

Public Finance, Judiciary, and Personnel Committee
Tuesday, March 12, 2019 4:00 PM
Council Chambers
1369 25 Avenue
Columbus, NE 68601

{{Name: Agenda Item Name}}

{{Rationale: Agenda Item Rationale}} {{AgendaItemEnd}}

- 1. Statement of Compliance with Open Meetings Act and roll call.**
- 2. Financial and Compliance Audit for year end September 30, 2018.**
- 3. Adjournment.**



404 East 25th Street
PO Box 1120
Kearney, NE 68848
308-234-5565
Fax 308-234-2990
www.ksocpa.com

The Honorable Mayor
and Members of City Council
Columbus, NE

In planning and performing our audit of the basic financial statements of the City of Columbus as of and for the year ended September 30, 2018, 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, we considered City of Columbus's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Columbus's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the following deficiency in the entity's internal control to be a significant deficiency:

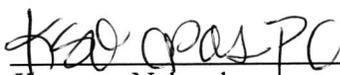
1. During our audit, we observed matters that are opportunities for strengthening internal controls and operating efficiency. One of the primary characteristics of any system of accounting internal control is that no person should be allowed to control a transaction from its inception to its recording in the accounting records. We know that a true division of duties is not possible within your organization, due to the number of employees, but we believe that you should be aware of the situation and take steps to involve a second person when possible. The substitute for segregation of duties is good management oversight.

During our audit, we became aware of the following matter that is neither a material weakness or significant deficiency, but warrants the attention of those charged with governance:

1. The capitalization policy states to capitalize items only over \$1,000 unless they are part of a larger project. Every purchase should be looked at and if not over \$1,000 then it should be expensed rather than capitalized.
2. Signature cards at the banks need to be updated as soon as possible after a change in staff is made.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

KSO CPA's, P.C.



Kearney, Nebraska

January 31, 2019



MEMORANDUM

DATE: March 6, 2019

TO: Tara Vasicek, City Administrator

FROM: Heather Lindsley, Finance Director

SUBJECT: Financial and Compliance Audit

Amber Hagerbaumer, from KSO CPAs + Advisors will be available to review the City of Columbus financial and compliance audit for the year ended September 30, 2018 with the Public Finance, Judiciary and Personnel Committee on March 12, 2019. The annual audit is required each year by Nebraska State Statute. If the Committee finds the review satisfactory they should recommend to the City Council that the audit by KSO CPAs + Advisors be accepted and placed on file.

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) continue to impact the conduct and reporting of the annual audit. The standards require the auditor to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. This is addressed on Page 52 and there is a finding that should be reviewed. We continue to take steps to strengthen our internal procedures and involve the City Council more in the accounting procedures by having Council Members review accounts payable claims and payroll procedures.

The audit is a long document. While the document should be taken as a whole, there are several things that should be highlighted, as follows:

1. The Independent Auditors' Report is contained in the first three pages after the index.
2. The Management's Discussion and Analysis on Pages 4-8 is intended to be an easily readable analysis that is written by City staff. The table on page 6 is a snap shot of the different types of revenues that support the City of Columbus government.
3. Pages 19-43 are the notes to financial statements. In the notes to financial statements additional information is provided to add clarity to the financial statements. Some of the ones that may be of interest are:



The City of **Columbus**

FINANCE DEPARTMENT

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

- a. Note 7 outlines long-term bond issues listing general obligation bonds and business-type activity debt.
 - b. Notes 9 and 16 describe tax increment financing activity.
 - c. Note 20 is a note about fund balances. As required by GASB No. 54 from the Governmental Accounting Standards Board (GASB) the fund balances for the governmental funds are divided into five categories: nonspendable, restricted, committed, assigned and unassigned.
4. Pages 44-48 are condensed schedules that compare the results with the budget for the year and are considered supplementary information.

If I can provide additional information, please let me know.

CITY OF COLUMBUS, NEBRASKA

FINANCIAL REPORT

(Audited)

SEPTEMBER 30, 2018

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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, 2018, 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, 2018, 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 on page 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of County Treasurer Activity 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 is 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 44 through 47 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019, 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

January 31, 2019



**Management's Discussion and Analysis
September 30, 2018**

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, 2018 by \$181 million.
- Capital Assets (net of depreciation and related debt) account for about 62% of this amount.
- Of the remaining net assets, \$29.0 million is restricted to capital projects and debt payments and \$40.8 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, 2018 and 2017 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets				
Cash and investments	\$ 45,875,245	\$ 31,134,124	\$18,674,719	\$ 20,539,279
Other assets	3,296,199	1,878,409	3,866,434	3,519,275
Capital assets, net	<u>106,547,998</u>	<u>102,882,469</u>	<u>66,238,920</u>	<u>62,613,821</u>
Total assets	<u>\$155,719,442</u>	<u>\$135,895,002</u>	<u>\$88,780,073</u>	<u>\$ 86,672,375</u>
Liabilities				
Long-term liabilities	\$ 18,187,861	\$ 3,350,000	\$ 37,458,812	\$ 39,330,381
Other liabilities	<u>4,461,499</u>	<u>6,261,596</u>	<u>2,758,403</u>	<u>3,859,343</u>
Total liabilities	<u>\$ 22,649,360</u>	<u>\$ 9,611,596</u>	<u>\$ 40,217,215</u>	<u>\$ 43,189,724</u>
Net position				
Net investment in capital assets	\$ 87,195,137	\$ 98,912,469	\$ 24,623,957	\$ 19,111,400
Restricted	27,613,046	12,418,242	1,427,259	7,609,351
Unrestricted	<u>18,261,899</u>	<u>14,952,695</u>	<u>22,511,642</u>	<u>16,761,900</u>
Total net position	<u>\$133,070,082</u>	<u>\$126,283,406</u>	<u>\$ 48,562,858</u>	<u>\$ 43,482,651</u>
Total liabilities and net position	<u>\$155,719,442</u>	<u>\$135,895,002</u>	<u>\$ 88,780,073</u>	<u>\$ 86,672,375</u>

During the year ended September 30, 2018 the most significant changes were as follows:

Governmental Activities

The most significant changes from 2017 were the \$14.7 million increase in cash and investments, the \$14.8 million increase in long-term liabilities due to the issuance of a new bond and the \$11.7 million decrease in the net investment in capital assets. Overall the total net position increased by \$6.8 million.

City of Columbus, Nebraska
Management's Discussion and Analysis, Continued
September 30, 2018

Business-type Activities

The largest changes from 2017 were the \$1.9 million decrease in cash and investments, \$5.5 million increase in net investment in capital assets and \$6.2 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 \$5.0 million.

