



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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February 25, 2026

Art Lindberg, Mayor  
City of Schuyler  
1103 B St.  
Schuyler, NE 68661

Dear Mayor Lindberg:

As you know, the Nebraska Auditor of Public Accounts (APA) has received concerns regarding an LB 840 (i.e., tax-funded economic development program) loan that the City of Schuyler (City) issued to the local Schuyler Golf Club, as well as grant or scholarship payments from external organizations received and retained by the Library Director for the Schuyler Public Library. As a result, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. Pursuant thereto, the APA obtained financial records and other relevant documentation from the City. Based on the outcome of this preliminary planning work, including an analysis of the information obtained, the APA has determined that a separate financial audit or attestation is unnecessary at this time, as the City is audited on an annual basis.

Nevertheless, during the course of the preliminary planning work, the APA noted certain issues that merit corrective action.

### **Background Information**

The City is a city of the first class located in Colfax County, Nebraska. The City Council is the governing body that exercises financial accountability and control over activities relevant to the operations of the City. City Council 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 City operations, and the primary responsibility for related fiscal matters.

#### ***Schuyler Public Library***

Under Neb. Rev. Stat. § 51-201 (Reissue 2021), a city has the authority to establish a public library for its residents and may levy a tax of “not more than ten and five-tenths cents on each one hundred dollars upon the taxable property in such city” to be placed into a library fund. Once such public library has been established, Neb. Rev. Stat. § 51-202 (Reissue 2021) requires the city council to create a library board consisting of at least five members. Neither the mayor nor any member of the city council is allowed to sit on the library board. Per Neb. Rev. Stat. § 51-207 (Reissue 2021), the library board has “exclusive control of expenditures, of all money collected or donated to the credit of the library fund . . . .” Furthermore, Neb. Rev. Stat. § 51-209 (Reissue 2021) states, in relevant part, the following:

*All taxes levied or collected and all funds donated or in any way acquired for the erection, maintenance, or support of any public library shall be kept for the use of the library separate and apart from all other funds of the city, village, county, or township, shall be drawn upon and paid out by the treasurer of such city, village, county, or township upon vouchers signed by the president of the library board and authenticated by the secretary of such board, and shall not be used or disbursed for any other purpose or in any other manner.*

The library board’s general powers and duties are established under Neb. Rev. Stat. § 51-211 (Supp. 2025), as follows:

*(1) The library board may erect, lease, or occupy an appropriate building for the use of a library, appoint a suitable librarian and assistants, fix the compensation of such appointees, and remove such appointees at the pleasure of the board. The governing body of the county, city, or village in which the library is located shall approve any personnel administrative or compensation policy or procedure before implementation of such policy or procedure by the library board.*

*(2) The library board may establish rules and regulations for the government of such library as may be deemed necessary for its preservation and to maintain its usefulness and efficiency. The library board may fix and impose, by general rules, penalties and forfeitures for trespasses upon or injury to the library grounds, rooms, books, or other property, for failure to return any book, or for violation of any bylaw, rule, or regulation and fix and impose reasonable fees, not to exceed the library’s actual cost, for nonbasic services. The board shall have and exercise such power as may be necessary to carry out the spirit and intent of sections 51-201 to 51-219 in establishing and maintaining a public library and reading room.*

*(3) The public library shall make its basic services available without charge to all residents of the political subdivision which supplies its tax support.*

*(4) No service shall be denied to any person because of race, sex, religion, age, color, national origin, ancestry, physical handicap, marital status, or military or veteran status.*

The Schuyler Public Library’s website (<https://libs.ne.gov/LibHistory.asp?LibID=NE0197>) provides, in relevant part, the following information regarding the history and operations of that municipal library:

*The Schuyler Public Library was established by city ordinance on April 13, 1909. The library was in the southwest corner of city hall. They started with 450 donated books. The city’s first appropriation was \$600. They also solicited private contributions as pioneers in the cause of reading enjoyment, education, and enlightenment for all ages, free of charge.*

\* \* \* \*

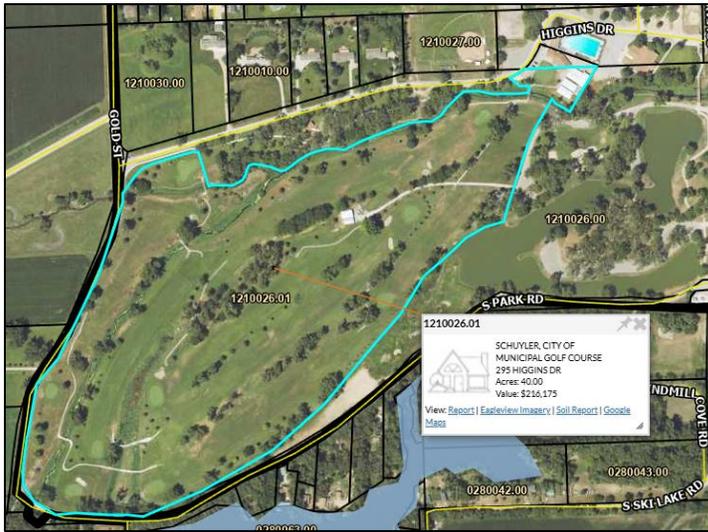
*The Schuyler Public Library is funded by your tax dollars through the City of Schuyler and is governed by a five member Board of Trustees. The “Schuyler Public Library Foundation” 501(c)3 organization also has a seven member Board of Directors, two of which are Library Trustees.*

