

CITY OF COLUMBUS, NEBRASKA

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

CITY OF COLUMBUS, NEBRASKA

SEPTEMBER 30, 2008

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CITY OF COLUMBUS, NEBRASKA

SEPTEMBER 30, 2008

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INDEPENDENT AUDITORS' REPORT

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

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

MEMBERS
OF THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
& NEBRASKA SOCIETY OF CERTIFIED

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2008, which collectively comprise the City of Columbus, Nebraska'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.

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P: 402 564 1366
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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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As described in Note 1, the City of Columbus, Nebraska prepares the financial statements of the governmental activities and the business-type 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 financial statements of the governmental funds and the fiduciary funds 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.

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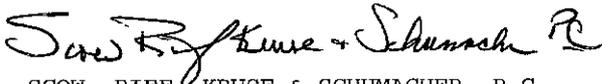
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified accrual basis of the governmental activities and the business-type activities of the City of Columbus, Nebraska as of September 30, 2008, and the respective 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 also present fairly, in all material respects, the respective financial position-modified cash basis of the governmental funds and the fiduciary funds of the City of Columbus, Nebraska as of September 30, 2008, 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 also present fairly, in all material respects, the respective financial position of the proprietary funds of the City of Columbus, Nebraska, as of September 30, 2008, 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 March 10, 2009, 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.

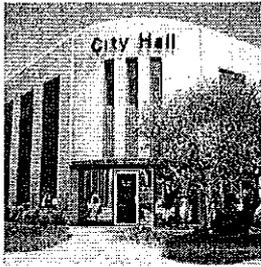
The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and page 37, respectively, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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. The schedule of expenditures of federal awards 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, P.C.
Certified Public Accountants

March 10, 2009



The City of *Columbus*

FINANCE DEPARTMENT Office (402) 562-4231

Management's Discussion and Analysis September 30, 2008

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, 2008 by \$96 million.
- Capital Assets (net of depreciation and related debt) account for about 81% of this amount.
- Of the remaining net assets \$10 million is restricted to capital projects and debt payments and \$9 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.

City of Columbus, Nebraska
Management's Discussion and Analysis, Continued
September 30, 2008

- 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, capital projects fund, and debt service 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

A condensed version of the Statement of Net Assets of the City for the fiscal years ended September 30, 2008 and 2007 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets				
Cash and investments	\$ 13,775,670	\$ 12,965,925	\$ 5,037,675	\$ 5,480,150
Capital assets, net	<u>71,765,974</u>	<u>67,189,697</u>	<u>38,272,657</u>	<u>38,340,313</u>
Total assets	<u>\$ 85,541,644</u>	<u>\$ 80,155,622</u>	<u>\$ 43,310,332</u>	<u>\$ 43,820,463</u>
Liabilities				
Long-term liabilities	\$ 8,950,000	\$ 9,955,000	\$ 20,475,000	\$ 21,630,000
Other liabilities	<u>2,672,633</u>	<u>3,131,910</u>	<u>1,155,000</u>	<u>1,125,000</u>
Total liabilities	<u>\$ 11,622,633</u>	<u>\$ 13,086,910</u>	<u>\$ 21,630,000</u>	<u>\$ 22,755,000</u>
Net assets				
Invested in capital assets, net of related debt	\$ 60,385,974	\$ 55,129,697	\$ 16,642,657	\$ 15,585,313
Restricted	8,126,707	8,023,461	1,524,788	2,222,008
Unrestricted	<u>5,406,330</u>	<u>3,915,554</u>	<u>3,512,887</u>	<u>3,258,142</u>
Total net assets	<u>\$ 73,919,011</u>	<u>\$ 67,068,712</u>	<u>\$ 21,680,332</u>	<u>\$ 21,065,463</u>
Total liabilities and net assets	<u>\$ 85,541,644</u>	<u>\$ 80,155,622</u>	<u>\$ 43,310,332</u>	<u>\$ 43,820,463</u>

During the year ended September 30, 2008 the most significant changes were as follows:

Governmental Activities

The largest change from 2007 was the \$4.6 million investment in capital assets. The largest project was \$3.5 million for the continuance of construction of the Lost Creek Parkway formerly known as the North Arterial.

Business-type Activities

The largest change from 2007 was in the investment in capital assets, net of related debt which increased by \$1 million.

City of Columbus, Nebraska
Management's Discussion and Analysis, Continued
September 30, 2008

A condensed version of the Statement of Activities of the City for the fiscal years ended September 30, 2008 and 2007 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues				
Program revenues				
Charges for services	\$ 4,222,583	\$ 4,139,413	\$ 5,897,553	\$ 5,231,876
Operating grants and contributions	2,347,779	2,139,971	307,266	-0-
Capital grants and contributions	3,529,824	4,049,756	15,522	559,287
General revenues				
Property tax	3,629,736	3,408,470	-0-	-0-
Sales tax	5,281,800	4,726,327	265,598	227,897
Franchise tax	827,880	864,912	2,260,061	2,029,130
Other Tax	926,793	676,277	-0-	-0-
Unrestricted grants and contributions	484,238	482,171	-0-	-0-
Investment earnings	494,699	531,485	179,499	209,314
Other general revenues	(70,260)	100,285	252,009	234,837
Gain (loss) on sale of equipment	39,418	46,679	3,540	(3,078)
Transfers	2,108,066	2,254,379	(2,206,264)	(2,388,679)
Total revenues	\$ 23,822,556	\$ 23,420,125	\$ 6,974,784	\$ 6,100,584
Program expenses				
General policy and administration	\$ 1,125,638	\$ 1,063,827	\$ -0-	\$ -0-
Public safety	5,031,614	4,890,869	-0-	-0-
Public works	3,411,344	3,311,981	-0-	-0-
Environmental preservation	273,144	280,030	-0-	-0-
Parks and recreation	3,973,273	3,776,115	-0-	-0-
Community development	839,669	502,148	-0-	-0-
Health insurance	1,564,058	1,775,335	-0-	-0-
Debt service	817,435	778,656	-0-	-0-
Water	-0-	-0-	2,345,120	2,300,197
Sewer	-0-	-0-	2,662,913	2,661,558
Solid waste	-0-	-0-	1,202,433	1,080,546
Electric	-0-	-0-	149,449	150,199
Total expenses	\$ 17,036,175	\$ 16,378,961	\$ 6,359,915	\$ 6,192,500
Change in net assets	\$ 6,786,381	\$ 7,041,164	\$ 614,869	\$ (91,916)

During the year ended September 30, 2008 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 \$515,000. This can be compared with an excess of \$465,000 for the previous year. During fiscal year 2008 the City received \$5,282,000 of local option sales tax as compared to \$4,726,000 for 2007. City sales tax receipts were up 12% due in part to the opening of the new Menards, a good agricultural economy, the number of construction workers in town, and fewer economic development refunds than 2007. Capital grants and contributions decreased during 2008, primarily due to the timing of the federal grant reimbursements for the Lost Creek Parkway construction project.

Business-type activities

The category Charges for Services increased by \$666,000 when compared to 2007 due to the 12% increase in water and wastewater rates. A water and wastewater rate study was completed during 2008 with the recommended rate increases of 15% for water and 10% for sewer rates being implemented in 2009 to provide funds for future system improvements. The Water Fund operated at a profit of \$163,000 for 2008 as compared to a loss of \$78,974 for 2007. The Sewer Fund operated at a profit of \$290,000 for 2008 as compared with a profit of \$59,512 for 2007. The lease payment from Loup Power District, included in franchise taxes, for 2008 was \$2.3 million as compared to \$2.1 million for 2007, 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, 2008 the City had \$110 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 \$4.5 million over last year.

Some of the most significant additions to capital assets for the governmental activities included \$5 million for street construction, reconstruction, and improvements, the largest of which was the continuance of the construction of the Lost Creek Parkway (North Arterial) that starts west of the new Wal-Mart for about \$3.5 million, paving 26th Avenue north for \$650,000, and designs for the new viaduct for \$300,000. Other significant additions for equipment improvements costing more than \$100,000 included \$149,000 for an ambulance, \$137,000 for library materials, \$240,000 for the hospital lake park project, \$168,000 to acquire land to build an armory and park in northeast Columbus, and \$222,000 of public improvement in relation to the new Menard's building. Sanitary sewer slip lining, wastewater lift renovations, and water line upgrades and equipment replacement were the most significant of the \$1.3 million of additions for the business-type activities.

Debt Outstanding

At year-end, the City had \$33 million in bonds and notes outstanding versus \$34.8 million last year. There were two new borrowings during 2008; \$3.4 million to refinance stormwater drainage bonds to take advantage of lower interest rates and \$500,000 to permanently finance special assessment districts for water, wastewater, and street improvements. \$6.6 million of outstanding debt was retired during 2008.

