

**CITY OF WAHOO  
WAHOO, NEBRASKA**

**Financial Statements  
September 30, 2020**

**CITY OF WAHOO, NEBRASKA**  
**September 30, 2020**  
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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and the City Council  
CITY OF WAHOO  
Wahoo, Nebraska

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund (except as described below), and the aggregate remaining fund information of the CITY OF WAHOO, Nebraska, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Summary of Opinions**

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Adverse
Major Funds:	
General Fund	Unmodified
Street Fund	Unmodified
Debt Service Fund	Unmodified
1/2 Cent Sales Tax Fund	Unmodified
Capital Projects Fund	Unmodified
Fire and EMS Fund	Unmodified
Chestnut Street Project	Unmodified
Municipal Utilities Fund	Adverse
Agency Fund	Unmodified
Aggregate Remaining Fund Information	Adverse

### **Basis for Adverse Opinion on the Municipal Utilities Fund and Adverse Opinion on Business-Type Activities**

Management has not included the Municipal Utilities Fund in the City of Wahoo, Nebraska's financial statements. The cash basis of accounting requires the Municipal Utilities Fund to be presented as a major enterprise fund and financial information about the Municipal Utilities Fund to be part of the business-type activities, thus reflecting that activity's assets, liabilities, revenues and expenses and changing in its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the business-type activities and the omitted major fund has not been determined.

### **Adverse Opinion**

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Municipal Utilities Fund and Adverse Opinion on Business-Type Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the Municipal Utilities Fund and the Business Type Activities of the City of Wahoo, Nebraska, as of September 30, 2020, or the changes in financial position or cash flows thereof for the year then ended in accordance with the cash basis of accounting.

### **Basis for Adverse Opinion on the Aggregate Remaining Fund Information and Qualified Opinion on Governmental Activities**

The financial statements referred to above do not include the financial data for the Wahoo Public Buildings and Grounds Association, which represents a blended component unit of the City. The cash basis of accounting requires the financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the component unit. The City has not issued such reporting

entity financial statements. The cash basis of accounting also requires that the financial data for the Wahoo Public Buildings and Grounds Association be part of the governmental activities, thus increasing that activity's assets, revenues, expenditures and changing in its net position. The amount by which this departure would affect the assets, net position, revenues and expenditures of the governmental activities and the aggregate remaining fund information has not been determined.

### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Remaining Fund Information and Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate remaining fund information of the City of Wahoo, Nebraska as of September 30, 2020 in accordance with the cash basis of accounting.

### **Qualified Opinion**

In our opinion, except for the matter described in the "Basis for Adverse Opinion on the Aggregate Remaining Fund Information and Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental-type activities of the City of Wahoo, Nebraska, as of September 30, 2020, and the changes in financial position thereof for the year then ended in accordance with the cash basis of accounting.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of each major fund other than the Municipal Utilities Fund of the CITY OF WAHOO, Nebraska, as of September 30, 2020, and the respective changes in financial position – cash basis, thereof for the year then ended in accordance with the cash basis of accounting.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the CITY OF WAHOO, Nebraska's financial statements as a whole. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the accompanying financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2021, on our consideration of the CITY OF WAHOO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CITY OF WAHOO, Nebraska's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CITY OF WAHOO, Nebraska's internal control over financial reporting and compliance.

BMG Certified Public Accountants, LLP

The logo consists of the letters "BMG" written in a stylized, handwritten font.

Lincoln, Nebraska  
March 4, 2021

**CITY OF WAHOO, NEBRASKA**

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET - CASH BASIS**

**SEPTEMBER 30, 2020**

	General	Street	Debt Service	1/2 cent Sales Tax	Capital Projects	Fire and EMS	Chestnut Street Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>									
Cash and Cash Equivalents	\$ 755,529	\$ 1,544,677	\$ 505,688	\$ -	\$ (228,215)	\$ 229,352	\$ -	\$ 339,248	\$ 3,146,279
Restricted Cash	-	-	-	46,154	-	-	1,945,661	200,530	2,192,345
Cash at County Treasurer	50,481	7,592	44,309	-	-	6,240	-	-	108,622
<b>TOTAL ASSETS</b>	<b>\$ 806,010</b>	<b>\$ 1,552,269</b>	<b>\$ 549,997</b>	<b>\$ 46,154</b>	<b>\$ (228,215)</b>	<b>\$ 235,592</b>	<b>\$ 1,945,661</b>	<b>\$ 539,778</b>	<b>\$ 5,447,246</b>
<b>FUND BALANCES &amp; NET POSITION</b>									
Nonspendable / Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted / Restricted	22,421	106,063	-	43,007	-	27,217	1,945,661	334,167	2,478,536
Committed / Unrestricted	-	-	-	-	-	-	-	203,113	203,113
Assigned / Unrestricted	581,193	1,446,206	549,997	3,147	-	208,375	-	5,821	2,794,739
Unassigned / Unrestricted	202,396	-	-	-	(228,215)	-	-	(3,323)	(29,142)
<b>TOTAL NET POSITION &amp; FUND BALANCES</b>	<b>\$ 806,010</b>	<b>\$ 1,552,269</b>	<b>\$ 549,997</b>	<b>\$ 46,154</b>	<b>\$ (228,215)</b>	<b>\$ 235,592</b>	<b>\$ 1,945,661</b>	<b>\$ 539,778</b>	<b>\$ 5,447,246</b>

