

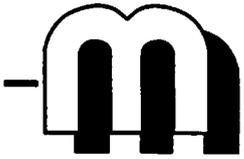
CITY OF COLUMBUS, NEBRASKA

FINANCIAL REPORT

September 30, 2010

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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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Columbus, Nebraska's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with the basis of accounting as described in Note 1.

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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 Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual on pages 37 – 40, and the Statement of County Treasurer Activity on page 41 are 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.

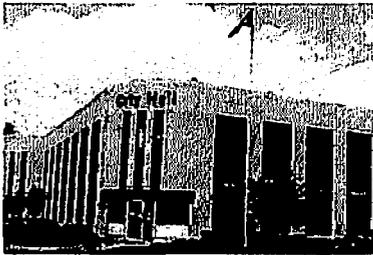
The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management 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 22, 2011, 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.

A handwritten signature in cursive script that reads "Mc Dermott & Miller PC". The signature is written in black ink and is positioned below the printed name of the firm.

Kearney, Nebraska
February 22, 2011



The City of **Columbus**

FINANCE DEPARTMENT
Office (402) 562-4231 • Fax (402) 563-1380

Management's Discussion and Analysis **September 30, 2010**

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, 2010 by \$122 million.
- Capital Assets (net of depreciation and related debt) account for about 79% of this amount.
- Of the remaining net assets, \$6 million is restricted to capital projects and debt payments and \$20 million may be used to meet the government's ongoing obligation to its citizens and creditors, without restrictions.
- Two local sales taxes were continued by Columbus voters during calendar 2010:
 - 1% allocated 90% to capital improvements and 10% to economic development
 - 0.5% for public facility improvements and aquatic operating deficits

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.



City of Columbus, Nebraska
Management's Discussion and Analysis, Continued
September 30, 2010

- The Statement of Activities focuses on the gross and net costs of city programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds and proprietary (business-type) funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Non-Major Governmental Funds." Statements for the City's proprietary funds follow the governmental funds and include net assets, revenue, expenses, and changes in net assets, and cash flow. A budgetary comparison is presented for the general fund, special revenue fund, 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, 2010 and 2009 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets				
Cash and investments	\$ 15,347,841	\$ 14,485,956	\$9,490,305	\$ 5,523,074
Other assets	1,515,011	1,846,448	3,229,348	2,961,956
Capital assets, net	<u>87,673,451</u>	<u>83,489,630</u>	<u>39,833,840</u>	<u>38,884,719</u>
Total assets	<u>\$104,536,303</u>	<u>\$ 99,822,034</u>	<u>\$ 52,553,493</u>	<u>\$ 47,369,749</u>
Liabilities				
Long-term liabilities	\$ 5,385,000	\$ 8,860,000	\$ 22,760,000	\$ 19,300,000
Other liabilities	<u>4,736,069</u>	<u>3,381,448</u>	<u>2,431,086</u>	<u>2,028,343</u>
Total liabilities	<u>\$ 10,121,069</u>	<u>\$ 12,241,448</u>	<u>\$ 25,191,086</u>	<u>\$ 21,328,343</u>
Net assets				
Invested in capital assets, net of related debt	\$ 79,813,451	\$ 73,094,630	\$ 16,023,840	\$ 18,409,719
Restricted	5,227,775	6,555,057	3,692,114	1,054,389
Unrestricted	<u>9,374,008</u>	<u>7,930,899</u>	<u>7,646,453</u>	<u>6,577,298</u>
Total net assets	<u>\$ 94,415,234</u>	<u>\$ 87,580,586</u>	<u>\$ 27,362,407</u>	<u>\$ 26,041,406</u>
Total liabilities and net assets	<u>\$104,536,303</u>	<u>\$ 99,822,034</u>	<u>\$ 52,553,493</u>	<u>\$ 47,369,749</u>

During the year ended September 30, 2010 the most significant changes were as follows:

City of Columbus, Nebraska
Management's Discussion and Analysis, Continued
September 30, 2010

Governmental Activities

The largest change from 2009 was the \$4 million investment in capital assets. The largest construction project was \$3.4 million for the continuance of construction of the Lost Creek Parkway.

Business-type Activities

The cash and investments increased by \$4 million due to a new bond issue. The long-term liabilities increased by \$3.5 million to reflect the long-term portion of that liability.

A condensed version of the Statement of Activities of the City for the fiscal years ended September 30, 2010 and 2009 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues				
Program revenues				
Charges for services	\$ 4,508,360	\$ 4,445,471	\$ 8,333,990	\$ 7,822,802
Operating grants and contributions	4,484,478	4,591,254	-0-	-0-
Capital grants and contributions	3,787,609	3,744,419	-0-	-0-
General revenues				
Property tax	3,663,940	3,520,428	-0-	-0-
Sales tax	5,252,572	5,669,098	-0-	-0-
Franchise tax	809,544	822,765	2,694,063	2,417,524
Other Tax	550,644	408,673	-0-	-0-
Unrestricted grants and contributions	-0-	-0-	-0-	-0-
Investment earnings	240,063	326,529	113,818	104,238
Other general revenues	-0-	-0-	-0-	-0-
Gain (loss) on sale of equipment	(18,242)	(23,390)	(9,410)	1,084
Transfers in (out)	<u>2,602,597</u>	<u>7,677,313</u>	<u>(2,658,397)</u>	<u>(1,358,064)</u>
Total revenues	<u>\$25,881,565</u>	<u>\$31,182,560</u>	<u>\$ 8,474,064</u>	<u>\$ 8,987,584</u>
Program expenses				
General policy and administration	\$ 1,327,741	\$ 1,167,309	\$ -0-	\$ -0-
Public safety	5,894,747	5,420,164	-0-	-0-
Public works	4,152,803	3,980,979	-0-	-0-
Environmental preservation	-0-	-0-	-0-	-0-
Parks and recreation	4,227,007	4,044,338	-0-	-0-
Community development	847,995	568,595	-0-	-0-
Health insurance	1,870,487	1,493,721	-0-	-0-
Debt service	726,137	845,879	-0-	-0-
Water	-0-	-0-	2,628,060	2,495,572
Sewer	-0-	-0-	3,068,648	2,872,177
Solid waste	-0-	-0-	1,303,375	1,209,898
Electric	-0-	-0-	152,980	150,626
Total expenses	<u>\$19,046,917</u>	<u>\$17,520,985</u>	<u>\$ 7,153,063</u>	<u>\$ 6,728,273</u>
Change in net assets	<u>\$ 6,834,648</u>	<u>\$13,661,575</u>	<u>\$ 1,321,001</u>	<u>\$ 2,259,311</u>

During the year ended September 30, 2010 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. The General Fund finished the year with excess revenues of \$939,000. This can be compared with an excess of \$931,000 for the previous year. During fiscal year 2010, the City received \$5,252,572 of local option sales tax as compared to \$5,669,098 for 2009. City sales tax receipts were down 1.9%, however, 2009 was an exceptional year for sales tax revenues due to construction workers in town for the construction of the new ADM corn plant.

