# CITY OF COLUMBUS, NEBRASKA

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

CITY OF COLUMBUS, NEBRASKA

SEPTEMBER 30, 2007

TABLE OF CONTENTS


| | PAGE |
|---|---|
| INDEPENDENT AUDITORS' REPORT | 3-4 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 5-8 |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS | |
| STATEMENT OF NET ASSETS - MODIFIED ACCRUAL BASIS, SEPTEMBER 30, 2007 | 9 |
| STATEMENT OF ACTIVITIES - MODIFIED ACCRUAL BASIS, FOR THE YEAR ENDED SEPTEMBER 30, 2007 | 10-11 |
| FUND FINANCIAL STATEMENTS | |
| GOVERNMENTAL FUNDS FINANCIAL STATEMENTS | |
| STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES - MODIFIED CASH BASIS, SEPTEMBER 30, 2007 | 12 |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES - MODIFIED CASH BASIS TO THE STATEMENT OF NET ASSETS - MODIFIED ACCRUAL BASIS, SEPTEMBER 30, 2007 | 13 |
| STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS, FOR THE YEAR ENDED SEPTEMBER 30, 2007 | 14 |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS TO THE STATEMENT OF ACTIVITIES - MODIFIED ACCRUAL BASIS, FOR THE YEAR ENDED SEPTEMBER 30, 2007 | 15 |
| PROPRIETARY FUNDS FINANCIAL STATEMENTS | |
| STATEMENT OF NET ASSETS, SEPTEMBER 30, 2007 | 16 |
| RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF NET ASSETS TO THE STATEMENT OF NET ASSETS - MODIFIED ACCRUAL BASIS, SEPTEMBER 30, 2007 | 17 |
| STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, FOR THE YEAR ENDED SEPTEMBER 30, 2007 | 18 |
| RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS TO THE STATEMENT OF ACTIVITIES - MODIFIED ACCRUAL BASIS, FOR THE YEAR ENDED SEPTEMBER 30, 2007 | 19 |
| STATEMENT OF CASH FLOWS, FOR THE YEAR ENDED SEPTEMBER 30, 2007 | 20 |
| FIDUCIARY FUNDS FINANCIAL STATEMENTS | |
| STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS, SEPTEMBER 30, 2007 | 21 |
| STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS, FOR THE YEAR ENDED SEPTEMBER 30, 2007 | 22 |
| NOTES TO FINANCIAL STATEMENTS, SEPTEMBER 30, 2007 | 23-38 |

CITY OF COLUMBUS, NEBRASKA

SEPTEMBER 30, 2007

TABLE OF CONTENTS, CONTINUED


| | PAGE |
|---|---|
| REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED | |
| BUDGETARY COMPARISON SCHEDULES | |
| GENERAL FUND, FOR THE YEAR ENDED SEPTEMBER 30, 2007 | 39 |
| SPECIAL REVENUE FUND, FOR THE YEAR ENDED SEPTEMBER 30, 2007 | 40 |
| CAPITAL PROJECTS FUND, FOR THE YEAR ENDED SEPTEMBER 30, 2007 | 41 |
| NOTES TO BUDGETARY COMPARISON SCHEDULES, SEPTEMBER 30, 2007 | 42 |
| 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* | 43-44 |
| REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 | 45-46 |
| SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, FOR THE YEAR ENDED SEPTEMBER 30, 2007 | 47 |
| NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, FOR THE YEAR ENDED SEPTEMBER 30, 2007 | 48 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS, FOR THE YEAR ENDED SEPTEMBER 30, 2007 | 49 |

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2007, 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 of Columbus, Nebraska's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 and fiduciary funds financial statements are presented on the modified 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, 2007, and the respective changes in financial position-modified accrual 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-modified cash basis of the governmental and fiduciary funds of the City of Columbus, Nebraska as of September 30, 2007, 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 of the proprietary funds of the City of Columbus, Nebraska, as of September 30, 2007, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2008, 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 39 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 Rief Kruse & Schumacher PC

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

February 27, 2008

The City of Columbus

FINANCE DEPARTMENT Office (402) 562-4231

**Management's Discussion and Analysis**
**September 30, 2007**

**Unaudited**

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, 2007 by $88 million.
- Capital Assets (net of depreciation and related debt) account for about 80% of this amount.
- Of the remaining net assets $10 million is restricted to capital projects and debt payments and $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 "Non-Major 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, 2007 and 2006.

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Cash and investments | $ 12,965,925 | $ 11,764,485 | $ 5,480,150 | $ 5,427,313 |
| Capital assets, net | 67,189,697 | 62,475,911 | 38,340,313 | 37,780,066 |
| Total Assets | $ 80,155,622 | $ 74,240,396 | $ 43,820,463 | $ 43,207,379 |
| Long-term liabilities | $ 9,955,000 | $ 11,415,000 | $ 21,630,000 | $ 20,955,000 |
| Other liabilities | 3,131,910 | 2,797,848 | 1,125,000 | 1,095,000 |
| Total liabilities | $ 13,086,910 | $ 14,212,848 | $ 22,755,000 | $ 22,050,000 |
| Net assets: | | | | |
| Invested in capital assets, Net of related debt | $ 55,129,697 | $ 48,935,911 | $ 15,585,313 | $ 15,730,066 |
| Restricted | 8,023,461 | 6,597,872 | 2,222,008 | 1,021,374 |
| Unrestricted | 3,915,554 | 4,493,765 | 3,258,142 | 4,405,939 |
| Total net assets | $ 67,068,712 | $ 60,027,548 | $ 21,065,463 | $ 21,157,379 |
| Total liabilities and net assets | $ 80,155,622 | $ 74,240,396 | $ 43,820,463 | $ 43,207,379 |

During the year ended September 30, 2007 the most significant changes were as follows:

*Governmental Activities*
The largest change from 2006 was the $5 million investment in capital assets. The largest project was $3.3 million for the continuance of construction of the North Arterial.

*Business-type Activities*
Restricted funds increased $1.2 million due to unexpended funds from the $1.8 million bond issue for the water and wastewater projects.

A condensed version of the Statement of Activities for the fiscal years ended September 30, 2007 and 2006 follows.

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Revenues | | | | |
| Program revenues | | | | |
| Charges for services | $ 4,139,413 | $ 3,580,248 | $ 5,231,876 | $ 5,511,675 |
| Operating grants and contributions | 2,139,971 | 1,983,004 | -0- | -0- |
| Capital grants and contributions | 4,049,756 | 2,606,083 | 559,287 | 259,811 |
| General revenues | | | | |
| Property taxes | 3,408,470 | 3,277,111 | -0- | -0- |
| Sales tax | 4,726,327 | 4,912,678 | 227,897 | 246,779 |
| Franchise taxes | 864,912 | 833,302 | 2,029,130 | 1,929,696 |
| Other Tax | 676,277 | 640,956 | -0- | -0- |
| Unrestricted grants and contributions | 482,171 | 449,346 | -0- | -0- |
| Investment earnings | 531,485 | 559,351 | 209,314 | 227,176 |
| Other general revenues | 100,285 | 134,646 | 234,837 | 202,277 |
| Gain (Loss) on sale of equipment | 46,679 | 33,695 | ( 3,078) | -0- |
| Transfers | 2,254,379 | 1,753,205 | ( 2,388,679) | ( 1,891,806) |
| Total revenues | $ 23,420,125 | $ 20,763,625 | $ 6,100,584 | $ 6,485,608 |
| Program expenses | | | | |
| General policy/administration | $ 1,063,827 | $ 1,152,074 | $ -0- | $ -0- |
| Public safety | 4,890,869 | 4,668,850 | -0- | -0- |
| Public works | 3,311,981 | 3,049,146 | -0- | -0- |
| Environment preservation | 280,030 | 258,472 | -0- | -0- |
| Parks and recreation | 3,776,115 | 3,483,323 | -0- | -0- |
| Community development | 502,148 | 484,442 | -0- | -0- |
| Health insurance | 1,775,335 | 1,344,648 | -0- | -0- |
| Debt service | 778,656 | 828,022 | -0- | -0- |
| Water | -0- | -0- | 2,300,197 | 2,151,666 |
| Sewer | -0- | -0- | 2,661,558 | 2,393,051 |
| Solid Waste | -0- | -0- | 1,080,546 | 1,035,708 |
| Electric | -0- | -0- | 150,199 | 149,449 |
| Total expenses | $ 16,378,961 | $ 15,268,977 | $ 6,192,500 | $ 5,729,874 |
| Change in net assets | $ 7,041,164 | $ 5,494,648 | $( 91,916) | $ 755,734 |

