

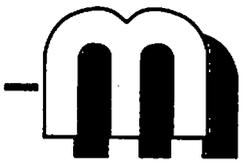
CITY OF COLUMBUS, NEBRASKA

FINANCIAL REPORT

September 30, 2009

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Columbus, Nebraska

We have audited the accompanying financial statements of the governmental activities – modified accrual basis, the business-type activities – accrual basis, each major fund – modified cash basis for the governmental funds and accrual basis for the proprietary funds, and the aggregate remaining fund information of the City of Columbus, Nebraska, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Columbus, Nebraska's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the City of Columbus, Nebraska, for the year ended September 30, 2008, were audited by other auditors whose report, dated March 10, 2009, expressed an unqualified opinion on these statements.

We conducted our audit 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. 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 opinion.

As discussed in Note 1, the City of Columbus, Nebraska, prepares its governmental financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, except for the matters described in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities – modified accrual basis, the business-type activities – accrual basis, each major fund – modified cash basis for the governmental funds and accrual basis for the proprietary funds, and the aggregate remaining fund information – modified cash basis of the City of Columbus, Nebraska, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with the accounting as described in Note 1.

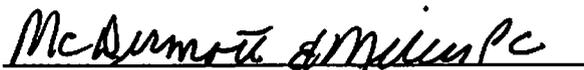
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P.O. BOX 1120
KEARNEY, NE 68848
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Columbus, Nebraska's basic financial statements. The accompanying supplemental schedule of expenditures of federal awards as listed on pages 42 and 43 is presented for purposes of additional analysis as required by the 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. The analysis of County Treasurer balances on pages 41 is supplementary information that is presented for informational purposes. These supplemental schedules are the responsibility of the City's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated, in all material respects when considered in relation to the financial statements taken as a whole.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 37 through 40 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have issued our report dated February 26, 2010, on our consideration of City of Columbus, Nebraska's internal control over financial reporting and our tests of its compliance with certain provision 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 read in conjunction with this report in considering the results of our audit.

McDERMOTT AND MILLER, P.C.



Kearney, Nebraska

February 26, 2010



The City of **Columbus**

FINANCE DEPARTMENT Office (402) 562-4231

Management's Discussion and Analysis September 30, 2009

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, 2009 by \$114 million.
- Capital Assets (net of depreciation and related debt) account for about 81% of this amount.
- Of the remaining net assets \$8 million is restricted to capital projects and debt payments and \$15 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, 2009

- 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 and debt service funds 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, 2009 and 2008 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Assets				
Cash and investments	\$14,485,956	\$ 13,775,670	\$5,523,074	\$ 5,037,675
Other assets	1,846,448	-0-	2,961,956	-0-
Capital assets, net	<u>83,489,630</u>	<u>71,765,974</u>	<u>38,884,719</u>	<u>38,272,657</u>
Total assets	<u>\$99,822,034</u>	<u>\$ 85,541,644</u>	<u>\$ 47,369,749</u>	<u>\$ 43,310,332</u>
Liabilities				
Long-term liabilities	\$ 8,860,000	\$ 8,950,000	\$19,300,000	\$ 20,475,000
Other liabilities	<u>3,381,448</u>	<u>2,672,633</u>	<u>2,028,343</u>	<u>1,155,000</u>
Total liabilities	<u>\$12,241,448</u>	<u>\$ 11,622,633</u>	<u>\$ 21,328,343</u>	<u>\$ 21,630,000</u>
Net assets				
Invested in capital assets, net of related debt	\$73,094,630	\$ 60,385,974	\$ 18,409,719	\$ 16,642,657
Restricted	6,555,057	8,126,707	1,054,389	1,524,788
Unrestricted	<u>7,930,899</u>	<u>5,406,330</u>	<u>6,577,298</u>	<u>3,512,887</u>
Total net assets	<u>\$ 87,580,586</u>	<u>\$ 73,919,011</u>	<u>\$ 26,041,406</u>	<u>\$ 21,680,332</u>
Total liabilities and net assets	<u>\$ 99,822,034</u>	<u>\$ 85,541,644</u>	<u>\$ 47,369,749</u>	<u>\$ 43,310,332</u>

During the year ended September 30, 2009 the most significant changes were as follows:

Governmental Activities

The largest change from 2008 was the \$11.7 million investment in capital assets. The largest construction project was \$3.7 million for the continuance of construction of the Lost Creek Parkway formerly know as the North Arterial. Capital assets also increased by \$6.1 million due to the merger of the Columbus Airport Authority into the City government.

City of Columbus, Nebraska
Management's Discussion and Analysis, Continued
September 30, 2009

Business-type Activities

The basis of accounting presented in the audit changed from modified accrual in 2008 to accrual in 2009 which affect comparisons for the year of the change.

A condensed version of the Statement of Activities of the City for the fiscal years ended September 30, 2009 and 2008 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues				
Program revenues				
Charges for services	\$ 4,445,471	\$ 4,222,583	\$ 7,822,802	\$ 5,897,553
Operating grants and contributions	4,591,254	2,347,779	-0-	322,788
Capital grants and contributions	3,744,419	3,529,824	-0-	-0-
General revenues				
Property tax	3,520,428	3,629,736	-0-	-0-
Sales tax	5,669,098	5,069,977		265,598
Franchise tax	822,765	827,880	2,417,524	2,260,061
Other Tax	408,673	1,138,616	-0-	-0-
Unrestricted grants and contributions	-0-	484,238	-0-	-0-
Investment earnings	326,529	494,699	104,238	179,499
Other general revenues	-0-	(70,260)	-0-	252,009
Gain (loss) on sale of equipment	(23,390)	39,418	1,084	3,540
Transfers in (out)	<u>7,677,313</u>	<u>2,108,066</u>	<u>(1,358,064)</u>	<u>(2,206,264)</u>
Total revenues	<u>\$31,182,560</u>	<u>\$23,822,556</u>	<u>\$ 8,987,584</u>	<u>\$ 6,974,784</u>
Program expenses				
General policy and administration	\$ 1,167,309	\$ 1,125,638	\$ -0-	\$ -0-
Public safety	5,420,164	5,031,614	-0-	-0-
Public works	3,980,979	3,411,344	-0-	-0-
Environmental preservation	-0-	273,144	-0-	-0-
Parks and recreation	4,044,338	3,973,273	-0-	-0-
Community development	568,595	839,669	-0-	-0-
Health insurance	1,493,721	1,564,058	-0-	-0-
Debt service	845,879	817,435	-0-	-0-
Water	-0-	-0-	2,495,572	2,345,120
Sewer	-0-	-0-	2,872,177	2,662,913
Solid waste	-0-	-0-	1,209,898	1,202,433
Electric	-0-	-0-	<u>150,626</u>	<u>149,449</u>
Total expenses	<u>\$17,520,985</u>	<u>\$17,036,175</u>	<u>\$ 6,728,273</u>	<u>\$ 6,359,915</u>
Change in net assets	<u>\$13,661,575</u>	<u>\$ 6,786,381</u>	<u>\$ 2,259,311</u>	<u>\$ 614,869</u>

During the year ended September 30, 2009 the most significant changes were as follows:

Governmental activities

Governmental program receipts and expenditures remained similar to the prior year. Most of the Change in Net Assets is from the investment in fixed assets including the transfer of assets from the Columbus Airport Authority and not available for expenditure. The General Fund finished the year with an excess of revenues of \$931,000. This can be compared with an excess of \$515,000 for the previous year. During fiscal year 2009 the City received \$5,638,512 of local option sales tax as compared to \$5,254,551 for 2008. City sales tax receipts were up 7.3% due in part to a good local economy and the number of construction workers in town.

Business-type activities

The category Charges for Services increased by \$666,000 when compared to 2008 due to the change 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 beginning in 2009 to provide funds for future system improvements. The Water Fund operated at a net income before transfers of \$654,000 for 2009 as compared to a net income before transfers of \$163,000 for 2008. The Sewer Fund operated at a net income before transfers of \$533,000 for 2009 as compared with a net income before transfers of \$290,000 for 2008. The lease payment from Loup Power District is included in franchise taxes and for 2009 was \$2.4 million as compared to \$2.3 million for 2008, 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, 2009 the City had \$122 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, less depreciation) of \$11.7 million over last year.