Business-type activities

The category Charges for Services increased by \$503,000 when compared to 2009, which indicates steady demand. A water and wastewater rate study was completed during 2008. During 2010 the recommended rate increases of 15% for water and 5% for sewer rates were implemented to provide funds for future system improvements. The Water Fund operated at a net income before transfers of \$840,000 for 2010 as compared to a net income before transfers of \$654,000 for 2009. The Sewer Fund operated at a net income before transfers of \$472,00 for 2010 as compared with a net income before transfers of \$533,000 for 2009. The lease payment from Loup Power District is included in franchise taxes and for 2010 was \$2.7 million as compared to \$2.4 million for 2009, 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, 2010, the City had \$128 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 \$5 million over last year.

Some of the most significant additions to capital assets for the governmental activities included \$4.7 million for street construction, reconstruction, and improvements, the largest of which was the continuance of the construction of the Lost Creek Parkway (north arterial) for \$3.4 million, \$780,000 for the reconstruction of the 33rd Avenue Viaduct, \$191,000 for Readiness Center street construction and \$190,000 for environmental for the 3rd Avenue and 18 Avenue viaducts and 18th Avenue pedestrian overpass. Other significant capital items were \$110,000 for paving around the Fire Training Tower, \$141,000 for design of City Hall renovation, and \$201,000 for the design of Loup River Levee improvements. Significant additions for equipment improvements costing more than \$100,000 included \$1,164,000 for the Fire Department ladder truck, \$164,000 for Street Department motor grader. Sanitary sewer slip lining, design of UV disinfection process for Wastewater Treatment

Facility, and \$1,026,000 for the construction of Water Plant were the most significant of the \$2.1 million of additions for the business-type activities.

Debt Outstanding

At year-end, the City had \$32 million in bonds and notes outstanding versus \$31 million last year. There were no new borrowings for governmental activities, and \$2.5 million of general obligation debt was retired during 2010. For the business type activities the City issued \$4,510,000 of Combined Revenue Bonds for the construction of the new south water plant and wastewater plant improvements. \$1.2 million of outstanding debt was retired during 2010.

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 2011 budget as follows:

- The revenue and rate lids imposed on property taxes by the State of Nebraska.
- The 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, 2010

	Governmental Activities (Modified Accrual Basis)	Business-type Activities (Accrual Basis)	2010 Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 2,659	\$ 2,659
Cash - County Treasurer	1,089,291	-	1,089,291
Investments	14,258,550	9,487,646	23,746,196
Due from other funds	-	40,000	40,000
Accounts receivable	398,350	708,887	1,107,237
Special assessment receivable	957,588	-	957,588
Notes receivable	159,073	-	159,073
Accrued revenue	-	1,682,689	1,682,689
Inventory	-	218,107	218,107
Bond discount	-	579,665	579,665
Land and buildings	12,160,452	19,676,068	31,836,520
Improvements	72,136,009	33,492,817	105,628,826
Equipment	7,164,406	7,453,518	14,617,924
Vehicles	4,720,191	-	4,720,191
Construction in progress	23,316,017	2,761,068	26,077,085
Less accumulated depreciation	<u>(31,823,624)</u>	<u>(23,549,631)</u>	<u>(55,373,255)</u>
Total assets	<u>\$ 104,536,303</u>	<u>\$ 52,553,493</u>	<u>\$ 157,089,796</u>
LIABILITIES			
Cash overdrawn	\$ 746,058	\$ -	\$ 746,058
Accounts payable	-	791,524	791,524
Accrued expenses	-	270,146	270,146
Deferred revenue	1,390,318	5,368	1,395,686
Notes payable	124,693	-	124,693
Interest payable	-	274,048	274,048
Due to other funds	-	40,000	40,000
Long-term debt:			
Due within one year	2,475,000	1,050,000	3,525,000
Due in more than one year	<u>5,385,000</u>	<u>22,760,000</u>	<u>28,145,000</u>
Total liabilities	<u>\$ 10,121,069</u>	<u>\$ 25,191,086</u>	<u>\$ 35,312,155</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 79,813,451	\$ 16,023,840	\$ 95,837,291
Restricted for:			
Debt service	5,227,775	3,692,114	8,919,889
Unrestricted	<u>9,374,008</u>	<u>7,646,453</u>	<u>17,020,461</u>
Total net assets	<u>\$ 94,415,234</u>	<u>\$ 27,362,407</u>	<u>\$ 121,777,641</u>

See accompanying notes to the financial statements.

City of Columbus, Nebraska
Statement of Activities
For the Year Ended September 30, 2010

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	\$ 11,376,012	\$ 1,288,019	\$ 1,012,025	\$ 1,829,271	\$ (7,246,697)	\$ -	\$ (7,246,697)
Special revenue	5,059,692	701,021	640,567	1,862,429	(1,855,675)	-	(1,855,675)
Capital projects	28,032	-	2,831,886	-	2,803,854	-	2,803,854
Redevelopment Agency	444,140	-	-	-	(444,140)	-	(444,140)
Debt service	253,965	351,706	-	9,062	106,803	-	106,803
Library Foundation	4,893	-	-	4,560	(333)	-	(333)
Library Endowment	8,310	-	-	82,287	73,977	-	73,977
Gerrard Park Trust	1,386	-	-	-	(1,386)	-	(1,386)
Health insurance	<u>1,870,487</u>	<u>2,167,614</u>	<u>-</u>	<u>-</u>	<u>297,127</u>	<u>-</u>	<u>297,127</u>
Total governmental activities	<u>\$ 19,046,917</u>	<u>\$ 4,508,360</u>	<u>\$ 4,484,478</u>	<u>\$ 3,787,609</u>	<u>\$ (6,266,470)</u>	<u>\$ -</u>	<u>\$ (6,266,470)</u>
Business-type activities:							
Water	\$ 2,628,060	\$ 3,435,566	\$ -	\$ -	\$ -	\$ 807,506	\$ 807,506
Sewer	3,068,648	3,516,729	-	-	-	448,081	448,081
Electric	152,980	-	-	-	-	(152,980)	(152,980)
Solid Waste	<u>1,303,375</u>	<u>1,381,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,320</u>	<u>78,320</u>
Total business-type activities	<u>\$ 7,153,063</u>	<u>\$ 8,333,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,180,927</u>	<u>\$ 1,180,927</u>
Total government	<u>\$ 26,199,980</u>	<u>\$ 12,842,350</u>	<u>\$ 4,484,478</u>	<u>\$ 3,787,609</u>	<u>\$ (6,266,470)</u>	<u>\$ 1,180,927</u>	<u>\$ (5,085,543)</u>
General revenues:							
Taxes:							
Property tax					\$ 3,663,940	\$ -	\$ 3,663,940
Sales tax					5,252,572	-	5,252,572
Miscellaneous					550,644	-	550,644
Franchise fees					809,544	2,694,063	3,503,607
Investment earnings					240,063	113,818	353,881
Gain (loss) on sale of asset					(18,242)	(9,410)	(27,652)
Transfers					<u>2,602,597</u>	<u>(2,658,397)</u>	<u>(55,800)</u>
Total general revenues and transfers					<u>\$ 13,101,118</u>	<u>\$ 140,074</u>	<u>\$ 13,241,192</u>
Change in net assets					\$ 6,834,648	\$ 1,321,001	\$ 8,155,649
Net assets - beginning					<u>87,580,586</u>	<u>26,041,406</u>	<u>113,621,992</u>
Net assets - ending					<u>\$ 94,415,234</u>	<u>\$ 27,362,407</u>	<u>\$ 121,777,641</u>

See accompanying notes to the financial statements.