### **Schuyler Golf Club**

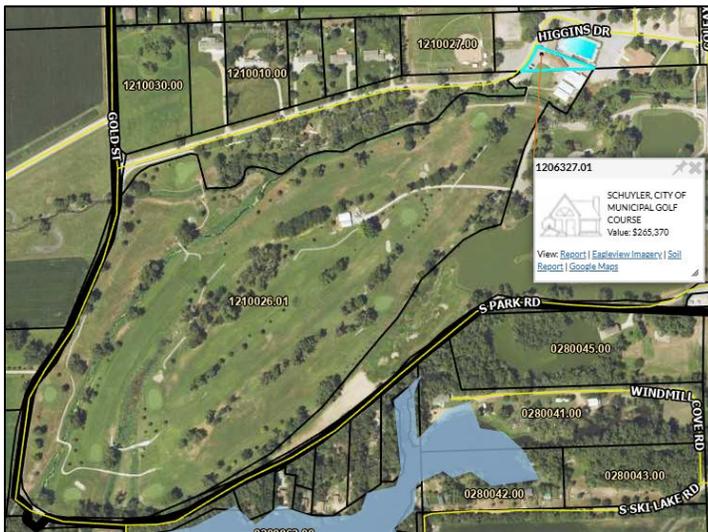
Schuyler Golf Club (Golf Club) is a mutual benefit non-profit organization that, per the Nebraska Secretary of State’s website (<https://sos.nebraska.gov/>), was established on February 4, 1971. According to City representatives, the golf course property is owned by the City and leased to the Golf Club, which manages and conducts day-to-day operations on it. The Golf Club’s website (<https://www.schuylergolfclub.com/>) states the following under it’s “About Us” section:

*Schuyler Golf Club is a premier destination for golf in Schuyler, Nebraska. Our mission is to provide a high-quality golf experience that caters to golfers of all ages and skill levels. Our goal is to help each golfer achieve their personal best, whether they're picking up a club for the first time or have golfed their entire life.*

The Colfax County Geographic Information System (GIS) website (<https://beacon.schneidercorp.com>) lists the City as the owner of the golf course parcels, as shown below:



Summary	
Parcel Number	1210026.01
Property Address	295 HIGGINS DR SCHUYLER NE 68661
Legal	FRANK HIGGINS SUB. 22-17-3 40AC GOLF COURSE
Acres	40
Sec-Twn-Rng	0-0-0
Tax District	121
Neighborhood	1 - SCHUYLER
School District	19-0123 - S-3D & 123 L.P.
Zoning	Commercial
Owners	
<a href="#">SCHUYLER, CITY OF MUNICIPAL GOLF COURSE</a> 1103 B ST C/O SCHUYLER CITY CLERK SCHUYLER, NE 68661	



Summary	
Parcel Number	1206327.01
Property Address	1103 B STREET
Legal	SEC 22-17-3 TRACT IN 48AC
Acres	0
Sec-Twn-Rng	0-0-0
Tax District	120
Neighborhood	1 - SCHUYLER
School District	19-0123 - S-3 & 123 L.P.
Zoning	Commercial
Owners	
<a href="#">SCHUYLER, CITY OF MUNICIPAL GOLF COURSE</a> 1103 B STREET C/O SCHUYLER CITY CLERK SCHUYLER, NE 68661	

The following comments and recommendations, which have been discussed with the appropriate members of the City and its management, are intended to improve internal control or result in other operating efficiencies.

### Comments and Recommendations

#### 1. External Grants and Scholarships Paid Directly to Library Director

In the course of her municipal employment, the Library Director for the Schuyler Public Library attends various conferences and events throughout the country. For these activities, the Library Director is required to obtain approval prior to attendance through completion of a “Conference, Workshop, Meeting & Training Request Form.” An example of such approval form is shown below:

CITY OF SCHUYLER  
Conference, Workshop, Meeting & Training Request Form

- File completed form with the city clerk. Mayor must approve or disapprove.
- If individual fails to attend a conference for which the City has paid the fees for an individual to attend, all cost incurred by the City shall be reimbursed by that individual to the city within 14 calendar days. This provision may be waived by the City in cases of illness, family emergencies, and other factors beyond the control of the individual.
- Receipts and mileage need to be turned in within 7 calendar days to be reimbursed.

Employee Name: Jenny White

Event: ARSL 2024 conference

Sponsor: Association for Rural & Small Libraries

Date(s) of event: W. Sept. 11<sup>th</sup> to Sat. Sept. 14<sup>th</sup>

Hours of event each day: 2-5 hrs

Location of Event: Springfield, Mass

Cost of Registration or Tuition Fee: covered by a scholarship

Means of Transportation: my car to airport, rental car to/from event

Cost of Lodging: covered by a scholarship

Estimated Travel Time (one way): 1.5 to airport, 3.5 flight

Estimated number of overtime hours involved, if applicable: n/a

Meals (attach receipts)	31.07	\$	68.37	GSA Springfield, Mass
Mileage	142.5 x \$0.67	\$	93.53	95.68
Other (explain)		\$		
Total		\$	178.90	126.75

Requested by: Jenny White Date: 6/12/24

Signature of Supervisor recommending approval: Mark Brunner

Date Approved by Supervisor: \_\_\_\_\_

Approved \_\_\_\_\_ Denied \_\_\_\_\_

Mayor Art Lindberg

Date: \_\_\_\_\_

Updated: 1/1/23

Some of the expenses that the Library Director incurs while attending these conferences and events – such as registration fees, meals, and mileage – are typically reimbursed or paid directly by the City upon approval from the Library Board. To defray other conference-related expenses not covered by the City, the Library Director has often applied for and received grants or scholarships from various organizations, including the Three Rivers Library System (TRaiLS), LibraryReads, and the Nebraska Library Commission (Commission). According to City representatives, these grant and scholarship awards used to be paid directly to the City; however, in late 2023, such monies began to be paid instead to the Library Director.

