

CITY OF COLUMBUS, NEBRASKA

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

CITY OF COLUMBUS, NEBRASKA

SEPTEMBER 30, 2005

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CITY OF COLUMBUS, NEBRASKA

SEPTEMBER 30, 2005

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SCOW, RIEF,
KRUSE &
SCHUMACHER, P.C.

The Honorable Mayor and
Members of the City Council
City of Columbus, Nebraska

INDEPENDENT AUDITORS' REPORT

James F. Scow
Daniel L. Rief
Daniel M. Kruse
Richard E. Schumacher
Scott T. Smejkal
Mark J. Brockhaus

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Columbus, Nebraska (the City), as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinions.

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As described in Note 1, the City prepares the government-wide financial statements (i.e. statement of net assets and statement of activities) on the modified accrual basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, the governmental funds financial statements are presented on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified accrual basis of the governmental and business-type activities, of the City of Columbus, Nebraska as of September 30, 2005, and the respective changes in financial position-modified cash basis, thereof for the year then ended in conformity with the basis of accounting as described in Note 1. In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental funds of the City of Columbus, Nebraska as of September 30, 2005, and the respective changes in financial position-cash basis, thereof for the year then ended in conformity with the basis of accounting as described in Note 1. In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary funds of the City of Columbus, Nebraska, as of September 30, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MEMBERS

American Institute of
Certified Public Accountants

Nebraska Society of
Certified Public Accountants

The Honorable Mayor and
Members of the City Council
City of Columbus, Nebraska
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As described in Note 17, the City has changed its solid waste fund from a governmental fund and governmental activity to a proprietary fund and a business-type activity as of October 1, 2004. In addition, as described in Note 17, the City has changed the method of accounting for business-type activities from the accrual basis of accounting to the modified accrual basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2005, on our consideration of the City of Columbus, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

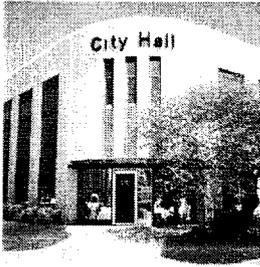
The management's discussion and analysis and budgetary comparison information on pages 5 through 8 and 40 through 42, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Columbus, Nebraska's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the City of Columbus, Nebraska. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



SCOW, RIEFKRUSE & SCHUMACHER, P.C.
Certified Public Accountants

December 9, 2005



The City of **Columbus**

FINANCE DEPARTMENT

Office (402) 562-4231

Management's Discussion and Analysis September 30, 2005

This discussion and analysis is intended to be an easily readable analysis of the City of Columbus' (City) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Financial Highlights

- City of Columbus assets exceed its liabilities at September 30, 2005 by \$75 million.
- Capital Assets (net of depreciation and related debt) account for over two-thirds of this amount.
- Of the remaining net assets \$10 million is restricted to capital projects and debt payments and \$14.7 million may be used to meet the government's ongoing obligation to its citizens and creditors, without restrictions.

Report Layout

In addition to the Management's Discussion and Analysis, the report consists of government-wide statements, fund financial statements, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present the government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, fire, streets, parks and recreation, library, and general government administration. The City's business-type activities include the business enterprises of water, sewer, solid waste and electric. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Basic Financial Statements

- The Statement of Net Assets focuses on resources available for future operations. This statement presents a snap-shot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net assets may serve as one indicator of whether the financial position of the City is improving or deteriorating. Other indications include the condition of the City's infrastructure systems (roads, drainage systems, etc.), changes in property tax base and general economic conditions within the City.
- The Statement of Activities focuses on the gross and net costs of city programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

- Fund financial statements focus separately on major governmental funds and proprietary (business-type) funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental Funds." Statements for the City's proprietary funds follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow. A budgetary comparison is presented for the general fund, special revenue fund and capital projects fund under required supplementary information.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

City as a Whole

Government-wide Financial Statements

The following chart shows the net assets for the year ended September 30, 2005. Due to the change in basis of accounting in the current year, comparative data is not provided, but will be provided in future years.

	<u>Governmental Activities</u> 2005	<u>Business-Type Activities</u> 2005
Cash and investments	\$ 17,099,689	\$ 8,446,003
Capital assets, net	53,986,678	34,700,642
Total Assets	<u>\$ 71,086,367</u>	<u>\$ 43,146,645</u>
Long-term liabilities	\$ 12,895,000	\$ 22,050,000
Other liabilities	3,654,557	695,000
Total liabilities	<u>\$ 16,549,557</u>	<u>\$ 22,745,000</u>
Net assets:		
Invested in capital assets, Net of related debt	\$ 38,321,678	\$ 11,955,642
Restricted	8,264,517	1,712,110
Unrestricted	7,950,615	6,733,893
Total net assets	<u>\$ 54,536,810</u>	<u>\$ 20,401,645</u>
Total liabilities and net assets	<u>\$ 71,086,367</u>	<u>\$ 43,146,645</u>

During the year ended September 30, 2005 the most significant changes were in the area of fixed assets, as follows:

Governmental Activities

The largest change was the investment in capital assets of about \$6 million for street construction, drainage projects and the start of the water park.

Business-type Activities

The City completed the new Wastewater Treatment Facility and began the residence water meter replacement program, which will be completed in fiscal 2006.

City of Columbus, Nebraska
 Management's Discussion and Analysis, Continued
 September 30, 2005

A condensed version of the Statement of Activities for the fiscal year ended September 30, 2005 follows. Due to the change in basis of accounting in the current year, comparative data is not provided, but will be provided in future years.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
	2005	2005
Revenues		
Program revenues		
Charges for services	\$ 3,019,648	\$ 4,935,839
Operating grants and contributions	2,608,905	-0-
Capital grants and contributions	1,635,166	143,300
General revenues		
Property taxes	3,251,967	-0-
Sales tax	3,556,713	230,832
Franchise taxes	679,396	1,737,796
Other Tax	648,364	-0-
TIF Assessments	28,803	-0-
Unrestricted grants and contributions	410,629	-0-
Investment earnings	394,498	271,554
Other general revenues	38,728	179,887
Gain (Loss) on sale of equipment	42,834	(40,014)
Transfers	1,767,680	(1,956,280)
Total revenue	<u>\$18,083,331</u>	<u>\$ 5,502,914</u>
Program expenses		
General policy/administration	\$ 1,076,763	\$ -0-
Public safety	4,503,269	-0-
Public works	2,909,833	-0-
Environment preservation	234,400	-0-
Parks and recreation	2,878,521	-0-
Community development	405,728	-0-
Health insurance	1,373,977	-0-
Debt service	735,615	-0-
Water	-0-	2,206,206
Sewer	-0-	2,724,801
Solid Waste	-0-	847,570
Electric	-0-	149,450
Total expenses	<u>\$14,118,106</u>	<u>\$ 5,928,027</u>
Change in net assets	<u>\$ 3,965,225</u>	<u>\$ (425,113)</u>

Governmental activities

Governmental program receipts and expenditures remained similar to the prior year. The General Fund finished the year with an excess of revenues of \$363,000. This can be compared with an excess of \$447,000 for the previous year. During fiscal year 2005 the City received \$3,556,700 of local option sales tax as compared to \$2,884,800 for 2004. The 2005 receipts are up significantly due to the mid-year start of the voter approved additional one-half percent to fund the construction of the Pawnee Plunge Water Park.

Business-type activities

The Water Fund operated at a profit of \$324,000 for 2005 as compared to a loss of \$342,000 for 2004. The Sewer Fund operated at a profit of \$87,000 for 2005 as compared with a profit of \$262,000 for 2004. During 2004 the City studied the water and sewer rates charged its customers. In the design of the rates, consideration was given to the meter change out program that was started during 2004 for industrial customers continuing with residential customers in 2005 and 2006 and the need to provide funds to pay for the bonds issued to build the new Wastewater Treatment Facility. The City adopted the recommendations of the study by leaving water rates the same and increasing sewer rates by 20 percent in January of 2004 to provide funds to pay for the bonds that were issued to build the new Wastewater Treatment Facility.

Budgetary Highlights

The City budgets on an annual basis. Over the course of the year the City Council did not amend the budget. There were some areas where revenues exceeded estimates and expenditures exceeded estimates, but overall the budget was not overspent.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2005 the City had \$89 million invested in capital assets, including land, buildings, equipment, park and recreation facilities, streets, storm water drainage and water and sewer lines. This amount represents a net increase (additions, deductions, and depreciation) of \$8 million, over last year.

Some of the most significant individual additions to capital assets were the completion of the construction of the North Drainage Project for \$1 million, \$1.3 million for the construction of the first phase of the North Arterial located west of the new Wal-Mart, \$1 million for the reconstruction of the 23rd Street and 33rd Avenue intersection, \$1.7 million for the start of the construction of the Pawnee Plunge Water Park and \$900,000 for the residence water meter replacement program.

Debt Outstanding

At year-end, the City had \$38.4 million in bonds and notes outstanding versus \$32.4 million last year.

There were seven new borrowings during the year. The City used two issues for a total of \$6.5 million to provide funds for the construction of the new water park. \$6.915 million of Combined Revenue Bonds were issued to finance a sewer slip lining project and to refinance several old utility revenue bond issues to take advantage of the current interest rate market. Several smaller issues provided financing for assessment projects and refinanced general obligation bonds.

Economic Factors and Next Year's Budgets and Rates

Several factors were considered and affected the preparation of the City's 2006 budget, as follows:

- The revenue and rate lids imposed on property taxes by the State of Nebraska.
- The favorable sales tax trend.
- The unemployment rate for Columbus.
- The amount of building permits issued.
- The state of the local economy.