City of Columbus, Nebraska
Balance Sheets - Modified Cash Basis
Governmental Funds
September 30, 2010

	General	Special Revenue	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ -	\$ 74,308	\$ -	\$ 262	\$ -	\$ 74,570
Cash (deficit)-County Treasurer	852,640	(14)	194,384	42,281	-	1,089,291
Investments	4,984,569	4,806,534	304,080	2,264,961	1,327,403	13,687,547
Inventory	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Receivables:						
Accounts	380,532	17,818	-	-	-	398,350
Special assessment	-	-	-	957,588	-	957,588
Notes	-	159,073	-	-	-	159,073
Total assets	<u>\$ 6,217,741</u>	<u>\$ 5,057,719</u>	<u>\$ 498,464</u>	<u>\$ 3,265,092</u>	<u>\$ 1,327,403</u>	<u>\$ 16,366,419</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Cash overdrawn	\$ 397,847	\$ -	\$ 423,432	\$ -	\$ -	\$ 821,279
Deferred revenue	380,532	52,198	-	957,588	-	1,390,318
Notes payable	-	124,693	-	-	-	124,693
Current portion of long-term debt	-	-	895,000	1,580,000	-	2,475,000
Interest payable	-	-	-	-	-	-
Total liabilities	<u>\$ 778,379</u>	<u>\$ 176,891</u>	<u>\$ 1,318,432</u>	<u>\$ 2,537,588</u>	<u>\$ -</u>	<u>\$ 4,811,290</u>
Fund balances:						
Reserved	\$ -	\$ 4,500,271	\$ -	\$ 727,504	\$ -	\$ 5,227,775
Unreserved, reported in:						
General fund	5,439,362	-	(819,968)	-	-	4,619,394
Street fund	-	380,557	-	-	-	380,557
Other governmental funds	-	-	-	-	1,327,403	1,327,403
Total fund balances (deficit)	<u>\$ 5,439,362</u>	<u>\$ 4,880,828</u>	<u>\$ (819,968)</u>	<u>\$ 727,504</u>	<u>\$ 1,327,403</u>	<u>\$ 11,555,129</u>
Total liabilities and fund balances	<u>\$ 6,217,741</u>	<u>\$ 5,057,719</u>	<u>\$ 498,464</u>	<u>\$ 3,265,092</u>	<u>\$ 1,327,403</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	87,673,451
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.	571,654
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,385,000)</u>
Net assets of governmental activities	<u>\$ 94,415,234</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, 2010

	General	Special Revenue	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 3,469,154	\$ 14,538	\$ -	\$ 180,248	\$ -	\$ 3,663,940
Fees, taxes, permits and licenses	288,820	1,723,350	-	-	-	2,012,170
State shared revenue	209,034	-	-	-	-	209,034
Franchise fees	809,544	-	-	-	-	809,544
Sales tax	1,163,008	1,721,297	1,099,791	1,268,476	-	5,252,572
Charges for services	1,288,019	701,021	-	523,525	-	2,512,565
Donations	-	-	-	-	4,560	4,560
TIF income	-	-	550,644	-	-	550,644
Grants	1,012,025	640,567	2,831,886	-	-	4,484,478
Investment income	68,046	83,617	1,278	40,157	40,243	233,341
Bond proceeds	-	-	-	-	-	-
Miscellaneous	1,331,417	139,079	-	9,062	82,287	1,561,845
Total revenues	\$ 9,639,067	\$ 5,023,469	\$ 4,483,599	\$ 2,021,468	\$ 127,090	\$ 21,294,693
EXPENDITURES						
Current operating:						
General government	\$ 1,345,170	\$ -	\$ -	\$ -	\$ -	\$ 1,345,170
Public health and safety	5,203,535	180,716	-	-	-	5,384,251
Public works	-	2,503,026	-	-	-	2,503,026
Cultural and recreational	3,276,568	-	-	-	14,589	3,291,157
Community development	174,438	664,027	-	-	-	838,465
Capital outlay	1,977,602	412,002	5,072,502	-	-	7,462,106
Debt service:						
Principal	-	-	745,000	2,730,000	-	3,475,000
Interest	-	-	463,097	253,960	-	717,057
Other	-	-	9,075	5	-	9,080
Total expenditures	\$ 11,977,313	\$ 3,759,771	\$ 6,289,674	\$ 2,983,965	\$ 14,589	\$ 25,025,312
Excess (deficiency) of revenues over (under) expenditures	\$ (2,338,246)	\$ 1,263,698	\$ (1,806,075)	\$ (962,497)	\$ 112,501	\$ (3,730,619)
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 3,750,087	\$ 548,789	\$ 1,061,669	\$ 828,130	\$ -	\$ 6,188,675
Transfers out	(472,611)	(2,822,270)	(82,292)	(205,261)	(3,644)	(3,586,078)
Total other financing sources (uses)	\$ 3,277,476	\$ (2,273,481)	\$ 979,377	\$ 622,869	\$ (3,644)	\$ 2,602,597
Net change in fund balances	\$ 939,230	\$ (1,009,783)	\$ (826,698)	\$ (339,628)	\$ 108,857	\$ (1,128,022)
Fund balances-beginning	4,500,132	5,890,611	6,730	1,067,132	1,218,546	12,683,151
Fund balances (deficit)-ending	\$ 5,439,362	\$ 4,880,828	\$ (819,968)	\$ 727,504	\$ 1,327,403	\$ 11,555,129

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, 2010

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)	\$ (1,128,022)
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.	4,373,882
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (or decrease) net assets.	(190,061)
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.	3,475,000
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>303,849</u>
Change in net assets of governmental activities (page 9)	<u>\$ 6,834,648</u>

See accompanying notes to the financial statements.