During the year ended September 30, 2007 the most significant changes were as follows:

*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 $465,000. This can be compared with an excess of $312,000 for the previous year. During fiscal year 2007 the City received $4,726,000 of local option sales tax as compared to $4,913,000 for 2006. The 2007 sales tax receipts were down due to LB 775 Economic Development incentives paid from the Columbus city sales tax revenues before the taxes were distributed to Columbus by the Nebraska Department of Revenue and a prior year's refund of taxes overpaid by a vendor. Also, city sales tax receipts were higher than normal in 2006 due to the opening of the new Wal-Mart. Program revenue under Charges for Services increased due to the sale of the speculative building to KATANA-Summit, LLC. Capital grants and contributions increased during 2007 by $1.4 million primarily due to the federal funds for the North Arterial construction project.

*Business-type activities*
The category Charges for Services decreased by $280,000 when compared to 2006 due to a wet summer that decreased water sales. The Water Fund operated at a loss of $78,974 for 2007 as compared to a profit of $510,000 for 2006. The Sewer Fund operated at a profit of $59,512 for 2007 as compared with a loss of $12,000 for 2006. During the 2008 Budget process a 12% increase in water and sewer rates was approved and the City has accepted a proposal for a water and sewer rate study during 2008. The lease payment from Loup Power District, included in franchise taxes, for 2007 was $2.1 million as compared to $1.9 million for 2006, due to increased usage and planned rate increases.

**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, 2007 the City had $106 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 $5 million over last year.

Some of the most significant additions to capital assets for the governmental activities included $4.3 million for street construction, reconstruction, and improvements, the largest of which was the continuance of the construction of the North Arterial that starts west of the new Wal-Mart for about $3.3 million. Other significant additions were $1.3 million in equipment improvements and replacements including $450,000 for the replacement of the 911 system that serves the City of Columbus and the entire Platte County area. Sanitary sewer slip lining, wastewater lift renovations, and water and wastewater lines along the north arterial were the most significant of the $2 million of additions for the business-type activities.

*Debt Outstanding*
At year-end, the City had $34.8 million in bonds and notes outstanding versus $35.6 million last year. There was one new borrowing during 2007 of $1.8 million to finance a sanitary sewer slip lining and wastewater lift station renovation project and $2.6 million of outstanding debt was retired during 2007.

**Economic Factors and Next Year's Budgets and Rates**

Several factors were considered and affected the preparation of the City's 2008 budget as follows:

- The revenue and rate lids imposed on property taxes by the State of Nebraska.
- The unfavorable 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.

**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, 2007

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| ASSETS | | | |
| Current Assets | | | |
| Cash (Notes 1 and 4) | $ 1,019,955 | $ 1,430 | $ 1,021,385 |
| Cash Investments (Note 4) | 11,117,409 | 5,478,720 | 16,596,129 |
| Cash with County Treasurer | 828,561 | -0- | 828,561 |
| Non-Current Assets | | | |
| Fixed Assets, Net (Note 6) | 67,189,697 | 38,340,313 | 105,530,010 |
| TOTAL ASSETS | $ 80,155,622 | $ 43,820,463 | $ 123,976,085 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Cash Overdrawn | $ 1,026,910 | $ -0- | $ 1,026,910 |
| Bonds Payable, due in one year (Note 8) | 1,460,000 | 1,125,000 | 2,585,000 |
| Bond Anticipation Notes (Note 7) | 645,000 | -0- | 645,000 |
| Non-Current Liabilities | | | |
| Bonds Payable, due in more than one year (Note 8) | 9,955,000 | 21,630,000 | 31,585,000 |
| TOTAL LIABILITIES | $ 13,086,910 | $ 22,755,000 | $ 35,841,910 |
| NET ASSETS | | | |
| Investment in Capital Assets, Net of Related Debt | $ 55,129,697 | $ 15,585,313 | $ 70,715,010 |
| Restricted | 8,023,461 | 2,222,008 | 10,245,469 |
| Unrestricted | 3,915,554 | 3,258,142 | 7,173,696 |
| TOTAL NET ASSETS | $ 67,068,712 | $ 21,065,463 | $ 88,134,175 |
| TOTAL LIABILITIES AND NET ASSETS | $ 80,155,622 | $ 43,820,463 | $ 123,976,085 |

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, 2007

| | | Program Revenues | | | |
|---|---|---|---|---|---|
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue |
| Governmental Activities: | | | | | |
| Policy/Administration | $ 1,063,827 | $ 57,785 | $ -0- | $ 145,000 | $ (861,042) |
| Public Safety | 4,890,869 | 416,336 | 88,893 | 331,907 | (4,053,733) |
| Public Works | 3,311,981 | 145,852 | 1,757,417 | 2,291,734 | 883,022 |
| Environment Preservation | 280,030 | 70,643 | 1,911 | -0- | (207,476) |
| Parks and Recreation | 3,776,115 | 920,265 | 291,750 | -0- | (2,564,100) |
| Community Development | 502,148 | 705,114 | -0- | 98,990 | 301,956 |
| Health Insurance | 1,775,335 | 1,568,618 | -0- | -0- | (206,717) |
| Debt Service | 778,656 | 254,800 | -0- | 1,182,125 | 658,269 |
| Total Governmental Activities | $ 16,378,961 | $ 4,139,413 | $ 2,139,971 | $ 4,049,756 | $ (6,049,821) |
| Business-type Activities: | | | | | |
| Water | $ 2,300,197 | $ 1,894,612 | $ -0- | $ 327,739 | $ (77,846) |
| Sewer | 2,661,558 | 2,375,344 | -0- | 134,005 | (152,209) |
| Solid Waste | 1,080,546 | 961,920 | -0- | 97,543 | (21,083) |
| Electric | 150,199 | -0- | -0- | -0- | (150,199) |
| Total Business-type Activities | $ 6,192,500 | $ 5,231,876 | $ -0- | $ 559,287 | $ (401,337) |
| Total City | $ 22,571,461 | $ 9,371,289 | $ 2,139,971 | $ 4,609,043 | $ (6,451,158) |

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, 2007

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| Changes in Net Assets | | | |
| Net Revenue (Expense) | $ (6,049,821) | $ (401,337) | $ (6,451,158) |
| General Revenues: | | | |
| Property Tax | $ 3,408,470 | $ -0- | $ 3,408,470 |
| Sales Tax | 4,726,327 | 227,897 | 4,954,224 |
| Franchise Tax | 864,912 | 2,029,130 | 2,894,042 |
| Other Tax | 676,277 | -0- | 676,277 |
| Grants and Contributions Not Restricted to Specific Programs | 482,171 | -0- | 482,171 |
| Investment Earnings | 531,485 | 209,314 | 740,799 |
| Miscellaneous | 100,285 | 234,837 | 335,122 |
| Special Item - Gain on Sale of Assets | 46,679 | (3,078) | 43,601 |
| Transfers | 2,254,379 | (2,388,679) | (134,300) |
| Total General Revenues, Special Items, and Transfers | $ 13,090,985 | $ 309,421 | $ 13,400,406 |
| Change in Net Assets | $ 7,041,164 | $ (91,916) | $ 6,949,248 |
| Net Assets - Beginning | 60,027,548 | 21,157,379 | 81,184,927 |
| Net Assets - Ending | $ 67,068,712 | $ 21,065,463 | $ 88,134,175 |