**CITY OF WAHOO, NEBRASKA**

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES AND NET POSITION - CASH BASIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	General	Street	Debt Service	Sales Tax	1/2 cent	Capital Projects	Fire and EMS	Chestnut Street Project	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>										
Property Taxes	\$ 991,094	\$ 194,245	\$ 463,220	\$ -	\$ 24	\$ 157,109	\$ -	\$ -	\$ -	\$ 1,805,692
Sales Taxes	641,127	156,024	40	-	-	-	363,925	-	-	1,161,116
Motor Vehicle and Other Taxes	121,630	-	-	-	-	-	-	-	-	121,630
Permits and Fees	79,066	-	-	-	-	-	-	-	200	79,266
Special Assessments	-	-	4,764	-	-	-	-	-	-	4,764
Intergovernmental	371,727	56,617	13,204	-	-	101,449	-	-	405,610	948,607
State Highway Allocation	-	534,663	-	-	-	-	-	-	-	534,663
Charges & Reimbursements for Services	506,700	6,970	-	-	-	231,707	-	-	-	745,377
Interest	4,297	4,795	7,548	-	-	4,879	-	-	1,127	22,646
Sale of Lots	8,000	-	-	-	-	-	-	-	-	8,000
Donations	62,209	-	-	-	-	3,747	-	-	250	66,206
Keno Receipts	-	-	-	-	-	-	-	-	15,031	15,031
Grants	5,312	-	-	-	-	8,161	-	-	71,560	85,033
Miscellaneous	115,575	1,692	-	-	-	1,769	-	-	100	119,136
<b>TOTAL REVENUES</b>	<b>2,906,737</b>	<b>955,006</b>	<b>488,776</b>	<b>-</b>	<b>24</b>	<b>508,821</b>	<b>363,925</b>	<b>493,878</b>	<b>-</b>	<b>5,717,167</b>
<b>EXPENDITURES</b>										
Current:										
General Government	665,057	-	-	-	-	-	-	-	22,155	687,212
Public Safety	704,606	-	-	-	-	415,796	-	-	-	1,120,402
Highways and Streets	-	630,142	-	-	-	-	-	-	-	630,142
Culture and Recreational	1,308,588	-	-	5,195	-	-	-	-	27,750	1,341,533
Economic Development	-	-	-	-	-	-	-	-	97,019	97,019
Capital Outlay	224,764	74,350	2,000	3,500	-	239,962	2,308,930	-	171,429	3,024,935
Debt Service:										
Tax Increment Finance Payments	-	-	205,179	-	-	-	-	-	-	205,179
Interest	-	-	88,307	-	-	-	-	-	-	88,307
Principal	48,600	-	2,655,000	-	-	-	-	-	-	2,703,600
<b>TOTAL EXPENDITURES</b>	<b>2,951,615</b>	<b>704,492</b>	<b>2,950,486</b>	<b>8,695</b>	<b>-</b>	<b>655,758</b>	<b>2,308,930</b>	<b>318,353</b>	<b>-</b>	<b>9,898,329</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(44,878)</b>	<b>250,514</b>	<b>(2,461,710)</b>	<b>(8,695)</b>	<b>24</b>	<b>(146,937)</b>	<b>(1,945,005)</b>	<b>175,525</b>	<b>-</b>	<b>(4,181,162)</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from issuance of bonds or notes	-	-	2,525,000	-	-	-	4,370,000	-	-	6,895,000
Bond issuance expense	-	-	(34,334)	-	-	-	-	-	-	(34,334)
Operating transfers in	1,047,375	44,681	-	-	12,637	-	-	-	6,948	1,111,641
Operating transfers out	(1,049,162)	(17,798)	(44,681)	-	-	-	-	-	-	(1,111,641)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,787)</b>	<b>26,883</b>	<b>2,445,985</b>	<b>-</b>	<b>12,637</b>	<b>-</b>	<b>4,370,000</b>	<b>6,948</b>	<b>-</b>	<b>6,860,666</b>
<b>CHANGE IN NET POSITION/ EXCESS OF RECEIPTS OVER (UNDER) EXPENDITURES</b>	<b>(46,665)</b>	<b>277,397</b>	<b>(15,725)</b>	<b>(8,695)</b>	<b>12,661</b>	<b>(146,937)</b>	<b>2,424,995</b>	<b>182,473</b>	<b>-</b>	<b>2,679,504</b>
<b>NET POSITION/FUND BALANCES, BEGINNING OF YEAR</b>	<b>852,675</b>	<b>1,274,872</b>	<b>565,722</b>	<b>54,849</b>	<b>(240,876)</b>	<b>382,529</b>	<b>(479,334)</b>	<b>357,305</b>	<b>-</b>	<b>2,767,742</b>
<b>NET POSITION/FUND BALANCES, END OF YEAR</b>	<b>\$ 806,010</b>	<b>\$ 1,552,269</b>	<b>\$ 549,997</b>	<b>\$ 46,154</b>	<b>\$ (228,215)</b>	<b>\$ 235,592</b>	<b>\$ 1,945,661</b>	<b>\$ 539,778</b>	<b>-</b>	<b>\$ 5,447,246</b>