Economic Factors and Next Year's Budgets and Rates

Several factors were considered and affected the preparation of the City's 2009 budget as follows:

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

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

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, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash (Notes 1 and 4)	\$ 237,554	\$ 3,112	\$ 240,666
Cash Investments (Note 4)	12,657,216	5,034,563	17,691,779
Cash with County Treasurer	880,900	-0-	880,900
Non-Current Assets			
Fixed Assets, Net (Note 6)	71,765,974	38,272,657	110,038,631
TOTAL ASSETS	\$ 85,541,644	\$ 43,310,332	\$ 128,851,976
LIABILITIES			
Current Liabilities			
Cash Overdrawn	\$ 242,633	\$ -0-	\$ 242,633
Bonds Payable, due in one year (Note 8)	1,535,000	1,155,000	2,690,000
Bond Anticipation Notes (Note 7)	895,000	-0-	895,000
Non-Current Liabilities			
Bonds Payable, due in more than one year (Note 8)	8,950,000	20,475,000	29,425,000
Total Liabilities	\$ 11,622,633	\$ 21,630,000	\$ 33,252,633
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	\$ 60,385,974	\$ 16,642,657	\$ 77,028,631
Restricted	8,126,707	1,524,788	9,651,495
Unrestricted	5,406,330	3,512,887	8,919,217
Total Net Assets	\$ 73,919,011	\$ 21,680,332	\$ 95,599,343
TOTAL LIABILITIES AND NET ASSETS	\$ 85,541,644	\$ 43,310,332	\$ 128,851,976

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, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Policy and Administration	\$ 1,125,638	\$ 62,118	\$ -0-	\$ -0-	\$ (1,063,520)
Public Safety	5,031,614	453,959	97,703	22,138	(4,457,814)
Public Works	3,411,344	327,689	1,863,640	3,374,981	2,154,966
Environmental Preservation	273,144	70,220	675	-0-	(202,249)
Parks and Recreation	3,973,273	907,080	385,761	-0-	(2,680,432)
Community Development	839,669	344,678	-0-	74,830	(420,161)
Health Insurance	1,564,058	1,780,652	-0-	-0-	216,594
Debt Service	817,435	276,187	-0-	57,875	(483,373)
Total Governmental Activities	\$ 17,036,175	\$ 4,222,583	\$ 2,347,779	\$ 3,529,824	\$ (6,935,989)
Business-Type Activities:					
Water	\$ 2,345,120	\$ 2,002,397	\$ 307,266	\$ -0-	\$ (35,457)
Sewer	2,662,913	2,799,149	-0-	1,710	137,946
Solid Waste	1,202,433	1,096,007	-0-	13,812	(92,614)
Electric	149,449	-0-	-0-	-0-	(149,449)
Total Business-type Activities	\$ 6,359,915	\$ 5,897,553	\$ 307,266	\$ 15,522	\$ (139,574)
Total City	\$ 23,396,090	\$ 10,120,136	\$ 2,655,045	\$ 3,545,346	\$ (7,075,563)

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, 2008

	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Changes in Net Assets			
Net Revenue (Expense)	<u>\$ (6,935,989)</u>	<u>\$ (139,574)</u>	<u>\$ (7,075,563)</u>
General Revenues:			
Property Tax	\$ 3,629,736	\$ -0-	\$ 3,629,736
Sales Tax	5,281,800	265,598	5,547,398
Franchise Tax	827,880	2,260,061	3,087,941
Other Tax	926,793	-0-	926,793
Grants and Contributions Not Restricted			
to Specific Programs	484,238	-0-	484,238
Investment Earnings	494,699	179,499	674,198
Miscellaneous	(70,260)	252,009	181,749
Special Item -			
Gain on Sale of Assets	39,418	3,540	42,958
Transfers	<u>2,108,066</u>	<u>(2,206,264)</u>	<u>(98,198)</u>
Total General Revenues, Special Items, and Transfers	<u>\$ 13,722,370</u>	<u>\$ 754,443</u>	<u>\$ 14,476,813</u>
Change in Net Assets	\$ 6,786,381	\$ 614,869	\$ 7,401,250
Net Assets - Beginning	67,068,712	21,065,463	88,134,175
Prior-Period Adjustment	<u>63,918</u>	<u>-0-</u>	<u>63,918</u>
Net Assets - Ending	<u>\$ 73,919,011</u>	<u>\$ 21,680,332</u>	<u>\$ 95,599,343</u>

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

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

SEPTEMBER 30, 2008

	Major Governmental Funds				Non-Major	Total
	General	Special Revenue	Capital Projects	Debt Service	Governmental Funds	Governmental Funds
ASSETS						
Cash	\$ 114,521	\$ 30,087	\$ 723	\$ 92,223	\$ -0-	\$ 237,554
Cash Investments	2,777,046	6,457,325	397,150	1,815,406	1,210,289	12,657,216
Cash with County Treasurer	677,825	-0-	164,663	38,412	-0-	880,900
Accounts Receivable	283,870	19,472	-0-	-0-	-0-	303,342
Special Assessments Receivable	-0-	-0-	-0-	1,108,072	-0-	1,108,072
Notes Receivable	-0-	304,636	-0-	-0-	-0-	304,636
TOTAL ASSETS	\$ 3,853,262	\$ 6,811,520	\$ 562,536	\$ 3,054,113	\$ 1,210,289	\$ 15,491,720
LIABILITIES						
Deferred Revenue	\$ 283,869	\$ 100,528	\$ -0-	\$ 1,108,072	\$ -0-	\$ 1,492,469
Notes Payable	-0-	223,581	-0-	-0-	-0-	223,581
Total Liabilities	\$ 283,869	\$ 324,109	\$ -0-	\$ 1,108,072	\$ -0-	\$ 1,716,050
NET ASSETS						
Reserved	\$ -0-	\$ 6,084,726	\$ -0-	\$ 1,946,041	\$ 1,210,289	\$ 9,241,056
Unreserved	3,569,393	402,685	562,536	-0-	-0-	4,534,614
Total Net Assets	\$ 3,569,393	\$ 6,487,411	\$ 562,536	\$ 1,946,041	\$ 1,210,289	\$ 13,775,670
TOTAL LIABILITIES AND NET ASSETS	\$ 3,853,262	\$ 6,811,520	\$ 562,536	\$ 3,054,113	\$ 1,210,289	\$ 15,491,720

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, 2008

Net assets of governmental funds		\$ 13,775,670
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	\$ 96,631,025	
Less accumulated depreciation	<u>(24,865,051)</u>	
		\$ 71,765,974
General long-term debt is not presented in the governmental funds, as the fund financial statements are presented on the modified cash basis of accounting		(11,380,000)
The Internal Service Fund is used by management to charge the costs of self-insurance and employee benefits; the assets and liabilities of the Internal Service Fund are reported in the governmental activities.		<u>(242,633)</u>
Net assets of governmental activities		<u>\$ 73,919,011</u>

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, 2008

	Major Governmental Funds				Non-Major Governmental Funds	Total Governmental Funds
	General	Special Revenue	Capital Projects	Debt Service		
RECEIPTS						
Taxes	\$ 4,548,370	\$ 2,923,568	\$ 870,890	\$ 1,495,501	\$ -0-	\$ 9,838,329
Intergovernmental	959,863	1,938,470	3,374,981	-0-	-0-	6,273,314
Charges for Services	1,743,975	217,904	203,863	276,188	-0-	2,441,930
Franchise Fees	827,880	-0-	-0-	-0-	-0-	827,880
Interest Income	105,243	249,553	8,352	70,204	61,137	494,489
Contributions	-0-	-0-	-0-	-0-	30,652	30,652
Bond Proceeds	-0-	-0-	1,452,875	3,400,000	-0-	4,852,875
Miscellaneous	70,346	33,537	-0-	-0-	(123,251)	(19,368)
Total Receipts	\$ 8,255,677	\$ 5,363,032	\$ 5,910,961	\$ 5,241,893	\$ (31,462)	\$ 24,740,101
EXPENDITURES						
Policy and Administration	\$ 1,132,604	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,132,604
Public Safety	4,956,664	224,139	-0-	-0-	-0-	5,180,803
Public Works	-0-	2,442,710	-0-	-0-	-0-	2,442,710
Environmental Preservation	287,443	-0-	-0-	-0-	-0-	287,443
Parks and Recreation	3,948,947	-0-	-0-	-0-	30,236	3,979,183
Community Development	168,264	665,076	-0-	-0-	-0-	833,340
Capital Outlay	-0-	2,518	5,319,913	-0-	-0-	5,322,431
Debt Service	-0-	-0-	1,027,568	5,264,867	-0-	6,292,435
Total Expenditures	\$ 10,493,922	\$ 3,334,443	\$ 6,347,481	\$ 5,264,867	\$ 30,236	\$ 25,470,949
EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENDITURES	\$ (2,238,245)	\$ 2,028,589	\$ (436,520)	\$ (22,974)	\$ (61,698)	\$ (730,848)
OTHER FINANCING SOURCES (USES)						
Transfers From Other Funds	\$ 3,099,276	\$ 263,859	\$ 1,028,060	\$ 848,803	\$ 25,000	\$ 5,264,998
Transfers To Other Funds	(346,368)	(2,443,535)	(88,736)	(207,028)	(71,265)	(3,156,932)
Total Other Financing Sources (Uses)	\$ 2,752,908	\$ (2,179,676)	\$ 939,324	\$ 641,775	\$ (46,265)	\$ 2,108,066
EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ 514,663	\$ (151,087)	\$ 502,804	\$ 618,801	\$ (107,963)	\$ 1,377,218
NET ASSETS - BEGINNING OF YEAR	3,054,730	6,638,498	59,732	1,327,240	1,318,252	12,398,452
NET ASSETS - END OF YEAR	\$ 3,569,393	\$ 6,487,411	\$ 562,536	\$ 1,946,041	\$ 1,210,289	\$ 13,775,670

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, 2008

Change in net assets - total governmental funds	\$ 1,377,218
Amounts reported for governmental activities in the Statement of Activities - Modified Accrual Basis are different because:	
Capital outlays are reported as expenditures in the fund financial statements, while the cost of the assets is allocated over the estimated useful lives of the assets and reported as depreciation expense in the government- wide financial statements. Capital outlays (\$6,936,702) exceeded depreciation (\$2,384,924) plus gain on disposal of capital assets (\$39,418) in the current period.	4,512,360
General long-term debt payments are reported as expenditures in the fund financial statements and as reductions of the appropriate liabilities in the government-wide financial statements.	680,000
The Internal Service Fund is used by management to charge the costs of self-insurance and employee benefits; the net revenue of the Internal Service Fund is reported with the governmental activities.	<u>216,803</u>
Change in net assets of governmental activities	<u>\$ 6,786,381</u>