A condensed version of the Statement of Activities of the City for the fiscal years ended September 30, 2018 and 2017 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues				
Program revenues				
Charges for services	\$ 7,524,112	\$ 5,234,529	\$ 13,657,502	\$ 11,996,554
Operating grants and contributions	2,359,820	2,994,358	202,297	214,950
Capital grants and contributions	5,516,717	5,788,741	-	-
General revenues				
Property tax	4,663,945	4,638,295	-	-
Sales tax	7,667,861	7,149,252	-	-
Franchise tax	693,695	657,604	3,792,007	3,640,543
Other Tax	106,760	(321,344)	-	-
Investment earnings	437,236	263,771	304,968	263,966
Gain (loss) on sale of equipment	(36,561)	(33,798)	(7,211)	1,441
Transfers in (out)	3,949,749	2,936,031	(3,974,000)	(2,960,281)
Total revenues	<u>\$32,883,334</u>	<u>\$29,307,439</u>	<u>\$13,975,563</u>	<u>\$ 13,157,173</u>
Governmental Activities				
General government	\$17,928,275	\$17,038,537	\$ -	\$ -
Special revenue	4,711,227	3,903,632	-	-
Debt Service	206,609	176,640	-	-
Library Foundation	3,026	18,118	-	-
Library Endowment	8,463	12,312	-	-
Gerrard Park Trust	2,100	1,800	-	-
Health Insurance	3,236,958	2,871,154	-	-
Water	-	-	2,611,553	2,730,845
Sewer	-	-	4,457,891	4,122,160
Solid waste	-	-	1,659,560	1,637,788
Stormwater	-	-	4,269	-
Electric	-	-	162,083	158,917
Total expenses	<u>\$26,096,658</u>	<u>\$24,022,193</u>	<u>\$ 8,895,356</u>	<u>\$ 8,649,710</u>
Change in net position	<u>\$ 6,786,676</u>	<u>\$ 5,285,246</u>	<u>\$ 5,080,207</u>	<u>\$ 4,507,463</u>

During the year ended September 30, 2018 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 \$6.8 million in 2018 as compared to an increase of \$5.3 million in 2017. Both operating grants and contributions and capital grants and contributions decreased due to variations in grant applications. Property tax revenue increased \$25,650 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 2018 the local option sales tax revenue increased by \$519,000 or 7.2% when compared with 2017 due to more taxable sales in the City of Columbus. The cost of health insurance increased by \$365,804 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 \$1.6 million when compared to 2017, due to planned rate increases to provide funds for the wastewater plant expansion. During 2018, the recommended rate increases from the 2017 water and wastewater study, of 1% for water and 10% for wastewater, were implemented to provide funds for future system improvements.

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, 2018 the City had \$173 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 \$7.3 million over last year.

A total of \$8.7 million was invested during 2018 in capital assets for governmental activities. Some of the larger additions include \$436,505 for Police radio consoles for dispatch and 911 calls, \$174,564 for police vehicles, \$339,406 for restrooms/storm shelter at Bradshaw Park and \$326,000 for visitor football bleachers and restrooms in Memorial Stadium. Other capital purchases include \$1.6 million for 3rd, 18th and 12th Avenue Viaducts, \$362,000 for Loup River Levee Recertification, \$177,000 for Library materials, and \$1.3 million for Police and Fire Station design and construction.

A total of \$7.2 million was invested in capital assets during 2018 for the business-type activities. Some of the larger purchases were \$814,000 for sanitary sewer lift station renovations and \$5.6 million for Phase 3 and 4 wastewater plant expansion

Debt Outstanding

At year-end, the City had \$58.6 million in bonds and notes outstanding versus \$45.1 million last year. There was one new borrowing for governmental activities and \$620,000 of general obligation debt was retired during 2018. There were also no new borrowings for business-type activities during 2018 and \$1,810,000 of outstanding business-type debt was retired during 2018. The Sales Tax revenue bond issued during 2018 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 2019 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, 2018

	Governmental Activities (Modified Accrual Basis)	Business-type Activities (Accrual Basis)	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 128,730	\$ 1,157	\$ -	\$ 129,887
Cash - County Treasurer	423,086	-	-	423,086
Investments	17,710,383	17,246,303	-	34,956,686
Accounts receivable	653,844	1,352,621	-	2,006,465
Special assessment receivable	251,653	-	-	251,653
Notes receivable	1,317,081	-	-	1,317,081
Accrued revenue	-	2,231,905	-	2,231,905
Inventory	-	277,797	-	277,797
Due from other funds	1,073,621	4,111	(1,077,732)	-
Land and buildings	17,148,691	39,095,790	-	56,244,481
Improvements	111,003,209	41,674,022	-	152,677,231
Equipment	10,797,690	9,207,364	-	20,005,054
Vehicles	7,420,523	-	-	7,420,523
Construction in progress	16,175,478	14,115,617	-	30,291,095
Less accumulated depreciation	(55,997,593)	(37,853,873)	-	(93,851,466)
Restricted cash and cash equivalents	27,613,046	1,427,259	-	29,040,305
Total assets	\$ 155,719,442	\$ 88,780,073	\$ (1,077,732)	\$ 214,381,478
LIABILITIES				
Accounts payable	\$ -	\$ 341,318	\$ -	\$ 341,318
Accrued expenses	-	291,692	-	291,692
Deferred revenue	2,222,878	9,525	-	2,232,403
Due to other funds	1,073,621	4,111	(1,077,732)	-
Interest payable	-	321,757	-	321,757
Long-term debt, net:				
Due within one year	1,165,000	1,790,000	-	2,955,000
Due in more than one year	18,187,861	37,458,812	-	55,646,673
Total liabilities	\$ 22,649,360	\$ 40,217,215	\$ (1,077,732)	\$ 61,788,843
NET POSITION				
Net investment in capital assets	\$ 87,195,137	\$ 24,623,957	\$ -	\$ 111,819,094
Restricted for:				
Debt Service	14,558,745	1,427,259	-	15,986,004
Unspent bond proceeds	13,054,301	-	-	13,054,301
Unrestricted	18,261,899	22,511,642	-	40,773,541
Total net position	\$ 133,070,082	\$ 48,562,858	\$ -	\$ 181,632,940

See notes to financial statements.

City of Columbus, Nebraska
Statement of Activities
For the Year Ended September 30, 2018

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	\$ 17,928,275	\$ 1,564,558	\$ 935,579	\$ 1,942,612	\$ (13,485,526)	\$ -	\$ (13,485,526)
Special revenue	4,711,227	866,797	131,281	2,994,248	(718,901)	-	(718,901)
Capital projects	-	2,322,265	1,292,960	105,983	3,721,208	-	3,721,208
Debt service	206,609	44,070	-	29,743	(132,796)	-	(132,796)
Library Foundation	3,026	-	-	376,292	373,266	-	373,266
Library Endowment	8,463	-	-	67,839	59,376	-	59,376
Gerrard Park Trust	2,100	-	-	-	(2,100)	-	(2,100)
Health insurance	3,236,958	2,726,422	-	-	(510,536)	-	(510,536)
Total governmental activities	<u>\$ 26,096,658</u>	<u>\$ 7,524,112</u>	<u>\$ 2,359,820</u>	<u>\$ 5,516,717</u>	<u>\$ (10,696,009)</u>	<u>\$ -</u>	<u>\$ (10,696,009)</u>
Business-type activities:							
Water	\$ 2,611,553	\$ 4,241,783	\$ 182,058	\$ -	\$ -	\$ 1,812,288	\$ 1,812,288
Sewer	4,457,891	7,340,292	-	-	-	2,882,401	2,882,401
Electric	162,083	-	-	-	-	(162,083)	(162,083)
Stormwater	4,269	28,947	-	-	-	24,678	24,678
Solid waste	1,659,560	2,046,480	20,239	-	-	407,159	407,159
Total business-type activities	<u>\$ 8,895,356</u>	<u>\$ 13,657,502</u>	<u>\$ 202,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,964,443</u>	<u>\$ 4,964,443</u>
Total government	<u>\$ 34,992,014</u>	<u>\$ 21,181,614</u>	<u>\$ 2,562,117</u>	<u>\$ 5,516,717</u>	<u>\$ (10,696,009)</u>	<u>\$ 4,964,443</u>	<u>\$ (5,731,566)</u>
General revenues:							
Property tax					\$ 4,663,945	\$ -	\$ 4,663,945
Sales tax					7,667,861	-	7,667,861
Miscellaneous					106,760	-	106,760
Franchise fees					693,695	3,792,007	4,485,702
Investment earnings					437,236	304,968	742,204
Gain (loss) on sale of asset					(36,561)	(7,211)	(43,772)
Transfers					3,949,749	(3,974,000)	(24,251)
Total general revenues and transfers					<u>\$ 17,482,685</u>	<u>\$ 115,764</u>	<u>\$ 17,598,449</u>
Change in net position					\$ 6,786,676	\$ 5,080,207	\$ 11,866,883
Net position - beginning					126,283,406	43,482,651	169,766,057
Net position - ending					<u>\$ 133,070,082</u>	<u>\$ 48,562,858</u>	<u>\$ 181,632,940</u>

See notes to financial statements.

