

CITY OF COLUMBUS, NEBRASKA

FINANCIAL REPORT

(Audited)

SEPTEMBER 30, 2017

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Columbus, Nebraska

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities – modified accrual basis, the business-type activities – accrual basis, and each major fund – modified cash basis for the governmental funds and accrual basis for the proprietary funds of the City of Columbus, Nebraska, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the bases of accounting described in Note 1; this includes determining that the modified accrual basis and modified cash basis of accounting are acceptable bases for the preparation of the governmental activities and governmental fund financial statements, respectively, in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, and each major fund – modified cash basis for the governmental funds and accrual basis for the proprietary funds of the City of Columbus, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with the bases of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the bases of accounting. The financial statements for the governmental activities are prepared on the modified accrual basis of accounting and the financial statements for the governmental funds are prepared on the modified cash basis of accounting, which are both bases of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The Schedule of County Treasurer Activity and the Schedule of Expenditures of Federal Awards as listed on pages 48 through 50, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of County Treasurer Activity and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of County Treasurer Activity and Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Management's discussion and analysis on pages 4 through 8 and the budgetary comparison information on pages 42 through 45 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The financial statements of the City for the year ended September 30, 2016, were audited by other auditors whose report, dated March 5, 2017, expressed an unmodified opinion on the financial statements presented.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2018, on our consideration of City of Columbus's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KSO CPA's, P.C.



Kearney, Nebraska

March 5, 2018



**Management's Discussion and Analysis
September 30, 2017**

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 and conditions. This analysis focuses on current year activities and how it compares to prior years and should be read in conjunction with the financial statements that follow.

Financial Highlights

- City of Columbus assets exceed its liabilities as of September 30, 2017 by \$170 million.
- Capital Assets (net of depreciation and related debt) account for about 70% of this amount.
- Of the remaining net assets, \$20.0 million is restricted to capital projects and debt payments and \$31.7 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 golf, aquatics, 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 Position 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 position 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.

- 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 position, revenue, expenses and changes in net position, 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 Position of the City for the fiscal years ended September 30, 2017 and 2016 follows:

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|------------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Assets | | | | |
| Cash and investments | \$ 31,134,124 | \$ 29,767,615 | \$20,539,279 | \$ 26,347,341 |
| Other assets | 1,878,409 | 1,695,731 | 3,519,275 | 3,183,484 |
| Capital assets, net | <u>102,882,469</u> | <u>98,466,907</u> | <u>62,613,821</u> | <u>54,135,882</u> |
| Total assets | <u>\$135,895,002</u> | <u>\$129,930,253</u> | <u>\$86,672,375</u> | <u>\$ 83,666,707</u> |
| Liabilities | | | | |
| Long-term liabilities | \$ 3,350,000 | \$ 3,970,000 | \$ 39,330,381 | \$ 41,221,949 |
| Other liabilities | <u>6,261,596</u> | <u>4,962,093</u> | <u>3,859,343</u> | <u>3,469,570</u> |
| Total liabilities | <u>\$ 9,611,596</u> | <u>\$ 8,932,093</u> | <u>\$ 43,189,724</u> | <u>\$ 44,691,519</u> |
| Net position | | | | |
| Net investment in capital assets | \$ 98,912,469 | \$ 93,776,907 | \$ 19,111,400 | \$ 8,756,893 |
| Restricted | 12,418,242 | 12,843,055 | 7,609,351 | 14,706,814 |
| Unrestricted | <u>14,952,695</u> | <u>14,378,198</u> | <u>16,761,900</u> | <u>15,511,481</u> |
| Total net position | <u>\$126,283,406</u> | <u>\$120,998,160</u> | <u>\$ 43,482,651</u> | <u>\$ 38,975,188</u> |
| Total liabilities and net position | <u>\$135,895,002</u> | <u>\$129,930,253</u> | <u>\$ 86,672,375</u> | <u>\$ 83,666,707</u> |

During the year ended September 30, 2017 the most significant changes were as follows:

Governmental Activities

The most significant changes from 2016 were the \$1.4 million increase in cash and investments, the \$0.6 million decrease in long-term liabilities due to the repayment of debt and the \$5.1 million increase in the net investment in capital assets. Overall the total net position increased by \$5.3 million.

City of Columbus, Nebraska
Management's Discussion and Analysis, Continued
September 30, 2017

Business-type Activities

The largest changes from 2016 were the \$5.8 million decrease in cash and investments, \$10.4 million increase in net investment in capital assets and \$7.1 million decrease in restricted funds, which were related to spending the 2016 revenue bond proceeds on Phase 3 of the Waste Water Treatment Facility expansion. These items resulted in an increase in net position of \$4.5 million.

A condensed version of the Statement of Activities of the City for the fiscal years ended September 30, 2017 and 2016 follows:

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|------------------------------------|--------------------------------|---------------------|---------------------------------|----------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Revenues | | | | |
| Program revenues | | | | |
| Charges for services | \$ 5,234,529 | \$ 5,336,647 | \$ 11,996,554 | \$10,888,375 |
| Operating grants and contributions | 2,994,358 | 1,357,840 | 214,950 | 291,107 |
| Capital grants and contributions | 5,788,741 | 4,937,220 | - | - |
| General revenues | | | | |
| Property tax | 4,638,295 | 4,418,382 | - | - |
| Sales tax | 7,149,252 | 6,792,851 | - | - |
| Franchise tax | 657,604 | 661,222 | 3,640,543 | 3,630,337 |
| Other Tax | (321,344) | 553,422 | - | - |
| Investment earnings | 263,771 | 220,095 | 263,966 | 155,973 |
| Gain (loss) on sale of equipment | (33,798) | (14,516) | 1,441 | (2,309) |
| Transfers in (out) | <u>2,936,031</u> | <u>3,882,203</u> | <u>(2,960,281)</u> | <u>(3,912,503)</u> |
| Total revenues | <u>\$29,307,439</u> | <u>\$28,145,366</u> | <u>\$13,157,173</u> | <u>\$ 11,050,980</u> |
| Governmental Activities | | | | |
| General government | \$17,038,537 | \$16,148,676 | \$ - | \$ - |
| Special revenue | 3,903,632 | 3,489,809 | - | - |
| Debt Service | 176,640 | 963,061 | - | - |
| Library Foundation | 18,118 | 81,718 | - | - |
| Library Endowment | 12,312 | 12,063 | - | - |
| Gerrard Park Trust | 1,800 | 1,400 | - | - |
| Health Insurance | 2,871,154 | 2,569,671 | - | - |
| Water | - | - | 2,730,845 | 2,872,232 |
| Sewer | - | - | 4,122,160 | 3,975,318 |
| Solid waste | - | - | 1,637,788 | 1,586,040 |
| Electric | - | - | 158,917 | 158,918 |
| Total expenses | <u>\$24,022,193</u> | <u>\$23,266,398</u> | <u>\$ 8,649,710</u> | <u>\$ 8,592,508</u> |
| Change in net position | <u>\$ 5,285,246</u> | <u>\$ 4,878,968</u> | <u>\$ 4,507,463</u> | <u>\$ 2,458,472</u> |

During the year ended September 30, 2017 the most significant changes were as follows:

Governmental activities

Governmental program revenues and expenses remained similar to the prior year. Overall net position increased by \$5.3 million in 2017 as compared to an increase of \$4.9 million in 2016. Both operating grants and contributions and capital grants and contributions increased due to successful grant applications. Property tax revenue increased \$220,000 due to additional property in Columbus that is being served by the City, rather than an increase in the property tax levy rate, as the levy rate was kept the same as last year. During fiscal year 2017 the local option sales tax revenue increased by \$356,000 or 5.3% when compared with 2016 due to more taxable sales in the City of Columbus. The cost of health insurance increased by \$301,000 due to increased health related 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 \$1.1 million when compared to 2016, due to planned rate increases to provide funds for the wastewater plant expansion. During 2017 the recommended rate increases from the 2013 water and wastewater study of 1% for water and 10% for wastewater were implemented. A new water and wastewater rate study was completed during 2017 to provide funds for future system improvements. Operating grants decreased by \$76,000 due to the completion of improvements to the Superfund plant in the prior year and the federal government handing off subsequent funding to the State of Nebraska.

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, 2017 the City had \$165 million invested in capital assets, including land, buildings, equipment, park and recreation facilities, streets, storm water drainage and water and sewer lines. This amount represents a net increase (additions, deductions, less depreciation) of \$13 million over last year.

A total of \$10.4 million was invested during 2017 in capital assets for governmental activities. Some of the larger additions include \$521,000 for a vehicle storage building for Columbus Area Transit vehicles, Police vehicles and equipment for \$150,000, Police radio consoles for dispatch and 911 calls for \$172,000, 5 defibrillators for rescue for \$150,000, \$51,000 for walking trail around Lake Esther in Sunset Park and \$583,000 for visitor football bleachers and restrooms in Memorial Stadium. Other capital purchases include \$500,000 for design of Library/Cultural Arts Center, \$167,000 for Library materials, \$141,000 for irrigation lake renovation at Quail Run Golf Course, \$2 million for Loup River Levee recertification. Transportation related improvement included \$2.9 million for

property acquisitions for 12th Avenue viaduct, \$418,000 for concrete street rehabilitation, \$827,000 for paving 33rd Avenue from 39th Street to Lost Creek Parkway and \$190,000 for two dump trucks for street maintenance.

A total of \$9.1 million was invested in capital assets during 2017 for the business-type activities. Some of the larger purchases were \$519,000 for sanitary sewer lift station renovations, \$118,000 for SCADA equipment upgrades and \$370,000 for sewer vacuum truck used for the maintenance of sewer lines. Other additions were \$6.8 million for Phase 2 and 3 wastewater plant expansion and \$700,000 for water main replacements. In addition the City spent \$124,000 for a 10 yard dump truck to spread bio-solids from the wastewater treatment plant and \$112,000 for a front end loader to load solid waste at the transfer station.

