



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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March 19, 2026

Dorothy Benton, Chairperson
Village of Phillips
234 5th St
Phillips, NE 68865

Dear Chairperson Benton:

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 2025. **That request has been approved.**

However, the Village's disbursements for the fiscal year ending September 30, 2025, exceeded our normal threshold (\$500,000) for granting a waiver of the audit requirement. Disbursements for the fiscal year ended 2025, totaled \$626,192, which exceeds the normal audit waiver threshold. Due to the Village'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 Village's activity to be low enough to grant the audit waiver request.

However, if the September 30, 2026, fiscal year end disbursements are similar to or greater than the fiscal year 2025's expenditures, or close to the budgeted disbursements for fiscal year 2026, an audit of fiscal year end September 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 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. Lack of Claim Purpose

During our comparison of the Village's bank account details to claims approved by the Board, the APA reviewed meeting minutes dated April 1, 2025, and noted that the claims listed therein lacked descriptions of their respective purposes.

The following is an example of the approved claims listing provided by the Village for April 1, 2025:

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.

2. Payment of Unapproved Claims

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified the following checks, totaling \$6,040.48, which were paid but not included on the claims listing to be approved by the Board.

Details of the unapproved payments are included in the table below:

Name/Vendor	Check Date	Amount	Check #
Intuit	4/17/25	\$ 22.16	EFT
Blue Cross Blue Shield	4/21/25	54.76	EFT
EMC National Life Insurance	4/14/25	43.90	EFT
Pinnacle Bank	4/10/25	2,831.04	172
Pinnacle Bank	4/10/25	1,419.79	173
Catherine Walker	4/18/25	968.02	1422
NE Department of Revenue	4/9/25	700.81	EFT
Total		\$ 6,040.48	

Neb. Rev. Stat. § 17-614(1)(a) (Cum. Supp. 2024) sets out the proper method for the appropriation or payment of money by the Village, as follows:

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 elected members of the city council in a city of the second class or village board of trustees.

(Emphasis added.) Good internal control requires procedures to ensure that all claims are authorized by the Board prior to payment and are adequately documented in the minutes of the meeting during which they are approved.

Without such procedures, there is an increased risk for the loss or misuse of Village funds.

The APA identified a similar issue in a prior review and disclosed it to the Village in a letter dated February 11, 2025, which can be found on the APA’s website. However, this issue does not appear to have been corrected after the APA’s notification.

We recommend the Board implement procedures to ensure all claims are authorized by the Board prior to payment and are adequately documented in the minutes of the meeting during which they are approved.

3. Payment of Claims Prior to Board Approval

During our comparison of the Village’s bank account details to claims approved by the Board, the APA noted that the following checks, totaling \$7,200.70, were issued before the underlying claims were approved by the Board.

The table below provides a summary of the premature payments:

Name/Vendor	Amount	Approval Date	Check Date	Days Paid Before Approval
Jeffery Burkhardt	\$ 1,053.50	4/1/25	3/20/25	12
Scott Hooley	6,147.20	4/1/25	3/20/25	12
Total	\$ 7,200.70			

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Without such procedures, there is an increased risk for the loss or misuse of Village funds.

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We recommend the Board implement procedures to ensure all claims are authorized by the Board prior to payment and are adequately documented in the minutes of the meeting during which they are approved.

4. 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 checking account had a negative balance for six consecutive days. The table below summarizes the negative account balance for those six days:

Date Range	Largest Negative Balance
1/21/25 - 1/27/25	\$ 750.84

It does not appear that the Village had to pay any overdraft fees.

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.

The APA identified a similar issue in a prior review and disclosed it to the Village in a letter dated February 11, 2025, which can be found on the APA’s website. However, this issue does not appear to have been corrected after the APA’s notification.