City of Columbus, Nebraska
Balance Sheet - Modified Cash Basis
Governmental Funds
September 30, 2018

	General	Special Revenue	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ -	\$ 88,623	\$ -	\$ 37,794	\$ -	\$ 126,417
Cash - County Treasurer	376,817	-	-	46,269	-	423,086
Due from other funds	658,418	415,203	-	-	-	1,073,621
Investments	7,443,166	3,559,830	-	535,937	4,254,132	15,793,065
Receivables:						
Accounts	647,517	6,327	-	-	-	653,844
Special assessment	-	-	-	251,653	-	251,653
Notes	-	1,317,081	-	-	-	1,317,081
Restricted assets:						
Cash and cash equivalents	-	27,221,305	-	391,741	-	27,613,046
Total assets	<u>\$ 9,125,918</u>	<u>\$ 32,608,369</u>	<u>\$ -</u>	<u>\$ 1,263,394</u>	<u>\$ 4,254,132</u>	<u>\$ 47,251,813</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Due to other funds	\$ -	\$ -	\$ 1,073,621	\$ -	\$ -	\$ 1,073,621
Deferred revenue	647,517	1,323,708	-	251,653	-	2,222,878
Current portion of long-term debt	-	-	-	1,165,000	-	1,165,000
Total liabilities	<u>\$ 647,517</u>	<u>\$ 1,323,708</u>	<u>\$ 1,073,621</u>	<u>\$ 1,416,653</u>	<u>\$ -</u>	<u>\$ 4,461,499</u>
Fund balances:						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 137,466	\$ 137,466
Restricted	75,790	30,427,621	(1,073,621)	(153,259)	2,472,625	31,749,156
Committed	-	857,040	-	-	1,644,041	2,501,081
Assigned	38,498	-	-	-	-	38,498
Unassigned	8,364,113	-	-	-	-	8,364,113
Total fund balances	<u>\$ 8,478,401</u>	<u>\$ 31,284,661</u>	<u>\$ (1,073,621)</u>	<u>\$ (153,259)</u>	<u>\$ 4,254,132</u>	<u>\$ 42,790,314</u>
Total liabilities and fund balances	<u>\$ 9,125,918</u>	<u>\$ 32,608,369</u>	<u>\$ -</u>	<u>\$ 1,263,394</u>	<u>\$ 4,254,132</u>	

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.	106,547,998
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.	1,919,631
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(18,187,861)</u>
Net position of governmental activities	<u>\$ 133,070,082</u>

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, 2018

	General	Special Revenue	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 4,090,735	\$ -	\$ -	\$ 573,210	\$ -	\$ 4,663,945
Fees, taxes, permits and licenses	218,984	2,579,369	-	-	-	2,798,353
State shared revenue	6,144	-	-	-	-	6,144
Franchise fees	693,695	-	-	-	-	693,695
Sales tax	1,686,445	5,400,958	580,458	-	-	7,667,861
Charges for services	1,564,558	866,797	2,322,265	44,070	-	4,797,690
Donations	-	-	-	-	376,292	376,292
TIF income	-	-	-	106,760	-	106,760
Grants	935,579	131,281	1,292,960	-	-	2,359,820
Investment earnings	116,774	218,592	13,359	9,948	50,729	409,402
Bond proceeds	-	16,003,542	-	-	-	16,003,542
Miscellaneous	1,927,909	414,879	105,983	29,743	67,839	2,546,353
Total revenues	<u>\$ 11,240,823</u>	<u>\$ 25,615,418</u>	<u>\$ 4,315,025</u>	<u>\$ 763,731</u>	<u>\$ 494,860</u>	<u>\$ 42,429,857</u>
EXPENDITURES						
Current operating:						
General government	\$ 1,856,679	\$ 382,124	\$ -	\$ -	\$ -	\$ 2,238,803
Public health and safety	6,570,403	192,124	-	-	-	6,762,527
Public works	-	3,133,705	-	-	-	3,133,705
Cultural and recreational	4,584,271	-	-	-	13,589	4,597,860
Community development	246,572	1,003,274	-	-	-	1,249,846
Capital outlay	2,595,755	1,567,361	4,419,749	-	-	8,582,865
Debt service:						
Principal	-	-	-	1,165,000	-	1,165,000
Interest	-	-	-	206,609	-	206,609
Total expenditures	<u>\$ 15,853,680</u>	<u>\$ 6,278,588</u>	<u>\$ 4,419,749</u>	<u>\$ 1,371,609</u>	<u>\$ 13,589</u>	<u>\$ 27,937,215</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (4,612,857)</u>	<u>\$ 19,336,830</u>	<u>\$ (104,724)</u>	<u>\$ (607,878)</u>	<u>\$ 481,271</u>	<u>\$ 14,492,642</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 5,787,002	\$ 554,524	\$ 1,655,772	\$ 608,698	\$ 6,500	\$ 8,612,496
Transfers out	(591,774)	(3,453,775)	-	(608,698)	(8,500)	(4,662,747)
Total other financing sources (uses)	<u>\$ 5,195,228</u>	<u>\$ (2,899,251)</u>	<u>\$ 1,655,772</u>	<u>\$ -</u>	<u>\$ (2,000)</u>	<u>\$ 3,949,749</u>
Net change in fund balances	\$ 582,371	\$ 16,437,579	\$ 1,551,048	\$ (607,878)	\$ 479,271	\$ 18,442,391
Fund balances - beginning	7,896,030	14,847,082	(2,624,669)	454,619	3,774,861	24,347,923
Fund balances-ending	<u>\$ 8,478,401</u>	<u>\$ 31,284,661</u>	<u>\$ (1,073,621)</u>	<u>\$ (153,259)</u>	<u>\$ 4,254,132</u>	<u>\$ 42,790,314</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, 2018

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)	\$ 18,442,391
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.	3,912,515
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (or decrease) net position.	(246,986)
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.	(14,837,861)
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>(483,383)</u>
Change in net position of governmental activities (page 10)	<u>\$ 6,786,676</u>

City of Columbus, Nebraska
Statement of Net Position - Accrual Basis
Proprietary Funds
September 30, 2018

