887)</u>	<u>(60,000)</u>	<u>-</u>	<u>(116,484)</u>
Net Change in Cash Basis Fund Balances	<u>61,652</u>	<u>60,452</u>	<u>(73,671)</u>	<u>(417)</u>	<u>57,714</u>	<u>105,730</u>
CASH BASIS FUND BALANCES - BEGINNING	<u>334,013</u>	<u>86,101</u>	<u>357,960</u>	<u>221,777</u>	<u>351,986</u>	<u>1,351,837</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 395,665</u>	<u>\$ 146,553</u>	<u>\$ 284,289</u>	<u>\$ 221,360</u>	<u>\$ 409,700</u>	<u>\$ 1,457,567</u>

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Trash Fund</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 4,820	\$ 214,541	\$ 7,841	\$ 227,202
Restricted Cash and Cash Equivalents	-	131,433	-	131,433
TOTAL ASSETS	<u><u>\$ 4,820</u></u>	<u><u>\$ 345,974</u></u>	<u><u>\$ 7,841</u></u>	<u><u>\$ 358,635</u></u>
NET POSITION				
Restricted for Debt Service	-	131,433	-	131,433
Unrestricted	4,820	214,541	7,841	227,202
TOTAL NET POSITION	<u><u>\$ 4,820</u></u>	<u><u>\$ 345,974</u></u>	<u><u>\$ 7,841</u></u>	<u><u>\$ 358,635</u></u>

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

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

	Water Fund	Sewer Fund	Trash Fund	Total
RECEIPTS				
Charges for Services	\$ 125,946	\$ 165,436	\$ 75,002	\$ 366,384
Intergovernmental	-	47,504	-	47,504
Investment Income	538	2,218	51	2,807
Miscellaneous	1,939	30	125	2,094
TOTAL RECEIPTS	<u>128,423</u>	<u>215,188</u>	<u>75,178</u>	<u>418,789</u>
DISBURSEMENTS				
Personnel Services	33,411	31,131	32,636	97,178
Professional Fees	1,491	23,595	1,160	26,246
Materials and Supplies	4,615	16,448	4,458	25,521
Repairs and Maintenance	13,566	33,084	11,102	57,752
Utilities	1,660	9,089	1,999	12,748
Contracted Services	3,088	3,975	23,487	30,550
Cost of Goods Sold	75,538	-	-	75,538
Capital Outlay/Improvements	-	146,257	54,900	201,157
Miscellaneous	1,701	1,822	994	4,517
Debt Service				
Principal	-	79,851	-	79,851
Interest	-	4,579	-	4,579
Fees and Penalties	-	1,842	-	1,842
TOTAL DISBURSEMENTS	<u>135,070</u>	<u>351,673</u>	<u>130,736</u>	<u>617,479</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(6,647)</u>	<u>(136,485)</u>	<u>(55,558)</u>	<u>(198,690)</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	132,601	-	132,601
Transfers In	15,900	100,584	-	116,484
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>15,900</u>	<u>233,185</u>	<u>-</u>	<u>249,085</u>
Net Change in Net Position	<u>9,253</u>	<u>96,700</u>	<u>(55,558)</u>	<u>50,395</u>
NET POSITION - BEGINNING	<u>(4,433)</u>	<u>249,274</u>	<u>63,399</u>	<u>308,240</u>
NET POSITION - ENDING	<u>\$ 4,820</u>	<u>\$ 345,974</u>	<u>\$ 7,841</u>	<u>\$ 358,635</u>

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

VILLAGE OF VERDIGRE

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 Verdigre (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 Knox 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.

Component Units. These financial statements present the Village (the primary government) and the aggregate discretely presented component unit (Verdigre Library Foundation). The Alpine Village Retirement Center (Center) is also a component unit of the Village because of the significance of its operational and financial relationships with the Village. The financial statements do not include the data of the Center necessary for reporting in conformity with generally accepted accounting principles (GAAP). Complete financial statements of the Center can be obtained from the Center's administrative office.

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 and the aggregate discretely presented component unit (Verdigre Library Foundation), except for Alpine Village Retirement Center. 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 Village is reported separately from certain legally separate component units for which the primary government is financially accountable. The Statement of Net Position presents the Village's assets in two categories:

VILLAGE OF VERDIGRE

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

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. All remaining governmental funds are aggregated and reported as nonmajor 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.

CDBG Fund: The CDBG Fund is used to account for the Village's share of the Community Development Block Grant program and related expenditures.

Sales Tax Fund: The Sales Tax Fund is used to account for local sales taxes collected and remittance.

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

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

VILLAGE OF VERDIGRE

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Permanent Fund: The Permanent Fund is used to account for assets held by the Village pursuant to a trust agreement. The principal portion of this fund must remain intact, but the earnings may be used to achieve the objectives of the funds. The Village's Permanent Fund includes funds from the estate of Blanche E. Merritt. Interest must be used for maintenance and operation of the swimming pool at Wildwood Acres Park. Other donations in this fund were made by the Edward Pavlik estate and are to be used exclusively for park operations and maintenance.

Debt Service Fund: The Debt Service Fund accounts for the resources for, and the payment of, general long-term debt principal, interest, and related costs.

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.

Trash 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.

VILLAGE OF VERDIGRE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

C. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the 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.

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.

VILLAGE OF VERDIGRE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 \$1,057,615 of restricted net position, which is fully restricted by enabling legislation.

The restricted assets as of September 30, 2021, are as follows:

Fund	Governmental Activities	Business-Type Activities	Total
General Fund	\$ 110,507		\$ 110,507
Street Fund	\$ 146,553		\$ 146,553
CDBG Fund	\$ 284,289		\$ 284,289
Sales Tax Fund	\$ 221,360		\$ 221,360
Debt Service Fund	\$ 58,701		\$ 58,701
American Rescue Plan Act Fund	\$ 46,636		\$ 46,636
Permanent Fund	\$ 58,136		\$ 58,136
Sewer Fund		\$ 131,433	\$ 131,433
	\$ 926,182	\$ 131,433	\$ 1,057,615

The restricted net position, as reported on the government-wide statement, includes \$58,136 held in the Permanent Fund that is classified as non-spendable on the governmental fund financial statements.

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.

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.

VILLAGE OF VERDIGRE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

- 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.

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 Knox 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 1.5% 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).

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.