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, 2007

| | Major Governmental Funds | | | Non-Major | Total |
|---|---|---|---|---|---|
| | General | Special Revenue | Capital Projects | Governmental Funds | Governmental Funds |
| ASSETS | | | | | |
| Cash | $ 900,142 | $ 43,662 | $ 71,747 | $ 4,404 | $ 1,019,955 |
| Cash Investments | 1,456,721 | 6,594,836 | 465,771 | 2,600,081 | 11,117,409 |
| Cash with County Treasurer | 697,867 | -0- | 89,687 | 41,007 | 828,561 |
| Accounts Receivable | 245,319 | 8,245 | -0- | -0- | 253,564 |
| Special Assessments Receivable | -0- | -0- | -0- | 1,058,817 | 1,058,817 |
| Notes Receivable | -0- | 386,922 | -0- | -0- | 386,922 |
| TOTAL ASSETS | $ 3,300,049 | $ 7,033,665 | $ 627,205 | $ 3,704,309 | $ 14,665,228 |
| LIABILITIES | | | | | |
| Bank Overdrafts | $ -0- | $ -0- | $ 567,473 | $ -0- | $ 567,473 |
| Deferred Revenue | 245,319 | 125,367 | -0- | 1,058,817 | 1,429,503 |
| Notes Payable | -0- | 269,800 | -0- | -0- | 269,800 |
| TOTAL LIABILITIES | $ 245,319 | $ 395,167 | $ 567,473 | $ 1,058,817 | $ 2,266,776 |
| NET ASSETS | | | | | |
| Reserved | $ -0- | $ 6,480,183 | $ -0- | $ 2,645,492 | $ 9,125,675 |
| Unreserved | 3,054,730 | 158,315 | 59,732 | -0- | 3,272,777 |
| TOTAL NET ASSETS | $ 3,054,730 | $ 6,638,498 | $ 59,732 | $ 2,645,492 | $ 12,398,452 |
| TOTAL LIABILITIES AND NET ASSETS | $ 3,300,049 | $ 7,033,665 | $ 627,205 | $ 3,704,309 | $ 14,665,228 |

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

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

SEPTEMBER 30, 2007

| | | |
|---|---|---|
| Net assets of governmental funds | | $ 12,398,452 |
| Amounts reported for governmental activities in the statement of net assets - modified accrual basis are different because: | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. | | |
| Governmental capital assets | $ 89,667,935 | |
| Less accumulated depreciation | (22,478,238) | |
| | | $ 67,189,697 |
| General Long-Term Debt is not presented within the fund financial statements, as they are presented on the modified cash basis of accounting | | (12,060,000) |
| 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 - modified accrual basis | | ( 459,437) |
| Net assets of governmental activities | | $ 67,068,712 |

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

GOVERNMENTAL FUNDS

STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

| | Major Governmental Funds | | | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| | General | Special Revenue | Capital Projects | | |
| RECEIPTS: | | | | | |
| Taxes | $ 4,041,917 | $ 5,166,702 | $ 276,683 | $ 190,684 | $ 9,675,986 |
| Intergovernmental | 857,722 | 2,188,314 | 2,291,734 | -0- | 5,337,770 |
| Charges for Services | 1,653,013 | 627,239 | 35,743 | 254,800 | 2,570,795 |
| Interest Income | 108,456 | 265,400 | 25,499 | 131,833 | 531,188 |
| Contributions | -0- | -0- | -0- | 7,003 | 7,003 |
| Bond Proceeds | -0- | -0- | 1,182,125 | -0- | 1,182,125 |
| Miscellaneous | 82,815 | 33,339 | -0- | 40,520 | 156,674 |
| Total Receipts | $ 6,743,923 | $ 8,280,994 | $ 3,811,784 | $ 624,840 | $ 19,461,541 |
| EXPENDITURES: | | | | | |
| Policy / Administration | $ 1,022,662 | $ -0- | $ -0- | $ -0- | $ 1,022,662 |
| Public Safety | 4,408,314 | 598,050 | -0- | -0- | 5,006,364 |
| Public Works | -0- | 1,815,635 | -0- | -0- | 1,815,635 |
| Environment Preservation | 262,107 | -0- | -0- | -0- | 262,107 |
| Parks and Recreation | 3,026,501 | -0- | -0- | 70,247 | 3,096,748 |
| Community Development | 180,595 | 343,911 | -0- | -0- | 524,506 |
| Capital Outlay | -0- | 2,179,599 | 4,495,845 | -0- | 6,675,444 |
| Debt Service | -0- | -0- | 312,526 | 1,946,130 | 2,258,656 |
| Total Expenditures | $ 8,900,179 | $ 4,937,195 | $ 4,808,371 | $ 2,016,377 | $ 20,662,122 |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENDITURES | $ (2,156,256) | $ 3,343,799 | $ (996,587) | $ (1,391,537) | $ (1,200,581) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers From Other Funds | $ 3,162,622 | $ 364,586 | $ 201,047 | $ 2,024,936 | $ 5,753,191 |
| Transfers To Other Funds | (541,337) | (2,625,875) | (56,353) | (275,247) | (3,498,812) |
| Total Other Financing Sources (Uses) | $ 2,621,285 | $ (2,261,289) | $ 144,694 | $ 1,749,689 | $ 2,254,379 |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES) | $ 465,029 | $ 1,082,510 | $ (851,893) | $ 358,152 | $ 1,053,798 |
| NET ASSETS, BEGINNING OF YEAR | 2,589,701 | 5,555,988 | 911,625 | 2,287,340 | 11,344,654 |
| NET ASSETS, END OF YEAR | $ 3,054,730 | $ 6,638,498 | $ 59,732 | $ 2,645,492 | $ 12,398,452 |

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2007

| | |
|---|---|
| Net change in net assets - total governmental funds | $ 1,053,798 |
| Amounts reported for governmental activities in the statement of activities - modified accrual basis are different because: | |
| 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 ($7,190,694) exceeded depreciation ($2,470,519) plus gain on disposal of capital assets ($6,389) in the current period. | 4,713,786 |
| 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. | 1,480,000 |
| 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. | ( 206,420) |
| Change in net assets of governmental activities | $ 7,041,164 |

