

CITY OF COLUMBUS, NEBRASKA

FINANCIAL REPORT

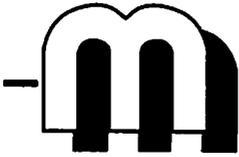
September 30, 2011

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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, 2011, 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'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, 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, 2011, 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.

In accordance with *Government Auditing Standards*, we have issued our report dated March 7, 2012, on our consideration of City of Columbus's internal control over financial reporting and our tests of its compliance with certain provision of laws,

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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.

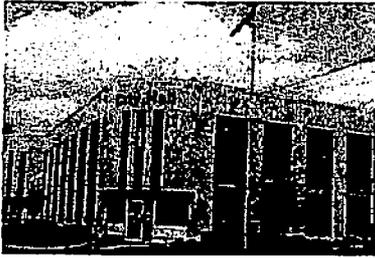
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and budgetary comparison information on pages 43 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. The schedule of county treasurer activity on page 47 is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Columbus's basic financial statements. The accompanying supplemental schedule of federal financial awards as listed on pages 49 and 50 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. This supplemental schedule is 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.

McDERMOTT AND MILLER, P.C.



Kearney, Nebraska
March 7, 2012



The City of **Columbus**

FINANCE DEPARTMENT
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Management's Discussion and Analysis
September 30, 2011

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, 2011 by \$128 million.
- Capital Assets (net of depreciation and related debt) account for about 79% of this amount.
- Of the remaining net assets, \$8 million is restricted to capital projects and debt payments and \$18 million may be used to meet the government's ongoing obligation to its citizens and creditors, without restrictions.
- The City of Columbus called early the final \$1.4 million of bonds that were used to construct the Pawnee Plunge Water Park.

Report Layout

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

Basic Financial Statements

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



City of Columbus, Nebraska
 Management's Discussion and Analysis, Continued
 September 30, 2011

- Fund financial statements focus separately on major governmental funds and proprietary (business-type) funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental Funds." Statements for the City's proprietary funds follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow. A budgetary comparison is presented for the general fund, special revenue fund, 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, 2011 and 2010 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets				
Cash and investments	\$ 15,651,559	\$ 15,347,841	\$ 8,437,572	\$ 9,490,305
Other assets	1,809,284	1,515,011	3,455,640	3,229,348
Capital assets, net	<u>89,454,572</u>	<u>87,673,451</u>	<u>42,455,954</u>	<u>39,833,840</u>
Total assets	<u>\$106,915,415</u>	<u>\$104,536,303</u>	<u>\$54,349,166</u>	<u>\$ 52,553,493</u>
Liabilities				
Long-term liabilities	\$ 4,155,000	\$ 5,385,000	\$ 23,415,000	\$ 22,760,000
Other liabilities	<u>3,683,041</u>	<u>4,736,069</u>	<u>2,046,723</u>	<u>2,431,086</u>
Total liabilities	<u>\$ 7,838,041</u>	<u>\$ 10,121,069</u>	<u>\$ 25,461,723</u>	<u>\$ 25,191,086</u>
Net assets				
Invested in capital assets, net of related debt	\$ 83,824,572	\$ 79,813,451	\$ 17,905,954	\$ 16,023,840
Restricted	5,827,009	5,227,775	2,059,969	3,692,114
Unrestricted	<u>9,425,793</u>	<u>9,374,008</u>	<u>8,921,520</u>	<u>7,646,453</u>
Total net assets	<u>\$ 99,077,374</u>	<u>\$ 94,415,234</u>	<u>\$ 28,887,443</u>	<u>\$ 27,362,407</u>
Total liabilities and net assets	<u>\$106,915,415</u>	<u>\$104,536,303</u>	<u>\$ 54,349,166</u>	<u>\$ 52,553,493</u>

During the year ended September 30, 2011 the most significant changes were as follows:

Governmental Activities

The largest changes from 2010 were the \$1.8 million investment in capital assets and the \$2.2 million decrease in long-term liabilities or debt, which is reflected in the \$4 million increase in the amount invested in capital assets, net of the related debt.

City of Columbus, Nebraska
Management's Discussion and Analysis, Continued
September 30, 2011

Business-type Activities

The largest change from 2010 was the \$2.6 investment in capital assets, net of related debt with cash and investments being drawn down by \$1 million and invested in the capital assets.

A condensed version of the Statement of Activities of the City for the fiscal years ended September 30, 2011 and 2010 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues				
Program revenues				
Charges for services	\$ 4,529,271	\$ 4,680,179	\$ 8,108,025	\$ 8,008,294
Operating grants and contributions	3,218,042	4,484,478	534,610	317,170
Capital grants and contributions	3,886,972	3,787,609	-0-	-0-
General revenues				
Property tax	3,884,001	3,663,940	-0-	-0-
Sales tax	5,457,817	5,252,572	-0-	-0-
Franchise tax	820,771	809,544	2,857,473	2,694,063
Other Tax	482,638	550,644	-0-	-0-
Unrestricted grants and contributions	-0-	-0-	-0-	-0-
Investment earnings	190,612	240,063	107,381	113,818
Other general revenues	-0-	-0-	-0-	-0-
Gain (loss) on sale of equipment	(7,218)	(190,061)	2,721	(884)
Transfers in (out)	<u>2,723,974</u>	<u>2,602,597</u>	<u>(2,789,524)</u>	<u>(2,658,397)</u>
Total revenues	<u>\$25,186,880</u>	<u>\$25,881,565</u>	<u>\$ 8,820,686</u>	<u>\$ 8,474,064</u>
Program expenses				
General policy and administration	\$ 1,290,594	\$ 1,327,741	\$ -0-	\$ -0-
Public safety	6,613,686	5,894,747	-0-	-0-
Public works	4,711,687	4,152,803	-0-	-0-
Environmental preservation	-0-	-0-	-0-	-0-
Parks and recreation	4,472,075	4,227,007	-0-	-0-
Community development	687,564	847,995	-0-	-0-
Health insurance	2,073,407	1,870,487	-0-	-0-
Debt service	675,727	726,137	-0-	-0-
Water	-0-	-0-	2,806,405	2,628,060
Sewer	-0-	-0-	3,056,800	3,068,648
Solid waste	-0-	-0-	1,279,465	1,303,375
Electric	-0-	-0-	152,980	152,980
Total expenses	<u>\$20,524,740</u>	<u>\$19,046,917</u>	<u>\$ 7,295,650</u>	<u>\$ 7,153,063</u>
Change in net assets	<u>\$ 4,662,140</u>	<u>\$ 6,834,648</u>	<u>\$ 1,525,036</u>	<u>\$ 1,321,001</u>

During the year ended September 30, 2011 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. Operating grants and contributions decreased by \$1.3 million due to the completion of projects associated with the grants in the prior year. During fiscal year 2011, the City received \$5,458,000 of local option sales tax as compared to \$5,253,000 for 2010 with city sales tax receipts being up 3.9%.

Business-type activities

The category Charges for Services increased by \$100,000 when compared to 2010, which indicates steady demand and increases due to the rate changes. A water and wastewater rate study was completed during 2008. During 2011 the recommended rate increases of 10% 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 \$755,000 for 2011 as compared to a net income before transfers of \$840,000 for 2010. The Sewer Fund operated at a net income before transfers of \$548,000 for 2011 as compared with a net income before transfers of \$472,000 for 2010. The lease payment from Loup Power District is included in franchise taxes and for 2011 was \$2.9 million as compared to \$2.7 million for 2010, 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, 2011 the City had \$132 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 \$4 million over last year.

Some of the most significant additions to capital assets for the governmental activities included \$3.3 million for street construction, reconstruction, and improvements, the largest of which was the completion of the construction of the Lost Creek Parkway (north arterial) for \$2.2 million. The \$2.2 million completed the fourth phase of construction of the Lost Creek Parkway over ten years culminating in a total of \$20 million spent on this project. \$305,000 for interior street improvements, \$253,000 for the reconstruction of the 33rd Avenue Viaduct, \$252,000 for Readiness Center street construction and \$170,000 for environmental for the 3rd Avenue and 12 Avenue viaducts and 18th Avenue pedestrian overpass are some of the other larger street system projects for the year. Other significant capital items were \$392,000 for Pawnee Park tennis courts, \$207,000 for the Airport Layout Plan and \$573,000 to acquire two houses to clear the runway protection zone at the Airport and \$131,000 for the design of Loup River Levee improvements. Some larger additions for equipment improvements included \$126,000 for four police vehicles and \$139,000 for library materials. For the business type-activities there were \$4.6 million of capital assets additions. Some of the larger items were construction of the UV disinfection process for \$1.3 million and the addition of clarifier covers for \$362,000 at the Wastewater

Treatment Facility, \$1.4 million to complete the construction of the new south water plant, \$625,000 for the 8th Street water main east of town and \$250,000 for sanitary sewer slip lining.