Some of the most significant additions to capital assets for the governmental activities included \$6.1 million from the merger of the Airport Authority and \$6.7 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 Wal-Mart for about \$3.7 million, \$1.3 million for the reconstruction of the 33rd Avenue Viaduct and \$530,000 for the Bradshaw Place Addition improvements. Significant additions for equipment improvements costing more than \$100,000 included \$497,000 for the Kidde Burn Trailer for the Fire Department, \$126,000 for a Bucket Lift Truck and \$160,000 for a Street Sweeper for the Street Department. Sanitary sewer slip lining, sewer lift station repairs and the extension of water to Central Community College were the most significant of the \$1.3 million of additions for the business-type activities.

Debt Outstanding

At year-end, the City had \$32 million in bonds and notes outstanding versus \$33 million last year. There were three new borrowings during 2009; \$1,070,000 to refinance general obligation bonds to take advantage of lower interest rates; \$895,000 to refinance \$895,000 of Bond Anticipation Notes to take advantage of lower interest rates and \$790,000 to finance assessment districts to construct water and sidewalk improvements. There were no new borrowings for the business type activities during the year. \$4.9 million of outstanding debt was retired during 2009.

On February 1, 2010 the City authorized \$4,510,000 in Combined Revenue Bonds.

Economic Factors and Next Year's Budgets and Rates

Several factors were considered and affected the preparation of the City's 2010 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 new bond issue.

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
September 30, 2009

	Governmental Activities (Modified Accrual Basis)	Business-type Activities (Accrual Basis)	2009 Total
ASSETS			
Cash and cash equivalents	\$ 686,666	\$ 2,994	\$ 689,660
Cash - County Treasurer	890,817	-	890,817
Investments	12,908,473	5,520,080	18,428,553
Due from other funds	-	80,000	80,000
Accounts receivable	365,104	631,989	997,093
Special assessment receivable	1,240,787	-	1,240,787
Notes receivable	240,557	-	240,557
Accrued revenue	-	1,471,668	1,471,668
Inventory	-	234,894	234,894
Bond Discount	-	543,405	543,405
Land and buildings	12,309,654	19,676,068	31,985,722
Improvements	71,762,157	33,145,488	104,907,645
Equipment	6,632,855	7,104,439	13,737,294
Vehicles	4,733,706	-	4,733,706
Construction in progress	17,320,420	945,348	18,265,768
Less Accumulated Depreciation	<u>(29,269,162)</u>	<u>(21,986,624)</u>	<u>(51,255,786)</u>
Total assets	<u>\$ 99,822,034</u>	<u>\$ 47,369,749</u>	<u>\$ 147,191,783</u>
LIABILITIES			
Accounts payable	\$ -	\$ 306,101	\$ 306,101
Accrued expenses	-	233,287	233,287
Deferred revenue	1,671,203	5,817	1,677,020
Notes payable	175,245	-	175,245
Interest payable	-	228,138	228,138
Due to other funds	-	80,000	80,000
Long-term debt:			
Due within one year	1,535,000	1,175,000	2,710,000
Due in more than one year	<u>8,860,000</u>	<u>19,300,000</u>	<u>28,160,000</u>
Total liabilities	<u>\$ 12,241,448</u>	<u>\$ 21,328,343</u>	<u>\$ 33,569,791</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 73,094,630	\$ 18,409,719	\$ 91,504,349
Restricted for:			
Debt service	6,555,057	1,054,389	7,609,446
Unrestricted	<u>7,930,899</u>	<u>6,577,298</u>	<u>14,508,197</u>
Total net assets	<u>\$ 87,580,586</u>	<u>\$ 26,041,406</u>	<u>\$ 113,621,992</u>

See accompanying notes to the financial statements.

City of Columbus, Nebraska
Statement of Activities
For the Year Ended September 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 10,575,711	\$ 1,209,639	\$ 956,638	\$ 1,819,663	\$ (6,589,771)	\$ -	\$ (6,589,771)
Special revenue	4,594,156	720,492	845,327	1,916,517	(1,111,820)	-	(1,111,820)
Capital projects	45,196	177,518	2,789,289	-	2,921,611	-	2,921,611
CRA	416,554	-	-	-	(416,554)	-	(416,554)
Debt Service	384,129	334,387	-	9,089	(40,653)	-	(40,653)
Library Foundation	4,140	-	-	4,819	679	-	679
Library Endowment	5,993	-	-	(5,669)	(11,662)	-	(11,662)
Gerrard Park Trust	1,385	-	-	-	(1,385)	-	(1,385)
Health Insurance	1,493,721	2,003,435	-	-	509,714	-	509,714
Total governmental activities	\$ 17,520,985	\$ 4,445,471	\$ 4,591,254	\$ 3,744,419	\$ (4,739,841)	\$ -	\$ (4,739,841)
Business-type activities:							
Water	\$ 2,495,572	\$ 3,119,683	\$ -	\$ -	\$ -	\$ 624,111	\$ 624,111
Sewer	2,872,177	3,387,071	-	-	-	514,894	514,894
Electric	150,626	-	-	-	-	(150,626)	(150,626)
Solid Waste	1,209,898	1,316,048	-	-	-	106,150	106,150
Total business-type activities	\$ 6,728,273	\$ 7,822,802	\$ -	\$ -	\$ -	\$ 1,094,529	\$ 1,094,529
Total government	\$ 24,249,258	\$ 12,268,273	\$ 4,591,254	\$ 3,744,419	\$ (4,739,841)	\$ 1,094,529	\$ (3,645,312)
General revenues:							
Taxes:							
Property tax					\$ 3,520,428	\$ -	\$ 3,520,428
Sales tax					5,669,098	-	5,669,098
Miscellaneous					408,673	-	408,673
Franchise fees					822,765	2,417,524	3,240,289
Investment earnings					326,529	104,238	430,767
Gain (loss) on sale of asset					(23,390)	1,084	(22,306)
Transfer from Airport Authority					6,403,549	-	6,403,549
Transfers					1,273,764	(1,358,064)	(84,300)
Total general revenues and transfers					\$ 18,401,416	\$ 1,164,782	\$ 19,566,198
Change in net assets					\$ 13,661,575	\$ 2,259,311	\$ 15,920,886
Net assets - beginning					73,919,011	23,782,095	97,701,106
Net assets - ending					\$ 87,580,586	\$ 26,041,406	\$ 113,621,992

See accompanying notes to the financial statements.

City of Columbus, Nebraska
Balance Sheets - Modified Cash Basis
Governmental Funds
September 30, 2009

	General	Special Revenue	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 640,948	\$ 302,082	\$ -	\$ 222	\$ -	\$ 943,252
Cash-County Treasurer	693,119	31,501	128,588	37,609	-	890,817
Investments	3,166,065	5,557,028	285,455	2,414,301	1,218,546	12,641,395
Inventory	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Receivables:						
Accounts	337,182	27,922	-	-	-	365,104
Special Assessment	-	-	-	1,240,787	-	1,240,787
Notes	-	240,557	-	-	-	240,557
Total assets	<u>\$ 4,837,314</u>	<u>\$ 6,159,090</u>	<u>\$ 414,043</u>	<u>\$ 3,692,919</u>	<u>\$ 1,218,546</u>	<u>\$ 16,321,912</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Cash Overdrawn	\$ -	\$ -	\$ 257,313	\$ -	\$ -	\$ 257,313
Deferred revenue	337,182	93,234	-	1,240,787	-	1,671,203
Notes payable	-	175,245	-	-	-	175,245
Current portion of long-term debt	-	-	150,000	1,385,000	-	1,535,000
Interest payable	-	-	-	-	-	-
Total liabilities	<u>\$ 337,182</u>	<u>\$ 268,479</u>	<u>\$ 407,313</u>	<u>\$ 2,625,787</u>	<u>\$ -</u>	<u>\$ 3,638,761</u>
Fund balances:						
Reserved	\$ -	\$ 5,487,925	\$ -	\$ 1,067,132	\$ -	\$ 6,555,057
Unreserved, reported in:						
General fund	4,500,132	-	6,730	-	-	4,506,862
Street fund	-	402,686	-	-	-	402,686
Other governmental funds	-	-	-	-	1,218,546	1,218,546
Total fund balances	<u>\$ 4,500,132</u>	<u>\$ 5,890,611</u>	<u>\$ 6,730</u>	<u>\$ 1,067,132</u>	<u>\$ 1,218,546</u>	<u>\$ 12,683,151</u>
Total liabilities and fund balances	<u>\$ 4,837,314</u>	<u>\$ 6,159,090</u>	<u>\$ 414,043</u>	<u>\$ 3,692,919</u>	<u>\$ 1,218,546</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	77,354,247
Capital assets transferred from Airport Authority	6,135,383
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.	-
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.	267,805
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(8,860,000)</u>
Net assets of governmental activities	<u>\$ 87,580,586</u>

See accompanying notes to the financial statements.