The APA has been asked whether this relatively new payment arrangement is appropriate.

The APA compared the total grants and scholarships received by the Library Director, as well as the amount of expenses covered by the City, to the total expenses incurred by her as a result of the conferences and events that she attended. Between January 1, 2023, and September 30, 2025, the Library Director was awarded directly a total of \$6,700 in grant and scholarship funds from the various external organizations. During this same period, the City covered – through both direct payments and reimbursements – a total of \$677.76 in conference-related expenses incurred by her. According to documentation provided by the City, the Library Director incurred a total of \$3,578.80 in expenses for the conferences that she attended during this period. Between the grants and scholarships from the external organizations and the payments from the City, therefore, she appears to have received \$1,298.96 more than the actual costs incurred for attending the conferences and events – none of which has been remitted to the City.

The table below summarizes these amounts by each conference and event attended by the Library Director from January 1, 2023, through September 30, 2025:

Event Name	Event Location	Event Start Date	Event End Date	Total Grant/Scholarship Funds Awarded Directly to Library Director	Total City Reimbursements and Direct Payments	Total Conference Expenditures	Alleged Unexpended Grant/Scholarship Funds
NLA Advocacy Day	Lincoln, NE	3/3/2023	3/3/2023	<b>Note 1</b> \$0.00	\$117.75	\$117.75	\$0.00
ARSL Conference	Wichita, KS	9/20/2023	9/23/2023	\$1,900.00	\$0.00	\$1,481.79	\$418.21
NLA Advocacy Day	Lincoln, NE	3/19/2024	3/20/2024	\$200.00	\$143.22	\$277.47	\$65.75
ARSL Conference	Springfield, MA	9/11/2024	9/14/2024	\$1,500.00	\$126.75	<b>Note 2</b> \$1,296.75	\$330.00
NLA Conference	Kearney, NE	10/9/2024	10/11/2024	\$600.00	\$175.54	\$290.54	\$485.00
NLA Advocacy Day	Lincoln, NE	3/17/2025	3/17/2025	\$0.00	\$114.50	\$114.50	\$0.00
ARSL Conference	Albuquerque, NM	9/17/2025	9/20/2025	\$2,500.00	<b>Note 3</b>		
<b>Totals</b>				<b>\$6,700.00</b>	<b>\$677.76</b>	<b>\$3,578.80</b>	<b>\$1,298.96</b>

**Note 1:** A \$35 grant was awarded by TRaiLS for this event; however, the payment was made directly to the City, rather than to the Library Director.

**Note 2:** Within this amount is a hotel stay which the Library Director had documented originally for the amount of \$816. However, this stay was for eight nights during a conference that took place on only four days. Because of this, the APA prorated this original amount, leaving only the \$510 that this stay would have cost the Library Director for five nights during the course of the conference and a day for travel.

**Note 3:** The Library Director used vacation leave to attend this conference and received no City compensation, either through wages or reimbursements, for her attendance.

The City contends that these grant and scholarship funds are public in nature, as they are being awarded to the Library Director to offset expenditures arising from attending, in her official capacity as a municipal employee, each corresponding conference. However, the Library Director disagrees, claiming that the funds she received directly from the external organizations were paid for separate work that she performed for the grant or scholarship awarding entities.

Several of the scholarship funds were awarded to the Library Director by TRaiLS under its Continuing Education Scholarship program. Shown below is the TRaiLS scholarship policy, effective January 10, 2025:

<b>THREE RIVERS LIBRARY SYSTEM</b>	
<b>SCHOLARSHIP POLICY</b>	
Continuing education and professional development are essential to all library staff and library boards. The Three Rivers Library System (TRLS) Board has set aside funds to support member libraries staff and board members to attend and continue professional development activities. While the board and employer do and should encourage and support these activities, it is the individual who participates and benefits from these activities. These will take effect on January 10, 2025	
TERMS OF AWARD	
<ol style="list-style-type: none"> <li>1. Scholarships may be used for attendance at professional meetings, classes, workshops, or other academic activities directly related to Library and Information Services.</li> <li>2. Awards are intended to provide reimbursement for registration fees, tuition, mileage, lodging, travel expenses or costs associated with an educational event.</li> <li>3. Applicants who have not received a TRLS scholarship within the two previous years will receive higher priority. This will be determined by available funding.</li> <li>4. Scholarships' limits are set by the TRLS board and will be evaluated each year based on the available budget. Check the TRLS website scholarship page for the current amount and priorities. Please note that some events may have a predetermined amount to facilitate funding opportunities.</li> <li>5. Applicants for the scholarships must be associated with a library/media center located in the Three Rivers Library System service area.</li> <li>6. A brief, evaluative report of the continuing education event will be required, and scholarship recipients are encouraged to share information from the event with the library board/administrators and staff members of other libraries. Individuals may be asked to present at meetings and workshops.</li> <li>7. In case of limited funding during the budgeted fiscal year, applicants may be limited in how many scholarships they may receive per fiscal year.</li> <li>8. The application must be filled out and submitted by the individual planning to attend the event. Funds will be reimbursed where indicated by the applicant.</li> <li>9. In case of limited funding during the budgeted fiscal year, higher consideration may be given to those agencies who have not already received scholarship funding in that time period.</li> <li>10. Applications for scholarships are required to be submitted prior to the activity.</li> <li>11. The scholarship committee is responsible for developing selection criteria and making the final decision regarding scholarships.</li> </ol>	
The System Director and Library Services Assistant shall be responsible for maintaining the records of the scholarship committee, including the policies, names of award recipients with scholarship amounts, and the date of receipt of the award.	
Reviewed and Approved by TRLS Board	
Approved at Board meeting - see minutes (Date) __January 10, 2025	