Debt Outstanding

At year-end, the City had \$30 million in bonds and notes outstanding versus \$32 million last year. There was one new borrowing for governmental activities or \$840,000 and \$2.5 million of general obligation debt was retired during 2011. For the business type activities the City issued \$1,580,000 of Combined Revenue Bonds to construct the water main east along 8th Street and \$8,235,000 of Combined Revenue Refunding Bonds to refinance the debt used to construct the Wastewater Treatment Facility at an interest savings of \$424,000. Both of the revenue bonds issued were rated AA- by Standard & Poor's, which is a very good rating for a city the size of Columbus. During 2011 \$9,075,000 of outstanding debt was retired for the business type activities.

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 ability to borrow at historically low interest rates.

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, 2011

	Governmental Activities (Modified Accrual Basis)	Business-type Activities (Accrual Basis)	Total
ASSETS			
Cash and cash equivalents	\$ 431,868	\$ 3,303	\$ 435,171
Cash - County Treasurer	984,571	-	984,571
Investments	14,235,120	8,434,269	22,669,389
Due from other funds	-	120,000	120,000
Accounts receivable	430,876	728,281	1,159,157
Special assessment receivable	795,697	-	795,697
Notes receivable	582,711	-	582,711
Accrued revenue	-	1,609,939	1,609,939
Inventory	-	242,838	242,838
Bond discount	-	754,582	754,582
Land and buildings	12,332,999	20,135,872	32,468,871
Improvements	95,142,260	34,213,765	129,356,025
Equipment	7,574,647	7,723,597	15,298,244
Vehicles	5,976,201	-	5,976,201
Construction in progress	3,564,109	5,580,935	9,145,044
Less accumulated depreciation	<u>(35,135,644)</u>	<u>(25,198,215)</u>	<u>(60,333,859)</u>
Total assets	<u>\$ 106,915,415</u>	<u>\$ 54,349,166</u>	<u>\$ 161,264,581</u>
LIABILITIES			
Checks outstanding in excess of bank balance	\$ 406,522	\$ -	\$ 406,522
Accounts payable	-	324,768	324,768
Accrued expenses	-	207,861	207,861
Deferred revenue	1,730,516	6,129	1,736,645
Notes payable	71,003	-	71,003
Interest payable	-	252,965	252,965
Due to other funds	-	120,000	120,000
Long-term debt:			
Due within one year	1,475,000	1,135,000	2,610,000
Due in more than one year	<u>4,155,000</u>	<u>23,415,000</u>	<u>27,570,000</u>
Total liabilities	<u>\$ 7,838,041</u>	<u>\$ 25,461,723</u>	<u>\$ 33,299,764</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 83,824,572	\$ 17,905,954	\$ 101,730,526
Restricted for:			
Debt service	5,827,009	2,059,969	7,886,978
Unrestricted	<u>9,425,793</u>	<u>8,921,520</u>	<u>18,347,313</u>
Total net assets	<u>\$ 99,077,374</u>	<u>\$ 28,887,443</u>	<u>\$ 127,964,817</u>

See notes to the financial statements.

City of Columbus, Nebraska
Statement of Activities
For the Year Ended September 30, 2011

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	\$ 14,175,258	\$ 1,202,448	\$ 268,379	\$ 1,906,269	\$ (10,798,162)	\$ -	\$ (10,798,162)
Special revenue	3,584,484	806,919	660,032	1,969,379	(148,154)	-	(148,154)
Capital projects	44,595	-	2,289,631	-	2,245,036	-	2,245,036
Redevelopment Agency	448,427	-	-	-	(448,427)	-	(448,427)
Debt service	182,707	205,446	-	9,718	32,457	-	32,457
Library Foundation	5,059	-	-	1,606	(3,453)	-	(3,453)
Library Endowment	9,433	-	-	-	(9,433)	-	(9,433)
Gerrard Park Trust	1,370	-	-	-	(1,370)	-	(1,370)
Health insurance	2,073,407	2,314,458	-	-	241,051	-	241,051
Total governmental activities	\$ 20,524,740	\$ 4,529,271	\$ 3,218,042	\$ 3,886,972	\$ (8,890,455)	\$ -	\$ (8,890,455)
Business-type activities:							
Water	\$ 2,806,405	\$ 3,147,946	\$ 369,040	\$ -	\$ -	\$ 710,581	\$ 710,581
Sewer	3,056,800	3,541,721	40,602	-	-	525,523	525,523
Electric	152,980	-	-	-	-	(152,980)	(152,980)
Solid Waste	1,279,465	1,418,358	124,968	-	-	263,861	263,861
Total business-type activities	\$ 7,295,650	\$ 8,108,025	\$ 534,610	\$ -	\$ -	\$ 1,346,985	\$ 1,346,985
Total government	\$ 27,820,390	\$ 12,637,296	\$ 3,752,652	\$ 3,886,972	\$ (8,890,455)	\$ 1,346,985	\$ (7,543,470)
General revenues:							
Taxes:							
Property tax					\$ 3,884,001	\$ -	\$ 3,884,001
Sales tax					5,457,817	-	5,457,817
Miscellaneous					482,638	-	482,638
Franchise fees					820,771	2,857,473	3,678,244
Investment earnings					190,612	107,381	297,993
Gain (loss) on sale of asset					(7,218)	2,721	(4,497)
Transfers					2,723,974	(2,789,524)	(65,550)
Total general revenues and transfers					\$ 13,552,595	\$ 178,051	\$ 13,730,646
Change in net assets					\$ 4,662,140	\$ 1,525,036	\$ 6,187,176
Net assets - beginning					94,415,234	27,362,407	121,777,641
Net assets - ending					\$ 99,077,374	\$ 28,887,443	\$ 127,964,817

See notes to the financial statements.

City of Columbus, Nebraska
Balance Sheets - Modified Cash Basis
Governmental Funds
September 30, 2011

	General	Special Revenue	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 345,273	\$ 83,077	\$ -	\$ 439	\$ -	\$ 428,789
Cash - County Treasurer	780,113	-	166,448	38,010	-	984,571
Investments	4,802,606	5,785,624	367,063	1,138,566	1,323,194	13,417,053
Inventory	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Receivables:						
Accounts	409,145	21,731	-	-	-	430,876
Special assessment	-	-	-	795,697	-	795,697
Notes	-	582,711	-	-	-	582,711
Total assets	<u>\$ 6,337,137</u>	<u>\$ 6,473,143</u>	<u>\$ 533,511</u>	<u>\$ 1,972,712</u>	<u>\$ 1,323,194</u>	<u>\$ 16,639,697</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Checks outstanding in excess of bank balance	\$ 24,218	\$ -	\$ 382,304	\$ -	\$ -	\$ 406,522
Deferred revenue	401,381	533,438	-	795,697	-	1,730,516
Notes payable	-	71,003	-	-	-	71,003
Current portion of long-term debt	-	-	790,000	685,000	-	1,475,000
Interest payable	-	-	-	-	-	-
Total liabilities	<u>\$ 425,599</u>	<u>\$ 604,441</u>	<u>\$ 1,172,304</u>	<u>\$ 1,480,697</u>	<u>\$ -</u>	<u>\$ 3,683,041</u>
Fund balances:						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 1,265,521	\$ 1,265,521
Restricted	36,362	5,169,816	-	492,015	57,673	5,755,866
Committed	-	698,886	-	-	-	698,886
Assigned	(24,218)	0	-	-	-	(24,218)
Unassigned	5,899,394	-	(638,793)	-	-	5,260,601
Total fund balances (deficit)	<u>\$ 5,911,538</u>	<u>\$ 5,868,702</u>	<u>\$ (638,793)</u>	<u>\$ 492,015</u>	<u>\$ 1,323,194</u>	<u>\$ 12,956,656</u>
Total liabilities and fund balances	<u>\$ 6,337,137</u>	<u>\$ 6,473,143</u>	<u>\$ 533,511</u>	<u>\$ 1,972,712</u>	<u>\$ 1,323,194</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	89,454,572
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.	821,146
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,155,000)</u>
Net assets of governmental activities	<u>\$ 99,077,374</u>

