

VILLAGE OF DUNCAN, NEBRASKA

FINANCIAL STATEMENTS

September 30, 2016

**DRAFT FOR DISCUSSION
PURPOSES ONLY**

VILLAGE OF DUNCAN, NEBRASKA

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Independent Auditors' Report

To the Village Board
Duncan, Nebraska

DRAFT FOR DISCUSSION PURPOSES ONLY

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Duncan, Nebraska, as of and for the year ended September 30, 2016, and the related notes to the financial statements which collectively comprise the Village'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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, and each major fund of the Village of Duncan, Nebraska, as of September 30, 2016, and the respective changes in cash basis financial position thereof, for the year then ended, on the basis of accounting described in Note 1.

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 this matter.

Report on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Duncan, Nebraska's basic financial statements. The budgetary comparison schedule and notes are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule and notes have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated <INSERT DATE> on our consideration of the Village of Duncan, Nebraska's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 Village of Duncan, Nebraska's internal control over financial reporting and compliance.

Certified Public Accountants
Grand Island, Nebraska

<INSERT DATE>

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VILLAGE OF DUNCAN, NEBRASKA

STATEMENT OF NET POSITION - CASH BASIS

September 30, 2016

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|----------------------------|------------------------------------|-------------------------------------|----------------|
| ASSETS: | | | |
| Unrestricted: | | | |
| Cash | 159,914 | 0 | 159,914 |
| Cash with County Treasurer | 11,552 | 0 | 11,552 |
| Restricted: | | | |
| Cash | 13,537 | 0 | 13,537 |
| TOTAL ASSETS | <u>185,003</u> | <u>0</u> | <u>185,003</u> |
| NET POSITION: | | | |
| Restricted for: | | | |
| Community betterment | 13,537 | 0 | 13,537 |
| Unrestricted | 171,466 | 0 | 171,466 |
| TOTAL NET POSITION | <u>185,003</u> | <u>0</u> | <u>185,003</u> |

See accompanying notes

**DRAFT FOR DISCUSSION
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VILLAGE OF DUNCAN, NEBRASKA

STATEMENT OF ACTIVITIES - CASH BASIS

Year Ended September 30, 2016

| Functions/Programs | Disbursements | Program Receipts | |
|--------------------------------------|----------------|-------------------------------|----------------------------------|
| | | Fees and Charges for Services | Capital Grants and Contributions |
| GOVERNMENTAL ACTIVITIES: | | | |
| General government | 62,917 | 4,109 | 0 |
| Public safety | 22,950 | 0 | 0 |
| Public works | 55,916 | 0 | 5,108 |
| Culture and recreation | 0 | 0 | 5,816 |
| TOTAL GOVERNMENTAL ACTIVITIES | 141,783 | 4,109 | 10,924 |
| BUSINESS-TYPE ACTIVITIES: | | | |
| Utility | 175,823 | 136,763 | 106 |
| TOTAL | 317,606 | 140,872 | 11,030 |

GENERAL RECEIPTS AND TRANSFERS:

- Property taxes
- Intergovernmental
- Local receipts
- Sales tax
- Interest income
- Miscellaneous income
- Transfers

TOTAL GENERAL RECEIPTS AND TRANSFERS

CHANGE IN NET POSITION

Net position - beginning of year

NET POSITION - END OF YEAR

See accompanying notes

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PURPOSES ONLY**

Net (Disbursements) Receipts and
Changes in Net Position

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|------------------|
| (58,808) | 0 | (58,808) |
| (22,950) | 0 | (22,950) |
| (50,808) | 0 | (50,808) |
| 5,816 | 0 | 5,816 |
| <u>(126,750)</u> | <u>0</u> | <u>(126,750)</u> |
| <u>0</u> | <u>(38,954)</u> | <u>(38,954)</u> |
| <u>(126,750)</u> | <u>(38,954)</u> | <u>(165,704)</u> |
| 43,431 | 0 | 43,431 |
| 61,644 | 0 | 61,644 |
| 68,187 | 0 | 68,187 |
| 47,924 | 0 | 47,924 |
| 72 | 0 | 72 |
| 95 | 0 | 95 |
| <u>(38,954)</u> | <u>38,954</u> | <u>0</u> |
| <u>182,399</u> | <u>38,954</u> | <u>221,353</u> |
| 55,649 | 0 | 55,649 |
| 129,354 | 0 | 129,354 |
| <u>185,003</u> | <u>0</u> | <u>185,003</u> |

