

**AUDIT REPORT
OF THE
VILLAGE OF VERDIGRE**

OCTOBER 1, 2021, THROUGH SEPTEMBER 30, 2022

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Issued on March 20, 2023

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 governing 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 (resigned January 2022)
- Joan Vakoc (started July 2021)
- Alex Bottolfsen (resigned October 2021)
- Cole Sokol (started December 2021)
- Nolan Sucha (Started July 2022)

For the entire fiscal year 2022, the Clerk/Treasurer was Heidi Ruzicka, and Denise Burman was 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 Audit of Financial Statements

Adverse and Unmodified Opinions

We have audited the cash-basis financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit (Verdigre Library Foundation) of the Village of Verdigre (Village), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
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

Adverse Opinion on Discretely Presented Component Unit – Alpine Village Retirement Center

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, 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, 2022, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, Business-Type Activities, Discretely Presented Component Unit – Verdigre Library Foundation, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, business-type activities, Discretely Presented Component Unit – Verdigre Library Foundation, each major fund, and the aggregate remaining fund information of the Village of Verdigre, as of September 30, 2022, and the respective changes in cash-basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matters Giving Rise to Adverse Opinion on the Discretely Presented Component Unit – Alpine Village Retirement Center

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.

Emphasis of Matter – Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining nonmajor governmental fund financial statement and budgetary comparison information, pages 21-22, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dakota Christensen, CPA, CISA, CFE
Audit Manager
Lincoln, Nebraska

March 11, 2023

VILLAGE OF VERDIGRE
STATEMENT OF NET POSITION - CASH BASIS
September 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 365,505	\$ 325,351	\$ 690,856	\$ 27,755
Cash on Hand with County Treasurer	6,138	-	6,138	-
Restricted Cash and Cash Equivalents	1,101,341	86,057	1,187,398	-
TOTAL ASSETS	\$ 1,472,984	\$ 411,408	\$ 1,884,392	\$ 27,755
NET POSITION				
Restricted for:				
Debt Service	96,668	86,057	182,725	-
Community Development	295,699	-	295,699	-
Street Projects and Maintenance	253,896	-	253,896	-
Park and Pool Improvements	70,831	-	70,831	-
Flood Relief	26,974	-	26,974	-
Disaster Support	39,008	-	39,008	-
Street and General Purposes	219,807	-	219,807	-
Federal Relief	67,794	-	67,794	-
Permanent (Blanche Merritt) Fund - Nonexpendable	32,774	-	32,774	-
Unrestricted	369,533	325,351	694,884	27,755
TOTAL NET POSITION	\$ 1,472,984	\$ 411,408	\$ 1,884,392	\$ 27,755

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, 2022

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			
					Governmental Activities	Business-Type Activities	Total	
Governmental Activities:								
General Government	\$ 104,666	\$ 3,638	\$ -	\$ -	\$ (101,028)	\$ -	\$ (101,028)	
Public Safety	108,433	50,164	-	-	(58,269)	-	(58,269)	
Public Works	264,771	-	190,590	-	(74,181)	-	(74,181)	
Culture and Recreation	123,301	6,979	14,202	-	(102,120)	-	(102,120)	
Community Development	4,104	-	-	-	(4,104)	-	(4,104)	
Debt Service	47,460	-	-	-	(47,460)	-	(47,460)	
Total Governmental Activities	652,735	60,781	204,792	-	(387,162)	-	(387,162)	
Business-Type Activities:								
Water	132,637	125,952	-	-	-	(6,685)	(6,685)	
Sewer	325,165	162,167	-	-	-	(162,998)	(162,998)	
Trash	71,313	78,619	-	-	-	7,306	7,306	
Total Business-Type Activities	529,115	366,738	-	-	-	(162,377)	(162,377)	
Total Primary Government	\$ 1,181,850	\$ 427,519	\$ 204,792	\$ -	(387,162)	(162,377)	(549,539)	
Component Unit:								
Verdigre Library Foundation	\$ 7,635	\$ -	\$ -	\$ 6,530				\$ (1,105)
General Receipts and Transfers:								
Taxes:								
Property Taxes - General Purposes					131,905	-	131,905	-
Property Taxes - Tax Increment Financing					10,322	-	10,322	-
Local Option Sales Taxes					128,956	-	128,956	-
Motor Vehicle Taxes					10,912	-	10,912	-
Franchise Taxes					3,510	-	3,510	-
Occupation Taxes					900	-	900	-
Licenses and Permits					7,653	-	7,653	-
Grants and Contributions Not Restricted to								
Specific Programs					152,019	-	152,019	-
Loan Collections					22,497	-	22,497	-
Investment Income					6,695	225	6,920	40
Insurance Proceeds					13,497	95,700	109,197	-
Other Miscellaneous Receipts					30,197	2,741	32,938	-
Transfers					(116,484)	116,484	-	-
Total General Receipts and Transfers					402,579	215,150	617,729	40
Increase (Decrease) in Net Position					15,417	52,773	68,190	(1,065)
Net Position - Beginning of year					1,457,567	358,635	1,816,202	28,820
Net Position - End of year					\$ 1,472,984	\$ 411,408	\$ 1,884,392	\$ 27,755