City of Columbus, Nebraska
 Statements of Revenues, Expenditures, and Changes in Fund Balances -
 Modified Cash Basis - Governmental Funds
 For the Year Ended September 30, 2009

	General	Special Revenue	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 3,182,828	\$ 155,007	\$ -	\$ 182,593	\$ -	\$ 3,520,428
Fees, taxes, permits and licenses	222,986	1,790,245	-	-	-	2,013,231
State shared revenue	254,016	-	-	-	-	254,016
Franchise fees	822,765	-	-	-	-	822,765
Sales tax	1,162,522	1,771,610	1,264,619	1,470,347	-	5,669,098
Charges for services	1,209,639	720,492	177,518	334,387	-	2,442,036
Donations	-	-	-	-	4,819	4,819
TIF income	-	-	408,673	-	-	408,673
Grants	956,638	845,327	2,789,289	-	-	4,591,254
Investment income	79,727	149,420	1,947	56,252	38,459	325,805
Bond Proceeds	-	-	1,685,000	1,070,000	-	2,755,000
Miscellaneous	1,342,661	126,272	-	9,089	(5,669)	1,472,353
Total revenues	\$ 9,233,782	\$ 5,558,373	\$ 6,327,046	\$ 3,122,668	\$ 37,609	\$ 24,279,478
EXPENDITURES						
Current operating:						
General government	\$ 1,119,951	\$ -	\$ -	\$ -	\$ -	\$ 1,119,951
Public health and safety	4,843,419	173,282	-	-	-	5,016,701
Public works	-	2,370,596	-	-	-	2,370,596
Cultural and recreational	3,108,879	-	-	-	11,518	3,120,397
Community development	169,552	389,580	-	-	-	559,132
Capital outlay	1,302,277	1,099,828	6,204,166	-	-	8,606,271
Debt service:						
Principal	-	-	1,045,000	4,230,000	-	5,275,000
Interest	-	-	460,275	384,113	-	844,388
Other	-	-	1,475	16	-	1,491
Total expenditures	\$ 10,544,078	\$ 4,033,286	\$ 7,710,916	\$ 4,614,129	\$ 11,518	\$ 26,913,927
Excess (deficiency) of revenues over (under) expenditures	\$ (1,310,296)	\$ 1,525,087	\$ (1,383,870)	\$ (1,491,461)	\$ 26,091	\$ (2,634,449)
OTHER FINANCING SOURCES (USES)						
Transfer from Airport Authority	\$ -	\$ 268,166	\$ -	\$ -	\$ -	\$ 268,166
Transfers in	2,475,410	345,375	1,628,098	788,001	-	5,236,884
Transfers out	(234,375)	(2,735,428)	(800,034)	(175,449)	(17,834)	(3,963,120)
Total other financing sources (uses)	\$ 2,241,035	\$ (2,121,887)	\$ 828,064	\$ 612,552	\$ (17,834)	\$ 1,541,930
Net change in fund balances	\$ 930,739	\$ (596,800)	\$ (555,806)	\$ (878,909)	\$ 8,257	\$ (1,092,519)
Fund balances-beginning	3,569,393	6,487,411	562,536	1,946,041	1,210,289	13,775,670
Fund balances-ending	\$ 4,500,132	\$ 5,890,611	\$ 6,730	\$ 1,067,132	\$ 1,218,546	\$ 12,683,151

See accompanying notes to the financial statements.

City of Columbus, Nebraska
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances - Modified Cash Basis - Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2009

Amounts reported for governmental activities in the statement of activities (page 9) are different because:

Net change in fund balances - total governmental funds (page 11)	\$ (1,092,519)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization in the current year.	11,747,046
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (or decrease) net assets.	(23,390)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,520,000
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>510,438</u>
Change in net assets of governmental activities (page 9)	<u>\$ 13,661,575</u>

See accompanying notes to the financial statements.

City of Columbus, Nebraska
 Statements of Net Assets - Accrual Basis
 Proprietary Funds
 September 30, 2009

	Business-type Activities					Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Solid Waste	Total	
ASSETS						
Cash and cash equivalents	\$ 1,103	\$ 597	\$ 451	\$ 843	\$ 2,994	\$ 727
Investments	1,768,191	954,331	2,771,554	26,004	5,520,080	267,078
Receivables:						
Interfund	80,000	-	-	-	80,000	-
Accounts	257,860	309,934	-	64,195	631,989	-
Accrued Revenue	291,548	327,802	790,236	62,082	1,471,668	-
Inventory	203,934	30,960	-	-	234,894	-
Bond Issue Costs	221,326	322,079	-	-	543,405	-
Capital assets:						
Land and Buildings	4,517,107	14,887,831	-	271,130	19,676,068	-
Plant improvements	16,861,052	9,956,139	6,030,920	297,377	33,145,488	-
Equipment	4,374,318	1,663,601	-	1,066,520	7,104,439	-
Construction in Progress	715,035	181,756	-	48,557	945,348	-
Less Accumulated Depreciation	<u>(9,268,818)</u>	<u>(8,512,726)</u>	<u>(3,417,477)</u>	<u>(787,603)</u>	<u>(21,986,624)</u>	<u>-</u>
Total assets	<u>\$ 20,022,656</u>	<u>\$ 20,122,304</u>	<u>\$ 6,175,684</u>	<u>\$ 1,049,105</u>	<u>\$ 47,369,749</u>	<u>\$ 267,805</u>
LIABILITIES						
Accounts payable	\$ 72,787	\$ 156,562	\$ -	\$ 76,752	\$ 306,101	\$ -
Accrued payroll	77,722	127,640	-	27,925	233,287	-
Deferred revenue	-	5,817	-	-	5,817	-
Due to other funds	-	-	-	80,000	80,000	-
Interest payable	99,499	128,639	-	-	228,138	-
Long-term debt:						
Due within one year	614,125	560,875	-	-	1,175,000	-
Due in more than one year	<u>8,125,532</u>	<u>11,174,468</u>	<u>-</u>	<u>-</u>	<u>19,300,000</u>	<u>-</u>
Total liabilities	<u>\$ 8,989,665</u>	<u>\$ 12,154,001</u>	<u>\$ -</u>	<u>\$ 184,677</u>	<u>\$ 21,328,343</u>	<u>\$ -</u>
NET ASSETS						
Invested in capital assets, net of related debt	\$ 8,459,037	\$ 6,441,258	\$ 2,613,443	\$ 895,981	\$ 18,409,719	\$ -
Restricted for:						
Debt service	523,727	530,662	-	-	1,054,389	-
Unrestricted	<u>2,050,227</u>	<u>996,383</u>	<u>3,562,241</u>	<u>(31,553)</u>	<u>6,577,298</u>	<u>267,805</u>
Total net assets	<u>\$ 11,032,991</u>	<u>\$ 7,968,303</u>	<u>\$ 6,175,684</u>	<u>\$ 864,428</u>	<u>\$ 26,041,406</u>	<u>\$ 267,805</u>

See accompanying notes to the financial statements.