According to the above document, “Awards are intended to provide reimbursement for registration fees, tuition, mileage, lodging, travel expenses or costs associated with an educational event.”

One TRaiLS scholarship awarded to the Library Director contained the following additional information regarding its purpose:

**I am pleased to inform you that your application for the Three Rivers Library System Continuing Education Scholarship has been approved. This scholarship was established to promote continued learning among librarians and students in the System’s service area. We are excited to assist your attendance at the Association of Rural and Small Libraries Conference in Springfield, MA. The award value and other information about the scholarship are provided below.**

**The scholarship monies will be awarded after your attendance at the seminar. As a part of the scholarship you are also required to submit an article for the System newsletter within two months of the conference. If you have any questions or concerns about the scholarship process, please feel free to reach out.**

It is clear from this language that this scholarship was granted in order to offset the travel and other expenses incurred by the Library Director specifically for attending (i.e., “to assist your attendance”) the conference. Any additional requirements that the Library Director was expected to meet – including the newsletter article submission – appear incidental to that underlying purpose.

Similarly, the LibraryReads website (<https://libraryreads.org/cesupport>) contains the following information regarding the intended use of funds awarded through that organization’s sponsorship program:

*To broaden public library staff participation in continuing education with a readers’ advisory for adults element, LibraryReads has developed a sponsorship program to help defray costs and encourage attendance for those who might not otherwise be able to attend such events. **The maximum award amount per individual is \$1,000.***

As stated expressly above, these funds are intended to “defray costs and encourage attendance” at events.

Additionally, that same website addresses “eligible expenses,” as follows:

*Travel grant funds are not restricted and may be used by the recipient for any personal expense incurred attending a library conference: registration, travel, lodging, meals, etc. Receipts will not be necessary.*

Despite neither requiring receipts nor restricting the grant funds, those monies are plainly designated “for any personal expense incurred attending a library conference.”

Aside from the September 2025 ARSL conference in Albuquerque, New Mexico, moreover, both the City and the Library Board approved the Library Director’s attendance at these different events. In fact, she recorded the hours of attendance at those events on her municipal timesheet and received regular wages for them. For example, the Library Director recorded working the following hours while attending the ARSL Conference in Springfield, Massachusetts, on September 11-14, 2024:

Date	Weekday	Job Code	Hours Worked
9/11/2024	Wednesday	99 - Meetings	8.00
9/12/2024	Thursday	99 - Meetings	9.00
9/13/2024	Friday	99 - Meetings	9.00
9/14/2024	Saturday	99 - Meetings	4.50
<b>Total</b>			<b>30.50</b>

In light of this information, there can be little doubt that the scholarships and grants were awarded to the Library Director to offset the costs incurred for attending each event – which she did in her official capacity as a municipal employee (with the exception of the September 2025 ARSL conference), being paid her regular wages for doing so.

Had the Library Director attended these functions in her individual or private capacity and been reimbursed by the external organizations thusly, the City would have had no reason both to pay her wages and to reimburse her for such participation. If awarded the scholarships and grants for attending the conferences in her fully compensated official capacity as a municipal employee, however, those monies should be considered public funds that are the rightful property of the City – not payments belonging to her as a private citizen.

Neb. Rev. Stat. § 13-503(7) (Reissue 2022) of the Nebraska Budget Act defines “public funds” to mean “all money, including nontax money, used in the operation and functions of governing bodies.” Section 13-503(1) includes “city” in the definition of “governing body.” Moreover, Neb. Rev. Stat. § 51-209 (Reissue 2021) provides the following, in relevant part:

*All taxes levied or collected and all funds donated or in any way acquired for the erection, maintenance, or support of any public library shall be kept for the use of the library separate and apart from all other funds of the city, village, county, or township, shall be drawn upon and paid out by the treasurer of such city, village, county, or township upon vouchers signed by the president of the library board and authenticated by the secretary of such board, and shall not be used or disbursed for any other purpose or in any other manner.*

(Emphasis added.) Additionally, a showing that the Library Director incurred no other conference-related expenses to which the scholarship and grant funds at issue could be applied would give rise to concerns regarding possible violation 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. 2024, Supp. 2025).

Specifically, Neb. Rev. Stat. § 49-14,101.01(1) (Reissue 2021) states the following:

*A public official or public employee shall not use or authorize the use of his or her public office or any confidential information received through the holding of a public office to obtain financial gain, other than compensation provided by law, for himself or herself, a member of his or her immediate family, or a business with which the individual is associated.*

The penalty for violating the above-cited statute is set out in subsection (7) thereof, as follows:

*[A]ny person violating this section shall be guilty of a Class III misdemeanor, except that no vote by any member of the Legislature shall subject such member to any criminal sanction under this section.*

Good internal controls require policies and procedures to ensure that any external remuneration, including grants and scholarships, awarded to a City employee as a consequence of activity undertaken in his or her official capacity as a municipal employee is treated as public funds and handled accordingly.

