



# 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

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Peter Kloeckner, Chairperson  
Village of South Bend  
202 Spruce Street  
PO Box 68  
South Bend, NE 68058

Dear Chairperson Kloeckner:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver requests received from the Village of South Bend (Village) for the fiscal years ending 2019 through 2025. **These requests have been approved.**

Although the Village submitted its fiscal year 2025 audit waiver request timely, as noted in **Comment and Recommendation Number 1** (“Audit Waiver Filings”), the Village’s fiscal years ended September 30, 2019, through 2024, audit waiver requests were not filed within the time constraints set by the APA to allow for an adequate timely review as well as the deadline set by State statute.

**To be considered for an audit waiver for the fiscal year ended September 30, 2026, the Village must file its audit waiver request by December 31, 2026. If the request is not filed by then, the APA may deny any requests thereafter, and the Village will be required to have an audit conducted for fiscal year 2026, which will be required to be filed with the APA by March 31, 2027.** Costs of such audit will be the responsibility of the Village.

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Reissue 2024), 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.

## **Comments and Recommendations**

### **1. Audit Waiver Filings**

The Village’s audit waiver requests for the fiscal years ended September 30, 2019, through 2024, were delinquently filed with the APA. The following table summarizes how many days each audit waiver was filed after the APA’s December 31 deadline.

Fiscal Year	Due Date	Date Filed	Days Late
2019	12/31/2019	8/25/2025	2,064
2020	12/31/2020	8/25/2025	1,698
2021	12/31/2021	8/25/2025	1,333
2022	12/31/2022	8/25/2025	968
2023	12/31/2023	8/25/2025	603
2024	12/31/2024	8/25/2025	237

To ensure adequate time to review the village waiver request, in lieu of a full financial statement audit, the APA requires all villages filing an audit waiver to have those filings submitted with the APA by December 31 of each year. As seen in the above table, the Village did not file its most delinquent audit waiver request until 2,064 days or over 5.5 years after it was required to be submitted to the APA on December 31, 2019.

Neb. Rev. Stat. § 19-2903 (Reissue 2022) states, in relevant part, the following:

*The municipal authorities of each municipality shall cause an audit of the municipality's accounts to be made by a recognized independent and qualified accountant as expeditiously as possible following the close of the fiscal year for such municipality and to cover all financial transactions and affairs of the municipality for such preceding fiscal year . . . . Such audit shall be completed and the annual audit report made by such accountant shall be submitted within six months after the close of the fiscal year in any event . . . . A village may request a waiver of the audit requirement subject to the requirements of subdivision (4) of section 84-304.*

(Emphasis added.) Furthermore, Neb. Rev. Stat. § 19-2905 (Reissue 2022) provides, in relevant part, the following:

*At least three copies of the annual audit report shall be properly signed and attested by the accountant, two copies shall be filed with the clerk of the municipality involved, and one copy shall be filed with the Auditor of Public Accounts.*

Good internal control requires procedures to ensure the forms required to be filed with the APA are submitted within the time constraints set out by State statute and by the APA.

Without such procedures, there is an increased risk of not only noncompliance with State statute but also an increased chance of the Village's audit waiver being denied or forfeited funds due to noncompliance of such filings.

We recommend the Village implement procedures to ensure forms required to be filed with the APA are submitted within the time constraints set out by the APA.

## 2. Potentially Disallowed and Questionable Payments

During the examination of the bank statements obtained from the Village's audit waiver requests for the period October 1, 2018, through September 30, 2025, the APA noted one potentially disallowed payment and one questionable payment made by the Village. Those payments are discussed in further detail below:

### ***Donation***

On May 22, 2020, the APA noted that the Village made a donation payment to the American Diabetes Association in memory of a former Board member for \$100, as shown below:



The Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. §§ 13-2201 to 13-2204 (Reissue 2022, Cum. Supp. 2024), specifies various expenditures, aside from those otherwise authorized by law, that constitute allowable uses of public funds by designated political subdivisions. The provisions of the Act are made applicable to Villages, among numerous other public entities, by both subsections (2) and (3) of Neb. Rev. Stat. § 13-2202 (Cum. Supp. 2024).

Neb. Rev. Stat. § 13-2203 (Reissue 2022) of the Act enumerates the miscellaneous expenditures permitted by governing bodies of local governments. Donations and purchases of flowers or similar items – whether for funerals, memorials, or other personal occasions – are not found among that select statutory list of permissible expenditures. Unless authorized elsewhere in State statute, therefore, such disbursements must be considered disallowed by law.