VILLAGE OF VERDIGRE

NOTES TO 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 \$1,816,202, including County Treasurer balances. The bank balance for all funds was \$1,812,749. For purposes of classifying categories of custodial risk, the bank balances of the Village’s deposits as of September 30, 2021, were not entirely insured or collateralized with securities held by the Village’s agent in the Village’s name. As of September 30, 2021, the Village had an uncollateralized balance of \$42,677.

3. **Employee Retirement Plan**

Beginning June 1, 2007, the Village started a retirement plan for its employees that earn at least \$5,000 during the prior two years. The plan calls for payments to be made by the Village into a Simple IRA account for each employee up to a maximum of 3% of the employee’s gross wage. The employee may also contribute within the limits set by the Internal Revenue Service. The amount contributed for fiscal year 2021 was \$10,281.

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.

5. **Interfund Transfers**

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

<i>Transfers In</i>	<i>Transfers Out</i>			<i>Totals</i>
	General Fund	Sales Tax Fund	CDBG Fund	
General		\$ 60,000	\$ 84,887	\$ 144,887
Sewer	\$ 100,584			\$ 100,584
Water	\$ 15,900			\$ 15,900
Totals	\$ 116,484	\$ 60,000	\$ 84,887	\$ 261,371

VILLAGE OF VERDIGRE

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. Long-Term Obligations

Bonds

Series 2017 General Obligation Various Purpose Bonds. The Village issued bonds on November 7, 2017, in the amount of \$560,000 for the purpose of paying the improvement costs of the Main Street and 4th Avenue TIF project. The bond payable balance as of September 30, 2021, was \$460,000. 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 will be used to pay off the bonds.

Fiscal Year	Principal	Interest	Total
2022	\$ 35,000.00	\$ 12,415.00	\$ 47,415.00
2023	35,000.00	11,785.00	46,785.00
2024	35,000.00	10,997.50	45,997.50
2025	35,000.00	10,052.50	45,052.50
2026	35,000.00	9,107.50	44,107.50
2027-2031	195,000.00	29,782.50	224,782.50
2032-2034	90,000.00	2,992.50	92,992.50
Total Payments	\$ 460,000.00	\$ 87,132.50	\$ 547,132.50

NDEQ Sewer Note 2004. The Village issued a sewer note on September 9, 2004, in the amount of \$112,211 for the purpose of paying the costs of a new sewer line project. The note payable balance as of September 30, 2021, was \$20,462. The Village has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of this note. Future tax resources will be used to pay off the note.

Fiscal Year	Principal	Interest	Admin Fees	Total
2022	\$ 6,652.02	\$ 470.24	\$ 188.10	\$ 7,310.36
2023	6,819.36	302.90	121.16	7,243.42
2024	6,991.02	131.36	52.55	7,174.93
Total Payments	\$ 20,462.40	\$ 904.50	\$ 361.81	\$ 21,728.71

NDEQ Sewer Note 2011. The Village issued a sewer note on July 8, 2011, in the amount of \$200,000 for the purpose of paying the costs of the Village's wastewater and lagoon project. The note payable balance as of September 30, 2021, was \$105,939. The Village has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of this note. Future tax resources will be used to pay off the note.

Fiscal Year	Principal	Interest	Admin Fees	Total
2022	\$ 10,418.46	\$ 3,100.62	\$ 1,033.54	\$ 14,552.62
2023	10,733.36	2,785.72	928.57	14,447.65
2024	11,057.77	2,461.31	820.44	14,339.52
2025	11,391.99	2,127.09	709.03	14,228.11
2026	11,736.31	1,782.77	594.26	14,113.34
2027-2030	50,601.45	3,474.92	1,158.30	55,234.67
Total Payments	\$ 105,939.34	\$ 15,732.43	\$ 5,244.14	\$ 126,915.91

VILLAGE OF VERDIGRE

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. **Long-Term Obligations** (Continued)

USDA GO Sewer Bonds Series 2011A. The Village issued bonds on February 4, 2011, in the amount of \$1,249,000 for the purpose of paying the costs of the Village’s wastewater and lagoon project. The bond payable balance as of September 30, 2021, was \$1,057,027. 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 will be used to pay off the bonds.

Fiscal Year	Principal	Interest	Total
2022	\$ 24,084.32	\$ 26,425.68	\$ 50,510.00
2023	24,686.43	25,823.57	50,510.00
2024	25,303.59	25,206.41	50,510.00
2025	25,936.18	24,573.82	50,510.00
2026	26,584.59	23,925.41	50,510.00
2027-2031	143,230.75	109,319.25	252,550.00
2032-2036	162,052.45	90,497.55	252,550.00
2037-2041	183,347.46	69,202.54	252,550.00
2042-2046	207,440.83	45,109.17	252,550.00
2047-2051	234,360.51	17,849.74	252,210.25
Total Payments	\$ 1,057,027.11	\$ 457,933.14	\$ 1,514,960.25

USDA GO Sewer Bonds Series 2011B. The Village issued bonds on February 4, 2011, in the amount of \$315,000 for the purpose of paying the costs of the Village’s wastewater and lagoon project. The bond payable balance as of September 30, 2021, was \$266,581. 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 will be used to pay off the bonds.

Fiscal Year	Principal	Interest	Total
2022	\$ 6,074.47	\$ 6,664.53	\$ 12,739.00
2023	6,226.33	6,512.67	12,739.00
2024	6,381.99	6,357.01	12,739.00
2025	6,541.54	6,197.46	12,739.00
2026	6,705.08	6,033.92	12,739.00
2027-2031	36,125.19	27,569.81	63,695.00
2032-2036	40,872.34	22,822.66	63,695.00
2037-2041	46,243.29	17,451.71	63,695.00
2042-2046	52,320.05	11,374.95	63,695.00
2047-2051	59,090.93	4,499.66	63,590.59
Total Payments	\$ 266,581.21	\$ 115,484.38	\$ 382,065.59

NDEQ Sewer Note 2019. The Village issued a sewer note on November 1, 2019, in the amount of \$108,010 for the purpose of paying the costs of sewer lagoon pivot project. On February 26, 2022, the Village amended the note to increase the amount to \$242,369. The note payable balance as of September 30, 2021, was \$242,369. The Village has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of this note. Future tax resources will be used to pay off the note.