The City has to deal with swings in the economy and plans for future capital expansions. The City will be looking very closely at the services it provides and what changes can be made to best serve the community and also stay within the City's financial resources for future budget years.

On September 14, 2004 the City had a special election and approved the issuance of \$6.5 million of bonds to finance the construction of a new Water Park. The ballot question was approved by an 80% majority and included a special one-half cent city sales tax to repay the bonds and to provide tax support for operating deficits at the existing indoor pool and the Water Park. The 2006 budget includes the completion of this project and the first summer of operation in 2006.

Financial Contact

This financial report is designed to provide an overview for all (citizens, taxpayers, customers, investors, and creditors) with an interest in the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the Finance Director, City of Columbus, P.O. Box 1677, Columbus NE 68602-1677.

CITY OF COLUMBUS, NEBRASKA

STATEMENT OF NET ASSETS - MODIFIED ACCRUAL BASIS

SEPTEMBER 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash (Notes 1 and 4)	\$ 725,591	\$ 77,462	\$ 803,053
Cash Investments (Note 4)	15,518,829	8,368,541	23,887,370
Cash with County Treasurer	855,269	-0-	855,269
Non-Current Assets			
Fixed Assets, Net (Note 6)	53,986,678	34,700,642	88,687,320
TOTAL ASSETS	\$ 71,086,367	\$ 43,146,645	\$ 114,233,012
LIABILITIES			
Current Liabilities			
Cash Overdrawn	\$ 884,557	\$ -0-	\$ 884,557
Bonds Payable, due in one year (Note 8)	2,125,000	695,000	2,820,000
Bond Anticipation Notes (Note 7)	645,000	-0-	645,000
Non-Current Liabilities			
Bonds Payable, due in more than one year (Note 8)	12,895,000	22,050,000	34,945,000
Total Liabilities	\$ 16,549,557	\$ 22,745,000	\$ 39,294,557
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	\$ 38,321,678	\$ 11,955,642	\$ 50,277,320
Restricted	8,264,517	1,712,110	9,976,627
Unrestricted	7,950,615	6,733,893	14,684,508
Total Net Assets	\$ 54,536,810	\$ 20,401,645	\$ 74,938,455
TOTAL LIABILITIES AND NET ASSETS	\$ 71,086,367	\$ 43,146,645	\$ 114,233,012

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

STATEMENT OF ACTIVITIES - MODIFIED ACCRUAL BASIS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Policy/Administration	\$ 1,076,763	\$ 42,646	\$ -0-	\$ -0-	\$ (1,034,117)
Public Safety	4,503,269	401,854	93,373	220,705	(3,787,337)
Public Works	2,909,833	64,022	1,579,029	1,208,847	(57,935)
Environment Preservation	234,400	46,462	2,787	-0-	(185,151)
Parks and Recreation	2,878,521	714,728	933,716	-0-	(1,230,077)
Community Development	405,728	278,938	-0-	205,614	78,824
Health Insurance	1,373,977	1,203,185	-0-	-0-	(170,792)
Debt Service	735,615	267,813	-0-	-0-	(467,802)
Total Governmental Activities	\$ 14,118,106	\$ 3,019,648	\$ 2,608,905	\$ 1,635,166	\$ (6,854,387)
Business-type Activities:					
Water	\$ 2,206,206	\$ 1,875,560	\$ -0-	\$ 550	\$ (330,096)
Sewer	2,724,801	2,237,260	-0-	-0-	(487,541)
Solid Waste	847,570	823,019	-0-	142,750	118,199
Electric	149,450	-0-	-0-	-0-	(149,450)
Total Business-type Activities	\$ 5,928,027	\$ 4,935,839	\$ -0-	\$ 143,300	\$ (848,888)
Total City	\$ 20,046,133	\$ 7,955,487	\$ 2,608,905	\$ 1,778,466	\$ (7,703,275)

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

STATEMENT OF ACTIVITIES - MODIFIED ACCRUAL BASIS, CONTINUED

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Changes in Net Assets			
Net (Expense)	<u>\$ (6,854,387)</u>	<u>\$ (570,663)</u>	<u>\$ (7,425,050)</u>
General revenues:			
Property Tax	\$ 3,251,967	\$ -0-	\$ 3,251,967
Sales Tax	3,556,713	230,832	3,787,545
Franchise Tax	679,396	1,737,796	2,417,192
Other Tax	648,364	-0-	648,364
TIF Assessments	28,803	-0-	28,803
Grants and Contributions			
Not Restricted to			
Specific Programs	410,629	-0-	410,629
Investment Earnings	394,498	271,554	666,052
Miscellaneous	38,728	179,887	218,615
Special Item -			
Gain (Loss) on Sale of Assets	42,834	(40,014)	2,820
Transfers	<u>1,767,680</u>	<u>(1,956,280)</u>	<u>(188,600)</u>
Total General Revenues, Special Items, and Transfers	<u>\$ 10,819,612</u>	<u>\$ 423,775</u>	<u>\$ 11,243,387</u>
Change in Net Assets	\$ 3,965,225	\$ (146,888)	\$ 3,818,337
Net Assets - Beginning	49,745,931	20,925,544	70,671,475
Prior Period Adjustment	<u>825,654</u>	<u>(377,011)</u>	<u>448,643</u>
Net Assets - Ending	<u>\$ 54,536,810</u>	<u>\$ 20,401,645</u>	<u>\$ 74,938,455</u>

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

GOVERNMENTAL FUNDS

STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES-MODIFIED CASH BASIS

SEPTEMBER 30, 2005

	Major Funds			Non-Major Funds	Total Governmental Funds
	General	Special Revenue	Capital Projects		
ASSETS					
Cash	\$ 688,673	\$ 35,814	\$ 33	\$ 1,071	\$ 725,591
Cash Investments	1,039,224	7,060,790	4,930,286	2,488,529	15,518,829
Cash with County Treasurer	690,309	-0-	122,277	42,686	855,272
Accounts Receivable	175,262	8,097	-0-	-0-	183,359
Special Assessments Receivable	-0-	-0-	-0-	1,204,007	1,204,007
Notes Receivable	-0-	936,727	-0-	-0-	936,727
TOTAL ASSETS	<u>\$ 2,593,468</u>	<u>\$ 8,041,428</u>	<u>\$ 5,052,596</u>	<u>\$ 3,736,293</u>	<u>\$ 19,423,785</u>
LIABILITIES					
Bank Overdrafts	\$ 140,295	\$ 90,212	\$ 335,057	\$ 3,090	\$ 568,654
Deferred Revenue	175,261	522,326	-0-	1,204,007	1,901,594
Notes Payable	-0-	422,500	-0-	-0-	422,500
Total Liabilities	<u>\$ 315,556</u>	<u>\$ 1,035,038</u>	<u>\$ 335,057</u>	<u>\$ 1,207,097</u>	<u>\$ 2,892,748</u>
NET ASSETS					
Reserved	\$ -0-	\$ 6,621,928	\$ -0-	\$ 2,529,196	\$ 9,151,124
Unreserved	2,277,912	384,462	4,717,539	-0-	7,379,913
Total Net Assets	<u>\$ 2,277,912</u>	<u>\$ 7,006,390</u>	<u>\$ 4,717,539</u>	<u>\$ 2,529,196</u>	<u>\$ 16,531,037</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,593,468</u>	<u>\$ 8,041,428</u>	<u>\$ 5,052,596</u>	<u>\$ 3,736,293</u>	<u>\$ 19,423,785</u>

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
ASSETS, LIABILITIES AND FUND BALANCES-MODIFIED CASH BASIS TO THE
STATEMENT OF NET ASSETS-MODIFIED ACCRUAL BASIS

SEPTEMBER 30, 2005

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance - total governmental funds \$ 16,531,037

Capital assets used in governmental activities
are not current financial resources, and therefore,
are not reported in the governmental funds.

Governmental Capital Assets \$ 72,638,673
Less Accumulated Depreciation (18,651,995)
53,986,678

General Long-Term Debt is not presented within the
fund financial statements, as they are presented
on the cash basis of accounting (15,665,000)

Internal service funds are used by management
to charge the costs of self-insurance and
employee benefits; and, therefore, the assets
and liabilities of the internal service funds
are included in governmental activities in the
Statement of Net Assets (315,905)

