

CITY OF COLUMBUS, NEBRASKA

FINANCIAL REPORT

September 30, 2012

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MCDERMOTT + MILLER

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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, 2012, 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 an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the City of Columbus, prepares its governmental fund 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, as of September 30, 2012, 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.

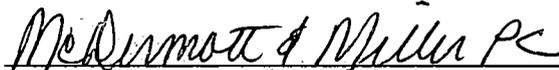
In accordance with *Government Auditing Standards*, we have issued our report dated January 21, 2013, on our consideration of City of Columbus's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing,

and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 7 and budgetary comparison information on pages 42 through 45 are presented to supplement the basic financial statements. This information is not required for Other Comprehensive Basis of Accounting financial statements, which is the basis of accounting used by the City. It is being presented as other information by the City. We have applied certain limited procedures to the other information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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 evidence sufficient to express an opinion or provide any assurance.

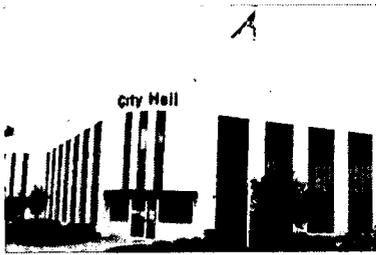
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Columbus's basic financial statements. The supplemental schedule of county treasurer activity on page 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying supplemental schedule of federal financial awards as listed on pages 48 through 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1.

McDERMOTT AND MILLER, P.C.



Kearney, Nebraska

January 21, 2013



The City of **Columbus**

FINANCE DEPARTMENT

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

Management's Discussion and Analysis September 30, 2012

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, 2012 by \$134 million.
- Capital Assets (net of depreciation and related debt) account for about 78% of this amount.
- Of the remaining net assets, \$7.8 million is restricted to capital projects and debt payments and \$21.5 million may be used to meet the government's ongoing obligation to its citizens and creditors, without restrictions.

Report Layout

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

Basic Financial Statements

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



City of Columbus, Nebraska
Management's Discussion and Analysis, Continued
September 30, 2012

- 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.
- 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, 2012 and 2011 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets				
Cash and investments	\$ 18,082,783	\$ 15,651,559	\$ 8,348,980	\$ 8,437,572
Other assets	2,469,243	1,809,284	3,788,961	3,455,640
Capital assets, net	<u>90,638,850</u>	<u>89,454,572</u>	<u>41,561,207</u>	<u>42,455,954</u>
Total assets	<u>\$111,190,876</u>	<u>\$106,915,415</u>	<u>\$53,699,148</u>	<u>\$ 54,349,166</u>
Liabilities				
Long-term liabilities	\$ 3,795,000	\$ 4,155,000	\$ 22,210,000	\$ 23,415,000
Other liabilities	<u>3,606,802</u>	<u>3,683,041</u>	<u>1,743,752</u>	<u>2,046,723</u>
Total liabilities	<u>\$ 7,401,802</u>	<u>\$ 7,838,041</u>	<u>\$ 23,953,752</u>	<u>\$ 25,461,723</u>
Net assets				
Invested in capital assets, net of related debt	\$ 85,913,850	\$ 83,824,572	\$ 18,316,207	\$ 17,905,954
Restricted	6,390,588	5,827,009	1,408,284	2,059,969
Unrestricted	<u>11,484,636</u>	<u>9,425,793</u>	<u>10,020,905</u>	<u>8,921,520</u>
Total net assets	<u>\$ 103,789,074</u>	<u>\$ 99,077,374</u>	<u>\$ 29,745,396</u>	<u>\$ 28,887,443</u>
Total liabilities and net assets	<u>\$ 111,190,876</u>	<u>\$ 106,915,415</u>	<u>\$ 53,699,148</u>	<u>\$ 54,349,166</u>

During the year ended September 30, 2012 the most significant changes were as follows:

Governmental Activities

The largest changes from 2011 were the \$1.2 million investment in capital assets and the \$360,000 decrease in long-term liabilities or debt, which is reflected in the \$2.1 million increase in the amount invested in capital assets, net of the related debt. Also, there was a \$2.4 million increase in cash and investments, which is reflected in the \$2.1 million increase in unrestricted net assets.

City of Columbus, Nebraska
Management's Discussion and Analysis, Continued
September 30, 2012

Business-type Activities

The largest changes from 2011 was the \$900,000 reduction in capital assets due to more depreciation expenses than new additions being added to capital assets and the payment of \$1.2 million toward long-term liabilities.

A condensed version of the Statement of Activities of the City for the fiscal years ended September 30, 2012 and 2011 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues				
Program revenues				
Charges for services	\$ 4,837,205	\$ 4,529,271	\$ 8,848,740	\$ 8,108,025
Operating grants and contributions	2,976,267	3,218,042	308,645	534,610
Capital grants and contributions	3,915,483	3,886,972	-0-	-0-
General revenues				
Property tax	4,014,713	3,884,001	-0-	-0-
Sales tax	5,752,360	5,457,817	-0-	-0-
Franchise tax	786,214	820,771	3,032,880	2,857,473
Other Tax	491,462	482,638	-0-	-0-
Unrestricted grants and contributions	-0-	-0-	-0-	-0-
Investment earnings	196,323	190,612	95,258	107,381
Other general revenues	-0-	-0-	-0-	-0-
Gain (loss) on sale of equipment	26,132	(7,218)	(15,380)	2,721
Transfers in (out)	<u>3,448,863</u>	<u>2,723,974</u>	<u>(3,502,963)</u>	<u>(2,789,524)</u>
Total revenues	<u>\$26,445,022</u>	<u>\$25,186,880</u>	<u>\$ 8,767,180</u>	<u>\$ 8,820,686</u>
Program expenses				
General policy and administration	\$ 1,299,220	\$ 1,290,594	\$ -0-	\$ -0-
Public safety	6,224,109	6,613,686	-0-	-0-
Public works	4,846,629	4,711,687	-0-	-0-
Environmental preservation	-0-	-0-	-0-	-0-
Parks and recreation	4,537,883	4,472,075	-0-	-0-
Community development	1,159,726	687,564	-0-	-0-
Health insurance	2,671,149	2,073,407	-0-	-0-
Debt service	994,606	675,727	-0-	-0-
Water	-0-	-0-	3,052,003	2,806,405
Sewer	-0-	-0-	3,413,346	3,056,800
Solid waste	-0-	-0-	1,290,403	1,279,465
Electric	-0-	-0-	153,475	152,980
Total expenses	<u>\$21,733,322</u>	<u>\$20,524,740</u>	<u>\$ 7,909,227</u>	<u>\$ 7,295,650</u>
Change in net assets	<u>\$ 4,711,700</u>	<u>\$ 4,662,140</u>	<u>\$ 857,953</u>	<u>\$ 1,525,036</u>

During the year ended September 30, 2012 the most significant changes were as follows:

Governmental activities

Governmental program revenues and expenses remained similar to the prior year. Most of the Change in Net Assets is from the investment in fixed assets. Charges for Services increased by \$308,000 due to planned rate changes and additional participation in activities. Operating grants and contributions decreased by \$242,000 due to the completion of projects associated with the grants in the prior year. Property tax revenue increased \$131,000 due to more property in Columbus that is being served, rather than an increase in the property tax levy rate, as the levy rate was kept the same as last year. During fiscal year 2012, the City received \$5.75 million of local option sales tax as compared to \$5.46 million for 2011 with city sales tax receipts being up 5.3%. Franchise tax decrease \$35,000 due primarily to a mild winter with less natural gas sold by Black Hills Energy. Public safety expenses decreased \$390,000 due to less equipment being purchased in 2012. Community development increased by \$472,000 due to increased economic development loan and grant activity, which is an indicator of an expanding business economy. The cost of Health Insurance increased by \$598,000 due to higher claims, as the City health plan is partially self-funded.

Business-type activities

Business-type activity revenue and expenses remained similar to the prior year. The category Charges for Services increased by \$741,000 when compared to 2011, due to the rate changes and a very hot, dry summer. A water and wastewater rate study was completed during 2008. During 2012 the recommended rate increases of 0% for water and 5% for sewer rates were implemented to provide funds for future system improvements. Capital grants decreased \$226,000 due to the completion of improvements to the Superfund plant in the prior year. The lease payment from Loup Power District increased \$175,000 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, 2012 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. When considering the net change in investment (additions, deductions, less depreciation) the City had the same amount of \$132 million invested in capital assets as of September 30, 2011.