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VILLAGE OF DUNCAN, NEBRASKA

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS GOVERNMENTAL FUNDS

September 30, 2016

| | General | Street | Total |
|-------------------------------------|----------------|---------------|----------------|
| ASSETS: | | | |
| Unrestricted: | | | |
| Cash | 114,727 | 45,187 | 159,914 |
| Cash with County Treasurer | 11,038 | 514 | 11,552 |
| Restricted: | | | |
| Cash | 13,537 | 0 | 13,537 |
| TOTAL ASSETS | 139,302 | 45,701 | 185,003 |
| FUND BALANCES | | | |
| Restricted for community betterment | 13,537 | 0 | 13,537 |
| Assigned for: | | | |
| Street improvements | 0 | 45,701 | 45,701 |
| Unassigned | 125,765 | 0 | 125,765 |
| TOTAL FUND BALANCES | 139,302 | 45,701 | 185,003 |

See accompanying notes

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VILLAGE OF DUNCAN, NEBRASKA

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS GOVERNMENTAL FUNDS

Year Ended September 30, 2016

| | General | Street | Total Governmental Funds |
|---|-----------------|---------------|--------------------------------|
| RECEIPTS: | | | |
| Property taxes | 41,625 | 1,806 | 43,431 |
| Intergovernmental and grants | 9,482 | 57,270 | 66,752 |
| Local | 77,907 | 205 | 78,112 |
| Sales tax | 47,924 | 0 | 47,924 |
| Interest | 72 | 0 | 72 |
| Other | 95 | 0 | 95 |
| TOTAL RECEIPTS | 177,105 | 59,281 | 236,386 |
| DISBURSEMENTS: | | | |
| Current | | | |
| General government | 52,725 | 0 | 52,725 |
| Public safety | 22,915 | 0 | 22,915 |
| Public works | 0 | 33,170 | 33,170 |
| Capital outlay | 0 | 5,107 | 5,107 |
| Debt service: | | | |
| Principal | 9,777 | 15,321 | 25,098 |
| Interest | 450 | 2,318 | 2,768 |
| TOTAL DISBURSEMENTS | 85,867 | 55,916 | 141,783 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 91,238 | 3,365 | 94,603 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers - in | 0 | 26,965 | 26,965 |
| Transfers - out | (65,919) | 0 | (65,919) |
| TOTAL OTHER FINANCING SOURCES (USES) | (65,919) | 26,965 | (38,954) |
| RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES) | 25,319 | 30,330 | 55,649 |
| Fund balances - beginning of year | 113,983 | 15,371 | 129,354 |
| FUND BALANCES - END OF YEAR | 139,302 | 45,701 | 185,003 |

See accompanying notes

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VILLAGE OF DUNCAN, NEBRASKA

STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUND

September 30, 2016

| | <u>Utility Fund</u> |
|---------------|-------------------------|
| ASSETS: | |
| Cash | <u>0</u> |
| NET POSITION: | |
| Unrestricted | <u>0</u> |

See accompanying notes

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PURPOSES ONLY

VILLAGE OF DUNCAN, NEBRASKA

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN NET POSITION - CASH BASIS - PROPRIETARY FUND

Year Ended September 30, 2016

| | <u>Utility Fund</u> |
|---|-------------------------|
| OPERATING RECEIPTS: | |
| Fees and services | <u>136,763</u> |
| OPERATING DISBURSEMENTS: | |
| Payroll | 31,189 |
| Capital outlay | 19,115 |
| Continuing education | 670 |
| Dues and subscriptions | 355 |
| Insurance | 2,592 |
| Miscellaneous | 2,283 |
| Printing and publishing | 249 |
| Professional fees | 1,404 |
| Repairs and maintenance | 26,446 |
| Supplies | 8,270 |
| Utilities | 12,126 |
| Water testing | 2,633 |
| TOTAL OPERATING DISBURSEMENTS | <u>107,332</u> |
| OPERATING INCOME (LOSS) | <u>29,431</u> |
| NON-OPERATING RECEIPTS (DISBURSEMENTS) | |
| Grant income | 106 |
| Debt principal payments | (49,378) |
| Debt interest payments | (19,113) |
| TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS) | <u>(68,385)</u> |
| NET INCOME (LOSS) BEFORE TRANSFERS | (38,954) |
| Transfers - in | <u>38,954</u> |
| NET INCOME (LOSS) | 0 |
| Net position - beginning of year | <u>0</u> |
| NET POSITION - END OF YEAR | <u><u>0</u></u> |

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See accompanying notes

VILLAGE OF DUNCAN, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies utilized in the accounting system of the Village of Duncan, Nebraska.

