NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
Mike Foley
State Auditor
Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

November 5, 2025

Josh Reichman, Chairperson
Chappell Fire District 1
P.O. Box 182
Chappell, NE 69149

Dear Chairperson Reichman:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Chappell Fire District 1 (District) for the fiscal year ending 2025. **That request has been approved.**

However, the District's amount of disbursements for the fiscal year ending June 30, 2025, exceeded our normal threshold ($500,000) for granting a waiver of the audit requirement. Disbursements for the fiscal year ended 2025 totaled $984,384, which exceeds the normal audit waiver threshold. Additionally, we noted the budgeted expenditures for fiscal year 2026 are $793,035. Due to the District's submission of supporting documentation for one-time, low risk expenditures, that accounted for a significant percentage of the current year's expenditures, we were able to consider for this year, the District's activity to be low enough to grant the audit waiver request.

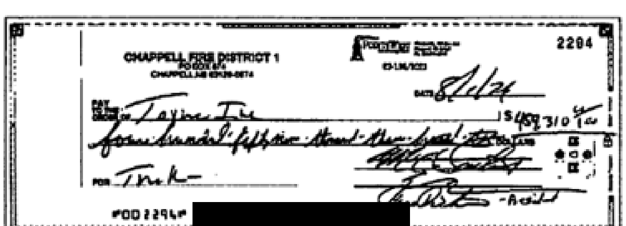
However, if the June 30, 2026, fiscal year end disbursements are similar to or greater than the fiscal year 2025's expenditures, or near the budgeted amount for disbursements, an audit of fiscal year end June 30, 2026, may be required. This information is only for your consideration of planning for fiscal year 2026 and forward.

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Supp. 2025), the preliminary examination necessary to determine whether further audit work would be required or the audit waiver should be allowed, the APA noted certain internal control or compliance matters, or other operational issues, within the District. The following information is intended to improve internal controls or result in other operational efficiencies.

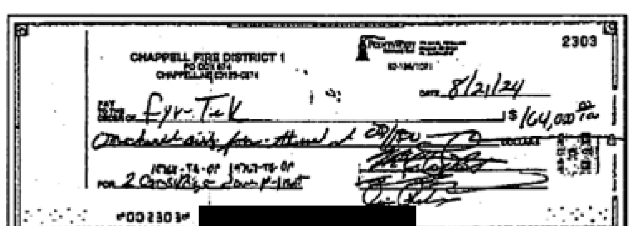
## Comment and Recommendation

### Down Payments on Truck Purchases

During our review of the bank statements accompanying the District's audit waiver request, the APA noted that the District issued two checks, totaling $623,310, in August 2024. Check #2294, totaling $459,310, was issued to Toyne Inc., a fire department equipment supplier located in Breda, Iowa. Check #2303, totaling $164,000, was issued to Fyr-Tek Inc., a fire department equipment supplier located in Gothenburg, Nebraska. Images of those checks are shown below:




#2294 08/14/2024 $459,310.00




#2303 08/27/2024 $164,000.00

The APA reviewed the purchase agreement for Toyne, Inc. and the invoices associated with the payment to Fyr-Tek, Inc. Both of these checks were issued as down payments on the vehicles and equipment ordered. For Toyne, Inc., the District made a prepayment of 80% of the total purchase price in order to obtain a discount of $30,780. For Fyr-Tek, Inc., the District made a down payment of 50% to lock in the price and avoid future price increases. According to a representative of the District, the completed truck and attached equipment is expected to be delivered in 2026.

While we recognize that these down payments were made in an effort to reduce spending of public funds, the District Board did not specifically approve such down payments prior to the issuance of the checks.

Neb. Rev. Stat. § 23-135 (Reissue 2022) restricts County governments from making advance payments for personal property unless the County Board approves those particular expenditures. In relevant part, § 23-135 states the following:

> *(1) All claims against a county shall be filed with the county clerk within ninety days from the time when any materials or labor, which form the basis of the claims, have been furnished or performed, except that . . . (b) payment may be approved as provided in subsection (2) of this section . . . .*
>
> *(2) A county board may by resolution, which resolution constitutes a claim pursuant to subsection (1) of section 23-1303, approve the payment for a particular piece of personal property prior to the receipt of such property by the county.*

Despite applying only to County governments, § 23-135 offers practical guidance for safeguarding District funds from waste and abuse – adherence to which would prove beneficial to the fiscal credibility of all public entities, regardless of technical legal status.

Good internal controls and sound business practices require procedures to ensure that payments are issued only after the property has been received or the District Board has formally authorized an advance payment. Without such procedures, there is an increased risk for the loss of District funds.

> We recommend the District implement procedures to ensure payments are issued only after the property has been received or the District Board has formally authorized an advance payment.

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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 District'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 District.

This communication is intended solely for the information and use of the District 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

Mark Avery, CPA
Assistant Deputy Auditor