Some of the most significant additions to capital assets for the governmental activities included \$755,000 for field turf, \$455,000 for track replacement and \$253,000 for a new scoreboard at Memorial Stadium in Pawnee Park. \$153,000 for improvements that will be specially assessed, \$230,000 for interior street improvements, and \$98,000 for design of 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 \$471,000 to acquire a house and 9.5 acres to clear the runway protection zone at the Airport and \$328,000 for the design of Loup River Levee

City of Columbus, Nebraska
Management's Discussion and Analysis, Continued
September 30, 2012

improvements. Building improvements include \$397,000 to replace the air handling system at the Aquatic Center and \$122,000 for the lease payment on the Central Maintenance Facility. Some larger additions for equipment include \$135,000 for four police vehicles, \$145,000 for Fire Department equipment with the largest item being a Smith Detection Device for \$68,000 that is used for liquid and solid detection, \$214,000 for a new ambulance, \$146,000 for library materials, \$65,000 for a backhoe for the Cemetery Department, \$132,000 for golf equipment and a nursery green at Quail Run and Van Berg golf courses, \$193,000 for a street sweeper, \$124,000 for the purchase of Lúcity software and training for the management of capital assets and work order system, \$175,000 for snow removal equipment for the Airport.

Some of the larger items for the business-type activities were \$94,000 for sanitary sewer slip lining for a grant match, \$205,000 for replacement of a bioset pump at the Wastewater Treatment Facility, \$141,000 to complete the construction of the new south water plant, \$186,000 for the 8th Street water main east of town and \$154,000 for the purchase of 10 acres and to continue the design of a new transfer station. Several multi-year projects were finalized in 2012 with the total spent to construct the south water plant being \$2.7 million and the total for the 8th Street water main was \$847,000.

Debt Outstanding

At year-end, the City had \$28 million in bonds and notes outstanding versus \$30 million last year. There was one new borrowing for governmental activities of \$570,000 and \$1.475 million of general obligation debt was retired during 2012. For the business-type activities the City issued \$5,785,000 of Combined Revenue Refunding Bonds to refinance bonds issued in 2004 and 2007 at an interest savings of \$804,000. These revenue bonds were rated AA- by Standard & Poor's, which is a very good rating for a city the size of Columbus. During 2012 \$7,090,000 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 2012 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, 2012

	Governmental Activities (Modified Accrual Basis)	Business-type Activities (Accrual Basis)	Total
ASSETS			
Cash and cash equivalents	\$ 259,423	\$ 47,186	\$ 306,609
Cash - County Treasurer	1,030,205	-	1,030,205
Investments	16,793,155	8,301,794	25,094,949
Accounts receivable	514,925	926,879	1,441,804
Special assessment receivable	1,104,308	-	1,104,308
Notes receivable	850,010	-	850,010
Accrued revenue	-	1,838,105	1,838,105
Inventory	-	213,298	213,298
Bond discount	-	810,679	810,679
Land and buildings	12,740,485	24,580,384	37,320,869
Improvements	95,961,329	36,058,505	132,019,834
Equipment	8,733,131	7,666,374	16,399,505
Vehicles	5,923,429	-	5,923,429
Construction in progress	5,625,667	262,918	5,888,585
Less accumulated depreciation	<u>(38,345,191)</u>	<u>(27,006,974)</u>	<u>(65,352,165)</u>
Total assets	<u>\$ 111,190,876</u>	<u>\$ 53,699,148</u>	<u>\$ 164,890,024</u>
LIABILITIES			
Checks outstanding in excess of bank balance	\$ 247,004	\$ -	\$ 247,004
Accounts payable	-	245,561	245,561
Accrued expenses	-	194,990	194,990
Deferred revenue	2,409,488	4,398	2,413,886
Notes payable	20,310	-	20,310
Interest payable	-	263,803	263,803
Long-term debt:			
Due within one year	930,000	1,035,000	1,965,000
Due in more than one year	<u>3,795,000</u>	<u>22,210,000</u>	<u>26,005,000</u>
Total liabilities	<u>\$ 7,401,802</u>	<u>\$ 23,953,752</u>	<u>\$ 31,355,554</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 85,913,850	\$ 18,316,207	\$ 104,230,057
Restricted for:			
Debt service	6,390,588	1,408,284	7,798,872
Unrestricted	<u>11,484,636</u>	<u>10,020,905</u>	<u>21,505,541</u>
Total net assets	<u>\$ 103,789,074</u>	<u>\$ 29,745,396</u>	<u>\$ 133,534,470</u>

See notes to financial statements.

City of Columbus, Nebraska
Statement of Activities
For the Year Ended September 30, 2012

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	\$ 14,155,856	\$ 1,279,515	\$ 327,111	\$ 1,618,117	\$ (10,931,113)	\$ -	\$ (10,931,113)
Special revenue	3,879,964	869,551	1,841,781	2,134,439	965,807	-	965,807
Capital projects	27,641	-	807,375	-	779,734	-	779,734
Redevelopment Agency	838,265	-	-	-	(838,265)	-	(838,265)
Debt service	128,700	281,160	-	9,822	162,282	-	162,282
Library Foundation	20,639	-	-	3,211	(17,428)	-	(17,428)
Library Endowment	9,759	-	-	149,894	140,135	-	140,135
Gerrard Park Trust	1,349	-	-	-	(1,349)	-	(1,349)
Health insurance	2,671,149	2,406,979	-	-	(264,170)	-	(264,170)
Total governmental activities	\$ 21,733,322	\$ 4,837,205	\$ 2,976,267	\$ 3,915,483	\$ (10,004,367)	\$ -	\$ (10,004,367)
Business-type activities:							
Water	\$ 3,052,003	\$ 3,630,102	\$ 433,613	\$ -	\$ -	\$ 1,011,712	\$ 1,011,712
Sewer	3,413,346	3,735,113	-	-	-	321,767	321,767
Electric	153,475	-	-	-	-	(153,475)	(153,475)
Solid Waste	1,290,403	1,483,525	(124,968)	-	-	68,154	68,154
Total business-type activities	\$ 7,909,227	\$ 8,848,740	\$ 308,645	\$ -	\$ -	\$ 1,248,158	\$ 1,248,158
Total government	\$ 29,642,549	\$ 13,685,945	\$ 3,284,912	\$ 3,915,483	\$ (10,004,367)	\$ 1,248,158	\$ (8,756,209)
General revenues:							
Taxes:							
Property tax					\$ 4,014,713	\$ -	\$ 4,014,713
Sales tax					5,752,360	-	5,752,360
Miscellaneous					491,462	-	491,462
Franchise fees					786,214	3,032,880	3,819,094
Investment earnings					196,323	95,258	291,581
Gain (loss) on sale of asset					26,132	(15,380)	10,752
Transfers					3,448,863	(3,502,963)	(54,100)
Total general revenues and transfers					\$ 14,716,067	\$ (390,205)	\$ 14,325,862
Change in net assets					\$ 4,711,700	\$ 857,953	\$ 5,569,653
Net assets - beginning					99,077,374	28,887,443	127,964,817
Net assets - ending					\$ 103,789,074	\$ 29,745,396	\$ 133,534,470

See notes to financial statements.