	Business-type Activities					Total Enterprise Funds	Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Stormwater	Solid Waste		
ASSETS							
Cash and cash equivalents	\$ 7,264,045	\$ 7,666,339	\$ 1,066,456	\$ -	\$ 1,250,620	\$ 17,247,460	\$ 1,919,631
Due from other funds	4,111	-	-	-	-	4,111	-
Receivables:							
Interfund	-	-	2,362,040	-	-	2,362,040	-
Accounts (net of allowance)	509,900	726,866	-	-	115,855	1,352,621	-
Accrued revenue	375,130	667,709	1,068,858	28,947	91,261	2,231,905	-
Inventory	216,719	61,078	-	-	-	277,797	-
Capital assets:							
Land and buildings	8,957,937	25,003,462	-	-	5,134,391	39,095,790	-
Plant improvements	20,857,797	14,101,821	6,191,214	-	523,190	41,674,022	-
Equipment	5,037,892	2,743,568	-	296	1,425,608	9,207,364	-
Construction in progress	31,934	14,074,825	-	8,858	-	14,115,617	-
Less accumulated depreciation	(16,425,399)	(15,084,645)	(4,833,584)	-	(1,510,245)	(37,853,873)	-
Restricted assets:							
Cash and cash equivalents	922,594	504,665	-	-	-	1,427,259	-
Total assets	<u>\$ 27,752,660</u>	<u>\$ 50,465,688</u>	<u>\$ 5,854,984</u>	<u>\$ 38,101</u>	<u>\$ 7,030,680</u>	<u>\$ 91,142,113</u>	<u>\$ 1,919,631</u>
LIABILITIES							
Accounts payable	\$ 104,737	\$ 143,739	\$ -	\$ 9,312	\$ 83,530	\$ 341,318	\$ -
Accrued payroll	87,255	152,532	-	-	51,905	291,692	-
Deferred revenue	-	9,525	-	-	-	9,525	-
Due to other funds	-	-	-	4,111	-	4,111	-
Interfund payable	-	-	-	-	2,362,040	2,362,040	-
Interest payable	162,522	157,319	-	-	1,916	321,757	-
Long-term debt, net:							
Due within one year	560,399	1,034,601	-	-	195,000	1,790,000	-
Due in more than one year	4,563,051	31,370,761	-	-	1,525,000	37,458,812	-
Total liabilities	<u>\$ 5,477,964</u>	<u>\$ 32,868,477</u>	<u>\$ -</u>	<u>\$ 13,423</u>	<u>\$ 4,219,391</u>	<u>\$ 42,579,255</u>	<u>\$ -</u>
NET POSITION							
Net investment in capital assets	\$ 13,336,711	\$ 8,433,669	\$ 1,357,630	\$ 5,043	\$ 1,490,904	\$ 24,623,957	\$ -
Restricted for:							
Debt service	922,594	504,665	-	-	-	1,427,259	-
Unrestricted	8,015,391	8,658,877	4,497,354	19,635	1,320,385	22,511,642	1,919,631
Total net position	<u>\$ 22,274,696</u>	<u>\$ 17,597,211</u>	<u>\$ 5,854,984</u>	<u>\$ 24,678</u>	<u>\$ 2,811,289</u>	<u>\$ 48,562,858</u>	<u>\$ 1,919,631</u>

City of Columbus, Nebraska
Statement of Revenues, Expenses, and Changes in Net Position - Accrual Basis
Proprietary Funds
September 30, 2018

	Business-type Activities					Total Enterprise Funds	Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Stormwater	Solid Waste		
Operating revenues:							
Charges for services	\$ 3,815,864	\$ 6,726,107	\$ -	\$ -	\$ 1,958,557	\$ 12,500,528	\$ 2,726,422
Franchise fees	-	-	3,792,007	-	-	3,792,007	-
Permits and fees	92,179	140,570	-	28,947	900	262,596	-
Sales tax	149,927	406,620	-	-	-	556,547	-
Operating grants	182,058	-	-	-	20,239	202,297	-
Miscellaneous	183,813	66,995	-	-	87,023	337,831	-
Total operating revenues	<u>\$ 4,423,841</u>	<u>\$ 7,340,292</u>	<u>\$ 3,792,007</u>	<u>\$ 28,947</u>	<u>\$ 2,066,719</u>	<u>\$ 17,651,806</u>	<u>\$ 2,726,422</u>
Operating expenses:							
Personnel services	\$ 672,000	\$ 1,116,676	\$ -	\$ -	\$ 485,693	\$ 2,274,369	\$ -
Insurance	31,693	59,235	-	-	8,510	99,438	-
Supplies	200,203	226,883	-	-	89,832	516,918	-
Professional services	3,084	6,632	-	4,234	1,801	15,751	3,236,958
Repairs and maintenance	288,247	194,925	-	-	62,314	545,486	-
Heat, light and power, phone	208,999	338,031	-	-	10,517	557,547	-
Landfill disposal	-	-	-	-	639,285	639,285	-
Sales tax remitted	149,926	405,864	-	-	-	555,790	-
Other operating	32,356	34,301	-	35	21,755	88,447	-
Depreciation	910,163	1,169,739	162,083	-	225,021	2,467,006	-
Total operating expenses	<u>\$ 2,496,671</u>	<u>\$ 3,552,286</u>	<u>\$ 162,083</u>	<u>\$ 4,269</u>	<u>\$ 1,544,728</u>	<u>\$ 7,760,037</u>	<u>\$ 3,236,958</u>
Operating income (loss)	1,927,170	3,788,006	3,629,924	24,678	521,991	9,891,769	(510,536)
Nonoperating revenues (expenses):							
Interest expense	\$ (114,882)	\$ (905,605)	\$ -	\$ -	\$ (114,832)	\$ (1,135,319)	\$ -
Investment earnings	96,878	113,788	78,812	-	15,490	304,968	27,153
Gain (loss) on disposal of assets	(7,211)	-	-	-	-	(7,211)	-
Total nonoperating revenues (expenses)	<u>\$ (25,215)</u>	<u>\$ (791,817)</u>	<u>\$ 78,812</u>	<u>\$ -</u>	<u>\$ (99,342)</u>	<u>\$ (837,562)</u>	<u>\$ 27,153</u>
Income (loss) before operating transfers	<u>\$ 1,901,955</u>	<u>\$ 2,996,189</u>	<u>\$ 3,708,736</u>	<u>\$ 24,678</u>	<u>\$ 422,649</u>	<u>\$ 9,054,207</u>	<u>\$ (483,383)</u>
Operating transfers:							
Operating transfers in	\$ -	\$ -	\$ -	\$ -	\$ 110,000	\$ 110,000	\$ -
Operating transfers out	(130,000)	(130,000)	(3,775,000)	-	(49,000)	(4,084,000)	-
	<u>\$ (130,000)</u>	<u>\$ (130,000)</u>	<u>\$ (3,775,000)</u>	<u>\$ -</u>	<u>\$ 61,000</u>	<u>\$ (3,974,000)</u>	<u>\$ -</u>
Change in net position	\$ 1,771,955	\$ 2,866,189	\$ (66,264)	\$ 24,678	\$ 483,649	\$ 5,080,207	\$ (483,383)
Total net position - beginning	20,502,741	14,731,022	5,921,248	-	2,327,640	43,482,651	2,403,014
Total net position - ending	<u>\$ 22,274,696</u>	<u>\$ 17,597,211</u>	<u>\$ 5,854,984</u>	<u>\$ 24,678</u>	<u>\$ 2,811,289</u>	<u>\$ 48,562,858</u>	<u>\$ 1,919,631</u>

City of Columbus, Nebraska
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2018