**Gift Card Purchase**

Similarly, the APA noted that the Village made a payment to the Clerk in the amount of \$50 to buy a gift card/certificate. A copy of the cleared check is provided below:



The APA questions whether the purchase of gift cards is a reasonable and necessary use of Village funds.

Good internal controls require procedures to ensure all Village expenditures are allowable, appropriate, reasonable, and necessary. When such procedures do not exist, there is not only an increased risk of noncompliance with State statute, but also an increased risk of loss, misuse, or theft of Village funds.

We recommend the Board implement procedures to ensure all Village expenditures are allowable, appropriate, reasonable, and necessary, especially under State statute, including the provisions of the Act.

**3. Mandatory Continuing Education Reporting Noncompliance**

During our review of the Village’s audit waiver request, the APA examined the annual continuing education hours completed and reported by the Village Treasurer for the calendar year 2025. The calendar year 2025 continuing education hours were required to be reported to the APA by January 31, 2026, and it was noted that the Village Treasurer failed to complete the required continuing education hours for the 2025 calendar year.

On March 6, 2026, as required by Neb. Rev. Stat. § 84-304(13) (Supp. 2025), the APA notified the Attorney General, County Attorney, and Village Board of Trustees of the Village Treasurer’s noncompliance with the required annual continuing education program.

Legislative Bill 781 (2020) was approved by the Governor on August 15, 2020, which required the APA to approve a continuing education program. The program established by the APA, effective January 1, 2021, requires all county, city, and village treasurers to complete eight (8) hours of APA-approved continuing education during each calendar year (January 1 through December 31), with a reduction to four (4) hours allowed for any municipality with less than \$100,000 of expenditures during the previous fiscal year. Continuing education hours for the calendar year are required to be filed no later than January 31 subsequent to the reporting calendar year.

Further, Neb. Rev. Stat. § 17-606(3) (Reissue 2022) states the following:

*The city treasurer or village treasurer shall annually complete continuing education through a program approved by the Auditor of Public Accounts, and proof of completion of such program shall be submitted to the Auditor of Public Accounts.*

A proper system of internal control requires procedures to ensure the Village Treasurer completes the minimum required continuing education hours for the reporting calendar year, and those hours are submitted to the APA by January 31 subsequent to the reporting calendar year. Without such procedures, there is an increased risk of statutory noncompliance and noncompliance with the required annual continuing education program.

We recommend the Village Board and Village Treasurer implement procedures to ensure the Village Treasurer completes the minimum required continuing education hours for the reporting calendar year, and those hours are submitted to the APA by January 31 subsequent to the reporting calendar year.

#### 4. Lack of Claim Purpose

During our comparison of the Village’s bank account details to claims approved by the Board, the APA reviewed the Board meeting minutes dated March 1, 2023, July 5, 2023, and May 1, 2024, and noted that the claims listed therein lacked descriptions of their respective purposes.

The following is an excerpt of the approved claims listing provided by the Village for the May 1, 2024, Board meeting minutes:

Treasurer’s report was read. Bills presented for the Road Fund \$104.91 OPPD (Street Lights), \$397.92 Ball Insurance. Bills presented for the General Fund \$33.49 OPPD (Town Hall Lights), \$1, 193.75 Ball Insurance, \$50.00 J. Schambach (recycle trailer), \$30.00 Deb Cunningham (Administrative Fees). Motion by JD. Love to pay all bills 2nd by A. Coffin, Vote all Aye.

As shown highlighted in yellow above, those two claims lacked descriptions of their respective purposes.

Neb. Rev. Stat. § 84-1413(1) (Reissue 2024) of the Open Meetings Act (Act), which is set out at Neb. Rev. Stat. §§ 84-1407 to 84-1414 (Reissue 2024), requires political subdivisions and other public entities to “keep minutes of all meetings showing the time, place, members present and absent, and the substance of all matters discussed.” (Emphasis added.)