As discussed further below under Basis of Accounting, these financial statements are presented on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the cash basis of accounting.

Government

The Village of Duncan, Nebraska (Village) is a municipality located in Platte County in the northeastern part of Nebraska and operates with a village board that consists of five elected members. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The basic financial statements report on the government as a whole. There are no component units required to be included in the financial statements.

Basis of Accounting

The Village maintains its financial records and prepares its financial statements on the cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. Therefore, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statements are not presented in accordance with GAAP.

If the Village utilized the basis of accounting recognized as generally accepted accounting principles, the financial statements for governmental funds would use the modified accrual basis of accounting, while the proprietary fund types would use the accrual basis of accounting. Government-wide financial statements would use the accrual basis of accounting.

(Continued on next page)

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VILLAGE OF DUNCAN, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange receipts. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

In the Statement of Net Position and the Statement of Activities, the governmental activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, and financial position. All assets and liabilities arising from cash transactions (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

The Statement of Activities reports both the gross and net cost of each of the Village's governmental functions and business-type activities. The Statement of Activities reduces gross disbursements by related program receipts and operating grants and contributions (if any). Capital grants and contributions (if any) include project specific grants and contributions related to the Village. Program receipts must be directly associated with the governmental function or business-type activity. The net costs of each governmental function are also supported by general government receipts (property taxes, certain intergovernmental receipts, etc.).

Fund Financial Statements

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, fund balance, receipts and disbursements.

The governmental funds utilize a "current financial resources" measurement focus. Only current financial assets arising from cash transactions are generally included on the Statement of Assets and Fund Balances. Capital assets acquired are accounted for as capital outlay. Debt proceeds (if any) are reported as other financing sources and payments of principal and interest are reported as disbursements. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balances are the measure of available spendable financial resources at the end of the period.

(Continued on next page)

VILLAGE OF DUNCAN, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Proprietary funds are used to account for the Village's business-type activities. Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

The following fund types are used by the Village:

Governmental Fund Types

The following is a description of the governmental funds of the Village:

General Fund is the primary operating fund of the Village and is always classified as a major fund. It is used to account for all financial resources, except those required by law, contractual agreement, or administrative action to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or designated by management to expenditures for specific purposes.

Proprietary Fund Types

The following is a description of the proprietary funds of the Village:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of receipts, disbursements, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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VILLAGE OF DUNCAN, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statement Amounts (Continued)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. The Village has determined the following funds to be major funds:

General Fund as previously described.

Street Fund is a special revenue fund and accounts for revenues and expenditures for the maintenance, construction, and improvements of the streets and alleys of the Village.

Utility Fund is an enterprise fund and accounts for activities of the Village's water and sewer operations.

Financial Statement Amounts

**DRAFT FOR DISCUSSION
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Cash

The Village has defined cash to include cash in banks, certificates of deposit and cash on hand with the County Treasurer.

Government-Wide Net Position

In the government-wide statements, net position is displayed in two components:

1. Restricted net position – Consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted net position – All other net position that does not meet the definition of “restricted.”

When a disbursement is incurred for purposes for which both restricted and unrestricted net resources are available, the Village typically uses restricted net resources first, followed by unrestricted net resources, but reserves the right to selectively spend unrestricted net resources first to defer the use of these other classified funds.

(Continued on next page)

VILLAGE OF DUNCAN, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts (Continued)

Fund Statements – Fund Balances

In the governmental fund statements, fund balances are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

Restricted — Amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as creditors, grantors, contributors, and higher levels of government), or imposed by constitutional provisions or enabling legislation.

Assigned — Amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. Only the Village Board may assign amounts.

Unassigned — The portion of the general fund not restricted, committed or assigned for a specific purpose.