See 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, 2011

	General	Special Revenue	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 3,629,140	\$ 69,065	\$ -	\$ 185,796	\$ -	\$ 3,884,001
Fees, taxes, permits and licenses	260,258	1,829,635	-	-	-	2,089,893
State shared revenue	152,917	-	-	-	-	152,917
Franchise fees	820,771	-	-	-	-	820,771
Sales tax	1,584,875	2,738,066	610,063	524,813	-	5,457,817
Charges for services	1,202,448	806,919	-	205,446	-	2,214,813
Donations	-	-	-	-	1,606	1,606
TIF income	-	-	482,638	-	-	482,638
Grants	268,379	660,032	2,289,631	-	-	3,218,042
Investment income	68,404	66,885	1,167	31,424	43,753	211,633
Bond proceeds	-	-	920,000	195,000	-	1,115,000
Miscellaneous	1,493,094	139,744	-	9,718	-	1,642,556
Total revenues	\$ 9,480,286	\$ 6,310,346	\$ 4,303,499	\$ 1,152,197	\$ 45,359	\$ 21,291,687
EXPENDITURES						
Current operating:						
General government	\$ 1,256,210	\$ -	\$ -	\$ -	\$ -	\$ 1,256,210
Public health and safety	5,494,562	195,459	-	-	-	5,690,021
Public works	-	2,896,057	-	-	-	2,896,057
Cultural and recreational	3,459,767	-	-	-	15,862	3,475,629
Community development	186,878	492,968	-	-	-	679,846
Capital outlay	1,350,934	869,238	3,346,008	-	-	5,566,180
Debt service:						
Principal	-	-	790,000	1,555,000	-	2,345,000
Interest	-	-	478,653	182,707	-	661,360
Other	-	-	14,369	-	29,462	43,831
Total expenditures	\$ 11,748,351	\$ 4,453,722	\$ 4,629,030	\$ 1,737,707	\$ 45,324	\$ 22,614,134
Excess (deficiency) of revenues over (under) expenditures	\$ (2,268,065)	\$ 1,856,624	\$ (325,531)	\$ (585,510)	\$ 35	\$ (1,322,447)
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 3,330,291	\$ 535,000	\$ 665,323	\$ 819,423	\$ 6,000	\$ 5,356,037
Transfers out	(590,050)	(1,403,750)	(158,617)	(469,402)	(10,244)	(2,632,063)
Total other financing sources (uses)	\$ 2,740,241	\$ (868,750)	\$ 506,706	\$ 350,021	\$ (4,244)	\$ 2,723,974
Net change in fund balances	\$ 472,176	\$ 987,874	\$ 181,175	\$ (235,489)	\$ (4,209)	\$ 1,401,527
Fund balances-beginning	5,439,362	4,880,828	(819,968)	727,504	1,327,403	11,555,129
Fund balances (deficit)-ending	\$ 5,911,538	\$ 5,868,702	\$ (638,793)	\$ 492,015	\$ 1,323,194	\$ 12,956,656

See 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, 2011

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)	\$ 1,401,527
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.	1,788,339
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (or decrease) net assets.	(7,218)
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.	1,230,000
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>249,492</u>
Change in net assets of governmental activities (page 9)	<u>\$ 4,662,140</u>

See notes to the financial statements.

City of Columbus, Nebraska
 Statements of Net Assets - Accrual Basis
 Proprietary Funds
 September 30, 2011

	Business-type Activities				Total Enterprise Funds	Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Solid Waste		
ASSETS						
Cash and cash equivalents	\$ 1,654	\$ 892	\$ 391	\$ 366	\$ 3,303	\$ 3,079
Investments	3,850,367	1,101,534	3,143,235	339,133	8,434,269	818,067
Receivables:						
Interfund	120,000	-	-	-	120,000	-
Accounts	326,350	326,488	-	75,443	728,281	-
Accrued revenue	318,471	328,996	948,564	13,908	1,609,939	-
Inventory	174,934	67,904	-	-	242,838	-
Bond issue costs	249,895	504,687	-	-	754,582	-
Capital assets:						
Land and buildings	4,517,107	15,347,635	-	271,130	20,135,872	-
Plant improvements	17,034,355	10,851,113	6,030,920	297,377	34,213,765	-
Equipment	4,559,436	1,872,200	-	1,291,961	7,723,597	-
Construction in progress	3,990,487	1,535,580	-	54,868	5,580,935	-
Less accumulated depreciation	<u>(10,697,104)</u>	<u>(9,766,171)</u>	<u>(3,723,437)</u>	<u>(1,011,503)</u>	<u>(25,198,215)</u>	<u>-</u>
Total assets	<u>\$ 24,445,952</u>	<u>\$ 22,170,858</u>	<u>\$ 6,399,673</u>	<u>\$ 1,332,683</u>	<u>\$ 54,349,166</u>	<u>\$ 821,146</u>
LIABILITIES						
Accounts payable	\$ 102,926	\$ 153,770	\$ -	\$ 68,072	\$ 324,768	\$ -
Accrued payroll	81,473	104,759	-	21,629	207,861	-
Deferred revenue	-	6,129	-	-	6,129	-
Due to other funds	-	-	-	120,000	120,000	-
Interest payable	131,895	121,070	-	-	252,965	-
Long-term debt:						
Due within one year	538,260	596,740	-	-	1,135,000	-
Due in more than one year	<u>11,025,345</u>	<u>12,389,655</u>	<u>-</u>	<u>-</u>	<u>23,415,000</u>	<u>-</u>
Total liabilities	<u>\$ 11,879,899</u>	<u>\$ 13,372,123</u>	<u>\$ -</u>	<u>\$ 209,701</u>	<u>\$ 25,461,723</u>	<u>\$ -</u>
NET ASSETS						
Invested in capital assets, net of related debt	\$ 7,840,676	\$ 6,853,962	\$ 2,307,483	\$ 903,833	\$ 17,905,954	\$ -
Restricted for:						
Debt service	1,278,253	781,716	-	-	2,059,969	-
Unrestricted	<u>3,447,124</u>	<u>1,163,057</u>	<u>4,092,190</u>	<u>219,149</u>	<u>8,921,520</u>	<u>821,146</u>
Total net assets	<u>\$ 12,566,053</u>	<u>\$ 8,798,735</u>	<u>\$ 6,399,673</u>	<u>\$ 1,122,982</u>	<u>\$ 28,887,443</u>	<u>\$ 821,146</u>

See notes to the financial statements.

City of Columbus, Nebraska
 Statements of Revenues, Expenses, and Changes in Net Assets - Accrual Basis
 Proprietary Funds
 September 30, 2011

	Business-type Activities				Total Enterprise Funds	Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Solid Waste		
Operating revenues:						
Charges for services	\$ 2,777,213	\$ 3,291,007	\$ -	\$ 1,327,292	\$ 7,395,512	\$ 2,314,458
Franchise fees	-	-	2,857,473	-	2,857,473	-
Permits and fees	63,379	28,055	-	2,570	94,004	-
Sales tax	134,266	205,043	-	-	339,309	-
Operating grants	369,040	40,602	-	124,968	534,610	-
Miscellaneous	173,088	17,616	-	88,496	279,200	-
Total operating revenues	\$ 3,516,986	\$ 3,582,323	\$ 2,857,473	\$ 1,543,326	\$ 11,500,108	\$ 2,314,458
Operating expenses:						
Personal services	\$ 643,747	\$ 936,290	\$ -	\$ 427,286	\$ 2,007,323	\$ -
Insurance	20,726	39,349	-	7,749	67,824	-
Supplies	252,954	167,949	-	111,438	532,341	-
Professional services	9,802	10,419	-	2,155	22,376	2,073,407
Repairs and maintenance	285,704	178,718	-	47,402	511,824	-
Heat, light and power, phone	256,458	361,660	-	9,242	627,360	-
Landfill disposal	-	-	-	546,943	546,943	-
Sales tax remitted	136,148	204,738	-	-	340,886	-
Other operating expense	22,666	16,304	-	7,940	46,910	-
Depreciation and amortization expense	755,953	708,626	152,980	119,310	1,736,869	-
Total operating expenses	\$ 2,384,158	\$ 2,624,053	\$ 152,980	\$ 1,279,465	\$ 6,440,656	\$ 2,073,407
Operating income	\$ 1,132,828	\$ 958,270	\$ 2,704,493	\$ 263,861	\$ 5,059,452	\$ 241,051
Nonoperating revenues (expenses)						
Interest expense	\$ (422,247)	\$ (432,747)	\$ -	\$ -	\$ (854,994)	\$ -
Investment earnings	43,356	21,570	40,864	1,591	107,381	8,441
Gain (loss) on disposal of assets	1,314	1,149	-	258	2,721	-
Total nonoperating revenues (expenses)	\$ (377,577)	\$ (410,028)	\$ 40,864	\$ 1,849	\$ (744,892)	\$ 8,441
Income before operating transfers	\$ 755,251	\$ 548,242	\$ 2,745,357	\$ 265,710	\$ 4,314,560	\$ 249,492
Operating transfers:						
Operating transfers in	\$ 101,709	\$ 55,767	\$ -	\$ -	\$ 157,476	\$ -
Operating transfers out	(125,000)	(125,000)	(2,650,000)	(47,000)	(2,947,000)	-
Total operating transfers	\$ (23,291)	\$ (69,233)	\$ (2,650,000)	\$ (47,000)	\$ (2,789,524)	\$ -
Change in net assets	\$ 731,960	\$ 479,009	\$ 95,357	\$ 218,710	\$ 1,525,036	\$ 249,492
Total net assets - beginning	11,834,093	8,319,726	6,304,316	904,272	27,362,407	571,654
Total net assets - ending	\$ 12,566,053	\$ 8,798,735	\$ 6,399,673	\$ 1,122,982	\$ 28,887,443	\$ 821,146

See notes to the financial statements.