**CITY OF WAHOO, NEBRASKA**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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	<u>Agency Fund</u>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	\$ 372,568
<b>TOTAL ASSETS</b>	<u>372,568</u>
<b><u>LIABILITIES</u></b>	
Due to Interlocal Agency	\$ 372,568
<b>TOTAL LIABILITIES</b>	<u>372,568</u>
<b><u>FUND BALANCES &amp; NET POSITION</u></b>	
<b>TOTAL NET POSITION &amp; FUND BALANCES</b>	<u>\$ -</u>

**City of Wahoo, Nebraska  
Notes to the Financial Statements  
September 30, 2020**

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

## General Matters

The City of Wahoo, Nebraska, was incorporated September 1, 1874, and operates under a Mayor-Council form of government with an elected part-time chief executive, the Mayor, and an elected legislative body, the Council, composed of six members. All Council members are elected by voting wards. City government is administered under the direction of the Mayor through administrative departments. Services are provided to residents in many areas, including public safety (police-fire-ambulance), highways and streets, health, planning and zoning, parks, recreation, urban development, electric system, water and sanitary sewer system, and general administrative services.

This summary of significant accounting policies of the City is presented to assist in understanding the City's financial statements. The financial statements and notes are representations of the City's management, which is responsible for their integrity and objectivity.

## Basis of Accounting

These financial statements are presented on the cash basis of accounting, which differs from accounting principles generally accepted in the United States of America (GAAP). This basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursement transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues, and certain liabilities and their related expenses are not recorded in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements would use the modified accrual basis of accounting, while the government-wide financial statements would be presented on the accrual basis of accounting.

Reporting Entity

In evaluating how to define the City's legal entity for financial reporting purposes, management has considered all potential component units. Component units are organizations for which the nature and significance of their relationship with the City of Wahoo are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City has determined that Wahoo Utilities and Wahoo Public Building and Grounds Association are legally separate component units of the City and are required to be included in the financial statements of the legal entity in order to conform with the cash basis of accounting. Management has elected not to include either of these component units in these financial statements.

The Wahoo Public Buildings and Grounds Association has a fiscal year ended December 31. Separate financial statements can be obtained from: City of Wahoo  
605 N. Broadway  
Wahoo, NE 68066

The agency fund noted in the financial statements is a fiduciary fund which is used to report assets held in a trustee or agency capacity for III Corps, an interlocal drug task force, and therefore, are not available to support City programs. The fund is held for the benefit of III Corps, and cannot be used to address activities or obligations of the City. Therefore, the fund is not incorporated into the government-wide financial statements.

**City of Wahoo, Nebraska**  
**Notes to the Financial Statements**  
**September 30, 2020**

While the financial statements omit the legally separate component units of the City, they do include all of the funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. As such, the statements do present the activities of the primary government of the City of Wahoo in conformity with the cash basis of accounting.

**Basis of Presentation**

A combined government-wide and fund basis financial statement has been presented. The government-wide financial statements include the financial activities of the overall government, whereas the fund financial statements provide information about specific funds, with the emphasis on major governmental funds. The City has elected to present a combined government-wide and fund basis financial statement because the cash basis of accounting results in no difference between the two presentations. The City reports the following governmental funds and fiduciary funds:

**Major Funds:**

The *General Fund* is the City of Wahoo's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Street Fund* is used to account for that portion of the State highway allocation, motor vehicle registration fees, and sales taxes generated from the sale of motor vehicles designated for maintenance of streets within the City.

The *Debt Service Fund* is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City.

The *½ Cent Sales Tax Fund* is used to account for sales tax receipts and bond principal and interest payments issued for the construction of the City's Aquatic Center.

The *Capital Projects Fund* is used to account for capital acquisition or construction.

The *Fire and EMS Fund* is used to account for receipts and payments associated with fire department and emergency medical services activities.

The *Chestnut Street Project Fund* is used to account for receipts and payments for the capital construction project on Chestnut Street.

**Nonmajor Funds:**

The *Other Governmental Funds* of the City accounts for all other activities of the City whose use is restricted to a particular purpose.

The fiduciary fund of the City is the *Agency Fund* which accounts for assets held by the City as the agent for III Corps.

**Property Taxes**

The following is a summary of the tax payment dates for the City's property tax levies:

1. Real estate and personal property taxes

Lien date	January 1, 2019
Levy date	October 15, 2019
Tax bills mailed	December 1, 2019
Due date	December 31, 2019
First installment payment delinquent	May 1, 2020
Second installment payment delinquent	September 1, 2020

**City of Wahoo, Nebraska**  
**Notes to the Financial Statements**  
**September 30, 2020**

2. Property taxes are billed and collected by the County Treasurer of Saunders County, Nebraska.

The 2019-2020 tax levy was .554043.

The total assessed valuation for 2019-2020 was \$288,831,098.

**Insurance**

The City is a member of the League Association of Risk Management (LARM), which is an interlocal agency that pools together Nebraska municipalities for the ability to jointly self-insure or jointly purchase insurance coverage. The City utilizes LARM for property, general liability, and workers' compensation claims.