City of Columbus, Nebraska
 Statements of Revenues, Expenses, and Changes in Net Assets - Accrual Basis
 Proprietary Funds
 September 30, 2009

	Business-type Activities					Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Solid Waste	Total	
Operating revenues:						
Charges for services	\$ 2,412,556	\$ 3,152,876	\$ -	\$ 1,281,626	\$ 6,847,058	\$ 2,003,435
Franchise Fees	-	-	2,417,524	-	2,417,524	-
Permits and Fees	99,249	25,340	-	2,443	127,032	-
Sales Tax	109,959	191,144	-	-	301,103	-
Operating Grants	331,425	-	-	-	331,425	-
Miscellaneous	166,494	17,711	-	31,979	216,184	-
Total operating revenues	\$ 3,119,683	\$ 3,387,071	\$ 2,417,524	\$ 1,316,048	\$ 10,240,326	\$ 2,003,435
Operating expenses:						
Personal services	\$ 619,409	\$ 897,240	\$ -	\$ 369,706	\$ 1,886,355	\$ -
Insurance	15,253	31,499	-	6,027	52,779	-
Supplies	251,869	189,952	-	76,132	517,953	-
Professional services	5,696	22,638	-	8,259	36,593	1,493,721
Repairs and maintenance	158,652	125,125	-	47,882	331,659	-
Heat, light and power, phone	205,459	317,575	-	7,213	530,247	-
Landfill disposal	-	-	-	595,659	595,659	-
Sales tax remitted	111,650	190,602	-	-	302,252	-
Other operating expense	21,418	14,858	-	5,108	41,384	-
Depreciation & Amortization expense	761,077	638,332	150,626	93,912	1,643,947	-
Total operating expenses	\$ 2,150,483	\$ 2,427,821	\$ 150,626	\$ 1,209,898	\$ 5,938,828	\$ 1,493,721
Operating income	\$ 969,200	\$ 959,250	\$ 2,266,898	\$ 106,150	\$ 4,301,498	\$ 509,714
Nonoperating revenues (expenses)						
Interest expense	\$ (345,089)	\$ (444,356)	\$ -	\$ -	\$ (789,445)	\$ -
Investment earnings	30,278	17,580	55,792	588	104,238	724
Gain (loss) on disposal of assets	-	367	-	717	1,084	-
Total nonoperating revenues (expenses)	\$ (314,811)	\$ (426,409)	\$ 55,792	\$ 1,305	\$ (684,123)	\$ 724
Income before operating transfers	\$ 654,389	\$ 532,841	\$ 2,322,690	\$ 107,455	\$ 3,617,375	\$ 510,438
Operating transfers:						
Operating transfers in	\$ 707,265	\$ 92,769	\$ -	\$ -	\$ 800,034	\$ -
Operating transfers out	(158,433)	(125,165)	(1,830,500)	(44,000)	(2,158,098)	-
Total operating transfers	\$ 548,832	\$ (32,396)	\$ (1,830,500)	\$ (44,000)	\$ (1,358,064)	\$ -
Change in net assets	\$ 1,203,221	\$ 500,445	\$ 492,190	\$ 63,455	\$ 2,259,311	\$ 510,438
Total net assets (deficit) - beginning	9,829,770	7,467,858	5,683,494	800,973	23,782,095	(242,633)
Total net assets - ending	\$ 11,032,991	\$ 7,968,303	\$ 6,175,684	\$ 864,428	\$ 26,041,406	\$ 267,805

See accompanying notes to the financial statements.

City of Columbus, Nebraska
 Statements of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2009

	Business-type Activities					Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Solid Waste	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 3,043,178	\$ 3,297,314	\$ 2,420,041	\$ 1,349,937	\$ 10,110,470	\$ 2,003,435
Payments to suppliers	(773,770)	(1,106,549)	-	(788,089)	(2,668,408)	(2,004,159)
Payments to employees	(598,957)	(861,862)	-	(365,438)	(1,826,257)	-
Net cash provided (used) by operating activities	<u>\$ 1,670,451</u>	<u>\$ 1,328,903</u>	<u>\$ 2,420,041</u>	<u>\$ 196,410</u>	<u>\$ 5,615,805</u>	<u>\$ (724)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer from (to) other funds (net)	<u>\$ 548,832</u>	<u>\$ (32,396)</u>	<u>\$ (1,830,500)</u>	<u>\$ (44,000)</u>	<u>\$ (1,358,064)</u>	<u>\$ -</u>
Net cash provided (used) by noncapital financing activities	<u>\$ 548,832</u>	<u>\$ (32,396)</u>	<u>\$ (1,830,500)</u>	<u>\$ (44,000)</u>	<u>\$ (1,358,064)</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets, net of disposals	\$ (911,715)	\$ (746,213)	\$ (52,969)	\$ (210,626)	\$ (1,921,523)	\$ -
Bond payments	(594,125)	(560,875)	-	-	(1,155,000)	-
Interest payments	(350,928)	(449,129)	-	-	(800,057)	-
Net cash provided (used) by capital and related financing activities	<u>\$ (1,856,768)</u>	<u>\$ (1,756,217)</u>	<u>\$ (52,969)</u>	<u>\$ (210,626)</u>	<u>\$ (3,876,580)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends received	<u>\$ 30,278</u>	<u>\$ 17,580</u>	<u>\$ 55,792</u>	<u>\$ 588</u>	<u>\$ 104,238</u>	<u>\$ 724</u>
Net cash provided (used) by investing activities	<u>\$ 30,278</u>	<u>\$ 17,580</u>	<u>\$ 55,792</u>	<u>\$ 588</u>	<u>\$ 104,238</u>	<u>\$ 724</u>
Net (decrease) increase in cash and cash equivalents	\$ 392,793	\$ (442,130)	\$ 592,364	\$ (57,628)	\$ 485,399	\$ -
Beginning cash and cash equivalents	<u>1,376,501</u>	<u>1,397,058</u>	<u>2,179,641</u>	<u>84,475</u>	<u>5,037,675</u>	<u>-</u>
Ending cash and cash equivalents	<u>\$ 1,769,294</u>	<u>\$ 954,928</u>	<u>\$ 2,772,005</u>	<u>\$ 26,847</u>	<u>\$ 5,523,074</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income	\$ 969,200	\$ 959,250	\$ 2,266,898	\$ 106,150	\$ 4,301,498	\$ 509,714
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	742,572	616,525	150,626	93,912	1,603,635	-
Amortization expense	18,505	21,807	-	-	40,312	-
Gain (loss) on disposal of assets	-	367	-	717	1,084	-
Change in assets and liabilities:						
Receivables	40,141	(31,898)	-	(4,476)	3,767	-
Inventory & other assets	(96,579)	(68,816)	2,517	38,365	(124,513)	-
Accounts and other payables	(23,840)	(203,710)	-	(42,526)	(270,076)	(510,438)
Accrued expenses	20,452	35,378	-	4,268	60,098	-
Net cash provided (used) by operating activities	<u>\$ 1,670,451</u>	<u>\$ 1,328,903</u>	<u>\$ 2,420,041</u>	<u>\$ 196,410</u>	<u>\$ 5,615,805</u>	<u>\$ (724)</u>

See accompanying notes to the financial statements.

City of Columbus, Nebraska
 Statement of Fiduciary Net Assets - Modified Cash Basis
 Fiduciary Funds
 September 30, 2009

	Pension Trust Funds	Agency Funds
ASSETS		
Cash	\$ 487	\$ -
Investments	74,869	-
Total assets	\$ 75,356	\$ -
LIABILITIES		
Accounts payable	\$ -	\$ -
NET ASSETS		
Held in Trust for Pension Benefits	\$ 75,356	\$ -

See accompanying notes to the financial statements.

City of Columbus, Nebraska
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Year Ended September 30, 2009

	Pension Trust Funds	Agency Funds
Additions		
Interest Income	\$ 1,417	\$ -
Collections for agency funds	<u>-</u>	<u>77,602</u>
Subtotal	<u>\$ 1,417</u>	<u>\$ 77,602</u>
Deductions		
Public Safety	<u>\$ 73,457</u>	<u>\$ -</u>
Other Financing Sources		
Paid to agency fund	\$ -	\$ 77,677
Transfers from other funds	<u>84,300</u>	<u>-</u>
Subtotal	<u>\$ 84,300</u>	<u>\$ 77,677</u>
Change in Net Assets	\$ 12,260	\$ (75)
Net Assets - Beginning of Year	<u>63,096</u>	<u>75</u>
Net Assets - End of Year	<u>\$ 75,356</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 1. **Summary of Significant Accounting Policies**

Reporting Entity

The City of Columbus, Nebraska, operates under a Mayor and eight member City Council form of government.

In evaluating how to define the City of Columbus, Nebraska, for financial reporting purposes, management has considered all potential component units. 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 most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The accompanying financial statements present the functions that the government is significantly responsible for when considering these criterion.

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

Basis of Presentation

On October 1, 2003, the City adopted the provisions of Statement No. 34 ("Statement 34") of the Government Accounting Standards Board "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." Statement 34 established standards for external financial reporting for all state and local government entities, which includes government-wide financial statements, fund financial statements and the classification of net assets into restricted and unrestricted.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all the nonfiduciary activities of the government. For the most part the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or a segment are offset by program revenues.

CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

Note 1. **Summary of Significant Accounting Policies (continued)**

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*.

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 individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *modified accrual basis of accounting*. The proprietary fund financial statements are reported on the full accrual basis. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified cash basis of accounting*.

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payments are due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 1. Summary of Significant Accounting Policies (continued)

The City reports the following major governmental funds:

The *General Governmental 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 13, 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, lottery funds, and the airport.

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* are used to account for all activities necessary for the provision of water, sewer, and waste disposal services to City residents.

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

Additionally, the City reports the following fund types:

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.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 1. Summary of Significant Accounting Policies (continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principle operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 1. Summary of Significant Accounting Policies (continued)

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements and Buildings	5-50
Improvements	5-75
Equipment	3-20
Vehicles	5-30

Cash and Investments

For purposes of the Statement of Cash Flows, the City considers all highly liquid debt instruments purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interfund 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.

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 of the land included in the Debt Service Fund as land and buildings. The amount of assessments are 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.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 1. Summary of Significant Accounting Policies (continued)

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.

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, 2009, are shown netted against the respective accounts receivable balances for the proprietary funds.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reclassifications

Certain amounts in the 2008 financial statements have been reclassified to conform with the 2009 financial statement presentation. The basis of accounting for the business-type activities on pages eight and nine are shown on the accrual basis, whereas the prior report presented the modified accrual basis of accounting.

Note 2. County Treasurer Fund

At September 30, 2009, the cash fund balance of the County Treasurer Funds has been allocated to the general, special revenue, capital projects and debt service funds of the City, therefore, a separate County Treasurer's Fund is not presented as an individual fund of the City.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 3. Long-Term Liabilities

Bond Anticipation Notes Payable

During the fiscal year October 1, 2008 through September 30, 2009, \$1,685,000 of Bond Anticipation Notes were issued, and \$895,000 were paid off. The notes bear interest from 1.75 – 2%. The outstanding balance as of September 30, 2009 was \$1,685,000.

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities only.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15-year serial bonds with substantially equal debt service payments each year. General obligation bonds currently outstanding are as follows:

On January 1, 2002, the City issued General Obligation Refunding Bonds in the amount of \$1,650,000. Principal and interest payments began June 15, 2002 and the issue bears interest from 2.10 to 4.50%. Final payment is due on June 15, 2011. The outstanding balance as of September 30, 2009 is \$100,000.

On October 15, 2004, the City issued Various Purpose Bonds in the amount of \$410,000. The issue bears interest from 1.80 to 2.85%. Final payment is due on October 15, 2009. The outstanding balance as of September 30, 2009 is \$85,000.

On October 15, 2004 the City issued Sales Tax Revenue Bonds in the amount of \$4,000,000. The issue bears interest from 2.00 to 3.90%. Final payment is due on September 15, 2013. The outstanding balance as of September 30, 2009 is \$3,190,000.

On August 15, 2005, the City issued Various Purpose Bonds in the amount of \$585,000. The issue bears interest from 3.00 to 4.00%. Final payment is due on November 15, 2014. The outstanding balance as of September 30, 2009 is \$390,000.

On November 15, 2008, the City issued General Obligation Flood Control Refunding Bonds in the amount of \$3,400,000. The issue bears interest from 2.50 to 3.50%. Final payment is due November 15, 2014. The outstanding balance as of September 30, 2009 is \$3,400,000.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 3. Long-Term Liabilities (continued)

On July 15, 2008, the City issued Various Purpose Bonds in the amount of \$500,000. The issue bears interest from 3.25 to 4.50%. Final payment is due on September 1, 2023. The outstanding balance as of September 30, 2009 is \$475,000.

On August 6, 2009, the City issued General Obligation Refunding Bonds in the amount of \$1,070,000. The issue bears interest from 1.40 to 4.00%. Final payment is due on October 15, 2019. The outstanding balance at September 30, 2009 is \$1,070,000.

The schedule of bond redemptions is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,535,000	\$ 271,897	\$ 1,806,897
2011	1,580,000	234,250	1,814,250
2012	1,610,000	183,419	1,793,419
2013	1,510,000	128,619	1,638,619
2014	795,000	75,203	870,203
2015-2019	1,390,000	145,889	1,535,889
2020-2024	290,000	23,110	313,110
	<u>\$ 8,710,000</u>	<u>\$ 1,062,386</u>	<u>\$ 9,772,386</u>

Total bonds outstanding are as follows:

	<u>General Obligation Bonds</u>	<u>Bond Anticipation Notes</u>	<u>Total</u>
Bonds outstanding, October 1	\$ 10,485,000	\$ 895,000	\$ 11,380,000
Bonds paid	(2,845,000)	(895,000)	(3,740,000)
Bonds issued	<u>1,070,000</u>	<u>1,685,000</u>	<u>2,755,000</u>
Bonds outstanding, September 30	<u>\$ 8,710,000</u>	<u>\$ 1,685,000</u>	<u>\$ 10,395,000</u>

Business-Type Activity Debt

On July 15, 2003, the City issued Subordinate Combined Revenue Bonds in the amount of \$8,725,000. The issue bears interest from 2.00 to 4.00%. Final payment is due on December 15, 2023. The outstanding balance at September 30, 2009 is \$8,225,000.

On June 18, 2004, the City issued Subordinate Combined Revenue Bonds in the amount of \$7,205,000. The issue bears interest from 3.00 to 4.65%. Final payment is due on December 15, 2023. The outstanding balance at September 30, 2009 is \$5,550,000.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 3. Long-Term Liabilities (continued)

Business-Type Activity Debt (continued)

On August 15, 2005, the City issued Combined Revenue and Refunding Bonds in the amount of \$6,915,000. The issue bears interest from 3.00 to 4.00%. Final payment is due on December 15, 2023. The outstanding balance at September 30, 2009 is \$4,900,000.

On August 15, 2007, the City issued Combined Revenue Bonds in the amount of \$1,800,000. The issue bears interest of 4.50%. Final payment is due on June 15, 2027. The outstanding balance at September 30, 2009 is \$1,800,000.

The schedule of bond redemptions is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,175,000	\$ 761,733	\$ 1,936,733
2011	1,050,000	725,496	1,775,496
2012	1,090,000	689,763	1,779,763
2013	1,125,000	652,028	1,777,028
2014	1,165,000	611,405	1,776,405
2015-2019	6,530,000	2,352,540	8,882,540
2020-2024	6,540,000	1,029,053	7,569,053
2025-2027	1,800,000	166,500	1,966,500
	<u>\$ 20,475,000</u>	<u>\$ 6,988,518</u>	<u>\$ 27,463,518</u>

Total bonds outstanding:

	<u>2008-2009</u>
Bonds outstanding, October 1	\$ 21,630,000
Bonds paid	(1,155,000)
Bonds issued	<u>-</u>
Bonds outstanding, September 30	<u>\$ 20,475,000</u>

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 4. Bond Issue Costs

The City has capitalized expenditures relating to the issuance of the business-type activity debt referred to in Note 3. These costs will be amortized over the lives of the issues. Amortization expense and the unamortized balances at September 30, 2009, are as follows:

	Amortization <u>Expense</u>	Unamortized <u>Balance</u>
2003 Combined Revenue Bonds	\$ 14,746	\$ 210,130
2004 Subordinate Combined Revenue Bonds	6,291	84,930
2005 Combined Revenue and Refunding Bonds	15,872	188,215
2007 Combined Revenue Bonds	3,403	60,126
Total	<u>\$ 40,312</u>	<u>\$ 543,401</u>

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

Note 5. Notes Receivable

The City has the following notes receivable outstanding as of September 30, 2009 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>
1997 Greystone	9/1/1997	8/1/2012	\$ 500,000	4.60%	\$ 3,851	\$ 122,044
1999 Flexcon	9/1/1999	8/1/2014	\$ 250,000	4.00%	\$ 1,846	98,700
Total						<u>\$ 220,744</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	7/2/2009	7/2/2021	\$ 20,000	6.50%	\$ 170	<u>\$ 19,813</u>

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 6. Property Tax Revenues

For the fiscal year ended September 30, 2009, the City followed these procedures in establishing the budgetary data reflected in the accompanying financial statements:

Prior to September 1, the City submitted to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget included proposed expenditures and the means of financing them.

Public hearings were conducted at a public meeting to obtain taxpayer comments.