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

| | Business-type Activities Enterprise Funds | | | | | Governmental Activities Internal |
|---|---|---|---|---|---|---|
| | Water | Sewer | Electric | Solid Waste | Totals | Service Funds |
| ASSETS | | | | | | |
| Current | | | | | | |
| Cash | $ 425 | $ 200 | $ 467 | $ 339 | $ 1,431 | $ -0- |
| Cash Investments | 954,390 | 394,529 | 1,865,894 | 41,899 | 3,256,712 | -0- |
| Accounts Receivable | 223,821 | 237,804 | -0- | 55,333 | 516,958 | -0- |
| Accrued Revenues | 214,268 | 257,534 | 774,620 | 70,327 | 1,316,749 | -0- |
| Inventory, at Cost | 173,621 | 10,199 | -0- | -0- | 183,820 | -0- |
| Total Current | $ 1,566,525 | $ 900,266 | $ 2,640,981 | $ 167,898 | $ 5,275,670 | $ -0- |
| Non-Current | | | | | | |
| Restricted Assets - | | | | | | |
| Bond Reserve Fund | $ 523,727 | $ 524,847 | $ -0- | $ -0- | $ 1,048,574 | $ -0- |
| Capital Projects | -0- | 1,173,434 | -0- | -0- | 1,173,434 | -0- |
| Fixed Assets, Net | 17,404,860 | 17,454,586 | 2,860,549 | 742,477 | 38,462,472 | -0- |
| Bond Issue Costs | 258,336 | 365,693 | -0- | -0- | 624,029 | -0- |
| Total Non-Current | $ 18,186,923 | $ 19,518,560 | $ 2,860,549 | $ 742,477 | $ 41,308,509 | $ -0- |
| TOTAL ASSETS | $ 19,753,448 | $ 20,418,826 | $ 5,501,530 | $ 910,375 | $ 46,584,179 | $ -0- |
| LIABILITIES | | | | | | |
| Current | | | | | | |
| Cash Overdrawn | $ -0- | $ -0- | $ -0- | $ -0- | $ -0- | $ 459,437 |
| Accounts Payable | 52,197 | 178,851 | -0- | 70,845 | 301,893 | -0- |
| Accrued Expenses | 54,234 | 89,374 | -0- | 20,808 | 164,416 | -0- |
| Accrued Interest Payable | 110,359 | 121,146 | -0- | -0- | 231,505 | -0- |
| Deferred Revenue | -0- | 3,145 | -0- | -0- | 3,145 | -0- |
| Bonds Payable | 572,473 | 552,527 | -0- | -0- | 1,125,000 | -0- |
| Total Current | $ 789,263 | $ 945,043 | $ -0- | $ 91,653 | $ 1,825,959 | $ 459,437 |
| Non-Current | | | | | | |
| Bonds Payable | $ 9,333,782 | $ 12,296,218 | $ -0- | $ -0- | $ 21,630,000 | $ -0- |
| Total Liabilities | $ 10,123,045 | $ 13,241,261 | $ -0- | $ 91,653 | $ 23,455,959 | $ 459,437 |
| NET ASSETS | | | | | | |
| Invested in Capital Assets, Net of Related Debt | $ 7,498,605 | $ 4,605,841 | $ 2,860,549 | $ 742,477 | $ 15,707,472 | $ -0- |
| Restricted | 523,727 | 1,698,282 | -0- | -0- | 2,222,009 | -0- |
| Unrestricted | 1,608,071 | 873,442 | 2,640,981 | 76,245 | 5,198,739 | (459,437) |
| Total Net Assets | $ 9,630,403 | $ 7,177,565 | $ 5,501,530 | $ 818,722 | $ 23,128,220 | $ (459,437) |
| TOTAL LIABILITIES AND NET ASSETS | $ 19,753,448 | $ 20,418,826 | $ 5,501,530 | $ 910,375 | $ 46,584,179 | $ -0- |

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, 2007

| | | |
|---|---|---|
| Total net assets - total proprietary funds | | $ 23,128,220 |
| Amounts reported for business-type activities in the statement of net assets - modified accrual basis are different because: | | |
| 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 | $( 516,958) | |
| Accrued Revenue | (1,316,749) | |
| Inventory | ( 183,820) | |
| Bond Issue Costs | ( 624,029) | |
| Accounts Payable | 301,893 | |
| Accrued Expenses | 164,416 | |
| Accrued Interest Payable | 231,505 | |
| Deferred Revenue | 3,145 | |
| | | $( 1,940,597) |
| 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. | | ( 122,160) |
| Net assets of business-type activities | | $ 21,065,463 |

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2007

| | Business-type Activities Enterprise Funds | | | | | Governmental Activities Internal Service Funds |
|---|---|---|---|---|---|---|
| | Water | Sewer | Electric | Solid Waste | Totals | |
| Operating Revenue | | | | | | |
| Charges for Services | $ 1,856,939 | $ 2,407,244 | $ -0- | $ 958,393 | $ 5,222,576 | $ 1,568,618 |
| Franchise Fees | -0- | -0- | 2,105,414 | -0- | 2,105,414 | -0- |
| Permits | 50,384 | 19,561 | -0- | 2,397 | 72,342 | -0- |
| Sales Taxes | 81,456 | 146,441 | -0- | -0- | 227,897 | -0- |
| Other | 164,242 | 9,467 | 11,736 | 68,095 | 253,540 | -0- |
| Total Operating Revenue | $ 2,153,021 | $ 2,582,713 | $ 2,117,150 | $ 1,028,885 | $ 7,881,769 | $ 1,568,618 |
| Operating Expenses | | | | | | |
| Salaries and Wages | $ 386,177 | $ 575,754 | $ -0- | $ 208,582 | $ 1,170,513 | $ -0- |
| Payroll Taxes and Benefits | 150,279 | 215,911 | -0- | 87,107 | 453,297 | -0- |
| Utilities and Telephone | 208,846 | 280,961 | -0- | 5,498 | 495,305 | -0- |
| Operating Supplies | 260,058 | 145,581 | -0- | 34,255 | 439,894 | -0- |
| Repairs and Maintenance | 82,837 | 160,838 | -0- | 25,240 | 268,915 | -0- |
| Insurance | 22,898 | 42,724 | -0- | 7,160 | 72,782 | -0- |
| Professional Services | 11,606 | 1,738 | -0- | 18,013 | 31,357 | 1,775,335 |
| Fuel | -0- | 36,755 | -0- | -0- | 36,755 | -0- |
| Office and Cleaning Supplies | 25,447 | 22,177 | -0- | 2,162 | 49,786 | -0- |
| Sales Taxes Remitted | 88,305 | 141,088 | -0- | -0- | 229,393 | -0- |
| Equipment Rental | 73 | -0- | -0- | 2,650 | 2,723 | -0- |
| Landfill Disposal | -0- | -0- | -0- | 601,217 | 601,217 | -0- |
| Depreciation | 727,324 | 551,927 | 149,449 | 63,233 | 1,491,933 | -0- |
| Miscellaneous Operating Expenses | 4,118 | 8,424 | -0- | 11,058 | 23,600 | -0- |
| Total Operating Expenses | $ 1,967,968 | $ 2,183,878 | $ 149,449 | $ 1,066,175 | $ 5,367,470 | $ 1,775,335 |
| Operating Income (Loss) | $ 185,053 | $ 398,835 | $ 1,967,701 | $ (37,290) | $ 2,514,299 | $ (206,717) |
| Non-Operating Revenue (Expense) | | | | | | |
| Interest on Investments | $ 61,399 | $ 60,811 | $ 83,827 | $ 3,277 | $ 209,314 | $ 297 |
| Grant Receipts | 327,739 | 134,005 | -0- | 97,543 | 559,287 | -0- |
| Interest on Debt | (387,920) | (403,151) | (750) | -0- | (791,821) | -0- |
| Loss on Disposal of Assets | (3,078) | -0- | -0- | -0- | (3,078) | -0- |
| Amortization | (18,505) | (18,971) | -0- | -0- | (37,476) | -0- |
| Total Non-Operating Revenue (Expense) | $ (20,365) | $ (227,306) | $ 83,077 | $ 100,820 | $ (63,774) | $ 297 |
| Income (Loss) Before Transfers | $ 164,688 | $ 171,529 | $ 2,050,778 | $ 63,530 | $ 2,450,525 | $ (206,420) |
| Transfers In | $ 47,653 | $ 8,700 | $ -0- | $ -0- | $ 56,353 | $ -0- |
| Transfers Out | (291,315) | (120,717) | (2,000,000) | (33,000) | (2,445,032) | -0- |
| Net Transfers | $ (243,662) | $ (112,017) | $ (2,000,000) | $ (33,000) | $ (2,388,679) | $ -0- |
| Change in Net Assets | $ (78,974) | $ 59,512 | $ 50,778 | $ 30,530 | $ 61,846 | $ (206,420) |
| Net Assets - Beginning of Year | 9,709,377 | 7,118,053 | 5,450,752 | 788,192 | 23,066,374 | (253,017) |
| Net Assets - End of Year | $ 9,630,403 | $ 7,177,565 | $ 5,501,530 | $ 818,722 | $ 23,128,220 | $ (459,437) |

