

**CITY OF WAHOO
WAHOO, NEBRASKA**

**Financial Statements
September 30, 2022**

CITY OF WAHOO, NEBRASKA
September 30, 2022
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and the City Council
 City of Wahoo, Nebraska
 Wahoo, Nebraska

Adverse, Qualified, and Unmodified Opinions

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund (except as described below), the aggregate remaining fund information, and the custodial fund of the City of Wahoo, Nebraska, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Wahoo, Nebraska's basic financial statements as listed in the table of contents.

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
Custodial Fund	Unmodified
Aggregate Remaining Fund Information	Adverse

Adverse Opinions on Business-Type Activities and on the Municipal Utilities Fund

In our opinion, because of the significance of the matter described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, 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, 2022, or the changes in financial position for the year then ended in accordance with the cash basis of accounting.

Adverse Opinion on the Aggregate Remaining Fund Information

In our opinion, because of the significance of the matter discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, 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, 2022 or the changes in financial position for the year then ended in accordance with the cash basis of accounting.

Qualified Opinion on the Governmental Activities

In our opinion, except for the matters described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental-type activities of the CITY OF WAHOO, Nebraska, as of September 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with the cash basis of accounting.

Unmodified Opinions on the General Fund, Street Fund, Debt Service Fund, ½ Cent Sales Tax Fund, Capital Projects Fund, Fire and EMS Fund, Chestnut Street Project, and Custodial Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Street Fund, Debt Service Fund, ½ Cent Sales Tax Fund, Capital Projects Fund, Fire and EMS Fund, Chestnut Street Project, and Custodial Fund of the City of Wahoo, Nebraska, as of September 30, 2022, and the respective changes in financial position, thereof for the year then ended in accordance with the cash basis of accounting.

Basis for Adverse, Qualified, and Unmodified Opinions

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Wahoo, Nebraska and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified, and unmodified audit opinions.

Matter Giving Rise to Adverse Opinions on Business-Type Activities and on the Municipal Utilities Fund

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 changes 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.

Matter Giving Rise to 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 of Wahoo, Nebraska. The cash basis of accounting requires the financial data for the component unit to be reported with the financial data of the City of Wahoo Nebraska's primary government unless the City of Wahoo, Nebraska also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City of Wahoo, Nebraska 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 changes 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.

Emphasis of Matter – 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 opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1 and for 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 fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Wahoo, Nebraska's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Wahoo, Nebraska's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information as listed in the table of contents. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2023 on our consideration of the City of Wahoo, Nebraska'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 City of Wahoo, Nebraska's internal control over financial reporting and compliance.

BMG Certified Public Accountants, LLP

A handwritten signature in black ink that reads "BMG". The letters are stylized and cursive.

Lincoln, Nebraska
February 7, 2023

CITY OF WAHOO, NEBRASKA

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

SEPTEMBER 30, 2022

	General	Street	Debt Service	1/2 cent Sales Tax	Capital Projects	Fire and EMS	Chestnut Street Project	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>									
Cash and Cash Equivalents	\$1,314,688	\$ 917,155	\$453,607	\$ -	\$(728,781)	\$ 95,466	\$ -	\$ 265,347	\$ 2,317,482
Restricted Cash	-	-	-	10,031	-	-	669,325	271,970	951,326
Cash at County Treasurer	44,438	9,905	97,447	-	-	7,266	-	-	159,056
TOTAL ASSETS	\$1,359,126	\$ 927,060	\$551,054	\$ 10,031	\$(728,781)	\$ 102,732	\$ 669,325	\$ 537,317	\$ 3,427,864
<u>FUND BALANCES & NET POSITION</u>									
Nonspendable / Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted / Restricted	546,104	-	-	6,884	-	63,629	669,325	385,597	1,671,539
Committed / Unrestricted	-	-	-	-	-	-	-	157,436	157,436
Assigned / Unrestricted	821,746	927,060	551,054	3,147	-	39,103	-	11,782	2,353,892
Unassigned / Unrestricted	(8,724)	-	-	-	(728,781)	-	-	(17,498)	(755,003)
TOTAL NET POSITION & FUND BALANCES	\$ 1,359,126	\$ 927,060	\$ 551,054	\$ 10,031	\$(728,781)	\$ 102,732	\$ 669,325	\$ 537,317	\$ 3,427,864