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	Business-Type Activities				Totals	Governmental
	Enterprise Funds					Activities
	Water	Sewer	Electric	Solid Waste		Internal
					Service Funds	
ASSETS						
Current Assets						
Cash	\$ 1,019	\$ 216	\$ 918	\$ 959	\$ 3,112	\$ -0-
Cash Investments	839,810	407,726	2,178,723	83,516	3,509,775	-0-
Accounts Receivable	261,231	278,036	-0-	59,719	598,986	-0-
Interfund Receivable	116,770	-0-	-0-	-0-	116,770	-0-
Accrued Revenues	211,672	269,458	792,753	100,447	1,374,330	-0-
Inventory, at Cost	<u>187,231</u>	<u>20,488</u>	<u>-0-</u>	<u>-0-</u>	<u>207,719</u>	<u>-0-</u>
Total Current Assets	<u>\$ 1,617,733</u>	<u>\$ 975,924</u>	<u>\$ 2,972,394</u>	<u>\$ 244,641</u>	<u>\$ 5,810,692</u>	<u>\$ -0-</u>
Non-Current Assets						
Restricted Assets -						
Bond Reserve Fund	\$ 535,672	\$ 534,740	\$ -0-	\$ -0-	\$ 1,070,412	\$ -0-
Capital Projects	-0-	454,376	-0-	-0-	454,376	-0-
Fixed Assets, Net	17,029,551	18,046,913	2,711,100	779,267	38,566,831	-0-
Bond Issue Costs	<u>239,831</u>	<u>343,886</u>	<u>-0-</u>	<u>-0-</u>	<u>583,717</u>	<u>-0-</u>
Total Non-Current Assets	<u>\$ 17,805,054</u>	<u>\$ 19,379,915</u>	<u>\$ 2,711,100</u>	<u>\$ 779,267</u>	<u>\$ 40,675,336</u>	<u>\$ -0-</u>
TOTAL ASSETS	<u>\$ 19,422,787</u>	<u>\$ 20,355,839</u>	<u>\$ 5,683,494</u>	<u>\$ 1,023,908</u>	<u>\$ 46,486,028</u>	<u>\$ -0-</u>
LIABILITIES						
Current Liabilities						
Cash Overdrawn	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 242,633
Accounts Payable	96,627	360,757	-0-	82,508	539,892	-0-
Interfund Payable	-0-	-0-	-0-	116,770	116,770	-0-
Accrued Expenses	57,270	92,262	-0-	23,657	173,189	-0-
Accrued Interest Payable	105,338	133,412	-0-	-0-	238,750	-0-
Deferred Revenue	-0-	5,332	-0-	-0-	5,332	-0-
Bonds Payable	<u>594,125</u>	<u>560,875</u>	<u>-0-</u>	<u>-0-</u>	<u>1,155,000</u>	<u>-0-</u>
Total Current Liabilities	<u>\$ 853,360</u>	<u>\$ 1,152,638</u>	<u>\$ -0-</u>	<u>\$ 222,935</u>	<u>\$ 2,228,933</u>	<u>\$ 242,633</u>
Non-Current Liabilities						
Bonds Payable	<u>\$ 8,739,657</u>	<u>\$ 11,735,343</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 20,475,000</u>	<u>\$ -0-</u>
Total Liabilities	<u>\$ 9,593,017</u>	<u>\$ 12,887,981</u>	<u>\$ -0-</u>	<u>\$ 222,935</u>	<u>\$ 22,703,933</u>	<u>\$ 242,633</u>
NET ASSETS						
Invested in Capital Assets,						
Net of Related Debt	\$ 7,695,769	\$ 5,750,695	\$ 2,711,100	\$ 779,267	\$ 16,936,831	\$ -0-
Restricted	535,672	989,116	-0-	-0-	1,524,788	-0-
Unrestricted	<u>1,598,329</u>	<u>728,047</u>	<u>2,972,394</u>	<u>21,706</u>	<u>5,320,476</u>	<u>(242,633)</u>
Total Net Assets	<u>\$ 9,829,770</u>	<u>\$ 7,467,858</u>	<u>\$ 5,683,494</u>	<u>\$ 800,973</u>	<u>\$ 23,782,095</u>	<u>\$ (242,633)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,422,787</u>	<u>\$ 20,355,839</u>	<u>\$ 5,683,494</u>	<u>\$ 1,023,908</u>	<u>\$ 46,486,028</u>	<u>\$ -0-</u>

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

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

SEPTEMBER 30, 2008

Total net assets - total proprietary funds \$ 23,782,095

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 bases
of accounting is the difference between net assets.

Accounts Receivable	\$(598,986)	
Accrued Revenue	(1,374,330)	
Inventory	(207,719)	
Bond Issue Costs	(583,717)	
Accounts Payable	539,892	
Accrued Expenses	173,189	
Accrued Interest Payable	238,750	
Deferred Revenue	<u>5,332</u>	
		\$(1,807,589)

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

(294,174)

Net assets of business-type activities

\$ 21,680,332

CITY OF COLUMBUS, NEBRASKA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-Type Activities Enterprise Funds				Totals	Governmental
	Water	Sewer	Electric	Solid Waste		Internal Service Funds
OPERATING REVENUE						
Charges for Services	\$ 1,962,835	\$ 2,824,893	\$ -0-	\$ 1,128,311	\$ 5,916,039	\$ 1,780,652
Franchise Fees	-0-	-0-	2,278,194	-0-	2,278,194	-0-
Permits and Fees	55,090	24,225	-0-	2,202	81,517	-0-
Operating Grants	307,266	-0-	-0-	-0-	307,266	-0-
Sales Taxes	91,495	174,103	-0-	-0-	265,598	-0-
Other	162,832	28,317	-0-	80,144	271,293	-0-
Total Operating Revenue	\$ 2,579,518	\$ 3,051,538	\$ 2,278,194	\$ 1,210,657	\$ 9,119,907	\$ 1,780,652
OPERATING EXPENSES						
Salaries and Wages	\$ 396,149	\$ 592,751	\$ -0-	\$ 207,099	\$ 1,195,999	\$ -0-
Payroll Taxes and Benefits	169,161	239,083	-0-	92,372	500,616	-0-
Utilities and Telephone	186,126	300,177	-0-	6,299	492,602	-0-
Operating Supplies	190,113	140,696	-0-	31,609	362,418	-0-
Repairs and Maintenance	159,299	134,004	-0-	36,931	330,234	-0-
Equipment Rental	-0-	413	-0-	2,419	2,832	-0-
Insurance	22,412	45,879	-0-	8,157	76,448	-0-
Fuel	719	50,433	-0-	-0-	51,152	-0-
Professional Services	19,401	33,520	-0-	2,855	55,776	1,564,058
Office and Cleaning Supplies	26,981	20,089	-0-	2,067	49,137	-0-
Landfill Disposal	-0-	-0-	-0-	744,740	744,740	-0-
Sales Taxes Remitted	88,972	178,385	-0-	-0-	267,357	-0-
Depreciation	729,145	577,999	149,449	79,980	1,536,573	-0-
Miscellaneous Operating Expenses	3,911	1,745	-0-	2,418	8,074	-0-
Total Operating Expenses	\$ 1,992,389	\$ 2,315,174	\$ 149,449	\$ 1,216,946	\$ 5,673,958	\$ 1,564,058
OPERATING INCOME (LOSS)	\$ 587,129	\$ 736,364	\$ 2,128,745	\$ (6,289)	\$ 3,445,949	\$ 216,594
NON-OPERATING REVENUE (EXPENSES)						
Interest on Investments	\$ 49,421	\$ 50,281	\$ 78,219	\$ 1,578	\$ 179,499	\$ 210
Interest on Debt	(366,113)	(377,946)	-0-	-0-	(744,059)	-0-
Capital Grant Receipts	-0-	1,710	-0-	13,812	15,522	-0-
Gain (Loss) on Disposal of Assets	-0-	(3,610)	-0-	7,150	3,540	-0-
Amortization	(18,505)	(21,807)	-0-	-0-	(40,312)	-0-
Total Non-Operating Revenue (Expenses)	\$ (335,197)	\$ (351,372)	\$ 78,219	\$ 22,540	\$ (585,810)	\$ 210
INCOME (LOSS) BEFORE TRANSFERS	\$ 251,932	\$ 384,992	\$ 2,206,964	\$ 16,251	\$ 2,860,139	\$ 216,804
Transfers In	\$ 65,435	\$ 23,301	\$ -0-	\$ -0-	\$ 88,736	\$ -0-
Transfers Out	(118,000)	(118,000)	(2,025,000)	(34,000)	(2,295,000)	-0-
Net Transfers	\$ (52,565)	\$ (94,699)	\$ (2,025,000)	\$ (34,000)	\$ (2,206,264)	\$ -0-
CHANGE IN NET ASSETS	\$ 199,367	\$ 290,293	\$ 181,964	\$ (17,749)	\$ 653,875	\$ 216,804
NET ASSETS - BEGINNING OF YEAR	9,630,403	7,177,565	5,501,530	818,722	23,128,220	(459,437)
NET ASSETS - END OF YEAR	\$ 9,829,770	\$ 7,467,858	\$ 5,683,494	\$ 800,973	\$ 23,782,095	\$ (242,633)

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, 2008

Change in net assets of proprietary funds	\$	617,755
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 bases of accounting is the difference between net assets.		
Change in Accounts Receivable	\$(82,028)
Change in Accrued Revenues	(57,581)
Change in Inventories		12,221
Change in Bond Issue Costs		40,312
Change in Accounts Payable		237,999
Change in Accrued Expenses		8,773
Change in Accrued Interest Payable		7,245
Change in Deferred Revenue		<u>2,187</u>
	\$	169,128
Capital assets in the business-type activities do not include expenditures included in accounts payable in the proprietary funds.		<u>(172,014)</u>
Change in net assets of business-type activities	\$	<u>614,869</u>