City of Columbus, Nebraska
Balance Sheets - Modified Cash Basis
Governmental Funds
September 30, 2012

	General	Special Revenue	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,570	\$ 252,518	\$ 726	\$ 896	\$ -	\$ 256,710
Cash - County Treasurer	793,672	-	199,306	37,227	-	1,030,205
Investments	5,482,847	7,093,922	744,232	1,443,346	1,467,478	16,231,825
Inventory	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Receivables:						
Accounts	493,939	20,986	-	-	-	514,925
Special assessment	-	-	-	1,104,308	-	1,104,308
Notes	-	850,010	-	-	-	850,010
Total assets	<u>\$ 6,773,028</u>	<u>\$ 8,217,436</u>	<u>\$ 944,264</u>	<u>\$ 2,585,777</u>	<u>\$ 1,467,478</u>	<u>\$ 19,987,983</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Checks outstanding in excess of bank balance	\$ 247,004	\$ -	\$ -	\$ -	\$ -	\$ 247,004
Deferred revenue	455,451	849,729	-	1,104,308	-	2,409,488
Notes payable	-	20,310	-	-	-	20,310
Current portion of long-term debt	-	-	-	930,000	-	930,000
Interest payable	-	-	-	-	-	-
Total liabilities	<u>\$ 702,455</u>	<u>\$ 870,039</u>	<u>\$ -</u>	<u>\$ 2,034,308</u>	<u>\$ -</u>	<u>\$ 3,606,802</u>
Fund balances (deficit):						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 1,412,239	\$ 1,412,239
Restricted	43,337	6,602,048	944,264	551,469	55,239	8,196,357
Committed	-	745,349	-	-	-	745,349
Assigned	-	-	-	-	-	-
Unassigned	6,027,236	-	-	-	-	6,027,236
Total fund balances (deficit)	<u>\$ 6,070,573</u>	<u>\$ 7,347,397</u>	<u>\$ 944,264</u>	<u>\$ 551,469</u>	<u>\$ 1,467,478</u>	<u>\$ 16,381,181</u>
Total liabilities and fund balances	<u>\$ 6,773,028</u>	<u>\$ 8,217,436</u>	<u>\$ 944,264</u>	<u>\$ 2,585,777</u>	<u>\$ 1,467,478</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	90,638,850
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.	564,043
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,795,000)</u>
Net assets of governmental activities	<u>\$ 103,789,074</u>

See notes to 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, 2012

	General	Special Revenue	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 3,827,215	\$ 1	\$ -	\$ 187,497	\$ -	\$ 4,014,713
Fees, taxes, permits and licenses	258,517	2,019,851	-	-	-	2,278,368
State shared revenue	69,862	-	-	-	-	69,862
Franchise fees	786,214	-	-	-	-	786,214
Sales tax	3,119,720	2,370,658	261,982	-	-	5,752,360
Charges for services	1,279,515	869,551	-	281,160	-	2,430,226
Donations	-	-	-	-	3,211	3,211
TIF income	-	-	491,462	-	-	491,462
Grants	327,111	1,841,781	807,375	-	-	2,976,267
Investment income	66,246	80,001	2,917	14,835	41,379	205,378
Bond proceeds	-	-	850,000	-	-	850,000
Miscellaneous	1,289,738	114,588	-	9,822	149,894	1,564,042
Total revenues	<u>\$ 11,024,138</u>	<u>\$ 7,296,431</u>	<u>\$ 2,413,736</u>	<u>\$ 493,314</u>	<u>\$ 194,484</u>	<u>\$ 21,422,103</u>
EXPENDITURES						
Current operating:						
General government	\$ 1,266,018	\$ -	\$ -	\$ -	\$ -	\$ 1,266,018
Public health and safety	5,476,630	186,458	-	-	-	5,663,088
Public works	-	2,720,932	-	-	-	2,720,932
Cultural and recreational	3,470,077	-	-	-	31,747	3,501,824
Community development	182,203	972,574	-	-	-	1,154,777
Capital outlay	3,102,370	1,261,440	835,264	-	-	5,199,074
Debt service:						
Principal	-	-	-	930,000	-	930,000
Interest	-	-	865,686	128,700	-	994,386
Other	-	-	220	-	16,122	16,342
Total expenditures	<u>\$ 13,497,298</u>	<u>\$ 5,141,404</u>	<u>\$ 1,701,170</u>	<u>\$ 1,058,700</u>	<u>\$ 47,869</u>	<u>\$ 21,446,441</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,473,160)</u>	<u>\$ 2,155,027</u>	<u>\$ 712,566</u>	<u>\$ (565,386)</u>	<u>\$ 146,615</u>	<u>\$ (24,338)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 3,710,795	\$ 535,000	\$ 875,406	\$ 625,563	\$ 14,476	\$ 5,761,240
Transfers out	<u>(1,078,600)</u>	<u>(1,211,332)</u>	<u>(4,915)</u>	<u>(723)</u>	<u>(16,807)</u>	<u>(2,312,377)</u>
Total other financing sources (uses)	<u>\$ 2,632,195</u>	<u>\$ (676,332)</u>	<u>\$ 870,491</u>	<u>\$ 624,840</u>	<u>\$ (2,331)</u>	<u>\$ 3,448,863</u>
Net change in fund balances	\$ 159,035	\$ 1,478,695	\$ 1,583,057	\$ 59,454	\$ 144,284	\$ 3,424,525
Fund balances (deficit) - beginning	5,911,538	5,868,702	(638,793)	492,015	1,323,194	12,956,656
Fund balances - ending	<u>\$ 6,070,573</u>	<u>\$ 7,347,397</u>	<u>\$ 944,264</u>	<u>\$ 551,469</u>	<u>\$ 1,467,478</u>	<u>\$ 16,381,181</u>

See notes to 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, 2012

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)	\$	3,424,525
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.		1,438,146
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (or decrease) net assets.		26,132
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.		80,000
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>(257,103)</u>
Change in net assets of governmental activities (page 9)	\$	<u>4,711,700</u>

See notes to financial statements.

City of Columbus, Nebraska
 Statements of Net Assets - Accrual Basis
 Proprietary Funds
 September 30, 2012

	Business-type Activities					Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Solid Waste	Total Enterprise Funds	
ASSETS						
Cash and cash equivalents	\$ 45,978	\$ 476	\$ 96	\$ 636	\$ 47,186	\$ 2,713
Investments	3,867,424	1,080,288	3,097,253	256,829	8,301,794	561,330
Receivables:						
Interfund	80,000	-	-	-	80,000	-
Accounts	455,197	405,386	-	66,296	926,879	-
Accrued revenue	376,840	359,233	1,042,979	59,053	1,838,105	-
Inventory	153,043	60,255	-	-	213,298	-
Bond issue costs	301,794	508,885	-	-	810,679	-
Capital assets:						
Land and buildings	7,159,297	17,044,419	-	376,668	24,580,384	-
Plant improvements	18,645,405	10,995,735	6,119,988	297,377	36,058,505	-
Equipment	4,595,075	1,864,581	-	1,206,718	7,666,374	-
Construction in progress	83,846	101,322	-	77,750	262,918	-
Less accumulated depreciation	<u>(11,435,102)</u>	<u>(10,645,313)</u>	<u>(3,876,912)</u>	<u>(1,049,647)</u>	<u>(27,006,974)</u>	<u>-</u>
Total assets	<u>\$ 24,328,797</u>	<u>\$ 21,775,267</u>	<u>\$ 6,383,404</u>	<u>\$ 1,291,680</u>	<u>\$ 53,779,148</u>	<u>\$ 564,043</u>
LIABILITIES						
Accounts payable	\$ 102,635	\$ 89,185	\$ -	\$ 53,741	\$ 245,561	\$ -
Accrued payroll	75,698	94,167	-	25,125	194,990	-
Deferred revenue	-	4,398	-	-	4,398	-
Due to other funds	-	-	-	80,000	80,000	-
Interest payable	132,826	130,977	-	-	263,803	-
Long-term debt:						
Due within one year	511,450	523,550	-	-	1,035,000	-
Due in more than one year	<u>10,283,895</u>	<u>11,926,105</u>	<u>-</u>	<u>-</u>	<u>22,210,000</u>	<u>-</u>
Total liabilities	<u>\$ 11,106,504</u>	<u>\$ 12,768,382</u>	<u>\$ -</u>	<u>\$ 158,866</u>	<u>\$ 24,033,752</u>	<u>\$ -</u>
NET ASSETS						
Invested in capital assets, net of related debt	\$ 8,253,176	\$ 6,911,089	\$ 2,243,076	\$ 908,866	\$ 18,316,207	\$ -
Restricted for:						
Debt service	730,387	677,897	-	-	1,408,284	-
Unrestricted	<u>4,238,730</u>	<u>1,417,899</u>	<u>4,140,328</u>	<u>223,948</u>	<u>10,020,905</u>	<u>564,043</u>
Total net assets	<u>\$ 13,222,293</u>	<u>\$ 9,006,885</u>	<u>\$ 6,383,404</u>	<u>\$ 1,132,814</u>	<u>\$ 29,745,396</u>	<u>\$ 564,043</u>

See notes to financial statements.