Without such procedures, there is an increased risk of loss or misuse of City funds.

We recommend the implementation of policies and procedures to ensure that any external remuneration, including grants and scholarships, awarded to a City employee as a consequence of activity undertaken in his or her official capacity as a municipal employee is treated as public funds and handled accordingly. We recommend further that the City consider taking appropriate action to recover or otherwise account for any unused grant funds awarded to the Library Director in the course of her municipal employment. Lastly, because the issue addressed herein could give rise to concerns regarding possible violation of the Act, we are forwarding this information to the Nebraska Accountability and Disclosure Commission for further review.

## 2. LB 840 Loan Issues

In 1991, the Nebraska Unicameral Legislature passed LB 840, creating the Local Option Municipal Economic Development Act (Act), which is set out at Neb. Rev. Stat. §§ 18-2701 to 18-2739 (Reissue 2022, Supp. 2025). That law authorizes cities and villages to collect and appropriate local tax dollars for economic development purposes, if approved by the local voters. The Act provides also for the formulation of a local economic development program and a proposed plan pertaining thereto, which establish parameters for the collection and expenditure of local tax revenues for economic development.

The City Council approved the Schuyler Economic Development Plan (Plan) through Ordinance No. 2017-02 on April 4, 2017. The overall framework for the administration of LB 840 funding is set forth therein. The Plan establishes also eligible activities, qualifying businesses, and a contractual relationship with Schuyler Community Development, Inc. (Schuyler Community Development). Schuyler Community Development is a local 501(c)(3) non-profit corporation that filed its Articles of Incorporation with the Nebraska Secretary of State's Office on October 15, 2012. Funded through an annual budget approved by the City Council, Schuyler Community Development is tasked with, among other things, employing an Economic Development Coordinator to assist in the implementation and administration of the Plan.

Schuyler Community Development maintains a website (<https://www.schuylerdevelopment.net/>) that contains, in addition to the Plan, the City's approved grant and loan programs and corresponding guidelines. Included in these grant and loan programs are "Commercial Construction Loans." Under the "Guidelines ~ Commercial Construction Loan" document (amended June 15, 2021), eligible entities – including non-profit businesses – can apply for and receive commercial loans, as follows:

*Eligible commercial loans (LB 840 funded) must be located within city limits or 2-mile jurisdiction and includes new construction / remodeling of commercial buildings, commercial property infrastructure, and R3 properties.*

The complete Commercial Construction Loan guidelines are included as **Attachment A** herein.

As stated previously in the "Background Information" section herein, the Schuyler Golf Club (Golf Club) manages and conducts the day-to-day operations of the municipal golf course, which is located on two parcels owned by the City.

Despite not owning the golf course property itself, the Golf Club received approval from the City Council, during its meeting on August 2, 2022, for a \$50,000 Commercial Construction loan through the Plan's LB 840 funding to make improvements to the golf course. At this meeting, a member of the Golf Course Board stated that the loan proceeds would be used for the reseeding of greens on the course as well as a new mower, as shown in the meeting minutes excerpt below:

Council member Kretz moved to approve up to \$50,000 for a Commercial Construction Loan 2022-01 for Schuyler Golf Course from LB840 funds. Council member Baumert seconded the motion. Economic Development Director Brandenburg stated this has not got to the loan review board yet since this will be a 100% loan not a 50% loan. The SCD board has approved this also. There is a committee that will be raising funds for this project to make the payments on this loan. The SCD will be running the funds for tax exempt donations. Golf Course Board member Glodowski stated it was years of problems that took its toll on the greens. They will be changed and reseeded and new mower purchased with funds. Voting for: Baumert, Holmberg, Kasik, Kment, Kretz and Rodriguez. Voting against: no one. Motion carried.

Three months later, on November 9, 2022, the City entered into an agreement with the Golf Club for the \$50,000 funding. A copy of the executed loan agreement between the City and Golf Club is included as **Attachment B** herein.

As shown above, the August 2, 2022, meeting minutes explain that the loan application was not presented to the Loan Review Board prior to going before the City Council because it was “a 100% loan not a 50% loan.” However, this appears to be in direct contradiction with the Commercial Construction Loan’s guidelines, which state the following, in relevant part:

2. *Minimum Loan = \$10,000 Maximum Loan = \$100,000*
3. *Loan \$50,000 or less not to exceed 50% of Loan Value. (\*See **Loan Value Determination**)*
4. *Loan greater than \$50,000 not to exceed 30% of Loan Value. (\*See **Loan Value Determination**).*
5. *Combined Loan-To-Value (CLTV) of loans (first & second) not to exceed 75% of Loan Value.*
6. *Second position LB 840 loan amount **not** to exceed primary (first position) loan amount.*

\* \* \* \*

11. *Repayment (monthly/annual) begins six (6) months from date of loan approval by City Council.*

*Loan Value Determination:*

- a) *total cost of construction, or,*
- b) *Colfax County assessed valuation, or,*
- c) *assessed valuation plus planned construction costs, or,*
- d) *commercial appraisal within past six months*

\* \* \* \*

13. *Favorable review of loan application by the Loan Review Board (LRB) required prior to forwarding recommendation to City Council for final approval and authorizing issuance of Loan Agreement Letter and release of LB 840 funds.*

Given that the August 2, 2022, minutes state that this loan was to be a 100% loan, the “loan value” would be \$50,000. Under these guidelines, however, the total loan amount should have been up to 50% of the loan value, or \$25,000. In addition, the purpose for which these loan proceeds were intended to be used – reseeding the golf course greens and the purchase of a lawn mower – appears not to align with the eligibility requirements set out in the Commercial Construction Loan guidelines. As noted above, those eligibility requirements are limited to “construction / remodeling of commercial buildings, commercial property infrastructure, and R3 properties.”