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

FOR THE YEAR ENDED SEPTEMBER 30, 2007

| | | |
|---|---|---|
| Change in net assets of proprietary funds | | $ 61,846 |
| Amounts reported for business-type activities in the statement of activities - modified accrual basis are different because: | | |
| 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 | $ 5,048 | |
| Change in Accrued Revenues | ( 155,584) | |
| Change in Inventories | 70,352 | |
| Change in Bond Issue Costs | ( 30,024) | |
| Change in Accounts Payable | ( 45,139) | |
| Change in Accrued Liabilities | 9,078 | |
| Change in Deferred Revenue | ( 7,493) | |
| | | $( 153,762) |
| Fixed assets within the business-type activities do not include expenditures included in accounts payable in the proprietary funds. | | |
| Change in net assets of business-type activities | | $( 91,916) |

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

| | Business-type Activities | | | | | Activities |
|---|---|---|---|---|---|---|
| | Enterprise Funds | | | | | Internal |
| | Water | Sewer | Electric | Solid Waste | Totals | Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Receipts from Customers | $ 1,957,366 | $ 2,521,785 | $ -0- | $ 961,920 | $ 5,441,071 | $ 1,568,618 |
| Franchise Fees | -0- | -0- | 2,029,130 | -0- | 2,029,130 | -0- |
| Payments for Supplies and Services | (639,548) | (841,198) | -0- | (710,566) | (2,191,312) | (1,568,915) |
| Payments to Employees | (386,177) | (575,754) | -0- | (208,582) | (1,170,513) | -0- |
| Payments for Employee Benefits | (150,279) | (215,911) | -0- | (87,107) | (453,297) | -0- |
| Other Receipts | 160,124 | 1,043 | 11,736 | 57,037 | 229,940 | -0- |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 941,486 | $ 889,965 | $ 2,040,866 | $ 12,702 | $ 3,885,019 | $ (297) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | | | |
| Grant Receipts | $ 327,739 | $ 134,005 | $ -0- | $ 97,543 | $ 559,287 | $ -0- |
| Net Transfers In (Out) | (243,662) | 21,988 | (2,000,000) | (33,000) | (2,254,674) | -0- |
| NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES | $ 84,077 | $ 155,993 | $ (2,000,000) | $ 64,543 | $ (1,695,387) | $ -0- |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | | | | | |
| Purchase of Fixed Assets | $ (468,388) | $(1,449,021) | $ -0- | $ (134,771) | $ (2,052,180) | $ -0- |
| Bond Proceeds | -0- | 1,800,000 | -0- | -0- | 1,800,000 | -0- |
| Principal Payments on Bonds | (550,821) | (544,179) | -0- | -0- | (1,095,000) | -0- |
| Interest Expense on Debt | (392,751) | (400,844) | (750) | -0- | (794,345) | -0- |
| NET CASH (USED) BY CAPITAL FINANCING ACTIVITIES | $ (1,411,960) | $ (594,044) | $ (750) | $ (134,771) | $ (2,141,525) | $ -0- |
| CASH FLOWS PROVIDED BY INVESTING ACTIVITIES | | | | | | |
| Interest Income | $ 61,399 | $ 60,811 | $ 83,827 | $ 3,277 | $ 209,314 | $ 297 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | $ (324,998) | $ 512,725 | $ 123,943 | $ (54,249) | $ 257,421 | $ -0- |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 1,806,618 | 1,781,790 | 1,742,418 | 96,487 | 5,427,313 | -0- |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 1,481,620 | $ 2,294,515 | $ 1,866,361 | $ 42,238 | $ 5,684,734 | $ -0- |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Net Income (Loss) from Operations | $ 185,053 | $ 398,835 | $ 1,967,701 | $ (37,290) | $ 2,514,299 | $ (206,717) |
| Reconciliation of Net Income (Loss) from Operations to Net Cash Provided by Operating Activities | | | | | | |
| Depreciation | 727,324 | 551,927 | 149,449 | 63,233 | 1,491,933 | -0- |
| Changes in Assets and Liabilities: | | | | | | |
| Change in Receivables | 13,565 | (6,589) | -0- | (1,928) | 5,048 | -0- |
| Change in Accrued Revenues | (44,978) | (37,380) | (76,284) | 3,058 | (155,584) | -0- |
| Change in Inventories | 70,665 | (313) | -0- | -0- | 70,352 | -0- |
| Change in Cash Overdrawn | -0- | -0- | -0- | -0- | -0- | 206,420 |
| Change in Accounts Payable | (11,127) | (16,617) | -0- | (17,395) | (45,139) | -0- |
| Change in Accrued Liabilities | 984 | 7,594 | -0- | 3,024 | 11,602 | -0- |
| Change in Deferred Revenue | -0- | (7,492) | -0- | -0- | (7,492) | -0- |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 941,486 | $ 889,965 | $ 2,040,866 | $ 12,702 | $ 3,885,019 | $ (297) |

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS

SEPTEMBER 30, 2007

| | Pension Trust Funds |
|---|---|
| ASSETS | |
| Cash | $ 426 |
| Cash Investments | 47,406 |
| TOTAL ASSETS | $ 47,832 |
| LIABILITIES | |
| Overdrawn Cash | $ 101 |
| NET ASSETS | |
| Held in trust for pension benefits | $ 47,731 |

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

| | Pension Trust Funds |
|---|---|
| ADDITIONS | |
| Interest Income | $ 2,475 |
| DEDUCTIONS | |
| Public Safety | $ 134,979 |
| OTHER FINANCING SOURCES | |
| Transfers from Other Funds | $ 134,300 |
| CHANGE IN NET ASSETS | $ 1,796 |
| NET ASSETS, BEGINNING OF YEAR | 45,935 |
| NET ASSETS, END OF YEAR | $ 47,731 |

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

## 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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### B. Government-Wide and Fund Financial Accounting, 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 reduce such liability.

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. 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. Other revenues are recognized when received by the City. Expenditures are generally recognized under the modified cash basis of accounting when the related fund liability is paid. Certain accounts have been included in accounts or notes receivable and are being offset by deferred revenue in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Basis of Accounting and Financial Statement Presentation, Continued

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) Activities 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) Activities for which 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.

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 fund.

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 Fund accounts 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Cash Equivalents

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

E. 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, 2007, are shown netted against the respective accounts receivable balances for the Proprietary Funds.

F. 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 $186,087. The City now owns these properties and $186,087 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.

G. 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.

H. 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.

I. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

J. 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 |

K. 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."

L. 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, 2007 was $492,158, of which $6,787 has been capitalized into various items of construction in progress.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### M. 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 | $( 459,437) |
| Net adjustments to increase fund balance-total governmental funds to arrive at net assets-governmental activities | $( 459,437) |

### 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 | $ 1,568,618 |
| Interest Income | 297 |
| Insurance Claims | (1,532,815) |
| Administrative Expense | ( 242,520) |
| Net adjustments to increase net change in fund balances-total governmental funds to arrive at changes in net assets of governmental activities | $( 206,420) |

## 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.

## NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Cash and restricted assets for the City at September 30, 2007 consisted of the following:

| | |
|---|---|
| Primary Government | |
| Checking Accounts | $ 62,666 |
| Petty Cash | 2,236 |
| Money Market Accounts | 4,241,179 |
| Certificates of Deposit | 11,014,000 |
| | $15,320,081 |
| Component Units | |
| Checking Accounts | $ 1,598 |
| Money Market | 150 |
| Certificates of Deposit | 214,470 |
| US Treasury Notes | 60,287 |
| FHLB | 338,288 |
| FHLMC | 9,916 |
| FNMA | 21,219 |
| Mutual Fund | 86,434 |
| Various Stocks | 585,993 |
| | $ 1,318,355 |
| Total | $16,638,436 |

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.