City of Columbus, Nebraska
 Statements of Revenues, Expenses, and Changes in Net Assets - Accrual Basis
 Proprietary Funds
 September 30, 2012

	Business-type Activities				Total Enterprise Funds	Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Solid Waste		
Operating revenues:						
Charges for services	\$ 3,238,350	\$ 3,421,338	\$ -	\$ 1,403,887	\$ 8,063,575	\$ 2,406,979
Franchise fees	-	-	3,032,880	-	3,032,880	-
Permits and fees	61,855	31,738	-	1,063	94,656	-
Sales tax	157,186	210,369	-	-	367,555	-
Operating grants	433,613	-	-	(124,968)	308,645	-
Miscellaneous	172,711	71,668	-	78,575	322,954	-
Total operating revenues	\$ 4,063,715	\$ 3,735,113	\$ 3,032,880	\$ 1,358,557	\$ 12,190,265	\$ 2,406,979
Operating expenses:						
Personal services	\$ 665,065	\$ 954,014	\$ -	\$ 439,075	\$ 2,058,154	\$ -
Insurance	16,480	40,372	-	6,543	63,395	-
Supplies	274,650	221,213	-	115,235	611,098	-
Professional services	4,088	1,764	-	1,770	7,622	2,671,149
Repairs and maintenance	389,679	204,815	-	44,065	638,559	-
Heat, light and power, phone	265,764	369,428	-	6,617	641,809	-
Landfill disposal	-	-	-	546,521	546,521	-
Sales tax remitted	162,726	209,777	-	-	372,503	-
Other operating expense	17,966	16,853	-	5,933	40,752	-
Depreciation and amortization expense	794,073	962,227	153,475	124,644	2,034,419	-
Total operating expenses	\$ 2,590,491	\$ 2,980,463	\$ 153,475	\$ 1,290,403	\$ 7,014,832	\$ 2,671,149
Operating income	\$ 1,473,224	\$ 754,650	\$ 2,879,405	\$ 68,154	\$ 5,175,433	\$ (264,170)
Nonoperating revenues (expenses)						
Interest expense	\$ (461,512)	\$ (432,883)	\$ -	\$ -	\$ (894,395)	\$ -
Investment earnings	43,425	10,191	38,326	3,316	95,258	7,067
Gain (loss) on disposal of assets	1,001	(1,743)	-	(14,638)	(15,380)	-
Total nonoperating revenues (expenses)	\$ (417,086)	\$ (424,435)	\$ 38,326	\$ (11,322)	\$ (814,517)	\$ 7,067
Income before operating transfers	\$ 1,056,138	\$ 330,215	\$ 2,917,731	\$ 56,832	\$ 4,360,916	\$ (257,103)
Operating transfers:						
Operating transfers in	\$ 1,980	\$ 2,935	\$ -	\$ -	\$ 4,915	\$ -
Operating transfers out	(401,878)	(125,000)	(2,934,000)	(47,000)	(3,507,878)	-
Total operating transfers	\$ (399,898)	\$ (122,065)	\$ (2,934,000)	\$ (47,000)	\$ (3,502,963)	\$ -
Change in net assets	\$ 656,240	\$ 208,150	\$ (16,269)	\$ 9,832	\$ 857,953	\$ (257,103)
Total net assets - beginning	12,566,053	8,798,735	6,399,673	1,122,982	28,887,443	821,146
Total net assets - ending	\$ 13,222,293	\$ 9,006,885	\$ 6,383,404	\$ 1,132,814	\$ 29,745,396	\$ 564,043

See notes to financial statements.

City of Columbus, Nebraska
 Statements of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2012

	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	\$ 3,876,499	\$ 3,624,247	\$ 2,938,465	\$ 1,322,559	\$ 11,761,770	\$ 2,406,979
Payments to suppliers	(1,145,126)	(1,166,066)	-	(781,015)	(3,092,207)	(2,414,046)
Payments to employees	(670,840)	(964,606)	-	(435,579)	(2,071,025)	-
Net cash provided (used) by operating activities	<u>\$ 2,060,533</u>	<u>\$ 1,493,575</u>	<u>\$ 2,938,465</u>	<u>\$ 105,965</u>	<u>\$ 6,598,538</u>	<u>\$ (7,067)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer from (to) other funds (net)	\$ (399,898)	\$ (122,065)	\$ (2,934,000)	\$ (47,000)	\$ (3,502,963)	\$ -
Net cash provided (used) by noncapital financing activities	<u>\$ (399,898)</u>	<u>\$ (122,065)</u>	<u>\$ (2,934,000)</u>	<u>\$ (47,000)</u>	<u>\$ (3,502,963)</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets, net of disposals	\$ (413,838)	\$ (443,647)	\$ (89,068)	\$ (144,315)	\$ (1,090,868)	\$ -
Bond proceeds	3,925,000	1,860,000	-	-	5,785,000	-
Bond payments	(4,693,260)	(2,396,740)	-	-	(7,090,000)	-
Interest payments	(460,581)	(422,976)	-	-	(883,557)	-
Net cash provided (used) by capital and related financing activities	<u>\$ (1,642,679)</u>	<u>\$ (1,403,363)</u>	<u>\$ (89,068)</u>	<u>\$ (144,315)</u>	<u>\$ (3,279,425)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends received	\$ 43,425	\$ 10,191	\$ 38,326	\$ 3,316	\$ 95,258	\$ 7,067
Net cash provided (used) by investing activities	<u>\$ 43,425</u>	<u>\$ 10,191</u>	<u>\$ 38,326</u>	<u>\$ 3,316</u>	<u>\$ 95,258</u>	<u>\$ 7,067</u>
Net (decrease) increase in cash and cash equivalents	\$ 61,381	\$ (21,662)	\$ (46,277)	\$ (82,034)	\$ (88,592)	\$ -
Beginning cash and cash equivalents	3,852,021	1,102,426	3,143,626	339,499	8,437,572	-
Ending cash and cash equivalents	<u>\$ 3,913,402</u>	<u>\$ 1,080,764</u>	<u>\$ 3,097,349</u>	<u>\$ 257,465</u>	<u>\$ 8,348,980</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income	\$ 1,473,224	\$ 754,650	\$ 2,879,405	\$ 68,154	\$ 5,175,433	\$ (264,170)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	770,599	921,517	153,475	124,644	1,970,235	-
Amortization expense	23,474	40,710	-	-	64,184	-
Change in assets and liabilities:						
Receivables	(88,847)	(78,898)	-	9,147	(158,598)	-
Inventory and other assets	(111,851)	(67,496)	(94,415)	(45,145)	(318,907)	-
Accounts and other payables	(291)	(66,316)	-	(54,331)	(120,938)	257,103
Accrued expenses	(5,775)	(10,592)	-	3,496	(12,871)	-
Net cash provided (used) by operating activities	<u>\$ 2,060,533</u>	<u>\$ 1,493,575</u>	<u>\$ 2,938,465</u>	<u>\$ 105,965</u>	<u>\$ 6,598,538</u>	<u>\$ (7,067)</u>

See notes to financial statements.

City of Columbus, Nebraska
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
September 30, 2012

	Pension Trust Funds	Agency Funds
ASSETS		
Cash	\$ 102	\$ -
Investments	86,201	-
Total assets	\$ 86,303	\$ -
LIABILITIES		
Accounts payable	\$ -	\$ -
NET ASSETS		
Held in trust for pension benefits	\$ 86,303	\$ -

See notes to financial statements.

City of Columbus, Nebraska
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Year Ended September 30, 2012

	Pension Trust Funds	Agency Funds
Additions		
Interest Income	\$ 905	\$ -
Collections for agency funds	-	13,920
Subtotal	\$ 905	\$ 13,920
Deductions		
Public Safety	\$ 45,871	\$ -
Other Financing Sources (Uses)		
Paid to agency fund	\$ -	\$ (13,920)
Transfers from other funds	54,100	-
Subtotal	\$ 54,100	\$ (13,920)
Change in Net Assets	\$ 9,134	\$ -
Net Assets - Beginning of year	77,169	-
Net Assets - End of year	\$ 86,303	\$ -

See notes to financial statements.

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

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

Organization

The City of Columbus, Nebraska, (the "City") is a tax-exempt political subdivision and operates under a Mayor and eight member City Council form of government.

Reporting Entity

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*. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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.

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 the 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.