Debt Outstanding

At year-end, the City had \$45.1 million in bonds and notes outstanding versus \$47.7 million last year. There were no new borrowings for governmental activities and \$720,000 of general obligation debt was retired during 2017. There were also no new borrowings for business-type activities during 2017 and \$1,795,000 of outstanding business-type debt was retired during 2017. The last revenue bond issued during 2016 was rated AA by Standard & Poor's which is an excellent rating for a city the size of Columbus.

Economic Factors and Next Year's Budgets and Rates

Several factors were considered and affected the preparation of the City's 2018 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 Position
September 30, 2017

| | Governmental Activities (Modified Accrual Basis) | Business-type Activities (Accrual Basis) | Total |
|----------------------------------|---|--|-----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,065,101 | \$ 3,700 | \$ 3,068,801 |
| Cash - County Treasurer | 1,051,786 | - | 1,051,786 |
| Investments | 27,017,237 | 20,535,579 | 47,552,816 |
| Accounts receivable | 620,832 | 1,142,688 | 1,763,520 |
| Special assessment receivable | 287,846 | - | 287,846 |
| Notes receivable | 969,731 | - | 969,731 |
| Accrued revenue | - | 2,126,774 | 2,126,774 |
| Inventory | - | 249,813 | 249,813 |
| Land and buildings | 15,239,143 | 39,980,095 | 55,219,238 |
| Improvements | 107,200,324 | 39,375,377 | 146,575,701 |
| Equipment | 10,203,890 | 9,198,732 | 19,402,622 |
| Vehicles | 7,329,006 | - | 7,329,006 |
| Construction in progress | 16,034,993 | 9,884,867 | 25,919,860 |
| Less accumulated depreciation | <u>(53,124,887)</u> | <u>(35,825,250)</u> | <u>(88,950,137)</u> |
| Total assets | <u>\$ 135,895,002</u> | <u>\$ 86,672,375</u> | <u>\$ 222,567,377</u> |
| LIABILITIES | | | |
| Deficit equity in pooled cash | \$ 3,762,987 | \$ - | \$ 3,762,987 |
| Accounts payable | - | 1,392,739 | 1,392,739 |
| Accrued expenses | - | 318,728 | 318,728 |
| Deferred revenue | 1,878,609 | 8,176 | 1,886,785 |
| Interest payable | - | 329,700 | 329,700 |
| Long-term debt, net: | | | |
| Due within one year | 620,000 | 1,810,000 | 2,430,000 |
| Due in more than one year | <u>3,350,000</u> | <u>39,330,381</u> | <u>42,680,381</u> |
| Total liabilities | <u>\$ 9,611,596</u> | <u>\$ 43,189,724</u> | <u>\$ 52,801,320</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 98,912,469 | \$ 19,111,400 | \$ 118,023,869 |
| Restricted for: | | | |
| Debt service | 11,299,246 | 1,440,286 | 12,739,532 |
| Unspent bond proceeds | 1,118,996 | 6,169,065 | 7,288,061 |
| Unrestricted | <u>14,952,695</u> | <u>16,761,900</u> | <u>31,714,595</u> |
| Total net position | <u>\$ 126,283,406</u> | <u>\$ 43,482,651</u> | <u>\$ 169,766,057</u> |

See notes to financial statements.

City of Columbus, Nebraska
Statement of Activities
For the Year Ended September 30, 2017

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 17,038,537 | \$ 1,463,370 | \$ 808,233 | \$ 1,716,671 | \$ (13,050,263) | \$ - | \$ (13,050,263) |
| Special revenue | 3,903,632 | 895,282 | 548,475 | 2,774,843 | 314,968 | - | 314,968 |
| Capital projects | - | - | 1,637,650 | - | 1,637,650 | - | 1,637,650 |
| Debt service | 176,640 | 127,190 | - | 29,947 | (19,503) | - | (19,503) |
| Library Foundation | 18,118 | - | - | 1,205,742 | 1,187,624 | - | 1,187,624 |
| Library Endowment | 12,312 | - | - | 58,027 | 45,715 | - | 45,715 |
| Gerrard Park Trust | 1,800 | - | - | 3,511 | 1,711 | - | 1,711 |
| Health insurance | 2,871,154 | 2,748,687 | - | - | (122,467) | - | (122,467) |
| Total governmental activities | <u>\$ 24,022,193</u> | <u>\$ 5,234,529</u> | <u>\$ 2,994,358</u> | <u>\$ 5,788,741</u> | <u>\$ (10,004,565)</u> | <u>\$ -</u> | <u>\$ (10,004,565)</u> |
| Business-type activities: | | | | | | | |
| Water | \$ 2,730,845 | \$ 3,873,594 | \$ 197,989 | \$ - | \$ - | \$ 1,340,738 | \$ 1,340,738 |
| Sewer | 4,122,160 | 6,205,698 | - | - | - | 2,083,538 | 2,083,538 |
| Electric | 158,918 | - | - | - | - | (158,918) | (158,918) |
| Solid waste | 1,637,787 | 1,917,262 | 16,961 | - | - | 296,436 | 296,436 |
| Total business-type activities | <u>\$ 8,649,710</u> | <u>\$ 11,996,554</u> | <u>\$ 214,950</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,561,794</u> | <u>\$ 3,561,794</u> |
| Total government | <u>\$ 32,671,903</u> | <u>\$ 17,231,083</u> | <u>\$ 3,209,308</u> | <u>\$ 5,788,741</u> | <u>\$ (10,004,565)</u> | <u>\$ 3,561,794</u> | <u>\$ (6,442,771)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property tax | | | | | \$ 4,638,295 | \$ - | \$ 4,638,295 |
| Sales tax | | | | | 7,149,252 | - | 7,149,252 |
| Miscellaneous | | | | | (321,344) | - | (321,344) |
| Franchise fees | | | | | 657,604 | 3,640,543 | 4,298,147 |
| Investment earnings | | | | | 263,771 | 263,966 | 527,737 |
| Gain (loss) on sale of asset | | | | | (33,798) | 1,441 | (32,357) |
| Transfers | | | | | 2,936,031 | (2,960,281) | (24,250) |
| Total general revenues and transfers | | | | | <u>\$ 15,289,811</u> | <u>\$ 945,669</u> | <u>\$ 16,235,480</u> |
| Change in net position | | | | | \$ 5,285,246 | \$ 4,507,463 | \$ 9,792,709 |
| Net position - beginning | | | | | 120,998,160 | 38,975,188 | 159,973,348 |
| Net position - ending | | | | | <u>\$ 126,283,406</u> | <u>\$ 43,482,651</u> | <u>\$ 169,766,057</u> |

See notes to financial statements.

City of Columbus, Nebraska
Balance Sheet - Modified Cash Basis
Governmental Funds
September 30, 2017

| | General | Special Revenue | Capital Projects | Debt Service | Other Governmental Funds | Total Governmental Funds |
|--|--------------|--------------------|------------------|--------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 3,058,215 | \$ 3,845 | \$ - | \$ 562 | \$ - | \$ 3,062,622 |
| Cash - County Treasurer | 894,399 | - | - | 157,387 | - | 1,051,786 |
| Investments | 3,943,416 | 14,862,759 | 1,118,996 | 916,670 | 3,774,861 | 24,616,702 |
| Receivables: | | | | | | |
| Accounts | 615,218 | 5,614 | - | - | - | 620,832 |
| Special assessment | - | - | - | 287,846 | - | 287,846 |
| Notes | - | 969,731 | - | - | - | 969,731 |
| Total assets | \$ 8,511,248 | \$ 15,841,949 | \$ 1,118,996 | \$ 1,362,465 | \$ 3,774,861 | \$ 30,609,519 |
| LIABILITIES AND FUND BALANCE | | | | | | |
| Liabilities: | | | | | | |
| Deficit equity in pooled cash | \$ - | \$ 19,322 | \$ 3,743,665 | \$ - | \$ - | \$ 3,762,987 |
| Deferred revenue | 615,218 | 975,545 | - | 287,846 | - | 1,878,609 |
| Current portion of long-term debt | - | - | - | 620,000 | - | 620,000 |
| Total liabilities | \$ 615,218 | \$ 994,867 | \$ 3,743,665 | \$ 907,846 | \$ - | \$ 6,261,596 |
| Fund balances: | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ 135,835 | \$ 135,835 |
| Restricted | 74,779 | 13,982,548 | (2,624,669) | 454,619 | 2,066,137 | 13,953,414 |
| Committed | - | 864,534 | - | - | 1,572,889 | 2,437,423 |
| Assigned | 40,071 | - | - | - | - | 40,071 |
| Unassigned | 7,781,180 | - | - | - | - | 7,781,180 |
| Total fund balances | \$ 7,896,030 | \$ 14,847,082 | \$ (2,624,669) | \$ 454,619 | \$ 3,774,861 | \$ 24,347,923 |
| Total liabilities and fund balances | \$ 8,511,248 | \$ 15,841,949 | \$ 1,118,996 | \$ 1,362,465 | \$ 3,774,861 | |

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

| | |
|---|----------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 102,882,469 |
| 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. | 2,403,014 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (3,350,000) |
| Net position of governmental activities | \$ 126,283,406 |

See notes to financial statements.