City of Columbus, Nebraska
 Statements of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2011

	Business-type Activities				Total Enterprise Total	Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Solid Waste		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 3,599,321	\$ 3,559,628	\$ 2,814,983	\$ 1,580,293	\$ 11,554,225	\$ 2,314,458
Payments to suppliers	(1,609,068)	(1,166,012)	-	(646,389)	(3,421,469)	(2,322,899)
Payments to employees	(659,726)	(972,039)	-	(437,843)	(2,069,608)	-
Net cash provided (used) by operating activities	<u>\$ 1,330,527</u>	<u>\$ 1,421,577</u>	<u>\$ 2,814,983</u>	<u>\$ 496,061</u>	<u>\$ 6,063,148</u>	<u>\$ (8,441)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer from (to) other funds (net)	\$ (23,291)	\$ (69,233)	\$ (2,650,000)	\$ (47,000)	\$ (2,789,524)	\$ -
Net cash provided (used) by noncapital financing activities	<u>\$ (23,291)</u>	<u>\$ (69,233)</u>	<u>\$ (2,650,000)</u>	<u>\$ (47,000)</u>	<u>\$ (2,789,524)</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets, net of disposals	\$ (1,894,642)	\$ (2,237,911)	\$ -	\$ (165,106)	\$ (4,297,659)	\$ -
Bond proceeds	1,580,000	8,235,000	-	-	9,815,000	-
Bond payments	(547,561)	(8,527,439)	-	-	(9,075,000)	-
Interest payments	(414,105)	(461,974)	-	-	(876,079)	-
Net cash provided (used) by capital and related financing activities	<u>\$ (1,276,308)</u>	<u>\$ (2,992,324)</u>	<u>\$ -</u>	<u>\$ (165,106)</u>	<u>\$ (4,433,738)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends received	\$ 43,356	\$ 21,570	\$ 40,864	\$ 1,591	\$ 107,381	\$ 8,441
Net cash provided (used) by investing activities	<u>\$ 43,356</u>	<u>\$ 21,570</u>	<u>\$ 40,864</u>	<u>\$ 1,591</u>	<u>\$ 107,381</u>	<u>\$ 8,441</u>
Net (decrease) increase in cash and cash equivalents	\$ 74,284	\$ (1,618,410)	\$ 205,847	\$ 285,546	\$ (1,052,733)	\$ -
Beginning 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>
Ending cash and cash equivalents	<u>\$ 3,852,021</u>	<u>\$ 1,102,426</u>	<u>\$ 3,143,626</u>	<u>\$ 339,499</u>	<u>\$ 8,437,572</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income	\$ 1,132,828	\$ 958,270	\$ 2,704,493	\$ 263,861	\$ 5,059,452	\$ 241,051
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	734,796	671,182	152,980	119,310	1,678,268	-
Amortization expense	21,157	37,444	-	-	58,601	-
Change in assets and liabilities:						
Receivables	(57,809)	(31,094)	-	(10,491)	(99,394)	-
Inventory and other assets	32,944	(223,411)	(42,490)	47,458	(185,499)	-
Accounts and other payables	(517,410)	44,935	-	86,480	(385,995)	(249,492)
Accrued expenses	(15,979)	(35,749)	-	(10,557)	(62,285)	-
Net cash provided (used) by operating activities	<u>\$ 1,330,527</u>	<u>\$ 1,421,577</u>	<u>\$ 2,814,983</u>	<u>\$ 496,061</u>	<u>\$ 6,063,148</u>	<u>\$ (8,441)</u>

See notes to the financial statements.

City of Columbus, Nebraska
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
September 30, 2011

	Pension Trust Funds	Agency Funds
ASSETS		
Cash	\$ 135	\$ -
Investments	77,033	-
Total assets	\$ 77,168	\$ -
LIABILITIES		
Accounts payable	\$ -	\$ -
NET ASSETS		
Held in trust for pension benefits	\$ 77,168	\$ -

See 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, 2011

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Additions		
Interest Income	\$ 852	\$ -
Collections for agency funds	<u>-</u>	<u>14,193</u>
Subtotal	<u>\$ 852</u>	<u>\$ 14,193</u>
Deductions		
Public Safety	<u>\$ 55,066</u>	<u>\$ -</u>
Other Financing Sources (Uses)		
Paid to agency fund	\$ -	\$ (14,193)
Transfers from other funds	<u>65,550</u>	<u>-</u>
Subtotal	<u>\$ 65,550</u>	<u>\$ (14,193)</u>
Change in Net Assets	\$ 11,336	\$ -
Net Assets - Beginning of year	<u>65,832</u>	<u>-</u>
Net Assets - End of year	<u>\$ 77,168</u>	<u>\$ -</u>

See 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 reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board Statements. These criteria state that the financial reporting entity consist of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these criteria, the Gerrard Park Trust, the Library Endowment Fund, and the Library Foundation should be included in the financial statements of the City. These entities are considered blended component units of the City and are reported as if they were a part of the primary government.

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 activities) 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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 governmental activities 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*.

In the Government-wide financial statements, 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.

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

Note 1. Summary of Significant Accounting Policies (continued)

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 cash is received by the City.

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 17, 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 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.

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

Note 1. Summary of Significant Accounting Policies (continued)

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.

Amounts reported as *program revenues* include (a) charges to customers or applicants for goods, services, or privileges provided, (b) operating grants and contributions, and (c) 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 principal 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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Note 1. Summary of Significant Accounting Policies (continued)

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.

Property, plant, and equipment of the primary government, as well as the component units, are 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

Deposits and Investments

For purposes of the Statement of Cash Flows, the City considers all highly liquid debt instruments, instruments with a maturity of one year or less, purchased to be cash equivalents. Investments for the City, as well as for component units, are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

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

Note 1. Summary of Significant Accounting Policies (continued)

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.

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, 2011, are shown netted against the respective accounts receivable balances for the proprietary funds.

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

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

Fund Equity

The City implemented the provisions of Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," of the Governmental Accounting Standards Board as of October 1, 2010. In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either (a) not in spendable form (such as inventory); or (b) legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the government imposes upon itself at its highest level of decision-making and that remain binding unless removed in the same manner.

Assigned – resources neither restricted nor committed for which a government has a stated intended use as established by the City Council or a body or official to which the City Council has delegated the authority to assign amounts for specific purposes.

Unassigned – resources which cannot be properly classified as one of the other four categories. The *General fund* should be the only fund that reports a positive unassigned fund balance amount.

The City does not have a formal minimum fund balance policy.

Note 2. **County Treasurer Fund**

At September 30, 2011, the cash fund balance of the County Treasurer funds has been allocated to the *General, Special Revenue, Capital Projects* and *Debt Service funds* of the City; therefore, a separate County Treasurer's fund is not presented as an individual fund of the City.

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

Note 3. Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. In the fund financial statements, governmental fund types recognize only the current portion of long-term debt.

Bond Anticipation Notes Payable

During the fiscal year ended September 30, 2011, Bond Anticipation Notes in the amount of \$275,000 were issued on June 6, 2011, as interim financing for constructing improvements. Bond Anticipation Notes in the amount of \$895,000 were paid off on June 1, 2011. The outstanding notes bear interest from 1.3 – 2.0%. The outstanding balance as of September 30, 2011, was \$1,065,000.

General Obligation Bonds

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

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

On January 1, 2002, the City issued General Obligation Refunding Bonds in the amount of \$1,650,000. Principal and interest payments began June 15, 2002 and the issue bears interest from 2.10 to 4.50%. Final payment in the amount of \$50,000 was made on June 15, 2011.

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 in the amount of \$1,415,000 was made on June 15, 2011.

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 in the amount of \$325,000 was made on June 1, 2011.

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

Note 3. Long-Term Liabilities (continued)

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, 2011, is \$2,325,000.

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, 2011, is \$425,000.

On August 6, 2009, the City issued General Obligation Refunding Bonds in the amount of \$1,070,000. The issue bears interest from 1.40 to 4.00%. Final payment is due on October 15, 2019. The outstanding balance at September 30, 2011, is \$975,000.