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, 2022**

	General	Street	Debt Service	1/2 cent Sales Tax	Capital Projects	Fire and EMS	Chestnut Street Project	Other Governmental Funds	Total Governmental Funds
REVENUES									
Property Taxes	\$ 981,178	\$ 279,131	\$ 563,076	\$ -	\$ -	\$ 205,158	\$ -	\$ -	\$ 2,028,543
Sales Taxes	788,074	179,596	31	-	-	-	441,651	381,786	1,791,138
Motor Vehicle and Other Taxes	116,262	9,752	-	-	-	-	-	-	126,014
Permits and Fees	80,963	-	-	-	-	-	-	400	81,363
Special Assessments	-	-	1,067	-	-	-	-	-	1,067
Intergovernmental	366,687	66,432	13,001	-	-	91,224	-	68,214	605,558
State Highway Allocation	-	590,666	-	-	-	-	-	-	590,666
Charges & Reimbursements for Services	790,848	10,083	-	-	-	202,765	-	-	1,003,696
Interest	2,082	1,441	3,933	-	-	913	-	27	8,396
Sale of Lots	14,400	-	-	-	-	-	-	-	14,400
Insurance Proceeds	114,619	-	-	-	-	-	-	-	114,619
Donations	160,431	-	-	-	-	22,964	-	45,808	229,203
Keno Receipts	-	-	-	-	-	-	-	42,935	42,935
Grants	411,341	12,009	-	-	-	-	-	107,786	531,136
Miscellaneous	112,032	45,097	-	-	5,626	44,602	-	1,736	209,093
TOTAL REVENUES	3,938,917	1,194,207	581,108	-	5,626	567,626	441,651	648,692	7,377,827
EXPENDITURES									
Current:									
General Government	773,041	-	-	-	-	-	-	109,956	882,997
Public Safety	726,289	-	-	-	-	568,613	-	-	1,294,902
Highways and Streets	-	632,004	-	-	-	-	-	-	632,004
Culture and Recreational	1,721,542	-	-	18,660	-	-	-	156,632	1,896,834
Economic Development	-	-	-	-	-	-	-	151,253	151,253
Capital Outlay	697,885	981,429	186	-	1,506,192	312,848	175,731	331,917	4,006,188
Debt Service:									
Tax Increment Finance Payments	-	-	230,801	-	-	-	-	-	230,801
Interest	-	-	49,660	-	-	-	54,526	2,316	106,502
Principal	-	-	245,000	-	-	-	-	39,102	284,102
TOTAL EXPENDITURES	3,918,757	1,613,433	525,647	18,660	1,506,192	881,461	230,257	791,176	9,485,583
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	20,160	(419,226)	55,461	(18,660)	(1,500,566)	(313,835)	211,394	(142,484)	(2,107,756)
OTHER FINANCING SOURCES (USES)									
Proceeds from issuance of bonds or notes	-	-	-	-	1,000,000	-	-	-	1,000,000
Bond issuance expense	-	-	-	-	-	-	-	-	-
Operating transfers in	1,139,983	50,000	-	-	-	70,000	-	24,695	1,284,678
Operating transfers out	(1,284,678)	-	-	-	-	-	-	-	(1,284,678)
TOTAL OTHER FINANCING SOURCES (USES)	(144,695)	50,000	-	-	1,000,000	70,000	-	24,695	1,000,000
CHANGE IN NET POSITION/ EXCESS OF RECEIPTS OVER (UNDER) EXPENDITURES	(124,535)	(369,226)	55,461	(18,660)	(500,566)	(243,835)	211,394	(117,789)	(1,107,756)
NET POSITION/FUND BALANCES, BEGINNING OF YEAR	1,483,661	1,296,286	495,593	28,691	(228,215)	346,567	457,931	655,106	4,535,620
NET POSITION/FUND BALANCES, END OF YEAR	\$ 1,359,126	\$ 927,060	\$ 551,054	\$ 10,031	\$ (728,781)	\$ 102,732	\$ 669,325	\$ 537,317	\$ 3,427,864

CITY OF WAHOO, NEBRASKA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS

SEPTEMBER 30, 2022

	<u>Custodial Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 463,687
TOTAL ASSETS	<u>463,687</u>
<u>LIABILITIES</u>	
Due to Interlocal Agency	\$ -
TOTAL LIABILITIES	<u>-</u>
<u>FUND BALANCES & NET POSITION</u>	
Restricted / Restricted	<u>463,687</u>
TOTAL NET POSITION & FUND BALANCES	<u>\$ 463,687</u>