When a disbursement is incurred for purposes for which both restricted and unrestricted net resources are available, the Village typically uses restricted fund balances first, followed by assigned fund balances, but reserves the right to selectively spend unassigned fund balances first to defer the use of these other classified funds.

Proprietary fund balance is classified the same as in the government-wide statements.

Receipts

Platte County bills and collects property taxes and remits to the Village monthly. These taxes are deemed to be received by the Village when collected by the County Treasurer.

Operating receipts for proprietary funds are those that result from providing services and goods. Subsidies and grants (if any), which finance capital outlay and other receipts, are reported as non-operating receipts.

(Continued on next page)

**DRAFT FOR DISCUSSION
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VILLAGE OF DUNCAN, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts (Continued)

DRAFT FOR DISCUSSION
PURPOSES ONLY

Disbursements

Disbursements are classified by function for both governmental and business-type activities in the government-wide financial statements. In the fund financial statements, disbursements are classified by character (current, capital outlay and debt service) in the governmental funds and as operating and non-operating in the proprietary funds. Operating disbursements are those disbursements that are essential to the primary operations. All other disbursements are reported as non-operating.

Interfund Activity

Interfund activity includes transfers between governmental or proprietary funds. Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities.

NOTE 2: CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to them.

The Village maintains a cash pool available for use by all funds except those required to maintain separate accounts. As required by state law, the Village's funds held in depositories as of September 30, 2016, were either fully insured or collateralized.

NOTE 3: RESTRICTED ASSETS

Certain cash in the General Fund has been restricted for community betterment by donors or as it relates to Keno funds, which by state statute must be used for community betterment.

NOTE 4: PROPERTY TAXES

Real estate and personal property taxes are levied by the County Board on or before October 15 of each year for all political subdivisions of the County based on assessed values as of January 1. These taxes become due and attach as an enforceable lien on property on December 31. The first half of both taxes is delinquent May 1 and the second half delinquent September 1 of the following year.

(Continued on next page)

VILLAGE OF DUNCAN, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE 4: PROPERTY TAXES (CONTINUED)

State statute limits villages to a levy of \$0.45 per \$100 of valuation, but provides for an additional levy of \$0.05 for expenses incurred in joint agreements. Villages may delegate a portion of their total levy to other taxing authorities within the Village (i.e. airport authority, community redevelopment or transit authorities). Villages may levy taxes in addition to the \$0.50 limitation upon a vote of the people. Additionally, there is currently a statutory lid limitation which limits taxation to the prior year's level, with provisions for growth. The lid may be increased by 1% upon the approval of a three-fourths majority of the Village Board.

The levy set in October, 2015, for the 2015 taxes which were materially collected in May and September, 2016, was set at \$0.191338 per \$100 of assessed valuation.

Motor vehicle taxes are due when application is made for registration of a motor vehicle. The amount collected for the motor vehicle tax is outlined in State statute.

NOTE 5: INTERFUND ACTIVITY

Transfers are used to move revenues between funds. The transfers below are routine in nature.

| <u>Transfers in</u> | <u>Transfers out</u> |
|---------------------|----------------------|
| | <u>General Fund</u> |
| Street Fund | 26,965 |
| Utility Fund | 38,954 |
| | <u>65,919</u> |

NOTE 6: INTEREST EXPENSE

Interest expense and fiscal charges were charged to functions/programs as follows:

| | |
|--------------------------|--------|
| Governmental activities | |
| General government | 2,768 |
| Business-type activities | |
| Utility | 19,113 |

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VILLAGE OF DUNCAN, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE 7: RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year, the Village carried commercial insurance for general liability, public official's liability, property coverage, workers' compensation coverage, commercial excess liability coverage, and crime and blanket bond coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8: CONTINGENCIES

Environmental

The Village is subject to laws and regulations relating to the protection of the environment. Although it is not possible to determine with any degree of certainty the potential impact of the Village's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition of the Village.

Federal and State Award Programs

In the normal course of operations, the Village receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions relating to the granting of funds. Any liabilities for reimbursement which may arise as the result of these audits are not believed to be material.