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, 2008

	Business-Type Activities					Governmental
	Enterprise Funds				Totals	Activities
	Water	Sewer	Electric	Solid Waste		Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers	\$ 2,074,606	\$ 2,973,252	\$ -0-	\$ 1,096,007	\$ 6,143,865	\$ 1,780,652
Payments for Supplies and Services	(660,167)	(729,091)	-0-	(820,565)	(2,209,823)	(1,780,862)
Payments to Employees	(396,149)	(592,751)	-0-	(207,099)	(1,195,999)	-0-
Payments for Employee Benefits	(169,161)	(239,083)	-0-	(92,372)	(500,616)	-0-
Franchise Fees	-0-	-0-	2,260,061	-0-	2,260,061	-0-
Other Receipts	42,151	22,962	-0-	201,646	266,759	-0-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 891,280	\$ 1,435,289	\$ 2,260,061	\$ 177,617	\$ 4,764,247	\$ (210)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Grant Receipts	\$ 307,266	\$ 1,710	\$ -0-	\$ 13,812	\$ 322,788	\$ -0-
Net Transfers (Out)	(52,565)	(94,699)	(2,025,000)	(34,000)	(2,206,264)	-0-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	\$ 254,701	\$ (92,989)	\$ (2,025,000)	\$ (20,188)	\$ (1,883,476)	\$ -0-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Acquisition of Capital Assets	\$ (353,836)	\$(1,170,326)	\$ -0-	\$ (116,770)	\$ (1,640,932)	\$ -0-
Principal Payments on Debt	(572,473)	(552,527)	-0-	-0-	(1,125,000)	-0-
Interest Payments on Debt	(371,134)	(365,680)	-0-	-0-	(736,814)	-0-
NET CASH (USED) BY CAPITAL FINANCING ACTIVITIES	\$ (1,297,443)	\$ (2,088,533)	\$ -0-	\$ (116,770)	\$ (3,502,746)	\$ -0-
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES						
Interest Income	\$ 49,421	\$ 50,281	\$ 78,219	\$ 1,578	\$ 179,499	\$ 210
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (102,041)	\$ (695,952)	\$ 313,280	\$ 42,237	\$ (442,476)	\$ -0-
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,478,542	2,093,010	1,866,361	42,238	5,480,151	-0-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,376,501	\$ 1,397,058	\$ 2,179,641	\$ 84,475	\$ 5,037,675	\$ -0-
CASH FLOWS FROM OPERATING ACTIVITIES						
Net Operating Income (Loss)	\$ 243,743	\$ 736,364	\$ 2,128,745	\$ (6,289)	\$ 3,102,563	\$ 216,594
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Depreciation	729,145	577,999	149,449	79,980	1,536,573	-0-
Gain (Loss) on Disposal of Assets	-0-	(3,610)	-0-	7,150	3,540	-0-
Changes in Assets and Liabilities:						
Change in Accounts Receivable	(37,410)	(40,232)	-0-	(4,386)	(82,028)	-0-
Change in Interfund Receivable	(116,770)	-0-	-0-	-0-	(116,770)	-0-
Change in Accrued Revenue	2,596	(11,924)	(18,133)	(30,120)	(57,581)	-0-
Change in Inventory	22,510	(10,289)	-0-	-0-	12,221	-0-
Change in Cash Overdrawn	-0-	-0-	-0-	-0-	-0-	(216,804)
Change in Accounts Payable	44,430	181,906	-0-	11,663	237,999	-0-
Change in Interfund Payable	-0-	-0-	-0-	116,770	116,770	-0-
Change in Accrued Expenses	3,036	2,888	-0-	2,849	8,773	-0-
Change in Deferred Revenue	-0-	2,187	-0-	-0-	2,187	-0-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 891,280	\$ 1,435,289	\$ 2,260,061	\$ 177,617	\$ 4,764,247	\$ (210)

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

SEPTEMBER 30, 2008

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ 900	\$ 75
Cash Investments	62,196	-0-
TOTAL ASSETS	<u>\$ 63,096</u>	<u>\$ 75</u>
LIABILITIES		
Accounts Payable	\$ -0-	<u>\$ 75</u>
NET ASSETS		
Held in Trust for Pension Benefits	<u>\$ 63,096</u>	

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Pension Trust Funds</u>
ADDITIONS	
Interest Income	<u>\$ 2,143</u>
DEDUCTIONS	
Public Safety	<u>\$ 84,979</u>
OTHER FINANCING SOURCES	
Transfers from Other Funds	<u>\$ 98,200</u>
CHANGE IN NET ASSETS	\$ 15,364
NET ASSETS - BEGINNING OF YEAR	<u>47,732</u>
NET ASSETS - END OF YEAR	<u>\$ 63,096</u>

THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THE FINANCIAL STATEMENTS

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Columbus, Nebraska (the City), conform to generally accepted accounting principles as applicable to governments, with the exception of the governmental activities, the business-type activities, and the governmental funds, as more fully described below. Presentation is in accordance with the financial reporting model described in Governmental Accounting Standards Board Statement (GASB) 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. 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 City Council is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Report Standards*, since the City 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 is made by applying the criteria set forth by generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The ability to exercise oversight responsibility includes, but is not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate the potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

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

B. Government-Wide and Fund Financial Accounting

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

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

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2008

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 proprietary 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 assets, liabilities, revenues, expenses or expenditures, and fund balances. Government resources are allocated to and accounted for in individual funds based on the purpose for which the resources 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 expenses or 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 activities and the 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 received, and expenditures are recognized when the related liability is paid, except for capital assets and long-term debt activity. Capital assets are accounted for as expenditures throughout economic useful lives of the capital assets through depreciation expense. In addition, long-term debt is recognized as a liability, and principal payments reduce such a 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 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 measurable and when the validity of the refunds 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 receivable or notes receivable and are being offset by deferred revenue in the financial statements.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Basis of Accounting and Financial Statement Presentation, Continued

The proprietary funds of the City use the accrual basis of accounting for financial reporting. These funds are accounted for using an 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 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, this fund accounts for Community Development Block Grants and lottery funds.

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

The Debt Service Fund accounts for the receipts and expenditures of bond principal and interest payments other than those of 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.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Basis of Accounting and Financial Statement Presentation, Continued

Additionally, the City reports the following fund types:

The 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 account for the accumulation of resources for pension benefit payments to qualified fire and police personnel.

The Agency Funds account for the receipts and disbursements of tax funds with respect to the tax levies enacted by the City for licenses and fees and the Airport Authority.

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 Fund and Water Fund, respectively, as of September 30, 2008, 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 the assessments on the properties of \$186,090. The City now owns these properties, and \$186,090 is the value included in the Debt Service Fund as land and buildings. 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

In the governmental funds, 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.

In the proprietary funds, inventory consists of plumbing supplies and replacement parts. Inventory is valued at the lower of cost or market, using a first-in, first-out (FIFO) method. Inventory is recorded as an expenditure when consumed, rather than when purchased.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, using the straight-line method, over the life of the bonds.

For all governmental funds, the costs of the issuance of bonds are expensed when incurred.

J. Capital Assets

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

Capital 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 (e.g., drainage, sidewalks, streets) have been capitalized retroactively to 1980 at historical cost.

Capital 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 financial statements and proprietary fund financial statements, fund balances are displayed in three components as follows:

Investment in General Fixed Assets, Net of Related Debt - This component 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 capital assets.

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

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

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Capitalized Interest

The City follows the policy of capitalizing interest as a component of construction cost in the business-type activities and the proprietary funds only. The total interest cost incurred by the proprietary funds for the year ended September 30, 2008 was \$828,102, of which \$84,393 has been capitalized in various items of construction in progress.

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. Explanations of certain differences between the governmental fund Statement of Receipts, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

An element of that reconciliation states the "Internal Service Fund is used by management to charge the costs of self-insurance and employee benefits." The portion of the net revenue of the Internal Service Fund arising from transactions with the governmental funds is reported with the governmental activities as the transactions service those governmental activities.

Insurance Premiums	\$ 1,780,651
Interest Income	210
Insurance Claims	(1,313,695)
Administrative Expense	(250,363)
Net adjustments to increase net change in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 216,803</u>

NOTE 3 - PROPERTY TAX

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

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2008

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Cash and restricted assets for the City as of September 30, 2008 consist of the following:

Primary Government -	
Checking Accounts	\$ 15,749
Petty Cash	1,995
Money Market Accounts	4,260,874
Certificates of Deposit	<u>12,264,000</u>
	<u>\$16,542,618</u>
Component Units -	
Checking Accounts	\$ 46
Certificates of Deposit	249,104
U.S. Treasury Notes	41,683
FHLB	36,115
FHLMC	10,097
FNMA	21,581
Mutual Funds	127,466
Corporate Bonds	86,225
Various Stocks	<u>637,972</u>
	<u>\$ 1,210,289</u>
Total	<u>\$17,752,908</u>

Credit Risk - The City's investment policies regarding credit risk are governed by Nebraska State Statutes, as described below. The City's component units do not have investment policies with regard to credit risk.

Custodial Credit Risk - 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 Nebraska State Statutes, as described below. As of September 30, 2008, the City's bank balances of \$16,598,917 are exposed to custodial credit risk as follows:

Primary Government	
Uninsured but collateralized by securities	
held by the pledging financial institution	\$15,870,559

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; or
- the financial institution issues a joint custody receipt to the benefit of the City, where a third party financial institution actually holds the security.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2008

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 items a, b, c, and d of this section; and
- f. Local government investment pools, either state-administered or through interlocal agreement legislation, whose portfolios consist of securities as described in items 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 the investment's value does not vary with market interest rate changes.