**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

<u>REVENUES</u>	
Member Contributions	\$ 180,658
<u>EXPENDITURES</u>	
Public Safety	<u>134,743</u>
CHANGE IN NET POSITION/ EXCESS OF RECEIPTS OVER (UNDER) EXPENDITURES	<u>45,915</u>
NET POSITION/FUND BALANCE, BEGINNING OF YEAR	<u>417,772</u>
NET POSITION/FUND BALANCE, END OF YEAR	<u>\$ 463,687</u>

City of Wahoo, Nebraska
Notes to the Financial Statements
September 30, 2022

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, 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 Public Building and Grounds Association is a legally separate component unit of the City and is 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 this component unit in these financial statements. The Wahoo Public Buildings and Grounds Association has a fiscal year ended December 31.

Management has also elected to exclude the City of Wahoo Municipal Utilities which is a business-type activity and major fund of the City of Wahoo, Nebraska. The City of Wahoo Municipal Utilities has a fiscal year ended December 31.

Separate financial statements for the Wahoo Public Building and Grounds Association and the City of Wahoo Municipal Utilities can be obtained from:

City of Wahoo
605 N. Broadway
Wahoo, NE 68066

The custodial 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, 2022

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 *Custodial Fund* which accounts for assets held by the City as the agent for III Corps. Balances held in this fund are restricted for drug task force activities.

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, 2021
Levy date	October 15, 2021
Tax bills mailed	December 1, 2021
Due date	December 31, 2021
First installment payment delinquent	May 1, 2022
Second installment payment delinquent	September 1, 2022

City of Wahoo, Nebraska
Notes to the Financial Statements
September 30, 2022

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

The 2021-2022 tax levy was .549862.

The total assessed valuation for 2021-2022 was \$325,160,228.

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 comprised 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, 2022

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 February 7, 2023, which is the date the financial statements were available to be issued. In January 2023, the City entered into a construction contract for a new subdivision for \$2,131,577. The project will be funded by interim, and later, permanent bond financing. The financing has not yet been completed. Special assessments will also be issued to cover the majority of the future bond payments.

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's cash deposits were 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.

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	\$ 10,031
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Other Governmental Funds:

Capital Improvements, primarily Parks and Recreation, as approved by the City Council	271,970
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Chestnut Street Fund:

Chestnut Street Improvements and Associated Bonds and Loans	669,325
	<u>\$ 951,326</u>

City of Wahoo, Nebraska
Notes to the Financial Statements
September 30, 2022

NOTE 4: LONG-TERM OBLIGATIONS

The following is a summary of long-term debt obligations of the City for the year ended September 30, 2022:

September 30, 2021 Balance		September 30, 2022 Balance
\$ 255,000	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.	\$ 240,000
100,000	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. The final principal payment of \$35,000 was made on June 15, 2022.	-
55,000	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.	30,000
2,495,000	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.	2,390,000
-	Note Payable to City of Wahoo Municipal Utilities for North Highlands Subdivision of \$1,000,000 issued August 23, 2022; Interest rate of 1.5%, interest due in quarterly installments. To be paid in full no later than December 31, 2023.	1,000,000
4,255,000	General Obligation Various Purpose, Series 2021 issued April 20, 2021; Interest rate ranging from 0.35% to 1.85%; Interest due in semi-annual installments on December 15 and June 15; Principal due in annual installments ranging from \$300,000 to \$340,000 with final \$155,000 payment due December 15, 2035.	4,255,000
200,250	Hackberry Lighting Bank Loan issued June 7, 2021; Interest rate of 1.22%; principal and interest payments of \$20,709 due semi-annually on December 15 and June 15 with final payment due June 15 2026. A board member is affiliated with the bank the City utilizes for this loan.	161,148
		\$ 8,076,148

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 604,546	\$ 110,026	\$ 714,572
2024	1,590,033	91,242	1,681,275
2025	615,533	81,615	697,148
2026	611,036	75,193	686,229
2027	575,000	68,361	643,361
2028 – 2032	2,920,000	211,219	3,131,219
2033 – 2037	1,160,000	35,761	1,195,761
	\$8,076,148	\$ 673,417	\$8,749,565

City of Wahoo, Nebraska
Notes to the Financial Statements
September 30, 2022

The following is a summary of bond and note payable transactions of the City for the year ended September 30, 2022:

Bonds and notes payable at September 30, 2021	\$7,360,250
Bonds and notes issued	1,000,000
Bonds and notes retired	<u>(284,102)</u>
Bonds and notes payable at September 30, 2022	<u>\$8,076,148</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, 2022 were \$78,637 and \$78,637, respectively. Employee contributions to the 457 plan and Roth plan for the year ended September 30, 2022 were \$1,350 and \$1,634.