City of Columbus, Nebraska
 Statements of Net Assets - Accrual Basis
 Proprietary Funds
 September 30, 2010

	Business-type Activities					Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Solid Waste	Total	
ASSETS						
Cash and cash equivalents	\$ 686	\$ 960	\$ 975	\$ 38	\$ 2,659	\$ 651
Investments	3,777,051	2,719,876	2,936,804	53,915	9,487,646	571,003
Receivables:						
Interfund	40,000	-	-	-	40,000	-
Accounts	348,541	295,394	-	64,952	708,887	-
Accrued revenue	378,615	336,634	906,074	61,366	1,682,689	-
Inventory	175,547	42,560	-	-	218,107	-
Bond issue costs	243,239	336,426	-	-	579,665	-
Capital assets:						
Land and buildings	4,517,107	14,887,831	-	271,130	19,676,068	-
Plant improvements	16,840,663	10,323,857	6,030,920	297,377	33,492,817	-
Equipment	4,474,809	1,852,484	-	1,126,225	7,453,518	-
Construction in progress	2,390,217	315,983	-	54,868	2,761,068	-
Less accumulated depreciation	(9,979,676)	(9,107,677)	(3,570,457)	(891,821)	(23,549,631)	-
Total assets	<u>\$ 23,206,799</u>	<u>\$ 22,004,328</u>	<u>\$ 6,304,316</u>	<u>\$ 1,038,050</u>	<u>\$ 52,553,493</u>	<u>\$ 571,654</u>
LIABILITIES						
Accounts payable	\$ 620,336	\$ 109,596	\$ -	\$ 61,592	\$ 791,524	\$ -
Accrued payroll	97,452	140,508	-	32,186	270,146	-
Deferred revenue	-	5,368	-	-	5,368	-
Due to other funds	-	-	-	40,000	40,000	-
Interest payable	123,752	150,296	-	-	274,048	-
Long-term debt:						
Due within one year	547,561	502,439	-	-	1,050,000	-
Due in more than one year	9,983,605	12,776,395	-	-	22,760,000	-
Total liabilities	<u>\$ 11,372,706</u>	<u>\$ 13,684,602</u>	<u>\$ -</u>	<u>\$ 133,778</u>	<u>\$ 25,191,086</u>	<u>\$ -</u>
NET ASSETS						
Invested in capital assets, net of related debt	\$ 7,711,954	\$ 4,993,644	\$ 2,460,463	\$ 857,779	\$ 16,023,840	\$ -
Restricted for:						
Debt service	1,556,443	2,135,671	-	-	3,692,114	-
Unrestricted	2,565,696	1,190,411	3,843,853	46,493	7,646,453	571,654
Total net assets	<u>\$ 11,834,093</u>	<u>\$ 8,319,726</u>	<u>\$ 6,304,316</u>	<u>\$ 904,272</u>	<u>\$ 27,362,407</u>	<u>\$ 571,654</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, 2010

	Business-type Activities					Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Solid Waste	Total	
Operating revenues:						
Charges for services	\$ 2,750,614	\$ 3,269,177	\$ -	\$ 1,305,205	\$ 7,324,996	\$ 2,167,614
Franchise fees	-	-	2,694,063	-	2,694,063	-
Permits and fees	59,177	27,801	-	2,387	89,365	-
Sales tax	130,337	200,924	-	-	331,261	-
Operating grants	317,170	-	-	-	317,170	-
Miscellaneous	178,268	18,827	-	74,103	271,198	-
Total operating revenues	\$ 3,435,566	\$ 3,516,729	\$ 2,694,063	\$ 1,381,695	\$ 11,028,053	\$ 2,167,614
Operating expenses:						
Personal services	\$ 638,331	\$ 913,074	\$ -	\$ 412,550	\$ 1,963,955	\$ -
Insurance	17,876	35,427	-	7,094	60,397	-
Supplies	279,621	185,637	-	90,404	555,662	-
Professional services	9,231	31,540	-	1,625	42,396	1,870,487
Repairs and maintenance	161,006	162,826	-	50,166	373,998	-
Heat, light and power, phone	222,055	336,727	-	6,782	565,564	-
Landfill disposal	-	-	-	624,530	624,530	-
Sales tax remitted	131,128	200,412	-	-	331,540	-
Other operating expense	25,260	38,018	-	6,006	69,284	-
Depreciation and amortization expense	761,634	686,980	152,980	104,218	1,705,812	-
Total operating expenses	\$ 2,246,142	\$ 2,590,641	\$ 152,980	\$ 1,303,375	\$ 6,293,138	\$ 1,870,487
Operating income	\$ 1,189,424	\$ 926,088	\$ 2,541,083	\$ 78,320	\$ 4,734,915	\$ 297,127
Nonoperating revenues (expenses)						
Interest expense	\$ (381,918)	\$ (478,007)	\$ -	\$ -	\$ (859,925)	\$ -
Investment earnings	40,830	25,226	47,549	213	113,818	6,722
Gain (loss) on disposal of assets	(8,526)	(884)	-	-	(9,410)	-
Total nonoperating revenues (expenses)	\$ (349,614)	\$ (453,665)	\$ 47,549	\$ 213	\$ (755,517)	\$ 6,722
Income before operating transfers	\$ 839,810	\$ 472,423	\$ 2,588,632	\$ 78,533	\$ 3,979,398	\$ 303,849
Operating transfers:						
Operating transfers in	\$ 82,292	\$ -	\$ -	\$ 6,311	\$ 88,603	\$ -
Operating transfers out	(121,000)	(121,000)	(2,460,000)	(45,000)	(2,747,000)	-
Total operating transfers	\$ (38,708)	\$ (121,000)	\$ (2,460,000)	\$ (38,689)	\$ (2,658,397)	\$ -
Change in net assets	\$ 801,102	\$ 351,423	\$ 128,632	\$ 39,844	\$ 1,321,001	\$ 303,849
Total net assets (deficit) - beginning	11,032,991	7,968,303	6,175,684	864,428	26,041,406	267,805
Total net assets - ending	\$ 11,834,093	\$ 8,319,726	\$ 6,304,316	\$ 904,272	\$ 27,362,407	\$ 571,654

See accompanying notes to the financial statements.

City of Columbus, Nebraska
 Statements of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2010

