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City of Grant Nebraska Special Evaluation Summary

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Issued on March 10, 2008

CITY OF GRANT NEBRASKA SPECIAL EVALUATION

EXECUTIVE SUMMARY

The Auditor of Public Accounts (APA) evaluated the accounting records and other areas of concern at the City of Grant, Nebraska (City). The APA made two separate visits to the City. The first visit occurred in March 2007, followed by a second visit in January 2008 to complete our evaluation and to follow-up on additional concerns brought to our attention.

The overall summary of our evaluation noted:

1. Financial Information:

- The City did not properly reconcile the accounting records to the bank for June 2007, and a reconciliation had not been performed for November and December 2007 as of January 23, 2008.
- The APA attempted to reconcile the July 2007 bank activity to the City's accounting records. We were unable to reconcile the bank activity to the accounting records and noted certain receipts had not been deposited to the bank and amounts deposited to the bank had not been recorded in the accounting records.
- Checks received from City employees were not deposited upon receipt but instead were held up to 70 days. A check received from former City Superintendent Joe Morris on April 24, 2007 was not deposited until July 2, 2007. A check received from City of Grant Mayor Adam Uehling on June 26, 2007 was not deposited until July 23, 2007.
- The City did not sequentially record receipts and deposits were not properly recorded in the City accounting records. In July 2007, \$65 was received but could not be traced to a subsequent deposit. The City has been unable to determine if the \$65 was ever deposited. A deposit for \$612 was recorded in the City's bank records, but not recorded in the City accounting records.
- Certain Electric Fund expenses were paid from the General Fund. The Electric Fund subsequently reimbursed the General Fund for its share of expenses. The City did not reimburse the General Fund in a regular, timely manner. For fiscal year 2007, the City transferred approximately \$3,000 more than it should have from the Electric Fund to the General Fund.
- The City is not in compliance with Neb. Rev. Stat. Section 19-1102 which requires the city clerk "to prepare and publish the official proceedings" of the City council. The City did not publish economic development claims, aggregate payroll claims, or claims paid for reimbursement of expenses.
- There is a lack of control surrounding deposit of swimming pool and concession money.

2. Local Option Municipal Economic Development Program:

- City ordinance (07-01) does not clearly define whether the City Council, Program Administrator, or Citizen Advisory Review Committee (Committee) has ultimate authority to approve or deny economic development loan and grant applications.

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- A copy of the economic development plan was not on file with the City Clerk or Perkins County Clerk, as required. As a result, we could not determine whether the City's Economic Development Plan (Plan) involved a "loan fund" as described in State Statutes.
- The City's Economic Development Committee was not in compliance with the Nebraska Open Meetings Act. The Committee exercised public functions in approving and denying economic development loan and grant applications.
- A member of the economic development review committee received a \$15,000 loan and \$10,000 grant from the economic development program. This type of activity is in violation of Neb. Rev. Stat. Section 18-2715(2) which prohibits providing financial assistance to citizen advisory committee officials.
- The Economic Development Fund had a negative cash balance from November 2006 through May 3, 2007. It appears the City commingled its economic development funds with other City funds in violation of Neb. Rev. Stat. Section 18-2718(1). The Committee also based decisions on budgeted rather than actual figures.
- Information provided by the City for individual economic development loans did not always agree to the City's accounting records.
- Individual loan balances were not accurate since the City reduced the principal balances by entire loan payment amounts, including interest, resulting in understated unpaid loan balances. The City pursued litigation on a delinquent loan based on an understated balance.
- Claims were paid from the Economic Development Fund prior to the Committee's approval.
- No formal policies and/or guidelines were in place related to the awarding of economic development grants and/or loans, including; maximum amount of available business assistance; criteria used in determining levels of assistance, necessity and appropriateness of participation, consistency of loan terms including loan interest rates and repayment schedules; and post-award review procedures to determine if awarded assistance was used appropriately by the recipient.
- The City was not in compliance with Neb. Rev. Stat. Section 18-2715(3) which requires the Committee to report to the governing body on its findings and suggestions at least once in every six-month period. It did not appear the City meetings were held every six months.

3. Lack of Quorum

There was a lack of a quorum of the City Council between March 2007 and May 2007; however, the City continued to transact business, in conflict with Neb. Rev. Stat. Section 17-105.

4. Travel Expenditures

- The City of Grant reimbursed the former City Superintendent \$2,771 in travel related expenses for which the former City Superintendent had also been reimbursed by the American Public Energy Agency (APEA).
- The former City Superintendent claimed and was reimbursed twice for mileage and parking for the same trips to North Platte and Lincoln.

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- The former City Superintendent incurred \$15,724 in travel related expenses from September 1, 2005 through April 24, 2007; an amount which appears excessive.
- The former City Superintendent claimed and was reimbursed for two separate health insurance deductibles. The City personnel manual does not indicate the City will reimburse employee insurance deductibles.
- The former City Superintendent claimed and was reimbursed for two travel related expenses in advance of the travel having occurred.
- The former City Superintendent claimed and was reimbursed for roundtrip mileage from Grant to Lincoln on a Sunday without adequate documentation to support the purpose of the travel.
- The former City Superintendent was reimbursed excessive mileage for trips from Grant to Lincoln, Ogallala, Omaha, Imperial, South Sioux City, North Platte, and Denver.
- There was an overall lack of review and approval of employee expense reimbursements for reasonableness, completeness, and accuracy. In addition, there was a lack of adequate documentation to support the expenses claimed.

5. Credit Card Purchases

- The City does not have a written policy regarding proper use of credit cards and required documentation to support all purchases made with the cards.
- The City was unable to locate the April 2006 and September 2007 credit card statements.
- The City did not adequately review its credit card statements and supporting documentation to ensure items charged were reasonable and necessary.

6. Water Usage Rate for Property Owned by the Mayor

The Mayor purchased a lawn care business in 2006. Subsequent to his purchase of this business, he continued to pay the “residential and commercial not dependent on water” rate. The Mayor indicated to the APA he obtained water used in his business from a source outside the City limits; however, there was no documentation to support this assertion.

7. Prior Audit Findings

The APA examined corrective action taken by the City in response to a management letter issued in connection with the City’s annual audit for the fiscal year ended September 30, 2006. It was determined a number of issues had not been addressed and/or corrected, including the following:

- Procedures have not been implemented to improve oversight and review of the City’s overall financial activity.
- A capitalization policy has not been established.
- The monthly utility accounts receivable have not been reconciled.
- Franchise fees, including implementation of a telephone franchise fee and review of the current gas franchise fee arrangement, have not been addressed.
- No action has been taken to review payroll tax reports and verify the completeness and accuracy of payroll tax withholding calculations.

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8. Garbage Truck and Copy Machine Purchases

The City did not maintain bid proposals related to the purchase of a garbage truck and a copy machine. The City did not maintain documentation related to any rejected and/or awarded bids as required by the State Records Retention requirements.

9. Former City Superintendent Salary Documentation

- The former City Superintendent was overpaid \$1,087 in June 2007, because the former City Clerk/Treasurer determined the individual was not paid his last check. However, the former City Superintendents final vacation and sick leave payment was adjusted and included the last pay check amount.
- City employees are paid 100% of their unused vacation balance and one-half of their unused sick leave balance upon termination; however, salaried employees are not required to keep timesheets or other supporting documentation of actual hours worked or leave used.
- No supporting documentation was on file for an overtime payment to the former City Superintendent; however, the payment was subsequently recouped by the calculation of the unused vacation and sick leave payout.

Copies of the City of Grant, Nebraska Special Evaluation Summary in its entirety can be found on our website at www.auditors.state.ne.us.

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APA Summary of Evaluation Procedures

The Auditor of Public Accounts (APA) evaluated the accounting records and other areas of concern at the City of Grant, Nebraska. The APA made two separate visits to the City. The first visit occurred in March 2007, followed by a second visit in January 2008, to complete our evaluation and to follow-up on additional concerns brought to our attention.

APA Procedures

Our evaluation included the following procedures and summaries:

1. Examined the City's financial records, including information obtained from the computerized accounting records, bank statements, and bank reconciliations.
2. Evaluated the City's Local Option Municipal Economic Development Program (Program), including the schedule of loan payments and loan balances as of December 31, 2007, the Citizen Advisory Review Committee (Committee) meeting minutes, the activity recorded in the accounting records, and State Statutes and City Ordinance pertaining to the Local Option Municipal Economic Development Act (Act).
3. Examined the process used to approve City expenditures between March 2007 and May 2007, when there was a lack of a quorum of the City Council.
4. Examined expense reimbursement payments to the former City Superintendent from September 1, 2005, through April 24, 2007. We also examined the former City Superintendent's travel related expenses charged on the credit cards from March 2006 through April 24, 2007 and the City's Personnel Manual regarding reimbursing employees for travel expenses.
5. Examined the City of Grant credit card statements from March 2006 through December 5, 2007 for travel related expenses. We also examined credit card statements for all purchases from May 2007 through December 2007.
6. Evaluated the water usage rate for property owned by the Mayor.
7. Examined and documented any corrective action taken on issues presented in a management letter issued in connection with the annual audit of the financial statements of the City for fiscal year ended September 30, 2006.
8. Examined records related to the purchase of a garbage truck and copy machine to ensure compliance with State Statutes, City Ordinance, and State Records Retention Schedules.
9. Examined the payroll records and accrued vacation and sick leave payments to the former City Superintendent.

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APA Summary of Evaluation Results

The overall summary of our evaluation noted:

1. Financial Information

The APA examined the City's financial records, including information obtained from the computerized accounting records, bank statements, and bank reconciliations. We noted the following concerns in our review of the City's financial records:

- During our visit in January 2008, we determined the City had not properly reconciled the accounting records to the bank for June 2007. The June 30, 2007 accounting records showed a General Fund balance of \$438,642. The former City Clerk/Treasurer showed a reconciled bank balance of \$429,439, for a variance of \$9,203 between the accounting records and the bank. The former City Clerk/Treasurer included \$3,671 in checks written in July 2007 as outstanding at June 30, 2007. Outstanding checks should represent checks issued by the City prior to the end of the month being reconciled, which have not yet cleared the bank.

Subsequent to our January 2008 visit, the APA contacted the former City Clerk/Treasurer to discuss our initial concerns with the June 2007 reconciliation. The former City Clerk/Treasurer provided two revised bank reconciliations for June 2007. The first revised version showed a reconciled bank balance of \$414,863. The second revised version showed a reconciled bank balance of \$418,584. Obviously, these versions did not agree with the accounting system balance of \$438,642. We noted similar concerns with the Electric Fund accounting records and bank reconciliations.

At the time of our January 2008 visit, the reconciliation between the accounting records and the bank balances had not been performed for November and December 2007.

Without a proper reconciliation of the accounting records to the bank records, the risk for fraudulent activity is extremely high.

- As a result of the issues noted with the June 2007 reconciliation, the APA attempted to reconcile the City's bank accounts as of July 2007 and noted the following:

We were unable to reconcile the bank balances at July 31, 2007 with the recorded balances from the City's accounting records for the General Fund, Electric Fund, and Returned Check Fund. We were further unable to ensure all of the money received was deposited or recorded in the accounting records. In addition, we were unable to determine the timing of certain payroll withholdings to vendors. The variances at July 31, 2007 were as follows: General Fund \$643; Electric Fund \$78; and Returned Check Fund \$87. **See Exhibit A.**

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We also compared bank deposits and cleared checks to receipts and checks recorded in the City's accounting records. There was an unknown check variance of \$1,085 in the General Fund with the accounting records reflecting more checks than the bank. **See Exhibit B.**

Again, without a proper reconciliation of the accounting records to the bank records, the risk for fraudulent activity is extremely high.

- Checks received from certain City employees were not deposited immediately upon receipt. The former City Administrator reimbursed the City \$2,771 on April 24, 2007, as a result of allegations that he received reimbursement from both the City and American Public Energy Agency (APEA) for the same travel expenses. The check from the former City Superintendent was not deposited into the City's bank account until July 2, 2007, or 70 days after it had been received. When questioned by the APA regarding this delayed deposit, the former City Clerk/Treasurer indicated the former City Superintendent did not have adequate funds in his bank account to cover the check so she held it until he had sufficient funds available in his account.

Similarly, another check for \$1,412 was received from the Mayor's business on June 26, 2007, and was not subsequently deposited into the City's bank account until July 23, 2007, or 28 days after it had been received. The check related to an economic development loan the Mayor's business received from the City.

Neb. Rev. Stat. Section 49-14,101.01(1) prohibits the use of public office "to obtain financial gain, other than compensation provided by law, for himself or herself, a member of his or her immediate family, or a business with which the individual is associated." It appears the former City Superintendent and the Mayor may have benefited financially in these instances, as both continued to have access to these funds in their personal bank accounts as long as their checks remained undeposited by the City. In essence, the City provided both these individuals with short-term loans for a period of time.

- The former City Clerk/Treasurer did not issue receipts in sequential order and did not consistently make deposits in a timely manner. Receipt numbers 148 to 275 were written in July 2007; however, several receipt numbers within this sequence were issued in June 2007 and August 2007. In addition, \$65 was received that could not be traced to a bank deposit. The current City staff has not yet determined if this money was ever deposited. **See Exhibit C.** Furthermore, a July 2007 deposit in the amount of \$612 was not recorded in the accounting records.

Again, the method the City uses to record receipts and the delay in depositing all monies received increases the risk of fraudulent activity. A proper reconciliation between bank and the accounting records would likely detect these types of errors and/or irregularities as well as reduce the overall risk of fraud.

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- The City allocates a percentage of certain expenses (payroll, payroll withholdings, and sales tax) from the General Fund to the Electric Fund. Checks are written from the General Fund for the entire expense amount and the Electric Fund subsequently either writes a check or makes an electronic bank transfer to reimburse the General Fund. These expenses are recorded in the accounting records directly to the Electric Fund. Reimbursement from the Electric Fund to the General Fund was not performed on a regular, timely basis and, as a result, there is an increased risk of incomplete or inaccurate transfers between Funds. For the fiscal year ended September 30, 2007, it appeared the City of Grant transferred approximately \$3,000 more than required from the Electric Fund to the General Fund. **See Exhibit D.**
- Neb. Rev. Stat. Section 19-1102 requires the City Clerk “to prepare and publish the official proceedings” of the City Council. The publication “shall set forth a statement of the proceedings of the meeting, and shall also include the amount of each claim allowed, the purpose of the claim, and the name of the claimant, except that the aggregate amount of all payroll claims may be included as one item.” The City of Grant did not publish the economic development claims, the aggregate payroll claims, or the claims paid for reimbursement of expenses to employees in accordance with Statute. In addition, when claims paid are not published as required, there is an increased risk for fraud or misuse of funds.
- There appears to be a lack of internal controls surrounding the deposits of swimming pool and concession money. The City collected money at both the swimming pool and ball field, which is kept in “money boxes” until deposited. The frequency of the deposit depends on the volume of activity. The Parks and Recreation Director left \$25 or \$35 on hand and took any remaining money to the City office where a deposit slip was prepared. The Director would then take the money to the bank and return an encoded deposit slip to the City Clerk/Treasurer for receipt. While the Director maintained a listing of the money received for pool passes and ball registrations, pool staff completed manual logs of the number of people who entered the pool. Money received at the concession areas were not adequately controlled to ensure all concession money received was subsequently deposited. Without adequate controls to ensure all monies received are deposited, there is an increased risk for loss or misuse of City funds.

We recommend the City perform complete, accurate, and timely reconciliations between the bank and accounting activity, as well as transfers, and deposits beginning with at least fiscal year 2007. We also recommend complete and accurate financial records be presented to the City Council at least monthly for their review. We recommend all claims, including aggregate payroll claims, employee expense reimbursements, and economic development claims be published as required by statute. Finally, we recommend the City review the internal controls related to Parks and Recreation receipts.

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2. Local Option Municipal Economic Development Program

The APA evaluated the City's Local Option Economic Development Program (Program), including the schedule of loan payments and loan balances as of December 31, 2007, Citizen Advisory Review Committee (Committee) meeting minutes, the accounting record activity, and State Statutes and City Ordinance pertaining to the Local Option Economic Development Act (Act). A memo regarding these issues was prepared by APA legal counsel and is included as **Exhibit E**.

The City budgeted \$180,000 in property tax receipts for the fiscal year 2007-2008, of which \$128,000, or about 70 percent, was for the Program. As of December 31, 2007, there were 15 outstanding economic development loans totaling \$345,840 based on the City's calculations. We noted the following:

- The City adopted Resolution 02-06 on June 11, 2002 which presented the Economic Development Program Plan (Plan) and directed the City Clerk to submit the Program to the voters. City Ordinance 02-04 was passed and approved on August 27, 2002, and established the Program for the City of Grant. City Ordinance 07-01 approved on January 9, 2007, amended the original ordinance in its entirety. The Committee has approved and denied economic development loan and grant applications without consulting or advising the governing body (Grant City Council). The City Ordinance does not clearly define whether the City Council, the Program Administrator, or the Committee has the ultimate authority to approve or deny economic development loan and grant applications. As a result, the Ordinance does not provide the type of guidance necessary to fulfill the purposes of the Act and leads to an increased risk for fraud or misuse of economic development funds.
- Resolution Number 02-06 required the City to adopt the Plan by resolution to be presented to the voters. A copy of the resolution and the proposed Plan was required to be filed with the City Clerk and Perkins County Clerk. Neither the City nor the Perkins County Clerk had a copy of the City of Grant Plan on file. As such, we could not determine whether the Plan involved a "loan fund" as described in Neb. Rev. Stat. Section 18-2720, and whether the requirements under this section of Statute would apply to the City's Plan.
- The City was not in compliance with the Nebraska Open Meetings Act related to Committee activities. The Open Meetings Act applies to activities of "public bodies". Advisory committees of governing bodies of political subdivisions fall within the definition of a public body. The Committee exercised public functions in approving and denying loan and/or grant applications. Neb. Rev. Stat. Section 84-1413(5) requires meeting minutes to "be written and available for inspection within ten working days or prior to the next convened meeting, whichever occurs earlier[.]" The City did not provide the APA with a complete set of meeting minutes for the Committee. There were at least 8 meetings dating back to September 2003 in which no meeting minutes were provided by the City. Additionally, meeting minutes were not provided for the following periods: March 28, 2005 through

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December 7, 2005; December 9, 2005 through February 28, 2006; March 2, 2006 through August 30, 2006; October 4, 2006 through January 26, 2007; and July 25, 2007 through December 31, 2007. We were unable to determine whether the Committee formally approved 4 of the 15 economic development loans outstanding at December 31, 2007, including the loan to the Uehling Total Turf, the business owned by the Mayor. **See Exhibit F.**

- Darin Tjaden of Architectural Design is a member of the Committee and received a \$15,000 loan and a \$10,000 grant from the City's Program. Neb. Rev. Stat. Section 18-2715(2) states, "No member of the citizen advisory review committee shall be . . . an official or employee of any qualifying business receiving financial assistance under the economic development program . . ." Neb. Rev. Stat. Section 28-924(1) allows for a public servant who "knowingly violates any statute or lawfully adopted rule or regulation relating to his official duties" to be charged with official misconduct. It is our opinion that Mr. Tjaden meets the definition of a public servant related to his role on the Committee and should not have been eligible to receive an economic development loan and grant.
- The economic development fund had a negative cash balance from November 2006 thru May 3, 2007. **See Exhibit G.** Neb. Rev. Stat. Section 18-2718(1) does not permit the city to transfer or remove funds from the economic development fund other than for the purposes prescribed in the Act, and does not permit the money in the economic development fund to be commingled with any other City funds. Considering the economic development fund had a negative cash balance, it appears the City commingled the economic development funds with other City funds.

Prior to approving grant or loan applications, it appears the Committee reviewed the balance of the fund based on budgeted information rather than actual information. For example, the Committee meeting minutes indicated the economic development fund balance was \$47,317 as of June 27, 2007. The accounting records indicated the balance was \$19,962. Several of the Committee meeting minutes indicated the fund balance was the total amount of capital outlay budgeted in the program less the amount spent or committed. Since property taxes are collected by the County and remitted to the City throughout the year, the process of approving economic development grants and loans based on a budgeted figure could lead to negative fund balances.

- The information maintained by the City for each loan did not always agree to the accounting records. While loan information indicated two payments from Mastre Homes; a \$319 payment was received October 16, 2007 and a \$319 was received October 17, 2007, accounting records reflected a single payment of \$319 on October 15, 2007. Additionally, loan information indicated a \$230 payment from Ken's Electric on May 18, 2007; however, accounting records reflected receipt of \$460 on that date. It did appear that after several months the information on the individual loans was corrected by the City.

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There is an increased risk for fraud or misuse of the Program without adequate records of individual loan activity that agree to the accounting records.

- We examined the loan balances provided by the City and determined the loan balances were not accurate. For each loan, the initial loan amount was reduced by the full amount of each repayment received, including interest payments. As a result, the loan balances were understated since the interest payments were used to reduce the principal loan amount. A basic recalculation of 3 economic development loans showed balances were understated from \$606 to \$1,802. It also appeared these inaccurate loan balances were provided to and used by the Committee in their evaluation of the Program performance.

Additionally, it appears litigation was pursued on a delinquent loan based on an understated loan balance per the Committee meeting minutes. The June 28, 2007 Committee meeting minutes reflect a discussion of Stumpy's loan with a balance of \$27,020. The last payment from Stumpy's was received in March 2007. The June 28, 2007 loan balance was understated by approximately \$950. The July 25, 2007 Committee meeting minutes indicated a motion was passed to "proceed with legal action against Forrest Hendrickson d/b/a/ Stumpy's." A motion was also passed by the City Council at the August 14, 2007 meeting to pursue litigation against Stumpy's LLC.

Without complete and accurate accounting of the loan activity, there is a high risk the City will not recover all amounts due.

- Claims were paid from the Program fund prior to the Committee's approval. At a January 1, 2007 meeting, \$116,602 in bills and claims were approved, of which \$116,512 had already been paid. Some of these payments had been made as far back as October 31, 2006.
- There were no formal policies related to the economic development grants or loans awarded from the Program. Policies should include a maximum amount of business assistance, criteria used to determine the appropriate level of assistance, interest rate and repayment terms and schedules, necessity and appropriateness of participation, and post-award procedures to verify the assistance given was used in an appropriate manner.

There were inconsistencies in the terms of economic development loans approved. Grace periods from the time the business received the loan to the time the first payment was due ranged from 1 to 28 months per the promissory notes. The promissory note for El Shaddai LLC (Jenny's) was dated June 25, 2003 and provided for a \$39,583 loan. This loan was approved by the Committee on June 18, 2003; however, the promissory note was not signed until May 25, 2005. The terms of the promissory note state the first repayment was not due until October 25, 2005, which appears to be incorrect, since accounting records indicate Jenny's began repayments in 2003. Additionally, the Innovative Building Products (IBP) loan was approved at the

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March 18, 2004 Committee meeting, “with specific terms for repayment and forgiveness to be negotiated by the City.” The promissory note was dated April 28, 2004 and the loan payment was likely disbursed at that time. The promissory note indicates the first repayment was due on June 15, 2006. This extended grace period is inconsistent with other economic development loans.

Interest rates offered on economic development loans were not consistent. Three loans had an interest rate of 0%, others ranged from 1% to 2%. **See Exhibit F.**

The promissory notes define different due dates upon which late fees will be applied. For example, the notes for In & Out, Ken’s Electric, Video World, and Uehling’s Total Turf indicated if installments were not made within 15 days of the due date the payments would be considered late and subject to a \$30 late fee. The note for Architectural Design indicated if installments were not made within 10 days of the due date, the payments would be considered late and subject to a \$30 late fee. All other promissory notes indicated payments were considered late and subject to a \$30 late fee if not received on the due date. There were 10 of 15 loan recipients who submitted late payments based on the promissory note terms and accounting records. Of 45 late payments noted, the \$30 late fee was only collected for 13 of these payments. **See Exhibit H.**

Uehling’s Total Turf, owned by the Mayor, was delinquent on three quarterly installments of \$691.14 each. The Mayor agreed to make quarterly installment payments in March, June, September, and December each year. The March 2007 payment was remitted in June 2007, along with the June payment. The September and December 2007 payments were remitted on January 18, 2008, the week prior to the APA’s visit. The Mayor did pay the \$30 late fee on these delinquent installments.

- Neb. Rev. Stat. Section 18-2715(3) requires the Committee to report to the governing body on its findings and suggestions at a public hearing called for that purpose at least once in every six-month period after the effective date of the ordinance. It did not appear such meetings were held every six months. From August 22, 2006 to December 11, 2007 the Committee reported on the program to the City Council once at a public hearing on January 23, 2007. This “annual update” was presented by the City Administrator Joe Morris. Therefore, the City was not in compliance with this statute.

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We recommend:

- The City work with legal counsel to clearly define the ultimate authority for approval or denial of economic development grants and loans.
- The City obtain and maintain a copy of its Plan and determine whether the City's Plan involves a "loan fund" as described in statutes and whether the City meets the requirements of a "loan fund."
- The City ensure the Committee complies with the Open Meetings Act and require the Committee to provide its meeting minutes to the City offices for public inspection as required by statute.
- The City refer the issue of the Committee receiving a loan from the Program to the County Attorney to determine the necessary action in this matter.
- The City ensure the economic development funds be kept separate from other funds of the City. The fund should not be negative or other funds of the city will have to cover the costs of the Program. We also recommend the Committee be provided with complete, accurate, up-to-date financial information in order to make informed decisions that affect the program.
- The City ensure the loan information agrees to the City's accounting records at all times.
- The City review the individual loan information it has on file and ensure the balances for each loan are correct. The payment received from the borrowers should be applied to both principal and interest on the loan, not just the principal amount.
- The City ensure the claims from the economic development fund are approved prior to the disbursement of any funds.
- The City implement formal, written policies related to the economic development grants or loans awarded. These policies should include a maximum amount of business assistance, criteria used to determine the appropriate level of assistance, necessity and appropriateness of participation, consistency in terms and payment schedules, and interest rates for each agreement, and post-award procedures to verify the assistance given was used in an appropriate manner
- The City ensure the Committee report its findings and suggestions to the City at a public hearing as required by statute.