	Business-type Activities					Total Enterprise Total	Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Stormwater	Solid Waste		
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$ 4,327,964	\$ 7,172,213	\$ 3,783,058	\$ -	\$ 2,054,856	\$ 17,338,091	\$ 2,726,422
Payments to suppliers	(924,330)	(2,364,122)	-	5,043	(814,658)	(4,098,067)	(3,236,958)
Payments to employees	(689,644)	(1,122,457)	-	-	(489,304)	(2,301,405)	-
Net cash provided (used) by operating activities	<u>\$ 2,713,990</u>	<u>\$ 3,685,634</u>	<u>\$ 3,783,058</u>	<u>\$ 5,043</u>	<u>\$ 750,894</u>	<u>\$ 10,938,619</u>	<u>\$ (510,536)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Due to (from) other funds	\$ (4,111)	\$ -	\$ -	\$ 4,111	\$ -	\$ -	\$ -
Transfer from (to) other funds (net)	(130,000)	(130,000)	(3,775,000)	-	61,000	(3,974,000)	-
Net cash provided (used) by noncapital financing activities	<u>\$ (134,111)</u>	<u>\$ (130,000)</u>	<u>\$ (3,775,000)</u>	<u>\$ 4,111</u>	<u>\$ 61,000</u>	<u>\$ (3,974,000)</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases of capital assets, net of disposals	\$ (97,274)	\$ (5,807,237)	\$ (71,226)	\$ (9,154)	\$ (114,425)	\$ (6,099,316)	\$ -
Bond payments	(1,108,803)	(592,766)	-	-	(190,000)	(1,891,569)	-
Interest payments	(119,643)	(908,685)	-	-	(114,934)	(1,143,262)	-
Net cash provided (used) by capital and related financing activities	<u>\$ (1,325,720)</u>	<u>\$ (7,308,688)</u>	<u>\$ (71,226)</u>	<u>\$ (9,154)</u>	<u>\$ (419,359)</u>	<u>\$ (9,134,147)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends received	\$ 96,878	\$ 113,788	\$ 78,812	\$ -	\$ 15,490	\$ 304,968	\$ 27,153
Net cash provided by investing activities	<u>\$ 96,878</u>	<u>\$ 113,788</u>	<u>\$ 78,812</u>	<u>\$ -</u>	<u>\$ 15,490</u>	<u>\$ 304,968</u>	<u>\$ 27,153</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,351,037	\$ (3,639,266)	\$ 15,644	\$ -	\$ 408,025	\$ (1,864,560)	\$ (483,383)
Beginning cash and cash equivalents	6,835,602	11,810,270	1,050,812	-	842,595	20,539,279	2,403,014
Ending cash and cash equivalents	<u>\$ 8,186,639</u>	<u>\$ 8,171,004</u>	<u>\$ 1,066,456</u>	<u>\$ -</u>	<u>\$ 1,250,620</u>	<u>\$ 18,674,719</u>	<u>\$ 1,919,631</u>
Reconciliation of operating income to net cash provided by operating activities							
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	\$ 1,927,170	\$ 3,788,006	\$ 3,629,924	\$ 24,678	\$ 521,991	\$ 9,891,769	\$ (510,536)
Depreciation	910,163	1,169,739	162,083	-	225,021	2,467,006	-
Change in assets and liabilities:							
Receivables	(81,388)	(110,784)	-	-	(17,761)	(209,933)	-
Inventory and other assets	(29,981)	(71,136)	(8,949)	(28,947)	5,898	(133,115)	-
Accounts and other payables	5,670	(1,084,410)	-	9,312	19,356	(1,050,072)	-
Accrued expenses	(17,644)	(5,781)	-	-	(3,611)	(27,036)	-
Net cash provided (used) by operating activities	<u>\$ 2,713,990</u>	<u>\$ 3,685,634</u>	<u>\$ 3,783,058</u>	<u>\$ 5,043</u>	<u>\$ 750,894</u>	<u>\$ 10,938,619</u>	<u>\$ (510,536)</u>

See notes to financial statements.

City of Columbus, Nebraska
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
September 30, 2018

	Pension Trust Funds	Agency Funds
ASSETS		
Cash	\$ 1,497	\$ -
Investments	96,048	-
Total assets	\$ 97,545	\$ -
LIABILITIES		
Accounts payable	\$ -	\$ -
NET POSITION		
Held in trust for pension benefits	\$ 97,545	\$ -

City of Columbus, Nebraska
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
For the Year Ended September 30, 2018

	Pension Trust Funds	Agency Funds
ADDITIONS		
Interest income	\$ 1,282	\$ -
Collections for agency funds	<u>-</u>	<u>14,238</u>
Subtotal	<u>\$ 1,282</u>	<u>\$ 14,238</u>
DEDUCTIONS		
Public Safety	<u>\$ 25,050</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)		
Paid to agency fund	\$ -	\$ (14,538)
Transfers from other funds	<u>24,250</u>	<u>-</u>
Subtotal	<u>\$ 24,250</u>	<u>\$ (14,538)</u>
Change in Net Position	\$ 482	\$ (300)
Net Position - Beginning	<u>97,063</u>	<u>300</u>
Net Position - End	<u><u>\$ 97,545</u></u>	<u><u>\$ -</u></u>

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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, 2018**

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 enough thereafter to pay liabilities of the current period. For this

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

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, 2018**

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, 2018, 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, 2018**

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

Restricted assets

Certain resources are classified as restricted assets because their use is limited by applicable covenants, contracts, agreements, and statutes.

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,

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

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, 2018, 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, 2018, 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.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

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

Property taxes were levied in October of 2017 on the assessed value of listed property. The County Assessor of Platte County, Nebraska, determined the City of Columbus's valuation to be \$1,495,424,840 in August of 2017.

The City, through the budget process, requested a total of \$4,713,367 in property taxes. Based on the August of 2017 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 \$64,224,423 and the bank balance was \$60,231,321. The component units' carrying amount of bank deposits was \$4,244,609 and bank balance was \$4,244,609. 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.

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, 2018, consisted of the following:

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

	City of Columbus	Component Units	Total
Demand deposits	\$ 409,739	\$ 1,050	\$ 410,789
Time and savings deposits	59,821,582	3,530,581	63,352,163
Other securities	-	712,978	712,978
Total deposits	<u>\$ 60,231,321</u>	<u>\$ 4,244,609</u>	<u>\$ 64,475,930</u>
Level 1	\$ 43,925,412	\$ 771,814	\$ 44,697,226
Level 2	16,305,909	-	16,305,909
Level 3	-	3,472,795	3,472,795
Total deposits	<u>\$ 60,231,321</u>	<u>\$ 4,244,609</u>	<u>\$ 64,475,930</u>

Investments of the City can be categorized as follows:

Investment type	Investment term		
	Less than 1 year	1 - 5 years	5 - 10 years
Money Markets	\$ 26,216,582	\$ -	\$ -
CD's	-	33,605,000	-
Total	<u>\$ 26,216,582</u>	<u>\$ 33,605,000</u>	<u>\$ -</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, 2018**

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, 2018, 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, 2018, 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	\$ 647,517	\$ -	\$ -	\$ -	\$ 647,517	\$ -	\$ 647,517
Street	6,327	265,486	-	-	271,813	-	271,813
Housing Rehabilitation	-	564,004	-	-	564,004	-	564,004
Progress and Jobs Growth	-	487,591	-	-	487,591	-	487,591
Debt Service	-	-	251,653	-	251,653	-	251,653
Water	511,700	-	-	-	511,700	1,800	509,900
Sewer	728,066	-	-	-	728,066	1,200	726,866
Electric	-	-	-	2,362,040	2,362,040	-	2,362,040
Solid Waste	115,855	-	-	-	115,855	-	115,855
	<u>\$ 2,009,465</u>	<u>\$ 1,317,081</u>	<u>\$ 251,653</u>	<u>\$ 2,362,040</u>	<u>\$ 5,940,239</u>	<u>\$ 3,000</u>	<u>\$ 5,937,239</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, 2018**

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, 2018, 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 final payment was made and the outstanding balance at September 30, 2018, is \$0.