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers.

**Fund Balances**

In the fund basis financial statements, fund balances are displayed in five components – nonspendable, restricted, committed, assigned, and unassigned, as applicable. The classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts not in spendable form or required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Other committed funds are those in which a contractual agreement exists with an individual or other entity.

**Net Position**

In the government wide financial statements, net position is displayed in two components – restricted and unrestricted.

Restricted net position is comprise of nonspendable and restricted fund balances above.

Unrestricted net position is comprised of committed, assigned, and unassigned fund balances.

**Fund Balances / Net Positions Flow Assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund balance). In order to calculate the

**City of Wahoo, Nebraska**  
**Notes to the Financial Statements**  
**September 30, 2020**

amounts to report as restricted or unrestricted, a flow assumption must be made about the order in which resources are considered to be applied. It is the City's policy to consider restricted fund balances/net position to have been depleted before using any of the components of unrestricted fund balance/net position. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Subsequent Events**

Subsequent events have been evaluated through March 4, 2021, which is the date the financial statements were available to be issued.

**NOTE 2: DEPOSITS AND INVESTMENTS**

Statutes authorize the City to invest in collateralized bank certificates of deposit, time deposits, obligations of the United States Government and selected Federal Agency securities.

For the security of the funds so deposited, the City Treasurer shall require each depository bank to give bond for the safekeeping and payment of such deposits and the accretions thereof. Such bond shall be deposited with the City Clerk.

In lieu of bond requirement, any bank making application to become a depository of the City may deposit security with the City Clerk as provided in State Statute 16-714, provided that the penal sum of said bond or sum of said pledge of assets shall be of the value equal to or greater than the amount of deposit in excess of that portion of said deposit insured by the FDIC.

At the end of the fiscal year, the City had \$932,685 of cash deposits that were not fully insured or collateralized by the Federal Deposit Insurance Corporation, U.S. Government securities subject to joint safeguarding receipts issued by the pledging financial institution, or irrevocable letters of credit. No attorney's opinion has been obtained regarding the enforceability of claims which might arise under the custodial agreement. Additional pledged collateral was added to cover these cash deposits subsequent to year-end.

**NOTE 3: RESTRICTED CASH**

A ½ cent sales tax was established to provide for the payment of bonds for a swimming pool/water park which were paid in full in the year ended September 30, 2017. Subsequent to the payment of these bonds, proceeds from this sales tax are restricted to operations of the swimming pool/water park and parks and recreation expenditures as listed below.

In the year ended September 30, 2019, the City began improvements to Chestnut Street which are to be funded through the use of bonds and sales tax proceeds. These bond proceeds and sales tax proceeds are restricted to payments for the Chestnut Street improvement project and subsequent payments on the bonds taken for the project.

**½ Cent Sales Tax Fund:**

Swimming Pool/Water Park Sales Tax Revenue Bonds-Operating Fund	\$ 46,154
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**Other Governmental Funds:**

Parks and Recreation Improvement, Maintenance, and Development Projects	200,530
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**Chestnut Street Fund:**

Chestnut Street Improvements and Associated Bonds and Loans	<u>1,945,661</u>
	<u>\$ 2,192,345</u>

**City of Wahoo, Nebraska**  
**Notes to the Financial Statements**  
**September 30, 2020**

**NOTE 4: LONG-TERM OBLIGATIONS**

The following is a summary of long-term debt obligations of the City for the year ended September 30, 2020:

September 30, 2019 Balance		September 30, 2020 Balance
\$ 575,000	Highway Allocation Bonds, Series 2014, issued July 29, 2014. Interest rate of 3.125%. Interest is due semi-annually. Principal due in annual installments beginning in December 2020 ranging from \$25,000 to \$100,000. \$550,000 was called in March 2020. A final principal payment of \$25,000 is due on December 15, 2020.	\$ 25,000
285,000	General Obligation Various Purpose Bonds, Series 2019, issued May 15, 2019, interest rate ranging from 2.2% to 2.7%. Interest is due in semi-annual installments on December 15 and June 15; Principal due in installments ranging from \$15,000 to \$20,000 from June 2020 to June 2028 with a final \$125,000 payment due June 2029.	270,000
1,895,000	General Obligation Highway Allocation Fund Pledge Bonds Series 2012 issued July 16, 2012; Interest rate ranging from 0.7% to 3.6%; interest due in semi-annual installments on September 30 and June 15; Principal due in annual installments ranging from \$55,000 to \$60,000 from December 15, 2015 to December 15, 2019. Principal then due in semi-annual installments beginning June 15, 2020 ranging from \$60,000 to \$90,000 with the final payment due on June 15, 2032. \$1,545,000 was called in March 2020. A final principal payment of \$35,000 is due on June 15, 2022.	230,000
105,000	General Obligation Water Bonds, Series 2013 issued August 15, 2013; Interest rate ranging from 1.65% to 3.00%; Interest due in semi-annual installments on December 15 and June 15; Principal due in annual installments ranging from \$25,000 to \$30,000 with final payment due June 15, 2023.	80,000
-	Highway Allocation Fund Pledge Bonds, Series 2020 issued March 5, 2020; Interest rate ranging from 1.30% to 2.05%; Interest due in semi-annual installments on December 15 and June 15; Principal due in annual installments ranging from \$30,000 to \$295,000 with a final \$165,000 payment due December 15, 2031.	2,525,000
-	Bond Anticipation Notes, Series 2020 issued March 5, 2020; Interest rate of 1.4%; Interest due in semi-annual installments on December 15 and June 15; Principal due in full on December 15, 2022.	3,035,000
425,000	Highway Allocation Fund Pledge Bonds, Series 2013 issued August 15, 2013; Interest rate ranging from 2.0% to 4.0%; Interest due in semi-annual installments on December 15 and June 15; Principal due in annual installments ranging from \$15,000 to \$100,000. \$375,000 was called in March 2020. A final principal payment of \$25,000 is due on June 15, 2021.	25,000
1,165,000	Note payable to City of Wahoo Municipal Utilities for the Chestnut Street Project issued April 2019; maximum of \$2,500,000 available; \$1,165,000 borrowed in June 2019 and \$1,335,000 borrowed November 2019; interest rate of 1.5%; interest due in quarterly installments. To be paid in full no later than December 2021 through the issuance of permanent financing. In November 2019, an additional \$1,335,000 was issued from Utilities.	<u>2,500,000</u>  <u>\$ 8,690,000</u>