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3. Lack of Quorum

The APA examined the process used to approve City expenditures between March 2007 and May 2007, when there was a lack of a quorum of the City Council. We obtained a legal memo prepared by the City Attorney that suggested the two remaining Council members work with the Mayor, the City Superintendent, and the City Treasurer to pay pending bills and claims. Neb. Rev. Stat. Section 17-105 requires a majority of the elected members in order to transact any business. However, any sort of previously approved City business or transactions that regularly take place without formal council approval might be permitted. Examples would be the issuance of employee pay checks and the payment of other contracted expenses. The method used by the City to approve bills and claims appeared to be a violation of Neb. Rev. Stat. § 17-105, not to mention both the legislative intent behind that section of statute and the established tradition of common law.

We recommend the City ensure a quorum of the City Council is present for the transaction of any new business.

4. Travel Expenditures

The APA examined expense reimbursement payments to the former City Superintendent from September 1, 2005, through April 24, 2007. We also examined the former City Superintendent's travel related expenses charged on the City credit cards from March 2006 through April 24, 2007 and the City's Personnel Manual regarding reimbursing employees for travel expenses. The City's Personnel Manual states, "All expenses required to carry out one's job duties, or to attend professional training and/or conferences as approved by the City, shall be reimbursed in full upon presentation of such receipts and documentation to the City Treasurer."

Our examination of the expense reimbursement payments to the former City Superintendent noted:

- The former City Superintendent was either reimbursed by the City or used the City credit cards for travel expenses incurred for the American Public Energy Agency (APEA) board meetings. The APEA reimbursed the former City Superintendent \$2,771 in expenses for which the City ultimately paid for. Once the allegation against the former City Superintendent was made, he remitted \$2,771 to the City on April 24, 2007; however, the former City Clerk/Treasurer did not deposit the check until July 2, 2007, as noted in comment number 1, above. **See Exhibit I.**
- The former City Superintendent claimed and was reimbursed twice for \$70 in mileage to North Platte on October 10, 2005. He also claimed and was reimbursed twice for \$10 parking in Lincoln on September 27, 2006. **See Exhibit I.**
- From September 1, 2005, through April 24, 2007, the former City Superintendent incurred \$15,724 in travel related expenses, including meals, mileage, lodging, and other miscellaneous expenses. This appears to be an

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excessive amount of travel expenses for one individual in a city the size of Grant. **See Exhibit I.**

- The former City Superintendent claimed and was reimbursed \$160 and \$204 for two separate health insurance deductibles. Per the City's Personnel Manual, the City shall contribute 100% of the single premium for "eligible" employees; however, it does not state the City will reimburse for insurance deductibles paid by employees.
- Two expense "reimbursements" paid to the former City Superintendent for mileage, meals, and parking were reimbursed prior to the travel. One check for \$260 was written on September 7, 2006, for travel to Denver between September 8, 2006 and September 13, 2006. Another check for \$389 was written on September 26, 2006, for travel to Lincoln between September 27, 2006 and September 30, 2006.
- The former City Superintendent claimed and was reimbursed for roundtrip mileage to Lincoln on Sunday, February 5, 2006. The purpose of this trip was not identified, and it was not clear what travel would be required on a Sunday. The former City Superintendent was also reimbursed for separate trips to Lincoln on February 1, 2006 and February 8, 2006.
- The former City Superintendent was reimbursed excessive mileage for trips to Lincoln, Ogallala, Omaha, Imperial, South Sioux City, North Platte, and Denver. He was also reimbursed for 234 local miles on his last official day of work. **See Exhibit I.**
- There was no formal review and approval of City employees' expense reimbursements to ensure the requests were reasonable and necessary expenses of the City and to ensure out-of-state travel was approved in advance.
- Overall, there was a lack of supporting documentation related to employee expense reimbursements. In most cases, detailed receipts were not required or maintained to support reimbursement for expenses. The purpose of the trip was not documented on any of the expense documents. The Internal Revenue Service (IRS) Publication 463 states, "Documentary evidence ordinarily will be considered adequate if it shows the amount, date, place, and essential character of the expense."

We recommend the City of Grant:

- Review and approve expense reimbursement requests to ensure all travel expenses are for reasonable and necessary City-related business, are allowable per the City's policies and procedures and State Statutes, do not include duplicate payments and are not pre-paid in advance of the travel.

City of Grant Nebraska
Special Evaluation

- Implement procedures to ensure adequate documentation is maintained to support all expense reimbursements, including detailed receipts.
- Include the purpose of travel on the expense reimbursement form to ensure compliance with Federal regulations.

5. Credit Card Purchases

The APA examined the City of Grant credit card statements from March 2006 through December 5, 2007 for travel related expenses. We also examined credit card statements for all purchases from May 2007 through December 2007. The City maintained three credit cards as of December 2007, which had been assigned to certain City employees. The City allows employees to use the credit cards for travel purposes. In May 2007, after the termination of the former City Superintendent and identification of issues regarding his credit card charges and expense reimbursements, the City implemented informal procedures to require receipts for all credit card purchases.

Our examination of the credit card statements noted the following:

- The City of Grant did not have a formal, written policy regarding the proper use of credit cards and the documentation required to support all purchases made with the cards. Receipts were not on file to support all purchases with a credit card. However, for the period May 2007 through December 2007, adequate supporting documentation was maintained for credit card transactions with the exception of missing documentation related to the September credit card statements, as noted below.
- The APA was unable to examine the April 2006 and September 2007 credit card statements, as the City could not locate them. The City subsequently printed one September 2007 credit card statement; however, no supporting documentation was obtained.
- The City of Grant did not adequately review the credit card statements and supporting documentation to ensure the payments were reasonable and necessary expenditures of the City.

We recommend the City of Grant develop written policies for the proper use of the City credit cards to include the documentation required to support all purchases. We also recommend the City develop a process to review the statements and support on a monthly basis to ensure all purchases are reasonable and necessary expenses for the City. Any review performed by the City should be adequately documented.

City of Grant Nebraska
Special Evaluation

6. Water Usage Rate for Property Owned by the Mayor

The Mayor operates a lawn care business from his residence. In approximately January 2006, he purchased the business from another Grant resident. We evaluated the water usage rate for the Mayor as well as the previous business owner. We noted the following:

- The previous owner of the lawn care business initially paid a monthly water rate of \$14.70 for a “residential and commercial not dependent on water” user. In July 2005, the City Council passed Council Resolution Number 05-09, which changed the categories of water users. A “commercial larger water user” included commercial enterprises that engaged in certain business activities. One of those activities was landscaping and lawn care. Therefore, the previous owner’s water rate was increased to \$143.85 per month based on this determination. The “residential and commercial not dependent on water” rate was also increased to \$20.14 with this resolution. The previous owner challenged the new classification and in September 2005, the City revised the water rate resolution (Number 05-14) so that “commercial large water users” included commercial enterprises that are estimated to use in excess of 1,000,000 gallons of water per year, and any other business activity deemed a larger water user by the Grant City Council. After the ordinance change, the previous owner was reimbursed for the previous “commercial large water user” charge and was determined to be a “commercial dependent on water” user with a rate of \$28.77 per month.
- The Mayor purchased the lawn care business in approximately January 2006 and began to operate the business from his home. Despite having the commercial business, the Mayor continued to pay the \$20.14 “residential and commercial not dependent on water” rate - the same amount he paid prior to the purchase of the lawn care business. The previous owner’s water rate was reduced back to a “residential and commercial not dependent on water” user at a rate of \$20.14 after the sale of the business.
- The Mayor indicated the water used by his business was obtained from a business outside of the city limits, and as a result, his business was not dependent on water. However, there was no written agreement between the Mayor and this other business to document his use of water was from a source outside of the city limits. Therefore, it appears the Mayor should pay the “commercial dependent on water” rate of \$28.77 per month unless written documentation is obtained to support the claim the Mayor obtains his water from a separate business.

We recommend the City Council determine the proper water rate to be paid by the Mayor and obtain written documentation to support his use of water from outside the City. We also recommend the City develop clear procedures for the determination of the various classes of water users. There should be some method to determine when the status of each water user changes.

City of Grant Nebraska
Special Evaluation

7. Prior Audit Findings

The APA examined the City's management letter submitted in connection with the annual audit of the financial statements as of September 30, 2006. Terry Galloway of Almquist, Maltzahn, Galloway, and Luth, presented the audit at the June 26, 2007 Council meeting. However, it does not appear a separately issued management letter containing numerous findings and recommendations was presented at this Council meeting and made available to the public. In March 2007, Mr. Galloway met with the two remaining Council members, the Mayor, City Superintendent, and City Clerk at a non-published meeting so the firm could meet the filing deadline for submission of the audit report. Per discussion with those involved, the separately issued management letter was discussed at this meeting. The management letter should have been made available for public inspection along with the audit of the City's financial statements.

The APA documented the corrective action taken on the issues in the letter and noted the following:

- The management letter reported the size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. The auditor suggested the City Council remain involved in the financial affairs of the City to provide oversight and independent review functions.

As far back as January 2007, there was no formal discussion of the financial information provided to the Council by the City Clerk/Treasurer. The meeting minutes simply acknowledged the financials provided by the Clerk/Treasurer as received. From March 2007 through May 8, 2007 no City Council meetings were held due to the lack of a quorum. Beginning with the May 22, 2007, Council meeting, two Council members were designated to review the bills and claims prior to voting. This was documented in the meeting minutes; however, there was no formal or documented review of the financial information provided by the City Clerk/Treasurer.

On July 10, 2007, after comments and questions on the June financial information from a City Council member, the former City Clerk/Treasurer resigned. A day later, the resignation was rescinded. On July 24, 2007, more questions regarding the June financials were raised, so the June financials were tabled. The June, July, and August financials were acknowledged as received at the September 11, 2007 Council meeting. The September, October, and November 2007 financials were tabled through at least December 11, 2007.

It is apparent the City Council needs significant improvement in their oversight and review of the all aspects of the City's financial activity, not just the bills and claims.

City of Grant Nebraska
Special Evaluation

- The management letter recommended the establishment of a capitalization policy for equipment of at least \$1,000. No capitalization policy had been set by the Council at the time of our January 2008 visit.
- The management letter recommended the city reconcile the utility accounts receivable monthly. Midwest Electric determined the outstanding accounts to be written off as uncollectible. Monthly reports were obtained from Midwest Electric, but the balances have not been reconciled.
- The management letter recommended the City consider implementing a telephone franchise fee as well as review the current gas franchise fee arrangement for a possible increase. No action had been taken on these recommendations.
- The management letter stated there were several discrepancies in reporting wages on payroll tax reports. It was recommended the City review all of the 941's for the fiscal year and amend them as necessary to report the correct wages and taxes. It was also recommended the City review the payroll setup in the accounting software to verify withholding calculations. No action had been taken on this recommendation.

We recommend the City of Grant review the issues presented in the September 30, 2006 separately issued management letter and take the necessary corrective action. We also recommend any separately issued management letters released in conjunction with the City's annual audit be made known and available as a public document.

8. Garbage Truck and Copy Machine Purchases

The APA examined records related to the purchase of a garbage truck and copy machine to ensure compliance with State Statutes, City Ordinance, and State Records Retention Schedules.

State Records Retention Schedule Number 24, Local Agencies General Records, requires the retention of bid specifications, affidavits of publication of calls for bids, accepted and rejected bids, purchase orders and correspondence relating to the acquisition of supplies and equipment. Rejected bids must be retained for 2 years and accepted bids must be retained for 5 years after the fulfillment of the contract. The City did not have on file any documentation to verify bidding procedures were followed.

City of Grant Nebraska
Special Evaluation

- At the October 10, 2006, City Council meeting, the former City Superintendent was authorized to proceed with seeking proposals for a new garbage truck. The City Administration Ordinance Code 360, Section 35.01, states advertisement for bids are required for any contract exceeding \$20,000 for the purchase of equipment. The City advertised for proposals in October 2006. Two dealers submitted proposals according to the former City Superintendent. At the December 12, 2006, City Council meeting, the Council accepted the proposal from MWC for a Pak-Mor garbage truck in the amount of \$160,828. The former City Superintendent stated no copies were maintained of the losing proposal; therefore, we could not evaluate the competing proposal.
- Also at the October 10, 2006, City Council meeting, the Council requested proposals for a new copier, as the previous copier had been purchased in 2001 and was requiring increased maintenance. At the November 14, 2006, City Council meeting, the Council received 3 proposals, as follows: B & D Office Supply \$7,919; Office Service, Inc. \$8,477; and Eakes Office Supply \$8,430. The City Council approved the purchase of the copy machine from B & D Office Supply upon recommendation of City staff. The Equipment Sales Specialist for Office Service, Inc. signed a statement on January 29, 2007, stating his proposal had been altered. He stated his proposal was \$6,803. However, the City did not retain any of the original proposals received, including that of the winning proposal; therefore, we could not evaluate any of the competing proposals.

We recommend the City ensure all documentation associated with the purchases, including those purchased through either an informal or formal bid process be maintained in accordance with State Records Retention Schedules.

9. Former City Superintendent Salary Documentation

The APA examined the payroll records and accrued vacation and sick leave payments to the former City Superintendent and noted the following:

- The city overpaid the former City Superintendent \$1,087. In January 2007, a new contract was signed between the City and the former City Superintendent, effective December 12, 2006. In addition to an increased salary, the new contract provided additional vacation and sick leave earnings and the opportunity for “additional pay” for work performed beyond the scope of executive work. The new contract was determined to be invalid, as there were two different, signed copies distributed. The final unused vacation and sick leave payment was adjusted due to the invalid contract. In June 2007 the former City Clerk/Treasurer determined the former City Superintendent had not been paid for April 16 to April 23 and issued a check to the former City Superintendent in the amount of \$1,128. This determination was incorrect, as the April 16 through April 23 pay was included in the amount used to adjust the unused vacation and sick leave payment. **See Exhibit J.**

City of Grant Nebraska
Special Evaluation

- The former City Superintendent terminated from the City of Grant on April 24, 2007. He was paid for accumulated unused vacation and sick leave earned during his tenure from November 11, 2004, through April 23, 2007. The City of Grant did not require salaried employees to submit timesheets of actual hours worked or leave used. City employees were paid for unused vacation leave and one half of unused sick leave upon termination. Without proper recording of time worked and leave used, there is an increased risk of improper payments upon termination.
- The former City Superintendent was paid \$1,904 on January 31, 2007, that was coded as overtime in the accounting records. The former City Superintendent did not complete time records to document hours worked, since he was a salaried employee, so there was no record of the number of hours worked. His contract, effective December 12, 2006, allowed the City to pay him “\$43.28 per hour for any work completed that is beyond the scope of executive work and normally done by hired, non-exempt employees, for example, public works tasks and water system repair tasks, as submitted by the Mayor to the City Council for approval.” The official minutes of the January 23, 2007, meetings indicated the approval of \$2,152 in overtime by the Board, although the minutes do not reflect who the overtime was paid to. There was no documentation provided to support what work was performed by the former City Superintendent or the number of hours worked. However, this overtime amount was recouped by the City with the former City Superintendent’s vacation and sick leave payment.

We recommend the City seek reimbursement from the former City Superintendent for the amount overpaid. We also recommend the City ensure all contracts entered are valid. We also recommend the City implement procedures to ensure all employees who expect payment of unused leave at termination, maintain adequate documentation to support forty hours of work or leave used each week. Finally, we recommend the City implement procedures to ensure all payments to city employees are adequately supported.

City of Grant Nebraska
Special Evaluation

The APA staff involved in this evaluation were:

Mary Avery, Special Audits and Finance Manager
Cindy Janssen, Audit Manager
Sandy Steinbrecher, Audit Manager
Phil Olsen, Auditor-In-Charge
Craig Kubicek, Auditor-In-Charge

If you have any questions regarding the above information, please contact our office. The APA wishes to thank the City of Grant for their cooperation and assistance.



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Special Audits and Finance Manager



Cindy Janssen
Audit Manager



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City of Grant, Nebraska
General Fund Bank Reconciliation
July 2007

Exhibit A

Bank Balance 7/31/07			\$474,953.40
Add:	Deposit <u>Date:</u>	Cleared <u>Date:</u>	
Deposits in transit			
Deposits in transit			
Total Deposits in transit			\$0.00
Sub Total			\$474,953.40
Less:			
Outstanding checks:			
Check #	Date Issued	Date Cleared	Amount
5318	7/16/07	10/16/07	\$5.31
5321	7/31/07	8/2/07	\$385.80
5322	7/31/07	8/2/07	\$90.12
5324	7/31/07	8/3/07	\$177.29
5325	7/31/07	8/1/07	\$72.73
5328	7/31/07	8/10/07	\$72.03
5329	7/31/07	8/1/07	\$428.04
5330	7/31/07	8/2/07	\$117.67
5331	7/31/07	8/2/07	\$101.13
5332	7/31/07	8/1/07	\$46.17
5333	7/31/07	8/1/07	\$155.74
5334	7/31/07	8/1/07	\$98.66
5335	7/31/07	8/13/07	\$5.08
5336	7/31/07	8/6/07	\$312.53
5337	7/31/07	8/8/07	\$195.09
5338	7/31/07	8/1/07	\$435.35
5339	7/31/07	8/27/07	\$81.62
5342	7/31/07	8/1/07	\$736.50
5343	7/31/07	8/9/07	\$44.32
5344	7/31/07	8/1/07	\$376.78
Total from page 2			\$17,937.98
Total O/S Checks			\$21,875.94
Reconciled Bank Balance			<u>\$453,077.46</u>
Book Balance 7/31/07			\$472,028.66
Transfers due from Electric Fund (per APA) - checks written from General Fund, but expenses recorded in Electric fund in accounting records			(\$18,252.26)
Receipts in accounting, not deposited			(\$65.00)
Deposit made to bank, not recorded in accounting			\$612.14
Joe Morris reimbursement - deposited in general, owed to Electric			\$2,770.91
Payroll withholdings for July			<u>(\$4,660.45)</u>
Reconciled Book Balance			<u>\$452,434.00</u>
			\$643.46

City of Grant, Nebraska
General Fund Bank Reconciliation
July 2007

Exhibit A

Outstanding checks:

Check #	Date Issued	Date Cleared	Amount
14614	7/11/2007	8/8/07	\$35.00
14628	7/11/2007	8/15/07	\$8.35
14644	7/25/2007	8/15/07	\$39.00
14645	7/25/2007	8/6/07	\$1,480.00
14646	7/25/2007	8/6/07	\$32.50
14647	7/25/2007	8/7/07	\$3,503.19
14648	7/25/2007	8/7/07	\$583.33
14649	7/25/2007	8/6/07	\$135.70
14650	7/25/2007	8/6/07	\$68.83
14651	7/25/2007	8/7/07	\$62.00
14652	7/25/2007	8/8/07	\$30.00
14653	7/25/2007	8/6/07	\$455.78
14654	7/25/2007	8/8/07	\$2,699.03
14655	7/25/2007	8/9/07	\$219.50
14656	7/25/2007	8/9/07	\$242.00
14657	7/25/2007	8/6/07	\$248.97
14658	7/25/2007	8/6/00	\$375.00
14659	7/25/2007	8/7/07	\$36.00
14660	7/25/2007	8/3/07	\$460.00
14661	7/25/2007	8/3/07	\$258.44
14662	7/25/2007	8/8/07	\$246.32
14663	7/25/2007	8/8/07	\$2,806.00
14664	7/25/2007	8/1/07	\$160.54
14665	7/25/2007	8/9/07	\$3,170.00
14666	7/25/2007	8/6/07	\$150.00
14668	7/25/2007	8/2/07	\$7.50
14669	7/25/2007	8/3/07	\$120.00
14671	7/25/2007	8/1/07	\$55.00
14673	7/25/2007	8/1/07	\$87.50
14674	7/25/2007	8/9/07	\$25.00
14676	7/25/2007	8/21/07	\$70.00
14677	7/25/2007	8/13/07	\$15.00
14678	7/25/2007	8/21/07	\$25.00
14679	7/25/2007	8/9/07	\$27.50
Sub Total O/S Checks			<u>\$17,937.98</u>

**City of Grant, Nebraska
Electric Fund Bank Reconciliation
July 2007**

Exhibit A

Bank Balance 7/31/07				\$712,873.47
Add:	Deposit Date:	Cleared Date:		
Deposits in transit				
Deposits in transit				
Total Deposits intransit				\$0.00
Sub Total				\$712,873.47
Less:				
Outstanding checks:				
Check #	Date Issued	Date Cleared	Amount	
	2722	6/15/2007	9/28/2007	\$54.65
	2723	6/15/2007	8/8/2007	\$57.38
	2728	7/10/2007	8/8/2007	\$84.21
	2729	7/10/2007	8/20/2007	\$19.72
	2732	7/10/2007	8/2/2007	\$88.88
	2733	7/10/2007	8/21/2007	\$20.67
	2734	7/10/2007	8/20/2007	\$86.55
	2736	7/25/2007	8/7/2007	\$64,383.43
	2737	7/25/2007	8/7/2007	\$60.82
	2738	7/25/2007	8/13/2007	\$118.00
	2739	7/25/2007	8/6/2007	\$647.68
Total O/S Checks				\$65,621.99
Reconciled Bank Balance				\$647,251.48
Book Balance 7/31/07				\$631,691.99
Deposit to General Fund - needs to be transferred to Electric (Morris)				(\$2,770.91)
Transfers that need to be made to General Fund				\$1,712.00
Transfers that need to be made to General Fund				\$12,964.20
Transfers that need to be made to General Fund				\$15.69
Transfers that need to be made to General Fund				\$75.02
Transfers that need to be made to General Fund				\$3,246.34
Transfers that need to be made to General Fund				\$108.64
Transfers that need to be made to General Fund				\$130.37
				\$18,252.20
Reconciled Book Balance				\$647,173.34
				\$78.14

**City of Grant, Nebraska
Federal Airport Fund Bank Reconciliation
July 2007**

Exhibit A

Bank Balance 7/31/07				\$72,429.60
Add:	Deposit Date: _____	Cleared Date: _____		
Deposits in transit				
Deposits in transit				
Deposits in transit				
Total Deposits intransit				\$0.00
Sub Total				\$72,429.60
Less:				
Outstanding checks:				
Check #	Date Issued	Date Cleared	Amount	
1020	7/31/2007	8/9/2007	\$2,556.13	
Total O/S Checks			\$2,556.13	
Reconciled Bank Balance				\$69,873.47
Book Balance 7/31/07			\$69,873.47	
Reconciled Book Balance				\$69,873.47
				\$0.00

**City of Grant, Nebraska
 Lottery Fund Bank Reconciliation
 July 2007**

Exhibit A

Bank Balance 7/31/07				\$25,096.31
Add:	Deposit <u>Date:</u>	Cleared <u>Date:</u>		
Deposits in transit				
Deposits in transit				
Deposits in transit				
Total Deposits intransit				\$0.00
Sub Total				\$25,096.31

Less:

 Outstanding checks:

	Date Issued	Date Cleared	Amount
Check #			

Total O/S Checks		\$0.00	
Reconciled Bank Balance			\$25,096.31

Book Balance 7/31/07		\$25,096.31	

Reconciled Book Balance		\$25,096.31	
			\$25,096.31

\$0.00

City of Grant, Nebraska
Return Check Fund Bank Reconciliation
July 2007

Exhibit A

Bank Balance 7/31/07			\$519.26
Add:	Deposit	Cleared	
Deposits in transit	<u>Date:</u>	<u>Date:</u>	
Deposits in transit			
Deposits in transit			
Total Deposits intransit			\$0.00
Sub Total			\$519.26
Less:			
Outstanding checks:			
	Date	Date	
Check #	Issued	Cleared	Amount
Total from _____			
Total O/S Checks			
Reconciled Bank Balance			\$519.26
Book Balance 7/31/07			\$432.06
Reconciled Book Balance			\$432.06
			\$87.20

**City of Grant, Nebraska
General Fund Bank Activity
July 2007**

Exhibit B

Date	Debit/ Credit	Deposits	Checks	Balance
Beg. Bal.				\$497,688.76
July	\$2.00	\$113,248.72	\$135,984.08	\$474,953.40
DEBIT/CREDITS		(\$2.00)		
O/S CHECKS - Prior			(\$79,154.44)	
O/S CHECKS - Current			\$21,875.94	
O/S DEPOSITS -Prior		\$0.00		
O/S DEPOSITS -Current		\$0.00		
NET BANK ACTIVITY		<u>\$113,246.72</u>	<u>\$78,705.58</u>	
July Activity Per Accounting Records		\$69,176.84	\$79,790.22	
VARIANCE		\$44,069.88	(\$1,084.64)	
Investment deposited with bank, not recorded in the accounting records		(\$44,000.00)		
Payroll Withholdings for July		\$4,660.45		
Receipted in accounting system in April, not deposited until July (J. Morris)		(\$2,770.91)		
Receipted in accounting system 6/26/07, not deposited until 7/23/07 (Mayor)		(\$1,412.28)		
Deposit 7/6/07, not recorded on books		(\$612.14)		
Receipts in accounting system during July, not deposited in July		\$65.00		
		<u>\$0.00</u>	<u>(\$1,084.64)</u>	