VILLAGE OF VERDIGRE

NOTES TO FINANCIAL STATEMENTS

(Concluded)

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

Fiscal Year	Principal	Interest	Admin Fees	Total
2022	\$ 4,859.99	\$ 2,541.01	\$ 1,162.53	\$ 8,563.53
2023	11,576.51	1,173.09	1,173.09	13,922.69
2024	11,634.46	1,115.14	1,115.14	13,864.74
2025	11,692.70	1,056.90	1,056.90	13,806.50
2026	11,751.25	998.35	998.35	13,747.95
2027-2031	59,644.58	4,103.42	4,103.42	67,851.42
2032-2036	61,152.59	2,595.41	2,595.41	66,343.41
2037-2041	62,698.71	1,049.29	1,049.29	64,797.29
2042	7,358.21	18.40	18.40	7,395.01
Total Payments	\$ 242,369.00	\$ 14,651.01	\$ 13,272.53	\$ 270,292.54

7. **Interlocal Agreements**

The Village has the following interlocal agreements in effect as of September 30, 2021:

Parties to Agreement	Description
Knox County Sheriff	County provided law enforcement and jail facilities
Verdigre Volunteer Fire and Rescue Department	Fire protection and rescue services
Northeast Nebraska Economic Development District (NENEDD)	Membership/Member governmental entities can jointly use authority for economic development programs.

8. **CDBG Loans**

The Village has three business loans and three housing Community Development Block Grant (CDBG) loans with outstanding balances of \$26,917 and \$29,524, respectively, as of September 30, 2021. The Northeast Nebraska Economic Development District collects and remits the principal and interest payments monthly to the Village. Since the CDBG Fund is reported on the cash basis, note receivable balances are not presented in the financial statements.

9. **Tax Increment Financing**

The Village utilized tax increment financing (TIF) to assist in the Verdigre Redevelopment Project. The Village issued TIF indebtedness. This debt is a limited obligation of the Village, where revenues received by the Village, via the County Treasurer, are used to repay the debt up to 15 years or until the debt is paid off.

10. **Subsequent Events**

Management has evaluated subsequent events through March 23, 2022, the date on which the financial statements were available for issue.

VILLAGE OF VERDIGRE
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	\$ 128,391	\$ 128,657	\$ 266
Federal Receipts	4,000,000	454,921	(3,545,079)
State Motor Vehicle	6,276	16,701	10,425
State Highway Allocation	75,285	92,427	17,142
State Municipal Equalization	48,286	49,843	1,557
Other State Receipts	-	18,563	18,563
Local Motor Vehicle Tax	9,650	-	(9,650)
Local Option Sales Tax	101,000	120,287	19,287
Local In Lieu of Tax	15,830	11,669	(4,161)
Other Local Receipts	893,444	630,850	(262,594)
Transfers In Other Than Surplus	60,000	261,371	201,371
TOTAL RECEIPTS	<u>5,338,162</u>	<u>1,785,289</u>	<u>(3,552,873)</u>
DISBURSEMENTS			
General Government	38,540	69,034	(30,494)
Public Safety	111,093	102,326	8,767
Public Works - Streets	103,840	411,359	(307,519)
Culture and Recreation	94,875	114,716	(19,841)
Community Development	383,917	4,819	379,098
Capital Projects	4,000,000	-	4,000,000
Debt Service	48,045	48,060	(15)
Water	147,925	135,070	12,855
Sewer	593,160	351,673	241,487
Trash	74,529	130,736	(56,207)
Transfers Out Other Than Surplus	60,000	261,371	(201,371)
TOTAL DISBURSEMENTS	<u>\$ 5,655,924</u>	<u>1,629,164</u>	<u>\$ 4,026,760</u>
Net Change in Cash Basis Fund Balance		<u>156,125</u>	
CASH BASIS FUND BALANCE - BEGINNING		<u>1,660,077</u>	
CASH BASIS FUND BALANCE - ENDING		<u>\$ 1,816,202</u>	

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 VERDIGRE
**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 Verdigre, 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 and business-type activities, each major fund, the aggregate remaining fund information, and the aggregate discretely presented component unit (Verdigre Library Foundation) of the Village of Verdigre (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 23, 2022. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and do not include the financial data of the Alpine Village Retirement Center, a component unit of the Village.

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 23, 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 23, 2022



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March 23, 2022

Board of Trustees
Village of Verdigre, Nebraska

Dear Board of Trustees:

We have audited the basic financial statements of the Village of Verdigre (Village) for the fiscal year ended September 30, 2021, and have issued our report thereon dated March 23, 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 Verdigre (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 (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 an 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.
- As of September 30, 2021, the Village had \$176.85 in interest earned and posted to 10 certificates of deposits; however, as of February 11, 2022, this interest had yet to be recorded in the Village's accounting system, QuickBooks. Therefore, the Village failed to record this interest revenue in a timely manner.
- During the audit, the Village did not provide documentation to support that the Board approved the following fee types:

Type	Amount Collected in FY2021
Copies and Fines	\$ 2,296
Camping	\$ 10,082
Building & Zoning Permits	\$ 160
Well Registrations	\$ 100
Dog Licenses	\$ 35
Pool Fees	\$ 5,700
Library Book Sales	\$ 38
Water Meter Installation	\$ 1,590
Bad Check Fee	\$ 53
Total	\$ 20,054

- During our utility testing, we noted that the Village’s procedure was to round water usage down to the nearest 1,000 gallons. While this practice may be reasonable when applied consistently, the Board has not formally approved this procedure.
- During our inquiry about internal control procedures, we were informed that the Village does not prohibit holding checks unreceipted pending the issuance of receipts. Furthermore, the Village does not utilize prenumbered receipts, forms, or permits.
- The Village utilized a credit card during the fiscal year 2021, totaling \$19,455. During the audit, it was noted that the Village did not have a formal, written purchasing card policy that outlined procedures for safeguarding Village assets when using the Village card, including such allowable purchases and authorized individuals.
- The Village office maintained \$190 for cash on hand to use for making change; however, the Board has not approved these monies as an authorized petty cash fund to be held outside of an authorized depository. Furthermore, the APA was informed that the Village Library holds receipts back from the deposit to use for making change; however, the Village is unaware of how much is held by the Village Library.

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 Board approved all municipal fees; 4) the formal approval of utility procedures by the Board; 5) the prohibition against holding checks unreceipted pending issuance of receipts is prohibited, and the use of prenumbered permits, forms, and receipts to account for all money received; 6) the implementation of 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 7) the approval of all petty cash funds by the Board and the reconciliation of each such funds to the authorized amount.