**City of Wahoo, Nebraska**  
**Notes to the Financial Statements**  
**September 30, 2020**

Principal and interest due for the years ending September 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 250,000	\$ 149,144	\$ 399,144
2022	2,745,000	115,100	2,860,100
2023	3,300,000	78,902	3,378,902
2024	250,000	51,783	301,783
2025	270,000	46,195	316,195
2026 – 2030	1,455,000	130,933	1,585,933
2031 – 2035	<u>420,000</u>	<u>7,560</u>	<u>427,560</u>
	<u><u>\$8,690,000</u></u>	<u><u>\$579,617</u></u>	<u><u>\$9,269,617</u></u>

The following is a summary of bond and note payable transactions of the City for the year ended September 30, 2020:

Bonds and notes payable at September 30, 2019	\$4,450,000
Bonds and notes issued	6,895,000
Bonds and notes retired	<u>(2,655,000)</u>
Bonds and notes payable at September 30, 2020	<u><u>\$8,690,000</u></u>

**Conduit Debt Obligations:** The City of Wahoo has issued Tax Increment Revenue Notes to provide financial assistance to private-sector entities for the acquisition of industrial and commercial facilities deemed to be in the public interest. The notes are a special obligation of the City payable solely from and secured as to the payment of principal and interest by a pledge of (a) TIF Revenues deposited in the City's Debt Service Fund, and (b) moneys in the Debt Service Fund. The taxing power of the City is not pledged to the payment of the Notes either as to principal or interest. The City is not obligated in any manner for repayment of the Notes.

#### **NOTE 5: RETIREMENT PLAN**

The City provides retirement benefits for full-time employees through a contributory defined contribution plan, the City of Wahoo, Nebraska 457(B) Plan. Employees are eligible to participate upon attaining certain age and service requirements. Participant contributions are limited by Internal Revenue regulations. The City matches employee contributions, subject to a maximum of 6% of annual compensation. Participant contributions are fully vested, while city contributions vest over a period from two to six years of service. Forfeitures may be made available to reinstate previously forfeited account balances of participants and any remaining forfeitures may be used to satisfy any contribution that may be required by the City or to pay administrative expenses. Beginning in 2011, employees were also able to contribute to a 457 plan and Roth retirement plan. The City is not required to match any amount to these employee contributions. The City's and employees' contributions to the defined contribution plan for the year ended September 30, 2020 were \$77,681 and \$77,681, respectively. Employee contributions to the 457 plan and Roth plan for the year ended September 30, 2020 were \$1,300 and \$12,719.

#### **NOTE 6: FUND EQUITY**

The City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

**City of Wahoo, Nebraska**  
**Notes to the Financial Statements**  
**September 30, 2020**

Fund balance reservations as of September 30, 2020 are as follows:

	<u>General</u>	<u>Street</u>	<u>Debt Service</u>	<u>½ Cent Sales Tax</u>
<b>Nonspendable:</b>	\$ -	\$ -	\$ -	\$ -
<b>Restricted :</b>				
Police	22,421	-	-	-
Parks	-	-	-	43,007
Streets	-	106,062	-	-
<b>Committed:</b>	-	-	-	-
<b>Assigned:</b>				
Police	389,633	-	-	-
Cemetery	40,876	-	-	-
Parks & Rec	-	-	-	3,147
Building & Zoning	150,684	-	-	-
Capital Improvements	-	-	-	-
Debt Service	-	-	549,997	-
Streets	-	1,446,207	-	-
<b>Unassigned</b>	<u>202,396</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
Total fund balances:	<u>\$ 806,010</u>	<u>\$ 1,552,269</u>	<u>\$ 549,997</u>	<u>\$ 46,154</u>