**City of Grant, Nebraska
Electric Fund Bank Activity
July 2007**

Exhibit B

Date	Debit/ Credit	Deposits	Checks	Balance
Beg. Bal.				\$672,866.74
July		\$226,932.39	\$186,925.66	\$712,873.47
DEBIT/CREDITS		\$0.00	\$0.00	
O/S CHECKS - Prior			(\$57,814.39)	
O/S CHECKS - Current			\$65,621.99	
O/S DEPOSITS -Prior		\$0.00		
O/S DEPOSITS -Current		\$0.00		
NET BANK ACTIVITY		\$226,932.39	\$194,733.26	
ACTIVITY PER ACCOUNTING RECORDS		\$95,598.94	\$81,657.96	
Electric then transferred to other funds. Recorded in accounting system in the correct fund.		(\$31,333.45)	(\$31,333.45)	
CD amount not recorded in Electric Fund accounting records		(\$100,000.00)	(\$100,000.00)	
Amounts recorded in Electric Fund, paid in General Fund			\$1,712.00	
Amounts recorded in Electric Fund, paid in General Fund			\$12,964.20	
Amounts recorded in Electric Fund, paid in General Fund			\$15.69	
Amounts recorded in Electric Fund, paid in General Fund			\$75.02	
Amounts recorded in Electric Fund, paid in General Fund			\$3,246.34	
Amounts recorded in Electric Fund, paid in General Fund			\$108.64	
Amounts recorded in Electric Fund, paid in General Fund			\$130.37	
Amounts recorded in Electric Fund, paid in General Fund			\$5.89	
VARIANCE		\$0.00	\$0.00	

**City of Grant, Nebraska
Water DEQ Fund Bank Activity
July 2007**

Exhibit B

Date	Debit/ Credit	Deposits	Checks	Balance
Beg. Bal.				\$4,082.38
July		\$2,000.00	\$0.00	\$6,082.38
DEBIT/CREDITS		\$0.00	\$0.00	
O/S CHECKS - Prior			\$0.00	
O/S CHECKS - Current			\$0.00	
O/S DEPOSITS -Prior		\$0.00		
O/S DEPOSITS -Current		\$0.00		
NET BANK ACTIVITY		\$2,000.00	\$0.00	
ACTIVITY PER ACCOUNTING RECORDS		\$2,100.00	\$0.00	
VARIANCE (1)		(\$100.00)	\$0.00	
<p>(1) \$2100 was transferred to the DEQ fund per the bank in June 2007, but was not recorded in the accounting records until July 2007. \$2000 was transferred to the DEQ fund per the bank in July 2007, but was not recorded in the accounting records until August 2007. The DEQ bank statements ended in the middle of the month which caused the timing variance between the bank and when the Clerk/Treasurer recorded the activity in the accounting records.</p>				

**City of Grant, Nebraska
Federal Airport Fund Bank Activity
July 2007**

Exhibit B

Date	Debit/ Credit	Deposits	Checks	Balance
Beg. Bal.				\$74,195.87
July		\$0.00	\$1,766.27	\$72,429.60
DEBIT/CREDITS		\$0.00	\$0.00	
O/S CHECKS - Prior			(\$1,766.27)	
O/S CHECKS - Current			\$2,556.13	
O/S DEPOSITS -Prior		\$0.00		
O/S DEPOSITS -Current		\$0.00		
NET BANK ACTIVITY		\$0.00	\$2,556.13	
ACTIVITY PER ACCOUNTING RECORDS		\$0.00	\$2,556.13	
VARIANCE		\$0.00	\$0.00	

**City of Grant, Nebraska
Cemetery Savings Fund Bank Activity
July 2007**

Exhibit B

Date	Debit/ Credit	Deposits	Checks	Balance
Beg. Bal.				\$100.75
July		\$0.00	\$0.00	\$100.75
DEBIT/CREDITS		\$0.00	\$0.00	
O/S CHECKS - Prior			\$0.00	
O/S CHECKS - Current			\$0.00	
O/S DEPOSITS -Prior		\$0.00		
O/S DEPOSITS -Current		\$0.00		
NET BANK ACTIVITY		\$0.00	\$0.00	
ACTIVITY PER CASH & FEE SHEET		\$0.00	\$0.00	
VARIANCE		\$0.00	\$0.00	

**City of Grant, Nebraska
Library Savings Fund Bank Activity
July 2007**

Exhibit B

Date	Debit/ Credit	Deposits	Checks	Balance
Beg. Bal.				\$371.08
July		\$0.00	\$0.00	\$371.08
DEBIT/CREDITS		\$0.00	\$0.00	
O/S CHECKS - Prior			\$0.00	
O/S CHECKS - Current			\$0.00	
O/S DEPOSITS -Prior		\$0.00		
O/S DEPOSITS -Current		\$0.00		
NET BANK ACTIVITY		\$0.00	\$0.00	
ACTIVITY PER ACCOUNTING RECORDS		\$0.00	\$0.00	
VARIANCE		\$0.00	\$0.00	

**City of Grant, Nebraska
 Lottery Fund Bank Activity
 July 2007**

Exhibit B

Date	Debit/ Credit	Deposits	Checks	Balance
Beg. Bal.				\$25,096.31
July		\$0.00	\$0.00	\$25,096.31
DEBIT/CREDITS		\$0.00	\$0.00	
O/S CHECKS - Prior			\$0.00	
O/S CHECKS - Current			\$0.00	
O/S DEPOSITS -Prior		\$0.00		
O/S DEPOSITS -Current		\$0.00		
NET BANK ACTIVITY		\$0.00	\$0.00	
ACTIVITY PER ACCOUNTING RECORDS		\$0.00	\$0.00	
VARIANCE		\$0.00	\$0.00	

City of Grant, Nebraska
Return Check Fund Bank Activity
July 2007

Exhibit B

Date	Debit/ Credit	Deposits	Checks	Balance
Beg. Bal.				\$609.84
July	\$90.58		\$90.58	\$519.26
DEBIT/CREDITS			(\$90.58)	
O/S CHECKS - Prior			\$0.00	
O/S CHECKS - Current			\$0.00	
O/S DEPOSITS -Prior		\$0.00		
O/S DEPOSITS -Current		\$0.00		
NET BANK ACTIVITY		\$0.00	\$0.00	
ACTIVITY PER CASH & FEE SHEET		\$0.00	\$0.00	
VARIANCE		\$0.00	\$0.00	

**City of Grant, Nebraska
July 2007 Receipts**

Exhibit C

Per Accounting Records				Per Bank		Variance
Receipt #	Date in Accounting System	Description	Amount	Deposit Date	Deposit Amount	
148	7/1/2007	Brad Mayer - pool fees	\$ 5.00	7/2/2007	\$ 5.00	
149	7/1/2007	Elsie Wheatland Youth Assn. - dues	\$ 25.00	7/2/2007	\$ 25.00	
150		Used in June 2007				
151		Used in June 2007				
152		Used in June 2007				
153	7/2/2007	Bullock Long - grave opening	\$ 275.00	7/2/2007	\$ 275.00	
154	7/2/2007	Bernie Deaver - copies	\$ 13.00			
155	7/2/2007	Plainsman Inn - Economic Development Loan	\$ 2,000.00	7/23/2007	\$ 2,000.00	
156	7/31/2007	Midwest Electric	\$ 2,796.66	7/3/2007	\$ 2,796.66	
157	7/3/2007	Pankonin's Bakery - Economic Development Loan	\$ 125.00	7/23/2007	\$ 125.00	
158	7/3/2007	Sally Shiers - pool pass	\$ 70.00	7/23/2007	\$ 70.00	
159	7/3/2007	US Recycling - recycling	\$ 39.00	7/23/2007	\$ 39.00	
160	7/3/2007	P.C. Ministerial - pantry rent	\$ 25.00	7/23/2007	\$ 25.00	
161	7/5/2007	Brad Mayer - pool fees	\$ 10.00			
162	7/5/2007	Bob Bounds - hangar rent	\$ 90.00	7/23/2007	\$ 90.00	
163	7/5/2007	Grant Volunteer Fire - internet	\$ 20.00	7/23/2007	\$ 20.00	
164	7/6/2007	Bill Besarick - hangar rent	\$ 100.00	7/23/2007	\$ 100.00	
165	7/6/2007	P.C. Treasurer	\$ 5,638.74	7/23/2007	\$ 5,638.74	
166	7/31/2007	Midwest Electric	\$ 1,891.83	7/5/2007	\$ 1,891.83	
167	7/31/2007	Midwest Electric	\$ 5,830.28	7/6/2007	\$ 5,830.28	
168	7/6/2007	Bonnie Johnston - waste	\$ 30.21	7/23/2007	\$ 30.21	
169	7/6/2007	Cathy Pierce - dog license	\$ 3.00			
170	7/31/2007	Midwest Electric	\$ 5,735.08	7/9/2007	\$ 5,735.08	
171		Used in June 2007				
172		Used in June 2007				
173		Used in June 2007				
174		Used in June 2007				
175		Used in June 2007				
176		Used in June 2007				
177		Used in June 2007				
178		Used in June 2007				
179		Used in June 2007				
180		Used in June 2007				
181	7/10/2007	Jean Bryant - copy	\$ 0.25	7/23/2007	\$ 0.25	
182	7/31/2007	Midwest Electric	\$ 5,951.97	7/10/2007	\$ 5,951.97	
183	7/10/2007	Ag Land Aviation - hangar rent	\$ 80.00	7/23/2007	\$ 80.00	
184	7/10/2007	Koehn Construction - waste	\$ 160.00	7/23/2007	\$ 160.00	
185	7/10/2007	Dynamic Sales - Economic Development Loan	\$ 350.56	7/23/2007	\$ 350.56	
186	7/10/2007	R & B Application - hangar rent	\$ 80.00	7/23/2007	\$ 80.00	
187	7/31/2007	Midwest Electric	\$ 6,091.78	7/11/2007	\$ 6,091.78	
188	7/11/2007	Doug Beck - hangar rent	\$ 90.00	7/23/2007	\$ 90.00	
189	7/31/2007	Midwest Electric	\$ 6,707.00	7/12/2007	\$ 6,707.00	
190	7/12/2007	PCHS - building permit	\$ 5.00			
191	7/13/2007	Arch. Design - Economic Development Loan	\$ 131.41	7/23/2007	\$ 131.41	
192	7/31/2007	Midwest Electric	\$ 1,163.93	7/13/2007	\$ 1,163.93	
193	7/13/2007	Chris Johnson - waste	\$ 15.00			
194	7/31/2007	Midwest Electric	\$ 26,273.44	7/16/2007	\$26,273.44	

**City of Grant, Nebraska
July 2007 Receipts**

Exhibit C

Per Accounting Records				Per Bank		Variance
Receipt #	Date in Accounting System	Description	Amount	Deposit Date	Deposit Amount	
195	7/16/2007	Kathryn Krylka - pool pass/rental/concessions	\$ 75.00	7/23/2007	\$ 75.00	
196	7/16/2007	Pool & Concessions	\$ 630.91	7/16/2007	\$ 630.91	
197	7/16/2007	Pool & Concessions	\$ 105.56	7/16/2007	\$ 105.56	
198	7/16/2007	Village of Madrid - water parts	\$ 70.68	7/23/2007	\$ 70.68	
199		Used in June 2007				
200	7/17/2007	Mike Wyatt - dog license	\$ 3.00			
201	7/31/2007	Midwest Electric	\$ 19,846.63	7/17/2007	\$19,846.63	
202	7/17/2007	Mike McArtor - building permit	\$ 6.00	7/23/2007	\$ 6.00	
203	7/17/2007	PCVH - dog license	\$ 15.00			
204	7/31/2007	Midwest Electric	\$ 1,365.87	7/18/2007	\$ 1,365.87	
205	7/18/2007	Wolf Landscape Design - occ. Tax/copy	\$ 11.00	7/23/2007	\$ 10.00	\$ 1.00
206	7/18/2007	C & S Construction - waste	\$ 30.00	7/23/2007	\$ 30.00	
207	7/20/2007	Country Supply - Economic Development Loan	\$ 262.81	7/23/2007	\$ 262.81	
208	7/31/2007	Midwest Electric	\$ 932.20	7/19 & 7/20	\$ 932.20	
209	7/20/2007	FVC/Dean Lagler - wheat sales (airport)	\$ 2,056.60	7/23/2007	\$ 2,056.60	
210	7/20/2007	FVC/Dean Lagler - wheat sales (airport)	\$ 4,572.35	7/23/2007	\$ 4,572.35	
211	7/3/2007	Pool Fees	\$ 223.65	7/3/2007	\$ 223.65	
212	7/3/2007	Pool Concessions	\$ 91.27	7/3/2007	\$ 91.27	
213	7/2/2007	Dr. Hall - pool rent	\$ 54.25	7/3/2007	\$ 54.25	
214	7/20/2007	Mark Stappenbeck - hangar rent	\$ 160.00	7/23/2007	\$ 160.00	
215	7/11/2007	P.C. area arts council	\$ 75.00	7/23/2007	\$ 75.00	
216	7/11/2007	Tara Krajewski - WSI	\$ 56.90	7/23/2007	\$ 56.90	
217	7/16/2007	Brittany Pofahl - WSI	\$ 56.90	7/23/2007	\$ 56.90	
218	7/11/2007	Grant Sub Fire District - rent	\$ 500.00	7/23/2007	\$ 500.00	
219	7/13/2007	Rochelle Sihm - waste	\$ 15.00	7/23/2007	\$ 15.00	
220	7/13/2007	US Recycling - recycling	\$ 34.75	7/23/2007	\$ 34.75	
221	7/31/2007	Midwest Electric	\$ 11,213.53	7/23/2007	\$11,213.53	
222	7/23/2007	Ken's Electric - Economic Development Loan	\$ 460.06	7/23/2007	\$ 460.06	
223	7/6/2007	Pool Concessions	\$ 88.25	7/23/2007	\$ 88.25	
224	7/23/2007	Stacy Dahlkoetter - WSI	\$ 56.90	7/23/2007	\$ 56.90	
225	7/22/2007	Tona Heinemann - pool pass	\$ 65.00	7/23/2007	\$ 65.00	
226	7/23/2007	Pool Fees	\$ 475.80	7/23/2007	\$ 475.80	
227	7/23/2007	Pool Concessions	\$ 183.91	7/23/2007	\$ 183.91	
228	7/23/2007	Pool - water aerobics	\$ 10.00	7/23/2007	\$ 10.00	
229		Used in August 2007				
230	7/31/2007	Midwest Electric	\$ 789.40	7/24/2007	\$ 789.40	
231		Voided				
232		Used in August 2007				
233		Used in August 2007				
234		Used in August 2007				
235	7/17/2007	Mastre Homes - Economic Development Loan	\$ 319.21	7/17/2007	\$ 319.21	
236	7/31/2007	Midwest Electric	\$ 1,239.56	7/26 & 7/27	\$ 1,239.56	
237		Used in August 2007				
238	7/30/2007	Concessions	\$ 478.59	7/30/2007	\$ 478.59	
239	7/17/2007	Pool	\$ 231.50	7/30/2007	\$ 231.50	
240		Used in August 2007				

**City of Grant, Nebraska
July 2007 Receipts**

Exhibit C

Per Accounting Records				Per Bank		Variance
Receipt #	Date in Accounting System	Description	Amount	Deposit Date	Deposit Amount	
241		Used in August 2007				
242		Used in August 2007				
243		Used in August 2007				
244		Used in August 2007				
245	7/24/2007	Pinnacle Bank CD Interest	\$ 1,261.73	7/26/2007	\$ 1,261.73	
246	7/24/2007	Pinnacle Bank CD Interest	\$ 555.16	7/26/2007	\$ 555.16	
	7/31/2007	Midwest Electric	\$ 25,596.74	7/10 & 7/16	\$25,596.74	
247		Used in August 2007				
248		Used in August 2007				
249		Used in August 2007				
250		Used in August 2007				
251		Used in August 2007				
252		Used in August 2007				
253		Used in August 2007				
254		Used in August 2007				
255		Used in August 2007				
256		Used in August 2007				
257		Used in August 2007				
258		Used in August 2007				
259		Used in August 2007				
260		Used in August 2007				
261		Used in August 2007				
262		Used in August 2007				
263		Used in August 2007				
264		Used in August 2007				
265		Used in August 2007				
266		Used in August 2007				
267		Used in August 2007				
268		Used in August 2007				
269		Used in August 2007				
270		Used in August 2007				
271		Used in August 2007				
272		Used in August 2007				
273		Used in August 2007				
274		Used in August 2007				
275	7/10/2007	Highway Allocation/MV Fees	\$ 12,379.97	7/10/2007	\$12,379.97	
		Amounts Withheld from Payroll in July 2007	\$ 4,660.45			
		Interest	\$ 3,635.55	7/31/2007	\$ 3,635.55	
		Receipts per books	\$ 166,775.78			
		Amounts received in July and not deposited	\$ (65.00)			

City of Grant, Nebraska
Reimbursement of Expenses from Electric Fund to General Fund
October 1, 2006 through September 30, 2007

Exhibit D

Expenses Recorded in Electric Fund Accounting Records								Reimbursements Made to General Fund per Bank records				Owed to General Fund
Date	Wages	IRS	Retirement	Sales Tax	Insurance	Total	Notes	Date	Transfer	Check Number	Amount	
10/10/2006				2,952.25		2,952.25	Included as outstanding in Oct, Nov, Dec, Jan, Feb, Mar, April, May, June, July, Aug, Sept					2,952.25
10/13/2006	455.04					455.04	Included as outstanding in 10/06 bank rec	11/15/2006		2662	455.04	-
10/13/2006		73.22				73.22	Included as outstanding in Oct, Nov, Dec, Jan, Feb	3/5/2007	Transfer		73.22	-
10/31/2006	476.77					476.77	Included as outstanding in 10/06 bank rec	11/15/2006		2662	476.77	-
11/7/2006		13.50				13.50	Included as outstanding in Nov, Dec, Jan, Feb bank rec	3/5/2007	Transfer		13.50	-
11/14/2006			95.85			95.85	Included as outstanding in Nov, Dec, Jan, Feb bank rec	3/5/2007	Transfer		95.85	-
11/14/2006				2,788.93		2,788.93		11/15/2006		2663	2,788.93	-
11/15/2006	465.91					465.91		11/15/2006		2662	465.90	0.01
11/20/2006		86.70				86.70	Included as outstanding in Nov, Dec, Jan, Feb bank rec	3/5/2007	Transfer		86.70	-
11/30/2006	465.90					465.90	Included as outstanding in 11/06 bank rec	12/6/2006		2669	465.90	-
12/13/2006		80.14				80.14	Included as outstanding in Dec, Jan bank rec	3/5/2007	Transfer		80.14	-
12/13/2006			90.37			90.37	Included as outstanding in Dec, Jan bank rec	3/5/2007	Transfer		90.37	-
12/13/2006				3,249.59		3,249.59		12/26/2006		2672	3,249.59	-
12/15/2006	465.91					465.91		12/6/2006		2669	465.91	-
12/20/2006		71.28				71.28	Included as outstanding in Dec, Jan bank rec	3/5/2007	Transfer		71.28	-
12/29/2006	455.04					455.04		12/6/2006		2669	455.07	(0.03)
1/9/2007		69.62				69.62	Included as outstanding in Jan bank rec	3/5/2007	Transfer		69.62	-
1/9/2007			99.18			99.18	Included as outstanding in Jan bank rec	3/5/2007	Transfer		99.18	-
1/9/2007				4,539.74		4,539.74		1/12/2006	Transfer		4,539.74	-
1/15/2007	465.90					465.90	Included as outstanding in Jan bank rec	3/5/2007	Transfer		465.90	-
1/23/2007		71.28				71.28	Included as outstanding in Jan bank rec	3/5/2007	Transfer		71.28	-
1/26/2007	268.20					268.20	Included as outstanding in Jan bank rec	3/5/2007	Transfer		268.20	-
1/31/2007	555.37					555.37	Included as outstanding in Jan bank rec	3/5/2007	Transfer		555.37	-
2/13/2007		126.01				126.01	Included as outstanding in Feb bank rec	3/5/2007	Transfer		126.01	-
2/13/2007			128.95			128.95	Included as outstanding in Feb bank rec	3/5/2007	Transfer		128.95	-
2/13/2007				3,749.56		3,749.56	Included as outstanding in Feb bank rec	3/5/2007	Transfer		3,749.56	-
2/15/2007	544.50					544.50	Included as outstanding in Feb bank rec	3/5/2007	Transfer		544.50	-

City of Grant, Nebraska
Reimbursement of Expenses from Electric Fund to General Fund
October 1, 2006 through September 30, 2007

Exhibit D

Expenses Recorded in Electric Fund Accounting Records							Reimbursements Made to General Fund per Bank records				Owed to General Fund	
Date	Wages	IRS	Retirement	Sales Tax	Insurance	Total	Notes	Date	Transfer	Check Number		Amount
2/15/2007		83.31				83.31	Included as outstanding in Feb bank rec	3/5/2007	Transfer		83.32	(0.01)
2/28/2007	522.78					522.78	Included as outstanding in Feb bank rec	3/5/2007	Transfer		522.78	-
3/5/2007		79.99				79.99	Included as outstanding in March, April, May, June, July, Aug, Sept bank rec					79.99
3/6/2007				4,078.36		4,078.36		3/30/2007	Transfer		4,078.36	-
3/13/2007			96.95			96.95	Included as outstanding in March, April, May, June, July, Aug, Sept bank rec					96.95
3/15/2007	544.50					544.50		3/30/2007	Transfer		544.50	-
3/19/2007		83.31				83.31	Included as outstanding in March, April, May, June, July, Aug, Sept bank rec					83.31
3/30/2007	544.50					544.50		3/30/2007			544.50	-
3/31/2007			101.26			101.26	Included as outstanding in April, May, June, July, Aug, Sept bank rec					101.26
4/10/2007		83.31				83.31	Included as outstanding in April, May, June, July, Aug, Sept bank rec					83.31
4/11/2007				4,173.63		4,173.63	Included as outstanding in April, May, June, July, Aug, Sept bank rec					4,173.63
4/13/2007	533.64					533.64	Included as outstanding in April, May, June, July, Aug, Sept bank rec					533.64
4/24/2007		81.65				81.65	Included as outstanding in April, May, June, July, Aug, Sept bank rec					81.65
4/30/2007	119.50					119.50	Included as outstanding in April, May, June, July, Aug, Sept bank rec					119.50
5/15/2007	119.50					119.50	Included as outstanding in May, June, July, Aug, Sept bank rec					119.50
5/15/2007		18.28				18.28	Included as outstanding in May, June, July, Aug, Sept bank rec					18.28
5/22/2007		18.28				18.28	Included as outstanding in May, June, July, Aug, Sept bank rec					18.28
5/22/2007			28.94			28.94	Included as outstanding in May, June, July, Aug, Sept bank rec					28.94
5/22/2007				3,373.53		3,373.53	Included as outstanding in May, June, July, Aug, Sept bank rec					3,373.53
5/31/2007	130.37					130.37	Included as outstanding in June, July, Aug, Sept bank rec					130.37
6/12/2007		19.95				19.95	Included as outstanding in June, July, Aug, Sept bank rec					19.95

City of Grant, Nebraska
Reimbursement of Expenses from Electric Fund to General Fund
October 1, 2006 through September 30, 2007

Exhibit D

Expenses Recorded in Electric Fund Accounting Records								Reimbursements Made to General Fund per Bank records				Owed to General Fund
Date	Wages	IRS	Retirement	Sales Tax	Insurance	Total	Notes	Date	Transfer	Check Number	Amount	
6/12/2007			24.99			24.99	Included as outstanding in June, July, Aug, Sept bank rec					24.99
6/15/2007	515.72					515.72	Included as outstanding in June, July, Aug, Sept bank rec					515.72
6/26/2007		108.59				108.59	Included as outstanding in June, July, Aug, Sept bank rec					108.59
6/26/2007				3,370.99		3,370.99		6/25/2007	Transfer		3,370.99	-
6/26/2007					1,712.00	1,712.00	Included as outstanding in June, July, Aug, Sept bank rec					1,712.00
6/29/2007	300.56					300.56	Included as outstanding in June, July, Aug, Sept bank rec					300.56
7/10/2007			75.02			75.02	Included as outstanding in July, Aug, Sept bank rec					75.02
7/15/2007	108.64					108.64	Does not appear as outstanding, but not transferred in July					108.64
7/23/2007		15.69				15.69	Included as outstanding in July, Aug, Sept bank rec					15.69
7/25/2007				3,246.34		3,246.34	Included as outstanding in July, Aug, Sept bank rec					3,246.34
7/31/2007	130.37					130.37	Does not appear as outstanding, but not transferred in July					130.37
8/14/2007		20.82				20.82	Included as outstanding in Aug, Sept bank rec					20.82
8/14/2007			22.80			22.80	Included as outstanding in Aug, Sept bank rec					22.80
8/14/2007				4,350.09		4,350.09	Included as outstanding in Aug, Sept bank rec					4,350.09
8/15/2007	119.50					119.50	Included as outstanding in Aug, Sept bank rec					119.50
8/28/2007		18.28				18.28	Included as outstanding in Aug, Sept bank rec					18.28
8/31/2007	130.37					130.37	Included as outstanding in Aug, Sept bank rec					130.37
9/11/2007		19.98				19.98	Included as outstanding in Sept bank rec					19.98
9/11/2007			24.99			24.99	Included as outstanding in Sept bank rec					24.99
9/14/2007	108.64					108.64	Included as outstanding in Sept bank rec					108.64
9/25/2007		16.62				16.62	Included as outstanding in Sept bank rec					16.62
9/25/2007				4,624.67		4,624.67	Included as outstanding in Sept bank rec					4,624.67
9/28/2007	108.64					108.64	Included as outstanding in Sept bank rec					108.64
	8,655.77	1,259.81	789.30	44,497.68	1,712.00	56,914.56					29,096.93	27,817.63

Transferred to General Fund on 10/18/07
Excess transferred to General Fund

30,766.12
(2,948.49)

From : Lance Lambdin, APA Legal Counsel
Sent : March 3, 2008
To : Mike Foley, State Auditor
Subject : City of Grant Issues

Recently, the Auditor of Public Accounts (“APA”) examined a schedule of loan payments and balances, for the period ending December 31, 2007, relating to the City of Grant’s “Local Option Economic Development Program” (“Program”). In addition, the APA reviewed other aspects of the Program, including the Citizens Advisory Review Committee (“Committee”) meeting minutes, the cash account activity for the Program fund, and the Program’s compliance with state statutes comprising, as well as City Ordinance 07-01 (“Ordinance”) arising from, the Local Option Municipal Economic Development Act (“Act”).