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, 2022

	General Fund	Street Fund	CDBG Fund	Sales Tax Fund	Rescue Fund	Nonmajor Funds	Total
ASSETS							
Cash and Cash Equivalents	\$ 94,169	\$ -	\$ -	\$ -	\$ 164,998	\$ 106,338	\$ 365,505
Cash on Hand with County Treasurer	4,028	315	-	-	-	1,795	6,138
Restricted Cash and Cash Equivalents	111,270	253,581	295,699	219,807	-	220,984	1,101,341
TOTAL ASSETS	\$ 209,467	\$ 253,896	\$ 295,699	\$ 219,807	\$ 164,998	\$ 329,117	\$ 1,472,984
FUND BALANCES							
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,774	\$ 32,774
Restricted:							
Debt Service	-	-	-	-	-	96,668	96,668
Community Development	-	-	295,699	-	-	-	295,699
Street Projects and Maintenance	-	253,896	-	-	-	-	253,896
Park and Pool Improvements	45,288	-	-	-	-	25,543	70,831
Flood Relief	26,974	-	-	-	-	-	26,974
Disaster Support	39,008	-	-	-	-	-	39,008
Street and General Purposes	-	-	-	219,807	-	-	219,807
Federal Relief	-	-	-	-	-	67,794	67,794
Committed:							
Library	-	-	-	-	-	102,889	102,889
Rescue	-	-	-	-	164,998	-	164,998
Fire	-	-	-	-	-	3,449	3,449
Unassigned	98,197	-	-	-	-	-	98,197
TOTAL CASH BASIS FUND BALANCES	\$ 209,467	\$ 253,896	\$ 295,699	\$ 219,807	\$ 164,998	\$ 329,117	\$ 1,472,984

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, 2022

	General Fund	Street Fund	CDBG Fund	Sales Tax Fund	Rescue Fund	Nonmajor Funds	Total
RECEIPTS							
Taxes	\$ 153,127	\$ 66,172	\$ -	\$ 13,851	\$ -	\$ 53,355	\$ 286,505
Intergovernmental	186,441	94,294	-	-	-	76,076	356,811
Charges for Services	8,032	-	-	-	50,164	2,585	60,781
Loan Collections	-	-	22,497	-	-	-	22,497
Licenses and Permits	7,653	-	-	-	-	-	7,653
Investment Income	4,149	8	1,348	-	566	624	6,695
Miscellaneous	23,197	-	-	-	17,296	3,201	43,694
TOTAL RECEIPTS	382,599	160,474	23,845	13,851	68,026	135,841	784,636
DISBURSEMENTS							
General Government	63,784	-	-	15,404	-	25,478	104,666
Public Safety	65,711	-	-	-	39,143	3,579	108,433
Public Works	211,640	53,131	-	-	-	-	264,771
Culture and Recreation	94,456	-	-	-	-	28,845	123,301
Community Development	1,557	-	2,547	-	-	-	4,104
Debt Service							
Principal	-	-	-	-	-	35,000	35,000
Interest	-	-	-	-	-	12,415	12,415
Fees	-	-	-	-	-	45	45
TOTAL DISBURSEMENTS	437,148	53,131	2,547	15,404	39,143	105,362	652,735
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(54,549)	107,343	21,298	(1,553)	28,883	30,479	131,901
OTHER FINANCING SOURCES (USES)							
Transfers In	9,888	-	-	-	-	25,053	34,941
Transfers Out	(141,537)	-	(9,888)	-	-	-	(151,425)
TOTAL OTHER FINANCING SOURCES	(131,649)	-	(9,888)	-	-	25,053	(116,484)
Net Change in Cash Basis Fund Balances	(186,198)	107,343	11,410	(1,553)	28,883	55,532	15,417
CASH BASIS FUND BALANCES - BEGINNING	395,665	146,553	284,289	221,360	136,115	273,585	1,457,567
CASH BASIS FUND BALANCES - ENDING	\$ 209,467	\$ 253,896	\$ 295,699	\$ 219,807	\$ 164,998	\$ 329,117	\$ 1,472,984

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

VILLAGE OF VERDIGRE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - CASH BASIS
September 30, 2022