Net assets of governmental activities \$ 54,536,810

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Major Funds				Total Governmental Funds
	General	Special Revenue	Capital Projects Fund	Non-Major Funds	
REVENUES:					
Taxes	\$ 3,716,795	\$ 3,960,350	\$ 297,422	\$ 190,676	\$ 8,165,243
Intergovernmental	1,034,998	1,784,643	1,208,847	-0-	4,028,488
Charges for Services	1,395,548	153,102	-0-	267,813	1,816,463
Interest Income	43,082	178,388	111,196	61,613	394,279
Contributions	-0-	-0-	-0-	626,212	626,212
Miscellaneous	42,391	39,534	-0-	11,338	93,263
Proceeds from Debt	-0-	-0-	8,664,227	585,000	9,249,227
Total Revenues	<u>\$ 6,232,814</u>	<u>\$ 6,116,017</u>	<u>\$ 10,281,692</u>	<u>\$ 1,742,652</u>	<u>\$ 24,373,175</u>
EXPENDITURES:					
Policy / Administration	\$ 1,018,590	\$ 7	\$ -0-	\$ -0-	\$ 1,018,597
Public Safety	4,288,960	135,306	-0-	-0-	4,424,266
Public Works	-0-	1,857,554	-0-	-0-	1,857,554
Environment Preservation	212,157	-0-	-0-	-0-	212,157
Parks and Recreation	2,395,580	-0-	-0-	33,179	2,428,759
Community Development	138,013	263,812	-0-	-0-	401,825
Capital Outlay	-0-	2,828,214	4,172,002	-0-	7,000,216
Debt Service	-0-	-0-	1,444,028	1,444,637	2,888,665
Total Expenditures	<u>\$ 8,053,300</u>	<u>\$ 5,084,893</u>	<u>\$ 5,616,030</u>	<u>\$ 1,477,816</u>	<u>\$ 20,232,039</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ (1,820,486)</u>	<u>\$ 1,031,124</u>	<u>\$ 4,665,662</u>	<u>\$ 264,836</u>	<u>\$ 4,141,136</u>
OTHER FINANCING SOURCES (USES)					
Transfers From Other Funds	\$ 2,596,836	\$ 70,000	\$ 27,708	\$ 1,173,277	\$ 3,867,821
Transfers To Other Funds	(413,238)	(1,408,775)	(90,902)	(187,226)	(2,100,141)
Total Other Financing Sources (Uses)	<u>\$ 2,183,598</u>	<u>\$ (1,338,775)</u>	<u>\$ (63,194)</u>	<u>\$ 986,051</u>	<u>\$ 1,767,680</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ 363,112</u>	<u>\$ (307,651)</u>	<u>\$ 4,602,468</u>	<u>\$ 1,250,887</u>	<u>\$ 5,908,816</u>
NET ASSETS, BEGINNING OF YEAR	1,935,756	7,314,041	115,071	1,278,309	10,643,177
PRIOR PERIOD ADJUSTMENT (NOTE 17)	(20,956)	-0-	-0-	-0-	(20,956)
NET ASSETS, END OF YEAR	<u>\$ 2,277,912</u>	<u>\$ 7,006,390</u>	<u>\$ 4,717,539</u>	<u>\$ 2,529,196</u>	<u>\$ 16,531,037</u>

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-MODIFIED CASH BASIS OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES-MODIFIED ACCRUAL BASIS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balance - total governmental funds \$ 5,908,816

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$7,386,331) exceeded depreciation (\$2,047,071) and loss on disposal of capital assets (\$16,101) in the current period. 5,323,159

General Long-Term Debt payments are stated as an expenditure in the fund financial statements and as a reduction of the appropriate liability in the government-wide financial statements. 2,153,050

General Long-Term Debt issues are stated as a receipt in the fund financial statements and as an increase of the appropriate liability in the government-wide financial statements. (9,249,227)

Internal service funds are used by management to charge the costs of self-insurance and employee benefits; the net revenue of the internal service fund is reported with governmental activities. (170,573)

Change in Net Assets of Governmental Activities \$ 3,965,225

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

SEPTEMBER 30, 2005

	Business-type Activities --				Totals	Governmental
	Enterprise Funds					Activities --
	Water	Sewer	Electric	Solid Waste		Internal
					Service Funds	
ASSETS						
Current						
Cash	\$ 77,308	\$ 72	\$ 45	\$ 37	\$ 77,462	\$ -0-
Cash Investments	3,448,467	1,563,033	1,562,981	81,949	6,656,430	-0-
Accounts Receivable	257,099	231,982	-0-	48,507	537,588	-0-
Accrued Revenues	318,041	336,281	686,255	73,385	1,413,962	-0-
Inventory, at Cost	68,549	-0-	-0-	-0-	68,549	-0-
Total Current	<u>\$ 4,169,464</u>	<u>\$ 2,131,368</u>	<u>\$ 2,249,281</u>	<u>\$ 203,878</u>	<u>\$ 8,753,991</u>	<u>\$ -0-</u>
Non-Current						
Restricted Assets -						
Bond Reserve Fund	\$ 433,399	\$ 202,213	\$ -0-	\$ -0-	\$ 635,612	\$ -0-
Special Projects	-0-	1,076,499	-0-	-0-	1,076,499	-0-
Fixed Assets, Net	15,596,260	15,418,512	3,159,447	658,825	34,833,044	-0-
Bond Issue Costs	295,346	335,568	-0-	-0-	630,914	-0-
Total Non-Current	<u>\$ 16,325,005</u>	<u>\$ 17,032,792</u>	<u>\$ 3,159,447</u>	<u>\$ 658,825</u>	<u>\$ 37,176,069</u>	<u>\$ -0-</u>
TOTAL ASSETS	<u>\$ 20,494,469</u>	<u>\$ 19,164,160</u>	<u>\$ 5,408,728</u>	<u>\$ 862,703</u>	<u>\$ 45,930,060</u>	<u>\$ -0-</u>
LIABILITIES						
Current						
Cash Overdrawn	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 315,905
Accounts Payable	187,332	82,725	-0-	106,142	376,199	-0-
Accrued Expenses	47,442	70,015	-0-	14,263	131,720	-0-
Accrued Interest Payable	91,817	99,075	-0-	-0-	190,892	-0-
Deferred Revenue	-0-	5,511	-0-	-0-	5,511	-0-
Bonds Payable	511,520	183,480	-0-	-0-	695,000	-0-
Total Current	<u>\$ 838,111</u>	<u>\$ 440,806</u>	<u>\$ -0-</u>	<u>\$ 120,405</u>	<u>\$ 1,399,322</u>	<u>\$ 315,905</u>
Non-Current						
Bonds Payable	\$ 10,457,076	\$ 11,592,924	\$ -0-	\$ -0-	\$ 22,050,000	\$ -0-
Total Liabilities	<u>\$ 11,295,187</u>	<u>\$ 12,033,730</u>	<u>\$ -0-</u>	<u>\$ 120,405</u>	<u>\$ 23,449,322</u>	<u>\$ 315,905</u>
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	\$ 4,627,664	\$ 3,642,108	\$ 3,159,447	\$ 658,825	\$ 12,088,044	\$ -0-
Restricted	433,399	1,278,712	-0-	-0-	1,712,111	-0-
Unrestricted	4,138,219	2,209,610	2,249,281	83,473	8,680,583	(315,905)
Total Net Assets	<u>\$ 9,199,282</u>	<u>\$ 7,130,430</u>	<u>\$ 5,408,728</u>	<u>\$ 742,298</u>	<u>\$ 22,480,738</u>	<u>\$ (315,905)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,494,469</u>	<u>\$ 19,164,160</u>	<u>\$ 5,408,728</u>	<u>\$ 862,703</u>	<u>\$ 45,930,060</u>	<u>\$ -0-</u>

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

PROPRIETARY FUNDS
RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF NET ASSETS
TO THE STATEMENT OF NET ASSETS-MODIFIED ACCRUAL BASIS

SEPTEMBER 30, 2005

Amounts reported for business-type activities in the Statement of Net Assets-Modified Accrual Basis are different because:

Total net assets - total proprietary funds \$ 22,480,738

Proprietary funds are stated on the accrual basis of accounting, and business-type activities are reported on the modified accrual basis of accounting as described in Note 1. The net difference between the two basis of accounting is the difference between net assets.

Accounts Receivable	\$ (537,588)	
Accrued Revenue	(1,413,962)	
Inventory	(68,549)	
Bond Issue Costs	(630,914)	
Accounts Payable	376,199	
Accrued Expenses	131,720	
Accrued Interest Payable	190,892	
Deferred Revenue	<u>5,511</u>	
		\$ (1,946,691)

Capital asset additions paid for subsequent to year-end are capitalized within the proprietary funds as the funds are reported on the accrual basis of accounting, but such expenditures are not included in capital assets within the business-type activities as such activities are reported on the modified accrual basis of accounting.

(132,402)

Net assets of business-type activities

\$ 20,401,645

CITY OF COLUMBUS, NEBRASKA

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Business-type Activities --				Totals	Governmental
	Enterprise Funds					Activities --
	Water	Sewer	Electric	Solid Waste		Internal Service Funds
Operating Revenue						
Charges for Services	\$ 1,922,383	\$ 2,356,994	\$ -0-	\$ 942,349	\$ 5,221,726	\$ 1,203,185
Franchise Fees	-0-	-0-	1,856,637	-0-	1,856,637	-0-
Permits	59,529	25,172	-0-	2,562	87,263	-0-
Sales Taxes	90,552	140,280	-0-	-0-	230,832	-0-
Other	131,476	6,154	-0-	59,097	196,727	-0-
Total Operating Revenue	\$ 2,203,940	\$ 2,528,600	\$ 1,856,637	\$ 1,004,008	\$ 7,593,185	\$ 1,203,185
Operating Expenses						
Salaries and Wages	\$ 334,622	\$ 518,303	\$ -0-	\$ 182,779	\$ 1,035,704	\$ -0-
Payroll Taxes and Benefits	118,115	180,040	-0-	63,893	362,048	-0-
Utilities and Telephone	143,173	256,026	-0-	5,333	404,532	-0-
Operating Supplies	135,229	76,929	-0-	5,620	217,778	-0-
Repairs and Maintenance	51,899	83,344	-0-	33,735	168,978	-0-
Insurance	28,831	41,609	-0-	7,468	77,908	-0-
Professional Services	9,492	7,654	-0-	40,380	57,526	1,373,979
Fuel	2	21,316	-0-	-0-	21,318	-0-
Office and Cleaning Supplies	19,349	13,527	-0-	1,239	34,115	-0-
Sales Taxes Remitted	98,443	133,173	-0-	-0-	231,616	-0-
Equipment Rental	754	99	-0-	2,400	3,253	-0-
Landfill Disposal	-0-	-0-	-0-	560,579	560,579	-0-
Depreciation	539,928	501,838	149,449	62,516	1,253,731	-0-
Miscellaneous Operating Expenses	4,103	2,912	-0-	2,033	9,048	-0-
Total Operating Expenses	\$ 1,483,940	\$ 1,836,770	\$ 149,449	\$ 967,975	\$ 4,438,134	\$ 1,373,979
Operating Income (Loss)	\$ 720,000	\$ 691,830	\$ 1,707,188	\$ 36,033	\$ 3,155,051	\$ (170,794)
Non-Operating Revenue (Expense)						
Interest on Investments	\$ 122,681	\$ 88,594	\$ 39,750	\$ 1,559	\$ 252,584	\$ 219
Grant Receipts	550	-0-	-0-	142,750	143,300	-0-
Interest on Debt	(422,307)	(489,829)	-0-	-0-	(912,136)	-0-
Amortization	(74,857)	(57,686)	-0-	-0-	(132,543)	-0-
Loss on Disposal of Equipment	(3,130)	(23,808)	-0-	(13,076)	(40,014)	-0-
Total Non-Operating Income (Expense)	\$ (377,063)	\$ (482,729)	\$ 39,750	\$ 131,233	\$ (688,809)	\$ 219
Income Before Transfers	\$ 342,937	\$ 209,101	\$ 1,746,938	\$ 167,266	\$ 2,466,242	\$ (170,575)
Transfers In	\$ 90,902	\$ -0-	\$ -0-	\$ -0-	\$ 90,902	\$ -0-
Transfers Out	(110,102)	(122,080)	(1,785,000)	(30,000)	(2,047,182)	-0-
Total Transfers	\$ (19,200)	\$ (122,080)	\$ (1,785,000)	\$ (30,000)	\$ (1,956,280)	\$ -0-
Change in Net Assets	\$ 323,737	\$ 87,021	\$ (38,062)	\$ 137,266	\$ 509,962	\$ (170,575)
Net Assets - Beginning of Year	8,809,235	6,669,519	5,446,790	-0-	20,925,544	(145,330)
Prior Period Adjustment	66,310	373,890	-0-	605,032	1,045,232	-0-
Net Assets - End of Year	\$ 9,199,282	\$ 7,130,430	\$ 5,408,728	\$ 742,298	\$ 22,480,738	\$ (315,905)