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. We also recommend the Board implement procedures to ensure the following:

- An inventory policy that provides a threshold for when items should be added to the Village's inventory list;
- A policy to ensure that interest earned is receipted in a timely manner;
- Documentation to support that the Board approved all municipal fees;
- The formal approval of utility procedures by the Board;
- The prohibition against holding checks unreceipted pending issuance of receipts, and the use of prenumbered permits, forms, and receipts to account for all money received;
- The implementation of 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
- The approval of all petty cash funds by the Board and the reconciliation of each such fund to the authorized amount.

2. Fund Balances

During fiscal year 2021 and as of September 30, 2021, the Village was unable to provide a report to support the ending Village fund balances. The Village uses QuickBooks accounting software to record its financial activity and maintain its utility accounts for all accounts besides the Rescue Fund and Fire Department Fund accounts. QuickBooks was not designed for government fund accounting; therefore, the system did not track the cash balances for each of the Village's funds.

Each month, the Village Clerk/Treasurer presented the Board with a "financials" report, which was reviewed and approved monthly. This report contains a list of each bank account and the book balance for each account maintained by the Village besides the bank accounts for the Rescue and Fire Department funds. The Village does maintain bank accounts that also appear to be for separate funds. For example, the Village has five different bank accounts that appear to be for the Sewer Fund. As of September 30, 2021, the total book balance for these accounts of \$379,811 did not agree to the fund balance for the Sewer Fund of \$345,974, as reported in the audited financial statements. Differences were also noted for the CDBG, Water, and Trash funds. Furthermore, the report shows only the book balance for the general checking account, but this account contains pooled monies for the Street, Sales Tax, Debt Service, and ARPA funds. As a result, this "financials" report does not accurately reflect each individual fund's cash balance.

The Village does utilize the class function within QuickBooks as different departments and funds; therefore, the Village is able to record receipts and expenditures to different funds. However, when fund balances are not maintained or tracked, the Village is unable to provide accurate fund balances as of certain dates.

Good internal controls require procedures to ensure both the reporting and tracking of accurate fund balances to the Board for review of compliance with applicable State statutes, Federal regulations, and other agreements.

Without adequate procedures to ensure that the Village's fund balances are tracked and maintained, there is an increased risk for misuse of municipal funds and noncompliance with State statutes, Federal regulations, and other agreements.

We recommend the Village implement procedures to ensure individual Village funds are accurately tracked and reported to the Board on a monthly basis.

3. Incorrect Coding

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

- Local sales tax receipts (not including motor vehicle sales tax) were not allocated properly in accordance with Village ballot language. All local sales tax receipts (not including motor vehicle sales tax) for fiscal year 2021, totaling \$82,857, were coded to the Sales Tax Fund. During fiscal year 2021, the Village transferred \$60,000 from the Sales Tax Fund to the General Fund; however, this interfund transfer did not allocate the sales tax appropriately.

Furthermore, between March 1, 2021, and September 30, 2021, the Village received \$56,226 in local option sale taxes, which was recorded as revenue in the Sales Tax Fund. Of this amount, \$9,910 was motor vehicle sales taxes, which are restricted by Neb. Rev. Stat. § 39-2510 (Cum. Supp. 2020) for road and street purposes; however, these motor vehicle sales tax proceeds were not appropriately recorded as revenue in the Street Fund.

- Two of the Village’s quarterly sales tax remittances, totaling \$8,569, to the Nebraska Department of Revenue were incorrectly coded to a payable account rather than an expense account.
- All 12 payments from the Knox County Treasurer received during fiscal year 2021 included amounts that were coded incorrectly, as summarized below:

Type	Coding by Village	Correct Amount	Over/ (Under) Statement
Property Tax	\$ 112,163	\$ 111,474	\$ 689
Homestead Exemption	\$ 12,907	\$ 12,778	\$ 129
Interest	\$ 295	\$ -	\$ 295
Motor Vehicle Tax	\$ -	\$ 9,841	\$ (9,841)
Motor Vehicle Fee	\$ 9,841	\$ -	\$ 9,841
Motor Vehicle Pro-Rate	\$ 329	\$ 251	\$ 78
County Treasurer Commission	\$ (1,191)	\$ -	\$ (1,191)
Totals	\$ 134,344	\$ 134,344	\$ -

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 was coded to a County Treasurer commission expense account instead of being netted with the homestead exemption revenue. The interest on property tax was incorrectly coded as interest income instead of being coded as property tax revenue. All Motor Vehicle Tax was incorrectly coded as Motor Vehicle Fee. Property Taxes, totaling \$118, were incorrectly coded as Motor Vehicle Pro-Rate, and \$40 of Motor Vehicle Pro-Rate was incorrectly coded as Property Taxes.

- The Board did not approve an allocation method to split payroll costs between funds.

The original Village ballot language for local sales tax states the following: “[W]ith the proceeds of the same used as follows: (1) 30% for the construction, maintenance, or support of the swimming pool and parks; (2) 40% for street repair and improvement within the Village of Verdigre, and (3) 30% for the general fund.”

Neb. Rev. Stat. § 39-2510 (Cum. Supp. 2020) 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 procedures to ensure that all disbursements and receipts are coded correctly into the Village's accounting system. Good internal controls also require the Board to approve an allocation of payroll costs to ensure that payroll is split correctly between funds when such costs cannot easily be split between funds.

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 implement procedures to ensure that all disbursements and receipts are coded correctly into the Village's accounting system. We further recommend the Board approve a policy that ensures payroll costs are split correctly between funds.

4. Interfund Transfer Coding and Approval

During fiscal year 2021, we noted that the Village made 40 bank transfers, totaling \$201,371, which were also intended by the Board to be considered interfund transfers; however, for each of these transfers, the coding in QuickBooks was not correct. The Village only recorded an entry in QuickBooks to adjust the asset side (bank account balances), instead of also reflecting the fund transfer in and fund transfer out. As a result, the report that shows the revenues and disbursements by fund/class did not account for these interfund transfers. The financial statements have been adjusted for this miscoding.

Of the 40 bank transfers, the Village made monthly, automatic bank transfers from the general bank account (General Fund) to the bank accounts for the Sewer System Project (Sewer Fund), Sewer Lagoon Reserve Savings (Sewer Fund), and the Water Reserve Savings (Water Fund), totaling \$116,484. The APA was informed that it is the Board's intent to transfer general monies to these funds to commit the monies for those fund purposes; however, the Board failed to approve these interfund transfers.