	Water Fund	Sewer Fund	Trash Fund	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 15,568	\$ 294,629	\$ 15,154	\$ 325,351
Restricted Cash and Cash Equivalents	-	86,057	-	86,057
TOTAL ASSETS	\$ 15,568	\$ 380,686	\$ 15,154	\$ 411,408
NET POSITION				
Restricted for Debt Service	\$ -	\$ 86,057	\$ -	\$ 86,057
Unrestricted	15,568	294,629	15,154	325,351
TOTAL NET POSITION	\$ 15,568	\$ 380,686	\$ 15,154	\$ 411,408

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, 2022

	Water Fund	Sewer Fund	Trash Fund	Total
RECEIPTS				
Charges for Services	\$ 125,952	\$ 162,167	\$ 78,619	\$ 366,738
Investment Income	124	94	7	225
Miscellaneous	1,409	97,032	-	98,441
TOTAL RECEIPTS	<u>127,485</u>	<u>259,293</u>	<u>78,626</u>	<u>465,404</u>
DISBURSEMENTS				
Personnel Services	33,913	30,055	32,073	96,041
Professional Fees	375	4,366	20	4,761
Materials and Supplies	2,378	20,010	6,159	28,547
Repairs and Maintenance	9,614	46,143	5,067	60,824
Utilities	1,549	9,934	1,961	13,444
Contracted Services	2,147	10,490	25,678	38,315
Cost of Goods Sold	81,883	-	-	81,883
Capital Outlay/Improvements	-	106,814	-	106,814
Miscellaneous	778	3,678	355	4,811
Debt Service				
Principal	-	53,493	-	53,493
Interest	-	37,798	-	37,798
Fees	-	2,384	-	2,384
TOTAL DISBURSEMENTS	<u>132,637</u>	<u>325,165</u>	<u>71,313</u>	<u>529,115</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(5,152)</u>	<u>(65,872)</u>	<u>7,313</u>	<u>(63,711)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	15,900	100,584	-	116,484
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>15,900</u>	<u>100,584</u>	<u>-</u>	<u>116,484</u>
Net Change in Net Position	<u>10,748</u>	<u>34,712</u>	<u>7,313</u>	<u>52,773</u>
NET POSITION - BEGINNING	<u>4,820</u>	<u>345,974</u>	<u>7,841</u>	<u>358,635</u>
NET POSITION - ENDING	<u>\$ 15,568</u>	<u>\$ 380,686</u>	<u>\$ 15,154</u>	<u>\$ 411,408</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, 2022

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 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 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 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

VILLAGE OF VERDIGRE

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

component units for which the primary government is financially accountable. The Statement of Net Position presents the Village's assets in two categories:

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

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 (CDBG) program and related expenditures.

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

Rescue Fund: The Rescue Fund is used to account for EMS billings and related rescue operations expenditures.

VILLAGE OF VERDIGRE

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

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.

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. These amounts 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.

VILLAGE OF VERDIGRE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

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

Restricted Net Position. When both restricted and unrestricted resources are available for use, it is the Village’s policy to use restricted resources first, then the unrestricted resources, as they are needed. Net position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$1,189,508 of restricted net position, which is fully restricted by enabling legislation. The restricted assets as of September 30, 2022, are as follows:

Fund	Governmental Activities	Business-Type Activities	Total
General Fund	\$ 111,270		\$ 111,270
Street Fund	\$ 253,896		\$ 253,896
CDBG Fund	\$ 295,699		\$ 295,699
Sales Tax Fund	\$ 219,807		\$ 219,807
Debt Service Fund	\$ 96,668		\$ 96,668
American Rescue Plan Act Fund	\$ 67,794		\$ 67,794
Permanent Fund	\$ 58,317		\$ 58,317
Sewer Fund		\$ 86,057	\$ 86,057
	\$ 1,103,451	\$ 86,057	\$ 1,189,508

The restricted net position, as reported on the government-wide statement, includes \$32,774 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.

VILLAGE OF VERDIGRE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

- 2) The budget is published with subsequent public hearings to obtain taxpayer comments.
- 3) Prior to September 30 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. 2022).

Interfund Transfers. Permanent reallocation of resources between funds of the reporting entity is classified as a transfer. 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

VILLAGE OF VERDIGRE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

certificates of deposit in excess of the FDIC limits are insured by collateral held by the pledging institution in the Village’s name.

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

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

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

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

At year end, the Village’s carrying amount of deposits was \$1,884,392, including County Treasurer balances. The bank balance for all funds was \$1,886,951. For purposes of classifying categories of custodial risk, the bank balances of the Village’s deposits as of September 30, 2022, were not entirely insured or collateralized with securities held by the Village’s agent in the Village’s name. As of September 30, 2022, the Village had an uncollateralized balance of \$25,581.

3. **Employee Retirement Plan**

Beginning June 1, 2007, the Village started a retirement plan for its employees that earned 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 2022 was \$9,964.