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, 2007, the City's bank balances of $15,262,983 were exposed to custodial credit risk as follows:

| | |
|---|---|
| Primary Government | |
| Uninsured but collateralized by securities held by the pledging financial institution | $14,339,452 |
| Uninsured and uncollateralized | 123,245 |
| Component Units | |
| Uninsured and uncollateralized | 78,502 |
| Total | $14,541,199 |

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.

## 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 $15,255,179 (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, 2007 under the Community Development Block Grant program administered by the City.

| | Original Date | Due Date | Original Amount | Interest Rate | Monthly Payment | Balance |
|---|---|---|---|---|---|---|
| 1994 Flexcon | 04/01/94 | 03/01/09 | $250,000 | 3.00% | $1,726 | $ 30,351 |
| 1997 Greystone | 09/01/97 | 08/01/12 | 500,000 | 4.60% | 3,851 | 202,978 |
| 1999 Flexcon | 09/01/99 | 08/01/14 | 250,000 | 4.00% | 1,846 | 133,641 |
| Total | | | | | | $366,970 |

In the current fiscal year, the City began setting aside a portion of the City's sales tax to be used for economic development. The City has the following note receivable under the Jobs and Growth funding administered by the City.

| | Original Date | Due Date | Original Amount | Interest Rate | Monthly Payment | Balance |
|---|---|---|---|---|---|---|
| Henke Machine | 07/13/07 | 07/02/12 | $ 20,000 | 3.50% | $ 170 | $ 20,000 |

## NOTE 6 - FIXED ASSETS

Fixed asset activity for the year ended September 30, 2007 was as follows:

| | Balance October 1, 2006 | Additions and Transfers | Disposals and Transfers | Balance September 30, 2007 |
|---|---|---|---|---|
| Business-type activities: | | | | |
| Fixed Assets, not being depreciated: | | | | |
| Land | $ 391,161 | $ -0- | $ -0- | $ 391,161 |
| Construction in Progress | 391,716 | 1,199,448 | 269,358 | 1,321,806 |
| Total | $ 782,877 | $ 1,199,448 | $ 269,358 | $ 1,712,967 |
| Fixed Assets being depreciated: | | | | |
| Land Improvements & Buildings | $19,249,196 | $ 14,260 | $ -0- | $19,263,456 |
| Improvements | 28,996,735 | 755,789 | 16,850 | 29,735,674 |
| Equipment | 6,198,335 | 362,748 | 37,454 | 6,523,629 |
| Total | $54,444,266 | $ 1,132,797 | $ 54,304 | $55,522,759 |
| Less accumulated depreciation for: | | | | |
| Land Improvements & Buildings | $ 3,153,896 | $ 405,146 | $ -0- | $ 3,559,042 |
| Improvements | 13,047,340 | 707,306 | 16,850 | 13,737,796 |
| Equipment | 1,250,795 | 381,360 | 33,580 | 1,598,575 |
| Total | $17,452,031 | $ 1,493,812 | $ 50,430 | $18,895,413 |
| Business-type activities fixed assets, net | $37,775,112 | $ 838,433 | $ 273,232 | $38,340,313 |
| Governmental activities: | | | | |
| Fixed Assets, not being depreciated: | | | | |
| Land | $ 452,343 | $ -0- | $ -0- | $ 452,343 |
| Construction in Progress | 14,229,763 | 5,351,864 | 9,809,892 | 9,771,735 |
| Total | $14,682,106 | $ 5,351,864 | $ 9,809,892 | $10,224,078 |
| Fixed assets being depreciated: | | | | |
| Land Improvements & Buildings | $ 7,753,515 | $ 120,314 | $ -0- | $ 7,873,829 |
| Improvements | 52,006,840 | 10,226,474 | -0- | 62,233,314 |
| Equipment | 5,255,399 | 1,060,115 | 468,693 | 5,846,821 |
| Vehicles | 3,476,126 | 245,139 | 231,372 | 3,489,893 |
| Total | $68,491,880 | $11,652,042 | $ 700,065 | $79,443,857 |
| Less accumulated depreciation for: | | | | |
| Land Improvements & Buildings | $ 3,017,331 | $ 262,086 | $ -0- | $ 3,279,417 |
| Improvements | 12,536,158 | 1,499,118 | -0- | 14,035,276 |
| Equipment | 3,255,303 | 459,863 | 464,065 | 3,251,101 |
| Vehicles | 1,889,283 | 249,452 | 226,291 | 1,912,444 |
| Total | $20,698,075 | $ 2,470,519 | $ 690,356 | $22,478,238 |
| Governmental activities, fixed assets, net | $62,475,911 | $14,533,387 | $ 9,819,601 | $67,189,697 |

NOTE 6 - FIXED ASSETS, CONTINUED

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

| | |
|---|---|
| Governmental Activities: | |
| Policy/Administration | $ 41,165 |
| Public Safety | 350,625 |
| Public Works | 1,216,921 |
| Environment Preservation | 17,923 |
| Parks and Recreation | 840,376 |
| Community Development | 3,509 |
| Total | $2,470,519 |
| Business-type Activities: | |
| Water | $ 727,324 |
| Sewer | 551,927 |
| Solid Waste | 63,233 |
| Electric | 149,449 |
| Total | $1,491,933 |

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, 2007:

| | |
|---|---|
| Governmental Funds: | |
| Payable at beginning of year | $ 645,000 |
| Bond Anticipation Notes Issued | -0- |
| Bond Anticipation Notes Redeemed | -0- |
| Payable at end of year | $ 645,000 |

NOTE 8 - BONDS PAYABLE

The following is a summary of bond transactions of the City for the year ended September 30, 2007:

| | Business-type Activities | Governmental Activities |
|---|---|---|
| Bonds Payable at October 1, 2006 | $22,050,000 | $12,895,000 |
| Bonds Issued | 1,800,000 | -0- |
| Bonds Retired | (1,095,000) | (1,480,000) |
| Bonds Payable at September 30, 2007 | $22,755,000 | $11,415,000 |
| Current Portion | $ 1,125,000 | $ 1,460,000 |

NOTE 8 - BONDS PAYABLE, CONTINUED

The annual payments required to retire bonds payable as of September 30, 2007, are as follows:

| Year Ending | Business-type Activities | | | Governmental Activities | | |
|---|---|---|---|---|---|---|
| September 30 | Principal | Interest | Total | Principal | Interest | Total |
| 2008 | $ 1,125,000 | $ 819,658 | $ 1,944,658 | $ 1,460,000 | $ 417,361 | $ 1,877,361 |
| 2009 | 1,155,000 | 798,508 | 1,953,508 | 1,510,000 | 366,725 | 1,876,725 |
| 2010 | 1,175,000 | 761,733 | 1,936,733 | 1,485,000 | 316,244 | 1,801,244 |
| 2011 | 1,050,000 | 725,496 | 1,775,496 | 1,535,000 | 262,874 | 1,797,874 |
| 2012 | 1,090,000 | 689,763 | 1,779,763 | 1,570,000 | 204,786 | 1,774,786 |
| 2013 - 2017 | 6,055,000 | 2,826,965 | 8,881,965 | 3,495,000 | 294,994 | 3,789,994 |
| 2018 - 2022 | 6,930,000 | 1,558,922 | 8,488,922 | 360,000 | 22,953 | 382,953 |
| 2023 - 2027 | 4,175,000 | 425,640 | 4,600,640 | -0- | -0- | -0- |
| | $22,755,000 | $ 8,606,685 | $31,361,685 | $11,415,000 | $ 1,885,937 | $13,300,937 |