On June 1, 2011, the City issued Various Purpose Bonds in the amount of \$840,000. The issue bears interest from 0.85 to 3.45%. Final payment is due on November 15, 2021. The outstanding balance as of September 30, 2011, is \$840,000.

The schedule of bond redemptions is as follows:

	General Obligation Bonds		Bond Anticipation Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 685,000	\$ 128,700	\$ 790,000	\$ 19,325	\$ 1,475,000	\$ 148,025
2013	820,000	109,716	-	3,575	820,000	113,291
2014	855,000	86,851	275,000	3,575	1,130,000	90,426
2015	860,000	61,073	-	-	860,000	61,073
2016	205,000	44,668	-	-	205,000	44,668
2017-2021	965,000	120,350	-	-	965,000	120,350
2022-2023	175,000	8,044	-	-	175,000	8,044
	<u>\$ 4,565,000</u>	<u>\$ 559,402</u>	<u>\$ 1,065,000</u>	<u>\$ 26,475</u>	<u>\$ 5,630,000</u>	<u>\$ 585,877</u>

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

Note 3. **Long-Term Liabilities (continued)**

Total bonds outstanding are as follows:

	General Obligation Bonds	Bond Anticipation Notes	Total
Bonds outstanding, October 1	\$ 6,175,000	\$ 1,685,000	\$ 7,860,000
Bonds paid	(2,450,000)	(895,000)	(3,345,000)
Bonds issued	<u>840,000</u>	<u>275,000</u>	<u>1,115,000</u>
Bonds outstanding, September 30	<u>\$ 4,565,000</u>	<u>\$ 1,065,000</u>	<u>\$ 5,630,000</u>
Amount due within one year	<u>\$ 685,000</u>	<u>\$ 790,000</u>	<u>\$ 1,475,000</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 was made on December 3, 2010.

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, 2011, is \$4,635,000.

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, 2011, is \$3,790,000.

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, 2011, 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, 2011, is \$4,510,000.

On December 3, 2010, the City issued Combined Revenue and Refunding Bonds in the amount of \$8,235,000. The issue bears interest from 0.65 to 3.38%. Final payment is due on December 15, 2023. The outstanding balance at September 30, 2011, is \$8,235,000.

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

Note 3. Long-Term Liabilities (continued)

On June 6, 2011, the City issued Combined Revenue Bonds in the amount of \$1,580,000. The issue bears interest from 1.45 to 3.80%. Final payment is due on December 15, 2026. The outstanding balance at September 30, 2011, is \$1,580,000.

The schedule of bond redemptions is as follows:

	Total	
	Principal	Interest
2012	\$ 1,135,000	\$ 851,739
2013	1,225,000	819,871
2014	1,260,000	781,266
2015	1,305,000	740,611
2016	1,450,000	697,084
2017-2021	7,945,000	2,741,027
2022-2026	7,265,000	1,422,936
2027-2030	2,965,000	289,385
	\$ 24,550,000	\$ 8,343,919

Total bonds outstanding:

Bonds outstanding, October 1	\$ 23,810,000
Bonds paid	(9,075,000)
Bonds issued	9,815,000
Bonds outstanding, September 30	\$ 24,550,000
Amount due within one year	\$ 1,135,000

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, 2011, are as follows:

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

Note 4. Bond Issue Costs (continued)

	Amortization Expense	Unamortized Balance
2004 Subordinate Combined Revenue Bonds	\$ 6,291	\$ 72,348
2005 Combined Revenue and Refunding Bonds	15,872	156,471
2007 Combined Revenue Bonds	3,404	53,320
2010 Combined Revenue Bonds	3,877	72,699
2011 Combined Revenue Bonds	605	27,207
2011 Combined Revenue and Refunding Bonds	<u>28,552</u>	<u>372,537</u>
Total	<u>\$ 58,601</u>	<u>\$ 754,582</u>

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

Note 5. Receivables

Receivables as of September 30, 2011, for the City's individual major funds, non-major funds, internal service funds and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	Accounts	Notes	Special Assessments	Inter- Governmental	Gross Receivables	Allowance for Uncollectibles	Net Total Receivables
General	\$ 409,145	\$ -	\$ -	\$ -	\$ 409,145	\$ -	\$ 409,145
Street	8,242	-	-	-	8,242	-	8,242
Airport	2,332	-	-	-	2,332	-	2,332
E-911	7,306	-	-	-	7,306	-	7,306
Housing Rehabilitation	-	335,954	-	-	335,954	-	335,954
Economic Development	3,851	96,757	-	-	100,608	-	100,608
Progress and Jobs Growth	-	150,000	-	-	150,000	-	150,000
Debt Service	-	-	795,697	-	795,697	-	795,697
Sewer	327,688	-	-	-	327,688	1,200	326,488
Water	328,150	-	-	120,000	448,150	1,800	446,350
Solid Waste	75,443	-	-	-	75,443	-	75,443
	<u>\$ 1,162,157</u>	<u>\$ 582,711</u>	<u>\$ 795,697</u>	<u>\$ 120,000</u>	<u>\$ 2,660,565</u>	<u>\$ 3,000</u>	<u>\$ 2,657,565</u>

The City has the following notes receivable outstanding as of September 30, 2011, under the Community Development Block Grant program administered by the City:

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

Note 5. Receivables (continued)

	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	\$ 37,547
1999 Flexcon	9/1/1999	8/1/2014	\$ 250,000	4.00%	\$ 1,846	59,210
Total						<u>\$ 96,757</u>

On February 16, 2011, the City loaned Maine Plastics \$150,000 for equipment purchases to support the recycling venture in Columbus. The loan carries no interest and payments are due annually on December 31, with the final payment due December 31, 2015. The outstanding balance at September 30, 2011, is \$150,000.

During the year ended September 30, 2011, the City recorded various down-payment assistance loans issued in prior years. The loans are second mortgages on the houses and will be repaid after the first mortgage is paid in full. The outstanding balance at September 30, 2011, is \$335,954.

Note 6. Property Tax Revenues

For the fiscal year ended September 30, 2011, 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 2010 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 \$1,185,213,729 in August of 2010.

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

Note 6. Property Tax Revenues (continued)

The City, through the budget process, requested a total of \$3,861,782 in property taxes. Based on the August of 2010 valuation previously mentioned, the tax levy for the City of Columbus was established at \$0.326 per \$100 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.

The fire and police pension plans are mandatory under Nebraska State Statutes. Fire personnel contribute six and one-half percent of base salary, and police personnel contribute six percent of gross wages. Currently, the City is required to provide matching funds of thirteen percent for fire pensions and six percent for police pensions. The City may make a levy, in addition to the normal allowable levy, to provide the necessary amounts to pay such pensions. Fire personnel are vested forty percent after four years and twenty percent each year thereafter. Police personnel are vested forty percent after four years and ten percent each year thereafter.

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

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

Note 7. Pension and Retirement Plans (continued)

The cost to the City for the money purchase pension plans administered by others for the fiscal year ended September 30, 2011, is as follows:

Fire	\$ 86,941
Police	127,039
All others	<u>283,816</u>
Total	<u>\$ 497,796</u>

Total wages paid by the City for the year ended September 30, 2011, are \$8,721,894.

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, 2011, are \$22,482 for the fire plan and \$32,584 for the police plan.

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.

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

Note 7. Pension and Retirement Plans (continued)

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	\$ -

Note 8. Deposits and Investments

At year-end, the City's carrying amount of bank deposits was \$23,511,082 and the bank balance was \$21,730,507. The component units' carrying amount of bank deposits was \$1,323,194 and bank balance was \$1,325,006. 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. A portion of the primary government's and the component units' cash balances are held in an investment account and not at a financial institution.

Interest rate risk – The City's investment policy for operating funds is for maturities not to exceed three years with no investment made that will make the weighted average of the portfolio exceed one year.

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

Note 8. Deposits and Investments (continued)

Credit risk – The City’s investment policies regarding credit risk are governed by state statutes as described below. The City’s primary government investments at September 30, 2011, consisted of general obligation bonds of Platte County, Nebraska.

Concentration of credit risk – The City’s investment policy places no limits on the amounts that may be invested in any one issuer.

Custodial credit risk – deposits – Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City’s deposits may not be returned to it. The City’s policy regarding custodial credit risk is determined by state statute as described below. As of September 30, 2011, all deposits were covered by federal depository insurance or collateralized with securities held by the pledging financial institution’s trust department or agent (in most cases Federal Reserve banks) in the City’s name.

Custodial credit risk – investments – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City’s policy regarding custodial credit risk is determined by state statute as described below. As of September 30, 2011, the primary government’s only investments included general obligation bonds of Platte County, Nebraska, held by the City’s agent in the City’s name.