City of Columbus, Nebraska
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Modified Cash Basis - Governmental Funds
For the Year Ended September 30, 2017

| | General | Special Revenue | Capital Projects | Debt Service | Other Governmental Funds | Total Governmental Funds |
|--|-----------------------|-----------------------|-----------------------|---------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | | |
| Property taxes | \$ 4,059,208 | \$ - | \$ - | \$ 579,087 | \$ - | \$ 4,638,295 |
| Fees, taxes, permits and licenses | 261,090 | 2,481,993 | - | - | - | 2,743,083 |
| State shared revenue | 6,071 | - | - | - | - | 6,071 |
| Franchise fees | 657,604 | - | - | - | - | 657,604 |
| Sales tax | 2,128,615 | 4,624,302 | 396,335 | - | - | 7,149,252 |
| Charges for services | 1,463,370 | 895,282 | - | 127,190 | - | 2,485,842 |
| Donations | - | - | - | - | 1,205,742 | 1,205,742 |
| TIF income | - | - | - | (321,344) | - | (321,344) |
| Grants | 808,233 | 548,475 | 1,637,650 | - | - | 2,994,358 |
| Investment earnings | 60,851 | 124,815 | 11,277 | 6,400 | 40,636 | 243,979 |
| Miscellaneous | 1,453,831 | 292,850 | - | 29,947 | 61,538 | 1,838,166 |
| Total revenues | <u>\$ 10,898,873</u> | <u>\$ 8,967,717</u> | <u>\$ 2,045,262</u> | <u>\$ 421,280</u> | <u>\$ 1,307,916</u> | <u>\$ 23,641,048</u> |
| EXPENDITURES | | | | | | |
| Current operating: | | | | | | |
| General government | \$ 1,641,209 | \$ - | \$ - | \$ - | \$ - | \$ 1,641,209 |
| Public health and safety | 6,330,021 | 169,958 | - | - | - | 6,499,979 |
| Public works | - | 3,113,090 | - | - | - | 3,113,090 |
| Cultural and recreational | 4,400,010 | - | - | - | 32,230 | 4,432,240 |
| Community development | 178,783 | 620,584 | - | - | - | 799,367 |
| Capital outlay | 3,161,687 | 482,079 | 6,610,148 | - | - | 10,253,914 |
| Debt service: | | | | | | |
| Principal | - | - | - | 620,000 | - | 620,000 |
| Interest | - | - | - | 175,886 | - | 175,886 |
| Other | - | - | - | 754 | - | 754 |
| Total expenditures | <u>\$ 15,711,710</u> | <u>\$ 4,385,711</u> | <u>\$ 6,610,148</u> | <u>\$ 796,640</u> | <u>\$ 32,230</u> | <u>\$ 27,536,439</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (4,812,837)</u> | <u>\$ 4,582,006</u> | <u>\$ (4,564,886)</u> | <u>\$ (375,360)</u> | <u>\$ 1,275,686</u> | <u>\$ (3,895,391)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | \$ 5,781,128 | \$ 535,000 | \$ 1,341,135 | \$ 617,719 | \$ 15,000 | \$ 8,289,982 |
| Transfers out | (628,250) | (2,778,763) | - | (617,719) | (17,500) | (4,042,232) |
| Total other financing sources (uses) | <u>\$ 5,152,878</u> | <u>\$ (2,243,763)</u> | <u>\$ 1,341,135</u> | <u>\$ -</u> | <u>\$ (2,500)</u> | <u>\$ 4,247,750</u> |
| Net change in fund balances | \$ 340,041 | \$ 2,338,243 | \$ (3,223,751) | \$ (375,360) | \$ 1,273,186 | \$ 352,359 |
| Fund balances - beginning | 7,555,989 | 12,508,839 | 599,082 | 829,979 | 2,501,675 | 23,995,564 |
| Fund balances - ending | <u>\$ 7,896,030</u> | <u>\$ 14,847,082</u> | <u>\$ (2,624,669)</u> | <u>\$ 454,619</u> | <u>\$ 3,774,861</u> | <u>\$ 24,347,923</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, 2017

Amounts reported for governmental activities in the statement of activities (page 10) are different because:

| | | |
|--|----|------------------|
| Net change in fund balances - total governmental funds (page 12) | \$ | 352,359 |
| 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 expense. This is the amount by which capital outlays exceeded depreciation in the current year. | | 5,765,400 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (or decrease) net position. | | (1,349,838) |
| 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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | 620,000 |
| 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>(102,675)</u> |
| Change in net position of governmental activities (page 10) | \$ | <u>5,285,246</u> |

City of Columbus, Nebraska
Statement of Net Position - Accrual Basis
Proprietary Funds
September 30, 2017

| | Business-type Activities | | | | | Governmental Activities Internal Service Fund |
|----------------------------------|--------------------------|----------------------|---------------------|---------------------|------------------------------|--|
| | Water | Sewer | Electric | Solid Waste | Total Enterprise Funds | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 6,835,602 | \$ 11,810,270 | \$ 1,050,812 | \$ 842,595 | \$ 20,539,279 | \$ 2,403,014 |
| Receivables: | | | | | | |
| Interfund | - | - | 2,362,040 | - | 2,362,040 | - |
| Accounts (net of allowance) | 428,512 | 616,082 | - | 98,094 | 1,142,688 | - |
| Accrued revenue | 360,641 | 609,065 | 1,059,909 | 97,159 | 2,126,774 | - |
| Inventory | 201,227 | 48,586 | - | - | 249,813 | - |
| Capital assets: | | | | | | |
| Land and buildings | 8,957,297 | 25,888,407 | - | 5,134,391 | 39,980,095 | - |
| Plant improvements | 20,002,189 | 12,730,010 | 6,119,988 | 523,190 | 39,375,377 | - |
| Equipment | 5,000,886 | 2,886,663 | - | 1,311,183 | 9,198,732 | - |
| Construction in progress | 901,280 | 8,983,587 | - | - | 9,884,867 | - |
| Less accumulated depreciation | <u>(15,581,391)</u> | <u>(14,287,134)</u> | <u>(4,671,501)</u> | <u>(1,285,224)</u> | <u>(35,825,250)</u> | <u>-</u> |
| Total assets | <u>\$ 27,106,243</u> | <u>\$ 49,285,536</u> | <u>\$ 5,921,248</u> | <u>\$ 6,721,388</u> | <u>\$ 89,034,415</u> | <u>\$ 2,403,014</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 99,067 | \$ 1,229,498 | \$ - | \$ 64,174 | \$ 1,392,739 | \$ - |
| Accrued payroll | 104,899 | 158,313 | - | 55,516 | 318,728 | - |
| Deferred revenue | - | 8,176 | - | - | 8,176 | - |
| Due to other funds | - | - | - | 2,362,040 | 2,362,040 | - |
| Interest payable | 167,283 | 160,399 | - | 2,018 | 329,700 | - |
| Long-term debt, net: | | | | | | |
| Due within one year | 990,908 | 629,092 | - | 190,000 | 1,810,000 | - |
| Due in more than one year | <u>5,241,345</u> | <u>32,369,036</u> | <u>-</u> | <u>1,720,000</u> | <u>39,330,381</u> | <u>-</u> |
| Total liabilities | <u>\$ 6,603,502</u> | <u>\$ 34,554,514</u> | <u>\$ -</u> | <u>\$ 4,393,748</u> | <u>\$ 45,551,764</u> | <u>\$ -</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | \$ 13,048,008 | \$ 3,203,405 | \$ 1,448,487 | \$ 1,411,500 | \$ 19,111,400 | \$ - |
| Restricted for: | | | | | | |
| Debt service | 819,189 | 621,097 | - | - | 1,440,286 | - |
| Unspent bond proceeds | - | 6,169,065 | - | - | 6,169,065 | - |
| Unrestricted | <u>6,635,544</u> | <u>4,737,455</u> | <u>4,472,761</u> | <u>916,140</u> | <u>16,761,900</u> | <u>2,403,014</u> |
| Total net position | <u>\$ 20,502,741</u> | <u>\$ 14,731,022</u> | <u>\$ 5,921,248</u> | <u>\$ 2,327,640</u> | <u>\$ 43,482,651</u> | <u>\$ 2,403,014</u> |

See notes to financial statements.

City of Columbus, Nebraska
Statement of Revenues, Expenses, and Changes in Net Position - Accrual Basis
Proprietary Funds
September 30, 2017