The carrying value of investments of the primary government owned as of year-end are \$16,524,618 (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 as of September 30, 2008 under the Community Development Block Grant program administered by the City:

	<u>Original Date</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>Balance</u>
1994 Flexcon	04/01/94	03/01/09	\$250,000	3.00%	\$1,726	\$ 8,424
1997 Greystone	09/01/97	08/01/12	500,000	4.60%	3,851	161,440
1999 Flexcon	09/01/99	08/01/14	250,000	4.00%	1,846	114,772
Total						<u>\$284,636</u>

In the current fiscal year, the City has set aside a portion of sales tax to be used for economic development. The City has the following note receivable under the Jobs and Growth Fund administered by the City:

	<u>Original Date</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>Balance</u>
Henke Machine	07/13/07	07/02/12	\$ 20,000	3.50%	\$ 170	\$ 20,000

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2008

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the City for the year ended September 30, 2008 is as follows:

	Balance October 1, <u>2007</u>	Additions and <u>Transfers</u>	Disposals and <u>Transfers</u>	Balance September 30, <u>2008</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 452,343	\$ -0-	\$ -0-	\$ 452,343
Construction in Progress	<u>9,771,735</u>	<u>5,417,103</u>	<u>2,402,715</u>	<u>12,786,123</u>
Total	<u>\$10,224,078</u>	<u>\$ 5,417,103</u>	<u>\$ 2,402,715</u>	<u>\$13,238,466</u>
Capital Assets, Being Depreciated:				
Land Improvements & Buildings	\$ 7,938,016	\$ 243,750	\$ -0-	\$ 8,181,766
Improvements	62,233,314	2,675,696	-0-	64,909,010
Equipment	5,846,821	753,285	232,779	6,367,327
Vehicles	<u>3,489,893</u>	<u>498,330</u>	<u>53,764</u>	<u>3,934,459</u>
Total	<u>\$79,508,044</u>	<u>\$ 4,171,061</u>	<u>\$ 286,543</u>	<u>\$83,392,562</u>
Less Accumulated Depreciation:				
Land Improvements & Buildings	\$ 3,279,685	\$ 262,845	\$ -0-	\$ 3,542,530
Improvements	14,035,276	1,594,605	-0-	15,629,881
Equipment	3,251,101	518,997	231,410	3,538,688
Vehicles	<u>1,912,444</u>	<u>281,792</u>	<u>40,281</u>	<u>2,153,955</u>
Total	<u>\$22,478,506</u>	<u>\$ 2,658,239</u>	<u>\$ 271,691</u>	<u>\$24,865,054</u>
Governmental Activities Capital Assets, Net	<u>\$67,253,616</u>	<u>\$ 6,929,925</u>	<u>\$ 2,417,567</u>	<u>\$71,765,974</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 391,161	\$ -0-	\$ -0-	\$ 391,161
Construction in Progress	<u>1,321,806</u>	<u>567,012</u>	<u>329,083</u>	<u>1,559,735</u>
Total	<u>\$ 1,712,967</u>	<u>\$ 567,012</u>	<u>\$ 329,083</u>	<u>\$ 1,950,896</u>
Capital Assets, Being Depreciated:				
Land Improvements & Buildings	\$19,263,456	\$ 141,858	\$ -0-	\$19,405,314
Improvements	29,735,674	818,141	13,375	30,540,440
Equipment	<u>6,523,629</u>	<u>275,169</u>	<u>47,235</u>	<u>6,751,563</u>
Total	<u>\$55,522,759</u>	<u>\$ 1,235,168</u>	<u>\$ 60,610</u>	<u>\$56,697,317</u>
Less Accumulated Depreciation:				
Land Improvements & Buildings	\$ 3,559,042	\$ 405,315	\$ -0-	\$ 3,964,357
Improvements	13,737,796	713,421	9,194	14,442,023
Equipment	<u>1,598,575</u>	<u>417,836</u>	<u>47,235</u>	<u>1,969,176</u>
Total	<u>\$18,895,413</u>	<u>\$ 1,536,572</u>	<u>\$ 56,429</u>	<u>\$20,375,556</u>
Business-Type Activities Capital Assets, Net	<u>\$38,340,313</u>	<u>\$ 265,608</u>	<u>\$ 333,264</u>	<u>\$38,272,657</u>

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2008

NOTE 6 - CAPITAL ASSETS, CONTINUED

Depreciation expense is charged to functions/programs of the primary government for the year ended September 30, 2008 as follows:

Governmental Activities:	
Policy and Administration	\$ 43,562
Public Safety	390,937
Public Works	1,315,418
Environmental Preservation	17,004
Parks and Recreation	877,703
Community Development	11,224
Total	<u>\$2,655,848</u>
Business-Type Activities:	
Water	\$ 729,145
Sewer	577,998
Solid Waste	79,980
Electric	149,449
Total	<u>\$1,536,572</u>

NOTE 7 - BOND ANTICIPATION NOTES PAYABLE

The bond anticipation note transactions of the City for the year ended September 30, 2008 are as follows:

Governmental Funds:	
Payable as of beginning of year	\$ 645,000
Bond Anticipation Notes Issued	895,000
Bond Anticipation Notes Redeemed	(645,000)
Payable as of end of year	<u>\$ 895,000</u>

NOTE 8 - BONDS PAYABLE

The bond transactions of the City for the year ended September 30, 2008 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Bonds Payable as of October 1, 2007	\$11,415,000	\$22,755,000
Bonds Issued	3,900,000	-0-
Bonds Retired	<u>(4,830,000)</u>	<u>(1,125,000)</u>
Bonds Payable as of September 30, 2008	<u>\$10,485,000</u>	<u>\$21,630,000</u>
Current Portion	<u>\$ 1,535,000</u>	<u>\$ 1,155,000</u>

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2008

NOTE 8 - BONDS PAYABLE, CONTINUED

The annual payments required to retire bonds payable of the City as of September 30, 2008, are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,535,000	\$ 367,882	\$ 1,902,882	\$ 1,155,000	\$ 798,508	\$ 1,953,508
2010	1,535,000	300,079	1,835,079	1,175,000	761,733	1,936,733
2011	1,575,000	252,120	1,827,120	1,050,000	725,496	1,775,496
2012	1,605,000	199,866	1,804,866	1,090,000	689,763	1,779,763
2013	1,755,000	143,759	1,898,759	1,125,000	652,028	1,777,028
2014 - 2018	2,025,000	218,816	2,243,816	6,285,000	2,596,103	8,881,103
2019 - 2023	455,000	40,428	495,428	6,760,000	1,291,576	8,051,576
2024 - 2027	-0-	-0-	-0-	2,990,000	271,820	3,261,820
	<u>\$10,485,000</u>	<u>\$ 1,522,950</u>	<u>\$12,007,950</u>	<u>\$21,630,000</u>	<u>\$ 7,787,027</u>	<u>\$29,417,027</u>

The outstanding bond balances of the City for the year ended September 30, 2008 are as follows:

Bonds Outstanding

Governmental Activities:

Flood Control Bonds - 2002	\$ 500,000
Interest Rates: 1.65% to 4.40%	
Maturity: November 15, 2014	
G.O. Refunding Bonds - 2002	200,000
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	170,000
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	200,000
Interest Rates: 3.50% to 4.25%	
Maturity: September 15, 2009	
G.O. Refunding Bonds - 2005	455,000
Interest Rates: 3.00% to 4.00%	
Maturity: November 15, 2014	
Flood Control Bonds - 2008	3,400,000
Interest Rates: 2.50% to 3.50%	
Maturity: November 15, 2014	
Various Purpose Bonds - 2008	500,000
Interest Rates: 3.25% to 4.50%	
Maturity: September 1, 2023	

Total Governmental Activities

Bonds Outstanding \$10,485,000

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2008

NOTE 8 - BONDS PAYABLE, CONTINUED

<u>Business-Type Activities:</u>	
Subordinate Combined Revenue Bonds - 2003	\$ 8,325,000
Interest Rates: 2.00% to 4.00%	
Maturity: December 15, 2023	
Subordinate Combined Revenue Bonds	5,980,000
Interest Rates: 3.00% to 4.65%	
Maturity: December 15, 2023	
Combined Revenue and Refunding Bonds - 2005	5,525,000
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	
<hr style="width: 100%;"/>	
Total Business-Type Activities	
Bonds Outstanding	<u>\$21,630,000</u>

Interest costs incurred are accounted for as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Expensed	\$ 618,548	\$ 743,709
Capitalized	-0-	84,393
Total	<u>\$ 618,548</u>	<u>\$ 828,102</u>

NOTE 9 - PENSION PLAN AND RETIREMENT PLANS

A. The City employees' defined contribution pension plan was created December 1, 1974. The plan is a fully funded money purchase pension plan administered by a third party. Five percent of all earned income for an employee is contributed by each employee and matched by the City. Vesting is made over a scheduled seven-year period of plan participation. All regular employees of the City working 1,000 hours or more per year, except fire and police personnel, are eligible after one year of service and 21 years of age for this pension plan, but participation is not mandatory. Upon retirement, an 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 Nebraska State Statutes. Fire personnel contribute six and one-half percent of base salary, and police personnel 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. Fire personnel are vested forty percent after four years and twenty percent each year thereafter. Police personnel are vested forty percent after four years and ten percent each year thereafter.

Fire and police personnel receive the retirement benefit provided by an individual vested account. However, if an individual was an eligible employee on January 1, 1984, the benefit will not be less than fifty percent of the average final salary at normal retirement age. The benefits earned prior to 1984 are defined benefit pensions, administered by the City, and recorded in the Fire Pension Fund and the Police Pension Fund. The benefits accrued beginning in 1984 are money purchase pensions, fully funded, and administered by Ameritas Life Insurance Corporation, a division of UNIFI Companies.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2008

NOTE 9 - PENSION PLAN AND RETIREMENT PLANS, CONTINUED

A. Continued:

The cost to the City for the money purchase pension plans administered by others for the fiscal year ended September 30, 2008 is as follows:

Fire	\$ 73,954
All Others	<u>195,214</u>
 Total	 <u>\$ 269,168</u>

Total wages paid by the City for the year ended September 30, 2008 are \$7,462,342.

- B. There are no investments in loans to or leases with parties related to the pension plans.
- C. The amount of the total pension benefit obligation, based on a standardized measurement, is required to be disclosed by GASB Statement No. 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 plans 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, shows a recommended annual deposit of \$-0- for the fire pension plan and \$-0- for the police pension plan. The City's contributions to the plans for the year ended September 30, 2008 are \$22,284 for the fire pension plan and \$62,497 for the police pension plan.