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

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

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*. In the modified accrual basis of accounting, revenues are recorded when received and expenses are recorded when paid. The City reports long-term assets and long-term debt for the governmental activities and the business-type activities in the government-wide financial statements. The business-type activities financial statements and the proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. In the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified cash basis of accounting*. In the modified cash basis of accounting, revenues are recorded when received, expenses are recorded when paid, and only the current portion of long-term debt is accrued.

Major funds and fund types

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Special Revenue fund* accounts for City-enacted sales tax, as further described in Note 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.

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

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

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.

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.

General statement

The *Governmental Accounting Standards Board* (GASB) is the standard-setting body for governmental accounting and financial reporting. In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the City has elected to apply all applicable Financial Accounting Standards Board pronouncements, including those issued on or before November 30, 1989, except for those pronouncements which conflict or contradict GASB pronouncements.

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)**

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, 2012, are shown netted against the respective accounts receivable balances for the proprietary funds.

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.

Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Capital assets

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

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

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

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

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

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

Reserve for Special Assessments

The City has foreclosed on various property owners due to delinquent assessments. The remaining unsold property was valued at the amount of the assessment on the property of \$14,271. The City owned this property, and \$14,271 was the value of the land included in the Debt Service Fund as land and buildings. The amounts of assessments were included in assessments receivable, and a reserve had been set up in the Debt Service Fund. The properties and assessments related to the properties were written off in the year ended September 30, 2012.

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 authority and that remain binding unless removed in the same manner.

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

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

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's policy is to spend restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal restrictions that prohibit doing so. Additionally, the City is to first spend committed, then assigned, and lastly unassigned amounts of unrestricted fund balances when expenditures are made.

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

Note 2. **County Treasurer Fund**

At September 30, 2012, the cash fund balance of the County Treasurer funds has been allocated to the *General* and *Debt Service funds* of the City; therefore, a separate County Treasurer's fund is not presented as an individual fund of the City.

Note 3. **Budget Process and Property Tax Revenues**

For the fiscal year ended September 30, 2012, 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 2011 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 \$1,238,975,039 in August of 2011.

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

Note 3. Budget Process and Property Tax Revenues (continued)

The City, through the budget process, requested a total of \$4,028,988 in property taxes. Based on the August of 2011 valuation previously mentioned, the tax levy for the City of Columbus was established at \$0.325 per \$100 of property value.

Note 4. Cash and Investments

Nebraska Statute §79-1043 provides that the City may, by and with the consent of the City Council, invest the funds of the City in securities, including repurchase agreements. Appropriate securities include those that would normally be acquired by individuals of prudence, discretion and intelligence when dealing with the property of another.

The City's deposits consist of cash, certificates of deposit and securities. At year-end, the City's carrying amount of bank deposits was \$23,773,379 and the bank balance was \$23,016,968. The component units' carrying amount of bank deposits was \$1,467,478 and bank balance was \$1,472,641. 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.

For reporting purposes, the collateral on the City's bank deposits is classified in these categories:

- 1) Insured or collateralized with securities held by the City or by its agent in the City's name.
- 2) Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- 3) Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name.

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

Note 4. **Cash and Investments (continued)**

Deposits and investments of the City at September 30, 2012, consisted of the following:

	City of Columbus	Component Units	Total
Demand deposits	\$ 5,037	\$ 4,244	\$ 9,281
Time and savings deposits	23,188,530	147,662	23,336,192
Other securities	554,304	1,320,735	1,875,039
Total deposits	\$ 23,747,871	\$ 1,472,641	\$ 25,220,512
Investment term			
<u>Investment type</u>	<u>Less than 1 year</u>	<u>1 -5 years</u>	<u>5 - 10 years</u>
U. S. Notes	\$ -	\$ -	\$ 554,304
Money Markets	8,226,368	-	-
CD's	8,112,199	6,855,000	-
Total	\$ 16,338,567	\$ 6,855,000	\$ 554,304

The City attempts to mitigate the following types of deposit and investment risks through compliance with the State Statutes. The types of deposit and investment risks are the following:

Interest rate risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy requires that market conditions and investment securities be analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates.

Credit risk – The City’s investment policies regarding credit risk are governed by state statutes as described above.

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 above. As of September 30, 2012, all deposits were covered by federal depository insurance or collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.

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

Note 4. **Cash and Investments (continued)**

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 above. As of September 30, 2012, 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.

Note 5. **Receivables**

Receivables as of September 30, 2012, 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	\$ 493,939	\$ -	\$ -	\$ -	\$ 493,939	\$ -	\$ 493,939
Street	5,687	-	-	-	5,687	-	5,687
Airport	2,342	-	-	-	2,342	-	2,342
E-911	-	-	-	-	-	-	-
Housing Rehabilitation	-	335,954	-	-	335,954	-	335,954
Economic Development	957	39,056	-	-	40,013	-	40,013
Progress and Jobs Growth	12,000	475,000	-	-	487,000	-	487,000
Debt Service	-	-	1,104,308	-	1,104,308	-	1,104,308
Sewer	406,586	-	-	-	406,586	1,200	405,386
Water	456,997	-	-	80,000	536,997	1,800	535,197
Solid Waste	66,296	-	-	-	66,296	-	66,296
	<u>\$ 1,444,804</u>	<u>\$ 850,010</u>	<u>\$ 1,104,308</u>	<u>\$ 80,000</u>	<u>\$ 3,479,122</u>	<u>\$ 3,000</u>	<u>\$ 3,476,122</u>

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

Note 5. **Receivables (continued)**

The City has the following notes receivable outstanding as of September 30, 2012, under the Community Development Block Grant program administered by the City:

	Original Date	Due Date	Original Amount	Interest Rate	Monthly Payment	Balance
1999 Flexcon	9/1/1999	8/1/2014	\$ 250,000	4.00%	\$ 1,846	<u>\$ 39,056</u>
Total						<u>\$ 39,056</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 beginning December 31, 2012, with the final payment due December 31, 2015. The outstanding balance at September 30, 2012, is \$150,000.

On February 2, 2012, the City loaned Central Community College \$10,000 for a business incubator to support new business opportunities in the area. The loan carries no interest and payments are every eighteen months, with the final payment due January 31, 2015. The loan provides for complete forgiveness if certain provisions are met. The outstanding balance at September 30, 2012, is \$10,000.

On July 2, 2012, the City loaned Apogee Retail, LLC \$120,000 for equipment purchases to support the expansion of a call center in Columbus. The loan carries no interest and payments are due annually beginning December 31, 2012, with the final payment due December 31, 2014. The loan provides for complete forgiveness, if certain job creation provisions are met. The outstanding balance at September 30, 2012, is \$120,000.

On August 3, 2012, the City loaned Central American Foods, LLC \$45,000 for equipment purchases to support the cheese making business in Columbus. The loan agreement provides for total advances of \$91,000; the remaining \$46,000 is expected to be advanced in the next fiscal year. The loan carries no interest and payments are due annually beginning July 1, 2014, with the final payment due July 1, 2017. The outstanding balance at September 30, 2012, is \$45,000.

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

Note 5. Receivables (continued)

On August 15, 2012, the City loaned Monster Storage, LLC \$150,000 for building construction costs to support the recycling venture in Columbus. The loan carries no interest and payments are due annually beginning December 31, 2014, with the final payment due December 31, 2018. The outstanding balance at September 30, 2012, is \$150,000.

The following is a summary of notes receivable outstanding as of September 30, 2012, under the Progress and Jobs Growth program administered by the City:

	Original Date	Due Date	Original Amount	Interest Rate	Payment	Balance
2011 Maine Plastics	2/16/2011	12/31/2015	\$ 150,000	0.00%	\$ 30,000	\$ 150,000
2012 CCC	2/2/2012	1/31/2015	10,000	0.00%	5,000	10,000
2012 Apogee Retail	7/2/2012	12/31/2014	120,000	0.00%	40,000	120,000
2012 Central American Foods	8/3/2012	7/1/2017	91,000	0.00%	22,750	45,000
2012 Monster Storage	8/15/2012	12/31/2018	150,000	0.00%	30,000	150,000
Total						<u>\$ 475,000</u>

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, 2012, is \$335,954.