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, 2022

Fund balance reservations as of September 30, 2022 are as follows:

	<u>General</u>	<u>Street</u>	<u>Debt Service</u>	<u>½ Cent Sales Tax</u>
Nonspendable:	\$ -	\$ -	\$ -	\$ -
Restricted :				
Police	36,102	-	-	-
ARPA	510,002	-	-	-
Library	-	-	-	-
Parks	-	-	-	6,884
Streets	-	-	-	-
Committed:	-	-	-	-
Assigned:				
Police	601,040	-	-	-
Cemetery	47,926	-	-	-
Parks & Rec	-	-	-	3,147
Building & Zoning	172,780	-	-	-
Capital Improvements	-	-	-	-
Debt Service	-	-	551,054	-
Streets	-	927,060	-	-
Unassigned	<u>(8,724)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances:	<u>\$1,359,126</u>	<u>\$ 927,060</u>	<u>\$ 551,054</u>	<u>\$ 10,031</u>

	<u>Capital Projects</u>	<u>Fire and EMS</u>	<u>Chestnut Street Project</u>	<u>Other Governmental Funds</u>
Nonspendable:	\$ -	\$ -	\$ -	\$ -
Restricted :				
Community Betterment	-	-	-	68,989
Chestnut Street Project	-	-	669,325	-
Capital Improvements	-	-	-	271,970
Wanahoo Trail Repairs	-	-	-	44,638
Fire and EMS	-	63,629	-	-
Committed:				
Economic Development	-	-	-	-
Solid Waste	-	-	-	157,436
Assigned:				
Fire and EMS	-	39,103	-	-
Wanahoo Trail Repairs	-	-	-	-
Housing Rehab	-	-	-	102
Solid Waste	-	-	-	11,680
Unassigned	<u>(728,781)</u>	<u>-</u>	<u>-</u>	<u>(17,498)</u>
Total fund balances:	<u>\$ (728,781)</u>	<u>\$ 102,732</u>	<u>\$ 669,325</u>	<u>\$ 537,317</u>

The \$728,781 deficit in the capital projects fund was due to large payments for a street project during the year ended September 30, 2013 and North Highland Project in the year ended September 30, 2022. The \$8,724 general fund unassigned deficit of \$8,724 as transfers to the street, fire and EMS, and other governmental funds during the year ended September 30, 2022 helped to create the deficit balance. The \$17,498 other governmental funds unassigned deficit is due to expenditures in these funds in excess of fund balance. Transfers from other City funds and future revenues are expected to be made in future fiscal years in order to offset these deficits. These funds are expected to remain appropriately funded.

City of Wahoo, Nebraska
Notes to the Financial Statements
September 30, 2022

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

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.

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.

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 \$5.8 million. Through September 30, 2022, the City had incurred engineering costs and construction costs of \$5,272,463. Wahoo Utilities has also paid \$428,357 for the project. The City is contracted for an additional estimated \$120,829 of construction costs.

A local option sales tax of ½ cent was approved by the voters to fund the project. The City had 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. During the year ended September 30, 2021, the City had paid off the note payable to Utilities for \$2.5 million and the bond anticipation note for \$3.035 million and has taken on a \$4.255 million bond for long term financing as disclosed in Note 4.

North Highland Project: The City is contracted for \$2,132,609 of construction and engineering expenses for street, storm sewer, sanitary sewer, and water installation for a new subdivision. During the year ended September 30, 2022, the City paid \$1,504,905 and Wahoo Utilities paid \$143,392 for this project. As of September 30, 2022, a total \$484,312 remained to be paid on this contract with Wahoo Utilities expected to pay \$29,229 of this amount. Of the total \$484,312, \$183,845 was a contingency for

City of Wahoo, Nebraska
Notes to the Financial Statements
September 30, 2022

additional expenses that is not expected to be needed to be paid by the City. Special assessments of \$1,629,627 are also expected to be issued to residents of the subdivision to cover a portion of the costs.