Issues Presented

The above-mentioned examination has prompted questions regarding the possible failure of the Program to comply with provisions of the Act and/or the City’s own Ordinance in the following instances:

- 1) A member of the Committee received Program funding;
- 2) The Committee approved and denied Program grant applications without consulting or advising the City Council;
- 3) Since the effective date of City Ordinance No. 07-01, the Committee has failed to report biannually to the City Council on its findings and suggestions;
- 4) Information was not made available to the public regarding economic development loan and grant amounts awarded, along with other city bills and claims related to the Program;
- 5) There has been no monthly newspaper publication containing the official proceedings of the Committee;
- 6) The City Council has not been provided with a monthly account of important Program information, including the status of each loan, Program income, and current investments of unexpended funds; and
- 7) Program payments have been made prior to Committee approval;

In addition, though not pertaining specifically to the Program, the APA's examination gave rise to the following issue:

- 8) City Council members have transacted business with less than a quorum of that body's members in approving the payment of city bills.

Brief Answers

- 1) The Committee member's receipt of Program funds appears to constitute a violation of both Neb. Rev. Stat. § 18-2715(2) and Section 2(F)(2)(a) of the Ordinance;
- 2) By approving and denying Program grant applications without consulting or advising the City Council, the Committee may have exceeded its authority under the Ordinance – although such a determination is difficult to make in light of the imprecise language contained in the Ordinance;
- 3) The Committee's failure to report biannually to the City Council on its findings and suggestions appears to constitute a violation of both Neb. Rev. Stat. § 18-2715(3) and Section 2(F)(2)(d) of the Ordinance;
- 4) Failure to provide the public with timely information regarding loan and grant amounts awarded, along with other city bills and claims related to the Program, would likely be related to a violation of the Open Meetings Act, which the Committee appears to have violated;
- 5) The lack of monthly newspaper publications containing the official proceedings of the Committee appears to conflict with the purpose and intent, if not the actual letter, of Neb. Rev. Stat. § 19-1102;
- 6) Unless a loan fund program has been implemented pursuant to Neb. Rev. Stat. § 18-2711(2), failure to provide the City Council with a monthly account of important Program information, including the status of each loan, Program income, and current investments of unexpended funds, does not violate any provisions of either the Act or the Ordinance;
- 7) Making Program payments prior to Committee approval does not appear to constitute a violation of the Act; however, depending upon the nature of the payments made, such payments may constitute a violation of Section 2(H)(3) of the Ordinance; and
- 8) Neb. Rev. Stat. § 17-105 prohibits the City Council from transacting business without a quorum of its members; however, whether the payment of bills by individual City Council members violates the law likely depends upon the nature of the payments made.

Background

State Statutes

In 1991, the Nebraska Unicameral Legislature passed LB 840, resulting in the creation of the Act. Codified at Neb. Rev. Stat. §§ 18-2701 to 18-2738, the Act creates a mechanism for presenting:

*“Nebraska municipalities with the opportunity of providing assistance to business enterprises in their communities, whether for expansion of existing operations, the creation of new businesses, or the provision of new services, by the use of funds raised by local taxation when the voters in the municipality determine that it is in the best interest of their community to do so.”*¹

Specifically, the Act authorizes cities and villages throughout Nebraska to establish:

*“[A]ny project or program utilizing funds derived from local sources of revenue for the purpose of providing direct or indirect financial assistance to a qualifying business or the payment of related costs and expenses or both, without regard to whether that business is identified at the time the project or program is initiated or is to be determined by specified means at some time in the future.”*²

Such economic development projects or programs may include:

*“Direct loans or grants to qualifying businesses for fixed assets or working capital or both; loan guarantees for qualifying business; grants for public works improvements which are essential to the location or expansion of, or the provision of new services by, a qualifying business; grants or loans for job training; the purchase of real estate, options for such purchases, and the renewal or extension of such options; the issuance of bonds as provided for in the Local Option Municipal Economic Development Act; and payments for salaries and support of city staff to implement the economic development program or the contracting of such to an outside entity.”*³

Assistance from projects or programs established pursuant to the Act is limited to “qualifying businesses,” which are defined as any “corporation, partnership, limited liability company, or sole proprietorship which derives its principal source of income”⁴ from any of the following activities:

“The manufacture of articles of commerce; the conduct of research and development; the processing, storage, transport, or sale of goods or commodities which are sold or traded in interstate commerce; the sale of services in interstate commerce; headquarters

¹ Neb. Rev. Stat. § 18-2702(4).

² Neb. Rev. Stat. § 18-2705.

³ Id.

⁴ Neb. Rev. Stat. § 18-2709

*facilities relating to eligible activities as listed in this section; telecommunications activities, including services providing advanced telecommunications capability; or tourism-related activities.”*⁵

The Act grants cities of the first and second class⁶ and villages⁷ additional privileges. For these entities, Neb. Rev. Stat. § 18-2705 expands the definition of an economic development program to include “grants or loans for the construction or rehabilitation for sale or lease of housing for persons of low or moderate income.” Similarly, the Act specifies, “In cities of the first and second class and villages, a business shall also be a qualifying business if it derives its principal source of income from the construction or rehabilitation of housing.”⁸ For those cities of the first and second class having between 2,500 and 10,000 residents, moreover, the definition of “qualifying business” under Neb. Rev. Stat. § 18-2709 includes any business deriving its “principal source of income from retail trade.”

To provide oversight for an economic development program created pursuant to the Act, Neb. Rev. Stat. § 18-2715 mandates the creation of a “citizen advisory review committee,” which is required “to review the functioning and progress of the economic development plan and to advise the governing body with regard to the program.” In order to effectuate this task, the committee must appear at a public hearing at least bi-annually to “report to the governing body on its findings and suggestions[.]”⁹

The first step toward implementing an economic development program pursuant to the Act is for the governing body of a city or village to prepare a “proposed plan” describing: 1) the political subdivision’s “general community and economic development strategy”; 2) the goals of the program; 3) the types of businesses that will be eligible for assistance under the program; 4) a variety of specific details pertaining to the amount, source, and duration of the funding to be provided; 5) the application process for qualifying businesses; 6) how the program will be administered; and 7) how the political subdivision will ensure compliance with all relevant laws, regulations, and other requirements.¹⁰

Once such a plan has been drafted, a public hearing must be held for “public comment and discussion.”¹¹ Afterwards, the governing body of the political subdivision is directed to adopt by resolution the proposed plan and any amendments thereto.¹² That resolution is then submitted at election to the registered voters of the political subdivision.¹³ If it is

⁵ Id.

⁶ Neb. Rev. Stat. § 16-101 defines a city of the first class as having at least five thousand and no more than one hundred thousand inhabitants. Neb. Rev. Stat. § 17-101 defines a city of the second class as having at least eight hundred and no more than five thousand inhabitants.

⁷ Neb. Rev. Stat. § 17-201 defines a village as having at least one hundred and no more than eight hundred inhabitants

⁸ Neb. Rev. Stat. § 18-2709.

⁹ Neb. Rev. Stat. § 18-2715(3).

¹⁰ Neb. Rev. Stat. § 18-2710.

¹¹ Neb. Rev. Stat. § 18-2712.

¹² Id.

¹³ Neb. Rev. Stat. 18-2713.

approved by a majority of the voters, the governing body may, within forty-five days of such approval, “establish the economic development program by ordinance in conformity with the terms of such program set out in the enabling resolution.”¹⁴

City Ordinance

On June 11, 2002, in compliance with the Act, the City of Grant adopted Resolution No. 02-06, which provided for presenting that city’s voters with the following proposition:

*“Shall the City of Grant establish an economic development program as described here by appropriating annually \$128,000.00 for 10 years and, to budget for said economic program, shall the City of Grant increase its budgeted restricted funds for the ensuing fiscal years of 2002-2003 by \$128,000.00 (24%) over the current year’s restricted funds? The general purpose and intent of this economic development program is to promote business and industry, retain and create employment, develop a strong workplace, develop resources, attract new capital investment, broaden the community tax base and insure economic stability for the City of Grant and to do any other economic development programs as allowed by the Nebraska Local Option Municipal Economic Development Act (hereinafter the “Act”). The economic development program will, among other things, allow the City of Grant to purchase and enter into options to purchase real estate and make loans for the purposes of the program. The program will be in existence for 11 years commencing on October 1, 2002. Property taxes for each year from 2002 through 2001 shall be the sole local source of revenue for the program, except as may be available from other non-city sources in the way of grants and loans and allowed by the Act, with the total amount to be collected from the local property taxes for the duration of the program to be \$1,280,000.00. There will be no bonds issued for the purpose of this program. The present annual cost of the economic development program is \$39.84 per ten thousand dollars of assessed valuation based upon the most recent valuation of the City of Grant certified to the Nebraska Property Tax Administrator.”*¹⁵

Following voter approval of the above proposition, the City of Grant adopted Ordinance No. 02-04 on August 17, 2002. That ordinance was amended in its entirety on January 9, 2007, by Ordinance No. 07-01 (“Ordinance”). The result has been the creation of the Program in its present form.

According to the Ordinance:

“The Local Option Municipal Economic Development Program provides additional financial support to make it economically feasible to recruit, grow and expand industry and business for our community. This effort is very important to the City of Grant and this program is necessary to help replace and secure businesses and opportunities lost to the City, employment for our citizens and to insure stability and growth. It is the goal of

¹⁴ Neb. Rev. Stat. 18-2714(1).

¹⁵ City of Grant Resolution No. 02-06 (June 11, 2002), pgs. 2-3.

*this effort to secure the essential local participation in the financial partnership required to carry out this plan.”*¹⁶

The Ordinance provides that the Program is to be in operation from October 1, 2002, until September 30, 2013. However, it specifies also that:

*“[U]ncommitted funds and revenues including but not limited to repayment of loans, return on investments, fees for activities such as loan guarantees and sales proceeds from properties” may continue to be used for PROGRAM approved activities for an additional twenty (20) year period.”*¹⁷

Thus, the Ordinance makes clear that, for various “approved activities,” the duration of the Program is effectively extended to September 30, 2022.¹⁸

As pointed out in the above discussion of relevant state statutes, Neb. Rev. Stat. § 18-2710 requires that a political subdivision meet seven specific informational criteria in creating the proposed plan upon which its economic development program will be based. Through the provisions of its Ordinance, the City of Grant has substantially complied with those statutory guidelines.

Analysis

Issue #1

A member of the Committee received Program funding.

The APA’s examination revealed that a member of the Committee received Program funding in apparent violation of Neb. Rev. Stat. § 18-2715(2). That section of statute says, in relevant part:

“No member of the citizen advisory review committee shall be . . . an official or employee of any qualifying business receiving financial assistance under the economic development program or of any financial institution participating directly in the economic development program.”

Virtually identical language is found in Section 2(F)(2)(a) of the Ordinance.¹⁹

According to Committee meeting minutes, on March 1, 2006, “Mr. Darin Tjaden of Architectural Design presented his business plan for expanding his current business. Renovation details of his property were presented.” After going into executive session for

¹⁶ City of Grant Ordinance No. 07-01 (January 9, 2007), Section 1, pg. 1.

¹⁷ Id. at Section 2(A), pg. 2.

¹⁸ Id.

¹⁹ Section 2(F)(2)(a) of the Ordinance states: “No appointed member of the citizen’s advisory review committee shall be . . . an official or employee of any qualifying business receiving financial assistance under the economic development program or any financial institution participating directly in the economic development program.”

approximately four minutes, the motion was made to “offer Architectural Design a \$10,000 grant and a \$15,000 loan at 1% for a term of ten years with 6 month deferral of payments.”²⁰ The motion passed by a unanimous vote of those present. Subsequently, the promissory note for the loan set the first withdrawal date for March 17, 2006.

In addition to making the funding request on behalf of Architectural Design, Inc., Mr. Tjaden is identified on the subsequent promissory note as its “Managing Member” – all of which indicates his status as an official of the company.

Mr. Tjaden became a member of the Committee in November of 2003 and continues to serve in that capacity. Unless his membership had somehow lapsed in March of 2006, he was both a member of the Committee and an official of Architectural Design, Inc., when he applied for and received “financial assistance” from the Program. This appears to contravene both Neb. Rev. Stat. § 18-2715(2) and Section 2(F)(2)(a) of the Ordinance.

The Act provides no penalty for violating its provisions. Nevertheless, under Neb. Rev. Stat. § 28-924, a public servant who “knowingly violates any statute or lawfully adopted rule or regulation relating to his official duties” may be charged with official misconduct. Neb. Rev. Stat. § 28-916.01 defines a public servant as “any officer or employee of government, including legislators and judges, and any person participating as juror, advisor, consultant, or otherwise, in performing a governmental function.” Official misconduct is a Class II misdemeanor.²¹

As a member of the Committee, Mr. Tjaden is not an officer or employee of government. However, his role on the committee is to offer the City Council “suggestion[s]” and “recommendations,”²² as well as to “advise” that body,²³ regarding the Program. In his capacity as an “advisor” or “consultant” to the City Council in “performing a governmental function,” it would appear that Mr. Tjaden meets the definition of a “public servant” under Neb. Rev. Stat. 28-924 and is subject, therefore, to the statutory prohibition against “official misconduct.”

It is recommended that either the County Attorney for Perkins County or the Nebraska Attorney General be contacted regarding this matter.

²⁰ Meeting minutes of the Economic Development Advisory Committee (March 1, 2006).

²¹ The maximum penalty for a Class II misdemeanor under Neb. Rev. Stat. § 28-106 is six months imprisonment, or one thousand dollars fine, or both. No minimum penalty is provided.

²² City of Grant Ordinance No. 07-01, Section 2(F)(2)(c), pg. 5 (January 9, 2007).

²³ Neb. Rev. Stat. § 18-2715(3).

Issue #2**The Committee approved and denied Program loan and grant applications without consulting or advising the City Council.****Statutory Language**

The APA's examination revealed that the Committee approved and denied Program loan and grant applications without consulting the City Council. Whether this constitutes a violation of either the Act or the Ordinance depends upon how those documents are interpreted.

To start, it is important to note that the Act provides for the creation of citizen advisory review committees; however, it does not establish with specificity the extent of their authority or duties. Neb. Rev. Stat. § 18-2715(3) says only that such committees are to "review the functioning and progress of the economic development program" and "to advise the governing body of the city with regard to the program." This language may be interpreted as establishing the minimum duties of the committees – as there appear to be no statutory limitations upon how much more authority or responsibility that political subdivisions may delegate to them.

Legislative Intent

The Nebraska Supreme Court has ruled, "If any ambiguities exist in the [statutory] wording, the court will look to the legislative history to determine the lawmakers' intent."²⁴ While not necessarily the result of ambiguous wording, the lack of specific guidance in Neb. Rev. Stat. § 18-2715(3) regarding the specific role of citizen advisory review committees gives rise to a situation in which legislative intent may well prove instructive.

The legislation principally responsible for Neb. Rev. Stat. § 18-2715(3) was LB 840, which Senator Paul Hartnett (District 45) of Bellevue, Nebraska, introduced in 1991 on behalf of then-Governor Ben Nelson. In the Introducer's Statement of Intent for the bill, Senator Hartnett mentioned:

*"[T]he bill provides for the creation of a citizen advisory review committee consisting of individual citizens, from outside of government, without ties to any qualifying business, to review and monitor the program and report to the governing body at a public hearing. This will help provide an additional layer of oversight to assure public confidence in the program and avoid any potential for fraud, waste and mismanagement."*²⁵

While explaining the provisions of LB 840 during the bill's public hearing before the Committee on Urban Affairs on February 19, 1991, Senator Hartnett, who was also the Chairperson of that legislative body, stated simply: "A citizen advisory committee is

²⁴ *Wiseman v. Keller*, 218 Neb. 717, 719, 358 N.W.2d 768, 770 (1984).

²⁵ Introducer's Statement of Intent for LB 840 (1991), pg. 2.

created to monitor the program and to report to the council at a public hearing on the progress.”²⁶ Later in the hearing, Mr. Bill Stadtwald, the Research Analyst for the Committee, pointed out:

*“[Y]ou number one, have at least the citizens advisory review committee that is looking over the shoulder of the council and the way the program is going and they make their report at least every six months. They have to once every six month [sic], maybe even more often, at a public hearing where they can raise the issue of are we really doing what we intended to do.”*²⁷

On February 26, 1991, the members of the Committee on Urban Affairs voted unanimously – minus Senator Bernice Labeledz, who was recorded as absent – to advance LB 840 to General File.

In his introductory remarks during the first round of floor debate on April 22, 1991, Senator Hartnett observed:

*“Also to protect the citizens of each one of the communities, the council or board appoints a citizen advisory committee to review, a review committee to simply see that what the city council and the board have set out will be carried out.”*²⁸

Aside from these brief comments, no other references to citizen advisory review committees are found in the legislative history to Neb. Rev. Stat. § 18-2715(3). Taken cumulatively, the existing statements might reasonably be interpreted as indicating a legislative intent that the committees do little more than periodically review the decisions of the municipal governing bodies and provide general oversight for the Program; however, such a limitation is not communicated expressly in either the statutory language or the transcripts of relevant legislative proceedings. As a result, it cannot be assumed to exist.

It should be pointed out also that Neb. Stat. Sec. § 18-2738 states, in relevant part:

“The act and all grants of power, authority, rights, or discretion to a city under the act shall be liberally construed, and all incidental powers necessary to carry the act into effect are hereby expressly granted to and conferred upon a city.”

The common law rule pertaining to the liberal construction of statutes may be summarized as follows:

“It is especially true of statutes entitled to a liberal construction that an interpretation should be applied which is within the reason and the spirit of the statute, or the public policy which animates it, rather than the strict letter thereof. A statute entitled to a liberal construction should be favorably construed, so as to give it, if possible, a beneficial

²⁶ Transcript of LB 840 Public Hearing before Committee on Urban Affairs (February 19, 1991), pg. 2.

²⁷ Id. at pg. 11.

²⁸ Transcript of LB 840 General File Debate (April 22, 1991), pg. 3605.

*operation, and one which would tend to promote and effectuate justice, in the interest of the public good, and to avoid harsh or incongruous results. The courts should give freely and generously all the statute purports to give. Words may be omitted, or supplied by implication, and sentences transformed to render the statute a consistent whole and effectuate the legislative will. The most comprehensive meaning of the terms employed should, if necessary, be adopted to accomplish the aims of the statute. When a statute is to be liberally construed, the court may even carry it beyond the natural import of its words when essential to answer its purpose. Thus the statute should not be given a construction so technical or narrow as to defeat the beneficent purposes or design of the statute or the right granted by it. It should be interpreted so as to advance the remedy, and suppress the mischief or evil intended to be remedied.”*²⁹

Authorization to construe the provisions of the Act liberally allows political subdivisions to exercise a certain amount of latitude in creating economic programs best suited to their particular needs. In doing so, it provides tacit approval to virtually any manner of implementation that does not conflict with the specific requirements of the Act. This tends to lend authority to the assumption that a political subdivision, like the City of Grant, may confer upon its citizen advisory committee greater powers than those implied by the broad language of Neb. Rev. Stat. § 18-2715(3).

Ordinance Language

With little other direction to be found in either the language of Neb. Rev. Stat. § 18-2715(3) itself or the legislative history behind it, cities and villages wishing to create their own economic development programs pursuant to the Act are left largely to determine for themselves the role to be played by their respective citizen advisory review committees.

In Section 2(F)(2)(c) of its Ordinance, the City of Grant requires the Committee to report its recommendations “at such times it determines necessary or at anytime the City Council or Mayor requests.” Other Ordinance provisions indicate, however, that the Committee plays a far more integral role than serving in a mere advisory capacity. In fact, that body is entrusted with the responsibility of making determinations regarding which candidates will qualify for loans or grants through the Program. Under Section 2(F)(2)(b) of the Ordinance, the Committee is directed to meet to “review applications” for Program funds. Section 2(H)(3) describes the Committee’s function in detail:

“Once the Program Administrator makes a determination that the application appears to be complete and viable, the application is referred to the Citizens Advisory Review Committee. . . . The Citizen’s [sic] Advisory Review Committee shall review the application to include any financial information furnished and provide recommendations to the Program Administrator concerning negotiations with the Applicant. Once the Citizens Advisory Review Committee has completed its review, and following any additional negotiations conducted by the Program Administrator, the Citizens Advisory Review Committee shall make a recommendation that (1) the application be approved, (2) the application be disapproved, or (3) the Committee is not able to make a

²⁹ 73 Am.Jur.2d, Statutes § 180 (2001), pgs. 376-377 (references omitted).

recommendation due to lack of information of other factors to be cited by the Committee.”

According to Section 2(H)(3), “Recommendations for disapproval by the Citizen [sic] Advisory Review Committee will be final, subject to review and possible approval by the City Council.” Similarly, Section 2(F)(1)(g) specifies, “The Program Administrator shall review the recommendations of the Citizens Advisory Review Committee, and either accept or follow its recommendations or submit the recommendations to the City council [sic] for further action.”

Section 2(F)(4)(b) states that the City Council “has ultimate responsibility for the Grant Economic Development Program.” Whether that responsibility includes being solely responsible for selecting recipients of Program funding is unclear, however. Nevertheless, the Ordinance does make clear that, once presented with the need to make a decision regarding a recommendation by the Committee, the City Council’s authority is absolute. Section 2(H)(4) states, “All decisions by the City Council will be deemed final, subject to review and modification by the City Council consistent with the contractual rights of the parties involved.” This is preceded by an equally unambiguous statement in Section 2(F)(1)(g): “The decision of the City Council is a final action.”

Ordinance Structure

The problem with the language of the Ordinance is not necessarily that it appears to provide a more expansive role for the Committee than that indicated by a strict interpretation of Neb. Rev. Stat. § 18-2715. As pointed out already, the broad language of the Act would seem to allow such an outcome. The language of the Ordinance is problematic not only for lacking coherent instruction regarding the precise stages of applying for a loan or grant under the Act, but also for failing to define clearly the roles of the Committee, the City Council, and the Program Administrator in that process. Most troublesome of all is its neglecting to state definitively who is ultimately responsible for deciding whether an applicant will be approved or denied, not to mention specifically how such approval or denial takes place.

Section 2(H)(3) of the Ordinance directs the Committee to “make a recommendation” regarding approval of an application for Program benefits; however, that section fails to specify to whom the recommendation is to be made. That question appears to be answered in Section 2(F)(1)(g), which requires the Program Administrator to “review the recommendations” of the Committee and “either accept and follow” them or “submit them to the City council [sic] for further action.” If the Program Administrator decides to accept the recommendations, it is unclear whether any further action by the City Council is required. In addition Section 2(H)(4) contains the following unintelligible language:

“All recommendations of the Citizen Advisory Review Committee for approval of a project, the City Council shall generally not be presented with any information which has been determined, by the Program Administrator or the Citizen Advisory Review Committee as ‘confidential’.”

In addition to being difficult to determine exactly what it seeks to accomplish, this language raises the following questions regarding: 1) when the City Council would be presented with Committee recommendations for approval of a project;³⁰ and 2) why the City Council would be denied access to “confidential” information relating to an applicant’s qualifications. Even if included in accordance with a strict interpretation of Neb. Rev. Stat. § 18-2715(4), which provides a penalty for the unauthorized disclosure of confidential information by members of citizen advisory review committees, such a provision would appear to curtail the ability of the City Council to exercise independent judgment.

Similarly, Section 2(H)(5) of the Ordinance states, “The decision as to whether or not Program benefits shall be granted is at the sole discretion of the City Council.” The Ordinance neglects to indicate when that discretion is to be exercised – whether it is necessary for the approval of all Program loans and grants or is sought only when a question arises regarding a decision made by either the Program Administrator or the Committee.

Flawed Ordinance

Neb. Rev. Stat. § 18-2710(6) requires that the proposed plan for an economic development program under the Act contain a “description of the administrative system that will be established to administer the economic development program, including a description of the personnel structure that will be involved and the duties and responsibilities of those persons involved[.]” Once the governing body that created the plan formally adopts it subsequent to a public hearing, Neb. Rev. Stat. § 18-2712 requires that the text of the plan be incorporated, either in its entirety or by reference, in a resolution. That resolution is then presented to the voters. If approved, an economic development program is to be established “by ordinance in conformity with the terms of such program as set out in the original enabling ordinance.”³¹

Clearly, the Act intends for any plan proposing an economic development program to explain definitively how that plan will work. It would not be unreasonable to assume that such an explanation would include a detailed and understandable summary of precisely how loans and grants are awarded and who is responsible for awarding them. In the course of establishing an economic development program, the text of the underlying plan will ultimately be reflected in the city ordinance that gives it legal status.

An examination of the Ordinance leads to the conclusion that either the original plan was flawed for failure to set out clearly how the Program works or the current Ordinance does not reflect accurately the provisions of the incipient plan. Either way, the Ordinance does not provide the type of guidance necessary to fulfill the purposes of the Act.

³⁰ Section 2(F)(1)(g) directs the Program Administrator to “review the recommendations of the Citizen Advisory Review Committee, and either accept and follow its recommendations, or submit the recommendations to the City council [sic] for further action.” Section 2(H)(3) permits the City Council review and possibly reverse Committee disapprovals.

³¹ Neb. Rev. Stat. § 18-2714(1).