Note 6. Bond Issue Costs

The City has capitalized expenditures relating to the issuance of the business-type activity debt referred to in Note 8. These costs will be amortized over the lives of the issues. For all governmental funds, the costs of the issuance of bonds are expensed when incurred. Amortization expense and the unamortized balances at September 30, 2012, are as follows:

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

Note 6. Bond Issue Costs (continued)

	Amortization Expense	Unamortized Balance
2004 Subordinate Combined Revenue Bonds	\$ 6,291	\$ -
2005 Combined Revenue and Refunding Bonds	15,872	140,598
2007 Combined Revenue Bonds	3,403	-
2010 Combined Revenue Bonds	3,878	68,822
2011 Combined Revenue Bonds	1,814	25,393
2011 Combined Revenue and Refunding Bonds	31,313	341,225
2012 Combined Revenue and Refunding Bonds	1,613	234,641
Total	<u>\$ 64,184</u>	<u>\$ 810,679</u>

Note 7. Capital assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets:				
Land	\$ 280,524	\$ -	\$ -	\$ 280,524
Construction in Progress	3,564,109	2,679,498	(617,940)	5,625,667
Land Improvements and Buildings	12,052,475	441,996	(34,510)	12,459,961
Improvements	95,142,260	1,116,613	(297,544)	95,961,329
Equipment	7,574,647	1,398,159	(239,675)	8,733,131
Vehicles	5,976,201	446,880	(499,652)	5,923,429
Total capital assets	<u>\$ 124,590,216</u>	<u>\$ 6,083,146</u>	<u>\$ (1,689,321)</u>	<u>\$ 128,984,041</u>
Less accumulated depreciation	<u>\$ (35,135,644)</u>	<u>\$ (3,760,928)</u>	<u>\$ 551,381</u>	<u>\$ (38,345,191)</u>
Governmental activities capital assets, net	<u>\$ 89,454,572</u>	<u>\$ 2,322,218</u>	<u>\$ (1,137,940)</u>	<u>\$ 90,638,850</u>
Business-type activities:				
Capital assets:				
Land	\$ 391,161	\$ -	\$ -	\$ 391,161
Construction in Progress	5,580,935	460,264	(5,778,281)	262,918
Land Improvements and Buildings	19,744,711	4,458,758	(14,246)	24,189,223
Improvements	34,213,765	1,844,740	-	36,058,505
Equipment	7,723,597	101,721	(158,944)	7,666,374
Total capital assets	<u>\$ 67,654,169</u>	<u>\$ 6,865,483</u>	<u>\$ (5,951,471)</u>	<u>\$ 68,568,181</u>
Less accumulated depreciation	<u>\$ (25,198,215)</u>	<u>\$ (1,970,235)</u>	<u>\$ 161,476</u>	<u>\$ (27,006,974)</u>
Business-type activities capital assets, net	<u>\$ 42,455,954</u>	<u>\$ 4,895,248</u>	<u>\$ (5,789,995)</u>	<u>\$ 41,561,207</u>

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

Note 7. **Capital assets (continued)**

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

Governmental activities	\$ 3,760,928
Business-type activities	<u>1,970,235</u>
Total depreciation	<u>\$ 5,731,163</u>

Note 8. **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, 2012, Bond Anticipation Notes in the amount of \$790,000 were paid off on June 1, 2012. The outstanding notes bear interest at 1.3%. The outstanding balance as of September 30, 2012, was \$275,000.

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 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, 2012, is \$1,765,000.

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

Note 8. Long-Term Liabilities (continued)

On July 15, 2008, the City issued Various Purpose Bonds in the amount of \$500,000. The issue bears interest from 3.25 to 4.50%. Final payment is due on September 1, 2023. The outstanding balance as of September 30, 2012, is \$400,000.

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, 2012, is \$875,000.

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, 2012, is \$840,000.

On May 24, 2012, the City issued Various Purpose Bonds in the amount of \$570,000. The issue bears interest from 0.40 to 1.00%. Final payment is due on May 15, 2017. The outstanding balance as of September 30, 2012, is \$570,000.

The schedule of bond redemptions is as follows:

	General Obligation Bonds		Bond Anticipation Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 930,000	\$ 113,509	\$ -	\$ 3,575	\$ 930,000	\$ 117,084
2014	970,000	90,300	275,000	3,575	1,245,000	93,875
2015	975,000	63,949	-	-	975,000	63,949
2016	320,000	46,795	-	-	320,000	46,795
2017	320,000	39,630	-	-	320,000	39,630
2018-2022	885,000	87,664	-	-	885,000	87,664
2023	50,000	2,250	-	-	50,000	2,250
	<u>\$ 4,450,000</u>	<u>\$ 444,097</u>	<u>\$ 275,000</u>	<u>\$ 7,150</u>	<u>\$ 4,725,000</u>	<u>\$ 451,247</u>

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

Note 8. **Long-Term Liabilities (continued)**

Total bonds outstanding are as follows:

	General Obligation Bonds	Bond Anticipation Notes	Total
Bonds outstanding, October 1	\$ 4,565,000	\$ 1,065,000	\$ 5,630,000
Bonds paid	(685,000)	(790,000)	(1,475,000)
Bonds issued	570,000	-	570,000
Bonds outstanding, September 30	<u>\$ 4,450,000</u>	<u>\$ 275,000</u>	<u>\$ 4,725,000</u>
Amount due within one year	<u>\$ 930,000</u>	<u>\$ -</u>	<u>\$ 930,000</u>

Business-Type Activity Debt

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 was made on August 7, 2012.

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, 2012, is \$3,690,000.

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 was made on August 15, 2012.

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, 2012, 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, 2012, is \$7,680,000.

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, 2012, is \$1,580,000.

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

Note 8. Long-Term Liabilities (continued)

On August 7, 2012, the City issued Combined Revenue and Refunding Bonds in the amount of \$5,785,000. The issue bears interest from 0.30 to 3.10%. Final payment is due on June 15, 2027. The outstanding balance at September 30, 2012, is \$5,785,000.

The schedule of bond redemptions is as follows:

	Total	
	Principal	Interest
2013	\$ 1,035,000	\$ 652,427
2014	1,345,000	645,204
2015	1,370,000	622,724
2016	1,495,000	597,392
2017	1,525,000	569,101
2018-2022	7,945,000	2,240,364
2023-2027	6,880,000	1,040,838
2028-2030	1,650,000	159,025
	\$ 23,245,000	\$ 6,527,075

Total bonds outstanding:

Bonds outstanding, October 1	\$ 24,550,000
Bonds paid	(7,090,000)
Bonds issued	5,785,000
Bonds outstanding, September 30	\$ 23,245,000
Amount due within one year	\$ 1,035,000

Note 9. Pension and Retirement Plans

The City employees' defined contribution pension plan was created December 1, 1974. The plan is a fully funded money purchase pension plan administered by a third party. Six percent of all earned income for an employee is contributed by each employee and matched by the City. Vesting is made over a scheduled seven-year period of plan participation. All regular employees of the City working 1,000 hours or more per year, except fire and police personnel, are eligible after one year of service and 21 years of age for this pension plan, but participation is not mandatory. Upon retirement, an employee may elect to receive a lump-sum distribution or one of several types of annuities.

CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

Note 9. **Pension and Retirement Plans (continued)**

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

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

The cost to the City for the money purchase pension plans administered by others for the fiscal year ended September 30, 2012, is as follows:

Fire	\$ 89,175
Police	129,882
All others	<u>274,268</u>
Total	<u>\$ 493,325</u>

Total wages paid by the City for the year ended September 30, 2012, are \$8,740,558.

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, 2012, 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, 2012, are \$22,482 for the fire plan and \$23,389 for the police plan.

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

Note 9. **Pension and Retirement Plans (continued)**

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

Investment return (for fire and police):

Pre-retirement	7.0%
Post-retirement	5.5%

Mortality:

1994 Group Annuity Mortality Table.

Expenses:

Normal cost includes estimated plan expense charge.

Retirement age:

Age 55-59 – 40% probability of retirement for fire.

Age 55-59 – 20% probability of retirement for police.

Age 60 – 100% probability of retirement.

Salary scale:

4% increase each year until retirement.

Disability:

None.

Termination:

None prior to retirement eligibility.

Load for lump sums:

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

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

January 1, 2012	Value of Assets	Actuarial Valuation		Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
		Accrued Liability	Unfunded Liability			
Fire	\$1,033,682	\$ 194,050	\$ -	533%	\$ 107,315	0%
Police	\$ 517,919	\$ 146,440	\$ -	354%	\$ 74,372	0%

CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

Note 10. 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. On May 24, 2012, the remaining balance of \$395,000 was called with a new issue of \$280,000 and other incremental revenue on hand. 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 recorded.