Prior to September 20, the budget was legally adopted by the City Council.

Property taxes were levied in October of 2008 on the assessed value of listed property. Assessed values are an approximation of market value. The County Assessor of Platte County, Nebraska determined the City of Columbus valuation to be \$1,069,742,568 in August of 2008.

The City, through the budget process, requested a total of \$3,374,800 in property taxes. Based on the August of 2008 valuation previously mentioned, the tax levy for the City of Columbus was established at \$3.15 per \$1,000 of property value.

Note 7. Pension and Retirement Plans

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 and one half 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.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 7. Pension and Retirement Plans (continued)

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.

The cost to the City for the money purchase pension plans administered by others for the fiscal year ended September 30, 2009 is as follows:

Fire	\$ 64,060
All others	<u>180,790</u>
Total	<u>\$ 244,850</u>

Total wages paid by the City for the year ended September 30, 2009 are \$7,914,543.

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, 2009 are \$22,482 for the fire pension plan and \$50,975 for the police pension plan.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 7. Pension and Retirement Plans (continued)

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

Investment return (for fire and police):	
Pre-retirement	7.0%
Post-retirement for current active members	5.5%
Post-retirement for Current retired members	7.0%

Mortality:
1994 Group Annuity Mortality Table.

Expenses:
Normal cost includes estimated plan expense charge.

Retirement age:
Age 55-59 – 20% probability of retirement.
Age 60 – 100% probability of retirement.

Salary scale:
4% increase each year until retirement.

Disability:
None.

Termination:
None prior to retirement eligibility.

Load for lump sums:
Liabilities were loaded by 10% to reflect the potential adverse interest and mortality selection with participants choosing the lump sum option.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 7. Pension and Retirement Plans (continued)

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

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

Note 8. Deposits and Investments

At year-end, the City's carrying amount of bank deposits was \$17,899,667 and the bank balance was \$17,684,350. The component units carrying amount of bank deposits and bank balance was \$1,218,546. All balances were covered by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the government's name.

Investments are categorized into these categories of credit risk:

- (1) Insured or registered, or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

At year-end, the City's investment balances and collateralization were as follows:

	<u>City of Columbus</u>	<u>Component Units</u>	<u>Total</u>
Demand deposits - non-interest bearing	\$ 5,573	\$ 115	\$ 5,688
Time and savings deposits - interest bearing	17,678,777	102,634	17,781,411
Other securities	-	1,115,797	1,115,797
Total deposits	<u>\$ 17,684,350</u>	<u>\$ 1,218,546</u>	<u>\$ 18,902,896</u>
FDIC coverage (category 1)	\$ 1,750,000	\$ 102,749	\$ 1,852,749
Collateralized deposits (category 2)	15,934,350	-	15,934,350
Uncollateralized deposits (category 3)	-	1,115,797	1,115,797
Total deposits	<u>\$ 17,684,350</u>	<u>\$ 1,218,546</u>	<u>\$ 18,902,896</u>

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 9. 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 Increment 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 revenue 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 10. Commitments and Contingencies

The City has been approved by the Nebraska Department of Labor to operate as a reimbursable employer for the purpose 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, 2009, the amount of liability, if any, is indeterminable.

Solid Waste Coalition

During 1995, the City entered into an inter-local agreement with several other governmental entities which resulted in the formation of the Northeast Nebraska Solid Waste Coalition (the Coalition). 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.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 10. Commitments and Contingencies (continued)

Various lawsuits 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 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 \$60,000 and aggregate claims that are over \$1,985,364 or 125% of the expected annual claims, whichever is greater. No accrual for claims incurred but not reported has been made as of year-end.

Note 12. 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 payment 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 \$119,345.

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 Other Funds</u>	<u>Due to Other Funds</u>
Special Revenue Fund	\$ —	\$ 2,080,039
Water Fund	2,160,039	—
Solid Waste Fund	—	80,000
Total	<u>\$ 2,160,039</u>	<u>\$ 2,160,039</u>

CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

Note 13. Capital assets

Capital asset activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 452,343	\$ -	\$ -	\$ 452,343
Construction in Progress	12,786,123	6,243,668	(1,709,371)	17,320,420
Total capital assets, not being depreciated	<u>\$ 13,238,466</u>	<u>\$ 6,243,668</u>	<u>\$ (1,709,371)</u>	<u>\$ 17,772,763</u>
Capital assets, being depreciated:				
Land Improvements and Buildings	\$ 8,181,766	\$ 3,677,570	\$ (2,025)	\$ 11,857,311
Improvements	64,909,010	6,853,147	-	71,762,157
Equipment	6,367,327	711,179	(445,651)	6,632,855
Vehicles	3,934,459	1,218,022	(418,775)	4,733,706
Total capital assets being depreciated	<u>\$ 83,392,562</u>	<u>\$ 12,459,918</u>	<u>\$ (866,451)</u>	<u>\$ 94,986,029</u>
Less accumulated depreciation for:				
Land Improvements and Buildings	\$ (3,542,530)	\$ (1,196,531)	\$ 844	\$ (4,738,217)
Improvements	(15,629,881)	(3,017,808)	-	(18,647,689)
Equipment	(3,538,688)	(631,838)	445,316	(3,725,210)
Vehicles	(2,153,955)	(400,996)	396,905	(2,158,046)
Total accumulated depreciation	<u>\$ (24,865,054)</u>	<u>\$ (5,247,173)</u>	<u>\$ 843,065</u>	<u>\$ (29,269,162)</u>
Total capital assets, being depreciated, net	<u>\$ 58,527,508</u>	<u>\$ 7,212,745</u>	<u>\$ (1,709,516)</u>	<u>\$ 65,716,867</u>
Governmental activities capital assets, net	<u>\$ 71,765,974</u>	<u>\$ 13,456,413</u>	<u>\$ (3,418,887)</u>	<u>\$ 83,489,630</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 391,161	\$ -	\$ -	\$ 391,161
Construction in Progress	1,559,735	1,277,987	(1,892,374)	945,348
Total capital assets, not being depreciated	<u>\$ 1,950,896</u>	<u>\$ 1,277,987</u>	<u>\$ (1,892,374)</u>	<u>\$ 1,336,509</u>
Capital assets, being depreciated:				
Land Improvements and Buildings	\$ 19,405,314	\$ 1,750	\$ (122,157)	\$ 19,284,907
Improvements	30,540,440	2,605,048	-	33,145,488
Equipment	6,751,563	378,020	(25,144)	7,104,439
Total capital assets being depreciated	<u>\$ 56,697,317</u>	<u>\$ 2,984,818</u>	<u>\$ (147,301)</u>	<u>\$ 59,534,834</u>
Less accumulated depreciation for:				
Land Improvements and Buildings	\$ (3,964,357)	\$ (406,591)	\$ -	\$ (4,370,948)
Improvements	(14,442,023)	(760,188)	-	(15,202,211)
Equipment	(1,969,176)	(469,442)	25,153	(2,413,465)
Total accumulated depreciation	<u>\$ (20,375,556)</u>	<u>\$ (1,636,221)</u>	<u>\$ 25,153</u>	<u>\$ (21,986,624)</u>
Total capital assets, being depreciated, net	<u>\$ 36,321,761</u>	<u>\$ 1,348,597</u>	<u>\$ (172,454)</u>	<u>\$ 37,548,210</u>
Business-type activities capital assets, net	<u>\$ 38,272,657</u>	<u>\$ 2,626,584</u>	<u>\$ (2,064,828)</u>	<u>\$ 38,884,719</u>

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 13. Capital assets (continued)

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

Governmental activities:	
General Government	\$ 47,358
Public Health and Safety	403,463
Public Works	1,610,382
Culture and Recreation	923,941
Community Development	<u>9,463</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,994,607</u></u>
Business-type activities:	
Water	\$ 742,572
Sewer	616,525
Electric	150,626
Solid Waste	<u>93,912</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,603,635</u></u>

The governmental accumulated depreciation increase in the amount of \$5,247,173 consists of depreciation of \$2,994,606 plus \$2,252,567 of accumulated depreciation transferred in from the airport.

The business-type activities accumulated depreciation in the amount of \$1,636,221 consists of \$1,603,635 of depreciation plus \$32,586 of accumulated depreciation transferred in from vehicle trades.

Note 14. Transfer from Airport Authority

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 \$268,166 in cash and investments, \$844 in county treasurer cash, and \$6,135,383 in net capital assets.