As mentioned already, the language of the Act, along with the information found in the legislative history for LB 840 (1991), indicates that the Committee was intended to serve a purely advisory role; however, Neb. Rev. Stat. § 18-2715(3) does not expressly restrict it to serving such a limited function. Similarly, it is doubtful that the Ordinance intends for the Committee to determine unilaterally the fate of loan and grant applications. Because of the lack of clarity in the Ordinance, though, it is difficult to say with certainty what that document actually requires.

Preferable Language

Interestingly, the original Ordinance 02-04, which was approved in 2002 and superseded in 2007 by the current Ordinance, contained language far more comprehensible than that offered by its replacement. Section 1(E) of Ordinance 02-04 explained:

“The Program Administrator and Citizens Advisory Review Committee will review applications and requests for direct financial assistance in the order in which they are received. Applications received by the Committee will be reviewed based on project feasibility as determined by review of the applicants [sic] plan and other requested information by the Committee, and the potential future economic benefit to the community of Grant.”

“The Citizen Advisory Review Committee shall consider the Program benefits, if any, which the applicant may be eligible for, including loans, grants, rental, purchase, or option to real estate, etc. If the Citizen Advisory Review Committee determines that a project should be eligible for Program funding, it shall then make a recommendation to the City Council for approval of same.”

“Final approval of any application for program benefits will remain with the City Council by a majority vote, after hearing the recommendation of the Citizen Advisory Review Board [sic] and the Program Administrator. If an application is refused by the City after being previously approved by the Citizen Advisory Review Board [sic], the City will provide written reason(s) for said refusal.”³²

This language leaves no doubt as to both the limited advisory capacity of the Committee and the final decision-making authority of the City Council. Under the provisions of Ordinance 02-04, therefore, it would clearly be out of the question for the Committee to take any substantive unilateral action regarding the distribution of Program benefits.

The language of the current Ordinance provides more details about the respective duties of the Program Administrator and the Committee. Regardless, its failure to provide a clear and concise description of the precise steps to be followed in evaluating and either approving or disapproving an application for Program benefits is an omission that should be remedied through the inclusion of language similar to that contained in the original ordinance.

³² City of Grant Ordinance No. 02-04, Section 1(E), pg. 5 (August 27, 2002).

Issue #3

Since the effective date of City Ordinance No. 07-01, the Committee has failed to report biannually to the City Council on its findings and suggestions.

Neb. Rev. Stat. §18-2715(3) directs an economic development ordinance to “provide for the regular meetings of the citizen advisory review committee to review the functioning and progress of the economic development program and to advise the governing body of the city with regard to the program.” Section 2(F)(2)(b) of the Ordinance has substantially complied with this directive by requiring:

“The Citizens Advisory Review Committee will meet as required to review applications, recommendations or concerns by the Program Administrator, to review loan applications, monitor existing loans, and to review the PROGRAM (but no less than quarterly).”

In addition, Section 2(F)(2)(c) provides, “The Committee shall report to the City Council on its findings, suggestion [sic], and recommendations at such times it determines necessary or at anytime the City Council or Mayor requests.”

Beyond directing the Committee to have regular meetings for the purpose of advising the City Council regarding the Program, Neb. Rev. Stat. § 18-2715(3) mandates, “At least once in every six-month period after the effective date of the ordinance, the committee shall report to the governing body on its findings and suggestions at a public hearing called for that purpose.” Section 2(F)(2)(d) of the Ordinance reiterates this statutory obligation, stating in relevant part:

“The Citizen Advisory Review Committee shall submit semi-annual accountings, findings and summaries at a public hearing called for that purpose at the first regular scheduled meeting in January and July.”

The Ordinance became effective on January 6, 2007, meaning that the Committee should have presented its findings to the City Council during a public hearing at least twice since that time. According to information obtained during the APA’s investigation, however, the Committee provided the City Council with only one “annual update” on January 23, 2007. The failure to hold the requisite number of public hearings appears to be a violation of both Neb. Rev. Stat. § 18-2715(3) and Section 2(F)(2)(d) of the Ordinance.

Issue #4

Information was not made available to the public regarding loan and grant amounts awarded, along with other city bills and claims related to the Program.

Open Meetings Act

The APA’s examination revealed complaints of an alleged failure by the City of Grant to make available to the public information regarding loan and grant amounts awarded,

along with other bills and claims related to the Program. If true, such an oversight could be problematic in light of requirements of this state's Open Meetings Act.

Found at Neb. Rev. Stat. §§ 18-2701 to 18-2738, the Open Meetings Act's "Declaration of Intent" states, "It is hereby declared to be the policy of this state that the formation of public policy is public business and may not be conducted in secret."³³ That same section of statute offers the core provision of the Open Meetings Act:

"Every meeting of a public body shall be open to the public in order that citizens may exercise their democratic privilege of attending and speaking at meetings of public bodies, except as otherwise provided by the Constitution of Nebraska, federal statutes, and the Open Meetings Act."

Public Body

The Open Meetings Act applies only to activities of a "public body." Neb. Rev. Stat. § 84-1409(1)(a)(i) defines a "public body" to include "governing bodies of all political subdivisions of the State of Nebraska." Also falling within the definition of a "public body" are "all independent boards, commissions, bureaus, committees, councils, subunits, or any other bodies created by the Constitution of Nebraska, statute, or otherwise pursuant to law,"³⁴ any "advisory committees" of governing bodies of political subdivisions,³⁵ and "instrumentalities exercising essentially public functions."³⁶

Based upon the language in Neb. Rev. Stat. § 84-1409(1)(a)(i), it is clear that the City Council of the City of Grant must comply with the provisions of the Open Meetings Act. Moreover, given one or more of the other definitions of a "public body" under Neb. Rev. Stat. § 84-1409(1), the Committee is similarly subject to the same requirements.

Meeting

Neb. Rev. Stat. § 84-1409(2) defines a "meeting" as:

"[A]ll regular, special, or called meetings, formal or informal, of any public body for the purposes of briefing, discussion of public business, formation of tentative policy, or the taking of any action of the public body[.]"

Under this definition of "meeting," it is clear that neither City Council members nor Committee members may congregate in order to consider "public business" – which, in this case, would include discussing or taking any action whatsoever regarding an application for Program funds – unless doing so during the course of a public meeting called and held pursuant to the strictures of the Open Meeting Act.

³³ Neb. Rev. Stat. § 84-1408.

³⁴ Neb. Rev. Stat. § 84-1409(1)(a)(iii).

³⁵ Neb. Rev. Stat. § 84-1409(1)(a)(v).

³⁶ Neb. Rev. Stat. § 84-1409(1)(a)(vi).

Closed Sessions

Neb. Rev. Stat. § 84-1410(1) allows a public body to meet in closed session to discuss sensitive information.³⁷ It is important to note, however, that closed session meetings may be held only when called during the course of a formal open meeting. Neb. Rev. Stat. § 84-1410(2) explains:

“The vote to hold a closed session shall be taken in open session. The entire motion, the vote of each member on the question of holding a closed session, and the time when the closed session commenced and concluded shall be recorded in the minutes. If the motion to close passes, then the presiding officer immediately prior to the closed session shall restate on the record the limitation of the subject matter of the closed session. The public body holding such a closed session shall restrict its consideration of matters during the closed portions to only those purposes set forth in the motion to close as the reason for the closed session. The meeting shall be reconvened in open session before any formal action may be taken.”

The same section of statute defines “formal action” to mean “a collective decision or a collective commitment or promise to make a decision on any question, motion, proposal, resolution, order, or ordinance or formation of a position or policy[.]” As a result, even if the Committee or City Council were to meet in closed session to discuss confidential information, neither body could take any formal action with regard to that information – i.e., approving, rejecting, or delaying a decision on the application for Program funds – until it had reconvened in open session.

Public Notice

The Open Meetings Act requires advance notice of both public meetings and their respective agendas. Specifically, Neb. Rev. Stat. § 84-1411(1) states:

“Each public body shall give reasonable advance publicized notice of the time and place of each meeting by a method designated by each public body and recorded in its minutes. Such notice shall be transmitted to all members of the public body and to the public. Such notice shall contain an agenda of subjects known at the time of the publicized notice or a statement that the agenda, which shall be kept continually current, shall be readily available for public inspection at the principal office of the public body during normal business hours. Agenda items shall be sufficiently descriptive to give the public reasonable notice of the matters to be considered at the meeting. Except for items of an emergency nature, the agenda shall not be altered later than (a) twenty-four hours before the scheduled commencement of the meeting or (b) forty-eight hours before the scheduled

³⁷ Neb. Rev. Stat. § 84-1410(1) sets out a variety of specific situations in which closed sessions may be held; however, that statute states that its closed session provisions are not limited to the examples provided. Given that Neb. Rev. Stat. § 18-2715(4) not only grants the Committee access to confidential information pertaining to Program applicants but also prohibits unauthorized disclosure of that information, it is reasonable to conclude that the City Council or Committee could meet in closed session to examine and discuss any such confidential details.

commencement of a meeting of a city council or village board scheduled outside the corporate limits of the municipality. The public body shall have the right to modify the agenda to include items of an emergency nature only at such public meeting.”

With public notice having been provided for, Neb. Rev. Stat. § 84-1412(1) requires that “the public has the right to attend and the right to speak at meetings of public bodies[.]”

As a result, the public is entitled to be informed of, attend, observe, and even participate in meetings of both the Committee and the City Council.

Meeting Minutes

Citizens unable to attend meetings of either the Committee or City Council may learn of what transpired during their absence nonetheless. Neb. Rev. Stat. § 84-1413(1) directs “each public body” to “keep minutes of all meetings showing the time, place, members present and absent, and the substance of all matters discussed.” In addition, Neb. Rev. Stat. § 84-1413(2) mandates:

“Any action taken on any question or motion duly moved and seconded shall be by roll call vote of the public body in open session, and the record shall state how each member voted or if the member was absent or not voting.”

Pursuant to Neb. Rev. Stat. § 84-1413(4), anyone wishing to discover what, if any, formal action was taken during a meeting of a public body may have access to the meeting minutes, which “shall be public records and open to public inspection during normal business hours.” Similarly, Neb. Rev. Stat. § 84-1413(5) requires meeting minutes to “be written and available for inspection within ten working days or prior to the next convened meeting, whichever occurs earlier[.]”³⁸

Enforcement of Open Meetings Act

Neb. Rev. Stat. § 84-1414(2) states, “The Attorney General and the county attorney of the county in which the public body ordinarily meets shall enforce the Open Meetings Act.” In addition, Neb. Rev. Stat. § 84-1414(1) provides specific remedies for the violation of its provisions:

“Any motion, resolution, rule, regulation, ordinance, or formal action of a public body made or taken in violation of the Open Meetings Act shall be declared void by the district court if the suit is commenced within one hundred twenty days of the meeting of the public body at which the alleged violation occurred. Any motion, resolution, rule, regulation, ordinance, or formal action of a public body made or taken in substantial violation of the Open Meetings Act shall be voidable by the district court if the suit is commenced more than one hundred twenty days after but within one year of the meeting

³⁸ Neb. Rev. Stat. § 84-1413(5) allows cities of the second class and villages to have “an additional ten working days if the employee responsible for writing the minutes is absent due to a serious illness or emergency.”

of the public body in which the alleged violation occurred. A suit to void any final action shall be commenced within one year of the action.”

Likewise, Neb. Rev. Stat. § 84-1414(4) says:

*“Any member of a public body who knowingly violates or conspires to violate or who attends or remains at a meeting knowing that the public body is in violation of any provision of the Open Meetings Act shall be guilty of a Class IV misdemeanor for a first offense and a Class III misdemeanor for a second or subsequent offense.”*³⁹

Effect of Open Meetings Act

As explained herein, the Open Meetings Act provides for: 1) meetings of public bodies to be open to the public; 2) formal actions by those public bodies to be made in open session; 3) citizens to receive notice of all public meetings; 4) citizens to have the opportunity to attend and participate in such public meetings; 5) the publication and availability of meeting minutes; and 6) actions taken in violation of its provisions not only to be declared void but also to give rise to possible criminal sanctions.

Because these requirements apply to meetings of both the Committee and the City Council, there is no conceivable circumstance under which the residents of the City of Grant could legitimately be kept unaware of any substantive decisions made regarding the Program. At the very least, concerned citizens should have the opportunity to review formal decisions of either the Committee or the City Council, as such decisions are evidenced in the respective meeting minutes of those bodies. Similarly, any actions taken by either the Committee or the City Council would be open to public observation and comment during the meetings at which they were approved.

The APA’s examination revealed that the City Council has complied with the requirements of the Open Meetings Act by carrying out its official duties publicly, in open meetings at which the public has been permitted to attend and participate. In addition, the City Council has provided appropriate advance notice of those meetings, as well as kept detailed minutes of its proceedings.

Unlike the City Council, the Committee has failed to maintain minutes for many of its meetings. Moreover, in those meeting minutes that are available, no method was designated for publicizing the time and place of the meetings.⁴⁰ Though seemingly minor, such failures are violations of the Open Meetings Act nonetheless. Thus, immediate corrective action is urged to ensure that they are not repeated.

³⁹ Under Neb. Rev. Stat. § 28-106, a Class IV misdemeanor is punishable by a fine of \$100 to \$500, and a Class III misdemeanor is punishable by a maximum of three months imprisonment, or five hundred dollars fine, or both.

⁴⁰ Neb. Rev. Stat. § 84-1411(1) requires, in relevant part: “Each public body shall give reasonable advance publicized notice of the time and place of each meeting by a method designated by each public body and recorded in its minutes.”

Finally, in the event that the public should be denied access to important Program information due to future violations of the Open Meetings Act by either the Committee or the City Council, both the Nebraska Attorney General and the County Attorney for Perkins County should be notified.

Issue #5

There has been no monthly newspaper publication of the Committee's official proceedings.

Relating also to the issue of public access to information regarding the Program is the APA's discovery that the official proceedings of the Committee have not been published monthly in the local newspaper. While the Open Meetings Act ensures the availability of Program information to the public, such monthly newspaper publication of the Committee's proceedings would make that information more easily accessible.

State law currently mandates the monthly newspaper publication of the official proceedings of the governing body of certain political subdivisions. Specifically, Neb. Rev. Stat. § 19-1102 states, in relevant part:

"It shall be the duty of each village or city clerk in every village or city having a population of not more than one hundred thousand to prepare and publish the official proceedings of the village or city board, council, or commission within thirty days after any meeting of the board, council, or commission. The publication shall be in a newspaper of general circulation in the village or city, shall set forth a statement of the proceedings of the meeting, and shall also include the amount of each claim allowed, the purpose of the claim, and the name of the claimant, except that the aggregate amount of all payroll claims may be included as one item."

Neb. Rev. Stat. §19-1103 directs such publication to "be made in one legal newspaper of general circulation in such village or city." That same section of statute continues, "If no legal newspaper is published in the village or city, then such publication shall be made in one legal newspaper published or of general circulation within the county in which such village or city is located."

The monthly newspaper publication requirement under Neb. Rev. Stat. §19-1103 pertains specifically to a "village or city board, council, or commission" of a "village or city having a population of not more than one hundred thousand." This means that, at least technically, only the City Council must comply with it. However, loans or grants made pursuant to the Program are unique in this case. Such payments are typically city expenditures and, as such, are normally expected to be approved by the City Council. In the City of Grant, however, the Committee has been allowed to approve Program grants and loans.

Although delegated to the Committee, such transactions should continue to be viewed as city business. As such, they should be reflected in the monthly newspaper publications mandated under Neb. Rev. Stat. § 19-1102. In addition to complying with the presumed

purpose of the statute, such an approach would better serve City of Grant residents by providing them with easy and consistent access to timely information regarding Program distributions and other pertinent matters.

Neb. Rev. Stat. § 19-1104 provides a penalty for failure to comply with the publication requirements of Neb. Rev. Stat. § 19-1102. Specifically, that statute says:

“Any village or city clerk, or treasurer, failing or neglecting to comply with the provisions of sections 19-1101 to 19-1103 shall be deemed guilty of a misdemeanor and shall, upon conviction, be fined, not to exceed twenty-five dollars, and be liable, in addition to removal from office for such failure or neglect.”

The failure of the Committee to provide monthly newspaper publications of its proceedings appears to be, at the very least, at odds with the clear purpose and intent of Neb. Rev. Stat. § 19-1102. Whether such noncompliance constitutes either a constructive or actual violation of the law is a question that should be presented to the County Attorney for Perkins County for further review.

Issue #6

The City Council has not been provided with a monthly accounting of important Program information, including the status of each loan, Program income, and current investments of unexpended funds.

The auditors have received complaints that the City Council is not provided with a monthly accounting of important Program information, including the status of each loan, Program income, and current investments of unexpended funds. Because the timely provision of such information would likely prove conducive to the proper management and operation of the Program, the question has been raised as to whether such meticulous accounting procedures are mandated by law.

Loan Fund Program

Neb. Rev. Stat. § 18-2711(2) permits a city’s economic development program to include a loan fund. The requirements for such a loan fund program are set out in Neb. Rev. Stat. § 18-2720. Among other things, that section of statute states: “The governing body of the city shall be provided with an account of the status of each loan outstanding, program income, and current investments of unexpended funds on a monthly basis.”

The Introducer’s Statement of Intent for LB 840 (1991), the bill responsible for the creation of the Act, states:

“Provisions dealing with possible use of a revolving loan fund have been modeled on Community Development Block Grant loan regulations, thus bringing into the new

*structure the best prior experience on what has worked for Nebraska municipalities in the past.”*⁴¹

Because establishing a loan fund program is optional under the Act, the decision to do so is left to the city officials responsible for drafting the program plan and, ultimately, the citizens voting to adopt or reject it. As Mr. Bill Stadtwald, the Research Analyst for the Committee, explained during the public hearing on LB 840:

*“And up-front they’re [city officials] going to have to tell the voters this is going to be a grant program, this is going to be a loan program, this is going to be whatever kind of program you want.”*⁴²

Therefore, whether a city’s economic development program contains a separate loan fund program depends upon whether the plan approved by the voters included such a provision.

More importantly – at least, for the purposes of the present discussion – whether the City of Grant has a loan fund program will determine whether the provisions of in Neb. Rev. Stat. § 18-2720 apply and the City Council must obtain monthly reports of various loan and Program information.

City Program

A simple review of the plan adopted by the citizens when they voted in favor of Resolution Number 02-06 in 2002 should be sufficient to reveal either the existence or absence of such a program. Neb. Rev. Stat. § 18-2712 states, “At the discretion of the governing body, the resolution may include the full text of the proposed plan or it may be incorporated by reference.” Likewise, Neb. Rev. Stat. § 18-2714 requires any economic development program adopted under the Act to be “in conformity with the terms of such program as set out in the original enabling resolution.” At the very least, then, the resolution adopted by the voters should reflect accurately the provisions of the plan upon which it was based.

The APA’s investigation revealed that no copies of the original plan are available for review.⁴³ As a result, it is difficult to determine whether the Program initially implemented by the City of Grant included a loan fund program. Nevertheless, Ordinance 02-04, which created the Program in 2002, appears to have provided for a loan program. Specifically, Section 1(I) of that document states:

⁴¹ Introducer’s Statement of Intent for LB 840 (1991), pg. 2.

⁴² Transcript of LB 840 Public Hearing before Committee on Urban Affairs (February 19, 1991), pg. 19.

⁴³ Neb. Rev. Stat. §18-2712 requires: “Following its adoption, a copy of the resolution and the proposed plan shall be filed with the city clerk who shall make it available for public review at city hall during regular business hours.” Nevertheless, when asked to produce a copy of the plan, city officials were unable to do so.

*“There is established through the Program a ‘loan program’ whose purpose is to make loans for eligible activities to qualifying businesses as stated herein. The governing body shall appoint the Program Administrator along with a designated officer of a Nebraska financial institution (who may or may not be a member of the Citizen Advisory Review Committee) to assist in the Administration of the Loan Fund Program.”*⁴⁴

In addition to the above language, the same section of Ordinance No. 02-04 conformed thoroughly with the requirements of Neb. Rev. Stat. § 18-2711(2), setting out all of the information specified in that statute for loan fund programs.⁴⁵

Replacing its predecessor in 2007, the current Ordinance eliminates any reference to a “Loan Fund Program,” as well as the specific language relating to the requirements of Neb. Rev. Stat. § 18-2711(2). Instead, Section 2(I)(a) of the Ordinance says simply:

*“The Citizen’s Advisory Review Committee in its recommendation to a particular loan shall include its recommendation for: i) The time within which the loan applicant must meet goals set for it; ii) A determination when the loan shall be declared in default; and iii) The action to be taken to deal with a default in the loan.”*⁴⁶

Section 2(I)(b) concludes, in relevant part:

*“For each loan there shall be kept in file at the city office records of said loan which include: the name of the borrower; purpose of the loan; the date of the loan; date of disbursement of Program funds; interest rate; maturity date; frequency of payments; copy of loan documents, including notes, security documents, and guarantees; current accounting of payments, disbursements and balances; documentation of comments of Program Administrator, Citizens Advisory Review Committee, or City Council; any collection proceedings (if any).”*⁴⁷

While certainly relevant and useful information, none of this data is specified in Neb. Rev. Stat. § 18-2711(2) – leading to the conclusion that, if the Program ever provided for a loan fund program, it no longer does so.

⁴⁴ City of Grant Resolution No. 02-06 (June 11, 2002), pg. 6.

⁴⁵ Neb. Rev. Stat. § 18-2711(2) states: “If the proposed economic development program involves the creation of a loan fund, the proposed plan shall also specify: (a) The types of financial assistance that will be available, stating the maximum proportion of financial assistance that will be provided to any single qualifying business and specifying the criteria that will be used to determine the appropriate level of assistance; (b) The criteria and procedures that will be used to determine the necessity and appropriateness of permitting a qualifying business to participate in the loan fund program; (c) The criteria for determining the time within which a qualifying business must meet the goals set for it under its participation agreement; (d) What personnel or other assistance beyond regular city employees will be needed to assist in the administration of the loan fund program and the manner in which they will be paid or reimbursed; (e) The investment strategies that the city will pursue to promote the growth of the loan fund while assuring its security and liquidity; and (f) The methods of auditing and verification that will be used by the city to insure that the assistance given is used in an appropriate manner and that the city is protected against fraud or deceit in the conduct or administration of the economic development program.”

⁴⁶ City of Grant Ordinance No. 07-01, Section 2(I)(a), pg. 9 (January 9, 2007).

⁴⁷ City of Grant Ordinance No. 07-01, Section 2(I)(b), pg. 9 (January 9, 2007).

Uncertainty as to Existence of Loan Fund Program

As the above information points out, the Ordinance makes no explicit provisions for a loan fund program. The prior ordinance seemed to indicate, on the other hand, that such a program was originally intended; however, if a loan fund program was ever created, the present Ordinance fails to reflect whether it still exists or has been effectively eliminated.

The Program maintains an economic development fund, as required under Neb. Rev. Stat. §18-2718(1).⁴⁸ When asked if the Program also includes a loan fund program, as permitted under the Act, the city officials questioned could not provide a conclusive answer.

Until such a determination is forthcoming, it is uncertain whether the monthly reporting provisions contained in Neb. Rev. Stat. § 18-2720 are applicable to the Program. If no loan fund program exists, those statutory requirements are immaterial. Conversely, if the Program is making use of such a loan fund plan, city officials must take immediate action to ensure compliance with all statutory provisions applicable to it.

Issue #7**Program payments have been made prior to Committee approval.**

In the course of examining Program expenditures, the APA found instances of Program grants or loans having been made prior to Committee approval. Such a practice appears to conflict with the provisions of the Ordinance.

As pointed out already, the Act does not define with specificity the powers and duties of the Committee; rather it describes them in general terms. Neb. Rev. Stat. § 84-2715(3) provides only for:

“[R]egular meetings of the citizen advisory review committee to review the functioning and progress of the economic development program and to advise the governing body of the city with regard to the program.”

In addition, that same section of statute requires:

⁴⁸ Neb. Rev. Stat. § 18-2718(1) states: “Any city conducting an economic development program shall establish a separate economic development fund. All funds derived from local sources of revenue for the economic development program, any earnings from the investment of such funds including, but not limited to, interest earnings, loan payments, and any proceeds from the sale or rental by the city of assets purchased by the city under its economic development program shall be deposited into the economic development fund. Any proceeds from the issuance and sale of bonds pursuant to the Local Option Municipal Economic Development Act to provide funds to carry out the economic development program, except as provided in section 18-2732, shall be deposited into the economic development fund. Except as provided in this section, subsection (4) of section 18-2714, and subsection (7) of section 18-2722, no money in the economic development fund shall be deposited in the general fund of the city. The city shall not transfer or remove funds from the economic development fund other than for the purposes prescribed in the Local Option Municipal Economic Development Act, and the money in the economic development fund shall not be commingled with any other city funds.”

“At least once in every six-month period after the effective date of the ordinance, the committee shall report to the governing body on its findings and suggestions at a public hearing called for that purpose.”

While the Act establishes only these very general guidelines for the Committee, Section 2(H)(3) of the Ordinance requires that the Committee play an active role in selecting applicants to receive Program funds. Among other things, the Committee is directed to recommend whether an application is to be approved or disapproved. According to Section 2(H)(3), Committee disapproval is final, “subject to review and possible approval by the City Council.” However, approval by the Committee results in further review. In addition, the Committee may take no action “due to lack of information or other factors to be cited by the Committee.”

As discussed earlier, the Ordinance does not provide a clear description of the overall approval process, making it difficult to determine who is ultimately responsible for approving an application for Program funds. Nevertheless, it is clear that a necessary step for such approval is prior review by the Committee.

Although the Committee must review an application prior to further action being taken on it, the Ordinance does not necessarily require the Committee’s approval. To start, Section 2(F)(1)(g) states that the Program Administrator “shall review the recommendations of the Citizens Advisory Review Committee, and either accept and follow its recommendations, or submit the recommendations to the City Council for further action.” Even if the Committee either disapproves or chooses to take no action on an application, therefore, the Program Administrator is empowered to ignore that recommendation and pursue further action with regard to it.