The following table summarizes these interfund transfers:

Date	Amount	Transfer Out Fund	Transfer In Fund	Note
12/9/20	\$ 22,260	CDBG Fund	General Fund	Approved by the Board on October 12, 2020.
2/9/21	\$ 33,881	CDBG Fund	General Fund	Approved by the Board on February 8, 2020.
4/20/21	\$ 17,218	CDBG Fund	General Fund	Approved by the Board on April 12, 2021.
6/16/21	\$ 11,528	CDBG Fund	General Fund	Approved by the Board on June 14, 2021.
Monthly	\$ 100,584	General Fund	Sewer Fund	Not approved by the Board.
Monthly	\$ 15,900	General Fund	Water Fund	Not approved by the Board.
Total	\$ 201,371			

Sound accounting practices and good internal controls require procedures to ensure the following: 1) all fund activity, including interfund transfers, is appropriately recorded in the accounting records; and 2) all interfund transfers are formally approved by the Board, and such approval is documented in the Village’s meeting minutes.

Without such procedures, there is an increased risk of not only the Board not being fully apprised of the financial status of the Village’s funds but also the loss, theft, or misuse of Village money.

We recommend the Village implement procedures to ensure the following: 1) all fund activity, including interfund transfers, is appropriately recorded in the accounting records; and 2) all interfund transfers are formally approved by the Board, and such approval is documented in the Village’s meeting minutes.

5. Verdigre Volunteer Fire Department “Auxiliary” Accounts

During the audit, we noted that the Verdigre Volunteer Fire Department (Department) maintained three separate checking accounts and nine Certificate of Deposits (CD) that are potentially funded by the Village and the Verdigre Rural Fire District (District). Each of these accounts is under a Federal Tax Identification Number (FTIN) that is different than that of the Village or the District. The Department’s regular checking account, ending in XX0482, is considered to be funded by the Village; therefore, it was reflected as a Village fund in the fiscal year 2021 audit report, which reported an account balance of \$2,381 as of September 30, 2021.

However, the Department considers the remaining two checking accounts and the CDs to be its own “auxiliary” accounts, meaning that they do not constitute either Village bank accounts or funds.

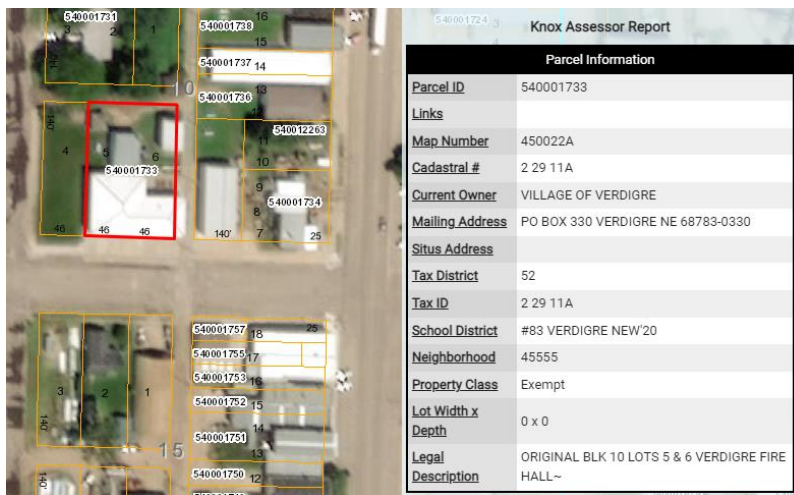
The following table summarizes the bank activity for these two bank accounts.

Account	10/1/2020 Beginning Balance	Deposits	Withdrawals	9/30/2021 Ending Balance
Checking XX0008	\$ 29,681.97	\$ 28,976.75	\$ 23,570.75	\$ 35,087.97
Checking XX0245	\$ 41,447.71	\$ 25,626.85	\$ 20,900.00	\$ 46,174.56
CD XX2105	\$ 3,052.80	\$ 4.59		\$ 3,057.39
CD XX2106	\$ 2,372.16	\$ 3.57		\$ 2,375.73
CD XX2363	\$ 17,740.09	\$ 26.62		\$ 17,766.71
CD XX2364	\$ 17,740.09	\$ 26.62		\$ 17,766.71
CD XX2365	\$ 17,740.09	\$ 26.62		\$ 17,766.71
CD XX2366	\$ 17,740.09	\$ 26.62		\$ 17,766.71
CD XX2367	\$ 17,740.09	\$ 26.62		\$ 17,766.71
CD XX2742	\$ 17,735.44	\$ 195.90		\$ 17,931.34
CD XX2247	\$ 21,519.87	\$ 53.85		\$ 21,573.72
Totals	\$ 204,510.40	\$ 54,994.61	\$ 44,470.75	\$ 215,034.26

The total deposits for the XX0008 checking account include a payment of \$15,000 from the District and a \$1,238 payment from the Village to cover costs related to a fire truck purchase and fire school, respectively.

As of the end of February 2022 (audit fieldwork), the Department did not have the necessary filings with the Nebraska Secretary of State to establish itself as a separate nonprofit entity.

Furthermore, per the Knox County Assessor’s GIS website, the Verdigre Fire Hall (parcel #540001733) is owned by the Village, as shown below:



The APA also reviewed the Nebraska Department of Motor Vehicle’s title and registration system and noted that the Department owns a 2002 Ford F250 Superduty, 2004 GMC C7500, 2005 Kenworth T300, and 2009 Ford F550 Superduty. The APA’s search revealed also that other fire operation vehicles appear to be owned by the Village or the District.

Given the Department’s potential use of Village property and equipment, it is unclear whether the accounts and CDs at issue are actually “trust” funds of the Department, as authorized by statute.

Nebraska law allows a volunteer fire or rescue department to establish its own trust fund. Specifically, Neb. Rev. Stat. § 35-901(2) (Reissue 2016) states the following:

Except as provided in subsection (4) of this section, each volunteer department may establish a volunteer department trust fund. All general donations or contributions, bequests, or annuities made to the volunteer department and all money raised by or for the volunteer department shall be deposited in the trust fund. The trust fund shall be under the control of the volunteer department, and the volunteer department may make expenditures from the trust fund as it deems necessary. The treasurer of the volunteer department shall be the custodian of the trust fund.

Subsection (3) of that same state adds the following:

The trust fund shall not be considered public funds or funds of any city, village, county, township, or rural or suburban fire protection district for any purpose, including the Nebraska Budget Act, nor shall any city, village, county, township, or rural or suburban fire protection district incur any liability solely by reason of any expenditure from such fund except liability for property when any city, village, county, township, or rural or suburban fire protection district receives title to property acquired with money from such fund.