None of the City’s deposits in excess of the amount insured by the Federal Deposit Insurance Corporation shall be allowed to accumulate in any financial institution unless (a) the financial institution gives a surety bond, (b) the financial institution provides the City with securities as collateral on the excess funds or (c) the financial institution issues a joint custody receipt to the benefit of the City where a third party financial institution actually holds the security.

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

- (a) U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value

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

Note 8. Deposits and Investments (continued)

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

Note 9. Tax Increment Financing

The City has entered into the Village Addition Shopping Center Redevelopment Agreement (the Redevelopment Agreement) with Dial Columbus, L.L.C. In accordance with the Redevelopment Agreement, the City, as the Community Redevelopment Authority, issued \$2,600,000 of Village Addition Shopping Center Redevelopment Project Tax Allocation Bonds, dated November 15, 2002. Additional bonds in the amount of \$750,000 were issued and dated March 9, 2007. These bonds shall be payable solely from the tax increment revenues and other funding as provided.

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

The bonds shall not, in any event, be a debt of the City, except to the extent of the pledge of the tax increment revenue for the payment of the principal and interest on the bonds. Therefore, no liability relating to the bonds is shown in the financial statements.

Note 10. Major Customers

The City received approximately 15% of the total water revenues and approximately 23% of total sewer revenues from one major customer in the year ended September 30, 2011.

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

Note 11. 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, 2011, 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.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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 12. 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.

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

Note 13. Deficit Fund Equity

The Capital Projects fund had a deficit balance of \$638,793. This fund balance deficit is expected to be covered by future fund revenues or transfers from other funds.

Note 14. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City pays an annual premium to Employers Mutual Casualty Company for its general liability, linebacker, property, umbrella, crime, inland marine, automobile, law enforcement, and workers compensation insurance coverage. The policy limits of coverage by Employers Mutual Casualty Company are \$2,000,000 general aggregate and \$4,000,000 excess liability.

Note 15. Interfund Loans and Transfers

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 \$124,900.

In 2008, the Water fund loaned \$116,770 to the Solid Waste fund for the purchase of certain equipment. The amount was paid off in December 2010.

In 2011, the Water fund loaned \$120,000 to the Solid Waste fund for the purchase of certain equipment. The amount is to be repaid in three annual installments of \$40,000 beginning December 1, 2011, without interest.

A summary of interfund loans is as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Special Revenue Fund	\$ -	\$ 1,827,888
Water Fund	1,947,888	-
Solid Waste Fund	-	120,000
Total	<u>\$ 1,947,888</u>	<u>\$ 1,947,888</u>

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

Note 15. Interfund Loans and Transfers (continued)

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

Transfer In	Transfer Out							Subtotal
	General			Fiduciary		Special Revenue		
	General Fund	Senior Center	Platte Co Library	Library Endow.	Gerrard Park Trust	Sales Tax	Keno	
General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,594)	\$ -	\$ (4,594)
Mini-Bus	-	500	-	-	-	-	-	500
Library	-	-	44,000	-	-	-	-	44,000
Park	-	-	-	-	4,244	-	358,000	362,244
Street	340,000	-	-	-	-	-	-	340,000
Engineering	-	-	-	-	-	35,000	-	35,000
Airport	140,000	-	-	-	-	-	-	140,000
Library Foundation	-	-	-	6,000	-	-	-	6,000
Capital Projects	-	-	-	-	-	394,921	-	394,921
Debt Service	-	-	-	-	-	620,423	-	620,423
Water	-	-	-	-	-	-	-	-
Sewer	-	-	-	-	-	-	-	-
Police Pension	43,550	-	-	-	-	-	-	43,550
Fire Pension	22,000	-	-	-	-	-	-	22,000
	<u>\$ 545,550</u>	<u>\$ 500</u>	<u>\$ 44,000</u>	<u>\$ 6,000</u>	<u>\$ 4,244</u>	<u>\$ 1,045,750</u>	<u>\$ 358,000</u>	<u>\$ 2,004,044</u>

Transfer In	Transfer Out						Subtotal	Total
	Capital Projects	Debt Service	Water	Sewer	Electric	Solid Waste		
General	\$ 1,141	\$ -	\$ 115,000	\$ 115,000	\$ 2,650,000	\$ 47,000	\$ 2,928,141	\$ 2,923,547
Mini-Bus	-	-	-	-	-	-	-	500
Library	-	-	-	-	-	-	-	44,000
Park	-	-	-	-	-	-	-	362,244
Street	-	-	-	-	-	-	-	340,000
Engineering	-	-	10,000	10,000	-	-	20,000	55,000
Airport	-	-	-	-	-	-	-	140,000
Library Foundation	-	-	-	-	-	-	-	6,000
Capital Projects	-	270,402	-	-	-	-	270,402	665,323
Debt Service	-	199,000	-	-	-	-	199,000	819,423
Water	101,709	-	-	-	-	-	101,709	101,709
Sewer	55,767	-	-	-	-	-	55,767	55,767
Police Pension	-	-	-	-	-	-	-	43,550
Fire Pension	-	-	-	-	-	-	-	22,000
	<u>\$ 158,617</u>	<u>\$ 469,402</u>	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ 2,650,000</u>	<u>\$ 47,000</u>	<u>\$ 3,575,019</u>	<u>\$ 5,579,063</u>

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

Note 16. Capital assets

Capital asset activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets:				
Land	\$ 280,524	\$ -	\$ -	\$ 280,524
Construction in Progress	23,316,017	1,831,955	(21,583,863)	3,564,109
Land Improvements and Buildings	11,879,928	185,646	(13,099)	12,052,475
Improvements	72,136,009	23,007,731	(1,480)	95,142,260
Equipment	7,164,406	688,123	(277,882)	7,574,647
Vehicles	4,720,191	1,436,587	(180,577)	5,976,201
Total capital assets	<u>\$ 119,497,075</u>	<u>\$ 27,150,042</u>	<u>\$ (22,056,901)</u>	<u>\$ 124,590,216</u>
Less accumulated depreciation	<u>\$ (31,823,624)</u>	<u>\$ (3,777,841)</u>	<u>\$ 465,821</u>	<u>\$ (35,135,644)</u>
Governmental activities capital assets, net	<u>\$ 87,673,451</u>	<u>\$ 23,372,201</u>	<u>\$ (21,591,080)</u>	<u>\$ 89,454,572</u>
Business-type activities:				
Capital assets:				
Land	\$ 391,161	\$ -	\$ -	\$ 391,161
Construction in Progress	2,761,068	3,601,710	(781,843)	5,580,935
Land Improvements and Buildings	19,284,907	459,804	-	19,744,711
Improvements	33,492,817	720,948	-	34,213,765
Equipment	7,453,518	299,763	(29,684)	7,723,597
Total capital assets	<u>\$ 63,383,471</u>	<u>\$ 5,082,225</u>	<u>\$ (811,527)</u>	<u>\$ 67,654,169</u>
Less accumulated depreciation	<u>\$ (23,549,631)</u>	<u>\$ (1,678,268)</u>	<u>\$ 29,684</u>	<u>\$ (25,198,215)</u>
Business-type activities capital assets, net	<u>\$ 39,833,840</u>	<u>\$ 3,403,957</u>	<u>\$ (781,843)</u>	<u>\$ 42,455,954</u>

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

Governmental activities	\$ 3,777,841
Business-type activities	<u>1,678,268</u>
Total depreciation	<u>\$ 5,456,109</u>

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

Note 17. 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. Effective July 1, 2011, the one-half percent is allocated to paying the principal and interest on an amount not to exceed \$5,350,000 for public facility improvements and for operating deficits at 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)	Public Facility Improve
1.0%	Apr 1995-Mar 1999	50.0%	12.5%	25.0%	12.5%				
1.0%	Apr 1999-Mar 2003		50.0%	25.0%	25.0%				
1.0%	Apr 2003-Mar 2008		50.0%	25.0%	25.0%				
1.0%	Apr 2008-Mar 2011				90.0%			10%, not to exceed \$300,000 annually	
0.5%	Apr 2001-Mar 2003					100.0%			
0.5%	Apr 2005-Bonds are Retired						100.0%		
0.5%	July 2011-Bonds are Retired								100.0%

Note 18. Subsequent Events

Upon evaluation, management notes that there were no material subsequent events between the date of the financial statements and the date that the financial statements were issued or available to be issued.