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

5. Inadequate TIF Monitoring Procedures

Tax increment financing (TIF) is a popular funding tool used by local governments to promote economic development and redevelopment through the Community Development Law, which is set out at Neb. Rev. Stat. §§ 18-2101 through 18-2157 (Reissue 2022, Supp. 2025) and certain supplemental statutes. The “base” tax, which is determined by the value of the property immediately prior to the redevelopment work, continues to be paid to the political subdivisions that levied the taxes upon such property. Meanwhile, the “excess” tax paid on any subsequent increase in property value resulting from the redevelopment work is remitted to a separate fund for the sole purpose of relieving the debt incurred by the redevelopment project. When that debt is paid in full or after 15 years (or 20 years for “extremely blighted” areas), whichever comes first, the division of the ad valorem property tax on the redeveloped land is ceased, and the total tax amount is paid once more to the political subdivisions.

During review of the Village’s TIF debt monitoring procedures, the APA noted that the Village had a separate bank account to receive and distribute TIF funds received from the County Treasurer. Once TIF funds are received by the Village in this account, these funds are disbursed by check directly to Pinnacle Bank where the TIF debt is held. However, it appears the procedures to monitor when the TIF excess tax should end appear to be inadequate as the Village is not monitoring the remaining debt for the TIF projects or the 15-year mark which is the maximum allowable period for the Village’s TIF projects.

Neb. Rev. Stat. § 18-2147(1)(b) (Supp. 2025) of the Community Development Law states the following:

That portion of the ad valorem tax on real property, as provided in the redevelopment contract, bond resolution, or redevelopment plan, as applicable, in the redevelopment project in excess of such amount, if any, shall be allocated to and, when collected, paid into a special fund of the authority to be used solely to pay the principal of, the interest on, and any premiums due in connection with the bonds of, loans, notes, or advances of money to, or indebtedness incurred by, whether funded, refunded, assumed, or otherwise, such authority for financing or refinancing, in whole or in part, the redevelopment project. When such bonds, loans, notes, advances of money, or indebtedness, including interest and premiums due, have been paid, the authority shall so notify the county assessor and county treasurer and all ad valorem taxes upon taxable real property in such a redevelopment project shall be paid into the funds of the respective public bodies. An authority may use a single fund for purposes of this subdivision for all redevelopment projects or may use a separate fund for each redevelopment project[.]

(Emphasis added.) Good internal controls require procedures to ensure that the TIF project debts are monitored to ensure compliance with State law. When such procedures do not exist, there is an increased risk of political subdivisions receiving less taxes than owed.

We recommend the Village implement procedures to ensure that the TIF project debts are monitored to ensure compliance with State law.

6. Lack of Supporting Documentation

The Village was unable to provide adequate documentation to support a purchase, totaling \$73, made with the Village’s credit card to the United States Postal Service on November 15, 2025.

Neb. Rev. Stat. § 13-610(4) (Reissue 2022) provides the following requirement for a purchasing card program:

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.

As noted above, State law requires an itemized receipt for all purchases made with a political subdivision’s purchasing card.

Good internal controls require procedures to ensure an itemized receipt for all purchasing card expenditures is maintained by the Village. Without such policy, there is an increased risk for not only loss, theft, or misuse of Village funds but also noncompliance with State statute.

We recommend the Village implement procedures to ensure an itemized receipt is maintained for all purchasing card expenditures, in accordance with State statute.

7. Exhibit A Variance

Upon receipt of the Village’s original audit waiver submission, the APA noted significant variances between the totals listed on Exhibit A and those contained in the Village’s bank account statements for the fiscal year ending September 30, 2025. Those unreconciled variances are summarized in the table below:

Description	Deposits	Withdrawals	Balance as of 9/30/2025
Reconciled Amounts from Bank Accounts	\$ 680,295.07	\$ 652,123.73	\$ 734,246.39
Amounts from Exhibit A	663,591.31	626,192.43	734,377.99
Unreconciled Variances	\$ 16,703.76	\$ 25,931.30	\$ (131.60)

Good internal control requires procedures to ensure that the totals listed on Exhibit A, which are included with the Village’s audit waiver request, reconcile properly to those contained in the Village’s bank account statements.

Without such procedures, there is an increased risk for not only lack of transparency and insufficient Village fund balances but also the resultant inability to cover fully all disbursements and transfers approved by the Board, as well as the loss or misuse of municipal funds.

We recommend the Village Board implement procedures to ensure that the amounts listed on Exhibit A, which is included with the Village’s audit waiver request, reconcile properly to those contained in the Village’s bank account statements.

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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 offer 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