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

PROPRIETARY FUNDS
RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF
REVENUES, EXPENSES, AND CHANGES IN NET ASSETS TO THE
STATEMENT OF ACTIVITIES-MODIFIED ACCRUAL BASIS

SEPTEMBER 30, 2005

Amounts reported for business-type activities in the Statement of Activities-Modified Accrual Basis are different because:

Net Income - total proprietary funds \$ 509,962

Proprietary funds are stated on the accrual basis of accounting, and business-type activities are reported on the modified accrual basis of accounting as described in Note 1. The net difference between the two basis of accounting is the difference between net assets.

Change in Accounts Receivables	\$ (116,032)	
Change in Accrued Revenues	(276,736)	
Change in Inventories	(27,281)	
Change in Bond Issue Costs	(123,904)	
Change in Cash Overdrawn	(7,099)	
Change in Accounts Payable	(129,692)	
Change in Accrued Liabilities	(119,606)	
Change in Deferred Revenue	<u>(2,323)</u>	
		\$ (802,673)
Fixed assets within the business-type activities do not include expenditures included in accounts payable in the proprietary funds		<u>(132,402)</u>

Change in net assets of business-type activities \$ (425,113)

CITY OF COLUMBUS, NEBRASKA

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Business-type Activities --				Totals	Governmental
	Enterprise Funds					Activities --
	Water	Sewer	Electric	Solid Waste		Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers	\$ 2,024,578	\$ 2,482,250	\$ -0-	\$ 917,790	\$ 5,424,618	\$ 1,203,185
Franchise Fees	-0-	-0-	1,741,047	-0-	1,741,047	-0-
Payments for Supplies and Services	(490,829)	(948,753)	-0-	(629,354)	(2,068,936)	(1,203,404)
Payments to Employees	(334,622)	(518,303)	-0-	(182,779)	(1,035,704)	-0-
Payments for Employee Benefits	(118,115)	(180,040)	-0-	(63,893)	(362,048)	-0-
Other Receipts	127,373	3,242	-0-	57,064	187,679	-0-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,208,385	\$ 838,396	\$ 1,741,047	\$ 98,828	\$ 3,886,656	\$ (219)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Grant Receipts	\$ 550	\$ -0-	\$ -0-	\$ 142,750	\$ 143,300	\$ -0-
Net Transfers (Out)	(19,200)	(122,080)	(1,785,000)	(30,000)	(1,956,280)	-0-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	\$ (18,650)	\$ (122,080)	\$ (1,785,000)	\$ 112,750	\$ (1,812,980)	\$ -0-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Purchase of Fixed Assets	\$ (1,319,065)	\$ (849,583)	\$ -0-	\$ (152,107)	\$ (2,320,755)	\$ -0-
Issuance of Bonds	3,763,596	3,151,404	-0-	-0-	6,915,000	-0-
Principal Payments on Bonds	(4,025,000)	(4,100,000)	-0-	-0-	(8,125,000)	-0-
Interest Expense on Debt	(422,307)	(489,829)	-0-	-0-	(912,136)	-0-
Bond Issue Costs	(189,384)	(67,064)	1	-0-	(256,447)	-0-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	\$ (2,192,160)	\$ (2,355,072)	\$ 1	\$ (152,107)	\$ (4,699,338)	\$ -0-
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES						
Interest Income	\$ 122,681	\$ 88,594	\$ 39,750	\$ 1,559	\$ 252,584	\$ 219
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (879,744)	\$ (1,550,162)	\$ (4,202)	\$ 61,030	\$ (2,373,078)	\$ -0-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,838,918	4,391,979	1,567,228	20,956	10,819,081	-0-
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,959,174	\$ 2,841,817	\$ 1,563,026	\$ 81,986	\$ 8,446,003	\$ -0-
CASH FLOWS FROM OPERATING ACTIVITIES						
Net Income (Loss) from Operations	\$ 720,000	\$ 691,830	\$ 1,707,188	\$ 36,033	\$ 3,155,051	\$ (170,794)
Reconciliation of Net Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities						
Depreciation	539,928	501,838	149,449	62,516	1,253,731	-0-
Changes in Assets and Liabilities:						
Change in Receivables	(55,748)	(11,777)	-0-	(14,425)	(81,950)	-0-
Change in Accrued Revenues	7,862	(28,419)	(115,590)	(12,696)	(148,843)	-0-
Change in Inventories	(27,281)	-0-	-0-	-0-	(27,281)	-0-
Change in Cash Overdrawn	(2,925)	(4,174)	-0-	-0-	(7,099)	170,575
Change in Accounts Payable	106,998	(264,331)	-0-	22,309	(135,024)	-0-
Change in Accrued Liabilities	(80,449)	(46,571)	-0-	5,091	(121,929)	-0-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,208,385	\$ 838,396	\$ 1,741,047	\$ 98,828	\$ 3,886,656	\$ (219)

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2005

	Pension Trust Funds	Agency Funds
ASSETS		
Cash	\$ 308	\$ 188
Cash Investments	40,743	-0-
TOTAL ASSETS	<u>\$ 41,051</u>	<u>\$ 188</u>
LIABILITIES		
Due to Other Governmental Agencies	<u>\$ -0-</u>	<u>\$ 188</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 41,051</u>	<u>\$ -0-</u>

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Pension Trust Funds</u>
ADDITIONS	
Interest Income	<u>\$ 1,375</u>
DEDUCTIONS	
Public Safety	<u>\$ 184,980</u>
OTHER FINANCING SOURCES	
Transfers from Other Funds	<u>\$ 188,600</u>
CHANGE IN NET ASSETS	\$ 4,995
NET ASSETS, BEGINNING OF YEAR	<u> 36,056</u>
NET ASSETS, END OF YEAR	<u><u> 41,051</u></u>

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Columbus, Nebraska, conform to generally accepted accounting principles as applicable to governments, with the exception of governmental activities, business-type activities and governmental funds, as more fully described below. Presentation is in accordance with the financial reporting model described in Governmental Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The following is a summary of the more significant policies:

A. Reporting Entity

The Mayor and City Council, a nine member group, is the level of government which has governance responsibilities over all activities related to City government within the jurisdiction of the City of Columbus. The Council receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Council is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Report Standards*, since Council members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include potential component units in the reporting entity was made by applying the criteria set forth by generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The ability to exercise oversight responsibility includes, but is not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate the potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

The component units included in the City's financial statements are the Gerrard Park Trust, the Library Endowment Fund, and the Library Foundation.

B. Government-Wide and Fund Financial Accounting

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the City. The effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its revenues, expenditures and fund balances. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report.

C. Basis of Accounting and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

In the government-wide financial statements, the governmental and business-type activities are accounted for using the modified accrual basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Revenues are recognized when they are received, and expenditures are recognized when the related liability is paid, except for capital asset and long-term debt activity. Capital assets are accounted for as expenditures throughout their economic useful lives through depreciation expense. In addition, long-term debt is recognized as a liability, and principal payments do not affect revenue or expense.

In the fund financial statements, all governmental funds and fiduciary funds are accounted for using the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Their revenues are recognized when they are received. Taxpayer-assessed income is considered "Measurable" when in the hands of intermediary collecting governments and is recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Expenditures are generally recognized under the modified cash basis of accounting when the related fund liability is paid.

The proprietary funds of the City of Columbus, Nebraska, use the accrual basis of accounting for financial reporting. These funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. These utility funds are used to account for the following activities:

- (a) That are financed and operated in a manner similar to those found in the private sector, where the intent of the governing body is that the costs (expenses), including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or
- (b) Where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Basis of Accounting and Financial Statement Presentation, Continued

The City reports the following major governmental funds:

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

The Special Revenue Fund accounts for city-enacted sales tax, as further described in Note 12, and expenditures for transportation purposes which include construction and maintenance of streets, roads, and bridges to the extent of tax revenues. In addition, the fund accounts for Community Development Block Grants and lottery funds.