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, 2018, is \$141,806. On February 21, 2018, the City gave a second loan to Blazer, LLC for \$150,000 for expenses relating to the purchase of a business. The loan carries interest at 1.00% and is payable in monthly installments of \$3,190 beginning March 21, 2019 with the final payment due February 21, 2023. The outstanding balance at September 30, 2018, is \$150,000.

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, 2018, is \$107,710.

The following is a summary of notes receivable outstanding as of September 30, 2018, under the Progress and Jobs Growth program administered by the City:

	Original Date	Due Date	Original Amount	Interest Rate	9/30/2018 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%	-
2015 Blazer	2/2/2015	2/1/2021	300,000	1.00%	141,806
2017 DiStar Industries	5/1/2017	5/1/2022	120,000	1.00%	107,710
2018 Blazer	2/21/2018	2/21/2023	150,000	1.00%	150,000
Total					<u>\$ 487,591</u>

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Note 5. **Receivables (continued)**

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, 2018, is \$564,004.

Note 6. **Capital Assets**

Capital asset activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets:				
Land	\$ 280,524	\$ -	\$ -	\$ 280,524
Construction in progress	16,034,993	4,438,711	(4,298,226)	16,175,478
Land improvements and buildings	14,958,619	2,328,542	(418,994)	16,868,167
Improvements	107,200,324	4,532,382	(729,497)	111,003,209
Equipment	10,203,890	1,257,496	(663,696)	10,797,690
Vehicles	7,329,006	346,223	(254,706)	7,420,523
Total capital assets	<u>\$ 156,007,356</u>	<u>\$ 12,903,354</u>	<u>\$ (6,365,119)</u>	<u>\$ 162,545,591</u>
Less accumulated depreciation	<u>\$ (53,124,887)</u>	<u>\$ (4,670,350)</u>	<u>\$ 1,797,644</u>	<u>\$ (55,997,593)</u>
Governmental activities capital assets, net	<u>\$ 102,882,469</u>	<u>\$ 8,233,004</u>	<u>\$ (4,567,475)</u>	<u>\$ 106,547,998</u>
Business-type activities:				
Capital assets:				
Land	\$ 391,161	\$ -	\$ -	\$ 391,161
Construction in progress	9,884,867	6,490,197	(2,259,447)	14,115,617
Land improvements and buildings	39,588,934	34,797	(919,102)	38,704,629
Improvements	39,375,377	2,383,384	(84,739)	41,674,022
Equipment	9,198,732	368,741	(360,109)	9,207,364
Total capital assets	<u>\$ 98,439,071</u>	<u>\$ 9,277,119</u>	<u>\$ (3,623,397)</u>	<u>\$ 104,092,793</u>
Less accumulated depreciation	<u>\$ (35,825,250)</u>	<u>\$ (2,467,006)</u>	<u>\$ 438,383</u>	<u>\$ (37,853,873)</u>
Business-type activities capital assets, net	<u>\$ 62,613,821</u>	<u>\$ 6,810,113</u>	<u>\$ (3,185,014)</u>	<u>\$ 66,238,920</u>

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

Governmental activities	\$ 4,670,350
Business-type activities	<u>2,467,006</u>
Total depreciation	<u>\$ 7,137,356</u>

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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.

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, 2018, is \$230,000.

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, 2018, is \$280,000.

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, 2018.

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, 2018, is \$2,840,000.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

The schedule of bond redemptions is as follows:

	General Obligation Bonds	
	Principal	Interest
2019	\$ 630,000	\$ 78,099
2020	645,000	64,283
2021	535,000	50,452
2022	550,000	36,815
2023	490,000	22,482
2024	500,000	7,750
	\$3,350,000	\$ 259,881

Total bonds outstanding are as follows:

	General Obligation Bonds
Bonds outstanding, October 1	\$ 3,970,000
Bonds paid	(620,000)
Bonds issued	-
Bonds outstanding, September 30	\$ 3,350,000
Amount due within one year	\$ 630,000

On September 25, 2018 the city issued Public Safety Sales Tax bonds in the amount of \$15,840,000. The issue bears interest from 3.625 to 5.00%. Final payment is due on September 30, 2038. The outstanding balance at September 30, 2018 is \$15,840,000.

	Sales Tax Revenue Bonds	
	Principal	Interest
2019	\$ 535,000	\$ 594,161
2020	545,000	584,387
2021	570,000	557,138
2022	600,000	528,638
2023	630,000	498,638
2024-2028	3,585,000	2,060,287
2029-2033	4,295,000	1,348,450
2034-2038	5,080,000	565,500
	\$ 15,840,000	\$ 6,737,199

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

	Sales Tax Revenue Bonds
Bonds outstanding, October 1	\$ -
Bonds paid	-
Bonds issued	15,840,000
Bonds outstanding, September 30	\$ 15,840,000
Amount due within one year	\$ 535,000

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, 2018, is \$2,430,000.

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, 2018, is \$1,720,000.

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, 2018, is \$3,765,000.

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, 2018, 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, 2018, is \$6,905,000.

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, 2018, is \$13,560,000.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

The City has received bond premiums totaling \$1,412,433. 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, 2018, totaled \$82,250. The unamortized premium balance at September 30, 2018, is 1,231,673 and is reported as an addition to long-term debt.

The schedule of bond redemptions is as follows:

	<u>Business-Type Activity Debt</u>	
	<u>Principal</u>	<u>Interest</u>
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	2,205,000	937,201
2024-2028	9,605,000	3,878,241
2029-2033	10,060,000	2,304,393
2034-2037	7,785,000	505,575
	<u>\$ 38,180,000</u>	<u>\$ 11,864,650</u>

Total bonds outstanding are as follows:

	<u>Business-Type Activity Debt</u>
Bonds outstanding, October 1	\$ 39,990,000
Bonds paid	(1,810,000)
Bonds issued	-
Bonds outstanding, September 30	<u>\$ 38,180,000</u>
Amount due within one year	<u>\$ 1,790,000</u>

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, 2018**

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, 2018, is as follows:

Fire	\$ 168,325
Police	131,761
All others	<u>393,660</u>
Total	<u>\$ 693,746</u>

Total wages paid by the City for the year ended September 30, 2018, are \$10,820,561.

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, 2018, 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, 2018**

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.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

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

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.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

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 to State of Nebraska for any claims paid on behalf of the City. As of September 30, 2018, 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 16.6% of the total water revenues and approximately 22.3% of total sewer revenues from one major customer in the year ended September 30, 2018.