Similarly, as pointed out already, Section 2(H)(3) says that disapproval of an application by the Committee is “subject to review and possible approval by the City Council.” As a result, the potential always exists for the City Council to approve an application for Program funds despite prior Committee disapproval.

Whether an applicant’s failure to obtain Committee approval violates the provisions of the Ordinance depends upon the facts of the case. For instance, were the City Council to approve an applicant whom the Committee had previously either disapproved or chosen not to adjudge, such action would fall well within the City Council action permitted by Section 2(H)(3). It would be a violation of the Ordinance, on the other hand, for the City Council to approve an application prior to Committee review.

Issue #8

The City Council has transacted business with less than a quorum of its members.

With an estimated population of 1,122 residents,⁴⁹ the City of Grant qualifies as a city of the second class.⁵⁰ Neb. Rev. Stat. § 17-103 requires that the “city council of a city of the

⁴⁹ Population based on 2006 estimate. Data available at <http://www.city-data.com/city/Grant-Nebraska.html> [last visited February 22, 2008].

second class shall consist of not less than four nor more than twelve residents of the city who are registered voters.” The City Council of the City of Grant is comprised of four members.

Neb. Rev. Stat. § 17-105 requires a quorum, comprised of a majority of its elected members, in order for a city council of a city of the second class to transact business. That statute says, in relevant part:

“A majority of all the members elected to the council shall constitute a quorum for the transaction of any business, but a fewer number may adjourn from time to time and compel the attendance of absent members. Unless a greater vote is required by law, an affirmative vote of at least one-half of the elected members shall be required for the transaction of any business.”

During the course of its investigation, the APA learned that, between mid-March and early May of 2007, the City Council lacked a quorum due to a series of member resignations. Nevertheless, the remaining two council members continued to transact official business – particularly, authorizing the paying of bills and claims – in collaboration with the Mayor, the City Superintendent, and the City Treasurer.

Legal Memo

In deciding to transact business without a properly constituted quorum, the two remaining members of the City Council, the Mayor, the City Superintendent, and the City Treasurer relied upon the advice of a March 22, 2007, legal memo written by Mr. Philip E. Pierce, the Grant City Attorney.

Mr. Pierce’s memo contains a thorough and accurate analysis of the statutory requirement that a quorum of the members of the City Council be present in order to transact business. In addition, it recommends that either the Mayor or the City Superintendent request the assistance of the Nebraska Secretary of State in conducting a special election to fill the vacant City Council positions.

The memo concludes with the suggestion that, until the City Council vacancies are filled, the remaining two members work with the Mayor, the City Superintendent, and the City Treasurer to pay pending bills and claims. In an effort to circumvent a strict interpretation of the language of Neb. Rev. Stat. § 17-105, Mr. Pierce advises city officials to adhere to the following seven-step procedure:

1. Each bill and claim that the Treasurer, City Superintendent or Mayor feels necessary to be paid without waiting until a full Council be seated be submitted for review by each of the remaining two Council Members.

⁵⁰ Neb. Rev. Stat. § 17-101 defines cities of the second class as all “cities, towns, and villages containing more than eight hundred and not more than five thousand inhabitants.”

2. All claims which are approved by both Council members in writing, are submitted to the Mayor.
3. The Mayor then either approves or disproves [sic] the bills and claims submitted to him that have been approved by both Council Members.
4. All bills and claims which are approved by both Council Members and the Mayor are then submitted to the Treasurer for immediate payment.
5. The Treasurer should then keep record of all bills submitted to the remaining Council Members and Mayor, specifically noting which were approved, disproved [sic], and paid.
6. The Treasurer should then submit the paid bills for ratification by a Council when a meeting is able to be conducted.
7. The City and State Auditor should be notified of this recommended procedure as soon as possible for any concerns they may have (indicating in the notification that if there is no response within 5 days the City will act upon the recommendation of the City Attorney.⁵¹

Mr. Pierce concludes his memo with the following observation:

*“Unfortunately, I am unable to give you an opinion of a statutorily authorized method to pay these bills, but I am of the opinion that any challenge to the above described method would be futile. The City has taken reasonable steps to protect the City’s funds from legal claims and suits for not paying claims and bills as well as taking reasonable steps to pay only legitimate claims. It is my opinion that a court reviewing this matter would recognize the City and its officials had acted reasonably in the City and tax payer’s [sic] best interest. Furthermore, I also do not find any law preventing this method of payment in these unusual circumstances.”*⁵²

Quorum Requirements

Being comprised of four members, the City Council needs three of those individuals to be present in order to comply with the “majority of all the elected members”⁵³ requirement for transacting business found in Neb. Rev. Stat. § 17-105.

Plain Meaning Rule

The Nebraska Supreme Court has established specific guidelines for interpreting statutory law. Among the most frequently quoted of these is the “plain meaning rule.” Applying this rule, the Court has written, “A statute is not to be read as if open to construction as a

⁵¹ Grant City Attorney Legal Memo (March 22, 2007), pg. 4.

⁵² Id.

⁵³ *Black’s Law Dictionary* (8th edition, 2004) defines a “majority” as: “A number that is more than half of a total.”

matter of course.”⁵⁴ Similarly, “Where words of a statute are plain and unambiguous, no interpretation is needed to ascertain their meaning, and in the absence of anything to indicate the contrary, words will be given their ordinary meaning.”⁵⁵ Moreover, the Court has stated that “[i]t is not within the province of a court to read a meaning into a statute that is not warranted by the legislative language. Neither is it within the province of a court to read anything plain, direct, and unambiguous out of a statute.”⁵⁶ The Court has added, “In the construction of a statute which is clear and unambiguous, courts cannot supply missing language, and it is not within the court's power to read into a statute meaning which the clear language does not warrant.”⁵⁷ Accordingly, “Appellate courts give statutory language its plain and ordinary meaning and will not resort to interpretation to ascertain the meaning of statutory words which are plain, direct, and unambiguous.”⁵⁸ Finally, the Court has concluded, “If the language of a statute is clear, the words of such statute are the end of any judicial inquiry regarding its meaning.”⁵⁹

The meaning of “[a] majority of all the members elected to the council shall constitute a quorum for the transaction of any business,” as set out in Neb. Rev. Stat. § 17-105, is clear and unambiguous. Moreover, in his memo, Mr. Pierce concedes his inability to find any statutory exceptions or other legal precedent allowing for noncompliance with this particular law.⁶⁰

Legislative History

An examination of the legislative history behind LB 93 (1995), the bill responsible for the statutory language at issue, indicates intent not to provide any exception to the quorum requirement. During Select File debate, the legislation’s sponsor, Senator Curt Bromm of Wahoo, Nebraska (District 23), was asked whether a city council could take substantive action with less than a quorum. Senator Bromm responded:

“I think not. You know I think all that the council could do under anything that would be substantive like that would be to pass a motion to ask the clerk or the legal counsel to prepare an ordinance for consideration by the board. They could do that by motion, but to do the thing that would substantive and significant would require a majority of the elected members, as the practice has been. I mean a resolution or an ordinance requires four out of the six, or four out of the seven, or five out of the eight. So, we are not . . . we are not changing that and I wouldn’t . . . I wouldn’t want to change that without having a lot of discussion and a public hearing on it because this is very much been the practice

⁵⁴ *County of Douglas v. Board of Regents*, 210 Neb. 573, 577, 316 N.W.2d 62, 65 (1982).

⁵⁵ *Hill v. City of Lincoln*, 213 Neb. 517, 521, 330 N.W.2d 471, 474 (1983).

⁵⁶ *Gaughen v. Sloup*, 197 Neb. 762, 765, 250 N.W.2d 915, 917 (1977).

⁵⁷ *Kellogg Co. v. Herrington*, 216 Neb. 138, 144, 343 N.W.2d 326, 330 (1984).

⁵⁸ *Rohde v. City of Ogallala*, 273 Neb. 689, 692, 731 N.W.2d 898, 900 (2007).

⁵⁹ *Mogensen v. Board of Supervisors*, 268 Neb. 26, 30, 679 N.W.2d 413, 417 (2004).

⁶⁰ Mr. Pierce writes: “Although I do not find any specific statutory or case law authority for this situation, I advise the Mayor, Council, City Superintendent and City Treasurer of a recommended procedure for bills and claims to be paid.” Grant City Attorney Legal Memo (March 22, 2007), pgs. 3-4.

*established throughout the state for cities, for second class cities and villages. So we want to keep that, I want to keep that the same at this point.”*⁶¹

As the content of his answer makes clear, the hypothetical question posed to Senator Bromm involved the ability of a city council lacking a quorum to amend a city ordinance.⁶² While the response offered was directed toward that specific inquiry, its underlying premise – namely, that any “substantive and significant” action by a city council “would require a majority of the elected members” – is equally applicable to the transaction of any other type of business, including the payment of bills and claims.

Common Law

The statutory provision requiring a quorum of the City Council in order to transact business is supported by a long tradition of common law. As the Nebraska Attorney General has opined, “The general rule is that, in the absence of a contrary statutory provision, a majority of a quorum which constitutes a simple majority of a collective body may act for that body.”⁶³

According to 59 Am. Jur. 2d, Parliamentary Law, § 9 at pp. 369-370 (2002) (references omitted):

“At common law, a majority of a body constitutes a quorum. This rule can be changed only by general law or charter, not by internal rule, even when the body in question is given general rule making powers . . . If a quorum is not present, any resolution or vote by those in attendance is without effect.”

Similarly, it is noted in 56 Am. Jur. 2d, Municipal Corporations, Etc., § 146 at p. 215 (2000) (references omitted):

“A majority of the duly elected members of a municipal council constitutes a quorum and a council has no implied power to adopt a rule that a greater or less number shall suffice . . . Acts done when less than a legal quorum is present are void.”

A virtually identical rule is set out in 62 C.J.S., Municipal Corporations, § 231 at pp. 361-363 (1999) (references omitted):

“A quorum is that number of the members of the body which, when assembled, is entitled to transact business, or in other words, that number which makes the lawful body and gives it power to act . . . but any number less than a quorum cannot take any valid municipal action or transact any municipal business, other than to adjourn or compel the

⁶¹ Senator Curt Bromm quoted in the Legislative History of LB 93 (February 28, 1995), pg. 2008.

⁶² Senator David Bernard-Stevens of North Platte, Nebraska (District 42), asked: “So my question to you is, are we allowing for the same thing that we decided not to do in the Legislature, that is a motion could be agreed upon by less than a majority of elected members to be part of a bill that would, an ordinance change, that eventually would have to take a majority of those elected.” Senator Bernard-Stevens quoted in the Legislative History of LB 93 (February 28, 1995), pgs. 2007-2008.

⁶³ Op. Att’y Gen. No. 05007 (April 12, 2005), pg. 2.

attendance of absent members; and acts done when less than a legal quorum is present are void.”

Quorum when Members Absent

Jurisdictions differ regarding what constitutes a quorum when one or more members of a governing body have been removed due to resignation, recall, or other circumstances. Some hold that a quorum is calculated based only upon the remaining members. This view is reflected in 62 C.J.S., Municipal Corporations, § 231 at p. 363 (1999) (references omitted):

“Thus, in reckoning a quorum, the rule ordinarily is not to count as members those who are not at the date of the meeting legal members of the body; and, hence, those are omitted from the count of members who, by reason of resignation, recall, or removal from their respective wards, are out of office, and also those whose terms of office have expired.”

The majority of jurisdictions appear to take the opposite view, ruling that a quorum will be calculated based upon the governing body’s original membership. Detailed precedent for this approach is set out in 43 A.L.R.2d 698, § 5. Vacancy on Council, at p. 706 (1955):

“Even though the council is at less than its full strength because of the death or ineligibility of one or more members, the majority required has been held to be based on the original full membership.”

While not entirely on point, *City of North Platte v. North Platte Waterworks Co.*, 56 Neb 403, 76 N.W. 906 (1989) may offer some indication of how the Nebraska Supreme Court would approach the issue. In that case, the Court observed regarding the city council of North Platte:

*“It would follow that provisions ascertaining the mode in which the body should divide, in order to complete action in any given case, whether by a mere majority or by a still greater proportion, must be interpreted primarily as applicable to the body as legally organized at the time such action is taken.”*⁶⁴

“Elected” Members

Despite the conflicting views of various courts, the City of Grant’s status as a city of the second class pursuant to Neb. Rev. Stat. §17-310 provides important statutory guidance. As mentioned already, Neb. Rev. Stat. § 17-105 defines a quorum of a city council for such a governing body to be a “majority of all the members elected to the council[.]”

⁶⁴ *City of North Platte v. North Platte Waterworks Co.*, 56 Neb 403, 76 N.W. 906, 910 (1989).

That being the case, any quorum of the City of Grant's council would have to be based upon a count of all its "elected" members.⁶⁵

This view is supported in 62 C.J.S., Municipal Corporations, § 231 at p. 363 (2002) (references omitted):

"Although there is some authority to the contrary, particularly where a charter or statute defines a quorum as a majority of the whole number of council members, as a general rule, if there is a vacancy in the council or governing body, a majority of the remaining members will suffice for a quorum, especially where a statute or charter defines a quorum as a majority of the council, or similar phrase, as distinguished from a majority of the entire board 'elected,' or similar terms."

According to Mr. Gary Krumland, legal counsel for the League of Nebraska Municipalities, the approach generally adopted by Nebraska's governing bodies has been to interpret Neb. Rev. Stat. § 17-105 strictly, leading to the conclusion that a quorum of a city council for a city of the second class must be based upon all elected members, regardless of eligibility.⁶⁶ As a result, no business may be transacted in the absence of such a quorum.

Transaction of Business without a Quorum

Mr. Pierce's memo makes clear that the city official felt compelled by pressing bills and other financial obligations to continue conducting official city business without a quorum of the City Council. By doing so, however, they acted contrary to the letter of Neb. Rev. Stat. § 17-105, not to mention both the legislative intent behind that section of statute and the established tradition of common law.

Nevertheless, it is important to note that prohibiting the transaction of business in the absence of a quorum of the City Council would not necessarily cause the cessation of all governmental functions. The inability to obtain a quorum should have prevented the city officials from transacting new business; however, any sort of city business or transactions that regularly take place without formal authorization by the City Council, or that had been approved already by a properly constituted quorum, might well be permitted to continue unabated. An example of this could be the issuance of employee pay checks and payment of other contracted expenses.⁶⁷

Mr. Pierce addresses this distinction in his legal memo, pointing out:

⁶⁵ Mr. Pierce's memo addresses this important point: "Thus in my opinion the intent of the Nebraska law and ordinances is that for the City of Grant it takes three elected or appointed Council Members to have a quorum and conduct a meeting." Grant City Attorney Legal Memo (March 22, 2007), pg. 2.

⁶⁶ Conversation with Mr. Gary Krumland on January 15, 2008.

⁶⁷ Id. (See also "Fairbury Council Looks to Fill Vacancies." Lincoln Journal Star, December 4, 2007. Available at <http://www.journalstar.com/articles/2007/12/04/news/local/doc4754948c6dbd7163923198.txt> [last visited January 15, 2007].)

*“The City of Grant has a wage ordinance which allows the payment of salaries (but not overtime) pursuant to the specific wages stated in the ordinance. The Council does not normally act on those specific wage bills and they are paid administratively. The amount of these payments is generally passed on to the Council. The Council normally acts on the remainder of the bills and claims at a regular meeting – approving or disproving [sic] them.”*⁶⁸

Commenting on the types of bills normally approved or rejected by the City Council, Mr. Pierce continues:

*“The [City] Superintendent also stated that the State Auditor’s office suggested that the bills were pre-approved by being in the budget.”*⁶⁹ *I disagree with this direction, if for no other reason than this has not been the way the City has concluded business in the past – it approves the bills and claims that are not pre-approved by ordinance and has not simply submitted them for inclusion in the minutes.”*⁷⁰

Whether the remaining two members of the City Council could collaborate with the Mayor, the City Superintendent, and the City Treasurer to pay outstanding bills and claims appears to depend upon the nature of the debt to be satisfied. If, as Mr. Pierce made clear, such bill or claim had been pre-approved by ordinance or otherwise, it would likely have been proper to pay it without a quorum. However, any other type of bill or claims would appear to constitute new business, requiring a quorum to approve it.

⁶⁸ Grant City Attorney Legal Memo (March 22, 2007), pg. 3.

⁶⁹ In March 23, 2007, letter to Mr. Joseph Morris, the Grant City Superintendent, Auditor Mike Foley expressly rejected the argument that a city budget constitutes in and of itself, pre-approval of bills and claims. That letter stated: “The City Attorney’s memo specifically identifies a comment from the State Auditor’s office in section 3, which we would like to address. The Sate Auditor’s office does not consider the adoption of the budget to be a form of pre-approval for billings. We are in agreement that all disbursements of the City must be approved by the City Council as they occur.”

⁷⁰ Id.

**City of Grant, Nebraska
Economic Development Loans and Grants**

Exhibit F

Borrower Loans	Owner	Maximum Principal Sum	Approved by Committee	First Withdrawal	First Repayment	Interest Rate	Frequency of Payments	Collateral
El Shaddai LLC, dba Jenny's	Jonathan and Kathryn Peterson	\$ 39,583.40	6/18/2003	6/25/2003	10/25/2005	1%	Monthly	Personal Guarantees
Arnold Mastre and Debra Mastre, dba Mastre Homes	Arnold and Debra Mastre	\$ 25,000.00		unknown	12/15/2003	2%	Monthly	Unsecured
Stumpy's LLC, Forrest Hendrickson and Cynthia Hendrickson	Hendrickson's	\$ 35,000.00		unknown	4/15/2004	1%	Monthly	Equipment, Inventory, Products & Accounts, of Stumpy's LLC as stated in a separate security agreement and financing statement filed with the Secretary of State
Pankonin's Heaven Scent Bakery, LLC	Brian Pankonin	\$ 10,000.00	4/29/04 (\$8300)	unknown	1/1/2005	0%	Monthly	Equipment, Inventory, Products & Accounts of Pankonin's Heaven Scent Bakery, LLC as stated in a separate security agreement and financing statement filed with the Secretary of State
Country Supply	Stephen and Charlene Faber	\$ 30,000.00	2/3/2005	2/8/2005	8/8/2005	1%	Monthly	Personal Guarantees
Dynamic Sales and Service	Denton Mastre	\$ 20,000.00	11/1/2004	1/3/2005	10/3/2005	2%	Monthly	Personal Guarantee
Video World (1)	Ronald Krause	\$ 15,000.00	3/18/2005	3/23/2005	10/4/2005	2%	Monthly	Personal Guarantee
Innovative Building Products LLC (IBP)	Dan McLaughlin, Dale Ritschard, Michael Erickson	\$ 50,000.00	10/4/06 (\$30,000)	unknown	6/15/2006	0%	Monthly	NE 1.4 Section 14, Township 10 North, Range 39 West
Uehling's Total Turf, Adam Uehling Owner (2)	Adam Uehling	\$ 25,000.00		1/2/2006	6/23/2006	2%	Quarterly	Personal Guarantee
Architectural Design, Inc.	Darin F. Tjaden	\$ 15,000.00	3/1/2006	3/17/2006	9/17/2006	1%	Monthly	Personal Guarantee
Ken's Electric, Michael Wendell, owner	Michael Wendell	\$ 25,000.00	12/8/2005	3/24/2006	9/24/2006	2%	Monthly	Personal Guarantee
Benchwarmer's	Eric Anthony McCormick	\$ 35,000.00		11/28/2006	6/28/2007	1%	Monthly	Personal Guarantees
Plainsman Inn	Warran Christopherson	\$ 22,000.00	8/30/2006	1/5/2007	7/5/2007	2%	Monthly	Personal Guarantee
AHE Land, LLC dba Sunrise Biodiesel In & Out	Kurt Arnusch, Ronald Hill, James Eddington Amy Kroeker	\$ 50,000.00 \$ 35,000.00	2/28/2007 4/11/2007	2/28/2007 4/25/2007	8/28/2007 10/25/2007	0% 1%	Monthly Monthly	Personal Guarantees Personal Guarantee and Lien on Property
Grants								
Business Performance Group		\$ 16,750.00	8/29/2003					
Image Total Fitness		\$ 35,000.00	11/14/2003					
Pankonin's Heaven Scent Bakery, LLC		\$ 8,300.00	4/29/2004					
Perkins County Health Services		\$ 50,000.00	10/26/2004					
Country Supply		\$ 10,000.00	2/3/2005					
Michael Wendell (Ken's Electric)		\$ 10,000.00	12/8/2005					
Darin F. Tjaden		\$ 10,000.00	3/1/2006					
Warren and Cindy Christopherson		\$ 10,000.00	8/30/2006					
Ann Burge SWND		\$ 5,000.00	6/28/2007					

NOTES:

This represents loans and grants based on the meeting minutes we were provided.

No Meeting Minutes were provided for September 29, 2003; October 31, 2003; December 12, 2003; January 16, 2004; May 2004; March 2, 2005; April 15, 2005; October 24, 2006

No meeting minutes were provided for the following periods: From March 18, 2005 to December 7, 2005; from December 9, 2005 to February 28, 2006; from March 2, 2006 to August 30, 2006; from October 4, 2006 to January 26, 2007; and from July 25, 2007 through December 31, 2007.

(1) Video World received their first payment from the City in October 2005 per the accounting records.

(2) Adam Uehling also received a \$10,000 grant in October 2005; however we did not receive meeting minutes to verify this grant was approved by the Committee.

**City of Grant, Nebraska
Economic Development Activity
October 2006 thru December 2007**

Exhibit G

Date	Receipt	Payment	Cash Balance	Description	Type
10/01/06			\$ 43,726.67	Beginning Balance	
10/03/06	\$ 350.56		\$ 44,077.23	Dynamic Sales	Loan Repayment
10/03/06	\$ 125.00		\$ 44,202.23	Pankonin's Bakery	Loan Repayment
10/05/06	\$ 10,995.81		\$ 55,198.04	Perkins Co. Treasurer	Property Tax Received
10/10/06		\$ (217.50)	\$ 54,980.54	Pierce Law Office	Administrative Expense
10/10/06		\$ (1,201.98)	\$ 53,778.56	Waste Conn. - Warren Christophersen	Plainsman Inn Grant Payment
10/13/06		\$ (264.90)	\$ 53,513.66	Joseph Morris-Gross Wages	Administrative Expense
10/15/06	\$ 319.21		\$ 53,832.87	Mastre Homes	Loan Repayment
10/16/06	\$ 131.41		\$ 53,964.28	Architectural Design	Loan Repayment
10/16/06	\$ 210.00		\$ 54,174.28	Stumpy's	Loan Repayment
10/26/06	\$ 333.34		\$ 54,507.62	IBP	Loan Repayment
10/30/06	\$ 230.03		\$ 54,737.65	Ken's Electric	Loan Repayment
10/30/06	\$ 138.02		\$ 54,875.67	Video World	Loan Repayment
10/31/06		\$ (264.90)	\$ 54,610.77	Joseph Morris-Gross Wages	Administrative Expense
11/01/06	\$ 262.81		\$ 54,873.58	Country Supply	Loan Repayment
11/01/06	\$ 125.00		\$ 54,998.58	Pankonin's Bakery	Loan Repayment
11/08/06		\$ (274.30)	\$ 54,724.28	Roger Brodbeck - Warren Christophersen	Plainsman Inn Grant Payment
11/08/06	\$ 350.56		\$ 55,074.84	Dynamic Sales	Loan Repayment
11/08/06		\$ (2,846.33)	\$ 52,228.51	Waste Conn. - Warren Christophersen	Plainsman Inn Grant Payment
11/08/06		\$ (1,047.85)	\$ 51,180.66	Muni. Supply - Warren Christophersen	Plainsman Inn Grant Payment
11/10/06	\$ 774.56		\$ 51,955.22	P.C. Treasurer	Property Tax Received
11/13/06	\$ 131.41		\$ 52,086.63	Architectural Design	Loan Repayment
11/14/06		\$ (750.00)	\$ 51,336.63	Pierce Law Office	Administrative Expense
11/14/06		\$ (889.90)	\$ 50,446.73	Dickinson Land Surveyors	Surveying Expense
11/14/06		\$ (46,511.87)	\$ 3,934.86	Roberts Law Office - ConAgra	Purchase of Land (Jack's Bean)
11/15/06	\$ 210.00		\$ 4,144.86	Stumpy's	Loan Repayment
11/15/06		\$ (264.90)	\$ 3,879.96	Joseph Morris-Gross Wages	Administrative Expense
11/21/06		\$ (912.52)	\$ 2,967.44	Warren Christophersen	Plainsman Inn Grant Payment
11/21/06		\$ (971.08)	\$ 1,996.36	Warren Christophersen	Plainsman Inn Grant Payment
11/27/06	\$ 262.81		\$ 2,259.17	Country Supply	Loan Repayment
11/28/06		\$ (35,000.00)	\$ (32,740.83)	Eric McCormick	Benchwarmer's Loan
11/28/06	\$ 319.21		\$ (32,421.62)	Mastre Homes	Loan Repayment
11/30/06		\$ (264.90)	\$ (32,686.52)	Joseph Morris-Gross Wages	Administrative Expense
11/30/06	\$ 333.34		\$ (32,353.18)	IBP	Loan Repayment
12/01/06	\$ 125.00		\$ (32,228.18)	Pankonin's Bakery	Loan Repayment
12/01/06	\$ 138.02		\$ (32,090.16)	Video World	Loan Repayment
12/06/06	\$ 230.03		\$ (31,860.13)	Ken's Electric	Loan Repayment
12/11/06	\$ 1,483.61		\$ (30,376.52)	P.C. Treasurer	Property Tax Received
12/12/06		\$ (620.00)	\$ (30,996.52)	Christophersen-RJW	Plainsman Inn Grant Payment
12/13/06		\$ (115.98)	\$ (31,112.50)	Pinnacle Bank	Advertising/Printing Expense
12/13/06		\$ (585.00)	\$ (31,697.50)	Pierce Law Office	Administrative Expense
12/13/06		\$ (536.20)	\$ (32,233.70)	Christophersen-Valley Pro	Plainsman Inn Grant Payment
12/15/06		\$ (1,591.65)	\$ (33,825.35)	Warren Christophersen	Plainsman Inn Grant Payment
12/15/06		\$ (264.90)	\$ (34,090.25)	Joseph Morris-Gross Wages	Administrative Expense
12/15/06	\$ 210.00		\$ (33,880.25)	Stumpy's	Loan Repayment
12/19/06	\$ 131.41		\$ (33,748.84)	Architectural Design	Loan Repayment
12/27/06	\$ 350.56		\$ (33,398.28)	Dynamic Sales	Loan Repayment
12/27/06	\$ 262.81		\$ (33,135.47)	Country Supply	Loan Repayment
12/29/06		\$ (264.90)	\$ (33,400.37)	Joseph Morris-Gross Wages	Administrative Expense
12/29/06	\$ 333.34		\$ (33,067.03)	IBP	Loan Repayment
12/29/06		\$ (21,998.09)	\$ (55,065.12)	Warren Christophersen	Loan given to Plainsman Inn
01/02/07	\$ 138.02		\$ (54,927.10)	Video World	Loan Repayment
01/03/07	\$ 552.91		\$ (54,374.19)	Uehling's Total Turf	Loan Repayment
01/05/07	\$ 230.03		\$ (54,144.16)	Ken's Electric	Loan Repayment
01/09/07		\$ (93.75)	\$ (54,237.91)	Pierce Law Office	Administrative Expense
01/09/07		\$ (5.89)	\$ (54,243.80)	Grant Tribune	Advertising/Printing Expense
01/10/07	\$ 13,622.58		\$ (40,621.22)	P.C. Treasurer	Property Tax Received
01/10/07	\$ 319.21		\$ (40,302.01)	Mastre Homes	Loan Repayment
01/11/07	\$ 125.00		\$ (40,177.01)	Pankonin's Bakery	Loan Repayment
01/11/07	\$ 131.41		\$ (40,045.60)	Architectural Design	Loan Repayment
01/15/07		\$ (264.90)	\$ (40,310.50)	Joseph Morris-Gross Wages	Administrative Expense
01/16/07	\$ 319.21		\$ (39,991.29)	Mastre Homes	Loan Repayment
01/17/07	\$ 210.00		\$ (39,781.29)	Stumpy's	Loan Repayment
01/23/07		\$ (188.70)	\$ (39,969.99)	Hometown Agency-Ins.	Advertising/Printing Expense
01/26/07		\$ (205.10)	\$ (40,175.09)	Joseph Morris-Gross Wages	Administrative Expense
01/29/07	\$ 230.03		\$ (39,945.06)	Ken's Electric	Loan Repayment
01/29/07	\$ 262.81		\$ (39,682.25)	Country Supply	Loan Repayment
01/31/07		\$ (325.00)	\$ (40,007.25)	Joseph Morris-Gross Wages	Administrative Expense
01/31/07	\$ 333.34		\$ (39,673.91)	IBP	Loan Repayment
02/01/07	\$ 9,100.00		\$ (30,573.91)	Turn West-grain bins	Lease/Sales