Additionally, Neb. Rev. Stat. § 19-1102 (Reissue 2022) requires publication of the Board’s official proceedings, which must include, among other things, the purpose of each claim allowed, as follows:

*It shall be the duty of each city clerk or village clerk in every city or village having a population of not more than one hundred thousand inhabitants as determined by the most recent federal decennial census or the most recent revised certified count by the United States Bureau of the Census to prepare and publish the official proceedings of the city council or village board of trustees within thirty days after any meeting of the city council or village board of trustees. The publication shall be in a legal newspaper in or of general circulation in the city or village, shall set forth a statement of the proceedings of the meeting, and shall also include the amount of each claim allowed, the purpose of the claim, and the name of the claimant, except that the aggregate amount of all payroll claims may be included as one item. Between July 15 and August 15 of each year, the employee job titles and the current annual, monthly, or hourly salaries corresponding to such job titles shall be published. Each job title published shall be descriptive and indicative of the duties and functions of the position. The charge for the publication shall not exceed the rates provided for in section 23-122.*

(Emphasis added.) Good internal control and sound accounting practices require procedures to ensure that the Board’s meeting minutes describe the purpose of each claim allowed.

Without such procedures, there is an increased risk of not only failure to comply with statutory requirements pertaining to the keeping of proper meeting minutes and the publication of the municipality’s “official proceedings” but also a lack of transparency regarding the nature of public expenditures.

We recommend the Board implement procedures to ensure the purpose of each claim allowed is included in both the Board’s meeting minutes and the “official proceedings” required to be published afterwards.

**5. Negative Bank Balance**

During a review of the bank statements obtained from the Village’s audit waiver request, the APA noted that the Village’s Cemetery bank account had a negative balance of \$69.81 on December 7, 2023. No overdraft fees were incurred. The excerpt below is from the December 2023 Cemetery bank account statement showing the deficit balance:

<b>Daily Balances</b>			
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
12/07/2023	-\$69.81	12/08/2023	\$930.19

Good internal controls and sound business practices require procedures to ensure that the Village’s bank account contains sufficient funds to pay claims. Without such procedures, there is an increased risk for not only loss, misuse, or theft of Village funds but also accumulation of overdraft fees.

We recommend the Village implement procedures to ensure the Village’s bank account contains sufficient funds to pay claims.

**6. Late Budget Filing and Failure to Publish Notice of Budget Hearing and Budget Summary**

The Village filed its 2025-2026 budget document on February 20, 2026, or 143 days after the required September 30, 2025, deadline set by State statute. At the time of submission, the budget document had not been approved by the Village Board.

Further, the Village Clerk informed the APA that the Village did not publish the notice of budget hearing or budget summary. Rather, these were posted in the Village.

Neb. Rev. Stat. § 13-508(1) (Cum. Supp. 2024) requires a copy of the adopted budget statement to be filed with the APA by September 30 of each year. Specifically, Section 13-508(1) states, in relevant part:

*After publication and hearing thereon and within the time prescribed by law, each governing body shall file with and certify to the levying board or boards on or before September 30 of each year . . . and file with the auditor a copy of the adopted budget statement which complies with sections 13-518 to 13-522 or 79-1023 to 79-1030, if applicable, together with the amount of the tax required to fund the adopted budget, setting out separately (a) the amount to be levied for the payment of principal or interest on bonds issued or authorized to be issued by the governing body or the legal voters of the political subdivision and (b) the amount to be levied for all other purposes. Proof of publication shall be attached to the statements. . . .*

Further, Neb. Rev. Stat. § 13-506(1) (Reissue 2022) requires the notice of budget hearing and budget summary to be published in a newspaper rather than posted in the Village when budgeted total disbursements are more than \$10,000. Specifically, Section 13-506(1) states, in relevant part:

*Each governing body shall each year or biennial period conduct a public hearing on its proposed budget statement. Such hearing shall be held separately from any regularly scheduled meeting of the governing body and shall not be limited by time. Notice of place and time of such hearing, together with a summary of the proposed budget statement, shall be published at least four calendar days prior to the date set for hearing in a newspaper of general circulation within the governing body's jurisdiction. For purposes of such notice, the four calendar days shall include the day of publication but not the day of hearing. When the total operating budget, not including reserves, does not exceed ten thousand dollars per year or twenty thousand dollars per biennial period, the proposed budget summary may be posted at the governing body's principal headquarters.*

(Emphasis added.) Good internal controls require procedures to ensure compliance with applicable budget law. Without such procedures, there is not only an increased risk of noncompliance with State law but an increased risk of lack of transparency for the public.

We recommend the Village implement procedures to ensure the following: 1) the annual budget document is completed, adopted, and filed timely and within the deadlines set by State law; and 2) the notice of budget hearing and budget summary is published in a legal newspaper when required by State law.

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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,

A handwritten signature in black ink, appearing to read "Mark Avery", with a long horizontal flourish extending to the right.

Mark Avery, CPA  
Assistant Deputy Auditor