While the Golf Club is technically a separate entity from the City, this loan of LB 840 funds was approved for improvements to be made exclusively on the City’s property. As a result, it appears that the City Council has essentially approved an indirect LB 840 funding loan to the City itself.

Neb. Rev. Stat. § 18-2709(5) (Supp. 2025) of the Act excludes political subdivisions from being qualifying businesses for LB 840 loans, as shown below, in relevant part:

*Qualifying business does not include a political subdivision, a state agency, or any other governmental entity . . . .*

The APA questions, therefore, not only the process through which this loan was approved but also the underlying permissibility of such approval.

Upon inquiry by the APA, City representatives acknowledged that the loan was not a proper use of LB 840 funds and provided a remedial corrective action plan. This corrective action plan included the following: 1) closing out this LB 840 loan and discontinuing further payments to the Golf Club; 2) reclassifying the golf course greens renovation as a General Fund capital improvement/parks and recreation expenditure; and 3) reimbursing the City’s LB 840 account using excess LB 840 revenues authorized under its adopted Sales and Economic Development (SED) Plan. The SED Plan specifies that excess LB 840 revenue may be used for “[d]owntown redevelopment/revitalization, capital improvements, parks and recreation, public safety, implementation and administration of the plan.” Such reclassification of the golf course greens renovation would allow it to qualify as an eligible expenditure under the SED Plan.

Good internal controls require procedures to ensure that all LB 840 loans are made in strict compliance with the provisions of the Act and the City's Program guidelines.

Without such procedures, there is an increased risk for misuse of City funds.

We recommend the City implement procedures to ensure that all LB 840 loans are made in strict compliance with the provisions of the Act and the City's Program guidelines.

*City Overall Response:*

*After review, the City agrees with the comments and recommendations outlined in the draft letter. We are committed to implementing the recommended corrective actions and improving our policies and procedures to ensure compliance going forward.*

\* \* \* \* \*

Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use the knowledge gained during our work to make comments and recommendations that we hope will be useful to the City.

Draft copies of this letter were furnished to the City to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. Any formal response received has been incorporated into this letter. Such response has been objectively evaluated and recognized, as appropriate, in the letter. A response that indicates corrective action has been taken was not verified at this time.

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

If you have any questions regarding the above information, please contact our office.

Audit Staff Working on this Examination:

Craig Kubicek, CPA, CFE – Deputy Auditor  
Mason Culver – Auditor-In-Charge  
Caden Janak – Examiner

Sincerely,



Craig Kubicek, CPA, CFE  
Deputy Auditor  
Auditor of Public Accounts  
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Phone (402) 471-3686  
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cc. Nebraska Accountability and Disclosure Commission

CITY OF SCHUYLER  
Commercial Construction Loan Program Guidelines  
Amended June 15, 2021

Attachment A



**Guidelines ~ Commercial Construction Loan**

Schuyler, NE (City Council approved 02/04/14, Amended 6/15/2021)

1. Eligible commercial loans (LB 840 funded) must be located within city limits or 2-mile jurisdiction and includes new construction / remodeling of commercial buildings, commercial property infrastructure, and R3 properties.

**Terms:**

2. Minimum Loan = \$10,000      Maximum Loan = \$100,000
3. Loan \$50,000 or less not to exceed **50%** of Loan Value. (\*See **Loan Value Determination**)
4. Loan greater than \$50,000 not to exceed **30%** of Loan Value. (\*See **Loan Value Determination**).
5. Combined Loan-To-Value (**CLTV**) of loans (first & second) not to exceed **75%** of Loan Value.
6. Second position LB 840 loan amount **not** to exceed primary (first position) loan amount.
7. Loan secured with commercial property (second position acceptable).
8. 0% interest rate for up to 60 months of loan repayment (see **Repayment Schedule**).
9. Fixed interest rate for 61 - 120 months loan repayment. Interest rate set @ **3.0%** above Wall Street Journal (WSJ) prime rate and to be calculated on the first working day of the 59th month of loan - but no less than a fixed rate of **6.5%** per month for balance of loan beginning on the 61<sup>st</sup> month of repayment.

**Repayment Schedule:**

\$10,000 - \$29,999	(36 months @ 0% interest)
\$30,000 - \$39,999	(48 months @ 0% interest)
\$40,000 - \$50,000	(60 months @ 0% interest)
\$50,001 - \$59,999	(60 months 0% + 12 months fixed interest rate)
\$60,000 - \$69,999	(60 months 0% + 24 months fixed interest rate)
\$70,000 - \$79,999	(60 months 0% + 36 months fixed interest rate)
\$80,000 - \$89,999	(60 months 0% + 48 months fixed interest rate)
\$90,000 - \$100,000	(60 months 0% + 60 months fixed interest rate)

10. Maximum five (5) year term for commercial loan repayment if Approved Borrower is also receiving **Grow Schuyler Incentive**.  
Annual Repayment: YR 1 = 10%   YR 2 = 15%   YR 3 = 20%   YR 4 = 25%   YR 5 = 30%
11. Repayment (monthly/annual) begins six (6) months from date of loan approval by City Council.