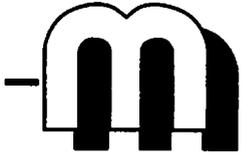
**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS**

Note 19. Fund Balances

As of September 30, 2011, governmental fund balances are classified as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Other Funds	Total
Fund balances:						
Nonspendable:						
Library Endowment	\$ -	\$ -	\$ -	\$ -	\$ 1,130,365	\$ 1,130,365
Gerard Park Trust	-	-	-	-	135,156	135,156
Total nonspendable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,265,521</u>	<u>\$ 1,265,521</u>
Restricted for:						
Cemetery	\$ 36,362	\$ -	\$ -	\$ -	\$ -	\$ 36,362
Streets	-	533,709	-	-	-	533,709
Airport	-	(125,882)	-	-	-	(125,882)
Capital Improvements	-	3,527,726	-	-	-	3,527,726
Public Safety	-	30,861	-	-	-	30,861
Housing	-	21,845	-	-	-	21,845
Economic Development	-	1,181,557	-	-	-	1,181,557
Debt Service	-	-	-	492,015	-	492,015
Library	-	-	-	-	57,673	57,673
Total restricted	<u>\$ 36,362</u>	<u>\$ 5,169,816</u>	<u>\$ -</u>	<u>\$ 492,015</u>	<u>\$ 57,673</u>	<u>\$ 5,755,866</u>
Committed to:						
Public Safety	\$ -	\$ 23,169	\$ -	\$ -	\$ -	\$ 23,169
Parks	-	675,717	-	-	-	675,717
Total committed	<u>\$ -</u>	<u>\$ 698,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 698,886</u>
Assigned to:						
Library	\$ (24,218)	\$ -	\$ -	\$ -	\$ -	\$ (24,218)
Total assigned	<u>\$ (24,218)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (24,218)</u>
Unassigned:	<u>\$ 5,899,394</u>	<u>\$ -</u>	<u>\$ (638,793)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,260,601</u>
Total fund balances (deficit)	<u>\$ 5,911,538</u>	<u>\$ 5,868,702</u>	<u>\$ (638,793)</u>	<u>\$ 492,015</u>	<u>\$ 1,323,194</u>	<u>\$ 12,956,656</u>

When an expenditure is incurred for which both restricted and unrestricted funds balance is available, the City considers restricted funds to have been spent first. Similarly, committed funds are considered to have been spent first when there is a choice for the use of less restricted funds, then assigned and then unassigned funds.



**INDEPENDENT AUDITORS' REPORT ON THE
SUPPLEMENTARY INFORMATION**

The Honorable Mayor and City Council
City of Columbus, Nebraska

Our report on our audit of the financial statements of the City of Columbus, Nebraska, appears on pages 1 and 2. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The additional information on pages 43 through 51 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying budgetary comparison information on pages 43 through 46 is presented for purposes of additional analysis as required by the Governmental Accounting Standards Board, and is not a required part of the basic financial statements. The schedule of county treasurer activity on page 47 is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have applied certain limited procedures to this information. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The accompanying schedule of expenditures of federal awards on pages 49 and 50 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. Such information has been subjected to the auditing procedures applied in this audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

McDERMOTT AND MILLER, P.C.

Kearney, Nebraska
March 7, 2012

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City of Columbus, Nebraska
Schedule of Receipts, Disbursements, and Changes in Fund Balance - Budget to Actual
Cash Basis
General Fund
For the Year Ended September 30, 2011

	Budget Original and Final	Actual	Variance with Budget- Positive (Negative)
RECEIPTS			
Property taxes	\$ 3,533,252	\$ 3,629,140	\$ 95,888
Motor vehicle tax	400,000	413,973	13,973
In lieu	150,000	192,909	42,909
Franchise fees	800,000	820,771	20,771
State shared revenue	153,000	152,917	(83)
Sales tax	2,491,130	1,584,875	(906,255)
Grants	1,131,000	260,615	(870,385)
Fees, permits and licenses	255,865	260,258	4,393
Other local revenues	6,141,540	5,418,951	(722,589)
Investment income	40,700	68,404	27,704
Total receipts	<u>\$ 15,096,487</u>	<u>\$ 12,802,813</u>	<u>\$ (2,293,674)</u>
DISBURSEMENTS			
General government	\$ 2,203,650	\$ 1,841,516	\$ 362,134
Public safety	7,061,420	5,390,361	1,671,059
Public health	342,545	318,075	24,470
Culture and recreation	5,227,990	4,600,256	627,734
Community development	186,350	188,193	(1,843)
Total disbursements	<u>\$ 15,021,955</u>	<u>\$ 12,338,401</u>	<u>\$ 2,683,554</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 74,532</u>	<u>\$ 464,412</u>	<u>\$ 389,880</u>
Uses/outflows of resources:			
Actual amounts (budgetary basis)			\$ 12,338,401
Net adjustments (accrual basis)			<u>(590,050)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 11).			<u>\$ 11,748,351</u>

See notes to the financial statements.

City of Columbus, Nebraska
Schedule of Receipts, Disbursements, and Changes in Fund Balance - Budget to Actual
Cash Basis
Special Revenue Fund
For the Year Ended September 30, 2011

	Budget Original and Final	Actual	Variance with Budget- Positive (Negative)
RECEIPTS			
Property taxes	\$ 60,900	\$ 69,065	\$ 8,165
Sales tax	853,525	2,738,066	1,884,541
Grants	1,940,100	660,032	(1,280,068)
Fees, permits and licenses	2,440,600	2,636,554	195,954
Other local revenues	654,150	674,744	20,594
Investment income	<u>47,200</u>	<u>66,885</u>	<u>19,685</u>
Total receipts	<u>\$ 5,996,475</u>	<u>\$ 6,845,346</u>	<u>\$ 848,871</u>
DISBURSEMENTS			
Public safety	\$ 249,260	\$ 195,459	\$ 53,801
Public works	3,680,070	3,763,672	(83,602)
Community development	2,645,300	852,591	1,792,709
Sales tax	<u>1,740,500</u>	<u>1,045,750</u>	<u>694,750</u>
Total disbursements	<u>\$ 8,315,130</u>	<u>\$ 5,857,472</u>	<u>\$ 2,457,658</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (2,318,655)</u>	<u>\$ 987,874</u>	<u>\$ 3,306,529</u>
 Uses/outflows of resources:			
Actual amounts (budgetary basis)			\$ 5,857,472
Net adjustments (accrual basis)			<u>(1,403,750)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 11).			<u>\$ 4,453,722</u>

See notes to the financial statements.

City of Columbus, Nebraska
Schedule of Receipts, Disbursements, and Changes in Fund Balance - Budget to Actual
Cash Basis
Capital Projects
For the Year Ended September 30, 2011

	Budget Original and Final	Actual	Variance with Budget- Positive (Negative)
RECEIPTS			
Property taxes	\$ 433,060	\$ 482,638	\$ 49,578
Sales tax	805,000	610,063	(194,937)
Grants	2,735,000	2,289,631	(445,369)
Other local revenues	5,036,300	1,585,323	(3,450,977)
Investment income	1,000	1,167	167
Total receipts	<u>\$ 9,010,360</u>	<u>\$ 4,968,822</u>	<u>\$ (4,041,538)</u>
DISBURSEMENTS			
Capital outlay	\$ 8,859,060	\$ 4,892,645	\$ 3,966,415
Total disbursements	<u>\$ 8,859,060</u>	<u>\$ 4,892,645</u>	<u>\$ 3,966,415</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 151,300</u>	<u>\$ 76,177</u>	<u>\$ (75,123)</u>
 Uses/outflows of resources:			
Actual amounts (budgetary basis)			\$ 4,892,645
Net adjustments (accrual basis)			<u>(263,615)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 11).			<u>\$ 4,629,030</u>

See notes to the financial statements.

City of Columbus, Nebraska
Schedule of Receipts, Disbursements, and Changes in Fund Balance - Budget to Actual
Cash Basis
Debt Service Fund
For the Year Ended September 30, 2011

	Budget Original and Final	Actual	Variance with Final Budget- Positive (Negative)
RECEIPTS			
Property taxes	\$ 180,800	\$ 185,796	\$ 4,996
In lieu	8,200	9,718	1,518
Sales tax	1,041,540	524,813	(516,727)
Fees, permits and licenses	134,400	205,446	71,046
Other local revenues	873,500	1,014,423	140,923
Investment income	25,000	31,424	6,424
Total receipts	<u>\$ 2,263,440</u>	<u>\$ 1,971,620</u>	<u>\$ (291,820)</u>
DISBURSEMENTS			
Debt service	\$ 2,655,770	\$ 3,102,108	\$ (446,338)
Total disbursements	<u>\$ 2,655,770</u>	<u>\$ 3,102,108</u>	<u>\$ (446,338)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (392,330)</u>	<u>\$ (1,130,488)</u>	<u>\$ (738,158)</u>
Uses/outflows of resources:			
Actual amounts (budgetary basis)			\$ 3,102,108
Net adjustments (accrual basis)			<u>(1,364,401)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 11).			<u>\$ 1,737,707</u>

See notes to the financial statements.