E. Actuarial assumptions:

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

Disability	None.		
Expenses	Normal cost includes estimated plan expense charge.		
Investment Return		<u>Fire</u>	<u>Police</u>
	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%
Load for Lump Sums	Liabilities are 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.		
Mortality	1994 Group Annuity Mortality Table.		

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2008

NOTE 9 - PENSION PLAN AND RETIREMENT PLANS, CONTINUED

E. Actuarial assumptions, Continued:

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.	
Termination	None prior to retirement eligibility.	

F. Funded Status:

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date, January 1,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
2007						
Fire	\$ 827,138	\$ 269,650	\$ -0-	307%	\$ 100,896	0%
Police	1,715,432	692,834	-0-	248%	173,508	0%

NOTE 10- AVIATION FIELDS

During the current fiscal year, the City had no authority over the Airport Authority and was 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 (See Note 18 for the future of the relationship).

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 \$242,633 as of September 30, 2008. 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 as of year-end.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2008

NOTE 12- SALES TAX

The City has received voter approval six times since 1995 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 ninety percent for capital improvements, including drainage projects and street improvements, and ten percent 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 used to construct the Pawnee Plunge Water Park and for operating deficits at the Pawnee Plunge Water Park and Columbus 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 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. As of September 30, 2008, the City's restricted fund balances are 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.

Reserved Net Assets-Debt Service Fund indicates a portion of the net assets 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 of Nebraska, is billed quarterly by the State of Nebraska for any benefits paid to former employees. As of September 30, 2008, the amount of the liability, if any, is indeterminate.

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2008

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). The Coalition issued revenue bonds for which it is expected 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.

NOTE 15 - TAX INCREMENT FINANCING

The City has entered into the Village Addition Shopping Center Redevelopment Agreement (the 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.

NOTE 17 - INTERFUND LOANS

In 2002, the City utility department constructed the central maintenance facility. A resolution was passed by the City Council in 2006 whereby the City street department will make payments totaling \$2,649,231 over a twenty year period to the utility department in order to purchase the facility. Payments made during the current fiscal year were \$121,133.

In 2008, the Water fund loaned \$116,770 to the Solid Waste fund for the purchase of certain equipment. The amount is to be repaid in three annual installments beginning December 1, 2008 without interest.

A summary of interfund loans is as follows:

	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
Special Revenue Fund	\$ -0-	\$2,199,384
Water Fund	2,316,154	-0-
Solid Waste Fund	-0-	116,770

CITY OF COLUMBUS, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2008

NOTE 18 - PRIOR PERIOD ADJUSTMENTS

In the prior year, capital assets of the governmental activities were understated by \$63,918. The prior period has been adjusted accordingly.

NOTE 19 - SUBSEQUENT EVENTS

Effective December 4, 2008, the Airport Authority ceased to exist, and the City took over management of the City's airport. In connection with this activity, the City received approximately \$250,000 in cash and investments. Future financial statements of the City will reflect operations of the airport.

CITY OF COLUMBUS, NEBRASKA

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budget</u>	<u>Actual</u>		<u>Modified</u>
	<u>Original & Final</u>	<u>Budgetary</u>	<u>Reconciliation</u>	<u>Cash</u>
		<u>Basis</u>		<u>Basis</u>
RECEIPTS				
Taxes	\$ 5,202,320	\$ 5,376,250	\$ -0-	\$ 5,376,250
Intergovernmental	1,152,045	959,863	-0-	959,863
Charges for Services	1,886,365	1,743,975	-0-	1,743,975
Interest Income	71,700	105,243	-0-	105,243
Miscellaneous	5,700	70,346	-0-	70,346
Total Receipts	<u>\$ 8,318,130</u>	<u>\$ 8,255,677</u>	<u>\$ -0-</u>	<u>\$ 8,255,677</u>
EXPENDITURES				
Policy and Administration	\$ 1,211,125	\$ 1,132,604	\$ -0-	\$ 1,132,604
Public Safety	5,782,240	4,956,664	-0-	4,956,664
Environmental Preservation	574,495	287,443	-0-	287,443
Parks and Recreation	3,945,220	3,948,947	-0-	3,948,947
Community Development	170,150	168,264	-0-	168,264
Total Expenditures	<u>\$ 11,683,230</u>	<u>\$ 10,493,922</u>	<u>\$ -0-</u>	<u>\$ 10,493,922</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ 3,436,375	\$ 3,099,276	\$ -0-	\$ 3,099,276
Transfers To Other Funds	(306,050)	(346,368)	-0-	(346,368)
Total Other Financing Sources (Uses)	<u>\$ 3,130,325</u>	<u>\$ 2,752,908</u>	<u>\$ -0-</u>	<u>\$ 2,752,908</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	<u>\$ (234,775)</u>	<u>\$ 514,663</u>	<u>\$ -0-</u>	<u>\$ 514,663</u>

CITY OF COLUMBUS, NEBRASKA

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budget <u>Original & Final</u>	Actual Budgetary <u>Basis</u>	Reconciliation	Modified Cash <u>Basis</u>
RECEIPTS				
Taxes	\$ 1,184,330	\$ 2,923,568	\$ -0-	\$ 2,923,568
Intergovernmental	3,705,000	1,938,470	-0-	1,938,470
Charges for Services	173,100	217,904	-0-	217,904
Interest Income	223,800	249,553	-0-	249,553
Miscellaneous	31,400	33,537	-0-	33,537
Total Receipts	<u>\$ 5,317,630</u>	<u>\$ 5,363,032</u>	<u>\$ -0-</u>	<u>\$ 5,363,032</u>
EXPENDITURES				
Public Safety	\$ 234,220	\$ 224,139	\$ -0-	\$ 224,139
Public Works	2,483,110	2,442,710	-0-	2,442,710
Community Development	3,015,300	665,076	-0-	665,076
Capital Outlay	635,000	2,518	-0-	2,518
Total Expenditures	<u>\$ 6,367,630</u>	<u>\$ 3,334,443</u>	<u>\$ -0-</u>	<u>\$ 3,334,443</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ 291,450	\$ 263,859	\$ -0-	\$ 263,859
Transfers To Other Funds	(2,745,000)	(2,443,535)	-0-	(2,443,535)
Total Other Financing Sources (Uses)	<u>\$ (2,453,550)</u>	<u>\$ (2,179,676)</u>	<u>\$ -0-</u>	<u>\$ (2,179,676)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	<u>\$ (3,503,550)</u>	<u>\$ (151,087)</u>	<u>\$ -0-</u>	<u>\$ (151,087)</u>

COLUMBUS, NEBRASKA

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

BUDGETARY COMPARISON SCHEDULE

CAPITAL PROJECTS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budget</u>	<u>Actual</u>		<u>Modified</u>
	<u>Original & Final</u>	<u>Budgetary</u>	<u>Reconciliation</u>	<u>Cash</u>
		<u>Basis</u>		<u>Basis</u>
RECEIPTS				
Taxes	\$ 1,931,100	\$ 870,890	\$ -0-	\$ 870,890
Intergovernmental	5,980,000	3,374,981	-0-	3,374,981
Charges for Services	36,000	203,863	-0-	203,863
Interest Income	10,000	8,352	-0-	8,352
Bond Proceeds	900,000	1,452,875	-0-	1,452,875
Total Receipts	<u>\$ 8,857,100</u>	<u>\$ 5,910,961</u>	<u>\$ -0-</u>	<u>\$ 5,910,961</u>
EXPENDITURES				
Capital Outlay	\$ 9,250,000	\$ 5,319,913	\$ -0-	\$ 5,319,913
Debt Service	1,018,600	1,027,568	-0-	1,027,568
Total Expenditures	<u>\$ 10,268,600</u>	<u>\$ 6,347,481</u>	<u>\$ -0-</u>	<u>\$ 6,347,481</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ 1,423,000	\$ 1,028,060	\$ -0-	\$ 1,028,060
Transfers To Other Funds	-0-	(88,736)	-0-	(88,736)
Total Other Financing Sources (Uses)	<u>\$ 1,423,000</u>	<u>\$ 939,324</u>	<u>\$ -0-</u>	<u>\$ 939,324</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ 11,500</u>	<u>\$ 502,804</u>	<u>\$ -0-</u>	<u>\$ 502,804</u>

COLUMBUS, NEBRASKA

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budget	Actual		Modified
	Original & Final	Budgetary	Reconciliation	Cash
		Basis		Basis
RECEIPTS				
Taxes	\$ 1,253,000	\$ 1,495,501	\$ -0-	\$ 1,495,501
Intergovernmental	9,000	-0-	-0-	-0-
Charges for Services	180,000	276,188	-0-	276,188
Interest Income	50,000	70,204	-0-	70,204
Bond Proceeds	-0-	3,400,000	-0-	3,400,000
Total Receipts	<u>\$ 1,492,000</u>	<u>\$ 5,241,893</u>	<u>\$ -0-</u>	<u>\$ 5,241,893</u>
EXPENDITURES				
Debt Service	<u>\$ 2,093,560</u>	<u>\$ 5,264,867</u>	<u>\$ -0-</u>	<u>\$ 5,264,867</u>
Total Expenditures	<u>\$ 2,093,560</u>	<u>\$ 5,264,867</u>	<u>\$ -0-</u>	<u>\$ 5,264,867</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ 849,000	\$ 848,803	\$ -0-	\$ 848,803
Transfers To Other Funds	(207,000)	(207,028)	-0-	(207,028)
Total Other Financing Sources (Uses)	<u>\$ 642,000</u>	<u>\$ 641,775</u>	<u>\$ -0-</u>	<u>\$ 641,775</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	<u>\$ 40,440</u>	<u>\$ 618,801</u>	<u>\$ -0-</u>	<u>\$ 618,801</u>

CITY OF COLUMBUS, NEBRASKA

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

NOTES TO BUDGETARY COMPARISON SCHEDULES

SEPTEMBER 30, 2008

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 required supplementary information.

1. Prior to August 1st - The City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st. 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 20th - The budget is legally enacted through passage of an ordinance.
4. Total expenditures may not legally exceed total appropriations. Appropriations lapse at fiscal year-end, and any revisions require the City Council's approval.