**Loan Value Determination:**

(City Council approved 02/04/14; Updated 06/01/2021)

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- a) total cost of construction, or,
- b) Colfax County assessed valuation, or,
- c) assessed valuation plus planned construction costs, or,
- d) commercial appraisal within past six months

12. Loan Processing Costs (title search, Promissory Note, Deed of Trust, legal review, Construction Permit) incurred by Borrower. Loan Processing Costs are separate expense to Borrower and not included with commercial construction loan.

13. Favorable review of loan application by the Loan Review Board (LRB) required prior to forwarding recommendation to City Council for final approval and authorizing issuance of Loan Agreement Letter and release of LB 840 funds.

**Disclaimer:** *Based on community needs and the availability of LB 840 funds, not all eligible applicants will receive funding authorization by the Schuyler City Council for loans recommended for approval by the Loan Review Board (LRB).*

**Examples for loan \$50,000 or less:**

**Example A**    Loan Value            =     \$ 30,000  
                  CLTV (75%)            =     \$ 22,500  
                  Max. LB 840 Loan =     \$ 15,000 (*first position - 50% of Loan Value*)  
                  Max. LB 840 Loan =     \$ 11,250 (*second position not to exceed first position  
& CLTV not to exceed 75% of Loan Value*)

**Example B**    Loan Value            =     \$ 80,000  
                  CLTV (75%)            =     \$ 60,000  
                  Max. LB 840 Loan =     \$ 40,000 (*first position - 50% of Loan Value*)  
                  Max. LB 840 Loan =     \$ 30,000 (*second position not to exceed first position  
& CLTV not to exceed 75% of Loan Value*)

**Examples for loan \$50,001 and greater:**

**Example C**    Loan Value            =     \$ 200,000  
                  CLTV (75%)            =     \$ 150,000  
                  Max. LB 840 Loan =     \$ 60,000 (*first position - 30% of Loan Value*)  
                  Max. LB 840 Loan =     \$ 60,000 (*second position not to exceed first position  
& CLTV not to exceed 75% of Loan Value*)

**Example D**    Loan Value            =     \$ 400,000  
                  CLTV (75%)            =     \$ 300,000  
                  Max. LB 840 Loan =     \$ 100,000 (*first position - 30% of Loan Value up to  
\$100,000 maximum loan*)  
                  Max. LB 840 Loan =     \$ 100,000 (*second position not to exceed first position  
& CLTV not to exceed 75% of Loan Value*)

CITY OF SCHUYLER  
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**Attachment A**

**Commercial Construction Loan Guidelines Addendum for NON-PROFIT ASSOCIATIONS**  
**6/1/2021**

**Schuyler Nebraska**

As we continue to work to maintain and improve our downtown, we need to approve eligible commercial loans for remodeling of commercial buildings and commercial property infrastructure for non-profit businesses. This funding would only be available if there is adequate LB840 funds.

- Nonprofit associations can apply for commercial construction Loans.
- Loans would be for remodeling of commercial buildings, commercial property infrastructure – all to be within city limits.
- The minimum Loan = \$10,000                      Maximum Loan = \$50,000
- This is a 0% interest rate for up to 60 months (see Repayment schedule noted on page 1 of 5 of guidelines).
- If we are the primary lender a first lien will be required not to exceed 75% of the loan value of the building. A second position is acceptable.
- These loans will be no longer than 60 months. There will be an annual repayment of 20% per year. The repayment (monthly/annual) begins six months from the date of loan approval by City Council.
- The Loan Value Determination:
  - Total cost of remodeling/construction estimates
  - Former Colfax County Assessed valuation
  - Insurance valuation
  - Commercial appraisal (if needed to be paid for by the borrower)
- Loan Processing Costs (title search, promissory Note, Deed of Trust, legal review, Construction Permit) incurred by Borrower, Loan Processing Costs are separate expense to Borrower and not included with commercial construction loan.
- Documentation will include:
  - Itemized construction cost of repairs and restoration
  - Federal Tax Return
  - Income Statements of Nonprofit for 3 years
  - Cash Flow Sheet
  - Business Plan
- Favorable review of loan application by the Loan Review Board (LRB) required prior to forwarding recommendation to The City of Schuyler City Council for final approval and authorizing issuance of Loan Agreement Letter and release of LB840 funds.

**Disclaimer:** Based on community needs and the availability of LB840 funds, not all eligible Applicants will receive funding authorization by the Schuyler City Council for loans recommended for approval by the Loan Review Board.