However, subsection (4)(b) contains the following exception:

Funds, fees, or charges solicited, collected, or received by a volunteer department that are (i) in consequence of the performance of fire or rescue services by the volunteer department at a given place and time, (ii) accomplished through the use by the volunteer department of equipment owned by the taxing authority supporting such department and provided to the volunteer department for that purpose, and (iii) paid by or on behalf of the recipient of those services shall not be deposited in a trust fund authorized by this section. Such funds are public funds of the taxing authority supporting the volunteer department and are deemed to have been collected by the volunteer department as the agent of the taxing authority and are held by the department on its behalf. If such funds are in the possession of a volunteer department, the taxing authority shall cause all the books, accounts, records, vouchers, expenditures, and statements regarding such funds to be examined and independently audited at the expense of the taxing authority by a qualified professional auditor or the Auditor of Public Accounts for the immediately preceding five years.

(Emphasis added.) Per Neb. Rev. Stat. § 17-501 (Cum. Supp. 2020), moreover, villages are “bodies corporate and politic” and have the power “to acquire and hold real and personal property.” Neb. Rev. Stat. § 17-606(1) (Cum. Supp. 2020) designates the Village Treasurer as “the custodian of all money belonging to the . . . village,” directing him or her to “keep a separate account of each fund or appropriation and the debts and credits belonging thereto.”

Therefore, any money received by the Department for performing its duties while using Village or District equipment must be treated as public funds and remitted to the Village or the District, not deposited into a separate “trust” account.

Good internal controls require procedures to ensure that public funds are deposited with and used by the public entity to which they belong.

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

We recommend the Village work with the Department and District to determine the following: 1) the legal status of the Department; and 2) whether the monies held in the separate accounts at issue are Village or District funds or truly “trust” funds of the Department. If the monies are determined to belong to the Village, we recommend the Board implement procedures to ensure the funds are accounted for by the Village, treated as public monies, and handled in accordance with State statute.

6. Tax Increment Financing

In 2015, the Village utilized tax increment financing (TIF) for street infrastructure improvements on the following streets: 4th Avenue from Skyline Drive to Main St and Main Street from Quimby Avenue to 6th Street. Subsequently, the Village issued bonds on November 7, 2017, in the amount of \$560,000 for this TIF project.

The following summary was included in the 2021 TIF Project Report to the Legislature, which was prepared by the Nebraska Department of Revenue:

Project Name: TIF VERDIGRE REDEVL PROJ 1		Location: Parcel 540002111 Tracts Pt NWNW 9-30-6Parcel 540002106				
City: VERDIGRE	Project Date: 2015	Tract Com S Ln 4th Ave 9-30-6Parcel 540002110 Tract NWNW 9-30-6				
School: VERDIGRE 83R	TIF-ID#: 54-0953	Description: Infrastructure street improvements includes 4th Avenue from Skyline Drive to Main St and Main Street from Quimby Avenue to 6th Street.				
Project Years:	Project Type:					
	Year	Base Value	Excess Value	Tax Rate	TIF Base Tax	TIF Excess Tax
	2015	385,565	222,865	1.655377	6,382.55	3,689.26
	2016	385,565	256,050	1.6455	6,344.47	4,213.30
	2017	385,565	255,655	1.816519	7,003.86	4,644.02
	2018	385,565	255,655	1.860203	7,172.29	4,755.70
	2019	385,565	255,705	1.85233	7,141.94	4,736.50
	2020	385,565	334,160	1.99696	7,699.58	6,673.04
	2021	385,565	534,445	2.004646	7,729.21	10,713.74
				Total	49,473.90	39,425.56
Current Year	Base Value	Excess Value				
Residential	0	0				
Commercial	385,565	534,445				
Industrial	0	0				
Other	0	0				

During fiscal year 2021, the Village received \$3,472 in TIF property taxes from Knox County (County); however, the Village did not incur any expenses associated with the TIF project. As of September 30, 2021, the Village had received a total of \$17,177 in TIF property taxes from the County since the project’s inception. Nevertheless, \$3,134 in TIF property taxes collected by the County had yet to be remitted to the Village as of September 30, 2021.

The Village appears not to have used any of the TIF property taxes received to make debt service payments on the bonds issued in 2017 to finance this TIF project. Rather, the Village was using other tax proceeds to make debt service payments on the bond.

Neb. Rev. Stat. § 18-2147(1)(b) (Supp. 2021) requires the excess ad valorem taxes to “be used solely” for the payment of principal and interest in connection with the money advanced or indebtedness incurred.

In addition, the Village was unable to provide invoices or other documentation to support project expenses, the creation of a redevelopment plan or the performance of a cost-benefit analysis, and minutes documenting a public hearing for the redevelopment plan. Therefore, the APA could not test for this TIF project's compliance with the requirements of the governing Community Development Law, which is set out at Neb. Rev. Stat. §§ 18-2101 to 18-2155 (Reissue 2012, Cum. Supp. 2020, Supp. 2021). Such testing could have included, among other things, ensuring the following: 1) project expenditures were both allowable and greater than the indebtedness; 2) the area was properly declared substandard and blighted prior to the redevelopment plan; 3) a public hearing for the redevelopment plan was held; and 4) the redevelopment plan contained the required elements and was properly approved.

The Village has attempted to obtain the supporting documents needed to ensure full compliance with the Community Development Law. However, the Village was unable to obtain all the required items, and it appears unlikely that such documentation will become available. Because this project started in 2015, the APA does not anticipate that the Village will be able to obtain all the missing documents; however, action should be taken to ensure that such documentation exists for any future projects.

Good internal control requires procedures for the maintenance of proper documentation to ensure compliance with applicable provisions of the Community Development Law. Those same procedures should also ensure the proper use of ad valorem tax amounts.

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

We recommend the Village implement procedures for the maintenance of proper documentation to ensure compliance with applicable provisions of the Community Development Law. Those same procedures should also ensure the proper use of ad valorem tax amounts.

7. Bidding Procedures

During the audit, we noted that the Village failed to follow bidding requirements set out in State statute for the purchase of an Asphalt Hot Box, totaling \$36,874.

Neb. Rev. Stat. § 17-568.01(4) (Cum. Supp. 2020) states the following regarding equipment purchases used for street improvements:

Advertisements for bids shall be required for any contract costing over thirty thousand dollars entered into (a) for enlargement or general improvements, such as water extensions, sewers, public heating systems, bridges, work on streets, or any other work or improvement when the cost of such enlargement or improvement is assessed to the property, or (b) for the purchase of equipment used in the construction of such enlargement or general improvements.