**City of Grant, Nebraska
Economic Development Activity
October 2006 thru December 2007**

Exhibit G

Date	Receipt	Payment	Cash Balance	Description	Type
02/02/07	\$ 138.02		\$ (30,435.89)	Ron Krause-Video World	Loan Repayment
02/06/07	\$ 125.00		\$ (30,310.89)	Pankonin's Bakery	Loan Repayment
02/09/07	\$ 3,438.10		\$ (26,872.79)	P.C. Treasurer	Property Tax Received
02/13/07		\$ (204.65)	\$ (27,077.44)	Grant Tribune	Advertising/Printing Expense
02/13/07		\$ (90.00)	\$ (27,167.44)	Dickinson Land Surveyors	Surveying Expense
02/13/07		\$ (401.25)	\$ (27,568.69)	Pierce Law Office	Administrative Expense
02/14/07	\$ 131.41		\$ (27,437.28)	Architectural Design	Loan Repayment
02/14/07		\$ (325.00)	\$ (27,762.28)	Joseph Morris-Gross Wages	Administrative Expense
02/16/07	\$ 210.00		\$ (27,552.28)	Stumpy's	Loan Repayment
02/20/07	\$ 350.56		\$ (27,201.72)	Dynamic Sales	Loan Repayment
02/20/07	\$ 319.21		\$ (26,882.51)	Mastre Homes	Loan Repayment
02/23/07	\$ 262.81		\$ (26,619.70)	Country Supply	Loan Repayment
02/27/07		\$ (6.00)	\$ (26,625.70)	City of Grant	Administrative Expense
02/28/07	\$ 333.34		\$ (26,292.36)	IBP	Loan Repayment
02/28/07		\$ (325.00)	\$ (26,617.36)	Joseph Morris-Gross Wages	Administrative Expense
02/28/07		\$ (4,632.66)	\$ (31,250.02)	P.C. Treasurer	Payment of Unpaid Taxes on Jack's Bean Property
02/28/07		\$ (50,000.00)	\$ (81,250.02)	AHE Land, LLC	Loan given to AHE Land, LLC
03/01/07	\$ 1.00		\$ (81,249.02)	IBP	Lease/Sales
03/01/07	\$ 125.00		\$ (81,124.02)	Pankonin's Bakery	Loan Repayment
03/05/07	\$ 1,664.60		\$ (79,459.42)	ELS	Loan Repayment (4 payments)
03/08/07	\$ 2,776.97		\$ (76,682.45)	P.C. Treasurer	Property Tax Received
03/09/07	\$ 49,109.90		\$ (27,572.55)	Pierce Trust Fund-AHE	Lease/Sales
03/12/07	\$ 230.03		\$ (27,342.52)	Ken's Electric	Loan Repayment
03/15/07		\$ (325.00)	\$ (27,667.52)	Joseph Morris-Gross Wages	Administrative Expense
03/19/07	\$ 319.21		\$ (27,348.31)	Mastre Homes	Loan Repayment
03/20/07	\$ 131.41		\$ (27,216.90)	Architectural Design - Darren Tjaden	Loan Repayment
03/20/07		\$ (360.00)	\$ (27,576.90)	Pierce Law Office	Administrative Expense
03/20/07		\$ (5.50)	\$ (27,582.40)	P.C. Clerk-filing	Administrative Expense
03/21/07	\$ 210.00		\$ (27,372.40)	Stumpy's	Loan Repayment
03/22/07	\$ 138.02		\$ (27,234.38)	Ron Krause-Video World	Loan Repayment
03/23/07	\$ 25.00		\$ (27,209.38)	Kasey Kroeker	Econ. Dev. Reimbursement
03/25/07	\$ 410.56		\$ (26,798.82)	Dynamic Sales	Loan Repayment (& Late Fees)
03/27/07	\$ 416.15		\$ (26,382.67)	ELS	Loan Repayment
03/28/07	\$ 262.81		\$ (26,119.86)	Country Supply	Loan Repayment
03/29/07	\$ 333.34		\$ (25,786.52)	IBP	Loan Repayment
03/30/07		\$ (325.00)	\$ (26,111.52)	Joseph Morris-Gross Wages	Administrative Expense
04/01/07	\$ 138.02		\$ (25,973.50)	Ron Krause-Video World	Loan Repayment
04/03/07	\$ 125.00		\$ (25,848.50)	Pankonin's Bakery	Loan Repayment
04/04/07	\$ 380.56		\$ (25,467.94)	Dynamic Sales	Loan Repayment (& Late Fee)
04/06/07	\$ 7,093.98		\$ (18,373.96)	P.C. Treasurer	Property Tax Received
04/13/07		\$ (325.00)	\$ (18,698.96)	Joseph Morris-Gross Wages	Administrative Expense
04/13/07	\$ 131.41		\$ (18,567.55)	Architectural Design	Loan Repayment
04/13/07	\$ 230.03		\$ (18,337.52)	Ken's Electric	Loan Repayment
04/24/07		\$ (35,000.00)	\$ (53,337.52)	Amy Kroeker	Loan given to In & Out
04/24/07	\$ 319.21		\$ (53,018.31)	Mastre Homes	Loan Repayment
04/24/07		\$ (20.00)	\$ (53,038.31)	UCS	Administrative Expense
04/25/07	\$ 350.56		\$ (52,687.75)	Dynamic Sales	Loan Repayment
04/25/07	\$ 262.81		\$ (52,424.94)	Country Supply	Loan Repayment
04/26/07	\$ 333.34		\$ (52,091.60)	IBP	Loan Repayment
04/26/07	\$ 416.15		\$ (51,675.45)	ELS	Loan Repayment
05/01/07	\$ 138.02		\$ (51,537.43)	Ron Krause-Video World	Loan Repayment
05/03/07	\$ 125.00		\$ (51,412.43)	Pankonin's Bakery	Loan Repayment
05/09/07	\$ 56,545.78		\$ 5,133.35	P.C. Treasurer	Property Tax Received
05/14/07	\$ 350.56		\$ 5,483.91	Dynamic Sales	Loan Repayment
05/14/07	\$ 131.41		\$ 5,615.32	Architectural Design	Loan Repayment
05/17/07	\$ 319.21		\$ 5,934.53	Mastre Homes	Loan Repayment
05/17/07	\$ 319.21		\$ 6,253.74	Mastre Homes	Loan Repayment
05/18/07	\$ 460.06		\$ 6,713.80	Ken's Electric	Loan Repayment
05/22/07	\$ 53.00		\$ 6,766.80	Hometown Agency-Refund	Econ. Dev. Reimbursment
05/23/07	\$ 262.81		\$ 7,029.61	Country Supply	Loan Repayment
05/29/07	\$ 416.15		\$ 7,445.76	ELS	Loan Repayment
05/29/07	\$ 138.02		\$ 7,583.78	Ron Krause-P.C. Youth, Video World	Loan Repayment
05/31/07	\$ 333.34		\$ 7,917.12	IBP	Loan Repayment
06/06/07	\$ 125.00		\$ 8,042.12	Pankonin's Bakery	Loan Repayment
06/10/07	\$ 131.41		\$ 8,173.53	Architectural Design	Loan Repayment
06/12/07		\$ (60.00)	\$ 8,113.53	Pierce Law Office	Administrative Expense
06/14/07	\$ 15,019.57		\$ 23,133.10	P.C. Treasurer	Property Tax Received
06/15/07		\$ (302.99)	\$ 22,830.11	Joseph Morris-Gross Wages	Administrative Expense
06/25/07	\$ 262.81		\$ 23,092.92	Country Supply	Loan Repayment

**City of Grant, Nebraska
Economic Development Activity
October 2006 thru December 2007**

Exhibit G

Date	Receipt	Payment	Cash Balance	Description	Type
06/26/07	\$ 319.21		\$ 23,412.13	Mastre Homes	Loan Repayment
06/26/07	\$ 1,412.28		\$ 24,824.41	Uehling's Total Turf	Loan Repayment (2 Quarters + Late Fee)
06/27/07	\$ 138.02		\$ 24,962.43	Ron Krause-Video World	Loan Repayment
06/27/07		\$ (5,000.00)	\$ 19,962.43	Perkins Co.-SWND	Grant given to SW Nebraska Community Betterment
06/28/07	\$ 333.34		\$ 20,295.77	IBP	Loan Repayment
06/29/07		\$ (146.76)	\$ 20,149.01	Joseph Morris-Gross Wages	Administrative Expense
07/02/07	\$ 2,000.00		\$ 22,149.01	Plainsman Inn	Loan Repayment
07/03/07	\$ 125.00		\$ 22,274.01	Pankonin's Bakery	Loan Repayment
07/06/07	\$ 3,268.81		\$ 25,542.82	P.C. Treasurer	Property Tax Received
07/10/07	\$ 350.56		\$ 25,893.38	Dynamic Sales	Loan Repayment
07/10/07		\$ (4.09)	\$ 25,889.29	Grant Tribune-Adv.	Administrative Expense
07/13/07	\$ 131.41		\$ 26,020.70	Architectural Design	Loan Repayment
07/17/07	\$ 319.21		\$ 26,339.91	Mastre Homes	Loan Repayment
07/20/07	\$ 262.81		\$ 26,602.72	Country Supply	Loan Repayment
07/23/07	\$ 460.06		\$ 27,062.78	Ken's Electric	Loan Repayment
08/01/07	\$ 333.34		\$ 27,396.12	IBP	Loan Repayment
08/01/07	\$ 613.22		\$ 28,009.34	Benchwarmers	Loan Repayment
08/03/07	\$ 2,000.00		\$ 30,009.34	Warren Christophersen - Plainsman Inn	Loan Repayment
08/07/07	\$ 138.02		\$ 30,147.36	Ron Krause-Video World	Loan Repayment
08/08/07	\$ 125.00		\$ 30,272.36	Pankonin's Bakery	Loan Repayment
08/10/07	\$ 3,522.66		\$ 33,795.02	P.C. Treasurer	Property Tax Received
08/17/07	\$ 319.21		\$ 34,114.23	Mastre Homes	Loan Repayment
08/17/07	\$ 131.41		\$ 34,245.64	Architectural Design	Loan Repayment
08/27/07	\$ 350.56		\$ 34,596.20	Dynamic Sales	Loan Repayment
09/01/07	\$ 262.81		\$ 34,859.01	Country Supply	Loan Repayment
09/01/07	\$ 230.03		\$ 35,089.04	Ken's Electric	Loan Repayment
09/01/07	\$ 333.34		\$ 35,422.38	IBP	Loan Repayment
09/04/07	\$ 125.00		\$ 35,547.38	Pankonin's Bakery	Loan Repayment
09/05/07	\$ 1,000.00		\$ 36,547.38	Plainsman Inn	Loan Repayment
09/06/07	\$ 138.02		\$ 36,685.40	PC. Youth Center-Krause - Video World	Loan Repayment
09/07/07	\$ 9,457.57		\$ 46,142.97	P.C. Treasurer	Property Tax Received
09/10/07	\$ 30,000.00		\$ 76,142.97	P.C. Health Services	Econ. Dev. Reimbursment
09/11/07		\$ (255.00)	\$ 75,887.97	Pierce Law Office	Administrative Expense
09/17/07	\$ 131.41		\$ 76,019.38	Architectural Design	Loan Repayment
09/18/07	\$ 319.21		\$ 76,338.59	Mastre Homes	Loan Repayment
09/24/07	\$ 336.61		\$ 76,675.20	Benchwarmers	Loan Repayment (& Late Fee)
09/24/07	\$ 1,600.00		\$ 78,275.20	AHE Land	Loan Repayment
09/25/07		\$ (14.40)	\$ 78,260.80	Visa/ Pinnacle-postage	Administrative Expense
09/25/07	\$ 262.81		\$ 78,523.61	Country Supply	Loan Repayment
09/25/07		\$ (9.60)	\$ 78,514.01	City of Grant	Advertising/Printing Expense
10/01/07	\$ 1,000.00		\$ 79,514.01	Plainsman Inn	Loan Repayment
10/02/07	\$ 333.34		\$ 79,847.35	IBP	Loan Repayment
10/02/07	\$ 125.00		\$ 79,972.35	Pankonin's Bakery	Loan Repayment
10/04/07	\$ 336.61		\$ 80,308.96	Benchwarmers	Loan Repayment (& Late Fee)
10/04/07	\$ 9,680.16		\$ 89,989.12	P.C. Treasurer	Property Tax Received
10/10/07		\$ (8.35)	\$ 89,980.77	Grant Tribune	Advertising/Printing Expense
10/10/07		\$ (79.17)	\$ 89,901.60	Pierce Law Office	Administrative Expense
10/15/07	\$ 138.02		\$ 90,039.62	P.C. Youth Center - Video World	Loan Repayment
10/16/07	\$ 899.99		\$ 90,939.61	AHE Land	Loan Repayment
10/16/07	\$ 319.21		\$ 91,258.82	Mastre Homes	Loan Repayment
10/22/07	\$ 306.61		\$ 91,565.43	In & Out	Loan Repayment
11/01/07	\$ 490.06		\$ 92,055.49	Ken's Electric	Loan Repayment (& Late Fee)
11/01/07	\$ 1,000.00		\$ 93,055.49	Plainsman Inn	Loan Repayment
11/01/07	\$ 333.34		\$ 93,388.83	IBP	Loan Repayment
11/02/07	\$ 262.81		\$ 93,651.64	Country Supply	Loan Repayment
11/02/07	\$ 125.00		\$ 93,776.64	Pankonin's Bakery	Loan Repayment
11/06/07	\$ 161.41		\$ 93,938.05	Architectural Design	Loan Repayment (& Late Fee)
11/06/07	\$ 2,054.27		\$ 95,992.32	P.C. Treasurer	Property Tax Received
11/08/07	\$ 336.61		\$ 96,328.93	Benchwarmers	Loan Repayment (& Late Fee)
11/09/07	\$ 138.02		\$ 96,466.95	P.C. Youth Center - Video World	Loan Repayment
11/14/07	\$ 131.41		\$ 96,598.36	Architectural Design	Loan Repayment
11/15/07		\$ (154.17)	\$ 96,444.19	Phil Pierce-Gross Wages	Administrative Expense
11/15/07	\$ 306.61		\$ 96,750.80	In & Out	Loan Repayment
11/19/07	\$ 833.33		\$ 97,584.13	AHE	Loan Repayment
11/19/07	\$ 319.21		\$ 97,903.34	Mastre Homes	Loan Repayment
11/19/07	\$ 701.12		\$ 98,604.46	Dynamic Sales	Loan Repayment (2 Months)
11/26/07	\$ 262.81		\$ 98,867.27	Country Supply	Loan Repayment
11/28/07	\$ 306.61		\$ 99,173.88	Benchwarmers	Loan Repayment

City of Grant, Nebraska
Economic Development Activity
October 2006 thru December 2007

Exhibit G

Date	Receipt	Payment	Cash Balance	Description	Type
11/29/07	\$ 230.03		\$ 99,403.91	Ken's Electric	Loan Repayment
11/30/07	\$ 333.34		\$ 99,737.25	IBP	Loan Repayment
12/03/07	\$ 1,000.00		\$ 100,737.25	Plainsman Inn	Loan Repayment
12/04/07	\$ 125.00		\$ 100,862.25	Pankonin's Bakery	Loan Repayment
12/11/07	\$ 833.33		\$ 101,695.58	AHE Land	Loan Repayment
12/13/07	\$ 604.12		\$ 102,299.70	P.C. Treasurer	Property Tax Received
12/14/07	\$ 131.41		\$ 102,431.11	Architectural Design	Loan Repayment
12/15/07		\$ (410.00)	\$ 102,021.11	Phil Pierce-Gross Wages	Administrative Expense
12/17/07	\$ 319.21		\$ 102,340.32	Mastre Homes	Loan Repayment
12/21/07	\$ 306.61		\$ 102,646.93	In & Out	Loan Repayment
12/27/07	\$ 333.34		\$ 102,980.27	IBP	Loan Repayment
12/28/07	\$ 306.61		\$ 103,286.88	Benchwarmers	Loan Repayment
12/28/07	\$ 262.81		\$ 103,549.69	Country Supply	Loan Repayment
12/28/07	\$ 276.04		\$ 103,825.73	P.C. Youth Center - Video World	Loan Repayment (2 Months)

**City of Grant, Nebraska
Economic Development Loan Late Payments
Calendar Year 2007**

Exhibit H

Business	Terms	Due Date	Date Paid	Fee
Country Supply	8th of each month on due date	No late payments		N/A
IBP	15th of each month on due date	No late payments		N/A
In & Out	25th of each month within 15 days	No late payments		N/A
Plainsman Inn	5th of each month on due date	No late payments		N/A
AHE Land/Sun BioDiesel	28th of each month on due date	8/28/2007	9/24/2007	None
Architectural Design	17th of each month within 10 days	10/17/2007	11/6/2007	\$ 30.00
Mastre Homes	15th of each month on due date	1/15/2007	1/16/2007	None
Mastre Homes	15th of each month on due date	2/15/2007	2/20/2007	None
Mastre Homes	15th of each month on due date	3/15/2007	3/19/2007	None
Mastre Homes	15th of each month on due date	4/15/2007	4/24/2007	None
Mastre Homes	15th of each month on due date	5/15/2007	5/17/2007	None
Benchwarmer's	28th of each month on due date	6/28/2007	8/1/2007	None
Benchwarmer's	28th of each month on due date	7/28/2007	8/1/2007	None
Benchwarmer's	28th of each month on due date	8/28/2007	9/24/2007	\$ 30.00
Benchwarmer's	28th of each month on due date	9/28/2007	10/4/2007	\$ 30.00
Benchwarmer's	28th of each month on due date	10/28/2007	11/8/2007	\$ 30.00
Dynamic Sales & Service	3rd of each month on due date	1/3/2007	2/20/2007	\$ 30.00
Dynamic Sales & Service	3rd of each month on due date	2/3/2007	3/25/2007	\$ 30.00
Dynamic Sales & Service	3rd of each month on due date	3/3/2007	4/4/2007	\$ 30.00
Dynamic Sales & Service	3rd of each month on due date	4/3/2007	4/25/2007	None
Dynamic Sales & Service	3rd of each month on due date	5/3/2007	5/14/2007	None
Dynamic Sales & Service	3rd of each month on due date	6/3/2007	7/10/2007	None
Dynamic Sales & Service	3rd of each month on due date	7/3/2007	8/27/2007	None
Dynamic Sales & Service	3rd of each month on due date	8/3/2007	11/19/2007	None
Dynamic Sales & Service	3rd of each month on due date	9/3/2007	11/19/2007	None
Dynamic Sales & Service	3rd of each month on due date	10/3/2007	1/2/2008	\$ 30.00
Dynamic Sales & Service	3rd of each month on due date	11/3/2007	1/2/2008	\$ 30.00
Dynamic Sales & Service	3rd of each month on due date	12/3/2007	Not paid as of 1/31/08	
Ken's Electric	24th of each month within 15 days	2/24/2007	3/12/2007	None
Ken's Electric	24th of each month within 15 days	3/24/2007	4/13/2007	None
Ken's Electric	24th of each month within 15 days	4/24/2007	5/18/2007	None
Ken's Electric	24th of each month within 15 days	6/24/2007	7/23/2007	None
Ken's Electric	24th of each month within 15 days	9/24/2007	11/1/2007	\$ 30.00
Video World	4th of each month within 15 days	3/4/2007	3/22/2007	None
Video World	4th of each month within 15 days	12/4/2007	12/28/2007	None
Pankonin's Bakery	1st of each month on due date	1/1/2007	1/11/2007	None
Pankonin's Bakery	1st of each month on due date	2/1/2007	2/6/2007	None
Pankonin's Bakery	1st of each month on due date	4/1/2007	4/3/2007	None
Pankonin's Bakery	1st of each month on due date	5/1/2007	5/3/2007	None
Pankonin's Bakery	1st of each month on due date	6/1/2007	6/6/2007	None
Pankonin's Bakery	1st of each month on due date	7/1/2007	7/3/2007	None
Pankonin's Bakery	1st of each month on due date	8/1/2007	8/8/2007	None
Pankonin's Bakery	1st of each month on due date	9/1/2007	9/4/2007	None
Pankonin's Bakery	1st of each month on due date	10/1/2007	10/2/2007	None
Pankonin's Bakery	1st of each month on due date	11/1/2007	11/2/2007	None
Pankonin's Bakery	1st of each month on due date	12/1/2007	12/4/2007	None
Stumpy's LLC	15th of each month on due date	6/15/2007	Not Paid	TBD
Stumpy's LLC	15th of each month on due date	7/15/2007	Not Paid	TBD
Stumpy's LLC	15th of each month on due date	8/15/2007	Not Paid	TBD
Stumpy's LLC	15th of each month on due date	9/15/2007	Not Paid	TBD
Stumpy's LLC	15th of each month on due date	10/15/2007	Not Paid	TBD
Stumpy's LLC	15th of each month on due date	11/15/2007	Not Paid	TBD
Stumpy's LLC	15th of each month on due date	12/15/2007	Not Paid	TBD
Uehling's Total Turf	23rd of each quarter within 15 days	3/23/2007	6/26/2007	\$ 30.00
Uehling's Total Turf	23rd of each quarter within 15 days	9/23/2007	1/18/2008	\$ 30.00
Uehling's Total Turf	23rd of each quarter within 15 days	12/23/2007	1/18/2008	\$ 30.00
El Shaddai (Jenny's)	25th of each month on due date	No late payments *		

* Loan was given June 25, 2003. First repayment was not due until October 25, 2005 per the promissory note. A number of payments were received beginning in 2003. Promissory note was not signed until May 25, 2005. The borrower has not made a payment since May 2007, but according to the dates on the promissory note they have been prepaying.

Note: All paid dates are based on the accounting records.