The following is a summary of bond balances of the City for the years ended September 30, 2007:

| Bonds Outstanding | |
|---|---|
| Governmental Activities: | |
| Flood Control Bonds - 2002 | $ 4,350,000 |
| Interest Rates: 1.65% to 4.40% | |
| Maturity: November 15, 2014 | |
| G.O. Refunding Bonds - 2002 | 300,000 |
| Interest Rates: 2.10% to 4.50% | |
| Maturity: June 15, 2011 | |
| Various Purpose Bonds - 2004 | 1,060,000 |
| Interest Rates: 1.80% to 4.20% | |
| Maturity: October 15, 2019 | |
| Various Purpose Bonds - 2004B | 250,000 |
| Interest Rates: 1.80% to 2.85% | |
| Maturity: October 15, 2009 | |
| Sales Tax Revenue Bonds - 2004 | 4,000,000 |
| Interest Rates: 2.00% to 3.90% | |
| Maturity: September 15, 2013 | |
| Sales Tax Revenue Bonds - 2005 | 935,000 |
| Interest Rates: 3.50% to 4.25% | |
| Maturity: September 15, 2009 | |
| Various Purpose Bonds - 2005 | 520,000 |
| Interest Rates: 3.00% to 4.00% | |
| Maturity: November 15, 2014 | |
| Total Governmental Activities Bonds Outstanding | $11,415,000 |

NOTE 8 - BONDS PAYABLE, CONTINUED

| | |
|---|---|
| Business-type Activities: | |
| Subordinate Combined Revenue Bonds - 2003 | $ 8,425,000 |
| Interest Rates: 2.00% to 4.00% | |
| Maturity: December 15, 2023 | |
| Subordinate Combined Revenue Bonds | 6,400,000 |
| Interest Rates: 3.00% to 4.65% | |
| Maturity: December 15, 2023 | |
| Combined Revenue and Refunding Bonds - 2005 | 6,130,000 |
| Interest Rates: 3.00% to 4.00% | |
| Maturity: December 15, 2023 | |
| Combined Revenue Bonds - 2007 | 1,800,000 |
| Interest Rate: 4.50% | |
| Maturity: June 15, 2027 | |
| Total Business-type Activities Bonds Outstanding | $22,755,000 |

Interest costs incurred were accounted for as follows:

| | Business-type Activities | Governmental Activities |
|---|---|---|
| Expensed | $ 785,371 | $ 619,991 |
| Capitalized | 6,787 | -0- |
| Total | $ 792,158 | $ 619,991 |

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. 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 Ameritas Life Insurance Corporation, a division of UNIFI Companies. 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.

NOTE 9 - PENSION PLAN AND RETIREMENT PLANS, CONTINUED

A. Continued:

The cost to the City for the money purchase plans administered by others for the fiscal year ended September 30, 2007 was as follows:

| | |
|---|---|
| Police | $ 17,047 |
| Fire | 72,399 |
| All Others | 171,542 |
| Total | $ 260,988 |

Total wages paid by the City for the year ended September 30, 2007, were $7,247,171.

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, 2007 from the most recently issued report, showed a recommended annual deposit of $-0- for the fire plan and $-0- for the police plan. The City's contributions to these plans for the year ended September 30, 2007, were $72,482 for the fire plan and $62,497 for the police plan.

E. Actuarial assumptions:

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

Investment Return

| | Police | Fire |
|---|---|---|
| Pre-retirement | 7.0% | 7.0% |
| Post-retirement for Current active members | 5.5% | 5.5% |
| Post-retirement for Current retired members | 7.0% | 7.0% |

Mortality: 1994 Group Annuity Mortality Table.

Expenses: Normal cost includes estimated plan expense charge.

Retirement Age

| | Age | Probability Of Retirement |
|---|---|---|
| Fire | 55-59 | 40% |
| Fire | 60 | 100% |
| Police | 55-59 | 20% |
| Police | 60 | 100% |

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

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% 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:

| | Fire Pension | Police Pension |
|---|---|---|
| Receipts: | | |
| Transfer from Other Funds | $ 72,200 | $ 62,100 |
| Interest | 1,395 | 1,080 |
| | $ 73,595 | $ 63,180 |
| Disbursements: | | |
| Pension Paid | $ 22,482 | $ 62,497 |
| Reserve Paid to Ameritas | 50,000 | -0- |
| | $ 72,482 | $ 62,497 |
| Excess of Receipts over Disbursements | $ 1,113 | $ 683 |
| Balance, Beginning | 17,747 | 28,188 |
| Balance, Ending | $ 18,860 | $ 28,871 |

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 $459,437 at September 30, 2007. The City has raised premiums from employees in an effort to resolve the deficit. No accrual for claims incurred but not reported has been made at year-end.

NOTE 12- SALES TAX

Six times since 1995, the City of Columbus has received voter approval for a one percent or one-half percent city sales tax for various projects, as outlined below. Currently the local sales tax rate is a total of one and one-half percent (1.50%). Through March 2011 the one percent is allocated 90% to capital improvements, including street improvements and drainage projects and 10% for economic development, not to exceed $300,000 per year. The one-half percent is allocated to debt service for the $6.5 million bonds that were used to construct Pawnee Plunge Water Park and for operating deficits at the water park and aquatic center.

| Rate | Duration | Debt Reduction | Drainage Projects | Street Improve | Capital Improve | Pawnee Park Stadium | Pawnee Plunge Water Park | Economic Development Plan (LB840) |
|---|---|---|---|---|---|---|---|---|
| 1.0% | Apr 1995-Mar 1999 | 50% | 12.5% | 25% | 12.5% | | | |
| 1.0% | Apr 1999-Mar 2003 | | 50% | 25% | 25% | | | |
| 1.0% | Apr 2003-Mar 2008 | | 50% | 25% | 25% | | | |
| 1.0% | Apr 2008-Mar 2011 | | | | 90% | | | 10%, not to exceed $300,000 annually |
| 0.5% | Apr 2001-Mar 2003 | | | | | 100% | | |
| 0.5% | Apr 2005-Bonds are Retired | | | | | | 100% | |

NOTE 13- RESTRICTED NET ASSETS

Restrictions are used to indicate that a portion of a fund balance is not available for expenditure, or is legally segregated for a specific use. When both Restricted and Unrestricted funds are available, it is the City's policy to first use Restricted funds. At September 30, 2007, the City of Columbus reserved fund balances were as follows:

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

Reserved Net Assets-Debt Service indicates the amount which is restricted for the payment of debt.

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, 2007, the amount of this liability, if any, was indeterminable.

## NOTE 14- COMMITMENTS AND CONTINGENCIES, CONTINUED

### 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. The settlement is being paid from the Solid Waste Fund.

## 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. Additional bonds in the amount of $750,000 were issued and dated March 9, 2007. These bonds shall be payable solely from the tax increment revenues and other funding as provided.

The City issued Tax Allocation Bonds in the amount of $490,000 on May 15, 2007. These bonds are also to be paid solely from the tax increment revenues and other funding as provided.

The Bonds shall not in any event be a debt of the City, except to the extent of the pledge of the tax increment revenues 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.