| | Business-type Activities | | | | | Governmental Activities Internal Service Fund |
|--|--------------------------|----------------------|-----------------------|---------------------|------------------------------|--|
| | Water | Sewer | Electric | Solid Waste | Total Enterprise Funds | |
| Operating revenues: | | | | | | |
| Charges for services | \$ 3,446,165 | \$ 5,726,420 | \$ - | \$ 1,907,801 | \$ 11,080,386 | \$ 2,748,687 |
| Franchise fees | - | - | 3,640,543 | - | 3,640,543 | - |
| Permits and fees | 84,993 | 87,597 | - | 1,050 | 173,640 | - |
| Sales tax | 160,188 | 348,833 | - | - | 509,021 | - |
| Operating grants | 197,989 | - | - | 16,961 | 214,950 | - |
| Miscellaneous | 182,248 | 42,848 | - | 8,411 | 233,507 | - |
| Total operating revenues | <u>\$ 4,071,583</u> | <u>\$ 6,205,698</u> | <u>\$ 3,640,543</u> | <u>\$ 1,934,223</u> | <u>\$ 15,852,047</u> | <u>\$ 2,748,687</u> |
| Operating expenses: | | | | | | |
| Personnel services | \$ 708,872 | \$ 1,153,013 | \$ - | \$ 481,207 | \$ 2,343,092 | \$ - |
| Insurance | 30,111 | 59,812 | - | 11,880 | 101,803 | - |
| Supplies | 194,733 | 231,257 | - | 65,888 | 491,878 | - |
| Professional services | 15,740 | 14,444 | - | 2,944 | 33,128 | 2,871,154 |
| Repairs and maintenance | 257,910 | 204,366 | - | 37,357 | 499,633 | - |
| Heat, light and power, phone | 207,903 | 369,610 | - | 9,324 | 586,837 | - |
| Landfill disposal | - | - | - | 685,531 | 685,531 | - |
| Sales tax remitted | 169,606 | 348,320 | - | - | 517,926 | - |
| Other operating | 29,926 | 31,550 | - | 1,253 | 62,729 | - |
| Depreciation | 918,047 | 919,782 | 158,918 | 225,738 | 2,222,485 | - |
| Total operating expenses | <u>\$ 2,532,848</u> | <u>\$ 3,332,154</u> | <u>\$ 158,918</u> | <u>\$ 1,521,122</u> | <u>\$ 7,545,042</u> | <u>\$ 2,871,154</u> |
| Operating income (loss) | <u>\$ 1,538,735</u> | <u>\$ 2,873,544</u> | <u>\$ 3,481,625</u> | <u>\$ 413,101</u> | <u>\$ 8,307,005</u> | <u>\$ (122,467)</u> |
| Nonoperating revenues (expenses): | | | | | | |
| Interest expense | \$ (197,997) | \$ (790,006) | \$ - | \$ (116,665) | \$ (1,104,668) | \$ - |
| Investment earnings | 53,086 | 131,147 | 73,600 | 6,133 | 263,966 | 19,792 |
| Gain (loss) on disposal of assets | - | - | - | 1,441 | 1,441 | - |
| Total nonoperating revenues (expenses) | <u>\$ (144,911)</u> | <u>\$ (658,859)</u> | <u>\$ 73,600</u> | <u>\$ (109,091)</u> | <u>\$ (839,261)</u> | <u>\$ 19,792</u> |
| Income (loss) before operating transfers | <u>\$ 1,393,824</u> | <u>\$ 2,214,685</u> | <u>\$ 3,555,225</u> | <u>\$ 304,010</u> | <u>\$ 7,467,744</u> | <u>\$ (102,675)</u> |
| Operating transfers: | | | | | | |
| Operating transfers in | \$ 478,915 | \$ 832,804 | \$ - | \$ 166,000 | \$ 1,477,719 | \$ - |
| Operating transfers out | (280,000) | (334,000) | (3,775,000) | (49,000) | (4,438,000) | - |
| Total operating transfers | <u>\$ 198,915</u> | <u>\$ 498,804</u> | <u>\$ (3,775,000)</u> | <u>\$ 117,000</u> | <u>\$ (2,960,281)</u> | <u>\$ -</u> |
| Change in net position | \$ 1,592,739 | \$ 2,713,489 | \$ (219,775) | \$ 421,010 | \$ 4,507,463 | \$ (102,675) |
| Total net position - beginning | 18,910,002 | 12,017,533 | 6,141,023 | 1,906,630 | 38,975,188 | 2,505,689 |
| Total net position - ending | <u>\$ 20,502,741</u> | <u>\$ 14,731,022</u> | <u>\$ 5,921,248</u> | <u>\$ 2,327,640</u> | <u>\$ 43,482,651</u> | <u>\$ 2,403,014</u> |

See notes to financial statements.

City of Columbus, Nebraska
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

| | 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 | \$ 4,019,556 | \$ 5,981,191 | \$ 3,661,325 | \$ 1,849,982 | \$ 15,512,054 | \$ 2,748,687 |
| Payments to suppliers | (923,996) | (920,461) | - | (839,721) | (2,684,178) | (2,871,154) |
| Payments to employees | (692,322) | (1,130,494) | - | (470,785) | (2,293,601) | - |
| Net cash provided (used) by operating activities | <u>\$ 2,403,238</u> | <u>\$ 3,930,236</u> | <u>\$ 3,661,325</u> | <u>\$ 539,476</u> | <u>\$ 10,534,275</u> | <u>\$ (122,467)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Transfer from (to) other funds (net) | \$ 198,915 | \$ 498,804 | \$ (3,775,000) | \$ 117,000 | \$ (2,960,281) | \$ - |
| Net cash provided (used) by noncapital financing activities | <u>\$ 198,915</u> | <u>\$ 498,804</u> | <u>\$ (3,775,000)</u> | <u>\$ 117,000</u> | <u>\$ (2,960,281)</u> | <u>\$ -</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Purchases of capital assets, net of disposals | \$ (1,450,742) | \$ (9,117,054) | \$ - | \$ (131,187) | \$ (10,698,983) | \$ - |
| Bond payments | (1,099,227) | (587,341) | - | (190,000) | (1,876,568) | - |
| Interest payments | (121,823) | (791,091) | - | (116,739) | (1,029,653) | - |
| Net cash provided (used) by capital and related financing activities | <u>\$ (2,671,792)</u> | <u>\$ (10,495,486)</u> | <u>\$ -</u> | <u>\$ (437,926)</u> | <u>\$ (13,605,204)</u> | <u>\$ -</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Interest and dividends received | \$ 53,086 | \$ 131,147 | \$ 73,600 | \$ 6,133 | \$ 263,966 | \$ 19,792 |
| Net cash provided by investing activities | <u>\$ 53,086</u> | <u>\$ 131,147</u> | <u>\$ 73,600</u> | <u>\$ 6,133</u> | <u>\$ 263,966</u> | <u>\$ 19,792</u> |
| Net increase (decrease) in cash and cash equivalents | \$ (16,553) | \$ (5,935,299) | \$ (40,075) | \$ 224,683 | \$ (5,767,244) | \$ (102,675) |
| Beginning cash and cash equivalents | <u>6,852,155</u> | <u>17,745,569</u> | <u>1,090,887</u> | <u>617,912</u> | <u>26,306,523</u> | <u>2,505,689</u> |
| Ending cash and cash equivalents | <u>\$ 6,835,602</u> | <u>\$ 11,810,270</u> | <u>\$ 1,050,812</u> | <u>\$ 842,595</u> | <u>\$ 20,539,279</u> | <u>\$ 2,403,014</u> |
| Reconciliation of operating income to net cash provided by operating activities | | | | | | |
| Operating income (loss) | \$ 1,538,735 | \$ 2,873,544 | \$ 3,481,625 | \$ 413,101 | \$ 8,307,005 | \$ (122,467) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| Depreciation | 918,047 | 919,782 | 158,918 | 225,738 | 2,222,485 | - |
| Change in assets and liabilities: | | | | | | |
| Receivables | (32,038) | (127,190) | - | (11,874) | (171,102) | - |
| Inventory and other assets | (19,039) | (94,065) | 20,782 | (72,367) | (164,689) | - |
| Accounts and other payables | (19,017) | 335,646 | - | (25,544) | 291,085 | - |
| Accrued expenses | 16,550 | 22,519 | - | 10,422 | 49,491 | - |
| Net cash provided (used) by operating activities | <u>\$ 2,403,238</u> | <u>\$ 3,930,236</u> | <u>\$ 3,661,325</u> | <u>\$ 539,476</u> | <u>\$ 10,534,275</u> | <u>\$ (122,467)</u> |

See notes to financial statements.

City of Columbus, Nebraska
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
September 30, 2017

| | Pension Trust Funds | Agency Funds |
|------------------------------------|---------------------------|-----------------|
| ASSETS | | |
| Cash | \$ 1,141 | \$ 300 |
| Investments | 95,922 | - |
| Total assets | \$ 97,063 | \$ 300 |
| LIABILITIES | | |
| Accounts payable | \$ - | \$ - |
| NET POSITION | | |
| Held in trust for pension benefits | \$ 97,063 | \$ 300 |

City of Columbus, Nebraska
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
For the Year Ended September 30, 2017

| | Pension Trust Funds | Agency Funds |
|---------------------------------------|---------------------------|-----------------|
| ADDITIONS | | |
| Interest income | \$ 760 | \$ - |
| Collections for agency funds | - | 15,438 |
| Subtotal | \$ 760 | \$ 15,438 |
| DEDUCTIONS | | |
| Public Safety | \$ 25,050 | \$ - |
| OTHER FINANCING SOURCES (USES) | | |
| Paid to agency fund | \$ - | \$ (15,138) |
| Transfers from other funds | 24,250 | - |
| Subtotal | \$ 24,250 | \$ (15,138) |
| Change in Net Position | \$ (40) | \$ 300 |
| Net Position - Beginning | 97,103 | - |
| Net Position - End | \$ 97,063 | \$ 300 |

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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 pronouncements. 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 Governmental 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 position into net investment in capital assets, restricted and unrestricted.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position 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.

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

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

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 proprietary 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 proprietary funds are charges to customers for sales and services. Operating expenses for proprietary 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.

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

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

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 15, and expenditures for transportation purposes, which include construction and maintenance of streets, roads, and bridges to the extent of tax revenues. In addition, this fund accounts for Community Development Block Grants, lottery funds, and the airport.

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

The *Debt Service fund* accounts for the receipts and expenditures of bond principal and interest other than those of proprietary funds.

The City reports the following major proprietary funds:

The *Water, Sewer and Solid Waste funds* are used to account for all activities necessary for the provision of water, sewer, and waste disposal services to City residents.

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

Additionally, the City reports the following fund types:

The *Internal Service fund* accounts for self-insurance reserves and employee benefits for covered employees provided to other departments or agencies of the City on a cost reimbursement basis.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

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

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

General statement

The *Governmental Accounting Standards Board* (GASB) is the standard-setting body for governmental accounting and financial reporting. The City has applied all applicable 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.

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, 2017, 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.

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

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

constructed. Donated capital assets are recorded at estimated fair value on the date of donation.

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

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

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

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

Equity

In the government-wide statements, equity is classified as net investment in capital assets, unrestricted net position and restricted net position. In the governmental fund statements, equity is classified as nonspendable, restricted, committed, assigned and unassigned fund balances according to the detail below.

Fund balance

The City has adopted the provisions of Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” of the Governmental Accounting Standards Board. In accordance with this Statement, governmental fund balance is classified as follows:

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.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

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.

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, 2017, the cash fund balances of the County Treasurer funds have 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, 2017, 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.