Note 11. Major Customers

The City received approximately 16.7% of the total water revenues and approximately 21.8% of total sewer revenues from one major customer in the year ended September 30, 2012.

Note 12. Commitments and Contingencies

The City participates in numerous federal and state assisted grant programs which are governed by various rules and regulations of the grantor agencies. These programs are subject to financial and compliance audits by the granting agencies. To the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

The City has elected to be a reimbursable employer with regard to unemployment claims filed by former employees. Therefore, the City is required to reimburse the State of Nebraska for any claims paid on behalf of the City. As of September 30, 2012, the amount of liability, if any, is indeterminable.

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

Note 12. **Commitments and Contingencies (continued)**

Various lawsuits and claims against the City are presently pending involving claims for personal injury, tax appeals, and miscellaneous cases. In the opinion of management, suits or claims, either individually or in the aggregate, will not have a material effect on the financial position of the City.

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.

Note 13. **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 \$1,940,000 or 100% of the expected annual claims, whichever is greater. No accrual for claims incurred but not reported has been made as of year-end.

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. During the year, the City carried commercial insurance for general liability, linebacker, property, umbrella, worker's compensation, inland marine, automobile, law enforcement and crime coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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 \$122,450.

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

Note 15. **Interfund Loans and Transfers (continued)**

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:

	Due From Other Funds	Due to Other Funds
Special Revenue Fund	\$ -	\$ 1,705,438
Water Fund	1,785,438	-
Solid Waste Fund	-	80,000
Total	\$ 1,785,438	\$ 1,785,438

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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,964	\$ -	\$ 43,964
Mini-Bus	-	500	-	-	-	-	-	500
Library	-	-	44,000	-	-	-	-	44,000
Park	-	-	-	-	2,331	-	409,000	411,331
Street	340,000	-	-	-	-	-	-	340,000
Engineering	-	-	-	-	-	35,000	-	35,000
Airport	140,000	-	-	-	-	-	-	140,000
Library Foundation	-	-	-	14,476	-	-	-	14,476
Capital Projects	500,000	-	-	-	-	97,805	-	597,805
Debt Service	-	-	-	-	-	625,563	-	625,563
Water	-	-	-	-	-	-	-	-
Sewer	-	-	-	-	-	-	-	-
Police Pension	32,000	-	-	-	-	-	-	32,000
Fire Pension	22,100	-	-	-	-	-	-	22,100
	\$ 1,034,100	\$ 500	\$ 44,000	\$ 14,476	\$ 2,331	\$ 802,332	\$ 409,000	\$ 2,306,739

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

Note 15. **Interfund Loans and Transfers (continued)**

Transfer In	Transfer Out						Subtotal	Total
	Capital Projects	Debt Service	Water	Sewer	Electric	Solid Waste		
General	\$ -	\$ -	\$ 115,000	\$ 115,000	\$ 2,934,000	\$ 47,000	\$ 3,211,000	\$ 3,254,964
Mini-Bus	-	-	-	-	-	-	-	500
Library	-	-	-	-	-	-	-	44,000
Park	-	-	-	-	-	-	-	411,331
Street	-	-	-	-	-	-	-	340,000
Engineering	-	-	10,000	10,000	-	-	20,000	55,000
Airport	-	-	-	-	-	-	-	140,000
Library Foundation	-	-	-	-	-	-	-	14,476
Capital Projects	-	723	276,878	-	-	-	277,601	875,406
Debt Service	-	-	-	-	-	-	-	625,563
Water	1,980	-	-	-	-	-	1,980	1,980
Sewer	2,935	-	-	-	-	-	2,935	2,935
Police Pension	-	-	-	-	-	-	-	32,000
Fire Pension	-	-	-	-	-	-	-	22,100
	<u>\$ 4,915</u>	<u>\$ 723</u>	<u>\$ 401,878</u>	<u>\$ 125,000</u>	<u>\$ 2,934,000</u>	<u>\$ 47,000</u>	<u>\$ 3,513,516</u>	<u>\$ 5,820,255</u>

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Note 16. **Sales Tax**

The City has received voter approval eight times since 1995 for a one percent or one-half percent City sales tax for various projects. Currently, the local sales tax rate is a total of one and one-half percent (1.50%). Effective April 1, 2011, the one percent (1.00%) is allocated to paying for drainage, street and capital improvements, funding for the Economic Development Plan, and to any indebtedness incurred for the above projects. The one percent tax expires April 1, 2017. Effective July 1, 2011, the one-half percent (0.50%) 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. The one-half percent tax expires when the bonds are repaid.

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

Note 17. Fund Balances

As of September 30, 2012, governmental fund balances are classified as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Other Funds	Total
Fund balances (deficit):						
Nonspendable:						
Library Endowment	\$ -	\$ -	\$ -	\$ -	\$ 1,277,323	\$ 1,277,323
Gerard Park Trust	-	-	-	-	134,916	134,916
Total nonspendable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,412,239</u>	<u>\$ 1,412,239</u>
Restricted for:						
Cemetery	\$ 43,337	\$ -	\$ -	\$ -	\$ -	\$ 43,337
Streets	-	799,994	-	-	-	799,994
Airport	-	356,373	-	-	-	356,373
Capital Improvements	-	4,237,705	504,271	-	-	4,741,976
Public Safety	-	84,477	-	-	-	84,477
Housing	-	22,036	-	-	-	22,036
Economic Development	-	1,101,463	-	-	-	1,101,463
Debt Service	-	-	439,993	551,469	-	991,462
Library	-	-	-	-	55,239	55,239
Total restricted	<u>\$ 43,337</u>	<u>\$ 6,602,048</u>	<u>\$ 944,264</u>	<u>\$ 551,469</u>	<u>\$ 55,239</u>	<u>\$ 8,196,357</u>
Committed to:						
Public Safety	\$ -	\$ 28,959	\$ -	\$ -	\$ -	\$ 28,959
Parks	-	716,390	-	-	-	716,390
Total committed	<u>\$ -</u>	<u>\$ 745,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 745,349</u>
Assigned to:						
Library	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unassigned:	<u>\$ 6,027,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,027,236</u>
Total fund balances (deficit)	<u>\$ 6,070,573</u>	<u>\$ 7,347,397</u>	<u>\$ 944,264</u>	<u>\$ 551,469</u>	<u>\$ 1,467,478</u>	<u>\$ 16,381,181</u>

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**

SUPPLEMENTARY AND OTHER INFORMATION

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, 2012

	Budget Original and Final	Actual	Variance with Budget- Positive (Negative)
RECEIPTS			
Property taxes	\$ 3,694,027	\$ 3,827,215	\$ 133,188
Motor vehicle tax	400,000	419,595	19,595
In lieu	160,000	214,360	54,360
Franchise fees	800,000	786,214	(13,786)
State shared revenue	83,600	69,862	(13,738)
Sales tax	4,126,740	3,150,520	(976,220)
Grants	390,000	327,111	(62,889)
Fees, permits and licenses	302,725	293,898	(8,827)
Other local revenues	5,996,015	5,575,150	(420,865)
Investment income	60,600	66,246	5,646
Total receipts	<u>\$ 16,013,707</u>	<u>\$ 14,730,171</u>	<u>\$ (1,283,536)</u>
DISBURSEMENTS			
General government	\$ 2,499,845	\$ 2,311,602	\$ 188,243
Public safety	6,621,456	5,773,389	848,067
Public health	450,410	363,530	86,880
Culture and recreation	6,488,610	5,940,413	548,197
Community development	189,250	182,202	7,048
Total disbursements	<u>\$ 16,249,571</u>	<u>\$ 14,571,136</u>	<u>\$ 1,678,435</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (235,864)</u>	<u>\$ 159,035</u>	<u>\$ 394,899</u>

See notes to other information.