The Capital Projects Fund is used for the acquisition of major capital facilities other than those financed by proprietary funds.

The City reports the following major proprietary funds:

The Water, Sewer and Solid Waste Funds account for the billing and collection of charges for water, sewer, and waste disposal services for city residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services.

The Electric Fund accounts for franchise fees received from Loup Power District. Revenues are used to maintain distribution lines to city customers.

Additionally, the City reports the following fund types:

Internal Service Funds account for self-insurance reserves and employee benefits for covered employees provided to other departments or agencies of the City, on a cost reimbursement basis.

The Pension Trust Funds are used to account for the accumulation of resources for pension benefit payments to qualified police and firefighter personnel.

D. Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

Prior to August 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The budget document includes all governmental, special revenue and proprietary fund types. The budget is prepared on the cash basis of accounting.

Public hearings are conducted to obtain taxpayer comments.

Prior to September 20, the budget is legally enacted through passage of an ordinance.

Total expenditures may not legally exceed total appropriation. Appropriations lapse at fiscal year-end, and any revisions require Council approval.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

E. Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased to be cash equivalents.

F. Accounts Receivable

Accounts receivable represents the amounts due from customers for services provided. The Proprietary Funds use the reserve method of accounting for bad debts. Differences between this and other methods are immaterial.

Allowance for uncollectible accounts, in the amount of \$1,200 and \$1,800 in the sewer and water funds, respectively, at September 30, 2005, are shown netted against the respective accounts receivable balances for the Proprietary Funds.

G. Reserve for Special Assessments

The City has foreclosed on various property owners due to delinquent assessments. The remaining unsold properties are valued at the amount of assessments on them of \$190,000. The City now owns these properties and \$190,000 is the value included in the Debt Service fund as Land. The amount of assessments is included in assessments receivable and a reserve has been set up in the Debt Service Fund. At the time the properties are sold, the assessments related to the properties will be eliminated.

H. Inventories

Governmental Fund Types - Disbursements for inventory type items which consist of expendable supplies held for consumption are considered expenditures at the time of purchase and not at the time the items are used.

Proprietary Fund Types - Inventories consist of plumbing supplies and replacement parts. Inventories are valued at the lower of cost or market, using a first-in, first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

I. Inter-fund Transactions

During the course of normal operations the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The accompanying fund financial statements generally reflect such transactions as operating transfers. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

J. Unamortized Bond Discount

In the Proprietary Funds, the costs of the issuance of bonds are being amortized, on the straight-line method, over the life of the bonds.

For all Governmental Fund Types, costs of issuance of bonds are expensed when incurred.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

K. Fixed Assets

Fixed Assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Fixed assets are valued at cost for those purchased and estimated fair value on the date of donation for those donated.

In accordance with GASB Statement No. 34, general government infrastructure assets (streets, drainage, sidewalks) have been capitalized retroactively to 1980 at historical costs.

Fixed Assets are depreciated using the straight-line method over the following estimated useful lives:

Land Improvements and Buildings	5-50 years
Improvements	5-75 years
Equipment	3-20 years
Vehicles	5-30 years

L. Net Assets

In the government-wide and proprietary fund financial statements, fund balance is displayed in three components as follows:

Investment in General Fixed Assets, Net of Related Debt - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted - This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted - This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

M. Capitalized Interest

The City follows the policy of capitalizing interest as a component of construction cost in the Business-type activities and Proprietary Funds only. The total interest cost incurred by the Proprietary Funds for the year ended September 30, 2005 was \$912,137, of which \$0- has been capitalized into various items of construction in progress. In the prior year, interest cost was \$1,122,614, of which \$207,029 was capitalized.

N. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

An element of that reconciliation states that "Internal service funds are used by management to charge the costs of self-insurance and employee benefits." The assets and liabilities of the internal service fund is therefore included in governmental activities in the following line items in the statement of net assets:

Cash	\$(315,905)
Net adjustments to increase fund balance- total governmental funds to arrive at net assets-governmental activities	<u>\$(315,905)</u>

B. Explanations of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

An element of that reconciliation states that "Internal service funds are used by management to charge the costs of self-insurance and employee benefits." The portion of the net revenue of these internal service funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Insurance Premiums	\$ 1,203,185
Interest Income	219
Insurance Claims	(1,133,204)
Administrative Expense	<u>(240,775)</u>
Net adjustments to increase net change in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$(170,575)</u>

NOTE 3 - PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on April 30 and August 31. The county bills and collects property taxes and remits to the City monthly. City property tax revenues are recognized when received by the county treasurer.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2005

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Cash and restricted assets for the City at September 30, 2005 consisted of the following:

Primary Government	
Checking Accounts	\$(84,837)
Petty Cash	2,260
Money Market Accounts	6,746,048
Certificates of Deposit	<u>15,872,366</u>
	<u>\$22,535,837</u>
Component Units	
Checking Accounts	\$ 66
Savings	1,307
Money Market Accounts	608,521
Certificates of Deposit	65,635
US Treasury Notes	121,163
Mutual Fund	9,313
Corporate Bonds	199,349
Various Stocks	<u>264,675</u>
	<u>\$ 1,270,029</u>
Total	<u>\$23,805,866</u>

Credit Risk - The City's investment policies regarding credit risk are governed by state statutes as described below. The City's component units do not have investment policies in regards to credit risk. As of September 30, 2005, the component units' investments in corporate bonds were rated Aaa by Moody's Investors Service.

Custodial Credit Risk-Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's policy regarding custodial credit risk is determined by state statute as described below. As of September 30, 2005, the City's bank balances of \$22,778,897 were not exposed to custodial credit risk.

None of the City's deposits (excluding component units) in excess of the amount insured by the Federal Deposit Insurance Corporation shall be allowed to accumulate in any financial institution unless:

- the financial institution gives a surety bond;
- the financial institution provides the City with securities as collateral on the excess funds;
- the financial institution issues a joint custody receipt to the benefit of the City where a third party financial institution actually holds the security.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2005

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS, CONTINUED

Nebraska Statute 77, Article 23, covers the deposit and investment of public funds. The City may only invest in the following:

- a. U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value
- b. Certificates of deposit and other evidences of deposit at institutions, bankers' acceptances, and commercial paper, rated in the highest tier (e.g., A-1, P-1) by a nationally recognized rating agency
- c. Investment-grade obligations of state and local governments
- d. Repurchase agreements whose underlying purchased securities consist of the foregoing
- e. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities and securities as described in a, b, c, and d of this section
- f. Local government investment pools, either state-administered or through interlocal agreement legislation, whose portfolios consist of securities as described in a, b, c, and d of this section

In accordance with GASB Statement No. 31, the City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

The carrying value of investments of the primary government owned at year end was \$22,619,414 (Money Market Accounts and Certificates of Deposit) which are carried at amortized cost, which approximates fair value, all of which are allowed by Nebraska Statute 77, Article 23.

NOTE 5 - NOTES RECEIVABLE

SPECIAL REVENUE FUND

The City has the following notes receivable outstanding at September 30, 2005 under the Community Development Block Grant program administered by the City.

	<u>Original</u> <u>Date</u>	<u>Due</u> <u>Date</u>	<u>Original</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Monthly</u> <u>Payment</u>	<u>Balance</u>
1994 Flexcon	04/01/94	03/01/09	\$250,000	3.00%	\$1,726	\$ 67,199
1997 Greystone	09/01/97	08/01/12	500,000	4.60%	3,851	273,299
1999 Flexcon	09/01/99	08/01/14	250,000	4.00%	1,846	164,606
Speculative Bldg			431,623			431,623
Total						<u>\$936,727</u>

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2005

NOTE 6 - FIXED ASSETS

Fixed asset activity for the year ended September 30, 2005 was as follows:

	Balance October 1, <u>2004</u>	Additions and <u>Transfers</u>	Disposals and <u>Transfers</u>	Balance September 30, <u>2005</u>
Business-type activities:				
Fixed Assets, not being depreciated:				
Land	\$ 391,161	\$ -0-	\$ -0-	\$ 391,161
Construction in Progress	7,309,049	1,956,372	8,123,060	1,142,361
Total	<u>\$ 7,700,210</u>	<u>\$ 1,956,372</u>	<u>\$ 8,123,060</u>	<u>\$ 1,533,522</u>
Fixed Assets being depreciated:				
Land Improvements & Buildings				
Improvements	\$10,628,320	\$ 8,432,470	\$ -0-	\$19,060,790
Equipment	27,245,381	429,691	177,622	27,497,450
Total	<u>2,078,706</u>	<u>833,097</u>	<u>116,523</u>	<u>2,795,280</u>
Total	<u>\$39,952,407</u>	<u>\$ 9,695,258</u>	<u>\$ 294,145</u>	<u>\$49,353,520</u>
Less accumulated depreciation for:				
Land Improvements & Buildings				
Improvements	\$ 2,214,837	\$ 540,401	\$ -0-	\$ 2,755,238
Equipment	11,815,759	718,836	174,492	12,360,103
Total	<u>676,522</u>	<u>474,176</u>	<u>79,639</u>	<u>1,071,059</u>
Total	<u>\$14,707,118</u>	<u>\$ 1,733,413</u>	<u>\$ 254,131</u>	<u>\$16,186,400</u>
Business-type activities fixed assets, net	<u>\$32,945,499</u>	<u>\$ 9,918,217</u>	<u>\$ 8,163,074</u>	<u>\$34,700,642</u>
Governmental activities:				
Fixed Assets, not being depreciated:				
Land	\$ 456,253	\$ -0-	\$ -0-	\$ 456,253
Construction in Progress	1,283,880	4,627,003	1,902	5,908,981
Total	<u>\$ 1,740,133</u>	<u>\$ 4,627,003</u>	<u>\$ 1,902</u>	<u>\$ 6,365,234</u>
Fixed assets being depreciated:				
Land Improvements & Buildings				
Improvements	\$ 8,008,475	\$ 42,636	\$ 538,927	\$ 7,512,184
Equipment	47,321,592	3,443,016	262,590	50,502,018
Vehicles	4,707,827	669,195	383,897	4,993,125
Total	<u>3,517,533</u>	<u>147,668</u>	<u>399,089</u>	<u>3,266,112</u>
Total	<u>\$63,555,427</u>	<u>\$ 4,302,515</u>	<u>\$ 1,584,503</u>	<u>\$66,273,439</u>
Less accumulated depreciation for:				
Land Improvements & Buildings				
Improvements	\$ 2,928,525	\$ 247,113	\$ 409,839	\$ 2,765,799
Equipment	10,223,911	1,161,764	50,420	11,335,255
Vehicles	2,655,968	412,869	189,164	2,879,673
Total	<u>1,764,068</u>	<u>246,684</u>	<u>339,484</u>	<u>1,671,268</u>
Total	<u>\$17,572,472</u>	<u>\$ 2,068,430</u>	<u>\$ 988,907</u>	<u>\$18,651,995</u>
Governmental activities, fixed assets, net	<u>\$47,723,088</u>	<u>\$ 6,861,088</u>	<u>\$ 597,498</u>	<u>\$53,986,678</u>