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, 2022, consisted of the following:

<i>Transfers In</i>	<i>Transfers Out</i>		
	General Fund	CDBG Fund	Totals
General Fund	\$	\$ 9,888	\$ 9,888
Fire Department Fund	1,323		1,323
Debt Service Fund	23,730		23,730
Sewer Fund	100,584		100,584
Water Fund	15,900		15,900
Totals	\$ 141,537	\$ 9,888	\$ 151,425

VILLAGE OF VERDIGRE

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. **Interfund Transfers** (Concluded)

The Village made a one-time transfer of \$23,730 from the General Fund to the Debt Service Fund to move previously collected tax increment financing (TIF) revenues to the appropriate fund.

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, 2022, was \$425,000. 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
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	35,000.00	8,162.50	43,162.50
2028-2032	205,000.00	23,858.75	228,858.75
2033	45,000.00	753.75	45,753.75
Total Payments	\$ 425,000.00	\$ 74,717.50	\$ 499,717.50

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, 2022, was \$13,810. 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
2023	\$ 6,819.36	\$ 302.90	\$ 121.16	\$ 7,243.42
2024	6,991.02	131.36	52.55	7,174.93
Total Payments	\$ 13,810.38	\$ 434.26	\$ 173.71	\$ 14,418.35

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, 2022, was \$95,521. 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
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	12,091.05	1,428.03	476.01	13,995.09
2028-2030	38,510.40	2,046.89	682.29	41,239.58
Total Payments	\$ 95,520.88	\$ 12,631.81	\$ 4,210.60	\$ 112,363.29

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, 2022, was \$1,032,943. 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
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	27,249.20	23,260.80	50,510.00
2028-2032	146,811.52	105,738.48	252,550.00
2033-2037	166,103.76	86,446.24	252,550.00
2038-2042	187,931.15	64,618.85	252,550.00
2043-2047	212,626.85	39,923.15	252,550.00
2048-2051	189,709.52	11,990.73	201,700.25
Total Payments	\$ 1,032,942.79	\$ 431,507.46	\$ 1,464,450.25

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, 2022, was \$260,507. 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
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	6,872.70	5,866.30	12,739.00
2028-2032	37,028.32	26,666.68	63,695.00
2033-2037	41,894.15	21,800.85	63,695.00
2038-2042	47,399.38	16,295.62	63,695.00
2043-2047	53,628.05	10,066.95	63,695.00
2048-2051	47,829.20	3,022.39	50,851.59
Total Payments	\$ 260,506.74	\$ 108,819.85	\$ 369,326.59

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, 2022, was \$237,509. 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
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	11,810.07	939.53	939.53	13,689.13
2028-2032	59,943.18	3,804.82	3,804.82	67,552.82
2033-2037	61,458.74	2,289.26	2,289.26	66,037.26
2038-2042	57,642.10	732.91	732.91	59,107.92
Total Payments	\$ 237,509.01	\$ 12,110.00	\$ 12,110.00	\$ 261,729.01

7. **Interlocal Agreements**

The Village has the following interlocal agreements in effect as of September 30, 2022:

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 are provided.
Northeast Nebraska Economic Development District (NENEDD)	Membership/Member governmental entities can jointly use authority for economic development programs.

8. **CDBG Loan**

The Village has two business loans and three housing Community Development Block Grant (CDBG) loans with outstanding balances of \$8,898 and \$25,098, respectively, as of September 30, 2022. 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. TIF revenues are receipted into the Debt Service Fund to repay the debt.

10. **Subsequent Events**

Management has evaluated subsequent events through March 11, 2023, 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 - TOTAL OF ALL FUNDS
For the Year Ended September 30, 2022

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS			
Property Taxes	\$ 140,293	\$ 142,227	\$ 1,934
Federal Receipts	949,883	164,660	(785,223)
State Motor Vehicle	6,550	6,682	132
State Highway Allocation	82,283	86,769	4,486
State Municipal Equalization	51,519	52,369	850
Other State Receipts	1,094,558	25,695	(1,068,863)
Local Motor Vehicle Tax	9,400	10,912	1,512
Local Option Sales Tax	105,000	128,956	23,956
Local In Lieu of Tax	1,020	13,939	12,919
Other Local Receipts	600,000	617,831	17,831
Transfers In Other Than Surplus	60,000	151,425	91,425
TOTAL RECEIPTS	3,100,506	1,401,465	(1,699,041)
DISBURSEMENTS			
General Government	570,379	104,666	465,713
Public Safety	125,000	108,433	16,567
Public Works - Streets	1,042,479	264,771	777,708
Culture and Recreation	190,455	123,301	67,154
Community Development	-	4,104	(4,104)
Debt Service	-	47,460	(47,460)
Water	1,543,566	132,637	1,410,929
Sewer	192,008	325,165	(133,157)
Trash	85,000	71,313	13,687
Transfers Out Other Than Surplus	60,000	151,425	(91,425)
TOTAL DISBURSEMENTS	\$ 3,808,887	1,333,275	\$ 2,475,612
Net Change in Cash Basis Fund Balance		68,190	
CASH BASIS FUND			
BALANCE - BEGINNING		1,816,202	
CASH BASIS FUND			
BALANCE - ENDING		\$ 1,884,392	

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.