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, 2012

	Budget Original and Final	Actual	Variance with Budget- Positive (Negative)
RECEIPTS			
Property taxes	\$ -	\$ 1	\$ 1
Sales tax	903,300	2,370,658	1,467,358
Grants	2,256,200	1,842,496	(413,704)
Fees, permits and licenses	2,607,900	2,889,402	281,502
Other local revenues	655,150	649,588	(5,562)
Investment income	48,200	79,286	31,086
Total receipts	<u>\$ 6,470,750</u>	<u>\$ 7,831,431</u>	<u>\$ 1,360,681</u>
DISBURSEMENTS			
Public safety	\$ 397,090	\$ 186,458	\$ 210,632
Public works	4,070,015	3,844,235	225,780
Community development	2,926,300	1,519,711	1,406,589
Sales tax	1,825,600	802,332	1,023,268
Total disbursements	<u>\$ 9,219,005</u>	<u>\$ 6,352,736</u>	<u>\$ 2,866,269</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (2,748,255)</u>	<u>\$ 1,478,695</u>	<u>\$ 4,226,950</u>

See notes to other information.

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, 2012

	Budget Original and Final	Actual	Variance with Budget- Positive (Negative)
RECEIPTS			
Property taxes	\$ 431,880	\$ 491,462	\$ 59,582
Sales tax	403,700	261,982	(141,718)
Grants	810,000	807,375	(2,625)
Other local revenues	4,206,250	1,725,406	(2,480,844)
Investment income	1,100	2,917	1,817
Total receipts	<u>\$ 5,852,930</u>	<u>\$ 3,289,142</u>	<u>\$ (2,563,788)</u>
DISBURSEMENTS			
Capital outlay	\$ 5,125,500	\$ 1,653,224	\$ 3,472,276
Debt service	1,352,880	842,861	510,019
Total disbursements	<u>\$ 6,478,380</u>	<u>\$ 2,496,085</u>	<u>\$ 3,982,295</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (625,450)</u>	<u>\$ 793,057</u>	<u>\$ 1,418,507</u>

See notes to other information.

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, 2012

	Budget Original and Final	Actual	Variance with Final Budget- Positive (Negative)
RECEIPTS			
Property taxes	\$ 180,700	\$ 187,497	\$ 6,797
In lieu	8,300	9,822	1,522
Sales tax	-	-	-
Fees, permits and licenses	140,250	281,160	140,910
Other local revenues	825,600	625,563	(200,037)
Investment income	11,000	14,835	3,835
Total receipts	<u>\$ 1,165,850</u>	<u>\$ 1,118,877</u>	<u>\$ (46,973)</u>
DISBURSEMENTS			
Debt service	<u>\$ 1,068,520</u>	<u>\$ 814,423</u>	<u>\$ 254,097</u>
Total disbursements	<u>\$ 1,068,520</u>	<u>\$ 814,423</u>	<u>\$ 254,097</u>
Excess of receipts over disbursements	<u>\$ 97,330</u>	<u>\$ 304,454</u>	<u>\$ 207,124</u>

See notes to other information.

City of Columbus, Nebraska
Schedule of County Treasurer Activity
September 30, 2012

(Unaudited)

	<u>General Levy</u>	<u>Bond Levy</u>	<u>Community Redevelopment Authority</u>	<u>Airport</u>	<u>Total</u>
CASH BALANCE, October 1, 2011	\$ 780,113	\$ 38,010	\$ 166,448	\$ -	\$ 984,571
REVENUES COLLECTED					
Property taxes	\$ 3,564,041	\$ 173,934	\$ 471,371	\$ 1	\$ 4,209,347
Motor vehicle taxes	419,595	-	-	-	419,595
Motor vehicle prorated	10,637	523	-	-	11,160
In lieu of tax	203,724	9,822	-	-	213,546
Homestead	153,814	7,494	-	-	161,308
Carline	1,237	60	-	-	1,297
Property tax credit	139,703	6,809	19,876	-	166,388
Interest	8,313	420	215	-	8,948
Total revenues collected	<u>\$ 4,501,064</u>	<u>\$ 199,062</u>	<u>\$ 491,462</u>	<u>\$ 1</u>	<u>\$ 5,191,589</u>
EXPENSES PAID AND TRANSFERS					
Collection fee	\$ 39,893	\$ 1,743	\$ -	\$ -	\$ 41,636
Transfer to City Treasurer	4,447,612	198,102	458,604	1	5,104,319
Total expenses paid and transfers	<u>\$ 4,487,505</u>	<u>\$ 199,845</u>	<u>\$ 458,604</u>	<u>\$ 1</u>	<u>\$ 5,145,955</u>
CASH BALANCE, September 30, 2012	<u>\$ 793,672</u>	<u>\$ 37,227</u>	<u>\$ 199,306</u>	<u>\$ -</u>	<u>\$ 1,030,205</u>
ALLOCATION OF ENDING CASH BALANCE BY FUND					
General	\$ 793,672	\$ -	\$ -	\$ -	\$ 793,672
Capital Projects	-	-	199,306	-	199,306
Debt Service	-	37,227	-	-	37,227
	<u>\$ 793,672</u>	<u>\$ 37,227</u>	<u>\$ 199,306</u>	<u>\$ -</u>	<u>\$ 1,030,205</u>

**CITY OF COLUMBUS, NEBRASKA
NOTES TO OTHER 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, 2012, expenditures and other financing uses exceeded appropriations in the *Electric fund* by \$33,068, the *Water fund* by \$3,459,374, and the *Internal service fund* by \$166,149. 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, 2011 through September 30, 2012**

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	10-CR-006	\$ 69,658
Community Development Block Grant	14.228	11-ED-002	580,177
Subtotal			\$ 649,835 *
<u>United States Department of Justice</u>			
Bulletproof Vest Partnership	16.607		\$ 3,609
<u>United States Department of Transportation</u>			
Passed through the Nebraska Department of Aeronautics			
Airport Improvement Program	20.106	3-31-0019-09	\$ 644,130 *
Passed through the Nebraska Department of Roads			
NonUrbanized Area Formula Program	20.509	RPT-M711	\$ 116,161
Passed through the Nebraska Department of Motor Vehicles - Office of Highway Safety			
Highway Planning & Construction	20.205	HSIP0904	\$ 12,209
State and Community Highway Safety	20.600	402-12-27	10,684
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	410-11-2	14,952
Occupant Protection	20.602	405-12-8	1,897
Subtotal			\$ 39,742

* Denotes major program

CITY OF COLUMBUS, NEBRASKA

**SCHEDULE OF FEDERAL FINANCIAL AWARDS (continued)
For the Period October 1, 2011 through September 30, 2012**

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	\$ 431,347
<u>United States Department of Homeland Security</u>			
Passed through the Nebraska Emergency Management Agency and Platte County Emergency Management			
Homeland Security Grant Program	97.067		\$ 25,000
<u>United States Department of Health and Human Services</u>			
Passed through the Northeast Nebraska Area Agency on Aging			
Title III Part B	93.044		\$ 10,417
Title III Part C	93.045		21,210
Nutrition Program for the Elderly (Commodities)	93.053		<u>9,842</u>
Subtotal			\$ 41,469
TOTAL FEDERAL FINANCIAL AWARDS			\$ <u>1,951,293</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, 2012. 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, *Cost Principles for State, Local, and Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The following summary reconciles the Schedule of Federal Financial Awards with the Statement of Activities:

Operating grants - governmental activities	\$	2,976,267
Operating grants - business-type activities		<u>308,645</u>
Subtotal	\$	3,284,912
Less: State sourced funding		<u>(55,392)</u>
Total federal receipts	\$	3,229,520
Less amounts spent in prior years:		
Department of Roads grants		(807,375)
Department of Aeronautics grants		(458,900)
Other grants		<u>(11,952)</u>
Total federal expenditures	\$	<u><u>1,951,293</u></u>



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CERTIFIED PUBLIC ACCOUNTANTS

**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, 2012, and have issued our report thereon dated January 21, 2013. 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

Management of the City of Columbus is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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.

A handwritten signature in cursive script that reads "McDermott & Miller PC". The signature is written in black ink and is positioned above a horizontal line.

Kearney, Nebraska

January 21, 2013



MCDERMOTT + MILLER

CERTIFIED PUBLIC ACCOUNTANTS

**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 City of Columbus's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Columbus's major federal programs for the year ended September 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance 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, 2012.

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 to determine the 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.

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.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended 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
January 21, 2013

CITY OF COLUMBUS, NEBRASKA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended September 30, 2012**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting

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

Type of auditor's 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	Community Development Block Grant
20.106	Airport Improvement Program

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