Business-type activities fixed asset additions include the transferring of the Solid Waste fund from a governmental activity to a business-type. Governmental activities fixed asset disposals include the transferring of the Solid Waste fund from a governmental activity to a business-type activity.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2005

NOTE 6 - FIXED ASSETS, CONTINUED

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Policy/Administration	\$ 47,176
Public Safety	318,023
Public Works	1,138,380
Environment Preservation	22,243
Parks and Recreation	517,346
Community Development	3,903
Total	<u>\$2,047,071</u>
Business-type Activities:	
Water	\$ 539,928
Sewer	501,838
Solid Waste	62,516
Electric	149,449
Total	<u>\$1,253,731</u>

NOTE 7 - BOND ANTICIPATION NOTES PAYABLE

The following is a summary of bond anticipation note transactions of the City for the year ended September 30, 2005:

Governmental Funds:

Payable at beginning of year	\$ 1,060,000
Bond Anticipation Notes Issued	645,000
Bond Anticipation Notes Redeemed	<u>(1,060,000)</u>
Payable at end of year	<u>\$ 645,000</u>

NOTE 8 - BONDS PAYABLE

The following is a summary of bond transactions of the City for the year ended September 30, 2005:

	<u>Utility Revenue</u>	<u>General Obligation</u>
Bonds Payable at October 1, 2004	\$23,955,000	\$ 7,415,000
Bonds Issued	6,915,000	8,555,000
Bonds Retired	<u>(8,125,000)</u>	<u>(950,000)</u>
Bonds Payable at September 30, 2005	<u>\$22,745,000</u>	<u>\$15,020,000</u>
Current Portion	<u>\$ 695,000</u>	<u>\$ 2,125,000</u>

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2005

NOTE 8 - BONDS PAYABLE, CONTINUED

The annual payments required to retire bonds payable as of September 30, 2005, are as follows:

Year Ending September 30	Proprietary Funds			Governmental Funds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 695,000	\$ 771,323	\$ 1,466,323	\$ 2,125,000	\$ 528,956	\$ 2,653,956
2007	1,095,000	784,583	1,879,583	1,480,000	465,615	1,945,615
2008	1,125,000	752,158	1,877,158	1,460,000	417,361	1,877,361
2009	1,155,000	717,508	1,872,508	1,510,000	366,725	1,876,725
2010	1,175,000	680,733	1,855,733	1,485,000	316,244	1,801,244
2011 - 2015	5,640,000	2,841,840	8,481,840	6,385,000	724,169	7,109,169
2016 - 2020	6,780,000	1,692,497	8,472,497	575,000	61,438	636,438
2021 - 2024	5,080,000	391,949	5,471,949	-0-	-0-	-0-
	<u>\$22,745,000</u>	<u>\$ 8,632,591</u>	<u>\$31,377,591</u>	<u>\$15,020,000</u>	<u>\$ 2,880,508</u>	<u>\$17,900,508</u>

The following is a summary of bond balances of the City for the years ended September 30, 2005:

Bonds Outstanding

General Obligation:

Various Purpose Bonds - 1999 Interest Rates: 4.00% to 5.60% Maturity: November 15, 2014	\$ 630,000
Flood Control Bonds - 2002 Interest Rates: 1.65% to 4.40% Maturity: November 15, 2014	5,275,000
G.O. Refunding Bonds - 2002 Interest Rates: 2.10% to 4.50% Maturity: June 15, 2011	730,000
Various Purpose Bonds - 2004 Interest Rates: 1.80% to 4.20% Maturity: October 15, 2019	1,060,000
Various Purpose Bonds - 2004B Interest Rates: 1.80% to 2.85% Maturity: October 15, 2009	410,000
Sales Tax Revenue Bonds - 2005 Interest Rates: 2.00% to 3.90% Maturity: September 15, 2013	4,000,000
Sales Tax Revenue Bonds - 2005 Interest Rates: 3.50% to 4.25% Maturity: September 15, 2009	2,330,000
Various Purpose Bonds - 2005 Interest Rates: 3.00% to 4.00% Maturity: November 15, 2014	585,000
Total General Obligation Bonds Outstanding	<u>\$15,020,000</u>

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2005

NOTE 8 - BONDS PAYABLE, CONTINUED

Utility Revenue Fund:		
Subordinate Combined Revenue Bonds - 2005		\$ 8,625,000
Interest Rates: 2.00% to 4.00%		
Maturity: December 15, 2023		
Subordinate Combined Revenue Bonds		7,205,000
Interest Rates: 3.00% to 4.65%		
Maturity: December 15, 2023		
Combined Revenue and Refunding Bonds - 2005		6,915,000
Interest Rates: 3.00% to 4.00%		
Maturity: December 15, 2023		
		\$22,745,000
Total Utility Bonds Outstanding		

Interest costs incurred were accounted for as follows:

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
Expensed	\$ 912,137	\$ 735,615
Capitalized	-0-	-0-
Total	\$ 912,137	\$ 735,615

NOTE 9 - PENSION PLAN AND RETIREMENT PLANS

A. The City employees' defined contribution pension plan was created December 1, 1974. This plan is a fully funded money purchase pension plan administered by a third party. Five percent of all earned income of the employee is contributed by each employee and matched by the City. Vesting is made over a scheduled seven-year period of plan participation. All employees of the City except policemen and firemen are eligible after one year of service and 21 years of age for this pension plan but it is not mandatory. At retirement, the employee may elect to receive a lump-sum distribution or one of several types of annuities.

The fire and police pension plans are mandatory under the statutes of the State of Nebraska. Fire employees contribute six and one-half percent of base salary and police employees contribute six percent of gross wages. Currently, the City is required to provide matching funds of thirteen percent for fire pensions and six percent for police pensions. During the current year the City made a portion of the required matching contribution for the police pension with overfunded pension amounts. The City may make a levy, in addition to the normal allowable levy, to provide the necessary amounts to pay such pensions. Police employees are vested 40% after four years and 10% each year thereafter. Fire employees are vested 40% after four years and 20% each year thereafter.

Police and fire employees receive the retirement benefit provided by their individual vested account. However, if an individual was an eligible employee on January 1, 1984, the benefit will not be less than 50% of their average final salary at normal retirement age. The benefits accrued after 1983 are fully funded and are administered by the Principal Financial Group. The benefits earned prior to 1984 are administered by the City of Columbus and are recorded in the Police Pension and Fire Pension funds. The benefits earned prior to 1984 are defined benefit pensions. The benefits earned after 1983 are money purchase pensions.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2005

NOTE 9 - PENSION PLAN AND RETIREMENT PLANS, CONTINUED

The cost to the City for the money purchase plans administered by others for the fiscal year ended September 30, 2005 was as follows:

Police	\$	12,195
Fire		64,644
All Others		<u>146,399</u>
 Total		 <u>\$ 223,238</u>

Total wages paid by the City for the year ended September 30, 2005, were \$6,548,569.

- B. There are no investments in loans to or leases with parties related to the pension plan.
- C. The amount of the total pension benefit obligation based on a standardized measurement is required to be disclosed by GASB-5. The standardized measurement has not been determined for the City's defined benefit pension plans.
- D. Contributions recommended and contributions made:

Recommended additional periodic employer contributions to the pension plan are determined on an actuarial basis using the aggregate actuarial cost method. The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities. Actuarial reports are required every four years for the plan. The actuarial valuation as of January 1, 2003, from the most recently issued report, showed a recommended annual deposit of \$90,896 for the fire plan and \$-0- for the police plan. The City's contributions to these plans for the year ended September 30, 2005, were \$122,482 for the fire plan and \$62,498 for the police plan.

E. Actuarial assumptions:

Significant actuarial assumptions used to compute the recommended pension contribution are summarized below:

Investment Return

	<u>Police</u>	<u>Fire</u>
Pre-retirement	7.0%	7.0%
Post-retirement for		
Current active members	6.0%	5.5%
Post-retirement for		
Current retired members	7.0%	7.0%

Mortality 1983 Group Annuity Mortality Table with 20% of deaths duty related.