Note 15. Major Customers

The City received approximately 19% of the total water revenues and approximately 21% of total sewer revenues from one major customer in the year ended September 30, 2009.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 16. 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 \$6,500,000 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 (LB40)
1.0%	Apr 1995-Mar 1999	50.0%	12.5%	25.0%	12.5%			
1.0%	Apr 1999-Mar 2003		50.0%	25.0%	25.0%			
1.0%	Apr 2003-Mar 2008		50.0%	25.0%	25.0%			
1.0%	Apr 2008-Mar 2011				90.0%			10%, not to exceed \$300,000 annually
0.5%	Apr 2001-Mar 2003					100.0%		
0.5%	Apr 2005-Bonds are Retired						100.0%	

Note 17. Contract Payable

As of September 30, 2009, the City owed the Nebraska Department of Revenue \$1,040,639, which is the City's portion of the Viaduct Project. Payments of \$130,000 are made monthly, with the final payment due on May 18, 2010 in the amount of \$130,639.

Note 18. Subsequent Event

On February 1, 2010 the City passed an ordinance that issued \$4,510,000 of Combined Revenue Bonds for the purpose of providing funds for acquiring, constructing, equipping and furnishing waste water and sanitary sewer improvements and water system improvements. The issue bears interest from 1.9 to 4.7%.

City of Columbus, Nebraska
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Budget (Non-GAAP) and Actual (on Budgetary Basis)
General Fund
For the Year Ended September 30, 2009

	Budgeted Amounts Original and Final	Actual Budgetary Basis	Variance with Budget- Positive (Negative)
REVENUES			
Property taxes	\$ 3,070,000	\$ 3,182,828	\$ 112,828
Motor vehicle tax	380,000	411,568	31,568
In lieu	135,000	161,612	26,612
Franchise fees	725,000	822,765	97,765
State shared revenue	253,800	254,016	216
Sales tax	1,163,750	1,162,522	(1,228)
Grants	582,250	956,638	374,388
Fees, permits and licenses	232,400	222,986	(9,414)
Other local revenues	5,524,480	1,979,120	(3,545,360)
Investment income	51,950	79,727	27,777
Total revenues	<u>\$ 12,118,630</u>	<u>\$ 9,233,782</u>	<u>\$ (2,884,848)</u>
EXPENDITURES			
General Government	\$ 1,401,540	\$ 1,350,031	\$ 51,509
Public Safety	6,131,435	5,867,030	264,405
Public Health	292,105	284,132	7,973
Culture and Recreation	4,445,081	3,107,707	1,337,374
Community Development	190,250	169,552	20,698
Total expenditures	<u>\$ 12,460,411</u>	<u>\$ 10,778,452</u>	<u>\$ 1,681,959</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (341,781)</u>	<u>\$ (1,544,670)</u>	<u>\$ (1,202,889)</u>
 Uses/outflows of resources:			
Actual amounts (budgetary basis)			\$ 10,778,452
Net adjustments (accrual basis)			<u>(234,374)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 11).			<u>\$ 10,544,078</u>

See accompanying notes to the financial statements.

City of Columbus, Nebraska
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Budget (Non-GAAP) and Actual (on Budgetary Basis)
Special Revenue Fund
For the Year Ended September 30, 2009

	Budgeted Amounts Original and Final	Actual Budgetary Basis	Variance with Budget- Positive (Negative)
REVENUES			
Property taxes	\$ -	\$ 155,007	\$ 155,007
Sales tax	1,331,567	1,771,610	440,043
Grants	550,900	845,327	294,427
Fees, permits and licenses	3,306,000	2,510,737	(795,263)
Other local revenues	544,200	126,272	(417,928)
Investment income	83,000	149,420	66,420
Total revenues	<u>\$ 5,815,667</u>	<u>\$ 5,558,373</u>	<u>\$ (257,294)</u>
EXPENDITURES			
Public Safety	\$ 286,550	\$ 286,208	\$ 342
Public Works	2,710,030	2,834,507	(124,477)
Community Development	2,997,300	1,209,898	1,787,402
Sales Tax	3,483,000	2,445,428	1,037,572
Total expenditures	<u>\$ 9,476,880</u>	<u>\$ 6,776,041</u>	<u>\$ 2,700,839</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,661,213)</u>	<u>\$ (1,217,668)</u>	<u>\$ 2,443,545</u>
 Uses/outflows of resources:			
Actual amounts (budgetary basis)			\$ 6,776,041
Net adjustments (accrual basis)			<u>(2,742,755)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 11).			<u>\$ 4,033,286</u>

See accompanying notes to the financial statements.

City of Columbus, Nebraska
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Budget (Non-GAAP) and Actual (on Budgetary Basis)
Capital Projects
For the Year Ended September 30, 2009

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Budgetary Basis</u>	<u>Variance with Budget- Positive (Negative)</u>
REVENUES			
Property taxes	\$ 413,700	\$ 408,673	\$ (5,027)
Sales tax	1,260,000	1,264,619	4,619
Grants	3,570,000	2,789,289	(780,711)
Fees, permits and licenses	50,000	177,518	127,518
Other local revenues	2,189,600	1,685,000	(504,600)
Investment income	2,500	1,947	(553)
Total revenues	<u>\$ 7,485,800</u>	<u>\$ 6,327,046</u>	<u>\$ (1,158,754)</u>
EXPENDITURES			
Capital Outlay	<u>\$ 7,222,700</u>	<u>\$ 8,360,950</u>	<u>\$ (1,138,250)</u>
Total expenditures	<u>\$ 7,222,700</u>	<u>8,360,950</u>	<u>\$ (1,138,250)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 263,100</u>	<u>\$ (2,033,904)</u>	<u>\$ (2,297,004)</u>
 Uses/outflows of resources:			
Actual amounts (budgetary basis)			\$ 8,360,950
Net adjustments (accrual basis)			<u>(650,034)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 11).			<u>\$ 7,710,916</u>

See accompanying notes to the financial statements.

City of Columbus, Nebraska
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Budget (Non-GAAP) and Actual (on Budgetary Basis)
Debt Service Fund
For the Year Ended September 30, 2009

	Budgeted Amounts Original and Final	Actual Budgetary Basis	Variance with Final Budget- Positive (Negative)
REVENUES			
Property taxes	\$ 175,100	\$ 182,593	\$ 7,493
In lieu	8,200	9,089	889
Sales tax	1,028,343	1,470,347	442,004
Fees, permits and licenses	175,800	334,387	158,587
Other local revenues	810,000	1,070,000	260,000
Investment income	35,000	56,252	21,252
Total revenues	<u>\$ 2,232,443</u>	<u>\$ 3,122,668</u>	<u>\$ 890,225</u>
EXPENDITURES			
Debt Service	<u>\$ 2,247,380</u>	<u>\$ 3,404,561</u>	<u>\$ (1,157,181)</u>
Total expenditures	<u>\$ 2,247,380</u>	<u>\$ 3,404,561</u>	<u>\$ (1,157,181)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (14,937)</u>	<u>\$ (281,893)</u>	<u>\$ (266,956)</u>
 Uses/outflows of resources:			
Actual amounts (budgetary basis)			\$ 3,404,561
Net adjustments (accrual basis)			<u>1,209,568</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 11).			<u>\$ 4,614,129</u>

See accompanying notes to the financial statements.