2022 Asphalt Overlay and Curb Ramp Project: During 2022 the City began the 2022 Asphalt Overlay and Curb Ramp Project with a total contract cost of \$1,293,450. As of September 30, 2022, the City had paid \$825,507 for the project. The City is contracted for the remaining \$467,943 of costs for this project. Wahoo Utilities is expected to pay \$37,003 of these remaining costs.

Included in general fund capital outlay is \$294,938 of payments for a water line in association with the 2022 Asphalt Overlay and Curb Ramp Project. These capital assets were transferred to Wahoo Utilities.

Generator: The City is contracted for the purchase of a generator for approximately \$120,000.

Wanahoo Trail Disaster Grants: The City has started projects to repair the Wanahoo bridge and trail due to damages from flooding. The total project costs are estimated to be \$875,968. The City is expecting to receive 75% from federal grants and 12.5% from state grants to fund the project of the \$805,389 portion of the total above that has been deemed eligible for the grants. The City has received \$71,560 in federal grants for the project through the year ended September 30, 2022. The City had made \$119,365 in payments for the projects through the year ended September 30, 2022. The City expects an additional \$756,603 in expenditures and expects to receive an additional \$633,156 for the grant.

CDBG Grant: In the year ended September 30, 2021, the City obtained Community Development Block Grant for \$547,000 for a project estimated to cost \$592,000. The City has received \$132,206 in federal grants for the project through the year ended September 30, 2022. The City had made \$189,900 in payments for the project through the year ended September 30, 2022. The City expects an additional \$402,100 in expenditures and expects to receive an additional \$414,794 for the grant.

Police Grants: In the year ended September 30, 2022, the City obtained contracts for grants totaling approximately \$34,000 for upgrading computer systems in vehicles and body cameras for officers. The City has made payments totaling approximately \$34,000 for these items in October through December 2022 and is expecting to be reimbursed approximately \$34,000 for these payments in the year ended September 30, 2023.

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 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

City of Wahoo, Nebraska
Notes to the Financial Statements
September 30, 2022

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.

In October 2020, the City signed a lease agreement with WPBG 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 \$145,666 beginning October 2021.

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

2023	\$ 225,976
2024	225,976
2025	225,976
2026	225,976
2027	225,976
2028 – 2032	1,121,230
2033 – 2037	387,135
2038 – 2042	387,135
2043 – 2047	399,762
2048 – 2052	144,135
2053 – 2057	144,135
2058 – 2062	<u>28,827</u>
	<u>\$ 3,742,239</u>

Rent expense for the year ended September 30, 2022 was \$225,976.

The City is a lessor of property for a cellular tower in the City. The lease includes payments to the City for \$2,100 per month for 50 years beginning in March 2017 as well as a provision for an additional 10% revenue sharing with the second carrier for each broadband telephone company sublease. Expected base receipts on the lease are as follows:

2023	\$ 25,200
2024	25,200
2025	25,200
2026	25,200
2027	25,200
2028 – 2032	126,000
2033 – 2037	126,000
2038 – 2042	126,000
2043 – 2047	126,000
2048 – 2052	126,000
2053 – 2057	126,000
2058 – 2062	126,000
2063 – 2067	<u>111,300</u>
	<u>\$ 1,119,300</u>

Rent revenue for the year ended September 30, 2022 was \$40,270.

City of Wahoo, Nebraska
Notes to the Financial Statements
September 30, 2022

NOTE 11: RELATED PARTIES

A former 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, 2022 were \$2,565,501.

Two members of the City Council are also associated with local banks that the City utilizes. The City made \$53,865 payments to one bank for Tax Increment Financing during the year ended September 30, 2022. The City also made \$41,418 in loan payments to the other bank on the Hackberry Lighting Bank Loan noted in Note 4.