The budget is published with subsequent public hearings to obtain taxpayer comments.

Prior to September 20, the budget was legally adopted by the City Council and was then filed with the appropriate state and county officials.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

Property taxes were levied in October of 2016 on the assessed value of listed property. The County Assessor of Platte County, Nebraska, determined the City of Columbus's valuation to be \$1,462,262,669 in August of 2016.

The City, through the budget process, requested a total of \$4,608,843 in property taxes. Based on the August of 2016 valuation previously mentioned, the tax levy for the City of Columbus was established at \$0.315 per \$100 of property value.

Note 4. **Cash and Investments**

Nebraska Statutes provide 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 \$46,955,693 and the bank balance was \$43,962,674. The component units' carrying amount of bank deposits was \$3,774,861 and bank balance was \$3,774,861. Some balances held at a financial institution 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 and a portion was uncollateralized.

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.

Deposits and investments of the City at September 30, 2017, consisted of the following:

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

| | City of Columbus | Component Units | Total |
|---------------------------|----------------------|---------------------|----------------------|
| Demand deposits | \$ 79,511 | \$ 1,050 | \$ 80,561 |
| Time and savings deposits | 43,788,017 | 2,363,882 | 46,151,899 |
| Other securities | 95,146 | 1,409,929 | 1,505,075 |
| Total deposits | <u>\$ 43,962,674</u> | <u>\$ 3,774,861</u> | <u>\$ 47,737,535</u> |
| Level 1 | \$ 32,477,349 | \$ 1,415,818 | \$ 33,893,167 |
| Level 2 | 11,485,325 | 135,835 | 11,621,160 |
| Level 3 | - | 2,223,208 | 2,223,208 |
| Total deposits | <u>\$ 43,962,674</u> | <u>\$ 3,774,861</u> | <u>\$ 47,737,535</u> |

Investments of the City can be categorized as follows:

| Investment type | Investment term | | |
|-----------------|---------------------|----------------------|------------------|
| | Less than 1 year | 1 -5 years | 5 - 10 years |
| U.S. Notes | \$ - | \$ - | \$ 95,146 |
| Money Markets | 9,902,517 | - | - |
| CD's | - | 33,885,500 | - |
| Total | <u>\$ 9,902,517</u> | <u>\$ 33,885,500</u> | <u>\$ 95,146</u> |

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.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

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.

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, 2017, 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, 2017, 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 | \$ 615,218 | \$ - | \$ - | \$ - | \$ 615,218 | \$ - | \$ 615,218 |
| Street | 5,614 | - | - | - | 5,614 | - | 5,614 |
| Housing Rehabilitation | - | 500,033 | - | - | 500,033 | - | 500,033 |
| Progress and Jobs Growth | - | 469,698 | - | - | 469,698 | - | 469,698 |
| Debt Service | - | - | 287,846 | - | 287,846 | - | 287,846 |
| Water | 430,312 | - | - | - | 430,312 | 1,800 | 428,512 |
| Sewer | 617,282 | - | - | - | 617,282 | 1,200 | 616,082 |
| Electric | - | - | - | 2,362,040 | 2,362,040 | - | 2,362,040 |
| Solid Waste | 98,094 | - | - | - | 98,094 | - | 98,094 |
| | <u>\$ 1,769,258</u> | <u>\$ 969,731</u> | <u>\$ 287,846</u> | <u>\$ 2,362,040</u> | <u>\$ 5,388,875</u> | <u>\$ 3,000</u> | <u>\$ 5,385,875</u> |

On August 3, 2012, the City loaned Central American Foods, LLC \$45,000 and on October 15, 2012, the City loaned \$46,000 for a total of \$91,000 for equipment

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Note 5. **Receivables (continued)**

purchases to support the cheese-making business in Columbus. The loan carries no interest and payments of \$22,750 are due annually beginning July 1, 2014, with the final payment due July 1, 2017. The outstanding balance at September 30, 2017, is \$88,075.

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 of \$30,000 are due annually beginning December 31, 2014, with the final payment due December 31, 2018. The outstanding balance at September 30, 2017, is \$60,000.

On February 2, 2015, the City loaned Blazer Holdings, LLC and Blazer, LLC collectively \$300,000 for start-up expenses relating to the purchase of a business. The loan carries interest at 1.00% and is payable in monthly installments of \$5,130 beginning March 1, 2016, with the final payment due February 1, 2021. The outstanding balance at September 30, 2017, is \$201,623.

On May 1, 2017, the City loaned DiStar Industries LLC \$120,000 for building expansion to support its growing business operations in Columbus. The loan carries interest at 1.00% and is payable in monthly installments of \$2,554 starting on June 1, 2018 with the final payment due May 1, 2022. The outstanding balance at September 30, 2017, is \$120,000.

The following is a summary of notes receivable outstanding as of September 30, 2017, under the Progress and Jobs Growth program administered by the City:

| | Original Date | Due Date | Original Amount | Interest Rate | 9/30/2017 Balance |
|-----------------------------|------------------|-------------|--------------------|------------------|----------------------|
| 2012 Central American Foods | 8/3/2012 | 7/1/2017 | 91,000 | 0.00% | \$ 88,075 |
| 2012 Monster Storage | 8/15/2012 | 12/31/2018 | 150,000 | 0.00% | 60,000 |
| 2015 Blazer | 2/2/2015 | 2/1/2021 | 300,000 | 1.00% | 201,623 |
| 2017 DiStar Industries | 5/1/2017 | 5/1/2022 | 120,000 | 1.00% | 120,000 |
| Total | | | | | <u>\$ 469,698</u> |

The City has issued various down-payment assistance loans to residents. 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, 2017, is \$500,033.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Note 6. **Capital Assets**

Capital asset activity for the year ended September 30, 2017, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------|-----------------------|-----------------------|------------------------|
| Governmental activities: | | | | |
| Capital assets: | | | | |
| Land | \$ 280,524 | \$ - | \$ - | \$ 280,524 |
| Construction in progress | 7,987,058 | 8,464,626 | (416,690) | 16,034,993 |
| Land improvements and buildings | 15,096,136 | 95,688 | (233,205) | 14,958,619 |
| Improvements | 107,859,900 | 698,968 | (1,358,544) | 107,200,324 |
| Equipment | 10,917,954 | 911,940 | (1,626,004) | 10,203,890 |
| Vehicles | <u>7,136,152</u> | <u>373,397</u> | <u>(180,543)</u> | <u>7,329,006</u> |
| Total capital assets | <u>\$ 149,277,724</u> | <u>\$ 10,544,619</u> | <u>\$ (3,814,986)</u> | <u>\$ 156,007,356</u> |
| Less accumulated depreciation | <u>\$ (50,810,817)</u> | <u>\$ (4,488,514)</u> | <u>\$ 2,174,444</u> | <u>\$ (53,124,887)</u> |
| Governmental activities capital assets, net | <u>\$ 98,466,907</u> | <u>\$ 6,056,105</u> | <u>\$ (1,640,542)</u> | <u>\$ 102,882,469</u> |
| Business-type activities: | | | | |
| Capital assets: | | | | |
| Land | \$ 391,161 | \$ - | \$ - | \$ 391,161 |
| Construction in progress | 10,418,942 | 7,462,561 | (7,996,636) | 9,884,867 |
| Land improvements and buildings | 30,744,945 | 8,851,265 | (7,276) | 39,588,934 |
| Improvements | 37,699,161 | 1,716,682 | (40,466) | 39,375,377 |
| Equipment | <u>8,911,908</u> | <u>683,888</u> | <u>(397,064)</u> | <u>9,198,732</u> |
| Total capital assets | <u>\$ 88,166,117</u> | <u>\$ 18,714,396</u> | <u>\$ (8,441,442)</u> | <u>\$ 98,439,071</u> |
| Less accumulated depreciation | <u>\$ (34,030,235)</u> | <u>\$ (2,222,485)</u> | <u>\$ 427,470</u> | <u>\$ (35,825,250)</u> |
| Business-type activities capital assets, net | <u>\$ 54,135,882</u> | <u>\$ 16,491,911</u> | <u>\$ (8,013,972)</u> | <u>\$ 62,613,821</u> |

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

| | |
|--------------------------|--------------------|
| Governmental activities | \$4,488,514 |
| Business-type activities | <u>2,222,485</u> |
| Total depreciation | <u>\$6,710,999</u> |

Note 7. **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 position. In the fund financial statements, governmental fund types recognize only the current portion of long-term debt.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Note 7. **Long-Term Liabilities (continued)**

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital activities. 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 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, 2017, is \$345,000.

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, 2017, is \$345,000.

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 bonds were paid in full during the year ended September 30, 2017.

On December 27, 2013, the City issued General Obligation Flood Control Refunding Bonds in the amount of \$4,750,000. The issue bears interest from 0.40 to 3.10%. Final payment is due on November 15, 2023. The outstanding balance as of September 30, 2017, is \$3,280,000.

The schedule of bond redemptions is as follows:

| | <u>General Obligation Bonds</u> | |
|-----------|---------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 620,000 | \$ 89,594 |
| 2019 | 630,000 | 78,099 |
| 2020 | 645,000 | 64,283 |
| 2021 | 535,000 | 50,452 |
| 2022 | 550,000 | 36,815 |
| 2023-2024 | <u>990,000</u> | <u>30,232</u> |
| | <u>\$ 3,970,000</u> | <u>\$ 349,475</u> |

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Note 7. **Long-Term Liabilities (continued)**

Total bonds outstanding are as follows:

| | General Obligation Bonds |
|---------------------------------|--------------------------------|
| Bonds outstanding, October 1 | \$ 4,690,000 |
| Bonds paid | (720,000) |
| Bonds issued | - |
| Bonds outstanding, September 30 | \$ 3,970,000 |
| Amount due within one year | \$ 620,000 |

Business-Type Activity Debt

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, 2017, is \$3,050,000.