City of Columbus, Nebraska
Statement of County Treasurer Activity
September 30, 2009

	<u>General Levy</u>	<u>Bond Levy</u>	<u>Community Redevelopment Authority</u>	<u>Airport</u>	<u>Total</u>
CASH BALANCE, October 1, 2008	\$ 677,825	\$ 38,412	\$ 164,663	\$ -	\$ 880,900
REVENUES COLLECTED					
Property taxes	\$ 2,953,288	\$ 168,587	\$ 385,801	\$ 143,500	\$ 3,651,176
Motor vehicle taxes	411,568	-	-	-	411,568
Motor vehicle prorated	11,647	673	-	580	12,900
In lieu of tax	161,612	9,089	-	141	170,842
Homestead	121,122	6,904	-	5,831	133,857
Carline	1,279	73	-	62	1,414
Property tax credit	133,960	7,636	22,191	6,463	170,250
Interest	6,896	408	681	465	8,450
Transfer from Airport Authority	-	-	-	844	844
Total revenues collected	<u>\$ 3,801,372</u>	<u>\$ 193,370</u>	<u>\$ 408,673</u>	<u>\$ 157,886</u>	<u>\$ 4,561,301</u>
EXPENSES PAID AND TRANSFERS					
Collection fee	\$ 33,717	\$ 1,689	\$ -	\$ 2,879	\$ 38,285
Transfer to City Treasurer	3,752,361	192,484	444,748	123,506	4,513,099
Total expenses paid and transfers	<u>\$ 3,786,078</u>	<u>\$ 194,173</u>	<u>\$ 444,748</u>	<u>\$ 126,385</u>	<u>\$ 4,551,384</u>
CASH BALANCE, September 30, 2009	<u>\$ 693,119</u>	<u>\$ 37,609</u>	<u>\$ 128,588</u>	<u>\$ 31,501</u>	<u>\$ 890,817</u>
ALLOCATION OF ENDING CASH BALANCE BY FUND					
General	\$ 693,119	\$ -	\$ -	\$ -	\$ 693,119
Special Revenue	-	-	-	31,501	31,501
Capital Projects	-	-	128,588	-	128,588
Debt Service	-	37,609	-	-	37,609
	<u>\$ 693,119</u>	<u>\$ 37,609</u>	<u>\$ 128,588</u>	<u>\$ 31,501</u>	<u>\$ 890,817</u>

See accompanying notes to the financial statements.

CITY OF COLUMBUS, NEBRASKA

**SCHEDULE OF FEDERAL FINANCIAL AWARDS
For the Period October 1, 2008 through September 30, 2009**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Revenues Received	Federal Expenditures
<u>United States Department of Housing and Urban Development</u>			
Passed through the Nebraska Department of Economic Development			
HOME Investment Partnerships Program	14.228	\$ 351,417	\$ 351,417 *
<u>United States Department of Justice</u>			
Bulletproof Vest Partnership	16.607	\$ 2,047	\$ 2,047
G.R.E.A.T.	16.737	5,339	5,339
Subtotal		\$ 7,386	\$ 7,386
<u>United States Department of Transportation</u>			
Passed through the Nebraska Department of Roads			
Federal-Aid Highway Program	20.205	\$ 2,789,289	\$ 2,789,289 *
NonUrbanized Area Formula Program	20.509	72,528	72,528
Subtotal		\$ 2,861,817	\$ 2,861,817
Passed through the Nebraska Department of Motor Vehicles - Office of Highway Safety			
Selective Enforcement Mini-Grant	20.205	\$ 17,493	\$ 17,493 *
<u>United States Environmental Protection Agency</u>			
Superfund State, Political Subdivision, and Indian Tribe Specific Cooperative Agreements	66.802	\$ 331,425	\$ 331,425
Passed through the Nebraska Department of Environmental Quality			
Community Lake Enhancement and Restoration	66.460	\$ 60,992	\$ 60,992

See accompanying notes to the financial statements.

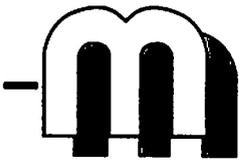
CITY OF COLUMBUS, NEBRASKA

**SCHEDULE OF FEDERAL FINANCIAL AWARDS (continued)
For the Period October 1, 2008 through September 30, 2009**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues Received</u>	<u>Federal Expenditures</u>
<u>United States Department of Homeland Security</u>			
Assistance to Firefighters	97.044	\$ 447,300	\$ 447,300 *
Passed through the Nebraska Emergency Management Agency and Platte County Emergency Management			
Citizen Corps	97.067	\$ 1,894	\$ 1,894
<u>United States Department of Health and Human Services</u>			
Passed through the Northeast Nebraska Area Agency on Aging			
Title III Part B	93.044	\$ 10,946	\$ 10,946
Title III Part C	93.045	9,879	9,879
Title III Part E	93.052	2,464	2,464
Nutrition Program for the Elderly (Commodities)	93.053	<u>11,104</u>	<u>11,104</u>
Subtotal		\$ 34,393	\$ 34,393
 TOTAL FEDERAL FINANCIAL AWARDS		 <u>\$ 4,114,117</u>	 <u>\$ 4,114,117</u>

* Denotes major program

See accompanying notes to the financial statements.



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

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

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Columbus, Nebraska, as of and for the year ended September 30, 2009, and have issued our report thereon dated February 26, 2010. Our report disclosed that, as described in Note 1 to the financial statements, the City prepares its financial statements on a basis of accounting that demonstrates compliance with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Columbus, Nebraska's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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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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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. The significant deficiency is described in the accompanying schedule of findings and questioned costs as item 09-1.

A material weakness is a significant deficiency, or a 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 entity's internal control.

Our consideration of the 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 the 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, we believe that the significant deficiency described in the accompanying schedule of findings and questioned costs as item 09-1 is not a material weakness.

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 responses. We did not audit the City of Columbus, Nebraska's response and, accordingly, we express no opinion on it.

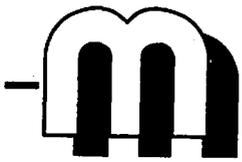
City of Columbus, Nebraska
Page Three

This report is intended for the information 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 those specified parties.

McDERMOTT AND MILLER, P.C.

McDermott & Miller PC

Kearney, Nebraska
February 26, 2010



**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
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, 2009. The City's major federal programs are identified in the summary of auditor's 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's management. Our responsibility is to express an opinion on the City'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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

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, 2009. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

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Internal Control Over Compliance

The management of the City 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's internal control over compliance with the 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'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 the City's 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 a significant deficiency.

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 entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-1 to be a significant deficiency.

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 entity's internal control. We did not consider the significant deficiency described in the accompanying schedule of findings and questioned costs as item 09-1 to be a material weakness.

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.

City of Columbus, Nebraska
Page Three

This report is intended for the information 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 those specified parties.

McDERMOTT AND MILLER, P.C.

McDermott & Miller PC

Kearney, Nebraska
February 26, 2010

CITY OF COLUMBUS, NEBRASKA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2009**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting

- Material weakness identified ___ Yes X No
- Control deficiency identified that is not considered to be a material weakness X Yes ___ No

Noncompliance material to financial statements noted ___ Yes X No

Federal Awards

Internal control over major programs

- Material weakness identified ___ Yes X No
- Control deficiency identified that is not considered to be a material weakness X Yes ___ No

Type of auditors' report issued on compliance for major programs: unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 ___ Yes X No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	HOME Investment Partnerships Program
20.205	Federal-Aid Highway Program and Selective Enforcement Mini-Grant
97.044	Assistance to Firefighters

CITY OF COLUMBUS, NEBRASKA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended September 30, 2009**

I. SUMMARY OF AUDITORS' RESULTS (continued)

Dollar threshold used to distinguish between
type A and type B programs: \$300,000

Auditee qualified as low risk auditee Yes No

II. FINANCIAL STATEMENT FINDINGS

Finding 09-1 Lack of Segregation of Duties in One or More Areas

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 09-1 Lack of Segregation of Duties in One or More Areas

Cause: This exception results because this is a small entity and it is not cost effective to hire more employees.

Effect: Failure to have a lack of segregation of duties could result in a misappropriation of assets.

Recommendation: Segregate duties wherever possible so one person does not have control over receipts and disbursements of assets.

Auditee Response: We concur with the recommendation and will review our current system and segregate duties as we are able. Adding personnel to segregate duties is cost prohibitive due to budget constraints.

IV. FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2008

During the September 30, 2008, audit, findings were disclosed regarding the lack of segregation of duties, which was considered a material weakness. Management responded that duties will now rotate whenever possible. No other corrective action was needed.

During the September 30, 2008, audit, a finding was disclosed regarding the accessibility of the petty cash drawers. Management responded that cash handling procedures will be reviewed. No other corrective action was needed.

CITY OF COLUMBUS, NEBRASKA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended September 30, 2009**

IV. FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2008 (continued)

During the September 30, 2008, audit, a finding was disclosed regarding the susceptibility of the payroll master file to changes. Management responded that edit reports detailing all changes made will be reviewed by the appropriate personnel. No other corrective action was needed.

During the September 30, 2008, audit, a finding was disclosed regarding the limited approval of general journal entries. Also, the transfer accounts need to be reconciled every month. Management responded that the Finance Director will review all general journal entries and reconcile the transfer accounts quarterly. No other corrective action was needed.