	<u>Capital Projects</u>	<u>Fire and EMS</u>	<u>Chestnut Street Project</u>	<u>Other Governmental Funds</u>
<b>Nonspendable:</b>	\$ -	\$ -	\$ -	\$ -
<b>Restricted :</b>				
Community Betterment	-	-	-	57,249
Chestnut Street Project	-	-	1,945,661	-
Parks	-	-	-	200,530
Wanahoo Trail Repairs	-	-	-	76,389
Fire and EMS	-	27,217	-	-
<b>Committed:</b>				
Economic Development	-	-	-	63,151
Solid Waste	-	-	-	139,962
<b>Assigned:</b>				
Fire and EMS	-	208,375	-	-
Housing Rebab	-	-	-	97
Solid Waste	-	-	-	5,724
<b>Unassigned</b>	<u>(228,215)</u>	<u>_____</u>	<u>_____</u>	<u>(3,323)</u>
Total fund balances:	<u>\$ (228,215)</u>	<u>\$ 235,592</u>	<u>\$ 1,945,661</u>	<u>\$ 539,778</u>

The \$228,215 deficit in the capital projects fund was due to large payments for a street project during the year ended September 30, 2013. Transfers from other City funds are expected to be made in future fiscal years in order to offset the deficit. The capital projects fund is expected to remain appropriately funded.

Transfers are made from fund to fund to maintain positive balances in specified funds.

**City of Wahoo, Nebraska**  
**Notes to the Financial Statements**  
**September 30, 2020**

**NOTE 7: OTHER POST EMPLOYMENT BENEFITS**

The City does not have a plan to provide other post employment benefits to past employees, beneficiaries or dependents.

**NOTE 8: RISK MANAGEMENT**

The City is exposed to various risks of loss from torts: theft of, damage to, and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The City has purchased general liability, property, crime, automobile, workers' compensation, umbrella and other miscellaneous insurance coverage. There have been no significant reductions in insurance coverages.

There were no settlements exceeding insurance coverage in the past three fiscal years. No amount for estimated claims has been reported in the City's financial statements.

**NOTE 9: COMMITMENTS AND CONTINGENCIES**

Federal Grants: The City participates in a number of federal and state assisted grant programs. These programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies, is not determinable at this time. However, City officials do not believe that such amounts would be significant.

Wanahoo Trail Disaster Grant: The City has started a project to repair the Wanahoo trail due to damages from flooding. The total project cost is estimated to be \$603,414. The City is expecting to receive 75% of this amount from federal grants and 12.5% of this amount from state grants to fund the project. During the year ended September 30, 2020, the City received \$71,560 in federal grants. The City had made \$2,019 in payments to begin the project in the year ended September 30, 2020.

CDBG Grant: In the year ended September 30, 2021, the City is expecting to receive a Community Development Block Grant for \$547,000 for a project estimated to cost \$592,000.

CARES Act Grant: In the year ended September 30, 2021, the City is expecting to receive a grant for \$134,426 for police and EMS expenses. The grant proceeds are to be received on a reimbursement basis and \$52,155 has been requested for reimbursement for funds spent for the grant in the year ended September 30, 2020.

Nebraska Advantage: In 2013, a new business in the City of Wahoo made large capital purchases for which sales tax was paid and collected by the City. The business is eligible for a credit for the sales tax paid on these purchases through the Nebraska Advantage Act. The amount that the business is eligible for is unknown as exact data is not available for sales tax collected from these capital purchases. However, the City estimates that the total amount the business may be eligible for to be approximately \$48,000. During the year ended September 30, 2018, an amount of approximately \$22,300 was withheld from the City's sales tax collections from the State of Nebraska to accommodate this credit. It is unclear whether further amounts will be withheld for this purpose.

Safe Routes to School: The City was awarded a grant for construction of safe routes to school trails. Eighty percent of the costs of the construction of the trails are to be funded by the grant. The City commitment for the other 20% is expected to be approximately \$251,117. Engineering began in 2016, however, the City did not make any payments toward the project in the years ended September 30, 2017 and 2018. In the years ended September 30, 2020 and 2019, the City made \$14,222 and \$29,261 in payments for the project for preliminary work on the project. Project construction is expected to begin in

**City of Wahoo, Nebraska**  
**Notes to the Financial Statements**  
**September 30, 2020**

2021. In October 2020, a contract for \$1,038,171 was approved for the construction of the project, of which the City will be responsible for 20% as noted above.

**Chestnut Street Project:** The City began a large street improvement project for Chestnut Street in the year ended September 30, 2017. The total estimated cost of the project is approximately \$5.9 million. Through September 30, 2020, the City had incurred engineering costs and construction costs of \$4,587,225. The City is contracted for an additional \$708,211 of engineering and construction costs. The City of Wahoo Municipal Utilities is expected to pay an additional \$106,415 under the contract for which the City is liable.

A local option sales tax of  $\frac{1}{2}$  cent was approved by the voters to fund the project. The City has enacted a plan for temporary financing of the project through internal borrowing from the City of Wahoo Municipal Utilities and the use of bond anticipation notes. As of September 30, 2020, the City had a note payable to Utilities for \$2.5 million and a bond anticipation note for \$3.035 million as disclosed in Note 4.

**Subsequent Lease:** In October 2020, the City signed a lease agreement for the use of Hackberry Park. The lease agreement runs from October 2020 through October 2040. The lease calls for payments equal to the payments due by the lessor for its loan on the property. Payments on the lease are expected to include 11 annual payments of approximately \$147,000 beginning October 2021.