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 19 through 21 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, 2022, 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, 2022

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>			
Property Taxes	\$ 1,050,166	\$ 981,178	\$ (68,988)
Sales Taxes	688,000	788,074	100,074
Motor Vehicle and Other Taxes	112,500	116,262	3,762
Permits and Fees	79,600	80,963	1,363
Intergovernmental	307,800	366,687	58,887
Charges & Reimbursements for Services	641,000	790,848	149,848
Interest	5,000	2,082	(2,918)
Sale of Lots	12,000	14,400	2,400
Insurance Proceeds	-	114,619	114,619
Donations	61,600	160,431	98,831
Grants	415,000	411,341	(3,659)
Miscellaneous	179,250	112,032	(67,218)
TOTAL REVENUES	3,551,916	3,938,917	387,001
<u>EXPENDITURES</u>			
General Government	924,400	773,041	151,359
Public Safety	830,500	726,289	104,211
Cultural and Recreational	1,508,435	1,721,542	(213,107)
Economic Development	-	-	-
Capital Outlay	708,470	697,885	10,585
Debt Service - Interest	-	-	-
Debt Service - Principal	-	-	-
Bond Issuance Expense	-	-	-
TOTAL EXPENDITURES	3,971,805	3,918,757	53,048
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(419,889)	20,160	440,049
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	1,112,000	1,139,983	27,983
Operating Transfers Out	(1,232,000)	(1,284,678)	(52,678)
TOTAL OTHER FINANCING SOURCES (USES)	(120,000)	(144,695)	(24,695)
NET CHANGE IN NET POSITION/FUND BALANCES	(539,889)	(124,535)	415,354
FUND BALANCES, BEGINNING OF YEAR	1,483,661	1,483,661	
FUND BALANCES, END OF YEAR	\$ 943,772	\$ 1,359,126	

CITY OF WAHOO, NEBRASKA

BUDGETARY COMPARISON SCHEDULE - STREET FUND - CASH BASIS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>			
Property Taxes	\$ 300,000	\$ 279,131	\$ (20,869)
Sales Taxes	180,000	179,596	(404)
Motor Vehicle and Other Taxes	14,000	9,752	(4,248)
Special Assessments	-	-	-
Intergovernmental	44,000	66,432	22,432
State Highway Allocation	536,922	590,666	53,744
Charges & reimbursements for services	15,000	10,083	(4,917)
Interest	3,000	1,441	(1,559)
Donations	-	-	-
Grants	-	12,009	12,009
Miscellaneous	5,000	45,097	40,097
TOTAL REVENUES	1,097,922	1,194,207	96,285
<u>EXPENDITURES</u>			
Highways and Streets	860,900	632,004	228,896
Capital Outlay	745,000	981,429	(236,429)
TOTAL EXPENDITURES	1,605,900	1,613,433	(7,533)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(507,978)	(419,226)	88,752
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in	50,000	50,000	-
Operating transfers out	-	-	-
NET CHANGE IN NET POSITION/FUND BALANCES	(457,978)	(369,226)	88,752
FUND BALANCES, BEGINNING OF YEAR	1,296,286	1,296,286	
FUND BALANCES, END OF YEAR	\$ 838,308	\$ 927,060	

CITY OF WAHOO, NEBRASKA

BUDGETARY COMPARISON SCHEDULE - FIRE AND EMS FUND - CASH BASIS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>			
Property Taxes	\$ 220,065	\$ 205,158	\$ (14,907)
Sales Taxes	-	-	-
Motor Vehicle and Other Taxes	-	-	-
Special Assessments	-	-	-
Intergovernmental	73,000	91,224	18,224
Charges & reimbursements for services	275,000	202,765	(72,235)
Interest	2,000	913	(1,087)
Donations	20,000	22,964	2,964
Grants	-	-	-
Miscellaneous	-	44,602	44,602
TOTAL REVENUES	590,065	567,626	(22,439)
<u>EXPENDITURES</u>			
Public Safety	585,050	568,613	16,437
Capital Outlay	369,500	312,848	56,652
TOTAL EXPENDITURES	954,550	881,461	73,089
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(364,485)	(313,835)	50,650
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from issuance of bonds or notes	150,000	-	(150,000)
Operating transfers in	70,000	70,000	-
Operating transfers out	-	-	-
NET CHANGE IN NET POSITION/FUND BALANCES	(294,485)	(243,835)	50,650
FUND BALANCES, BEGINNING OF YEAR	346,567	346,567	
FUND BALANCES, END OF YEAR	\$ 52,082	\$ 102,732	



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, the aggregate remaining fund information, and the custodial fund of the CITY OF WAHOO, Nebraska, as of and for the year ended September 30, 2022, 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 February 7, 2023. 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.

Report on 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) as a basis for designing 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.

Report on 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. 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 February 7, 2023.

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

A handwritten signature in black ink, consisting of the letters 'BMG' in a stylized, cursive font.

Lincoln, Nebraska

February 7, 2023