VILLAGE OF VERDIGRE
SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

	Library Board Fund	American Rescue Plan Act Fund	Fire Department Fund	Debt Service Fund	Permanent (Blanche Merritt) Fund	Total Nonmajor Funds
RECEIPTS						
Taxes	\$ -	\$ -	\$ -	\$ 53,355	\$ -	\$ 53,355
Intergovernmental	19,815	46,636	1,323	8,302	-	76,076
Charges for Services	2,585	-	-	-	-	2,585
Investment Income	403	-	-	40	181	624
Miscellaneous	1,200	-	2,001	-	-	3,201
TOTAL RECEIPTS	<u>24,003</u>	<u>46,636</u>	<u>3,324</u>	<u>61,697</u>	<u>181</u>	<u>135,841</u>
DISBURSEMENTS						
General Government	-	25,478	-	-	-	25,478
Public Safety	-	-	3,579	-	-	3,579
Culture and Recreation	28,845	-	-	-	-	28,845
Debt Service:	-	-	-	-	-	-
Principal Payments	-	-	-	35,000	-	35,000
Interest	-	-	-	12,415	-	12,415
Fees	-	-	-	45	-	45
TOTAL DISBURSEMENTS	<u>28,845</u>	<u>25,478</u>	<u>3,579</u>	<u>47,460</u>	<u>-</u>	<u>105,362</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(4,842)</u>	<u>21,158</u>	<u>(255)</u>	<u>14,237</u>	<u>181</u>	<u>30,479</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	1,323	23,730	-	25,053
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>1,323</u>	<u>23,730</u>	<u>-</u>	<u>25,053</u>
Net Change in Fund Balances	<u>(4,842)</u>	<u>21,158</u>	<u>1,068</u>	<u>37,967</u>	<u>181</u>	<u>55,532</u>
FUND BALANCES - BEGINNING	<u>107,731</u>	<u>46,636</u>	<u>2,381</u>	<u>58,701</u>	<u>58,136</u>	<u>273,585</u>
FUND BALANCES - ENDING	<u>\$ 102,889</u>	<u>\$ 67,794</u>	<u>\$ 3,449</u>	<u>\$ 96,668</u>	<u>\$ 58,317</u>	<u>\$ 329,117</u>
FUND BALANCES:						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 32,774	\$ 32,774
Restricted:						
Debt Service	-	-	-	96,668	-	96,668
Park and Pool Improvements	-	-	-	-	25,543	25,543
Federal Relief	-	67,794	-	-	-	67,794
Committed:						
Library	102,889	-	-	-	-	102,889
Fire	-	-	3,449	-	-	3,449
TOTAL FUND BALANCES	<u>\$ 102,889</u>	<u>\$ 67,794</u>	<u>\$ 3,449</u>	<u>\$ 96,668</u>	<u>\$ 58,317</u>	<u>\$ 329,117</u>



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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, business-type activities, each major fund, the aggregate remaining fund information, and discretely presented component unit (Verdigre Library Foundation) of the Village of Verdigre (Village), as of and for the year ended September 30, 2022, 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 11, 2023. 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 Village.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the following deficiency in the Village's internal control 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 a limited number of personnel, an adequate segregation of duties may not be possible without additional cost.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Additional Items

We also noted certain matters that we reported to the management of the Village in a separate letter dated March 11, 2023.

Village's Response to Findings

The Village's response to the findings identified in our audit is described in the separate management letter. *Government Auditing Standards* require the auditor to perform limited procedures on the Village's response to the finding identified in our audit and described previously. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Dakota Christensen, CPA, CISA, CFE
Audit Manager
Lincoln, Nebraska

March 11, 2023



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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March 11, 2023

Board of Trustees
Village of Verdigre, Nebraska

Dear Trustees:

We have audited the basic financial statements of the Village of Verdigre (Verdigre) for the fiscal year ended September 30, 2022, and have issued our report thereon dated March 11, 2023. 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 utilized a credit card during the fiscal year 2022, making purchases with it totaling \$13,706. During the audit, it was noted that the Village did not have a formal, written purchasing card policy that outlined procedures – including specifics regarding allowable purchases and authorized users – for safeguarding Village assets when using the Village card.
- Four of the Village's certificates of deposits listed authorized signers who are no longer employees of the Village or members of the Board.
- 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.
- The Board did not approve an allocation method to split payroll costs between funds when certain employees have work hours that cannot be easily traced to specific departments or funds.