On March 21, 2014, the City issued Certificates of Participation in the amount of \$2,470,000. The issue bears interest from 0.45 to 3.40%. Final payment is due on September 15, 2026. The outstanding balance at September 30, 2017, is \$1,910,000.

On July 23, 2015, the City issued Series 2015A Combined Revenue Refunding Bonds in the amount of \$4,030,000. The issue bears interest from 2.00 to 3.30%. Final payment is due on June 15, 2030. The outstanding balance at September 30, 2017, is \$3,850,000.

On August 26, 2015, the City issued Series 2015B Combined Revenue Bonds in the amount of \$9,800,000. The issue bears interest from 3.00 to 3.55%. Final payment is due on June 15, 2035. The outstanding balance at September 30, 2017, is \$9,800,000.

On December 3, 2015, the City issued Series 2015C Combined Revenue Refunding Bonds in the amount of \$8,530,000. The issue bears interest from 0.60 to 2.05%. Final payment is due on December 15, 2023. The outstanding balance at September 30, 2017, is \$7,720,000.

On September 30, 2016, the City issued Series 2016 Combined Revenue Refunding Bonds in the amount of \$13,760,000. The issue bears interest from 2.00 to 4.00%. Final payment is due on December 15, 2036. The outstanding balance at September 30, 2017, is \$13,660,000.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Note 7. **Long-Term Liabilities (continued)**

The City has received bond premiums totaling \$1,248,891. The City is amortizing the bond premiums using the straight-line method over the life of the various bond issues as a reduction of interest expense. Amortization for the year ended September 30, 2017, totaled \$16,942. The unamortized premium balance at September 30, 2017, is \$1,150,381 and is reported as an addition to long-term debt.

The schedule of bond redemptions is as follows:

| | Business-Type Activity Debt | |
|-----------|-----------------------------|---------------|
| | Principal | Interest |
| 2018 | \$ 1,810,000 | \$ 1,157,524 |
| 2019 | 1,790,000 | 1,125,829 |
| 2020 | 2,255,000 | 1,086,366 |
| 2021 | 2,295,000 | 1,038,136 |
| 2022 | 2,185,000 | 988,909 |
| 2023-2027 | 9,995,000 | 4,159,154 |
| 2028-2032 | 9,720,000 | 2,643,604 |
| 2033-2037 | 9,940,000 | 822,652 |
| | \$ 39,990,000 | \$ 13,022,174 |

Total bonds outstanding are as follows:

| | Business-Type Activity Debt |
|---------------------------------|--------------------------------|
| Bonds outstanding, October 1 | \$ 41,785,000 |
| Bonds paid | (1,795,000) |
| Bonds issued | - |
| Bonds outstanding, September 30 | \$ 39,990,000 |
| Amount due within one year | \$ 1,810,000 |

Note 8. **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 to participate at 21 years of age for this pension plan, but participation is not mandatory. Upon

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Note 8. **Pension and Retirement Plans (continued)**

retirement, an employee may elect to receive a lump-sum distribution or one of several types of annuities.

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

The cost to the City for the money purchase pension plans administered by others for the fiscal year ended September 30, 2017, is as follows:

| | |
|------------|-------------------|
| Fire | \$ 162,481 |
| Police | 117,262 |
| All others | <u>366,911</u> |
| Total | <u>\$ 646,654</u> |

Total wages paid by the City for the year ended September 30, 2017, are \$10,216,390.

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. 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, 2017, are \$16,452 for the fire plan and \$8,598 for the police plan.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Note 8. **Pension and Retirement Plans (continued)**

In 2014, the State Legislature adopted LB 759 that required local governments to do annual actuarial studies for defined benefit plans. At the League of Nebraska Municipalities' request, plans that were closed to new members on January 1, 2004, were exempted from doing actuarial studies. This is because there are so few members left in the plans that the cost of the studies were greater than the benefit. This exemption appears to apply to only first class city pre-1984 police and fire fighter pension plans.

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:

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Note 8. **Pension and Retirement Plans (continued)**

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

Note 9. **Tax Increment Financing**

The City issued Tax Increment Financing Bonds in the amount of \$368,694 for the Westgate Center Redevelopment Project, Slumberland, on February 19, 2013. These bonds shall be payable solely from the tax increment revenues and other funding as provided.

The City issued Tax Increment Financing Bonds in the amount of \$510,000 for the NBC Capital Redevelopment Project, Ramada-Columbus, on November 18, 2013. These bonds shall be payable solely from the tax increment revenues and other funding as provided.

The City issued Tax Increment Financing Bonds in the amount of \$226,000 for the Westgate Center Redevelopment Project, Hobby Lobby, on November 14, 2014. These bonds shall be payable 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 10. **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

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Note 10. **Commitments and Contingencies (continued)**

State of Nebraska for any claims paid on behalf of the City. As of September 30, 2017, the amount of liability, if any, is indeterminable.

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

Note 11. **Major Customers**

The City received approximately 15.2% of the total water revenues and approximately 20.0% of total sewer revenues from one major customer in the year ended September 30, 2017.

Note 12. **Self-Insurance Plan**

The City's health insurance coverage is a partially self-funded plan administered by a third-party administrator. The City pays the administrator to manage the employee health plan operations and to purchase reinsurance to cover specific claims over \$60,000 and aggregate claims that are over \$2,636,645 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 13. **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 14. **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 \$123,000.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Note 14. **Interfund Loans and Transfers (continued)**

In 2014, the Electric fund loaned \$2,362,040 to the Solid Waste fund for the acquisition and construction of a transfer station. The loan is to be repaid in annual installments, with fixed or variable interest as determined by the Mayor and Finance Director at the time payment is issued. Interest-only payments begin September 15, 2014, and principal payments begin September 15, 2027. Final payment is due September 15, 2034.

A summary of interfund loans is as follows:

| | Due From Other Funds | Due to Other Funds |
|----------------------|-------------------------|-----------------------|
| Special Revenue Fund | \$ - | \$ 1,087,038 |
| Water Fund | 1,087,038 | - |
| Electric Fund | 2,362,040 | - |
| Solid Waste Fund | - | 2,362,040 |
| Total | \$ 3,449,078 | \$ 3,449,078 |

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

| Transfer In | General | | Special Revenue | | | | Subtotal |
|--------------------|-----------------|----------------------|-----------------|------------|---------------------|-----------------|--------------|
| | General Fund | Platte Co Library | Sales Tax | Keno | Capital Projects | Debt Service | |
| General | \$ - | \$ - | \$ 1,111,628 | \$ - | \$ - | \$ - | \$ 1,111,628 |
| Library | - | 58,000 | - | - | - | - | 58,000 |
| Park | - | - | - | 545,000 | - | - | 545,000 |
| Street | 340,000 | - | - | - | - | - | 340,000 |
| Engineering | - | - | 35,000 | - | - | - | 35,000 |
| Airport | 140,000 | - | - | - | - | - | 140,000 |
| Library Foundation | - | - | - | - | - | - | - |
| Capital Projects | - | - | 987,135 | - | - | - | 987,135 |
| Water | 1,185,732 | - | - | - | - | - | 1,185,732 |
| Sewer | - | - | - | - | 125,987 | - | 125,987 |
| Solid Waste | 66,000 | - | 100,000 | - | - | - | 166,000 |
| Police Pension | 8,000 | - | - | - | - | - | 8,000 |
| Fire Pension | 16,250 | - | - | - | - | - | 16,250 |
| | \$ 1,755,982 | \$ 58,000 | \$ 2,233,763 | \$ 545,000 | \$ 125,987 | \$ - | \$ 4,718,732 |

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Note 14. **Interfund Loans and Transfers (continued)**

| Transfer In | Transfer Out | | | | | | | Subtotal | Total |
|------------------------|--------------------------|----------------------|-------------------|-------------------|---------------------|------------------|---------------------|---------------------|-------|
| | Gerrard Park Trust | Library Endowment | Water | Sewer | Electric | Solid Waste | | | |
| General | \$ - | \$ - | \$ 120,000 | \$ 120,000 | \$ 3,775,000 | \$ 49,000 | \$ 4,064,000 | \$ 5,175,628 | |
| Library | - | - | - | - | - | - | - | 58,000 | |
| Park | 2,500 | - | - | - | - | - | 2,500 | 547,500 | |
| Street | - | - | - | - | - | - | - | 340,000 | |
| Engineering | - | - | 10,000 | 10,000 | - | - | 20,000 | 55,000 | |
| Airport | - | - | - | - | - | - | - | 140,000 | |
| Library Foundation | - | 15,000 | - | - | - | - | 15,000 | 15,000 | |
| Capital Projects | - | - | 150,000 | 204,000 | - | - | 354,000 | 1,341,135 | |
| Water | - | - | - | - | - | - | - | 1,185,732 | |
| Sewer | - | - | - | - | - | - | - | 125,987 | |
| Solid Waste | - | - | - | - | - | - | - | 166,000 | |
| Police Pension | - | - | - | - | - | - | - | 8,000 | |
| Fire Pension | - | - | - | - | - | - | - | 16,250 | |
| | <u>\$ 2,500</u> | <u>\$ 15,000</u> | <u>\$ 280,000</u> | <u>\$ 334,000</u> | <u>\$ 3,775,000</u> | <u>\$ 49,000</u> | <u>\$ 4,455,500</u> | <u>\$ 9,174,232</u> | |

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

Note 15. **Sales Tax**

The City has received voter approval ten times since 1995 for a one percent or one-half percent City sales tax. Currently, the local sales tax rate is a total of one and one-half percent (1.50%). Through March of 2027, the 1% may be used for capital improvements, including street and drainage projects and to repay debt for the same type of projects, and to fund the operation of Pawnee Plunge Water Park and Columbus Aquatic Center.