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 \$124,500.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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:

	Interfund Receivable	Interfund Payable
Special Revenue Fund	\$ -	\$ 962,538
Water Fund	962,538	-
Electric Fund	2,362,040	-
Solid Waste Fund	-	2,362,040
Total	\$ 3,324,578	\$ 3,324,578

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

Transfer In	Transfer Out					
	General		Special Revenue			
	General Fund	Platte Co Library	Sales Tax	Keno	Debt Service	Subtotal
General	\$ -	\$ -	\$ 1,115,003	\$ -	\$ -	\$ 1,115,003
Library	-	58,000	-	-	-	58,000
Park	-	-	-	548,000	-	548,000
Street	340,000	-	-	-	-	340,000
Engineering	-	-	35,000	-	-	35,000
Airport	140,000	-	-	-	-	140,000
Sales Tax	15,000	-	-	-	-	15,000
CDBG Grants	4,524	-	-	-	-	4,524
Capital Projects	-	-	1,655,772	-	-	1,655,772
Debt Service	-	-	-	-	608,697	608,697
Solid Waste	10,000	-	100,000	-	-	110,000
Police Pension	8,000	-	-	-	-	8,000
Fire Pension	16,250	-	-	-	-	16,250
	\$ 533,774	\$ 58,000	\$ 2,905,775	\$ 548,000	\$ 608,697	\$ 4,654,246

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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	\$ 5,179,003
Library	-	-	-	-	-	-	-	58,000
Park	2,000	-	-	-	-	-	2,000	550,000
Street	-	-	-	-	-	-	-	340,000
Engineering	-	-	10,000	10,000	-	-	20,000	55,000
Airport	-	-	-	-	-	-	-	140,000
Sales Tax	-	-	-	-	-	-	-	15,000
Library Foundation	-	6,500	-	-	-	-	6,500	6,500
CDBG Grants	-	-	-	-	-	-	-	4,524
Capital Projects	-	-	-	-	-	-	-	1,655,772
Debt Service	-	-	-	-	-	-	-	608,697
Solid Waste	-	-	-	-	-	-	-	110,000
Police Pension	-	-	-	-	-	-	-	8,000
Fire Pension	-	-	-	-	-	-	-	16,250
	<u>\$ 2,000</u>	<u>\$ 6,500</u>	<u>\$ 130,000</u>	<u>\$ 130,000</u>	<u>\$ 3,775,000</u>	<u>\$ 49,000</u>	<u>\$ 4,092,500</u>	<u>\$ 8,746,746</u>

The composition of additional interfund activity is as follows.

Due To	Due From		
	Capital Projects	Stormwater	Total
General	\$ 658,418	\$ -	\$ 658,418
Sales Tax	415,203	-	415,203
Water	-	4,111	4,111
	<u>\$ 1,073,621</u>	<u>\$ 4,111</u>	<u>\$ 1,077,732</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.

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Note 15. **Sales Tax (continued)**

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.

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, 2018 follows:

Project	Years Remaining on Agreement	2017 TIF Valuation	Proceeds Paid During Y/E 9-30-18
NBC Capital (Ramada)	11	\$2,727,525	\$52,288
Westgate Center Redevelopment Project (Slumberland)	8	1,333,680	31,209
Westgate Center Redevelopment Project (Hobby Lobby)	12	1,627,965	25,568

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

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 obligations 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 or 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.

For the year ended September 30, 2018, the State of Nebraska on behalf of the City abated \$21,747 in sales tax revenue under these two programs.

Note 17. **Restricted Cash**

As of September 30, 2018, the City's cash was restricted as follows:

Debt Service Fund – debt service	\$ 14,558,745
Sales Tax Fund – unspent bond proceeds	13,054,301
Utility Fund – debt service	<u>1,427,259</u>
	<u>\$ 29,040,305</u>

Note 18. **Restricted Net Position**

At September 30, 2018, the government-wide statement of net position reports the following restricted net assets:

Governmental Activities

Restricted for:

Debt service	\$ 14,558,745
Unspent bond proceeds	<u>13,054,301</u>
	<u>\$ 27,613,046</u>

Business-Type Activities

Restricted for:

Debt Service	<u>\$ 1,427,259</u>
	<u>\$ 1,427,259</u>

Note 19. **Related Parties**

The City had several related party transactions for the year ended September 30, 2018. The Mayor works for Obrist & Co. who the city paid \$833,802.50 for their

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Note 19. **Related Parties (continued)**

services. One council member owns ARL Credit Services who the city paid \$14,656.92 for services. A former employee's brother-in-law was hired to side the dugouts and was paid \$975.00.

Note 20. **Fund Balances**

As of September 30, 2018, governmental fund balances are classified as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Other Funds	Total
Fund balances:						
Nonspendable:						
Gerrard Park Trust	\$ -	\$ -	\$ -	\$ -	\$ 137,466	\$ 137,466
Total nonspendable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,466</u>	<u>\$ 137,466</u>
Restricted for:						
Cemetery	\$ 75,790	\$ -	\$ -	\$ -	\$ -	\$ 75,790
Streets	-	2,112,717	-	-	-	2,112,717
Airport	-	914,181	-	-	-	914,181
Capital Improvements	-	25,862,823	(1,073,621)	-	-	24,789,202
Public Safety	-	(21,407)	-	-	-	(21,407)
Housing	-	107,728	-	-	-	107,728
Economic Development	-	1,451,579	-	-	-	1,451,579
Debt Service	-	-	-	(153,259)	-	(153,259)
Library	-	-	-	-	2,472,625	2,472,625
Total restricted	<u>\$ 75,790</u>	<u>\$ 30,427,621</u>	<u>\$ (1,073,621)</u>	<u>\$ (153,259)</u>	<u>\$ 2,472,625</u>	<u>\$ 31,749,156</u>
Committed to:						
Library Endowment	\$ -	\$ -	\$ -	\$ -	\$ 1,644,041	\$ 1,644,041
Public Safety	-	34,821	-	-	-	34,821
Parks	-	822,219	-	-	-	822,219
Total committed	<u>\$ -</u>	<u>\$ 857,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,644,041</u>	<u>\$ 2,501,081</u>
Assigned to:						
Library	<u>\$ 38,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,498</u>
Total assigned	<u>\$ 38,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,498</u>
Unassigned:	<u>\$ 8,364,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,364,113</u>
Total fund balances	<u>\$ 8,478,401</u>	<u>\$ 31,284,661</u>	<u>\$ (1,073,621)</u>	<u>\$ (153,259)</u>	<u>\$ 4,254,132</u>	<u>\$ 42,790,314</u>

**CITY OF COLUMBUS, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Note 21. **Subsequent Events**

Upon evaluation, management notes that there are no material subsequent events between the date of the financial statements and January 31, 2019, the date that the financial statements were issued or available to be issued.

CITY OF COLUMBUS, NEBRASKA

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, 2018

	Budget Original and Final	Actual	Variance with Budget- Favorable (Unfavorable)
RECEIPTS			
Property taxes	\$ 4,096,700	\$ 4,090,735	\$ (5,965)
Motor vehicle tax	450,000	533,417	83,417
In lieu and motor vehicle prorated	230,000	228,505	(1,495)
Franchise fees	700,000	693,695	(6,305)
State shared revenue	6,500	6,144	(356)
Sales tax	4,206,875	1,686,445	(2,520,430)
Grants	933,000	935,579	2,579
Fees, permits and licenses	276,870	218,984	(57,886)
Other local revenues	9,311,190	8,517,547	(793,643)
Investment income	40,450	116,774	76,324
Total receipts	<u>\$ 20,251,585</u>	<u>\$ 17,027,825</u>	<u>\$ (3,223,760)</u>
DISBURSEMENTS			
General government	\$ 2,960,125	\$ 2,638,553	\$ 321,572
Public safety	9,829,550	6,948,948	2,880,602
Public health	401,840	351,034	50,806
Culture and recreation	7,485,890	6,259,179	1,226,711
Community development	282,050	247,741	34,309
Total disbursements	<u>\$ 20,959,455</u>	<u>\$ 16,445,455</u>	<u>\$ 4,514,000</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (707,870)</u>	<u>\$ 582,370</u>	<u>\$ 1,290,240</u>
Basis of accounting adjustment		<u>1,371,747</u>	
Change in net position		<u>\$ 1,954,117</u>	

See notes to other information.