**City of Columbus, Nebraska
Schedule of County Treasurer Activity
September 30, 2011**

	General Levy	Bond Levy	Community Redevelopment Authority	Airport	Total
CASH BALANCE (DEFICIT), October 1, 2010	\$ 852,640	\$ 42,281	\$ 194,384	\$ (14)	\$ 1,089,291
REVENUES COLLECTED					
Property taxes	\$ 3,361,047	\$ 171,304	\$ 462,231	\$ 34	\$ 3,994,616
Motor vehicle taxes	413,973	-	-	-	413,973
Motor vehicle prorated	12,022	615	-	-	12,637
In lieu of tax	192,909	9,718	-	-	202,627
Homestead	155,578	7,927	-	-	163,505
Carline	1,102	56	-	-	1,158
Property tax credit	140,389	7,154	20,059	-	167,602
Interest	8,863	457	348	9	9,677
Total revenues collected	\$ 4,285,883	\$ 197,231	\$ 482,638	\$ 43	\$ 4,965,795
EXPENSES PAID AND TRANSFERS					
Collection fee	\$ 37,839	\$ 1,717	\$ -	\$ 1	\$ 39,557
Transfer to City Treasurer	4,320,571	199,785	510,574	28	5,030,958
Total expenses paid and transfers	\$ 4,358,410	\$ 201,502	\$ 510,574	\$ 29	\$ 5,070,515
CASH BALANCE, September 30, 2011	\$ 780,113	\$ 38,010	\$ 166,448	\$ -	\$ 984,571
ALLOCATION OF ENDING CASH BALANCE BY FUND					
General	\$ 780,113	\$ -	\$ -	\$ -	\$ 780,113
Capital Projects	-	-	166,448	-	166,448
Debt Service	-	38,010	-	-	38,010
	\$ 780,113	\$ 38,010	\$ 166,448	\$ -	\$ 984,571

See notes to the financial statements.

CITY OF COLUMBUS, NEBRASKA
NOTES TO SUPPLEMENTARY INFORMATION

Note 1 . **Budgetary Accounting**

Annual budgets are adopted on a basis consistent with the Nebraska Budget Act. The Nebraska Budget Act requires that the City adopt its budget on a *cash basis*. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a fund with the City Administrator's approval. Transfers of appropriations between funds require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the city level.

Encumbrances (e.g., purchase orders, contracts) outstanding at year-end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

For the year ended September 30, 2011, expenditures and other financing uses exceeded appropriations in the *Debt service* fund by \$446,338 and the *Sewer* fund by \$7,047,015. These over-expenditures were funded by greater than anticipated revenues, such as refunding bonds, available fund balances and future revenues or transfers.

CITY OF COLUMBUS, NEBRASKA

**SCHEDULE OF FEDERAL FINANCIAL AWARDS
For the Period October 1, 2010 through September 30, 2011**

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-206	\$ 140,677
Community Development Block Grant	14.228	10-ED-012	1,623
ARRA Community Development Block Grant	14.255	09-EDR-08	89,102
Subtotal			\$ 231,402 *
<u>United States Department of Justice</u>			
Bulletproof Vest Partnership	16.607	2010BUBX10054296	\$ 655
ARRA Edward Byrne Memorial Justice Assistance	16.803	2009SBB92092	13,156 *
Subtotal			\$ 13,811
Passed through the Nebraska State Patrol			
Sex Offender Investigation Grant	16.710	2008-MC-CX-K001	\$ 814
<u>United States Department of Transportation</u>			
Passed through the Nebraska Department of Aeronautics			
Airport Improvement Program	20.106	3-31-0019-07	\$ 236,147
Passed through the Nebraska Department of Roads			
Federal-Aid Highway Program	20.205	STPAA-6055(2)	\$ 37,364 *
ARRA Federal-Aid Highway Program	20.205	URB-6074(5)	2,165,040 *
NonUrbanized Area Formula Program	20.509	RPT-M711(211)	99,131
Subtotal			\$ 2,301,535
Passed through the Nebraska Department of Motor Vehicles - Office of Highway Safety			
Selective Enforcement Mini-Grant	20.205	HSIP0902	\$ 14,192 *
Selective Enforcement Mini-Grant	20.600	402-10-30	21,145
Selective Enforcement Mini-Grant	20.601	410-11-5	12,467
Subtotal			\$ 47,804

CITY OF COLUMBUS, NEBRASKA

**SCHEDULE OF FEDERAL FINANCIAL AWARDS (continued)
For the Period October 1, 2010 through September 30, 2011**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant/ Contract Number	Federal Expenditures
<u>United States Environmental Protection Agency</u>			
Superfund State, Political Subdivision, and Indian Tribe Specific Cooperative Agreements	66.802	V-98760901-1	\$ 360,578
<u>United States Department of Homeland Security</u>			
Passed through the Nebraska Emergency Management Agency			
Presidentially Declared Disasters	97.036	1878-DR-NE	\$ 47,794
<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		\$ 7,286
Title III Part C	93.045		21,643
Nutrition Program for the Elderly (Commodities)	93.053		<u>9,182</u>
Subtotal			\$ 38,111
TOTAL FEDERAL FINANCIAL AWARDS			<u>\$ 3,277,996</u>

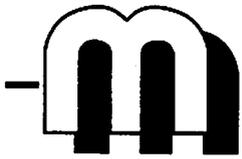
* Denotes major program

CITY OF COLUMBUS, NEBRASKA
SCHEDULE OF FEDERAL FINANCIAL AWARDS

Note 1 . 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, 2011. 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-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



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

The Honorable Mayor and City Council
City of Columbus, Nebraska

We have audited the financial statements of the City of Columbus, Nebraska, as of and for the year ended September 30, 2011, and have issued our report thereon dated March 7, 2012. 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'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Columbus's internal control over financial reporting.

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 below. However, we identified a certain deficiency in internal control over financial reporting, as described in the accompanying schedule of findings and questioned costs as item 11-1 that we consider to be a significant deficiency in 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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City of Columbus, Nebraska
Page Two

A *significant deficiency* is a deficiency, or a 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 City of Columbus'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's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

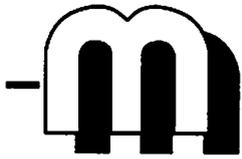
As part of obtaining reasonable assurance about whether the City of Columbus's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

This report is intended 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
March 7, 2012



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

The Honorable Mayor and City Council
City of Columbus, Nebraska

Compliance

We have audited the compliance of the City of Columbus 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, 2011. 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, management has complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. 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.

404 E. 25TH
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KEARNEY, NE 68848
PHONE 308-234-5565
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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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined below.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 11-1 to be a significant deficiency.

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

City of Columbus, Nebraska
Page Three

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

McDERMOTT AND MILLER, P.C.

McDermott & Miller PC

Kearney, Nebraska
March 7, 2012

CITY OF COLUMBUS, NEBRASKA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2011**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting

- Material weakness identified _____ Yes X No
- Significant deficiency identified X Yes _____ No

Noncompliance material to financial statements noted _____ Yes X No

Federal Awards

Internal control over major programs

- Material weakness identified _____ Yes X No
- Significant deficiency identified X Yes _____ No

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

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

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	HOME Investment Partnerships Program
14.228 & 14.255	Community Development Block Grant Cluster
16.803	ARRA Edward Byrne Memorial Justice Assistance
20.205	Federal Aid Highway Program Cluster
20.205	Selective Enforcement Mini-Grant

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

CITY OF COLUMBUS, NEBRASKA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended September 30, 2011**

I. SUMMARY OF AUDITOR'S RESULTS (continued)

Auditee qualified as low risk auditee? X Yes No

II. FINANCIAL STATEMENT FINDINGS

Finding 11-1 Lack of Segregation of Duties in One or More Areas

Criteria: Proper internal controls require that an entity has adequate segregation of duties within a significant account process.

Condition: The entity does not have adequate personnel to assign responsibilities in such a way that different employees handle different positions of a transaction.

Cause: The entity has a limited number of personnel.

Effect: An individual controlling a transaction from beginning to conclusion does not have oversight from other individuals to insure that the transaction was properly executed and recorded.

Recommendation: We would recommend that the City Council take an active part in internal controls and closely monitor all accounting functions, while seeking ways to continue to strengthen compensating controls.

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.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 11-1 Lack of Segregation of Duties in One or More Areas

See Section II above.

IV. FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2010

Finding for the year ended September 30, 2010: Lack of segregation of duties in one or more areas.

Auditee Response: We will segregate duties as we are able. Adding personnel is cost prohibitive due to budget restraints.