	Business-type Activities					Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Solid Waste	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 3,257,820	\$ 3,521,988	\$ 2,578,225	\$ 1,381,654	\$ 10,739,687	\$ 2,167,614
Payments to suppliers	(271,856)	(1,086,376)	-	(841,767)	(2,199,999)	(2,174,336)
Payments to employees	(618,601)	(900,206)	-	(408,289)	(1,927,096)	-
Net cash provided (used) by operating activities	<u>\$ 2,367,363</u>	<u>\$ 1,535,406</u>	<u>\$ 2,578,225</u>	<u>\$ 131,598</u>	<u>\$ 6,612,592</u>	<u>\$ (6,722)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer from (to) other funds (net)	\$ (38,708)	\$ (121,000)	\$ (2,460,000)	\$ (38,689)	\$ (2,658,397)	\$ -
Net cash provided (used) by noncapital financing activities	<u>\$ (38,708)</u>	<u>\$ (121,000)</u>	<u>\$ (2,460,000)</u>	<u>\$ (38,689)</u>	<u>\$ (2,658,397)</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets, net of disposals	\$ (1,794,886)	\$ (760,865)	\$ -	\$ (66,016)	\$ (2,621,767)	\$ -
Bond proceeds	2,405,634	2,104,366	-	-	4,510,000	-
Bond payments	(614,125)	(560,875)	-	-	(1,175,000)	-
Interest payments	(357,665)	(456,350)	-	-	(814,015)	-
Net cash provided (used) by capital and related financing activities	<u>\$ (361,042)</u>	<u>\$ 326,276</u>	<u>\$ -</u>	<u>\$ (66,016)</u>	<u>\$ (100,782)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends received	\$ 40,830	\$ 25,226	\$ 47,549	\$ 213	\$ 113,818	\$ 6,722
Net cash provided (used) by investing activities	<u>\$ 40,830</u>	<u>\$ 25,226</u>	<u>\$ 47,549</u>	<u>\$ 213</u>	<u>\$ 113,818</u>	<u>\$ 6,722</u>
Net (decrease) increase in cash and cash equivalents	\$ 2,008,443	\$ 1,765,908	\$ 165,774	\$ 27,106	\$ 3,967,231	\$ -
Beginning 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>
Ending cash and cash equivalents	<u>\$ 3,777,737</u>	<u>\$ 2,720,836</u>	<u>\$ 2,937,779</u>	<u>\$ 53,953</u>	<u>\$ 9,490,305</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income	\$ 1,189,424	\$ 926,088	\$ 2,541,083	\$ 78,320	\$ 4,734,915	\$ 297,127
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	741,933	664,104	152,980	104,218	1,663,235	-
Amortization expense	19,701	22,876	-	-	42,577	-
Change in assets and liabilities:						
Receivables	(50,681)	14,540	-	(757)	(36,898)	-
Inventory and other assets	(100,293)	(57,655)	(115,838)	716	(273,070)	-
Accounts and other payables	547,549	(47,415)	-	(55,160)	444,974	(303,849)
Accrued expenses	19,730	12,868	-	4,261	36,859	-
Net cash provided (used) by operating activities	<u>\$ 2,367,363</u>	<u>\$ 1,535,406</u>	<u>\$ 2,578,225</u>	<u>\$ 131,598</u>	<u>\$ 6,612,592</u>	<u>\$ (6,722)</u>

See accompanying notes to the financial statements.

City of Columbus, Nebraska
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
September 30, 2010

	Pension Trust Funds	Agency Funds
ASSETS		
Cash	\$ 313	\$ -
Investments	65,519	-
Total assets	\$ 65,832	\$ -
LIABILITIES		
Accounts payable	\$ -	\$ -
NET ASSETS		
Held in trust for pension benefits	\$ 65,832	\$ -

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, 2010

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Additions		
Interest Income	\$ 1,103	\$ -
Collections for agency funds	<u> -</u>	<u> 14,683</u>
Subtotal	<u>\$ 1,103</u>	<u>\$ 14,683</u>
Deductions		
Public Safety	<u>\$ 66,427</u>	<u>\$ -</u>
Other Financing Sources		
Paid to agency fund	\$ -	\$ 14,683
Transfers from other funds	<u> 55,800</u>	<u> -</u>
Subtotal	<u>\$ 55,800</u>	<u>\$ 14,683</u>
Change in Net Assets	\$ (9,524)	\$ -
Net Assets - Beginning of year	<u> 75,356</u>	<u> -</u>
Net Assets - End of year	<u>\$ 65,832</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 15, 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 property is valued at the amount of the assessment on the property of \$14,271. The City now owns this property, and \$14,271 is the value of the land included in the Debt Service Fund as land and buildings. The amounts 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, 2010, 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.

Note 2. County Treasurer Fund

At September 30, 2010, 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.

Note 3. Long-Term Liabilities

Bond Anticipation Notes Payable

During the fiscal year October 1, 2009 through September 30, 2010, no new Bond Anticipation Notes were issued, and none were paid off. The notes bear interest from 1.75 – 2%. The outstanding balance as of September 30, 2010 was \$1,685,000.

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

Note 3. Long-Term Liabilities (continued)

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, 2010, is \$50,000.

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 was made on October 15, 2009.

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, 2012. The outstanding balance as of September 30, 2010, is \$1,415,000.

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, 2010, is \$325,000.

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 \$2,865,000.

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, 2010, is \$450,000.

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

Note 3. Long-Term Liabilities (continued)

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, 2010, is \$1,070,000.

The schedule of bond redemptions is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,475,000	\$ 226,837	\$ 2,701,837
2012	2,150,000	160,344	2,310,344
2013	760,000	99,369	859,369
2014	795,000	75,202	870,202
2015	800,000	48,484	848,484
2016-2020	740,000	107,505	847,505
2021-2023	140,000	13,010	153,010
	<u>\$ 7,860,000</u>	<u>\$ 730,751</u>	<u>\$ 8,590,751</u>

Total bonds outstanding are as follows:

	General Obligation Bonds	Bond Anticipation Notes	Total
Bonds outstanding, October 1	\$ 8,710,000	\$ 1,685,000	\$ 10,395,000
Bonds paid	(2,535,000)	-	(2,535,000)
Bonds issued	-	-	-
Bonds outstanding, September 30	<u>\$ 6,175,000</u>	<u>\$ 1,685,000</u>	<u>\$ 7,860,000</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, 2010, is \$8,125,000.

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, 2010, is \$5,100,000.

**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, 2010 is \$4,275,000.

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, 2010 is \$1,800,000.

On March 11, 2010, the City issued Combined Revenue Bonds in the amount of \$4,510,000. The issue bears interest from 1.90 to 4.66%. Final payment is due on June 15, 2030. The outstanding balance at September 30, 2010 is \$4,510,000.

The schedule of bond redemptions is as follows:

	Principal	Interest	Total
2011	\$ 1,050,000	\$ 919,786	\$ 1,969,786
2012	1,090,000	884,053	1,974,053
2013	1,175,000	846,318	2,021,318
2014	1,215,000	804,745	2,019,745
2015	1,260,000	760,363	2,020,363
2016-2020	7,030,000	3,034,896	10,064,896
2021-2025	7,115,000	1,619,944	8,734,944
2026-2030	3,875,000	461,487	4,336,487
	\$ 23,810,000	\$ 9,331,592	\$ 33,141,592

Total bonds outstanding:

	2009-2010
Bonds outstanding, October 1	\$ 20,475,000
Bonds paid	(1,175,000)
Bonds issued	4,510,000
Bonds outstanding, September 30	\$ 23,810,000

**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, 2010, are as follows:

	Amortization Expense	Unamortized Balance
2003 Combined Revenue Bonds	\$ 14,746	\$ 195,384
2004 Subordinate Combined Revenue Bonds	6,291	78,639
2005 Combined Revenue and Refunding Bonds	15,872	172,343
2007 Combined Revenue Bonds	3,403	56,723
2010 Combined Revenue Bonds	2,262	76,576
Total	\$ 42,574	\$ 579,665

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, 2010, under the Community Development Block Grant program administered by the City:

	Original Date	Due Date	Original Amount	Interest Rate	Monthly Payment	Balance
1997 Greystone	9/1/1997	8/1/2012	\$ 500,000	4.60%	\$ 3,851	\$ 80,765
1999 Flexcon	9/1/1999	8/1/2014	\$ 250,000	4.00%	\$ 1,846	78,308
Total						\$ 159,073

In the current fiscal year, the City has set aside, in the Progress and Jobs Growth Fund, a portion of sales tax to be used for economic development. During the year ended September 30, 2010, the balance of \$19,813 was paid off.