**Subsequent Commitment:** In February 2021, the City entered into contracts for engineering and construction for a 2021 Curb Ramp and Intersection Project to begin in June 2021 for approximately \$543,000.

#### **NOTE 10: LEASE OBLIGATIONS**

The City leases the library building from a component unit, the Wahoo Public Building and Grounds Association (WPBG). The lease is dated August 8, 2006 and has a forty-year term which ends August 7, 2046, and calls for monthly payments of \$4,455 for the first ten years, and \$4,050 per month for the remaining thirty years. The lease requires the City to pay all repairs, maintenance, insurance, and other expenditures related to the facility. At the end of the lease, ownership of the library building will transfer to the City.

Beginning October 2018, an updated lease agreement for the library building came into effect. The same payment obligations noted in the prior paragraph still apply, however, the City is being reimbursed the \$4,050 monthly payment from the Library Foundation with funds provided by a donation from an estate.

The City entered into a lease with the WPBG in May 2009 for the lease of the Slemin/Rose Sites. The City agreed to pay WPBG an annual payment of \$20,000 with a final payment of \$14,825 due October 2024. The lease requires the City to pay all costs associated with maintaining the sites including, but not limited to, the removal of all structures thereon and the development of the Slemin/Rose Sites into a park and recreational facility. At the end of the lease, ownership of the sites will transfer to the City.

The City entered into a lease with the WPBG in April 2019 for the use of a maintenance building. The lease runs through April 2058. The City agreed to pay WPBG an annual payment of \$31,710 for the first 10 years of the lease and \$28,827 for the 29 years following. The first annual payment was made in the year ended September 30, 2020. The lease requires the City to pay all costs and assume all responsibilities associated with the operation, maintenance, repair, and alteration of the premises. At the end of the lease, ownership of the premises will transfer to the City.

**City of Wahoo, Nebraska**  
**Notes to the Financial Statements**  
**September 30, 2020**

Future payments on the two leases are as follows for the years ending September 30:

2021	\$ 100,310
2022	100,310
2023	100,310
2024	95,135
2025	80,310
2026 – 2030	398,667
2031 – 2035	387,135
2036 – 2040	387,135
2041 – 2045	387,135
2046 – 2050	176,535
2051 – 2055	144,135
2056 – 2060	86,181
	<u>\$ 2,443,598</u>

Rent expense for the lease noted above the year ended September 30, 2019 was \$100,310.

**NOTE 11: RELATED PARTIES**

A member of the City Council is associated with a construction company that performs street construction for the City. Total payments to this company during the year ended September 30, 2020 were \$2,073,068.

**NOTE 12: BUDGETARY DATA**

Appropriated budgeted amounts are adopted each fiscal year for receipts and disbursements of the General, Special Revenue, Capital Improvement, and Debt Service Funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed budget is submitted to the City Council for the current fiscal year that commences October 1. The operating budget includes proposed disbursements and the means of financing them on a cash basis.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to September 20, the budget is legally enacted through passage of an ordinance.
4. The City has elected to use a single, all-purpose levy budget. Any revisions that alter the total disbursements must be approved by the City Council. The City Council adopts the total budget, by resolution, on a per fund basis and budgetary control for internal purposes is exercised at the department level. The City Council must approve any supplemental appropriations to a fund or transfers between funds. Appropriations lapse at the end of the budget period.

The budgetary comparison schedules presented on pages 18 through 20 represent other information relating to the General Fund and to each major special revenue fund for which receipts and disbursements were budgeted.

The City sets its budget on an entity-wide level, so the budget encompasses all funds. At September 30, 2020, the total expenditures did not exceed budgeted expenditures.

**CITY OF WAHOO, NEBRASKA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - CASH BASIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
			Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 1,020,030	\$ 991,094	\$ (28,936)
Sales Taxes	527,000	641,127	\$ 114,127
Motor Vehicle and Other Taxes	114,500	121,630	\$ 7,130
Permits and Fees	68,100	79,066	10,966
Intergovernmental	331,000	371,727	40,727
Charges & Reimbursements for Services	675,000	506,700	(168,300)
Interest	6,000	4,297	(1,703)
Sale of Lots	12,000	8,000	(4,000)
Donations	60,600	62,209	1,609
Grants	-	5,312	5,312
Bond Proceeds	-	-	-
Miscellaneous	156,250	115,575	(40,675)
<b>TOTAL REVENUES</b>	<b>2,970,480</b>	<b>2,906,737</b>	<b>(63,743)</b>
<b>EXPENDITURES</b>			
General Government	775,950	665,057	110,893
Public Safety	765,750	704,606	61,144
Cultural and Recreational	1,437,500	1,308,588	128,912
Economic Development	-	-	-
Capital Outlay	223,278	224,764	(1,486)
Debt Service - Interest	-	-	-
Debt Service - Principal	48,600	48,600	-
Bond Issuance Expense	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>3,251,078</b>	<b>2,951,615</b>	<b>299,463</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(280,598)</b>	<b>(44,878)</b>	<b>235,720</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	1,040,000	1,047,375	7,375
Operating Transfers Out	(1,040,000)	(1,049,162)	(9,162)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(1,787)</b>	<b>(1,787)</b>
<b>NET CHANGE IN NET POSITION/FUND BALANCES</b>	<b>(280,598)</b>	<b>(46,665)</b>	<b>233,933</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>852,675</b>	<b>852,675</b>	
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 572,077</b>	<b>\$ 806,010</b>	