City of Grant, Nebraska
Payments to or on Behalf of Joe Morris
September 14, 2005 through April 24, 2007

Exhibit I

Payment Type	Paid By City, APEA, or Both	City of Grant Check #	Payment Date	Travel Date	Traveled to:	Miles	Mileage	Meals	Lodging	Other	Total Payment	APEA Reimbursement	Receipt Attached	Explanation
Expense Reimbursement	Both	2568	9/27/2005	9/14/2005	Lincoln, NE	642	\$311.37			\$4.75	\$316.12	\$310.40	Yes	Reimbursed \$310.40 from APEA for Mileage
Expense Reimbursement	Both	2586	12/13/2005	12/13/2005	Lincoln, NE	650	\$315.25				\$315.25	\$310.40		Reimbursed \$310.40 from APEA for Mileage
Expense Reimbursement	Both	13442	2/14/2006	2/8/2006	Lincoln, NE	659	\$293.26				\$293.26	\$284.80		Reimbursed \$284.80 from APEA for Mileage
City Credit Card	Both		3/15/2006	3/15/2006	Lincoln, NE			\$29.26			\$29.26	\$29.26		Reimbursed by APEA on 3/30/06
City Credit Card	Both		3/16/2006	3/16/2006	Lincoln, NE			\$12.70			\$12.70	\$12.70		Reimbursed by APEA on 3/30/06
City Credit Card	Both		3/17/2006	3/17/2006	Lincoln, NE				\$111.68		\$111.68	\$111.68		Reimbursed by APEA on 3/30/06
Expense Reimbursement	Both	2605	3/28/2006	3/15/2006	Lincoln, NE	664	\$295.48				\$295.48	\$284.80		Reimbursed \$284.80 from APEA for Mileage
City Credit Card	Both		9/21/2006	9/21/2006	Lincoln, NE				\$173.28		\$173.28	\$173.28		Reimbursed by APEA on 9/25/06
Expense Reimbursement	Both	2650	9/26/2006	9/19/2006	Lincoln, NE	650	\$289.25			\$3.00	\$292.25	\$284.80	No	Reimbursed \$284.80 from APEA for Mileage
City Credit Card	Both		12/18/2006	12/18/2006	Kearney, NE			\$10.57			\$10.57	\$10.57		Reimbursed by APEA on 12/26/06
City Credit Card	Both		12/18/2006	12/18/2006	Lincoln, NE			\$150.75			\$150.75	\$150.75		Reimbursed by APEA on 12/26/06
City Credit Card	Both		12/19/2006	12/19/2006	Lincoln, NE			\$22.79			\$22.79	\$5.45		Reimbursed by APEA on 12/26/06
City Credit Card	Both		12/20/2006	12/20/2006	Lincoln, NE				\$99.68		\$99.68	\$99.68		Reimbursed by APEA on 12/26/06
Expense Reimbursement	Both	2678	12/20/2006	12/20/2006	Lincoln, NE	672	\$299.04			\$14.00	\$313.04	\$284.80	Yes	Receipts for parking totaled \$13; Reimbursed \$284.80 from APEA for Mileage
City Credit Card	Both		1/8/2007	1/8/2007	Kearney, NE			\$9.93			\$9.93	\$8.43		Reimbursed by APEA on 1/22/07
Expense Reimbursement	Both	2685	1/10/2007	1/10/2007	Lincoln, NE	658	\$319.13			\$6.00	\$325.13	\$309.43	Yes	Reimbursed \$309.43 from APEA for mileage
City Credit Card	Both		1/10/2007	1/10/2007	Lincoln, NE				\$99.68		\$99.68	\$99.68		Reimbursed by APEA on 1/22/07
Total expense reimbursements and City credit card payments paid by the City which were also reimbursed by the American Public Energy Agency (APEA)							\$2,122.78	\$236.00	\$484.32	\$27.75	\$2,870.85	\$2,770.91		
Expense Reimbursement	City of Grant	13110	9/27/2005	9/24/2005	Denver, CO	554	\$268.69				\$268.69			Mileage appears unreasonable; 460 miles per mapquest
Expense Reimbursement	City of Grant	13163	10/11/2005	9/28/2005	Minneapolis, MN			\$3.29		\$44.50	\$47.79		Yes	
Expense Reimbursement	City of Grant	2571	10/11/2005	10/5/2005	North Platte, NE	144	\$69.84				\$69.84			Reimbursed twice for same travel
Expense Reimbursement	City of Grant	2578	11/18/2005	10/5/2005	North Platte, NE	144	\$69.84				\$69.84			Reimbursed twice for same travel
Expense Reimbursement	City of Grant	2578	11/18/2005	11/16/2005	North Platte, NE	148	\$71.78				\$71.78			
Expense Reimbursement	City of Grant	2578	11/18/2005	11/17/2005	North Platte, NE	156	\$75.66				\$75.66			
Expense Reimbursement	City of Grant	2578	11/18/2005	11/1/2005	Ogallala, NE	44	\$21.34				\$21.34			Mileage appears unreasonable; 38 miles per mapquest
Expense Reimbursement	City of Grant	13273	11/22/2005	10/25/2005	Imperial, NE	68	\$32.98				\$32.98			Mileage appears unreasonable; 55 miles per mapquest
Expense Reimbursement	City of Grant	13273	11/22/2005	11/3/2005	Imperial, NE	64	\$31.04				\$31.04			Mileage appears unreasonable; 55 miles per mapquest
Expense Reimbursement	City of Grant	13305	12/13/2005	12/8/2005	North Platte, NE	156	\$75.66				\$75.66			
Expense Reimbursement	City of Grant	13305	12/13/2005	12/9/2005						\$160.00	\$160.00		Yes	Medical Deductible Reimbursement
Expense Reimbursement	City of Grant	13387	1/24/2006	12/30/2005						\$204.00	\$204.00		Yes	Medical Deductible Reimbursement
Expense Reimbursement	City of Grant	13387	1/24/2006	1/9/2006	Dump-Nuisance?	32	\$15.52				\$15.52			Destination Unknown
Expense Reimbursement	City of Grant	13387	1/24/2006	1/10/2006	Ogallala, NE	38	\$18.43				\$18.43			
Expense Reimbursement	City of Grant	13400	2/8/2006	1/24/2006	Imperial, NE	64	\$28.48				\$28.48			Mileage appears unreasonable; 55 miles per mapquest
Expense Reimbursement	City of Grant	13400	2/8/2006	2/1/2006	Lincoln, NE	661	\$294.15			\$9.00	\$303.15		Yes	Mileage appears unreasonable; 590 miles per mapquest
Expense Reimbursement	City of Grant	13442	2/14/2006	2/5/2006	Lincoln, NE	664	\$295.48				\$295.48			Mileage was on a Sunday? Mileage appears unreasonable; 590 miles per mapquest
Expense Reimbursement	City of Grant	13442	2/14/2006			70	(\$2.80)				(\$2.80)			Overpaid mileage regarding prior rate change
Expense Reimbursement	City of Grant	2598	2/15/2006	1/25/2006	North Platte, NE	74	\$32.93				\$32.93			
Expense Reimbursement	City of Grant	2598	2/15/2006	1/26/2006	North Platte, NE	78	\$34.71				\$34.71			
City Credit Card	City of Grant		3/15/2006	3/15/2006	North Platte, NE			\$7.41			\$7.41			
City Credit Card	City of Grant		3/24/2006	3/24/2006	North Platte, NE			\$38.72			\$38.72			
City Credit Card	City of Grant		3/27/2006	3/27/2006	North Platte, NE			\$6.41			\$6.41			
City Credit Card	City of Grant		3/27/2006	3/27/2006	Sioux City, NE			\$20.58			\$20.58			
Expense Reimbursement	City of Grant	2605	3/28/2006	3/27/2006	S. Sioux City, NE	976	\$434.32				\$434.32			Mileage appears unreasonable; 886 miles per mapquest
City Credit Card	City of Grant		3/28/2006	3/28/2006	Sioux City, NE			\$11.35			\$11.35			
Expense Reimbursement	City of Grant	13541	3/29/2006	2/28/2006	Imperial, NE	68	\$30.26				\$30.26			Mileage appears unreasonable; 55 miles per mapquest
Expense Reimbursement	City of Grant	13541	3/29/2006	3/3/2006	Ogallala, NE	42	\$18.69				\$18.69			
Expense Reimbursement	City of Grant	13541	3/29/2006	3/24/2006	North Platte, NE	163	\$72.54				\$72.54			Mileage appears unreasonable; 142 miles per mapquest
City Credit Card	City of Grant		3/30/2006	3/30/2006	Sioux City, NE				\$268.77		\$268.77			
City Credit Card	City of Grant		5/29/2006	5/29/2006	Lincoln, NE			\$26.05			\$26.05			
City Credit Card	City of Grant		5/30/2006	5/30/2006	Lincoln, NE			\$19.47			\$19.47			
City Credit Card	City of Grant		5/31/2006	5/31/2006	Lincoln, NE				\$99.68		\$99.68			
City Credit Card	City of Grant		6/19/2006	6/19/2006	North Platte, NE			\$8.48			\$8.48			
City Credit Card	City of Grant		6/19/2006	6/19/2006	Omaha, NE			\$22.75			\$22.75			
City Credit Card	City of Grant		6/20/2006	6/20/2006	Kearney, NE			\$23.16			\$23.16			

City of Grant, Nebraska
Payments to or on Behalf of Joe Morris
September 14, 2005 through April 24, 2007

Exhibit I

Payment Type	Paid By City, APEA, or Both	City of Grant Check #	Payment Date	Travel Date	Traveled to:	Miles	Mileage	Meals	Lodging	Other	Total Payment	APEA Reimbursement	Receipt Attached	Explanation
City Credit Card	City of Grant		6/20/2006	6/20/2006	Omaha, NE				\$278.32		\$278.32			
City Credit Card	City of Grant		6/21/2006	6/21/2006	Kearney, NE			\$29.94	\$88.63		\$118.57			
City Credit Card	City of Grant		6/22/2006	6/22/2006	Kearney, NE			\$29.39			\$29.39			
City Credit Card	City of Grant		6/23/2006	6/23/2006	Kearney, NE				\$177.26		\$177.26			
City Credit Card	City of Grant		7/6/2006	7/6/2006	Lincoln, NE			\$6.62			\$6.62			
Expense Reimbursement	City of Grant	13794	7/12/2006	4/4/2006	North Platte, NE	148	\$65.86				\$65.86			
Expense Reimbursement	City of Grant	13794	7/12/2006	4/5/2006	North Platte, NE	150	\$66.75				\$66.75			
Expense Reimbursement	City of Grant	13794	7/12/2006	4/6/2006	North Platte, NE	144	\$64.08				\$64.08			
Expense Reimbursement	City of Grant	13794	7/12/2006	4/18/2006	North Platte, NE	162	\$72.09				\$72.09			
Expense Reimbursement	City of Grant	13794	7/12/2006	4/26/2006	Ogallala, NE	52	\$23.14				\$23.14			Mileage appears unreasonable; 142 miles per mapquest
Expense Reimbursement	City of Grant	13794	7/12/2006	5/2/2006	Ogallala, NE	48	\$21.36				\$21.36			Mileage appears unreasonable; 38 miles per mapquest
Expense Reimbursement	City of Grant	2626	7/12/2006	5/18/2006	North Platte, NE	146	\$64.97				\$64.97			Mileage appears unreasonable; 38 miles per mapquest
Expense Reimbursement	City of Grant	2626	7/12/2006	5/30/2006	Lincoln, NE	642	\$285.69				\$285.69			
Expense Reimbursement	City of Grant	13794	7/12/2006	6/7/2006	Ogallala, NE	88	\$39.16				\$39.16			Mileage appears unreasonable; 38 miles per mapquest
Expense Reimbursement	City of Grant	13794	7/12/2006	6/8/2006	Ogallala, NE	72	\$32.04				\$32.04			Mileage appears unreasonable; 38 miles per mapquest
Expense Reimbursement	City of Grant	13794	7/12/2006	6/9/2006	Ogallala, NE	62	\$27.59				\$27.59			Mileage appears unreasonable; 38 miles per mapquest
Expense Reimbursement	City of Grant	2626	7/12/2006	6/20/2006	Kearney/Omaha	808	\$359.56			\$8.00	\$367.56		Yes	Mileage appears unreasonable; 696 miles per mapquest
Expense Reimbursement	City of Grant	2626	7/12/2006	7/6/2006	Lincoln, NE	655	\$291.48				\$291.48			Mileage appears unreasonable; 590 miles per mapquest
City Credit Card	City of Grant		7/25/2006	7/25/2006	Kearney, NE			\$14.96			\$14.96			
City Credit Card	City of Grant		7/25/2006	7/25/2006	Lincoln, NE			\$15.72			\$15.72			
City Credit Card	City of Grant		7/26/2006	7/26/2006	Lincoln, NE			\$91.04			\$91.04			
City Credit Card	City of Grant		7/27/2006	7/27/2006	Lincoln, NE			\$58.02			\$58.02			
City Credit Card	City of Grant		7/28/2006	7/28/2006	Lincoln, NE			\$27.08			\$27.08			
City Credit Card	City of Grant		7/29/2006	7/29/2006	Lincoln, NE				\$349.29		\$349.29			
Expense Reimbursement	City of Grant	13886	8/9/2006	7/25/2006	Lincoln, NE	668	\$297.26				\$297.26			Mileage appears unreasonable; 590 miles per mapquest
City Credit Card	City of Grant		8/16/2006	8/16/2006	North Platte, NE			\$8.96			\$8.96			
City Credit Card	City of Grant		8/29/2006	8/29/2006	Kearney, NE			\$12.04			\$12.04			
City Credit Card	City of Grant		8/29/2006	8/29/2006	Lincoln, NE			\$24.22			\$24.22			
City Credit Card	City of Grant		8/30/2006	8/30/2006	Lincoln, NE			\$18.02			\$18.02			
City Credit Card	City of Grant		8/31/2006	8/31/2006	Lincoln, NE				\$111.68		\$111.68			
Expense Reimbursement	City of Grant	2640	9/7/2006	8/16/2006	North Platte, NE	147	\$65.42				\$65.42			
Expense Reimbursement	City of Grant	2640	9/7/2006	8/17/2006	North Platte, NE	154	\$68.53				\$68.53			
Expense Reimbursement	City of Grant	13924	9/7/2006	8/22/2006	Ogallala, NE	42	\$18.69				\$18.69			
Expense Reimbursement	City of Grant	2640	9/7/2006	8/29/2006	Lincoln, NE	652	\$290.14				\$290.14			Mileage appears unreasonable; 590 miles per mapquest
Expense Reimbursement	City of Grant	2640	9/7/2006	9/7/2006	Ogallala, NE	42	\$18.69				\$18.69			
Expense Reimbursement	City of Grant	13924	9/7/2006	9/8/2006	Denver, CO	462	\$205.59			\$54.00	\$259.59		No	Check was paid on 9/7/06 prior to 9/8/06 would not have returned until 9/13/06
Expense Reimbursement	City of Grant	13924	9/7/2006		Local Miles	76	\$33.82				\$33.82		No	Destination Unknown
Expense Reimbursement	City of Grant	13924	9/7/2006							(\$257.10)	(\$257.10)		No	Personal Expenses Deducted
City Credit Card	City of Grant		9/8/2006	9/8/2006	San Antonio, TX			\$17.07			\$17.07			
City Credit Card	City of Grant		9/10/2006	9/10/2006	San Antonio, TX			\$45.74			\$45.74			
City Credit Card	City of Grant		9/12/2006	9/12/2006	Commerce, TX			\$16.34			\$16.34			
City Credit Card	City of Grant		9/12/2006	9/12/2006	Texas			\$21.80			\$21.80			
City Credit Card	City of Grant		9/13/2006	9/13/2006	San Antonio, TX			\$22.55	\$988.85		\$1,011.40			
City Credit Card	City of Grant		9/19/2006	9/19/2006	North Platte, NE			\$9.48			\$9.48			
City Credit Card	City of Grant		9/20/2006	9/20/2006	Lincoln, NE			\$5.50			\$5.50			
Expense Reimbursement	City of Grant	14003	9/26/2006	9/27/2006	Lincoln, NE	662	\$294.59	\$32.42		\$61.90	\$388.91		No	Meals in Lincoln were noted on his City Credit Card during the same time. Check was paid on 9/26/2006 prior to 9/27/06 trip. \$ 61.90 = Parking and no receipts. Mileage appears unreasonable; 590 miles per mapquest
Expense Reimbursement	City of Grant	14003	9/26/2006							\$237.00	\$237.00		No	Vision Reimbursement
Expense Reimbursement	City of Grant	14003	9/26/2006		Local Miles	36	\$16.02				\$16.02			Destination Unknown
City Credit Card	City of Grant		9/27/2006	9/27/2006	Lincoln, NE			\$18.56			\$18.56			
City Credit Card	City of Grant		9/28/2006	9/28/2006	Lincoln, NE			\$23.47			\$23.47			
City Credit Card	City of Grant		9/28/2006	9/28/2006	North Platte, NE			\$8.23			\$8.23			
City Credit Card	City of Grant		9/29/2006	9/29/2006	Lincoln, NE			\$12.44			\$12.44			

City of Grant, Nebraska
Payments to or on Behalf of Joe Morris
September 14, 2005 through April 24, 2007

Exhibit I

Payment Type	Paid By City, APEA, or Both	City of Grant Check #	Payment Date	Travel Date	Traveled to:	Miles	Mileage	Meals	Lodging	Other	Total Payment	APEA Reimbursement	Receipt Attached	Explanation
City Credit Card	City of Grant		9/30/2006	9/30/2006	Lincoln, NE				\$235.20		\$235.20			
Expense Reimbursement	City of Grant	14014	10/3/2006		Mileage	180	\$80.10				\$80.10			No destination
Expense Reimbursement	City of Grant	14014	10/3/2006							\$10.00	\$10.00		Yes	Parking receipts attached were related to parking on prior reimbursement on 9/27/06. The other reimbursement noted \$61.90 in parking charges.
City Credit Card	City of Grant		10/16/2006	10/16/2006	Grand Island, NE			\$17.12			\$17.12			
City Credit Card	City of Grant		10/17/2006	10/17/2006	Grand Island, NE				\$77.35		\$77.35			
City Credit Card	City of Grant		10/17/2006	10/17/2006	North Platte, NE			\$5.66			\$5.66			
Expense Reimbursement	City of Grant	14061	10/18/2006	10/9/2006	North Platte, NE	156	\$69.42				\$69.42			
Expense Reimbursement	City of Grant	2657	10/18/2006	10/16/2006	Grand Island, NE	464	\$206.48				\$206.48			
City Credit Card	City of Grant		10/25/2006	10/25/2006	Lincoln, NE			\$15.94			\$15.94			
City Credit Card	City of Grant		10/26/2006	10/26/2006	Lincoln, NE			\$35.99			\$35.99			
City Credit Card	City of Grant		10/27/2006	10/27/2006	Lincoln, NE			\$5.50			\$5.50			
City Credit Card	City of Grant		10/28/2006	10/28/2006	Lincoln, NE				\$199.36		\$199.36			
Expense Reimbursement	City of Grant	2660	10/30/2006	10/25/2006	Lincoln, NE	684	\$304.38			\$17.00	\$321.38		Yes	Mileage appears unreasonable; 590 miles per mapquest
City Credit Card	City of Grant		11/20/2006	11/20/2006	Grant, NE			\$6.50			\$6.50			
City Credit Card	City of Grant		12/7/2006	12/7/2006	Lincoln, NE			\$15.99			\$15.99			
City Credit Card	City of Grant		12/9/2006	12/9/2006	Lincoln, NE				\$99.68		\$99.68			
Expense Reimbursement	City of Grant	2671	12/11/2006	12/7/2006	Lincoln, NE	668	\$297.26	\$11.91		\$6.00	\$315.17		Yes	Mileage appears unreasonable; 590 miles per mapquest
City Credit Card	City of Grant		12/16/2006	12/16/2006	North Platte, NE			\$279.16			\$279.16			
City Credit Card	City of Grant		12/22/2006	12/22/2006	Ogallala, NE			\$24.13			\$24.13			
City Credit Card	City of Grant		12/27/2006	12/27/2006	Grant, NE			\$12.66			\$12.66			
City Credit Card	City of Grant		12/30/2006	12/30/2006	Grant, NE			\$30.96			\$30.96			Receipt indicated time of 11:36 p.m.
City Credit Card	City of Grant		1/9/2007	1/9/2007	Lincoln, NE			\$5.50			\$5.50			
Expense Reimbursement	City of Grant	14239	1/10/2007		Local Miles	88	\$42.68				\$42.68			Destination Unknown
City Credit Card	City of Grant		1/16/2007	1/16/2007	Kearney, NE			\$25.42			\$25.42			
City Credit Card	City of Grant		1/16/2007	1/16/2007	Lincoln, NE			\$58.82			\$58.82			
City Credit Card	City of Grant		1/17/2007	1/17/2007	Lincoln, NE			\$107.97			\$107.97			
City Credit Card	City of Grant		1/18/2007	1/18/2007	Lincoln, NE			\$106.57			\$106.57			
Expense Reimbursement	City of Grant	14244	1/19/2007	1/11/2007						\$4.00	\$4.00			Tire Fee Reimbursement
Expense Reimbursement	City of Grant	14244	1/19/2007	1/16/2007	Lincoln, NE	724	\$351.14			\$23.00	\$374.14		Yes	Mileage appears unreasonable; 590 miles per mapquest
City Credit Card	City of Grant		1/19/2007	1/19/2007	Kearney, NE			\$29.86			\$29.86			
City Credit Card	City of Grant		1/20/2007	1/20/2007	Lincoln, NE				\$677.43		\$677.43			
City Credit Card	City of Grant		2/11/2007	2/11/2007	Lincoln, NE			\$35.13			\$35.13			
City Credit Card	City of Grant		2/12/2007	2/12/2007	Lincoln, NE			\$35.72			\$35.72			
Expense Reimbursement	City of Grant	2692	2/13/2007	1/24/2007	North Platte, NE	142	\$68.87				\$68.87			
Expense Reimbursement	City of Grant	2692	2/13/2007	1/25/2007	North Platte, NE	142	\$4.00				\$4.00			Reimbursed \$4.00, but \$68.87 in mileage was on his request.
Expense Reimbursement	City of Grant	14261	2/13/2007	2/11/2007	Lincoln, NE	644	\$312.34	\$5.50		\$18.00	\$335.84		Yes	
City Credit Card	City of Grant		2/13/2007	2/13/2007	Kearney, NE			\$6.09			\$6.09			
City Credit Card	City of Grant		2/14/2007	2/14/2007	Lincoln, NE				\$216.61		\$216.61			
City Credit Card	City of Grant		3/22/2007	3/22/2007	Ogallala, NE			\$9.93			\$9.93			
Expense Reimbursement	City of Grant	14417	4/24/2007	3/1/2007	North Platte, NE	142	\$68.87				\$68.87			Reimbursed on 4/24/07 his last day
Expense Reimbursement	City of Grant	14417	4/24/2007	3/5/2007	Ogallala, NE	42	\$20.37				\$20.37			Reimbursed on 4/24/07 his last day
Expense Reimbursement	City of Grant	14417	4/24/2007	3/26/2007	Ogallala, NE	40	\$19.40				\$19.40			Reimbursed on 4/24/07 his last day
Expense Reimbursement	City of Grant	14417	4/24/2007	4/13/2007	North Platte, NE	144	\$69.84				\$69.84			Reimbursed on 4/24/07 his last day
Expense Reimbursement	City of Grant	14417	4/24/2007		Local Miles	234	\$113.49				\$113.49			Reimbursed on 4/24/07 his last day; Destination Unknown
Total of Joe Morris expense reimbursements and travel related City credit card payments								\$8,863.48	\$1,881.31	\$4,352.43	\$627.05	\$15,724.27		

**City of Grant, Nebraska
Joe Morris Final Payroll Calculation**

Exhibit J

<u>Actual Payments to Joe Morris</u>	<u>Grant Calculation</u>	<u>APA Calculation</u>	<u>Variance</u>
1/15/2007 Actual Payroll	\$2,037.66	\$2,037.66	
1/30/2007 Contract Back Payment	\$1,577.68	\$1,577.68	
1/31/2007 Overtime Payment	\$1,904.32	\$1,904.32	
1/31/2007 Actual Payroll	\$2,500.00	\$2,500.00	
2/15/2007 Actual Payroll	\$2,500.00	\$2,500.00	
2/28/2008 Actual Payroll	\$2,500.00	\$2,500.00	
3/15/2007 Actual Payroll	\$2,500.00	\$2,500.00	
3/30/2007 Actual Payroll	\$2,500.00	\$2,500.00	
4/13/2007 Actual Payroll	<u>\$2,500.00</u>	<u>\$2,500.00</u>	
Actual Payroll Payments through April 2007	<u>\$20,519.66</u>	<u>\$20,519.66</u>	
<u>Calculated Payments to Joe Morris (1)</u>			
January Calculated Earnings	\$4,075.32	\$4,075.32	
February Calculated Earnings	\$4,075.32	\$4,075.32	
March Calculated Earnings	\$4,075.32	\$4,075.32	
April 1 - 23 Calculated Earnings	<u>\$3,124.32</u>	<u>\$3,166.17</u>	(2)
1/1/2007 - 4/24/2007 Calculated Pay	<u>\$15,350.28</u>	<u>\$15,392.13</u>	
Total Overpayment/(Underpayment)	\$5,169.38	\$5,127.53	
Vacation and Sick Leave Payout	<u>\$7,500.16</u>	<u>\$7,500.16</u>	
Total Payout on June 5, 2007	<u>\$2,330.78</u>	<u>\$2,372.63</u>	<u>(\$41.85)</u>
Payment on June 26, 2007	<u>\$1,129.00</u>	<u>\$0.00</u>	<u>\$1,129.00</u>
Total amount overpaid to Mr. Morris			<u>\$1,087.15</u>
 (1) The contract between the City and Joe Morris, effective December 12, 2006, was determined to be invalid since there were two separate, signed versions of the contract. Therefore, upon termination, the City calculated the amount that Mr. Morris should have received under his old contract. The amount overpaid was used to reduce the vacation and sick leave payout to Mr. Morris.			
 (2) The difference between the APA calculated and City calculated payment for the partial month worked is due to the method used to prorate the salary in the final month worked. The City used the number of days worked and the total number of days in the month to prorate the salary. The APA used the average number of hours available per month to prorate the salary.			