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

Note 6. Property Tax Revenues

For the fiscal year ended September 30, 2010, 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 2009 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 \$1,127,500,720 in August of 2009.

The City, through the budget process, requested a total of \$3,706,000 in property taxes. Based on the August of 2009 valuation previously mentioned, the tax levy for the City of Columbus was established at \$3.29 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. Six 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, 2010, is as follows:

Fire	\$ 80,123
Police	117,832
All others	<u>254,866</u>
Total	<u>\$ 452,821</u>

Total wages paid by the City for the year ended September 30, 2010, are \$8,134,675.

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 defined benefit plans for the year ended September 30, 2010, are \$22,482 for the fire plan and \$43,945 for the police 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.

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

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

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

Note 8. Deposits and Investments

At year-end, the City's carrying amount of bank deposits was \$23,002,797 and the bank balance was \$22,904,776. The component units carrying amount of bank deposits and bank balance was \$1,327,403. 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. The component unit cash balances are held in an investment account and not at a financial institution.

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:

	City of Columbus	Component Units	Total
Demand deposits - non-interest bearing	\$ 682,591	\$ 105	\$ 682,696
Time and savings deposits - interest bearing	22,222,185	71,375	22,293,560
Other securities	-	1,255,923	1,255,923
Total deposits	<u>\$ 22,904,776</u>	<u>\$ 1,327,403</u>	<u>\$ 24,232,179</u>
FDIC coverage (category 1)	\$ 2,600,000	\$ 71,480	\$ 2,671,480
Collateralized deposits (category 2)	20,304,776	-	20,304,776
Uncollateralized deposits (category 3)	-	1,255,923	1,255,923
Total deposits	<u>\$ 22,904,776</u>	<u>\$ 1,327,403</u>	<u>\$ 24,232,179</u>

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.

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

Note 9. Tax Increment Financing (continued)

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, 2010, 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 2010, the Coalition refinanced the revenue bonds to take advantage of lower interest rates and the City signed an amended guarantee of the bonded indebtedness of the Coalition, along with two other cities. The City's guarantee is capped at \$679,000 per year, over the life of the bonds.

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, suits or claims, either individually or in the aggregate, will not have a material effect on the financial position of the City.

Note 11. Major Customers

The City received approximately 21% of the total water revenues and approximately 23% of total sewer revenues from one major customer in the year ended September 30, 2010.

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

Note 12. Deficit Fund Equity

The Capital Projects fund had a deficit balance of \$819,968. This fund balance deficit is expected to be covered by future fund revenues or transfers from other funds.

Note 13. Interfund Loans

In 2002, the City Water fund constructed the central maintenance facility. A resolution was passed by the City Council in 2006 whereby the City street department will make payments totaling \$2,649,231 over a twenty year period to the Water fund in order to purchase the facility. Payments made during the current fiscal year were \$127,250.

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:

	Due From Other Funds	Due to Other Funds
Special Revenue Fund	\$ —	\$ 1,952,788
Water Fund	1,992,788	—
Solid Waste Fund	—	40,000
Total	<u>\$ 1,992,788</u>	<u>\$ 1,992,788</u>

Note 14. Interfund Transfers

Transfers between funds are to cover operational expenses for the funds;

Transfer In	Transfer Out												Total
	General Fund	Senior Center	Platte Co Library	Fiduciary Gerrard Park Trust	Special Revenue Sales Tax	Keno	Capital Projects	Debt Service	Water	Sewer	Electric	Solid Waste	
General					813,943				111,000	111,000	2,460,000	45,000	3,340,943
Mini-Bus		500											500
Library			80,000										80,000
Park				3,644		325,000							328,644
Street	190,000				183,789								373,789
Engineering					35,000				10,000	10,000			55,000
Airport	140,000												140,000
Capital Projects					1,055,408								1,055,408
Debt Service					629,130						199,000		828,130
Water							82,292						82,292
Solid Waste	6,311												6,311
Police Pension	34,000												34,000
Fire Pension	21,800												21,800
	392,111	500	80,000	3,644	2,497,270	325,000	82,292	205,281	121,000	121,000	2,460,000	45,000	6,333,078

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

Note 15. Capital assets

Capital asset activity for the year ended September 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 452,343	\$ -	\$ (171,819)	\$ 280,524
Construction in Progress	17,320,420	6,096,570	(100,973)	23,316,017
Total capital assets, not being depreciated	<u>\$ 17,772,763</u>	<u>\$ 6,096,570</u>	<u>\$ (272,792)</u>	<u>\$ 23,596,541</u>
Capital assets, being depreciated:				
Land Improvements and Buildings	\$ 11,857,311	\$ 70,040	\$ (47,423)	\$ 11,879,928
Improvements	71,762,157	373,852	-	72,136,009
Equipment	6,632,855	921,107	(389,556)	7,164,406
Vehicles	4,733,706	288,121	(301,636)	4,720,191
Total capital assets being depreciated	<u>\$ 94,986,029</u>	<u>\$ 1,653,120</u>	<u>\$ (738,615)</u>	<u>\$ 95,900,534</u>
Less accumulated depreciation for:				
Land Improvements and Buildings	\$ (4,738,217)	\$ (292,430)	\$ 47,423	\$ (4,983,224)
Improvements	(18,647,689)	(1,850,006)	-	(20,497,695)
Equipment	(3,725,210)	(607,830)	259,908	(4,073,132)
Vehicles	(2,158,046)	(337,957)	226,430	(2,269,573)
Total accumulated depreciation	<u>\$ (29,269,162)</u>	<u>\$ (3,088,223)</u>	<u>\$ 533,761</u>	<u>\$ (31,823,624)</u>
Total capital assets, being depreciated, net	<u>\$ 65,716,867</u>	<u>\$ (1,435,103)</u>	<u>\$ (204,854)</u>	<u>\$ 64,076,910</u>
Governmental activities capital assets, net	<u>\$ 83,489,630</u>	<u>\$ 4,661,467</u>	<u>\$ (477,646)</u>	<u>\$ 87,673,451</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 391,161	\$ -	\$ -	\$ 391,161
Construction in Progress	945,348	1,913,367	(97,647)	2,761,068
Total capital assets, not being depreciated	<u>\$ 1,336,509</u>	<u>\$ 1,913,367</u>	<u>\$ (97,647)</u>	<u>\$ 3,152,229</u>
Capital assets, being depreciated:				
Land Improvements and Buildings	\$ 19,284,907	\$ -	\$ -	\$ 19,284,907
Improvements	33,145,488	367,718	(20,389)	33,492,817
Equipment	7,104,439	438,330	(89,251)	7,453,518
Total capital assets being depreciated	<u>\$ 59,534,834</u>	<u>\$ 806,048</u>	<u>\$ (109,640)</u>	<u>\$ 60,231,242</u>
Less accumulated depreciation for:				
Land Improvements and Buildings	\$ (4,370,948)	\$ (406,694)	\$ -	\$ (4,777,642)
Improvements	(15,202,211)	(784,565)	14,654	(15,972,122)
Equipment	(2,413,465)	(471,976)	85,574	(2,799,867)
Total accumulated depreciation	<u>\$ (21,986,624)</u>	<u>\$ (1,663,235)</u>	<u>\$ 100,228</u>	<u>\$ (23,549,631)</u>
Total capital assets, being depreciated, net	<u>\$ 37,548,210</u>	<u>\$ (857,187)</u>	<u>\$ (9,412)</u>	<u>\$ 36,681,611</u>
Business-type activities capital assets, net	<u>\$ 38,884,719</u>	<u>\$ 1,056,180</u>	<u>\$ (107,059)</u>	<u>\$ 39,833,840</u>