(Emphasis added.) Good internal controls require procedures to ensure that bidding requirements are met for applicable Village purchases and contracts.

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

We recommend the Village implement procedures to ensure applicable Village purchases and contracts follow State statute bidding requirements.

8. Claim Issues

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

Lack of Proper Claim Approval

During the testing of the Village’s vendor and payroll claims, the APA identified the following checks, totaling \$130,638, which were paid but not included on the claims listing to be approved by the Board. Details of the unapproved payments are included in the table below:

Name/Vendor	Check Date	Amount
USDA	10/1/2020	\$ 50,510
Stepp MFG	10/1/2020	\$ 36,874
Ameritas Investment Corp.	11/12/2020	\$ 35,000
All Star Trailer	11/20/2020	\$ 4,110
Employee 1	11/25/2020	\$ 887
Employee 2	11/25/2020	\$ 840
Biblionix	11/30/2020	\$ 800
Employee 3	3/16/2021	\$ 819
Employee 4	3/31/2021	\$ 798
Total		\$ 130,638

Neb. Rev. Stat. § 17-614(1)(a) (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 not only noncompliance with State statute but also 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.

Lack of Dual Authorized Signatures

During testing, the APA noted that 21 of the Village checks tested were not signed by the Board Chairperson and the Village Clerk. Additionally, all the checks issued by the Verdigre Rescue Unit contained only one signature.

State statute requires Village checks to be signed by both the Board Chairperson and the Village Clerk. Specifically, Neb. Rev. Stat. § 17-711 (Cum. Supp. 2020) provides the following:

All warrants drawn upon the city treasurer of a city of the second class or village treasurer must be signed by the mayor or chairperson of the village board of trustees and countersigned by the city clerk or village clerk, stating the particular fund to which the same is chargeable, the person to whom payable, and for what particular object. No money shall be otherwise paid than upon such warrants so drawn. Each warrant shall specify the amount included in the adopted budget statement for such fund upon which it is drawn and the amount already expended of such fund.

Good internal control and sound accounting practices require procedures to ensure that Village checks contain the statutorily required endorsements.

Without such procedures, there is an increased risk of not only failure to comply with State statute but also the loss and/or misuse of Village funds.

We recommend the Board implement procedures to require dual signatures, from the Board Chairperson and the Village Clerk, on all Village checks, as required by law.

Lack of Adequate Documentation

The Village lacked sufficient documentation for the following purchases, including missing invoices and credit card receipts. The following was noted:

- For three credit card purchases from Adobe, totaling \$16.04 each, the Village did not have adequate documentation on file.
- For one \$1,238 payment to the Verdigre Volunteer Fire Department, the Village did not have adequate documentation on file for seven meal reimbursements, two gas reimbursements, and one hotel reimbursement.
- For one \$4,110 purchase of a trailer for a gator from All Star Trailer by the Verdigre Rescue Unit, the Village was unable to provide documentation to support the purchase.
- The Village makes monthly payments to the Alpine Village Retirement Center for employee health insurance. The Village was unable to provide adequate documentation to support how the disbursement amounts were calculated.

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.

9. Payroll Procedure Issues

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

Payroll Approval Process

In addition to the Board's lack of approval for certain payroll expenditures, as addressed in **Comment and Recommendation Number 8** herein, the APA noted that the Village failed to follow its normal payroll process for one paycheck on December 9, 2020, totaling \$694, as described below.

During the APA's inquiry into controls over municipal payroll, the APA was informed that the Village's normal process is for the Clerk, two Board members, and the employee to sign off on the employee's timesheet prior to payroll being entered into the accounting system, processed, and paid.

The APA was made aware of one timesheet for November 21, 2020, to December 4, 2020, that was signed by only the employee on December 7, 2020, and one Board member on December 8, 2020. The APA was informed that the Clerk did not sign off on the timesheet because she questioned the hours reported thereon. It is unclear why another Board member did not sign off on the timesheet.

On December 9, 2020, the employee was paid for the hours reported on the questioned timesheet. Subsequent to this paycheck, the Board supposedly approved Village claims, including this paycheck, on December 14, 2020. However, the APA questions if this paycheck was approved by the Board, as the claims listing attached to the December 14, 2020, meeting minutes, which includes this paycheck, was run the next morning on December 15th at 11:13AM. Furthermore, it is unclear if there was any Board action or resolution regarding the questioned hours, as no such discussion was noted in the Board meeting minutes.

Neb. Rev. Stat. § 17-614(1)(a) (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 the following: 1) Village payroll processes are followed, and any discrepancies or concerns are adequately addressed by the Board; and 2) all claims, including payroll 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 Village implement procedures to ensure the following: 1) Village payroll processes are followed, and any discrepancies or concerns are adequately addressed by the Board; and 2) all claims, including payroll 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.

Incorrect Withholdings

For two employees tested, exemptions and additional tax withholdings used to calculate the withholdings on the pay stubs differed from those listed on the Internal Revenue Service (IRS) Form W-4 on file. The following table summarizes the differences between the pay stub and the Form W-4 for each employee:

Description	Employee 1		Employee 2	
	Pay Stub	Form W-4	Pay Stub	Form W-4
Marital Status	Married	Married	Married	Single
Exemptions	1	0	0	3
Additional Federal Withholding	\$ -	\$ -	\$ 15	\$ 15
Additional State Withholding	\$ -	\$ -	\$ 5	\$ -

The following table summarizes the tax withholding impact due to these errors:

Description/Tax	Employee 1			Employee 2		
	APA Calculation	Actual Withholding	Difference	APA Calculation	Actual Withholding	Difference
Federal Income Tax	\$ 47.86	\$ 31.00	\$ (16.86)	\$ 103.70	\$ 118.00	\$ 14.30
State Income Tax	\$ 20.43	\$ 18.01	\$ (2.42)	\$ 46.59	\$ 48.68	\$ 2.09
Total	\$ 68.29	\$ 49.01	\$ (19.28)	\$ 150.29	\$ 166.68	\$ 16.39

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 an increased risk of a potential liability against the Village or employees when 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.

