



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Jim Crawford, Chairperson
Village of Phillips
706 East Street
Phillips, NE 68865

Dear Chairperson Crawford:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Phillips (Village) for the fiscal year ending 2023. **That request has been approved.**

However, the Village's amount of disbursements for the fiscal year ending September 30, 2023, exceeded our normal threshold (\$500,000) for granting a waiver of the audit requirement. Disbursements for the fiscal year ended 2023, totaled \$858,944, which exceeds the normal audit waiver threshold. Additionally, we noted the budgeted expenditures for fiscal year 2024 are \$1,326,765. Due to the Village's submission of supporting documentation for one-time, low risk expenditures, that accounted for a percentage of the current year's expenditures, we were able to consider for this year, the Village's activity to be low enough to grant the audit waiver request.

However, if the September 30, 2024, fiscal year end disbursements are similar to or greater than the fiscal year 2023's expenditures or near the budgeted amount of expenditures, an audit of fiscal year end September 30, 2024, may be required. This information is only for your consideration of planning for fiscal year 2024 and forward.

Furthermore, budgeted Federal receipts for fiscal year 2024 are \$800,000. While the Nebraska Auditor of Public Accounts audit filing requirements have been waived for fiscal year 2023, as noted above, **the Village should be alert for and consider whether a "Federal Single Audit" may be required for the fiscal year ended September 30, 2024, or possibly in future years. Per Federal Requirements, when an entity expends \$750,000 or more of Federal dollars in a fiscal year, a "Federal Single Audit" is required. The Village should work with any Federal Agency, and/or State Agency passing through Federal dollars to the Village, to analyze the disbursements for the fiscal year ended 2024 and determine if those disbursements will relate as the underlying expense for any future Federal receipts/reimbursements.**

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Supp. 2023), the preliminary examination necessary to determine whether the audit waiver should be allowed or further audit work would be required, the APA noted certain internal control or compliance matters, or other operational issues, within the Village.

The following information is intended to improve internal controls or result in other operational efficiencies.

Comment and Recommendation

Expenditure in Excess of Budget

For the fiscal year ended September 30, 2023, actual Village expenditures exceeded the adopted budget by \$407,563, which was due to a larger sewer improvement project that took place during the fiscal year. No amended budget was filed with our office for these additional expenditures.

Neb. Rev. Stat. § 13-510 (Reissue 2022) states, in relevant part, the following:

No expenditure during any fiscal year or biennial period shall be made in excess of the amounts indicated in the adopted budget statement, except as authorized in section 13-511, or by state law. Any officer or officers of any governing body who obligates funds contrary to the provisions of this section shall be guilty of a Class V misdemeanor.

Neb. Rev. Stat. § 13-511 (Reissue 2022) sets out the procedures for amending the adopted budget accordingly.

When expenditures are made in excess of the amounts budgeted, with no appropriate budget amendment by the Board to address those excesses, the Village is noncompliant with State statute, further increasing the risk for loss and/or misuse of funds.

We recommend the Board implement procedures for monitoring closely its budget status on an ongoing basis to avoid incurring expenditures in excess of the amount budgeted, amending the budget as necessary to accommodate any unforeseen expenses.

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The preliminary planning work that resulted in this letter was designed primarily on a test basis and, therefore, may not bring to light all existing weaknesses in the Village’s policies or procedures. Nevertheless, our objective is to use the knowledge gained during the performance of that preliminary planning work to make comments and suggestions that we hope will prove useful to the Village.

This communication is intended solely for the information and use of the Village and its management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this letter is a matter of public record, and its distribution is not limited.

If you have any questions, please contact **Dakota Christensen at 402-499-8702 or dakota.christensen@nebraska.gov.**

Sincerely,



Mark Avery, CPA
Assistant Deputy Auditor