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

Note 15. Capital assets (continued)

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

Governmental activities:		
General Government	\$	41,691
Public Health and Safety		452,776
Public Works		1,648,379
Culture and Recreation		935,847
Community Development		9,530
Total depreciation expense - governmental activities		<u><u>\$ 3,088,223</u></u>
 Business-type activities:		
Water	\$	741,933
Sewer		664,104
Electric		152,980
Solid Waste		104,218
Total depreciation expense - business-type activities		<u><u>\$ 1,663,235</u></u>

Note 16. Sales Tax

The City has received voter approval eight 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 2017, 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- Apr 2017				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%	

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

Note 17. 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 \$1,984,320 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 18. Subsequent Event

Management has evaluated subsequent events through February 22, 2011, the date on which the financial statements were available for issue.

In December 2010, the Subordinate Combined Revenue Bonds issued in 2003 were refinanced in the amount of \$8,235,000 at a lower interest rate.

In November 2010, Columbus voters approved the continuance of the 0.5% City sales tax to fund public facility improvements and operating deficits at the aquatic facilities, beginning in July of 2011.

Note 19. Schedule of Federal Financial Awards

The accompanying Schedule of Federal Financial Awards includes the federal grant activity of the City under programs of the federal government for the year ended September 30, 2010. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 20. American Recovery and Reinvestment Act (ARRA)

ARRA Title III C-2 receipts of \$379 were included in the current year, and expenditures related to these receipts were expended in the fiscal year ended September 30, 2010.

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, 2010

	Budgeted Amounts Original and Final	Actual Budgetary Basis	Variance with Budget- Positive (Negative)
REVENUES			
Property taxes	\$ 3,388,500	\$ 3,469,154	\$ 80,654
Motor vehicle tax	380,000	403,501	23,501
In lieu	135,000	177,625	42,625
Franchise fees	750,000	822,765	72,765
State shared revenue	232,850	209,034	(23,816)
Sales tax	1,793,700	1,163,008	(630,692)
Grants	1,031,300	1,012,025	(19,275)
Fees, permits and licenses	249,800	288,820	39,020
Other local revenues	6,116,388	5,774,576	(341,812)
Investment income	41,325	68,046	26,721
Total revenues	<u>\$ 14,118,863</u>	<u>\$ 13,388,554</u>	<u>\$ (730,309)</u>
EXPENDITURES			
General government	\$ 2,259,330	\$ 1,617,203	\$ 642,127
Public safety	7,000,470	7,109,088	(108,618)
Public health	162,515	285,824	(123,309)
Culture and recreation	4,654,070	3,262,772	1,391,298
Community development	180,150	174,438	5,712
Total expenditures	<u>\$ 14,256,535</u>	<u>\$ 12,449,325</u>	<u>\$ 1,807,210</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (137,672)</u>	<u>\$ 939,229</u>	<u>\$ 1,076,901</u>
Uses/outflows of resources:			
Actual amounts (budgetary basis)			\$ 12,449,325
Net adjustments (accrual basis)			<u>(472,012)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 11).			<u>\$ 11,977,313</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, 2010

	Budgeted Amounts Original and Final	Actual Budgetary Basis	Variance with Budget- Positive (Negative)
REVENUES			
Property taxes	\$ 40,000	\$ 14,538	\$ (25,462)
Sales tax	700,633	1,721,297	1,020,664
Grants	1,564,500	640,567	(923,933)
Fees, permits and licenses	1,908,500	2,424,371	515,871
Other local revenues	1,089,490	687,868	(401,622)
Investment income	<u>109,000</u>	<u>83,617</u>	<u>(25,383)</u>
Total revenues	<u>\$ 5,412,123</u>	<u>\$ 5,572,258</u>	<u>\$ 160,135</u>
EXPENDITURES			
Public safety	\$ 197,100	\$ 199,106	\$ (2,006)
Public works	3,169,250	2,896,639	272,611
Community development	2,472,300	989,027	1,483,273
Sales tax	<u>2,912,000</u>	<u>2,497,270</u>	<u>414,730</u>
Total expenditures	<u>\$ 8,750,650</u>	<u>\$ 6,582,042</u>	<u>\$ 2,168,608</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,338,527)</u>	<u>\$ (1,009,784)</u>	<u>\$ 2,328,743</u>
 Uses/outflows of resources:			
Actual amounts (budgetary basis)			\$ 6,582,042
Net adjustments (accrual basis)			<u>(2,822,271)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 11).			<u>\$ 3,759,771</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, 2010

	Budgeted Amounts Original and Final	Actual Budgetary Basis	Variance with Budget- Positive (Negative)
REVENUES			
Property taxes	\$ 433,930	\$ 550,644	\$ 116,714
Sales tax	1,655,000	1,099,791	(555,209)
Grants	6,769,200	2,831,886	(3,937,314)
Fees, permits and licenses	-	-	-
Other local revenues	6,447,000	1,061,669	(5,385,331)
Investment income	1,700	1,278	(422)
Total revenues	<u>\$ 15,306,830</u>	<u>\$ 5,545,268</u>	<u>\$ (9,761,562)</u>
EXPENDITURES			
Capital outlay	<u>\$ 15,183,130</u>	<u>\$ 5,626,968</u>	<u>\$ 9,556,162</u>
Total expenditures	<u>\$ 15,183,130</u>	<u>\$ 5,626,968</u>	<u>\$ 9,556,162</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 123,700</u>	<u>\$ (81,700)</u>	<u>\$ (205,400)</u>
Uses/outflows of resources:			
Actual amounts (budgetary basis)			\$ 5,626,968
Net adjustments (accrual basis)			<u>662,706</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 11).			<u>\$ 6,289,674</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, 2010

	Budgeted Amounts Original and Final	Actual Budgetary Basis	Variance with Final Budget- Positive (Negative)
REVENUES			
Property taxes	\$ 175,000	\$ 180,248	\$ 5,248
In lieu	8,200	9,062	862
Sales tax	1,155,267	1,268,476	113,209
Fees, permits and licenses	217,000	523,525	306,525
Other local revenues	829,000	828,130	(870)
Investment income	27,000	40,157	13,157
Total revenues	<u>\$ 2,411,467</u>	<u>\$ 2,849,598</u>	<u>\$ 438,131</u>
EXPENDITURES			
Debt service	\$ 2,649,100	\$ 2,994,221	\$ (345,121)
Total expenditures	<u>\$ 2,649,100</u>	<u>\$ 2,994,221</u>	<u>\$ (345,121)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (237,633)</u>	<u>\$ (144,623)</u>	<u>\$ 93,010</u>
Uses/outflows of resources:			
Actual amounts (budgetary basis)			\$ 2,994,221
Net adjustments (accrual basis)			<u>(10,256)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 11).			<u>\$ 2,983,965</u>

See accompanying notes to the financial statements.