Expenses Normal cost includes estimated plan expense charge.

Retirement Age

	<u>Age</u>	<u>Probability Of Retirement</u>
Fire	55-59	40%
Fire	60	100%
Police	55-59	20%
Police	60	100%

Salary Scale 5% increase each year until retirement for police.
4% increase each year until retirement for fire.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2005

NOTE 9 - PENSION PLAN AND RETIREMENT PLANS, CONTINUED

E. Actuarial assumptions, Continued:

Disability	None.
Termination	None prior to retirement eligibility.
Load for Lump Sums	Liabilities were loaded by 10% for police and 15% for fire to reflect the potential adverse interest and mortality selection with participants choosing the lump sum option.
Marital Status	100% married, males assumed to be three years older than females.

F. Summary of cash basis transactions:

The cash basis transactions in the defined benefit pension plans administered by the City are as follows:

	<u>Fire Pension</u>	<u>Police Pension</u>
Receipts:		
Transfer from Other Funds	\$ 126,500	\$ 62,100
Interest	<u>799</u>	<u>576</u>
	<u>\$ 127,299</u>	<u>\$ 62,676</u>
Disbursements:		
Pension Paid	\$ 22,482	\$ 62,498
Reserve Paid to Principal	<u>100,000</u>	<u>-0-</u>
	<u>\$ 122,482</u>	<u>\$ 62,498</u>
Excess of Receipts over (under) Disbursements	\$ 4,817	\$ 178
Balance, Beginning	<u>8,441</u>	<u>27,615</u>
Balance, Ending	<u>\$ 13,258</u>	<u>\$ 27,793</u>

NOTE 10- AVIATION FIELDS

The City has no authority over the Airport Authority and is responsible only for the enactment of a tax levy, the receipt of the tax funds from the Platte County Treasurer and the disbursement of said funds to the Airport Authority Board.

NOTE 11- SELF-INSURANCE PLAN

The City's health insurance coverage is a partially self-funded plan administered by a third-party administrator. The City pays the administrator to manage the employee health plan operations and to purchase reinsurance to cover specific claims over \$50,000 and aggregate claims that are over \$1,404,000 or 125% of the expected annual claims, whichever is greater. The Health Insurance Fund of the City has a deficit balance of \$315,903 at September 30, 2005 due to a pending settlement with another insurance provider. It is anticipated that the settlement will be more than adequate to cover the deficit balance. No accrual for claims incurred but not reported has been made at year-end.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2005

NOTE 12- SALES TAX

The citizens of Columbus voted for a one percent city sales tax in November, 1994. The voters extended the one percent city sales tax in May, 1998, and May, 2002. The May, 1998 city sales tax was restricted to the following uses: 50% surface drainage projects, 25% street improvements and 25% capital improvements. The May, 2002 vote retained the same percentage allocations and added the authorization to pay indebtedness incurred for these types of projects. In September 2004, an additional .5% sales tax was approved to finance bonds for the construction of a new Water Park and to support operating deficits at the existing indoor pool and the Water Park. The balance in the Sales Tax Fund is recorded as a reserved fund balance because of the above restrictions on how the proceeds can be spent.

NOTE 13- RESERVED FUND BALANCE

Reserves are used to indicate that a portion of a fund balance is not available for expenditure, or is legally segregated for a specific use. At September 30, 2005, the City of Columbus reserved fund balances were as follows:

Reserved Fund Balance-Special Revenue Fund indicates a portion of the fund balance is legally restricted according to provisions of the City Sales Tax Ordinance. (See Note 12.) Another portion of the fund balance is restricted for use under the Community Development Block Grant agreement between the Nebraska Department of Economic Development and the City of Columbus.

Reserved Fund Balance-Debt Service indicates the amount which is restricted for the payment of debt.

Reserved Fund Balance-Trust and Agency Fund represents the amount of resources the City has reserved for pension payments.

NOTE 14- COMMITMENTS AND CONTINGENCIES

Unemployment Insurance

The City has been approved by the Nebraska Department of Labor to operate as a reimbursable employer for the purposes of the Nebraska Employment Security Law. As a reimbursable employer, the City, rather than contributing quarterly to the state, will be billed quarterly by the state for any benefits paid to former employees. At September 30, 2005, the amount of this liability, if any, was indeterminable.

Solid Waste Coalition

During 1995, the City entered into an inter-local agreement with several other governmental entities which resulted in the formation of the Northeast Nebraska Solid Waste Coalition. The Coalition issued revenue bonds for which it is expected that the Coalition's debt service requirements will be met with landfill use fees. In July, 1996, the City guaranteed the bonded indebtedness of the Coalition along with two other cities. The City's guarantee is capped at \$500,207 per year, over the life of the Coalition's revenue bonds.

Legal Settlement

During a prior fiscal year, a settlement was reached with an individual who owns property across the Platte River from a former City landfill. The total amount of the settlement was \$225,000, payable in seven annual payments of \$30,000 and a final payment in the amount of \$15,000. No accrued liability has been recorded for the remaining balance, due to the basis of accounting of the general fund, which will incur the expense.

On August 1, 2005, the City entered into an agreement with the former City Administrator for severance pay of \$88,500. The City also agreed to continue providing health and dental insurance until August 15, 2006 or until such coverage is provided by a future employer. No liability has been recorded due to the basis of accounting of the general fund, which will incur the expense.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2005

NOTE 14- COMMITMENTS AND CONTINGENCIES, CONTINUED

Arbitrage Liability

Arbitrage rebate liability may arise when bonded indebtedness issued in an individual fiscal year exceeds \$5,000,000. Arbitrage regulations provide for a tax of 100% of the interest earned on carrying bonded debt, with adjustments to this calculation based on effective interest rates. At September 30, 2005, no further arbitrage rebate liability existed with respect to outstanding debt.

NOTE 15 - TAX INCREMENT FINANCING

The City has entered into the Village Addition Shopping Center Redevelopment Agreement with Dial Columbus, L.L.C. In accordance with the Redevelopment Agreement, the City, as the Community Redevelopment Authority, issued \$2,600,000 of Village Addition Shopping Center Redevelopment Project Tax Allocation Bonds, dated November 15, 2002. These bonds shall be payable solely from the tax increment revenues and other funding as provided.

These Series 2002 Bonds shall not in any event be a debt of the City, except to the extent of the pledge of the tax increment revenues and other funds from Dial Columbus, L.L.C. for the payment of the principal and interest on the bonds. Therefore, no liability relating to the Bonds is shown in the financial statements.

NOTE 16 - LITIGATION

Various suits and claims against the City are presently pending involving claims for personal injury, tax appeals, and miscellaneous cases. In the opinion of management, both individually or in the aggregate, such suits or claims will not have a material effect on the financial position of the City.

NOTE 17 - PRIOR PERIOD ADJUSTMENT

STATEMENT OF ACTIVITIES

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
In the current year, the business-type activities were converted from the accrual basis of accounting to the modified accrual basis of accounting.	\$(1,142,253)	\$ -0-
In the current year, the Solid Waste fund was transferred from a governmental activity to a proprietary activity.	603,267	(603,267)
Certain accrued revenues were not reflected in the statement of net assets in the prior year.	161,975	-0-
Capital assets constructed by governmental activities in a prior year were transferred to business-type activities in the current year.	-0-	(90,902)
During the current year infrastructure assets constructed by subdevelopers became the property of the City.	<u>-0-</u>	<u>1,519,823</u>
Total	<u>\$(377,011)</u>	<u>\$ 825,654</u>

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2005

NOTE 17 - PRIOR PERIOD ADJUSTMENT, CONTINUED

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
CASH BASIS

In the current year, the Solid Waste fund was transferred from a governmental fund to a proprietary fund. \$ 20,956

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

WATER FUND

Certain accrued revenues were not reflected in the statement of net assets in the prior year. \$ 66,310

SEWER FUND

Certain accrued revenues were not reflected in the statement of net assets in the prior year. \$ 95,665

In the prior year, certain capital assets were reflected as expense rather than capitalized. 278,225

Total \$ 373,890

SOLID WASTE FUND

In the current year, the Solid Waste fund was transferred from a governmental fund to a proprietary fund and the basis of accounting was changed from modified cash to accrual. \$ 605,032

CITY OF COLUMBUS, NEBRASKA

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts	Actual
	Original/Final	Amounts
Cash Fund Balance, October 1, 2004	\$ 2,088,142	\$ 2,088,142
 RECEIPTS:		
Taxes	3,600,000	3,716,795
Intergovernmental	1,205,631	1,034,998
Charges for Services	1,433,305	1,395,548
Interest Income	23,670	43,082
Miscellaneous	7,950	42,391
Amounts Available	\$ 8,358,698	\$ 8,320,956
 EXPENDITURES:		
Policy/Administration	\$ 1,070,685	\$ 1,018,590
Public Safety	4,515,570	4,288,960
Environment Preservation	211,944	212,157
Parks and Recreation	2,690,057	2,395,580
Community Development	140,900	138,013
Total Expenditures	\$ 8,629,156	\$ 8,053,300
 OTHER FINANCING SOURCES (USES):		
Transfers From Other Funds	\$ 2,651,883	\$ 2,596,836
Transfers To Other Funds	(412,733)	(413,238)
Total Other Financing Sources (Uses)	\$ 2,239,150	\$ 2,183,598
 Cash Fund Balance, September 30, 2005	 \$ 1,968,692	 \$ 2,451,254