CITY OF COLUMBUS, NEBRASKA

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2007

| | Budget Original & Final | Actual Budgetary Basis |
|---|---|---|
| RECEIPTS: | | |
| Taxes | $ 3,836,505 | $ 4,041,917 |
| Intergovernmental | 1,048,100 | 857,722 |
| Charges for Services | 2,190,100 | 1,653,013 |
| Interest Income | 47,225 | 108,456 |
| Miscellaneous | 4,875 | 82,815 |
| Total Receipts | $ 7,126,805 | $ 6,743,923 |
| EXPENDITURES: | | |
| Policy/Administration | $ 1,093,150 | $ 1,022,662 |
| Public Safety | 4,774,150 | 4,408,314 |
| Environment Preservation | 257,890 | 262,107 |
| Parks and Recreation | 3,338,266 | 3,026,501 |
| Community Development | 190,350 | 180,595 |
| Total Expenditures | $ 9,653,806 | $ 8,900,179 |
| OTHER FINANCING SOURCES (USES): | | |
| Transfers From Other Funds | $ 3,063,541 | $ 3,162,622 |
| Transfers To Other Funds | (537,041) | (541,337) |
| Total Other Financing Sources (Uses) | $ 2,526,500 | $ 2,621,285 |
| CHANGE IN CASH FUND BALANCE | $ (501) | $ 465,029 |

CITY OF COLUMBUS, NEBRASKA

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2007

| | Budget Original & Final | Actual Budgetary Basis |
|---|---|---|
| RECEIPTS: | | |
| Taxes | $ 5,205,000 | $ 5,166,702 |
| Intergovernmental | 3,654,000 | 2,188,314 |
| Charges for Services | 184,280 | 627,239 |
| Interest Income | 197,000 | 265,400 |
| Miscellaneous | 31,400 | 33,339 |
| Total Receipts | $ 9,271,680 | $ 8,280,994 |
| EXPENDITURES: | | |
| Public Safety | $ 145,000 | $ 598,050 |
| Public Works | 1,860,000 | 1,815,635 |
| Community Development | 2,184,585 | 343,911 |
| Capital Outlay | 5,439,225 | 2,179,599 |
| Total Expenditures | $ 9,628,810 | $ 4,937,195 |
| OTHER FINANCING SOURCES (USES): | | |
| Transfers From Other Funds | $ 375,200 | $ 364,586 |
| Transfers To Other Funds | (2,944,985) | (2,625,875) |
| Total Other Financing Sources (Uses) | $ (2,569,785) | $ (2,261,289) |
| CHANGE IN CASH FUND BALANCE | $ (2,926,915) | $ 1,082,510 |

CITY OF COLUMBUS, NEBRASKA

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2007

| | Budget Original & Final | Actual Budgetary Basis |
|---|---|---|
| RECEIPTS: | | |
| Taxes | $ -0- | $ 276,683 |
| Intergovernmental | 7,700,000 | 2,291,734 |
| Charges for Services | 25,000 | 35,743 |
| Interest Income | 10,000 | 25,499 |
| Bond Proceeds | -0- | 1,182,125 |
| Total Receipts | $ 7,735,000 | $ 3,811,784 |
| EXPENDITURES: | | |
| Capital Outlay | $ 6,670,975 | $ 4,495,845 |
| Debt Service | 667,500 | 312,526 |
| Total Expenditures | $ 7,338,475 | $ 4,808,371 |
| OTHER FINANCING SOURCES (USES): | | |
| Transfers From Other Funds | $ 977,300 | $ 201,047 |
| Transfers To Other Funds | -0- | (56,353) |
| Total Other Financing Sources (Uses) | $ 977,300 | $ 144,694 |
| CHANGE IN CASH FUND BALANCE | $ 1,373,825 | $ (851,893) |

CITY OF COLUMBUS, NEBRASKA

NOTES TO BUDGETARY COMPARISON SCHEDULES

SEPTEMBER 30, 2007

UNAUDITED

## NOTE 1 - BASIS OF ACCOUNTING

Because state law requires a municipality's annual budget be prepared on the cash basis of accounting, the budget adopted by the City Council is inconsistent with generally accepted accounting principles. The budgetary comparison schedules have been prepared on the cash basis of accounting.

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

1. 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.

2. Public hearings are conducted to obtain taxpayer comments.

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

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Columbus, Nebraska, as of and for the year ended September 30, 2007, which collectively comprise the City of Columbus, Nebraska's basic financial statements and have issued our report thereon dated February 27, 2008. 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.

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 the modified cash basis of accounting, 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

In planning and performing our audit, we considered the City of Columbus, Nebraska's internal control over financial reporting as a basis of designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Columbus, Nebraska's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Columbus, Nebraska's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Columbus, Nebraska's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash, modified accrual, and generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Columbus, Nebraska's financial statements that is more than inconsequential will not be prevented or detected by the City of Columbus, Nebraska's internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Columbus, Nebraska's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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*.

This report is intended solely for the information and use of management, the audit committee, City Council, 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 PC

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

February 27, 2008

SCOW, RIEF,
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# 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

## 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, 2007. 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 the modified cash basis, 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, 2007.

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

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the City of Columbus, Nebraska's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City of Columbus, Nebraska's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of Columbus, Nebraska's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the audit committee, management, City Council, 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 PC

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

February 27, 2008

CITY OF COLUMBUS, NEBRASKA

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

| FEDERAL GRANTOR<br>PASS-THROUGH GRANTOR<br>PROGRAM TITLE | CFDA NUMBER | PROGRAM OR AWARD AMOUNT | AMOUNT EXPENDED |
|---|---|---|---|
| DEPARTMENT OF HEALTH AND HUMAN SERVICES: | | | |
| Passed through the Northeast Nebraska Area Agency on Aging | | | |
| Special Programs for the Aging | | | |
| Title III Part B | 93.044 | $ 7,572 | $ 7,572 |
| Title III Part C | 93.045 | 13,636 | 13,636 |
| DEPARTMENT OF AGRICULTURE: | | | |
| Passed through the Northeast Nebraska Area Agency on Aging | | | |
| Nutrition Program for the Elderly (Commodities) | 10.570 | 10,116 | 10,116 |
| DEPARTMENT OF TRANSPORTATION: | | | |
| Passed through Nebraska Department of Roads | | | |
| Surface Transportation Program | 20.205 | 2,281,329 | 3,118,016* |
| Federal Transit: Formula Grants | 20.509 | 49,427 | 49,427 |
| Passed through Nebraska Dept of Motor Vehicles Office of Highway Safety | | | |
| Selective Enforcement Mini-Grant | 20.600 | 51,660 | 51,660 |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: | | | |
| Passed through Nebraska Dept of Economic Development | | | |
| Community Development Block Grant | 14.228 | 135,079 | 135,079 |
| HOME Investment Partnership Program | 14.229 | 97,916 | 97,916 |
| DEPARTMENT OF TREASURY-BUREAU OF ALCOHOL, TOBACCO AND FIREARMS: | | | |
| G.R.E.A.T. | 21.053 | 26,370 | 26,370 |
| DEPARTMENT OF JUSTICE: | | | |
| Bulletproof Vest Partnership | 16.607 | 2,021 | 2,021 |
| DEPARTMENT OF HOMELAND SECURITY: | | | |
| Passed through Nebraska Emergency Management Agency | | | |
| State Domestic Preparedness Equipment Support Program | 97.004 | 180,570 | 180,570 |
| ENVIRONMENTAL PROTECTION AGENCY: | | | |
| Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements | 66.802 | 327,739 | 327,739* |
| TOTAL FEDERAL ASSISTANCE | | $3,183,435 | $4,020,122 |

* - Denotes a major program

CITY OF COLUMBUS, NEBRASKA

NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

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, 2007. 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 modified 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, 2007

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:

| Program Name | CFDA # |
|---|---|
| Highway Planning and Construction | 20.205 |
| Superfund State, Political Subdivision, and Indian Site-Specific Cooperative Agreements | 66.802 |

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