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

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

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

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

We have audited the 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, 2008, which collectively comprise the City of Columbus, Nebraska's basic financial statements and have issued our report thereon dated March 10, 2009. 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.

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Columbus, NE 68602-0280
P: 402 564 1366
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Our report disclosed that, as described in Note 1 to the financial statements, the City of Columbus, Nebraska prepares the financial statements of the governmental activities and the business-type 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 City of Columbus, Nebraska prepares the financial statements of the governmental funds and the fiduciary funds 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.

Internal Control over Financial Reporting

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

In planning and performing our audit, we considered the City of Columbus, Nebraska's internal control over financial reporting as a basis for 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

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 accrual basis of accounting, the modified cash basis of accounting, 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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.

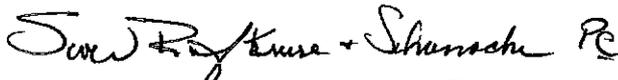
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the schedule of findings and questioned costs, we consider items 2008-01, 2008-03, 2008-04, and 2008-05 to be material weaknesses.

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*.

The City of Columbus, Nebraska's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Columbus, Nebraska's response and, accordingly, we express no opinion on it.

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



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

March 10, 2009



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

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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

To 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, 2008. 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 of 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 of Columbus, Nebraska prepares the financial statements of the governmental activities and the business-type 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 City of Columbus, Nebraska prepares the financial statements of the governmental funds and the fiduciary funds 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 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, 2008.

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.

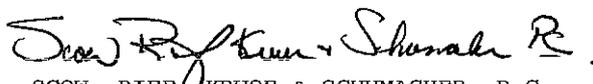
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 is a control deficiency, or combination of control deficiencies, that adversely affects 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

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. However, of the significant deficiencies described in the schedule of findings and questioned costs, we consider all items to be material weaknesses.

The City of Columbus, Nebraska's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Columbus, Nebraska's response and, accordingly, we express no opinion on it.

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, P.C.
Certified Public Accountants

March 10, 2009

CITY OF COLUMBUS, NEBRASKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

<u>FEDERAL GRANTOR</u> <u>PASS-THROUGH GRANTOR</u> <u>PROGRAM TITLE</u>	<u>CFDA</u> <u>NUMBER</u>	<u>PROGRAM</u> <u>OR AWARD</u> <u>AMOUNT</u>	<u>AMOUNT</u> <u>EXPENDED</u>
<u>DEPARTMENT OF AGRICULTURE:</u>			
Passed through the Northeast Nebraska Area Agency on Aging Nutrition Program for the Elderly (Commodities)	10.570	\$ 11,118	\$ 11,118
<u>DEPARTMENT OF HEALTH</u> <u>AND HUMAN SERVICES:</u>			
Passed through the Northeast Nebraska Area Agency on Aging Special Programs for the Aging Title III Part B	93.044	4,993	4,993
Title III Part C	93.045	16,766	16,766
Title III Part E	93.052	420	420
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
Passed through Nebraska Emergency Management Agency State Domestic Preparedness Equipment Support Program	97.004	65,661	65,661
<u>DEPARTMENT OF HOUSING AND URBAN</u> <u>DEVELOPMENT:</u>			
Passed through Nebraska Dept of Economic Development Community Development Block Grant	14.228	1,710	1,710
HOME Investment Partnership Program	14.229	74,830	74,830
<u>DEPARTMENT OF JUSTICE:</u>			
Bulletproof Vest Partnership	16.607	556	556
<u>DEPARTMENT OF TRANSPORTATION:</u>			
Passed through Nebraska Department of Roads Surface Transportation Program	20.205	3,374,981	3,058,654*
Federal Transit: Formula Grants	20.509	79,121	79,121
Passed through Nebraska Department of Motor Vehicles Office of Highway Safety Selective Enforcement Mini-Grant	20.600	25,087	25,087
<u>DEPARTMENT OF TREASURY-BUREAU OF</u> <u>ALCOHOL, TOBACCO AND FIREARMS:</u>			
G.R.E.A.T.	21.053	23,987	23,987
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>			
Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements	66.802	307,266	307,266
 TOTAL FEDERAL ASSISTANCE		 <u>\$3,986,496</u>	 <u>\$3,670,169</u>

* - Denotes a major program

CITY OF COLUMBUS, NEBRASKA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2008

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 are performed for program transactions occurring during the year ended September 30, 2008. Expenditures in the Schedule of Expenditures of Federal Awards 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 of Columbus, Nebraska prepares the financial statements of the governmental activities and the business-type 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 City of Columbus, Nebraska prepares the financial statements of the governmental funds and the fiduciary funds 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, 2008

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Columbus, Nebraska.
2. Five significant deficiencies disclosed during the audit of the financial statements are reported below. All of the deficiencies except 2008-02 are considered to be material weaknesses.
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. Three significant deficiencies in internal control over major federal programs disclosed during the audit are reported below. The deficiencies are reported as material weaknesses.
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. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include:

<u>Program Name</u>	<u>CFDA No.</u>
Highway Planning and Construction	20.205

8. The threshold used for distinguishing between Type A and B programs is \$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

2008-01 Processing Receipts

Condition: Staff of the City Clerk and Utility Billing offices are responsible for producing customer invoices, posting customer payments, making deposits, and eliminating inaccurate customer balances.

Criteria: In order to obtain optimum segregation of duties these tasks would each be delegated to different people.

Effect: Allowing these functions to be controlled by the same person increases the risk that errors or misappropriation could occur and go undetected.

Recommendation: We recommend cash receipts should be opened and controlled by a person independent of the person responsible for the accounts receivable subsidiary ledger. The person opening the mail would endorse the checks and prepare the deposit slip and list of daily receipts. The cash and deposit slip would be forwarded to someone other than the accounts receivable clerk for deposit, and the list of daily receipts would be forwarded to the accounts receivable clerk to post to customer accounts. Alternatively, we recommend that use of a lockbox system for processing receipts be considered. Under such a system, customers are requested via notations on invoices or monthly statements or the use of preaddressed envelopes, to send their payments to a post office box, which is accessible only by the City's bank. Each day, the bank collects receipts from the box, credits the receipts to the City's account, and sends copies of all check stubs, remittance advices, and other communications to the City for processing. Since employees have no direct contact with remittances from customers the risk of mishandling or misappropriation is virtually eliminated.

CITY OF COLUMBUS, NEBRASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

FOR THE YEAR ENDED SEPTEMBER 30, 2008

FINDINGS - FINANCIAL STATEMENTS AUDIT, CONTINUED

2008-01 Processing Receipts, Continued

Management Response: While it is correct that one clerk can do all of the functions in both the Utility Billing Office and the City Clerk's office because we have our staff cross trained, there is more than one person working on processing receipts. When processing deposits in the Utility Billing Office one clerk runs a tape of the remittance cards, one runs a tape of the checks, and one takes the deposit to the bank. On a rotating basis we will have one clerk in the City Clerk's office enter the payments, one clerk prepare the deposit and balance the drawer, and a third clerk take the deposit to the bank. For billing we will have one clerk process ambulance bills for Medicare and the other clerk enter the bills into the billing system.

2008-02 Access to Cash

Condition: Certain offices of the City do not have a cash register, but instead keep cash readily available in a cash drawer.

Criteria: Cash receipts should generally be kept in a locked drawer which is not readily accessible.

Effect: Access to cash makes it a target for theft.

Recommendation: We recommend the City consider installing cash registers similar to the one in the City Clerk's office in all City offices.

Management Response: The City will review cash handling procedures and consider installing computers with registers in all City offices, where appropriate. City offices have limited space, staff, and funds.

2008-03 Payroll

Condition: Most all payroll functions including compilation, processing, check preparation, and transferring electronic data to the bank for direct deposit can be performed by the same staff accountant. In addition timesheets are due on Saturday and payroll must be substantially processed by the following Wednesday for transfer to the bank for direct deposit.

Criteria: The duties of making changes to the payroll master file, writing paychecks, and directing the bank to process the direct deposit should be segregated. Staff must have adequate time to process payroll while maintaining adequate internal control structure.

Effect: Having one person responsible for a transaction class from its beginning to its end increases the risk that errors or misappropriation could occur and go undetected. A short time period in which to process payroll increases the risk of errors.

Recommendation: We recommend an edit report be printed for each pay period detailing any changes made to the payroll master file and such report be reviewed by someone independent of the payroll process. The changes made to the payroll master file should be compared to the source document for such change. We recommend someone independent of the payroll function review the data being transmitted to the bank and be responsible for directing the bank to process such transaction. The person directing the bank to process should be an authorized signer. In addition we recommend the time period from which timesheets are due to when employees receive their paycheck be extended so that additional segregation of duties does not become burdensome or unachievable.

Management Response: It takes two people to process payroll. Both of the Finance Department Clerks know the process, but payroll is never processed by one person as it is too big of a job for one person to achieve in the time allowed. Each timesheet is reviewed by both clerks in the Finance Department. Then they are randomly entered by both clerks. The timesheet edit is read and compared to the timesheet by both staff members. Any errors found are corrected and proofed again by both staff members. Changes to the payroll master file are done by both clerks with the source documents being checked to the print screens by the clerk that did not enter the change. Edit reports will be printed for each payroll and reviewed by the Finance Director. While it may seem like a stronger control to have the Finance Director submit the direct deposit files to the bank, this is no different than having checks signed by a clerk with the check signing machine. The payroll process is very time sensitive and many times the Finance Director would not be available when the files need to be transmitted to the bank.

CITY OF COLUMBUS, NEBRASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

FOR THE YEAR ENDED SEPTEMBER 30, 2008

FINDINGS - FINANCIAL STATEMENTS AUDIT, CONTINUED

2008-04 General Journal Entries

Condition: The City does not have a process whereby general journal entries made within the general ledger are reviewed and approved by someone other than the person making the journal entry. In addition, the City does not have a formal process for reconciling transfers among funds, which are transacted through the use of general journal entries.