CITY OF COLUMBUS, NEBRASKA

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>	
	<u>Original/Final</u>	<u>Actual Amounts</u>
Cash Fund Balance, October 1, 2004	\$ 7,314,041	\$ 7,314,041
RECEIPTS:		
Taxes	3,770,000	3,960,350
Intergovernmental	3,652,000	1,784,643
Charges for Services	144,780	153,102
Interest Income	220,250	178,388
Miscellaneous	31,200	39,534
Amounts Available	<u>\$ 15,132,271</u>	<u>\$ 13,430,058</u>
EXPENDITURES:		
Policy/Administration	\$ -0-	\$ 7
Public Safety	143,100	135,306
Public Works	1,747,225	1,857,554
Community Development	2,157,285	263,812
Capital Outlay	7,081,405	2,828,214
Total Expenditures	<u>\$ 11,129,015</u>	<u>\$ 5,084,893</u>
OTHER FINANCING SOURCES (USES):		
Transfers From Other Funds	\$ 74,100	\$ 70,000
Transfers To Other Funds	<u>(1,300,000)</u>	<u>(1,408,775)</u>
Total Other Financing Sources (Uses)	<u>\$ (1,225,900)</u>	<u>\$ (1,338,775)</u>
Cash Fund Balance, September 30, 2005	<u>\$ 2,777,356</u>	<u>\$ 7,006,390</u>

CITY OF COLUMBUS, NEBRASKA

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>	<u>Actual</u>
	<u>Original/Final</u>	<u>Amounts</u>
Cash Fund Balance, October 1, 2004	\$ 115,071	\$ 115,071
 RECEIPTS:		
Taxes	-0-	297,422
Intergovernmental	3,996,520	1,208,847
Charges for Services	50,100	-0-
Interest Income	2,000	111,196
Proceeds from Debt	7,523,782	8,664,227
Amounts Available	\$ 11,687,473	\$ 10,396,763
 EXPENDITURES:		
Capital Outlay	\$ 11,196,520	\$ 4,172,002
Debt Service	100,000	1,444,028
Total Expenditures	\$ 11,296,520	\$ 5,616,030
 OTHER FINANCING SOURCES (USES):		
Transfers From Other Funds	\$ -0-	\$ 27,708
Transfers To Other Funds	-0-	(90,902)
Total Other Financing Sources (Uses)	\$ -0-	\$ (63,194)
 Cash Fund Balance, September 30, 2005	 \$ 390,953	 \$ 4,717,539

SCOW, RIEF,
KRUSE &
SCHUMACHER, P.C.

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

The Honorable Mayor and
Members of the City Council
City of Columbus, Nebraska

James F. Scow
Daniel L. Rief
Daniel M. Kruse
Richard E. Schumacher
Scott T. Smejkal
Mark J. Brockhaus

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Columbus, Nebraska, as of and for the year ended September 30, 2005, which collectively comprise the City of Columbus, Nebraska's basic financial statements and have issued our report thereon dated December 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

3403 27th Street
P.O. Box 280
Columbus, NE 68602-0280
P: 402 564 1366
F: 402 564 1360

Our report disclosed that, as described in Note 1 to the financial statements, the City prepares the financial statements of the governmental and fiduciary fund types on a basis of accounting that demonstrates compliance with the cash basis and budget laws of Nebraska, which is a comprehensive basis of accounting other than generally accepted accounting principles. In addition, the financial statements of the governmental and business-type activities are presented on the modified accrual basis of accounting as described in Note 1.

Internal Control over Financial Reporting

508 Prospect Avenue
P.O. Box 368
Norfolk, NE 68702-0368
P: 402 379 2722
F: 402 379 2218

In planning and performing our audit, we considered the City of Columbus, Nebraska's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

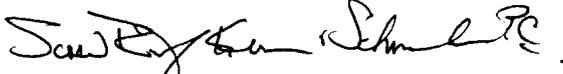
Compliance and Other Matters

MEMBERS
American Institute of
Certified Public Accountants
Nebraska Society of
Certified Public Accountants

As part of obtaining reasonable assurance about whether the City of Columbus, Nebraska's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Honorable Mayor and
Members of the City Council
City of Columbus, Nebraska
Page 2

This report is intended solely for the information and use of the audit committee, management, specific legislative or regulatory bodies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Scott R. Kruse". The signature is written in a cursive style with a large initial "S" and "K".

SCOW, RIEB, KRUSE & SCHUMACHER, P.C.
Certified Public Accountants

December 9, 2005

SCOW, RIEF,
KRUSE &
SCHUMACHER, P.C.

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor and
Members of the City Council
City of Columbus, Nebraska

James F. Scow
Daniel L. Rief
Daniel M. Kruse
Richard E. Schumacher
Scott T. Smejkal
Mark J. Brockhaus

3403 27th Street
P.O. Box 280
Columbus, NE 68602-0280
P: 402 564 1366
F: 402 564 1360

508 Prospect Avenue
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Norfolk, NE 68702-0368
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F: 402 379 2218

Compliance

We have audited the compliance of the City of Columbus, Nebraska with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. The City of Columbus, Nebraska's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Columbus, Nebraska's management. Our responsibility is to express an opinion on the City of Columbus, Nebraska's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Columbus, Nebraska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Columbus, Nebraska's compliance with those requirements.

Our report disclosed that, as described in Note 1 to the financial statements, the City prepares the financial statements of the governmental and fiduciary fund types on a basis of accounting that demonstrates compliance with the cash basis and budget laws of Nebraska, which is a comprehensive basis of accounting other than generally accepted accounting principles. In addition, the financial statements of the governmental and business-type activities are presented on the modified accrual basis of accounting as described in Note 1.

In our opinion, the City of Columbus, Nebraska complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

MEMBERS

American Institute of
Certified Public Accountants

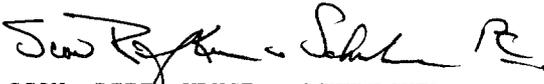
Nebraska Society of
Certified Public Accountants

Internal Control over Compliance

The management of the City of Columbus, Nebraska is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Columbus, Nebraska's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the audit committee, management, specific legislative or regulatory bodies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



SCOW, RIEF, KRUSE & SCHUMACHER, P.C.
Certified Public Accountants

December 9, 2005

CITY OF COLUMBUS, NEBRASKA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

<u>FEDERAL GRANTOR</u> <u>PASS-THROUGH GRANTOR</u> <u>PROGRAM TITLE</u>	<u>CFDA</u> <u>NUMBER</u>	<u>PROGRAM</u> <u>OR AWARD</u> <u>AMOUNT</u>	<u>AMOUNT</u> <u>EXPENDED</u>
<u>DEPARTMENT OF HEALTH</u> <u>AND HUMAN SERVICES:</u>			
Passed through the Northeast Nebraska Area Agency on Aging Special Programs for the Aging Title III Part B	93.044	\$ 6,770	\$ 6,770
Title III Part C	93.045	15,918	15,918
<u>DEPARTMENT OF AGRICULTURE:</u>			
Passed through the Northeast Nebraska Area Agency on Aging Nutrition Program for the Elderly (Commodities)	10.570	9,968	9,968
<u>DEPARTMENT OF TRANSPORTATION:</u>			
Passed through Nebraska Department of Roads Surface Transportation Program	20.205	1,208,847	2,338,117*
Federal Transit: Formula Grants	20.509	48,034	48,034
Passed through Nebraska Dept of Motor Vehicles Office of Highway Safety Selective Enforcement Mini-Grant	20.600	49,600	49,600
<u>DEPARTMENT OF HOUSING AND URBAN</u> <u>DEVELOPMENT:</u>			
Passed through Nebraska Dept of Economic Development Community Development Block Grant	14.228	1,058	1,058
HOME Investment Partnership Program	14.229	204,556	204,556
<u>DEPARTMENT OF TREASURY-BUREAU OF</u> <u>ALCOHOL, TOBACCO AND FIREARMS:</u>			
G.R.E.A.T.	21.053	34,335	34,335
<u>DEPARTMENT OF JUSTICE:</u>			
Bulletproof Vest Partnership	16.607	1,348	1,348
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
Passed through Nebraska Emergency Management Agency State Domestic Preparedness Equipment Support Program	97.004	220,705	220,705
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY:</u>			
<u>DEPARTMENT OF COMMERCE:</u>			
Passed through the Universal Service Administrative Co. Universal Service Program for Schools and Libraries		1,881	1,881
TOTAL FEDERAL ASSISTANCE		<u>\$1,803,020</u>	<u>\$2,932,290</u>

* - Denotes a major program

CITY OF COLUMBUS, NEBRASKA

NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED SEPTEMBER 30, 2005

1. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133 - All significant federal grant operations of the City of Columbus, Nebraska, are included in the scope of the OMB Circular A-133, audit (the "Single Audit").
2. FISCAL PERIOD AUDITED - Single Audit testing procedures were performed for program transactions occurring during the year ended September 30, 2005. Expenditures in the Schedule of Federal Financial Assistance have been recorded substantially on the cash basis of accounting.
3. BASIS OF ACCOUNTING - Our report disclosed that, as described in Note 1 to the financial statements, the City prepares the government-wide financial statements on the modified accrual basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. In addition, the governmental funds financial statements are presented on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
4. FINDINGS OF NONCOMPLIANCE - There were no findings of noncompliance in connection with the Single Audit.

CITY OF COLUMBUS, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Columbus, Nebraska.
2. There were no reportable conditions disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of Columbus, Nebraska, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of internal control over major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the City of Columbus, Nebraska expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for the City of Columbus, Nebraska.
7. The programs tested as major programs included:

<u>Program Name</u>	<u>CFDA #</u>
Highway Planning and Construction	20.205

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The City of Columbus, Nebraska qualified as a low-risk auditee.
10. There were no audit findings or questioned costs related to the prior year's Single Audit.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

FOLLOW-UP OF PRIOR YEAR AUDIT FINDINGS

None