- During our inquiry about internal control procedures, we were informed that the Village does not utilize prenumbered receipts, forms, or permits.
- The Village office maintained \$190 in 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 approximately \$40 in cash on hand to use for making change or small purchases; however, the precise amount held by the Village Library is unknown. This petty cash fund had not been authorized by the Village Board or the Village Library Board.

Neb. Rev. Stat. § 13-610 (Reissue 2022) 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) 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; 2) procedures to ensure that the signature cards for all Village bank accounts and investments are kept current; 3) an inventory policy that provides a threshold for when items should be added to the Village’s inventory list; 4) approval of a formal method of allocating payroll costs to ensure that payroll is split correctly between funds when such costs cannot easily be split between funds; 5) the use of prenumbered receipts, forms, and permits to account for all money received; and 6) the approval of all petty cash funds by the Board and the reconciliation of each such fund to the authorized amount.

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

A similar issue was noted in the prior year’s report.

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:

- 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;
- Periodic reviews to ensure that signature cards for all Village bank accounts and investments are current;
- An inventory policy that provides a threshold for when items should be added to the Village’s inventory list;
- A method for allocating payroll costs between funds is approved by the Board;
- The use of prenumbered permits, forms, and receipts to account for all money received; 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 2022 and as of September 30, 2022, 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, 2022, the total book balance for these accounts of \$332,924 did not agree to the fund balance for the Sewer Fund of \$380,686, as reported in the audited financial statements. Differences were also noted for the Community Development Block Grant (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 American Rescue Plan Act (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 such procedures, there is an increased risk for misuse of municipal funds and noncompliance with State statutes, Federal regulations, and other agreements.

A similar issue was noted in the prior year's report.

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 and disbursements:

- One of the Village's quarterly sales tax remittances, totaling \$3,291, to the Nebraska Department of Revenue was incorrectly coded to a payable account. No expenditure was recorded in the accounting system.
- For all 12 payments from the Knox County Treasurer received during fiscal year 2022, the Motor Vehicle Tax, totaling \$10,553, was incorrectly coded as a Motor Vehicle Fee.
- During fiscal year 2022, the Village received \$92,813 for Local Option Sales Tax (not including Motor Vehicle Sales Tax). The Village received \$29,521 from October 2021 through January 2022; however, the Village incorrectly coded Local Option Sales Tax to the Sales Tax Fund instead of following the approved allocation in accordance with the Village ballot language. The correct allocation is as follows: \$17,712 to the General Fund (\$8,856 for Pool/Parks and \$8,856 for general purposes) and \$11,808 to the Street Fund.

- The Village received three American Rescue Plan Act (ARPA) grants during fiscal year 2022, totaling \$60,838. These were coded to the Grants & Scholarships revenue account rather than the Federal Grant revenue account in order to differentiate Federal grants from State and other local grants.
- Two bond payments, totaling \$63,249, were coded as principal paid rather than being split between principal and interest. As a result, \$33,090 of interest paid was incorrectly coded as principal paid.

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. 2022) 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.

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.

A similar issue was noted in the prior year’s report.

We recommend the Village implement procedures to ensure that all disbursements and receipts are coded correctly into the Village’s accounting system.

4. Rescue Unit Claims Issues

The Verdigre Volunteer Fire & Rescue Unit (Unit) is an unincorporated association of emergency personnel that provides rescue services to the Village. In doing so, this group of private volunteers is authorized to use an ambulance owned by the Village.

Neb. Rev. Stat. § 35-901(4)(b) (Reissue 2016) – which, per § 35-901(1) applies to any “volunteer fire department or volunteer first-aid, rescue, or emergency squad or volunteer fire company serving any city, village, county, township, or rural or suburban fire protection district” – says that money earned by the Unit through the use of municipal equipment belongs to the Village, as follows:

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 . . . 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.

(Emphasis added.) That same subsection of statute concludes with the following:

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.) During testing, we noted that the Unit has routinely deposited receipts constituting “public funds of the taxing authority,” as provided under § 35-901(4)(b) above, into a private bank account and retained exclusive custody and control of those monies.

The Unit has made numerous disbursements of the public funds at issue, all without the prior authorization of the Village Board. The Village Board began making post factum approvals of Unit expenses in April 2022; however, the Board members were provided with only a handwritten list of payments made by the Unit. The Board did not review detailed documentation to support what was actually purchased.

The Unit’s handling of Village funds earned through the use of municipal equipment is problematic in light of Neb. Rev. Stat. § 17-606(1) (Reissue 2022), which provides, in relevant part, the following:

The treasurer of each city of the second class or village shall be the custodian of all money belonging to the city or village. He or she shall keep a separate account of each fund or appropriation and the debts and credits belonging thereto.