Criteria: It is common practice for a standard form to be used to document general journal entries and such form be accompanied by supporting documentation. The form has a place for the preparer to sign and the reviewer to sign in order to document approval.

Effect: The ability of one person to process journal entries increases the risk that errors or misappropriation could occur and go undetected.

Recommendation: We recommend the adoption of a policy whereby all journal entries will be approved by the Finance Director or other designated member of management. All entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals. In addition, all journal entries would be accompanied by full explanation and by reference to adequate supporting data. In addition, we recommend transfer accounts be formally reconciled each month. Such reconciliation should be initialed by the preparer and the reviewer.

Management Response: We do not agree with the condition that transfers are not balanced and reconciled. While there has not been a formal process for doing this monthly, they are currently reviewed and balanced quite frequently, especially during the six months of the year we are working on the budget for the following year. We will start a formal process of balancing them each month. Currently the Finance Director does review the monthly financial statements thoroughly each month. The Finance Director will review journal entries and the backup documentation when reviewing the monthly financial statement. In addition, we have had some programming done and can now obtain printouts of all journal entries for the general ledger and the billing systems. The Finance Director will review the printout for the general ledger and the City Clerk/Assistant Finance Director will review the billing system printouts on a quarterly basis.

2008-05 Review of Financial Reports

Condition: At present, the Finance Director and City Clerk have the capabilities to perform nearly all accounting functions within the general ledger software. In addition, this is the level of management considered to be the level at which material misstatements of the financial statements would be detected.

Criteria: The duties of reviewing financial data and performing the daily accounting functions should be separate to reduce the risk of an error or misappropriation of assets.

Effect: Inappropriate segregation of duties allows opportunity for misappropriation of assets.

Recommendation: We recommend the Finance Director and City Clerk have very limited abilities within the general ledger software so they may make a good review of financial data and call question to items appearing unusual.

Management Response: The ultimate responsibility for the accounting system lies with the Finance Director and City Clerk/Assistant Finance Director. We will remove the journal entry menu from the Finance Director and City Clerk/Assistant Finance Director computer profiles.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

FOR THE YEAR ENDED SEPTEMBER 30, 2008

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

2008-06 Highway Planning and Construction, CFDA No. 20.205

Grant Period: Year ended September 30, 2008

Material Weakness: As discussed at finding 2008-03, most all payroll functions including compilation, processing, check preparation, and transferring electronic data to the bank for direct deposit can be performed by the same staff accountant. In addition timesheets are due on Saturday and payroll must be substantially processed by the following Wednesday for transfer to the bank for direct deposit. Having one person responsible for a transaction class from its beginning to its end increases the risk that errors or misappropriation could occur and go undetected, and staff must have adequate time to process payroll while maintaining adequate internal control structure. We recommend an edit report be printed for each pay period detailing any changes made to the payroll master file and such report be reviewed by someone independent of the payroll process. The changes made to the payroll master file should be compared to the source document for such change. We recommend someone independent of the payroll function review the data being transmitted to the bank and be responsible for directing the bank to process such transaction. The person directing the bank to process should be an authorized signer. In addition we recommend the time period from which timesheets are due to when employees receive their paycheck be extended so that additional segregation of duties does not become burdensome or unachievable.

Management Response: It takes two people to process payroll. Both of the Finance Department Clerks know the process, but payroll is never processed by one person as it is too big of a job for one person to achieve in the time allowed. Each timesheet is reviewed by both clerks in the Finance Department. Then they are randomly entered by both clerks. The timesheet edit is read and compared to the timesheet by both staff members. Any errors found are corrected and proofed again by both staff members. Changes to the payroll master file are done by both clerks with the source documents being checked to the print screens by the clerk that did not enter the change. Edit reports will be printed for each payroll and reviewed by the Finance Director. While it may seem like a stronger control to have the Finance Director submit the direct deposit files to the bank, this is no different than having checks signed by a clerk with the check signing machine. The payroll process is very time sensitive and many times the Finance Director would not be available when the files need to be transmitted to the bank.

2008-07 Highway Planning and Construction, CFDA No. 20.205

Grant Period: Year ended September 30, 2008

Material Weakness: As discussed at finding 2008-04, the City does not have a process whereby general journal entries made within the general ledger are reviewed and approved by someone other than the person making the journal entry. In addition, the City does not have a formal process for reconciling transfers among funds, which are transacted through the use of general journal entries. The ability of one person to process journal entries increases the risk that errors or misappropriation could occur and go undetected. We recommend the adoption of a policy whereby all journal entries will be approved by the Finance Director or other designated member of management. All entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals. In addition, all journal entries would be accompanied by full explanation and by reference to adequate supporting data. In addition, we recommend transfer accounts be formally reconciled each month. Such reconciliation should be initialed by the preparer and the reviewer.

Management Response: We do not agree with the condition that transfers are not balanced and reconciled. While there has not been a formal process for doing this monthly, they are currently reviewed and balanced quite frequently, especially during the six months of the year we are working on the budget for the following year. We will start a formal process of balancing them each month. Currently the Finance Director does review the monthly financial statements thoroughly each month. The Finance Director will review journal entries and the backup documentation when reviewing the monthly financial statement. In addition, we have had some programming done and can now obtain printouts of all journal entries for the general ledger and the billing systems. The Finance Director will review the printout for the general ledger and the City Clerk/Assistant Finance Director will review the billing system printouts on a quarterly basis.

CITY OF COLUMBUS, NEBRASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

FOR THE YEAR ENDED SEPTEMBER 30, 2008

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT, CONTINUED

2008-08 Highway Planning and Construction, CFDA No. 20.205

Grant Period: Year ended September 30, 2008

Material Weakness: As discussed at finding 2008-05, the Finance Director and City Clerk have the capabilities to perform nearly all accounting functions within the general ledger software. In addition, this is the level of management considered to be the level at which material misstatements of the financial statements would be detected. Inappropriate segregation of duties allows opportunity for misappropriation of assets. We recommend the Finance Director and City Clerk have very limited abilities within the general ledger software so they may make a good review of financial data and call question to items appearing unusual.

Management Response: The ultimate responsibility for the accounting system lies with the Finance Director and City Clerk/Assistant Finance Director. We will remove the journal entry menu from the Finance Director and City Clerk/Assistant Finance Director computer profiles.

FOLLOW-UP OF PRIOR YEAR AUDIT FINDINGS

None

CITY OF COLUMBUS, NEBRASKA

CORRECTIVE ACTION PLAN

SEPTEMBER 30, 2008

FINDINGS - FINANCIAL STATEMENTS AUDIT

2008-01 Processing Receipts

Recommendation: We recommend cash receipts should be opened and controlled by a person independent of the person responsible for the accounts receivable subsidiary ledger. The person opening the mail would endorse the checks and prepare the deposit slip and list of daily receipts. The cash and deposit slip would be forwarded to someone other than the accounts receivable clerk for deposit, and the list of daily receipts would be forwarded to the accounts receivable clerk to post to customer accounts. Alternatively, we recommend that use of a lockbox system for processing receipts be considered. Under such a system, customers are requested via notations on invoices or monthly statements or the use of preaddressed envelopes, to send their payments to a post office box, which is accessible only by the City's bank. Each day, the bank collects receipts from the box, credits the receipts to the City's account, and sends copies of all check stubs, remittance advices, and other communications to the City for processing. Since employees have no direct contact with remittances from customers the risk of mishandling or misappropriation is virtually eliminated.

Action Taken: On a rotating basis we will have one clerk in the City Clerk's office enter the payments, one clerk prepare the deposit and balance the drawer, and a third clerk take the deposit to the bank. For billing we will have one clerk process ambulance bills for Medicare and the other clerk enter the bills into the billing system.

2008-02 Access to Cash

Recommendation: We recommend the City consider installing cash registers similar to the one in the City Clerk's office in all City offices.

Action Taken: The City will review cash handling procedures and consider installing computers with registers in all City offices, where appropriate. City offices have limited space, staff, and funds.

2008-03 Payroll

Recommendation: We recommend an edit report be printed for each pay period detailing any changes made to the payroll master file and such report be reviewed by someone independent of the payroll process. The changes made to the payroll master file should be compared to the source document for such change. We recommend someone independent of the payroll function review the data being transmitted to the bank and be responsible for directing the bank to process such transaction. The person directing the bank to process should be an authorized signer.

Action Taken: Edit reports will be printed for each payroll and reviewed by the Finance Director.

2008-04 General Journal Entries

Recommendation: We recommend the adoption of a policy whereby all journal entries will be approved by the Finance Director or other designated member of management. All entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals. In addition, all journal entries would be accompanied by full explanation and by reference to adequate supporting data. In addition, we recommend transfer accounts be formally reconciled each month. Such reconciliation should be initialed by the preparer and the reviewer.

Action Taken: We will start a formal process of balancing them each month. The Finance Director will review journal entries and the backup documentation when reviewing the monthly financial statement. In addition, we have had some programming done and can now obtain printouts of all journal entries for the general ledger and the billing systems. The Finance Director will review the printout for the general ledger and the City Clerk/Assistant Finance Director will review the billing system printouts on a quarterly basis.

CITY OF COLUMBUS, NEBRASKA

CORRECTIVE ACTION PLAN, CONTINUED

SEPTEMBER 30, 2008

FINDINGS - FINANCIAL STATEMENTS AUDIT, CONTINUED

2008-05 Review of Financial Reports

Recommendation: We recommend the Finance Director and City Clerk have very limited abilities within the general ledger software so they may make a good review of financial data and call question to items appearing unusual.

Action Taken: We will remove the journal entry menu from the Finance Director and City Clerk/Assistant Finance Director computer profiles.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

2008-06 Highway Planning and Construction, CFDA No. 20.205

Material Weakness: See finding 2008-03.

2008-07 Highway Planning and Construction, CFDA No. 20.205

Material Weakness: See finding 2008-04.

2008-08 Highway Planning and Construction, CFDA No. 20.205

Material Weakness: See finding 2008-05.