City of Columbus, Nebraska
Statement of County Treasurer Activity
September 30, 2010

	General Levy	Bond Levy	Community Redevelopment Authority	Airport	Total
CASH BALANCE, October 1, 2009	\$ 693,119	\$ 37,609	\$ 128,588	\$ 31,501	\$ 890,817
REVENUES COLLECTED					
Property taxes	\$ 3,211,798	\$ 166,097	\$ 528,117	\$ 3,916	\$ 3,909,928
Motor vehicle taxes	403,501	-	-	-	403,501
Motor vehicle prorated	11,956	634	-	147	12,737
In lieu of tax	177,625	9,062	-	-	186,687
Homestead	146,556	7,566	-	(21)	154,101
Carline	1,600	83	-	-	1,683
Property tax credit	139,303	7,194	20,696	(3)	167,190
Interest	6,069	338	1,831	221	8,459
Total revenues collected	\$ 4,098,408	\$ 190,974	\$ 550,644	\$ 4,260	\$ 4,844,286
EXPENSES PAID AND TRANSFERS					
Collection fee	\$ 36,172	\$ 1,664	\$ -	\$ 82	\$ 37,918
Transfer to City Treasurer	3,902,715	184,638	484,848	35,693	4,607,894
Total expenses paid and transfers	\$ 3,938,887	\$ 186,302	\$ 484,848	\$ 35,775	\$ 4,645,812
CASH BALANCE (DEFICIT), September 30, 2010	\$ 852,640	\$ 42,281	\$ 194,384	\$ (14)	\$ 1,089,291
ALLOCATION OF ENDING CASH BALANCE (DEFICIT) BY FUND					
General	\$ 852,640	\$ -	\$ -	\$ -	\$ 852,640
Special Revenue	-	-	-	(14)	(14)
Capital Projects	-	-	194,384	-	194,384
Debt Service	-	42,281	-	-	42,281
	\$ 852,640	\$ 42,281	\$ 194,384	\$ (14)	\$ 1,089,291

See accompanying notes to the financial statements.

CITY OF COLUMBUS, NEBRASKA

**SCHEDULE OF FEDERAL FINANCIAL AWARDS
For the Period October 1, 2009 through September 30, 2010**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant/ Contract Number	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	09-CR-106	\$ 303,325
<u>United States Department of Justice</u>			
Bulletproof Vest Partnership	16.607	2009BUBX09049127	\$ 1,742
Passed through the Nebraska State Patrol			
Sex Offender Investigation Grant	16.710	2010	\$ 175
<u>United States Department of Transportation</u>			
Passed through the Nebraska Department of Roads			
Federal-Aid Highway Program	20.205	60740004	\$ 2,831,886 *
NonUrbanized Area Formula Program	20.509	M7110210	75,212
Subtotal			\$ 2,907,098
Passed through the Nebraska Department of Motor Vehicles - Office of Highway Safety			
Selective Enforcement Mini-Grant	20.205	HSIP811	\$ 20,222 *
Selective Enforcement Mini-Grant	20.600	10-33	14,444
Selective Enforcement Mini-Grant	20.601	410-10-2	9,924
Subtotal			\$ 44,590
<u>United States Institute of Museum and Library Services</u>			
Passed through the Nebraska Library Commission			
Library Improvement Grant	45.310	10.02	\$ 22,690

See accompanying notes to the financial statements.

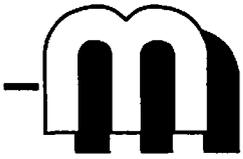
CITY OF COLUMBUS, NEBRASKA

**SCHEDULE OF FEDERAL FINANCIAL AWARDS (continued)
For the Period October 1, 2009 through September 30, 2010**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant/ Contract Number</u>	<u>Federal Expenditures</u>
<u>United States Environmental Protection Agency</u>			
Superfund State, Political Subdivision, and Indian Tribe Specific Cooperative Agreements	66.802	V-98760901-1	\$ 317,170 *
<u>United States Department of Homeland Security</u>			
Assistance to Firefighters	97.044	EMW-2008-FV-04929	\$ 678,026
Fire Prevention and Safety Grant	97.044	EMW-2008-FP-02507	74,079
Subtotal			\$ 752,105
Passed through the Nebraska Emergency Management Agency and Platte County Emergency Management			
Homeland Security Grant Program	97.067	6SHSP745	\$ 18,525
<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	2010	\$ 6,551
Title III Part C	93.045	2010	19,096
Nutrition Program for the Elderly (Commodities)	93.053	2010	10,890
Title III Part C-2 - ARRA	93.705	2010	379
Subtotal			\$ 36,916
TOTAL FEDERAL FINANCIAL AWARDS			\$ 4,404,336

* 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, 2010, and have issued our report thereon dated February 22, 2011. 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The significant deficiency is described in the accompanying schedule of findings and questioned costs as item 10-1.

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*.

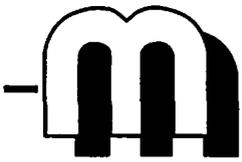
The City of Columbus, Nebraska's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Columbus, Nebraska's response and, accordingly, we express no opinion on it.

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.



Kearney, Nebraska
February 22, 2011



**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, 2010. 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, 2010. 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 10-1 to be a significant deficiency.

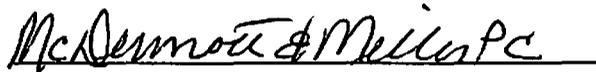
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the significant deficiency described in the accompanying schedule of findings and questioned costs as item 10-1 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.

A handwritten signature in black ink that reads "McDermott & Miller PC". The signature is written in a cursive style and is underlined with a single horizontal line.

Kearney, Nebraska
February 22, 2011

CITY OF COLUMBUS, NEBRASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2010

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting

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

Noncompliance material to financial statements noted Yes No

Federal Awards

Internal control over major programs

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

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Federal-Aid Highway Program and Selective Enforcement Mini-Grant
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements

CITY OF COLUMBUS, NEBRASKA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended September 30, 2010**

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

 X Yes No

II. FINANCIAL STATEMENT FINDINGS

Finding 10-1 Lack of Segregation of Duties in One or More Areas

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 10-1 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, 2009

During the September 30, 2009, audit, findings were disclosed regarding the lack of segregation of duties, which was not considered a material weakness. Management responded that duties will now rotate whenever possible. No other corrective action was needed.