Likewise, Neb. Rev. Stat. § 17-607(1) (Reissue 2022) states the following, as is relevant:

The treasurer of a city of the second class or village shall deposit, and at all times keep on deposit, for safekeeping, in banks, capital stock financial institutions, or qualifying mutual financial institutions of approved and responsible standing, all money collected, received, or held by him or her as city treasurer or village treasurer.

Additionally, the Unit’s unauthorized keeping of the Village’s funds conflicts with the process provided by law for the expenditure thereof. Neb. Rev. Stat. § 17-614(1)(a) (Reissue 2022) provides, in relevant part, the following:

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.) Neb. Rev. Stat. § 17-711 (Reissue 2022) says 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.

(Emphasis added.) Neb. Rev. Stat. § 17-714(1) (Reissue 2022) reads as follows:

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

(Emphasis added.) The Unit’s holding and expenditure of Village funds, including the lack of detailed information provided to the Village Board pertaining thereto, conflict not only with the lawful duties of certain municipal officials but also the statutory requirements for proper warrants and claims.

Of particular interest is the fact that some of the Unit’s disbursements of those public monies would be statutorily suspect even if made by the proper authorities, as follows:

- All Unit checks written during the fiscal year contained only one signature. As shown above, § 17-711 requires warrants to “be signed by the mayor or chairperson of the village board of trustees and countersigned by the city clerk or village clerk.” That same statute states also, “No money shall be otherwise paid than upon such warrants so drawn.”
- One check, for \$4,424, was written with no payee or date. Section 17-711 requires a warrant for the payment of Village funds to contain, among other things, “the person to whom payable.”
- It was noted that the Unit expended Village funds through multiple debit card transactions during fiscal year 2022. With the use of a debit card, the Unit increases its risk of unrecoverable loss of funds due to fraud because debit cards do not provide as much fraud protection as a credit card or other purchasing cards. Furthermore, the Unit was unable to provide a copy of a written purchasing card policy that outlined procedures – including specifics regarding allowable purchases and authorized users – for safeguarding assets when using a debit card. As explained in **Comment #1** (“Control Environment”) herein, Neb. Rev. Stat. § 13-610(4) (Reissue 2022) provides for the suspension of card privileges “in accordance with rules and regulations adopted and promulgated by the political subdivision.”
- One purchase made on Amazon.com in September 2022 included the payment of \$84 of Nebraska sales tax. Per Neb. Rev. Stat. § 77-2704.15(1)(a) (Cum. Supp. 2022), purchases made by specified public entities, including Villages, are exempt from Nebraska sales tax: “Sales and use taxes shall not be imposed on . . . purchases by . . . any . . . village”
- In December 2021, the Unit had a cash withdrawal of \$1,000. According to the Treasurer of the Unit, this cash was distributed to members of the Unit as Christmas bonuses. In addition to being questionable under Article III, § 19, of the Nebraska Constitution, which prohibits granting “any extra compensation to any public officer, agent, or servant after the services have been rendered,” such bonuses are not authorized by the Local Government Miscellaneous Expenditure Act (Act). Set out at Neb. Rev. Stat. § 13-2201 et seq. (Reissue 2022), the Act specifies various expenditures, aside from those otherwise authorized by law, that constitute allowable uses of public funds by designated political subdivisions, including Villages. Christmas bonuses are not included among the various expenditures of public funds permitted under the Act – or, for that matter, anywhere else in State statute.

Good internal controls require procedures to ensure that all Village funds, including those designated by § 35-901(4)(b) as a result to the Unit’s use of municipal equipment in the performance of its duties, are handled in strict accordance with State statute – meaning that, among other things, such monies should be remitted to the custody and control of the Village Treasurer and appropriated only as directed by the Village Board.

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

We recommend the Village and the Unit work together to implement procedures for ensuring all municipal funds, including those designated by § 35-901(4)(b) as a result to the Unit’s use of municipal equipment in the performance of its duties, are handled in strict accordance with State statute.

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

During our audit, we noted that one Village Board member supervised immediate family members; 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, Cum. Supp. 2022), 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.

A similar issue was noted in the prior year’s report.

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.

6. Payroll Procedure Issues

None of the employees enrolled in the Village's dental insurance plan, as part of the municipal cafeteria 125 plan, had the correct amount of payroll taxes, including Social Security, Medicare, and Federal and State income taxes withheld from their wages. These withholding errors occurred because dental insurance deductions for these employees were not established as pre-tax deductions in the Village's payroll system, which resulted in over-reporting and remitting of Social Security, Medicare, and Federal and State income taxes. Only two employees were enrolled in the Village's dental insurance plan during fiscal year 2022. For both workers, the over-withheld taxes amounted to \$14 for one bi-weekly pay period.