CITY OF SCHUYLER  
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Attachment A



**Commercial Construction Loan Preliminary Application**  
**City of Schuyler, Nebraska**  
**Economic Development Investment Funds (LB 840)**

**Type / Print Legibly**

Business Name: \_\_\_\_\_

Business Address: \_\_\_\_\_

Business Telephone: \_\_\_\_\_ Business Email: \_\_\_\_\_

Owner/President/General Mgr: \_\_\_\_\_  
(Last Name) (First Name) (Middle Initial)

Individual submitting Application: \_\_\_\_\_  
(Last Name) (First Name) (Job Title)

Legal Address of Building/New Construction: \_\_\_\_\_

Business Applicant owner of property site: Yes / No

Describe Construction Planned: \_\_\_\_\_

\_\_\_\_\_

Start Date: \_\_\_\_\_ Completion Date: \_\_\_\_\_

Total Construction Costs: \$ \_\_\_\_\_

Loan Amount Requested: \_\_\_\_\_

Commercial Construction Loan Position: 1<sup>st</sup> \_\_\_\_\_ 2<sup>nd</sup> \_\_\_\_\_

CITY OF SCHUYLER  
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Documents required with Loan Application (but not limited to):

Repairs/Restoration Plan  
Itemized Construction Costs/Floor Plan  
Short Business Plan  
Federal Tax Return (2 years- personal and if applicable business  
Flow Sheet  
Credit Bureau Report (CBR) Applicant provides or pays for SCD to run Balance/Cash Flow Sheet

I understand that the minimum loan is \$10,000 and maximum loan is \$100,000. Maximum loan amount will in part be determined by availability of LB 840 funds at the time of application. Loan \$50,000 or less is not to exceed **50%** of total Loan Value - loan secured. Loan greater than \$50,000 is not to exceed **30%** of Loan Value - loan secured. Combined Loan-To-Value (**CLTV**) of loans cannot exceed **75%** of building's loan value. Second position LB 840 loan amount not to exceed primary (first position) loan amount. Repayment begins six (**6**) months from date loan is approved by City Council. All payments are due at the first of each month. I certify that all information provided is true and correct to the best of my knowledge.

Applicant's Signature \_\_\_\_\_ Date \_\_\_\_\_

Please submit loan application and applicable documents listed on page 3 to:

Schuyler Community Development  
Economic Development Coordinator  
1119 B Street  
Schuyler, NE 68661

Note: *Based on community needs and the availability of LB 840 funds, not all eligible applicants will receive loan approval by City Council.*

CITY OF SCHUYLER  
Commercial Construction Promissory Note  
November 9, 2022

Attachment B

**PROMISSORY NOTE #CCL2022-01**

**Borrower:**

Schuyler Golf Club  
295 Higgins Drive, P.O. Box 554  
Schuyler, NE 68661

**Lender:**

City of Schuyler, Nebraska  
A Nebraska Municipal Corporation  
1103 B Street  
Schuyler, NE 68661

Principal Amount: \$50,000.00

Rate: 0%

Date of Note: November 9, 2022

**PROMISE TO PAY.** Schuyler Golf Club, a nonprofit corporation, ("Borrower") promises to pay to City of Schuyler, Nebraska, a Nebraska Municipal Corporation ("Lender"), or order, in lawful money of the United States of America, the principal amount of Fifty Thousand and 00/100 Dollars (\$50,000.00), with zero interest from the date of this note, until paid in full. Lender is providing the foregoing described loan to Borrower pursuant to the zero interest commercial construction/repair loan through the City of Schuyler, Nebraska, under the City's Commercial Construction Loan Program.

**PAYMENT.** Borrower will pay this loan in 5 annual installments of \$10,000.00 annually, with the first payment being due May 9, 2023, and all subsequent payments due annually thereafter, on May 9, 2024, on May 9, 2025, on May 9, 2026, and the final payment due on May 9, 2027, with each payment being in the amount of \$10,000.00. All payments shall be made payable to the City of Schuyler, Nebraska and delivered to the City of Schuyler, Nebraska Municipal office at 1103 B Street, Schuyler, Nebraska, administrator of the Commercial Construction Loan Program. The City may also request the Borrower to set up an automatic deposit/ACH transfer to facilitate these loan payments for the benefit of the Lender at a bank of the Lender's choosing. Borrower may prepay payments under this Promissory Note without penalty. Borrower will be obligated to pay a late payment fee of 5% of the payment due for each 30 days that the payment is received late, in addition to the default remedies.

**DEFAULT.** Borrower will be in default if any of the following happens: (a) Borrower fails to make any payment when due (b) Borrower fails to perform promptly at the time and strictly in the manner provided in this Note or any agreement related to this Note (c) Any representation or statement made or furnished to Lender by Borrower or on Borrower's behalf is false or misleading in any material respect (d) Borrower becomes insolvent, a receiver is appointed for any part of Borrower's property, Borrower makes an assignment for the benefit of creditors, or any proceeding is commenced either by Borrower or against Borrower under any bankruptcy or insolvency laws. (e) Any creditor tries to take any of Borrower's property on or in which Lender has a lien or security interest. (f) Lender in good faith deems itself insecure.

**LENDER'S RIGHTS.** Upon default, Lender may declare the entire unpaid principal balance on this Note immediately due, without notice, and then Borrower will pay that amount. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower also will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and legal expense whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law. This Note has been delivered to Lender and accepted by Lender in the State of Nebraska. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Colfax County, the State of Nebraska. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other. This Note shall be governed and construed in accordance with the laws of the State of Nebraska.

CITY OF SCHUYLER  
Commercial Construction Promissory Note  
November 9, 2022

Attachment B

COLLATERAL. This Promissory Note is unsecured as the subject improvements are located upon City of Schuyler, Nebraska, real estate.

GENERAL PROVISIONS. Lender may delay or forego enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, protest and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew, extend (repeatedly and for any length of time) or modify this loan, or release any party or guarantor; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE AND ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THE NOTE.

SCHUYLER GOLF CLUB, a nonprofit corporation,

BY: X Don Meister  
Don Meister, President

BY: X Josh Papa  
Josh Papa, Secretary