City of Columbus, Nebraska
Schedule of Receipts, Disbursements, and Changes in Fund Balance - Budget to Actual
Cash Basis
Special Revenue Fund
For the Year Ended September 30, 2018

	Budget Original and Final	Actual	Variance with Budget- Favorable (Unfavorable)
RECEIPTS			
Sales tax	\$ 323,125	\$ 5,400,958	\$ 5,077,833
Grants	749,010	131,281	(617,729)
Fees, permits and licenses	3,547,730	3,446,166	(101,564)
Other local revenues	731,550	969,403	237,853
Bond proceeds	-	16,003,542	16,003,542
Investment income	69,450	218,592	149,142
Total receipts	<u>\$ 5,420,865</u>	<u>\$ 26,169,942</u>	<u>\$ 20,749,077</u>
DISBURSEMENTS			
Public safety	\$ 232,050	\$ 220,996	\$ 11,054
Public works	4,581,650	3,366,999	1,214,651
Community development	2,248,000	1,551,274	696,726
Sales tax	5,285,000	4,593,094	691,906
Total disbursements	<u>\$ 12,346,700</u>	<u>\$ 9,732,363</u>	<u>\$ 2,614,337</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (6,925,835)</u>	<u>\$ 16,437,579</u>	<u>\$ 23,363,414</u>
Basis of accounting adjustment		<u>2,153,299</u>	
Change in net position		<u>\$ 18,590,878</u>	

See notes to other information.

City of Columbus, Nebraska
Schedule of Receipts, Disbursements, and Changes in Fund Balance - Budget to Actual
Cash Basis
Capital Projects Fund
For the Year Ended September 30, 2018

	Budget Original and Final	Actual	Variance with Budget- Favorable (Unfavorable)
RECEIPTS			
Sales tax	\$ 2,350,000	\$ 580,458	\$ (1,769,542)
Grants	7,779,000	1,292,960	(6,486,040)
Fees, permits and licenses	-	2,322,265	2,322,265
Other local revenues	3,290,000	1,761,755	(1,528,245)
Investment income	5,000	13,359	8,359
Total receipts	<u>\$ 13,424,000</u>	<u>\$ 5,970,797</u>	<u>\$ (7,453,203)</u>
DISBURSEMENTS			
Capital outlay	<u>\$ 12,975,000</u>	<u>\$ 4,419,749</u>	<u>\$ 8,555,251</u>
Total disbursements	<u>\$ 12,975,000</u>	<u>\$ 4,419,749</u>	<u>\$ 8,555,251</u>
Excess of receipts over disbursements	<u>\$ 449,000</u>	<u>\$ 1,551,048</u>	<u>\$ 1,102,048</u>
Basis of accounting adjustment		<u>266,472</u>	
Change in net position		<u>\$ 1,817,520</u>	

See notes to other information.

City of Columbus, Nebraska
Schedule of Receipts, Disbursements, and Changes in Fund Balance - Budget to Actual
Cash Basis
Debt Service Fund
For the Year Ended September 30, 2018

	Budget Original and Final	Actual	Variance with Final Budget- Favorable (Unfavorable)
RECEIPTS			
Property taxes	\$ 677,500	\$ 679,970	\$ 2,470
In lieu	30,000	29,743	(257)
Fees, permits and licenses	38,450	44,070	5,620
Other local revenues and transfers	708,700	608,698	(100,002)
Investment income	4,000	9,948	5,948
Total receipts	<u>\$ 1,458,650</u>	<u>\$ 1,372,429</u>	<u>\$ (86,221)</u>
DISBURSEMENTS			
Debt service	\$ 1,639,320	\$ 1,435,307	\$ 204,013
Total disbursements	<u>\$ 1,639,320</u>	<u>\$ 1,435,307</u>	<u>\$ 204,013</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (180,670)</u>	<u>\$ (62,878)</u>	<u>\$ 117,792</u>
Basis of accounting adjustment		<u>629,999</u>	
Change in net position		<u>\$ 567,121</u>	

**CITY OF COLUMBUS, NEBRASKA
NOTES TO OTHER INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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, 2018

	<u>General Levy</u>	<u>Bond Levy</u>	<u>Community Redevelopment Authority</u>	<u>Total</u>
CASH BALANCE, October 1, 2017	\$ 894,399	\$ 120,261	\$ 37,126	\$ 1,051,786
REVENUES COLLECTED				
Property taxes	\$ 3,766,177	\$ 524,276	\$ 102,940	\$ 4,393,393
Motor vehicle taxes	533,417	-	-	533,417
Motor vehicle prorated	12,698	1,776	-	14,474
In lieu of tax	215,807	29,743	-	245,550
Homestead	169,189	23,376	-	192,565
Carline	1,391	194	-	1,585
Personal property tax credit	11,063	2,926	-	13,989
Property tax credit	177,396	24,680	3,820	205,896
Interest	8,748	1,236	-	9,984
Total revenues collected	<u>\$ 4,895,886</u>	<u>\$ 608,207</u>	<u>\$ 106,760</u>	<u>\$ 5,610,853</u>
EXPENSES PAID AND TRANSFERS				
Collection fee	\$ 43,130	\$ 5,255	\$ -	\$ 48,385
Transfer to City Treasurer	5,370,338	676,944	143,886	6,191,168
Total expenses paid and transfers	<u>\$ 5,413,468</u>	<u>\$ 682,199</u>	<u>\$ 143,886</u>	<u>\$ 6,239,553</u>
CASH BALANCE, September 30, 2018	<u>\$ 376,817</u>	<u>\$ 46,269</u>	<u>\$ -</u>	<u>\$ 423,086</u>
ALLOCATION OF ENDING CASH BALANCE BY FUND				
General	\$ 376,817	\$ -	\$ -	\$ 376,817
Special Revenue	-	-	-	-
Debt Service	-	46,269	-	46,269
	<u>\$ 376,817</u>	<u>\$ 46,269</u>	<u>\$ -</u>	<u>\$ 423,086</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, 2018, 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 January 31, 2019.

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 2018-001.

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
January 31, 2019

**CITY OF COLUMBUS, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

I. FINANCIAL STATEMENT FINDINGS

Finding 2018-001: 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

II. FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2017

Finding for the year ended September 30, 2017: 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.



404 East 25th Street
PO Box 1120
Kearney, NE 68848
308-234-5565
Fax 308-234-2990
www.ksocpa.com

The Honorable Mayor and City Council
City of Columbus, Nebraska

We have audited the financial statements of City of Columbus, Nebraska, as of and for the year ended September 30, 2018, and have issued our report thereon dated January 31, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated December 4, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of City of Columbus solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City of Columbus is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended September 30, 2018. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the sufficiency of the allowance for uncollectible accounts receivable and the remaining useful lives of depreciable assets.

Management's estimates of the sufficiency of the allowance for uncollectible accounts receivable and the remaining useful lives of depreciable assets are based on management's experience and historical data. We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures relate to the pension and retirement plans.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified material misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to City of Columbus's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management. These were included in the letter dated January 31, 2019, which has been signed by management.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with City of Columbus, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting City of Columbus, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the entity's auditors. During our audit, we did note a lack of segregation of duties in some of the accounting functions.

City of Columbus
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This report is intended solely for the information and use of Finance Director and management of City of Columbus and is not intended to be and should not be used by anyone other than these specified parties.

KSO CPA's, P.C.

KSO CPAs PC

Kearney, Nebraska
January 31, 2019