The one-half percent tax was reauthorized at the May 10, 2016, election. The one-half percent is for funding Police and Fire facilities and a Library/Cultural Arts Center and Police and Fire facilities. This tax will cease upon the later of the completion of such projects, voter rejection of bond elections for such projects or the date on which there are no outstanding bonds.

Note 16. **Tax Abatements**

The City provides tax abatements through three programs: Tax Increment Financing (TIF) program, Employment and Investment Growth Act, and Nebraska Advantage Act.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Note 16. **Tax Abatements (continued)**

The Tax Increment Financing Law allows for the increased property taxes generated by the improvement of blighted property to be used to pay for financing of community redevelopment projects. The City declares the area as substandard, blighted and in need of redevelopment and is required to prepare a redevelopment plan. TIF bonds may be issued for the acquisition of property, site preparation, and public improvements. An agreement is entered into between the City and the Developer and a base valuation is established. The base property valuation remains assessable to all taxing entities. Any increase in value and the resulting property taxes are used to pay off debt incurred for the redevelopment project within a 15-year period.

Information relevant to the TIF abatements granted by the City for the year ended September 30, 2017 follows:

| Project | Years Remaining on Agreement | 2016 TIF Valuation | Proceeds Paid During Y/E 9-30-17 |
|---|------------------------------|--------------------|----------------------------------|
| NBC Capital (Ramada) | 12 | \$2,727,525 | \$52,288 |
| Westgate Center Redevelopment Project (Slumberland) | 9 | 1,333,680 | 31,209 |
| Westgate Center Redevelopment Project (Hobby Lobby) | 13 | 1,627,965 | 25,568 |

The Employment and Investment Growth Act and the Nebraska Advantage Act provide benefits in the form of sales tax rebates for businesses which invest and/or increase employment by specified amounts. Businesses that qualify must be involved in research, data processing, finance or businesses transporting, wholesaling, storing, or selling products, but not retailers who do not make their own products. Businesses must propose a qualifying project and be approved by the State of Nebraska Department of Revenue. The obligation of each party are set out in a contract with the State. If the project qualifies for benefits, but later falls below the required levels of jobs of investment, the company receives no benefits for that year and one-seventh of the benefits already received are recaptured for each year the company fails to qualify.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Note 16. **Tax Abatements (continued)**

For the year ended September 30, 2017, the State of Nebraska on behalf of the City abated \$21,747 in sales tax revenue under these two programs.

Note 17. **Fund Balances**

As of September 30, 2017, governmental fund balances are classified as follows:

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Other Funds | Total |
|----------------------|---------------------|----------------------------|-----------------------------|----------------------|---------------------|----------------------|
| Fund balances: | | | | | | |
| Nonspendable: | | | | | | |
| Gerard Park Trust | \$ - | \$ - | \$ - | \$ - | \$ 135,835 | \$ 135,835 |
| Total nonspendable | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 135,835</u> | <u>\$ 135,835</u> |
| Restricted for: | | | | | | |
| Cemetery | \$ 74,779 | \$ - | \$ - | \$ - | \$ - | \$ 74,779 |
| Streets | - | 1,930,867 | - | - | - | 1,930,867 |
| Airport | - | 852,192 | - | - | - | 852,192 |
| Capital Improvements | - | 8,843,104 | (2,624,669) | - | - | 6,218,435 |
| Public Safety | - | (18,054) | - | - | - | (18,054) |
| Housing | - | 177,007 | - | - | - | 177,007 |
| Economic Development | - | 2,197,432 | - | - | - | 2,197,432 |
| Debt Service | - | - | - | 454,619 | - | 454,619 |
| Library | - | - | - | - | 2,066,137 | 2,066,137 |
| Total restricted | <u>\$ 74,779</u> | <u>\$ 13,982,548</u> | <u>\$ (2,624,669)</u> | <u>\$ 454,619</u> | <u>\$ 2,066,137</u> | <u>\$ 13,953,414</u> |
| Committed to: | | | | | | |
| Library Endowment | \$ - | \$ - | \$ - | \$ - | \$ 1,572,889 | \$ 1,572,889 |
| Public Safety | - | 27,922 | - | - | - | 27,922 |
| Parks | - | 836,612 | - | - | - | 836,612 |
| Total committed | <u>\$ -</u> | <u>\$ 864,534</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,572,889</u> | <u>\$ 2,437,423</u> |
| Assigned to: | | | | | | |
| Library | \$ 40,071 | \$ - | \$ - | \$ - | \$ - | \$ 40,071 |
| Total assigned | <u>\$ 40,071</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 40,071</u> |
| Unassigned: | <u>\$ 7,781,180</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,781,180</u> |
| Total fund balances | <u>\$ 7,896,030</u> | <u>\$ 14,847,082</u> | <u>\$ (2,624,669)</u> | <u>\$ 454,619</u> | <u>\$ 3,774,861</u> | <u>\$ 24,347,923</u> |

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Note 18. **Subsequent Events**

Upon evaluation, management notes that there are no material subsequent events between the date of the financial statements and March 5, 2018, 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, 2017

| | Budget Original and Final | Actual | Variance with Budget- Favorable (Unfavorable) |
|---|---------------------------------|----------------------|--|
| RECEIPTS | | | |
| Property taxes | \$ 3,881,580 | \$ 4,059,208 | \$ 177,628 |
| Motor vehicle tax | 430,000 | 513,022 | 83,022 |
| In lieu and motor vehicle prorated | 210,000 | 223,285 | 13,285 |
| Franchise fees | 730,000 | 657,604 | (72,396) |
| State shared revenue | 6,500 | 6,071 | (429) |
| Sales tax | 4,314,900 | 2,128,615 | (2,186,285) |
| Grants | 971,300 | 808,233 | (163,067) |
| Fees, permits and licenses | 282,650 | 261,090 | (21,560) |
| Other local revenues | 13,345,280 | 7,962,022 | (5,383,258) |
| Investment income | 35,450 | 60,851 | 25,401 |
| Total receipts | <u>\$ 24,207,660</u> | <u>\$ 16,680,001</u> | <u>\$ (7,527,659)</u> |
| DISBURSEMENTS | | | |
| General government | \$ 2,631,850 | \$ 2,304,045 | \$ 327,805 |
| Public safety | 8,313,800 | 6,681,262 | 1,632,538 |
| Public health | 399,650 | 329,379 | 70,271 |
| Culture and recreation | 22,592,535 | 6,845,997 | 15,746,538 |
| Community development | 188,150 | 179,278 | 8,872 |
| Total disbursements | <u>\$ 34,125,985</u> | <u>\$ 16,339,961</u> | <u>\$ 17,786,024</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>\$ (9,918,325)</u> | <u>\$ 340,040</u> | <u>\$ 10,258,365</u> |
| Basis of accounting adjustment | | <u>(526,273)</u> | |
| Change in net position | | <u>\$ (186,233)</u> | |

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, 2017

| | Budget Original and Final | Actual | Variance with Budget- Favorable (Unfavorable) |
|---|---------------------------------|---------------------|--|
| RECEIPTS | | | |
| Sales tax | \$ 710,100 | \$ 4,624,302 | \$ 3,914,202 |
| Grants | 1,412,820 | 548,475 | (864,345) |
| Fees, permits and licenses | 3,419,450 | 3,377,275 | (42,175) |
| Other local revenues | 671,975 | 827,850 | 155,875 |
| Investment income | 57,250 | 124,815 | 67,565 |
| Total receipts | <u>\$ 6,271,595</u> | <u>\$ 9,502,717</u> | <u>\$ 3,231,122</u> |
| DISBURSEMENTS | | | |
| Public safety | \$ 188,020 | \$ 169,958 | \$ 18,062 |
| Public works | 4,513,250 | 3,469,183 | 1,044,067 |
| Community development | 2,900,000 | 1,291,571 | 1,608,429 |
| Sales tax | 3,135,000 | 2,233,763 | 901,237 |
| Total disbursements | <u>\$ 10,736,270</u> | <u>\$ 7,164,475</u> | <u>\$ 3,571,795</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>\$ (4,464,675)</u> | <u>\$ 2,338,242</u> | <u>\$ 6,802,917</u> |
| Basis of accounting adjustment | | <u>(3,106,099)</u> | |
| Change in net position | | <u>\$ (767,857)</u> | |

See notes to financial statements.

City of Columbus, Nebraska
Schedule of Receipts, Disbursements, and Changes in Fund Balance - Budget to Actual
Cash Basis
Capital Projects
For the Year Ended September 30, 2017

| | Budget Original and Final | Actual | Variance with Budget- Favorable (Unfavorable) |
|---|---------------------------------|-----------------------|--|
| RECEIPTS | | | |
| Sales tax | \$ 1,375,000 | \$ 396,335 | \$ (978,665) |
| Grants | 16,095,000 | 1,637,650 | (14,457,350) |
| Other local revenues | 4,501,200 | 1,341,135 | (3,160,065) |
| Investment income | 10,000 | 11,277 | 1,277 |
| Total receipts | <u>\$ 21,981,200</u> | <u>\$ 3,386,397</u> | <u>\$ (18,594,803)</u> |
| DISBURSEMENTS | | | |
| Capital outlay | \$ 21,775,000 | \$ 6,610,148 | \$ 15,164,852 |
| Public Works | - | - | - |
| Total disbursements | <u>\$ 21,775,000</u> | <u>\$ 6,610,148</u> | <u>\$ 15,164,852</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>\$ 206,200</u> | <u>\$ (3,223,751)</u> | <u>\$ (3,429,951)</u> |
| Basis of accounting adjustment | | <u>7,943,446</u> | |
| Change in net position | | <u>\$ 4,719,695</u> | |

See notes to financial statements.