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VILLAGE OF DUNCAN, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE 9: COMMITMENTS

The Village has commitments for the following debt obligations at September 30, 2016:

General Obligation bonds:

| | |
|---|---------|
| Sanitary sewer refunding bonds - 2012 - interest at .9 - 1.9%, matures September 1, 2020. | 80,000 |
| Water bonds - 2012 - interest at .4 - 3.4%, matures June 15, 2032. | 345,000 |

Notes payable:

| | |
|---|---------|
| Nebraska Department of Environmental Quality loan - 2010 - interest at 2.0% plus 1.0% administrative fee, matures June 15, 2031 | 253,785 |
| First National Bank - 2015 - interest at 3.84%, matures October 11, 2019 | 51,039 |

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OTHER INFORMATION

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VILLAGE OF DUNCAN, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GOVERNMENTAL AND PROPRIETARY FUNDS**

Year Ended September 30, 2016

| | Original/Final Budget | Actual |
|-------------------------------------|--------------------------|---------|
| RECEIPTS: | | |
| Taxes | 84,000 | 91,355 |
| Intergovernmental | 52,207 | 61,644 |
| Local | 197,962 | 209,226 |
| Grants | 0 | 11,030 |
| Transfers in | 11,600 | 65,919 |
| Loan proceeds | 0 | 0 |
| TOTAL RECEIPTS | 345,769 | 439,174 |
| DISBURSEMENTS: | | |
| General government | 89,430 | 52,725 |
| Public safety | 20,500 | 22,915 |
| Public works | 50,350 | 33,170 |
| Culture and recreation | 16,700 | 0 |
| Capital outlay | 60,500 | 24,222 |
| Utility | 62,920 | 88,217 |
| Debt service | 86,140 | 96,357 |
| Transfers out | 11,600 | 65,919 |
| TOTAL DISBURSEMENTS | 398,140 | 383,525 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (52,371) | 55,649 |

See accompanying notes to budgetary comparison schedule.

**DRAFT FOR DISCUSSION
PURPOSES ONLY**

VILLAGE OF DUNCAN, NEBRASKA

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Data

In compliance with Nebraska State Statutes, the Village adopts a unified budget that encompasses all governmental and proprietary funds. It is prepared on the cash basis of accounting.

**DRAFT FOR DISCUSSION
PURPOSES ONLY**

ADDITIONAL INFORMATION

**DRAFT FOR DISCUSSION
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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*

Independent Auditors' Report

To the Village Board
Village of Duncan, Nebraska

**DRAFT FOR DISCUSSION
PURPOSES ONLY**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Duncan, Nebraska as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated <INSERT DATE>. These financial statements were prepared using a special purpose framework of reporting identified as the cash basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Duncan, Nebraska'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 Village of Duncan, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Duncan, Nebraska's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Finding and Response, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Finding and Response as item 2016-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Duncan, Nebraska'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 determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

Village of Duncan, Nebraska's Response to Finding

The Village of Duncan, Nebraska's response to the finding identified in our audit is described in the Schedule of Finding and Response. The Village of Duncan, Nebraska's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Duncan, Nebraska's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Duncan, Nebraska's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Certified Public Accountants
Grand Island, Nebraska

<INSERT DATE>

**DRAFT FOR DISCUSSION
PURPOSES ONLY**

VILLAGE OF DUNCAN, NEBRASKA

SCHEDULE OF FINDING AND RESPONSE

September 30, 2016

2016-001 SEGREGATION OF DUTIES

Criteria

Internal controls should be in place to ensure proper segregation of duties.

Condition

Presently, one individual is able to handle all parts of a transaction from initiation to recordkeeping to reconciliation. In addition, only limited oversight is provided in the conduct of daily functions.

Cause

Due to the size of the village, the Village of Duncan, Nebraska does not have sufficient office personnel to perform appropriate supervision and review functions. The limited number of employees results in an inadequate overall internal control structure design.

Effect or Potential Effect

Inadequate segregation of duties could lead to the misappropriation of assets or improper reporting.

Recommendation

We recommend the Village of Duncan, Nebraska continue to monitor and evaluate its internal controls with the use of limited personnel and to provide as much segregation of duties as determined to be feasible within its operations.

Response

The Village recognizes that it does not have sufficient in-house personnel to assign financial transactions to multiple employees because of the cost effectiveness of such actions. The Village Board is aware of this deficiency, and will continue to monitor the situation. The Village Board has implemented some oversight measures to limit exposure where possible.

**DRAFT FOR DISCUSSION
PURPOSES ONLY**