**CITY OF WAHOO, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE - STREET FUND - CASH BASIS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
			Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 200,000	\$ 194,245	\$ (5,755)
Sales Taxes	162,000	156,024	(5,976)
Motor Vehicle and Other Taxes	-	-	-
Special Assessments	-	-	-
Intergovernmental	44,000	56,617	12,617
State Highway Allocation	557,000	534,663	(22,337)
Charges & reimbursements for services	15,000	6,970	(8,030)
Interest	5,000	4,795	(205)
Donations	-	-	-
Grants	180,000	-	(180,000)
Miscellaneous	5,000	1,692	(3,308)
<b>TOTAL REVENUES</b>	<b>1,168,000</b>	<b>955,006</b>	<b>(212,994)</b>
<b>EXPENDITURES</b>			
Highways and Streets	695,725	630,142	65,583
Capital Outlay	626,000	74,350	551,650
<b>TOTAL EXPENDITURES</b>	<b>1,321,725</b>	<b>704,492</b>	<b>617,233</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(153,725)</b>	<b>250,514</b>	<b>404,239</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	44,681	44,681
Operating transfers out	-	(17,798)	(17,798)
<b>NET CHANGE IN NET POSITION/FUND BALANCES</b>	<b>(153,725)</b>	<b>277,397</b>	<b>386,441</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>1,274,872</b>	<b>1,274,872</b>	
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 1,121,147</b>	<b>\$ 1,552,269</b>	

**CITY OF WAHOO, NEBRASKA**  
**BUDGETARY COMPARISON SCHEDULE - FIRE AND EMS FUND - CASH BASIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
			Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 164,375	\$ 157,109	\$ (7,266)
Sales Taxes	-	-	-
Motor Vehicle and Other Taxes	-	-	-
Special Assessments	-	-	-
Intergovernmental	82,925	101,449	18,524
Charges & reimbursements for services	275,000	231,707	(43,293)
Interest	5,000	4,879	(121)
Donations	22,500	3,747	(18,753)
Grants	-	8,161	8,161
Miscellaneous	1,000	1,769	769
<b>TOTAL REVENUES</b>	<b>550,800</b>	<b>508,821</b>	<b>(41,979)</b>
<b>EXPENDITURES</b>			
Public Safety	434,500	415,796	18,704
Capital Outlay	154,500	239,962	(85,462)
<b>TOTAL EXPENDITURES</b>	<b>589,000</b>	<b>655,758</b>	<b>(66,758)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(38,200)</b>	<b>(146,937)</b>	<b>(108,737)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
<b>NET CHANGE IN NET POSITION/FUND BALANCES</b>	<b>(38,200)</b>	<b>(146,937)</b>	<b>(108,737)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>382,529</b>	<b>382,529</b>	
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 344,329</b>	<b>\$ 235,592</b>	



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

The Honorable Mayor and the City Council  
CITY OF WAHOO  
Wahoo, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the CITY OF WAHOO, Nebraska, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the CITY OF WAHOO's basic financial statements, and have issued our report thereon dated March 4, 2021. Our report expressed an adverse opinion on the Municipal Utilities fund and the business-type activities. It also expressed an adverse opinion on the aggregate remaining fund information and a qualified opinion on governmental activities. Our report disclosed that, as described in Note 1 to the financial statements, the CITY of WAHOO's financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the CITY OF WAHOO's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CITY OF WAHOO's internal control. Accordingly, we do not express an opinion on the effectiveness of the CITY OF WAHOO's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant

deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

**Significant Deficiency:** The CITY OF WAHOO, Nebraska does not have adequate revenue reconciliation controls or segregation of duties in place for the thrift store, busy wheels, and senior meal programs receipt transactions. The control objective of reconciliation controls and segregation of duties is to prevent fraud or error.

**Management Response:** Management feels that the amounts collected from these programs is not significant and any misappropriation that would occur because of lack of controls in these areas would be immaterial. Management also noted it may increase controls in this area if it is feasible to do so in the future.

**Significant Deficiency:** Financial information from the parks and recreation department is not always properly reconciled to the City's financial information. Because of this, the interim financial reports of the City may not properly reflect the accurate financial information of the parks and recreation department.

**Management Response:** Management will take further precautions to ensure the proper parks and recreation financial information is imported to the City's financial information and will compare that information to the records of the parks and recreation department.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the CITY OF WAHOO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. As disclosed in Note 2 to the financial statements, we noted the City had \$932,685 of cash deposits that were not fully insured or collateralized. With the exception of this item, the results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the CITY OF WAHOO, in a separate letter dated March 4, 2021.

### **CITY OF WAHOO, Nebraska's Response to Findings**

The CITY OF WAHOO's response to the findings identified in our audit is described previously. The CITY OF WAHOO's response was not subjected to audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and on the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit

performed in accordance with the *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

BMG Certified Public Accountants, LLP



Lincoln, Nebraska  
March 4, 2021