City of Columbus, Nebraska
Schedule of Receipts, Disbursements, and Changes in Fund Balance - Budget to Actual
Cash Basis
Debt Service Fund
For the Year Ended September 30, 2017

| | Budget Original and Final | Actual | Variance with Final Budget- Favorable (Unfavorable) |
|---|---------------------------------|---------------------|--|
| RECEIPTS | | | |
| Property taxes | \$ 654,500 | \$ 257,743 | \$ (396,757) |
| In lieu | 30,000 | 29,947 | (53) |
| Sales tax | - | - | - |
| Fees, permits and licenses | 223,000 | 127,190 | (95,810) |
| Other local revenues and transfers | 557,500 | 617,719 | 60,219 |
| Investment income | 8,000 | 6,400 | (1,600) |
| Total receipts | <u>\$ 1,473,000</u> | <u>\$ 1,038,999</u> | <u>\$ (434,001)</u> |
| DISBURSEMENTS | | | |
| Debt service | <u>\$ 1,461,000</u> | <u>\$ 896,640</u> | <u>\$ 564,360</u> |
| Total disbursements | <u>\$ 1,461,000</u> | <u>\$ 896,640</u> | <u>\$ 564,360</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>\$ 12,000</u> | <u>\$ 142,359</u> | <u>\$ 130,359</u> |
| Basis of accounting adjustment | | <u>8,335,633</u> | |
| Change in net position | | <u>\$ 8,477,992</u> | |

See notes to financial statements.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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.

City of Columbus, Nebraska
Schedule of County Treasurer Activity
September 30, 2017

| | <u>General Levy</u> | <u>Bond Levy</u> | <u>Community Redevelopment Authority</u> | <u>Total</u> |
|--|-------------------------|----------------------|--|---------------------|
| CASH BALANCE, October 1, 2016 | \$ 808,905 | \$ 113,056 | \$ 124,121 | \$ 1,046,082 |
| REVENUES COLLECTED | | | | |
| Property taxes | \$ 3,746,766 | \$ 532,667 | \$ 104,017 | \$ 4,383,450 |
| Motor vehicle taxes | 513,022 | - | - | 513,022 |
| Motor vehicle prorated | 9,776 | 1,393 | - | 11,169 |
| In lieu of tax | 213,509 | 29,946 | - | 243,455 |
| Homestead | 158,142 | 22,397 | - | 180,539 |
| Carline | 1,368 | 196 | - | 1,564 |
| Personal property tax credit | 11,976 | 1,697 | - | 13,673 |
| Property tax credit | 175,008 | 24,800 | 5,048 | 204,856 |
| Interest | 8,064 | 1,186 | - | 9,250 |
| Total revenues collected | <u>\$ 4,837,631</u> | <u>\$ 614,282</u> | <u>\$ 109,065</u> | <u>\$ 5,560,978</u> |
| EXPENSES PAID AND TRANSFERS | | | | |
| Collection fee | \$ 42,116 | \$ 5,248 | \$ - | \$ 47,364 |
| Transfer to City Treasurer | 4,710,021 | 601,829 | 196,060 | 5,507,910 |
| Total expenses paid and transfers | <u>\$ 4,752,137</u> | <u>\$ 607,077</u> | <u>\$ 196,060</u> | <u>\$ 5,555,274</u> |
| CASH BALANCE, September 30, 2017 | <u>\$ 894,399</u> | <u>\$ 120,261</u> | <u>\$ 37,126</u> | <u>\$ 1,051,786</u> |
| ALLOCATION OF ENDING CASH BALANCE BY FUND | | | | |
| General | \$ 894,399 | \$ - | \$ - | \$ 894,399 |
| Debt Service | - | 120,261 | 37,126 | 157,387 |
| | <u>\$ 894,399</u> | <u>\$ 120,261</u> | <u>\$ 37,126</u> | <u>\$ 1,051,786</u> |

CITY OF COLUMBUS, NEBRASKA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Period October 1, 2016 through September 30, 2017**

| 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 | | | |
| Community Development Block Grant | 14.228 | 14-CD-006 | \$ 2,295 * |
| Community Development Block Grant | 14.228 | 15-CR-006 | 390,029 * |
| Community Development Block Grant | 14.228 | 16-CD-001 | 1,035 * |
| Subtotal | | | <u>\$ 393,359 *</u> |
| <u>United States Department of Justice</u> | | | |
| Bulletproof Vest Partnership | 16.607 | 47-6006144 | \$ 677 |
| <u>United States Department of Transportation</u> | | | |
| Passed through the Nebraska Department of Roads | | | |
| NonUrbanized Area Formula Program | 20.509 | RPT-M711(217) | \$ 161,764 |
| NonUrbanized Area Formula Program | 20.509 | NE 18X048 | 416,703 |
| Subtotal | | | <u>\$ 578,467</u> |
| Passed through the Nebraska Department of Motor Vehicles - Office of Highway Safety | | | |
| State and Community Highway Safety | 20.600 | 402-15-27-07 | \$ 13,745 |
| National Priority Safety Programs | 20.616 | 40501-15-02-38 | 1,184 |
| Subtotal Highway Safety Cluster | | | <u>\$ 14,929</u> |
| Passed through the Nebraska Game & Parks | | | |
| Recreational Trails Program | 20.219 | RPT 2015(02) | \$ 32,563 * |
| Subtotal Highway Planning and Construction Cluster | | | <u>\$ 32,563 *</u> |

* Denotes major program

CITY OF COLUMBUS, NEBRASKA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Period October 1, 2016 through September 30, 2017**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Grant/ Contract Number | Federal Expenditures |
|---|------------------------------------|---------------------------------------|---------------------------------|
| <u>United States Department of Homeland Security</u> | | | |
| Passed through the Nebraska Emergency Management Agency and Platte County Emergency Management | | | |
| Homeland Security Grant Program | 97.042 | EMK-2016-EP-00002-S01 | \$ 4,181 |
| Homeland Security Grant Program | 97.067 | EMW-2017-SS-00020-S01 | 28,732 |
| Subtotal | | | \$ 32,913 |
| <u>United States Department of Health & Human Services</u> | | | |
| Passed through Northeast NE Area Agency on Aging | | | |
| Title III Part E, National Family Caregiver Support | 93.052 | 17AANET355 | \$ 190 |
| Subtotal Aging Cluster | | | \$ 190 |
| Nutrition Program for the Elderly (Commodities) | 93.053 | 17AANET355 | 1,771 |
| Nebraska Library Commission Grant | | LS-00-16-0028-16 | \$ 1,000 |
| Total | | | \$ 1,055,869 |

* Denotes major program

CITY OF COLUMBUS, NEBRASKA
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Note 1. **Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards included the federal grant activity of the City under programs of the federal government for the year ended September 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 position or cash flows of the City.

Expenditures report on the schedule are reported in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

| | |
|---|--------------------------------|
| Operating grants - governmental activities | \$ 2,994,358 |
| Operating grants - business-type activities | <u>214,950</u> |
| Subtotal | \$ 3,209,308 |
| Less: State and local sourced funding | <u>(1,597,490)</u> |
| Total federal receipts | \$ 1,611,818 |
| Less timing differences in spending: | |
| Department of Transportation grants | (449,272) |
| Department of Homeland Security grants | (1,394) |
| Community Development Block grant | (945) |
| Other grants | <u>(104,338)</u> |
| Total federal expenditures | <u><u>\$ 1,055,869</u></u> |

**INDEPENDENT AUDITOR'S 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, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Columbus, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Columbus's basic financial statements, and have issued our report thereon dated March 5, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Columbus's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Columbus's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Columbus's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in

internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item 2017-001.

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*.

City of Columbus’s Response to Findings

City of Columbus’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Columbus’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KSO CPA’s, P.C.



Kearney, Nebraska

March 5, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM
GUIDANCE**

The Honorable Mayor and City Council
City of Columbus, Nebraska

Report on Compliance for Each Major Federal Program

We have audited the City of Columbus's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City of Columbus's major federal programs for the year ended September 30, 2017. The City of Columbus's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Columbus's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Columbus'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Columbus's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Columbus complied, in all material respects, with the types of 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, 2017.

Report on Internal Control over Compliance

Management of the City of Columbus is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Columbus's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Columbus'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

City of Columbus's response to the internal control over the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Columbus's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KSO CPA's, P.C.

KSO CPA's P.C.

Kearney, Nebraska

March 5, 2018

**CITY OF COLUMBUS, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting

- Material weakness identified? Yes X No
- Significant deficiency identified? X Yes No
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs

- Material weakness identified? Yes X No
- Significant deficiency identified? X Yes No
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Type of auditor's report issued on compliance for major programs: unmodified

Identification of major programs

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 14.228 | Community Development Block Grant |
| 20.219 | Recreational Trails Program |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? Yes X No

**CITY OF COLUMBUS, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

II. FINANCIAL STATEMENT FINDINGS

Finding 2017-001: Lack of Segregation of Duties in One or More Areas

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

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

Context: We reviewed the City's internal control environment and noted that the City's financial recording duties are concentrated with a few individuals.

Questioned Costs: None

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

Cause: The entity has a limited number of personnel within the Finance Department.

Repeat Finding: Immediately preceding year.

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

Views of Responsible Officials and Planned Corrective Actions: Management will monitor the duties of individual staff and continue to segregate duties as we are able. The addition of personnel is cost prohibitive due to budget constraints.

Contact: Finance Director

Anticipated Completion Date: Ongoing

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2017-001: Lack of Segregation of Duties in One or More Areas

See Section II above.

**CITY OF COLUMBUS, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

IV. FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2016

Finding for the year ended September 30, 2016: Lack of segregation of duties in one or more areas.

Views of Responsible Officials and Planned Corrective Actions: Management will monitor the duties of individual staff and continue to segregate duties as we are able. The addition of personnel is cost prohibitive due to budget constraints.