Other Payroll Issues

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

- For one employee tested, the Village did not have an Employment Eligibility Verification Form I-9 (Form I-9) on file. Form I-9 is completed by employees in order to verify the identity and employment authorization of individuals hired for employment in the United States.
- The hours paid on the pay stub for one employee did not agree to the hours listed on the employee's timesheet. The timesheet showed that the employee worked 90.25 hours during the pay period; however, the employee was paid for 90 hours and 25 minutes. This error resulted in the employee's gross wages being overpaid by \$3.

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 that mandatory employment verification forms are maintained for all Village employees, and employees are paid for the correct number of hours worked.

Without such procedures, there an increased risk for not only noncompliance with applicable Federal regulations but also loss or misuse of Village funds.

We recommend the Village implement procedures to ensure required employment verification forms are maintained for all Village employees, and employees are paid for the correct number of hours worked.

10. Insufficient Pledged Collateral

As of September 30, 2021, we noted that the Village did not maintain sufficient securities to cover deposits fully at one financial institution. For this bank, the Village had an uncollateralized balance of \$42,677 as of September 30, 2021.

Neb. Rev. Stat. § 77-2395(1) (Supp. 2021) states, in relevant part, the following:

[T]he custodial official shall not have on deposit in such depository any public money or public funds in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation, unless and until the depository has provided a deposit guaranty bond or furnished securities, or any combination thereof, to the custodial official, and the total value of such deposit guaranty bond and the market value of such securities are in an amount not less than one hundred two percent of the amount on deposit which is in excess of the amount so insured or guaranteed.

Furthermore, sound accounting practices and a good internal control plan require procedures to ensure that public funds deposited in banks are fully protected by Federal Deposit Insurance Corporation (FDIC) coverage or adequately collateralized, and such security is properly documented.

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

We recommend the Village implement procedures for monitoring closely all municipal bank accounts to ensure they are properly secured, by either sufficient FDIC coverage or adequate collateral, and documentation of such security is maintained.

11. Donation

During our review of the minutes for the Board’s meeting on February 8, 2021, we noted that the Village approved a \$50 “donation” to the “Verdigre Post Prom.”

The following is the relevant excerpt from those meeting minutes:

Motion by Frazier to approve donation of \$50 to the Verdigre Post Prom, 2nd by Bottolfsen, roll call in favor-Frazier, Bottolfsen, Fulton-Coles, Wickett, Hollmann

The Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. §§ 13-2201 to 13-2204 (Reissue 2012, Cum. Supp. 2020), specifies various expenditures, aside from those otherwise authorized by law, that constitute allowable uses of public funds by designated political subdivisions. The provisions of the Act are made applicable to Villages, among numerous other public entities, by both subsections (2) and (3) of Neb. Rev. Stat. § 13-2202 (Cum. Supp. 2020).

Neb. Rev. Stat. § 13-2203 (Cum. Supp. 2020) of the Act enumerates the miscellaneous expenditures permitted by governing bodies of local governments. Donation payments are not found among that select statutory list of permissible expenditures (nor among other expenditures expressly authorized by statute). As a result, such disbursements must be considered disallowed by law.

Good internal control requires procedures to ensure compliance with the provisions of the Act.

Without such procedures, there is an increased risk for not only noncompliance with applicable statutory requirements but also loss or misuse of Village funds.

We recommend the Board implement procedures to ensure all Village purchases are allowable under State statute, including the provisions of the Act.

12. Nebraska Accountability and Disclosure Commission C-4 Form Not on File

During our audit, we noted that the Village employed a Library Director, who also supervised an immediate family member; however, the Nebraska Accountability and Disclosure Commission (NADC) C-4 Form, “Employment of Immediate Family Member,” or other written disclosure, was not on file with the Village.

Neb. Rev. Stat. § 49-1499.04(1) (Reissue 2021) of the Nebraska Political Accountability and Disclosure Act (Act), which is set out at Neb. Rev. Stat. §§ 49-1401 to 49-14,142 (Reissue 2021), states the following:

An official or employee of a political subdivision may employ or recommend or supervise the employment of an immediate family member if (a) he or she does not abuse his or her official position as described in section 49-1499.05, (b) he or she makes a full disclosure on the record to the governing body of the political subdivision and a written disclosure to the person in charge of keeping records for the governing body, and (c) the governing body of the political subdivision approves the employment or supervisory position.

(Emphasis added.) Section I, “Who Must File,” of the General Information – Filing Requirements on the NADC C-4 Form states the following, in relevant part:

A. Public officials and employees employing, recommending employment, or supervising the employment of an immediate family member must make a disclosure to the person in charge of keeping records for the governing body of the entity.

The General Information – Filing Requirements on the NADC C-4 Form provides the following definitions for “Immediate Family Member” and “Public Employee,” as found in Neb. Rev. Stat. § 49-1425 (Reissue 2021) and Neb. Rev. Stat. § 49-1442 (Reissue 2021) of the Act, respectively:

***Immediate Family Member** means a child residing in an individual’s household, a spouse of an individual, or an individual claimed by the public official or employee or his or her spouse as a dependent for federal income tax purposes.*

***Public employee** means an employee of the state or a political subdivision thereof.*

Good internal controls require procedures to ensure that the required disclosure is made when a Village official or employee hires, recommends hiring, or supervises an immediate family member.

Without such procedures, there is an increased risk of not only noncompliance with State statute but also loss, misuse, or theft of Village Funds.

We recommend the Village implement procedures to ensure an NADC C-4 Form, or other written disclosure, is on file for any Village official or employee who hires, recommends hiring, or supervises an immediate family member, as required by the Act.

13. Meeting Minutes Affidavit of Publication Not on File

During the audit, the APA requested the affidavits of publication for the minutes of five different Board meetings. The Village did not have any of the requested affidavits of publication on file. As a result, the APA was unable to verify whether publication of the Board’s “official proceedings,” including details of all approved claims, occurred in accordance with State statute, and were published within 30 days.

Neb. Rev. Stat. § 19-1102 (Cum. Supp. 2020) requires the publication of the “official proceedings” of all Board meetings, 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 “official proceedings” of all Board meetings, including details of all approved claims, are published, per State statute, within 30 days of the meeting.

Without such procedures, there is an increased risk for not only noncompliance with State law but also a lack of transparency regarding public affairs generally and the expenditure of public funds specifically.

We recommend the Village implement procedures to ensure that the “official proceedings” of all Board meetings, including details of all approved claims, are published, per State statute, within 30 days of the meeting.

Village Overall Response: The Clerk has started to make the suggested corrections and will continue to try to complete them in a timely manner. Your help in doing so when needed will be greatly appreciated.

* * * * *

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