Internal Revenue Service (IRS) Publication 15 (Circular E) 2022, “Employer’s Tax Guide,” outlines an employer’s responsibility to withhold Federal income tax based on each employee’s specific circumstances, with each employer being responsible for complete and accurate recordkeeping. IRS Instructions for Form 941 (Employer’s Quarterly Federal Tax Return) require employers to report compensation and taxable wages, tips, and benefits paid to employees and compute Social Security, Medicare, and Federal withholdings and contributions based on those reported amounts.

Good internal controls require procedures to ensure that employee benefits are taxed correctly, and Social Security, Medicare, and Federal and State income taxes are withheld appropriately.

Without such procedures, there is an increased risk of withholding excess payroll taxes.

A similar issue was noted in the prior year’s report.

We recommend the Village implement procedures to ensure that certain payroll deductions, including dental insurance, are withheld correctly from gross pay, so payroll tax withholding amounts will be calculated properly.

7. 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 Street 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, which was prepared by the Nebraska Department of Revenue, was included in the 2022 TIF Project Report to the Legislature:

Project Name: TIF VERDIGRE REDEVL PROJ 1		Location: Parcel 540002111 Tracts Pt NWNW 9-30-6Parcel 540002106 Tract Com S Ln 4th Ave 9-30-6Parcel 540002110 Tract NWNW 9-30-6	
City: VERDIGRE	Project Date: 2015	Description: Infrastructure street improvements includes 4th Avenue from Skyline Drive to Main St and Main Street from Quimby Avenue to 6th Street.	
School: VERDIGRE 83R	TIF-ID#: 54-0953		
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
2022	385,565	534,445	1.98978	7,671.90	10,634.28
Total				57,145.80	50,059.84

Current Year	Base Value	Excess Value
Residential	0	0
Commercial	385,565	534,445
Industrial	0	0
Other	0	0

During fiscal year 2022, the Village received \$13,741 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, 2022, the Village had received a total of \$30,918 in TIF property taxes from the County since the project’s inception.

In April 2022, the Village transferred TIF property taxes, totaling \$23,730, from the General Fund into the Debt Service Fund. The Village also began coding all TIF property taxes received from the County to the Debt Service Fund.

The Village was unable to provide invoices or other documentation to support project expenses, the creation of a redevelopment plan, the performance of a cost-benefit analysis, or 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 2022). 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.

A similar issue was noted in the prior year's report.

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.

8. Incorrect Taxation of Residential Water Base Fee

The Village incorrectly charged a seven percent sales tax on all residential water base fees collected during fiscal year 2022. In total, the Village incorrectly collected \$2,372 of sales tax.

Neb. Rev. Stat. § 77-2704.68 (Cum. Supp. 2022) states the following:

Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of residential water service.

The "Frequently Asked Questions about Residential Water Service" page on the Nebraska Department of Revenue's website states the following:

Mandatory fees that are part of the gross receipts for providing residential water service are not subject to sales tax.

Good internal controls require procedures to ensure that utility billings are correctly taxed, if applicable, in accordance with State statute.

Without such procedures, there is an increased risk for the improper collection of sales taxes.

We recommend the Village implement procedures to ensure that utility billings are taxed correctly, as specified by State statute.

9. Lack of Adequate Supporting Documentation

The Village lacked proper supporting documentation for six disbursements tested, totaling \$20,506. Three of those six, totaling \$46, did not have any documentation; the other three, totaling \$20,460, had insufficient documentation.

Neb. Rev. Stat. § 17-714(1) (Reissue 2022) states the following:

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

Neb. Rev. Stat. § 13-610(4) (Reissue 2022) 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.

Good internal controls require procedures to ensure that all claims paid by the Village have adequate supporting documentation on file.

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

We recommend the Village implement procedures to ensure all claims paid by the Village have adequate supporting documentation on file.

10. Insufficient Pledged Collateral

As of September 30, 2022, we noted that the Village did not maintain securities to cover deposits fully at one financial institution. For this bank, the Village had an uncollateralized balance of \$25,581 as of September 30, 2022. Pledged securities are maintained for this account; however, the amount was insufficient as of September 30, 2022. Additionally, per the Village Clerk, the monthly pledged security reports were not obtained and reviewed to ensure that balances were adequately secured during the fiscal year 2022.

Neb. Rev. Stat. § 77-2395(1) (Cum. Supp. 2022) 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 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.

A similar issue was noted in the prior year's report.

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.

Village Overall Response: We would like your staff help with the fund balance report and to have instructions for Heidi to implement the report. We will try and move forward fixing other issues which include better coding practices.

* * * * *

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,

A handwritten signature in cursive script that reads "Dakota Christensen". The signature is written in black ink and is positioned above the printed name.

Dakota Christensen, CPA, CISA, CFE
Audit Manager