

CITY OF OGALLALA, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Members of the City Council
City of Ogallala, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities - modified cash basis, the business-type activities - accrual basis, the aggregate discretely presented component unit - accrual basis, each major fund - modified cash basis for the governmental funds and accrual basis for the proprietary funds, and the aggregate remaining fund information - modified cash basis of the City of Ogallala, Nebraska, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's 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 modified cash and accrual bases of accounting described in Note A; this includes determining that the modified cash and accrual bases of accounting are acceptable bases for the preparation of the financial statements 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' 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

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
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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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities – modified cash basis, the business-type activities – accrual basis, the aggregate discretely presented component unit - accrual basis, each major fund – modified cash basis for the governmental funds and accrual basis for the proprietary funds, and the aggregate remaining fund information - modified cash basis of the City of Ogallala, Nebraska, as of September 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with the basis of accounting as described in Note A.

Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ogallala, Nebraska's financial statements. The management's discussion and analysis and supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The management's discussion and analysis, budgetary comparison schedules, nonmajor governmental funds combining statements, and statement of general fund departmental revenue and expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our

opinion, the supplementary information described in the first sentence of this paragraph is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2014, on our consideration of the City of Ogallala, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions 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 of Ogallala, Nebraska's internal control over financial reporting and compliance.

*Angquist, Malthalm,
Galloway & Lutz, P.C.*

Grand Island, Nebraska
January 2, 2014

**CITY OF OGALLALA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2013**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Ogallala, we offer readers of the City of Ogallala financial statements this narrative overview and analysis of the financial activities of the City of Ogallala for the fiscal year ended September 30, 2013. For information on the Ogallala Community Redevelopment Authority component unit included in these financial statements, please see the separate audit report for the Authority.

Financial Highlights

- The assets of the City of Ogallala exceeded its liabilities at the close of the most recent fiscal year by \$14,120,164 (*net position*). Of this amount, \$4,655,542 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Ogallala's governmental funds reported combined ending net position of \$8,099,731. Approximately 23.6 percent of this total amount, \$1,914,607, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,297,819, or 34.8 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Ogallala's financial statements. The City of Ogallala's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Ogallala's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Ogallala's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Ogallala is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

CITY OF OGALLALA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2013

Both of the government-wide financial statements distinguish functions of the City of Ogallala that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Ogallala include general government, public safety, highways and streets, economic development, and culture and recreation. The business-type activities of the City of Ogallala include the Water and Sewer Enterprise Funds.

The government-wide financial statements include not only the City of Ogallala itself (known as the *primary government*), but also the Ogallala Community Redevelopment Authority, for which the City of Ogallala is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Ogallala, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Ogallala can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Ogallala maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Street Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

CITY OF OGALLALA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2013

The City of Ogallala adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General, Street, and Debt Service Funds to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds. The City of Ogallala maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Ogallala uses enterprise funds to account for its Water and Sewer Funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Ogallala's various functions. The City of Ogallala uses an internal service fund to account for its employee health insurance. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, both of which are considered to be major funds of the City of Ogallala.

The proprietary fund financial statements can be found on pages 20-22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-56 of this report.

Other information. In addition to the financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the City of Ogallala's budgetary comparison schedules, nonmajor combining statements, and general fund revenue and expenses by department can be found on pages 57-62 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Ogallala, assets exceeded liabilities by \$14,120,164 at the close of the most recent fiscal year.

CITY OF OGALLALA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2013

Summary Statements of Net Position

	2013	2012
Current and Other Assets	\$ 6,045,711	\$ 5,591,804
Capital Assets	15,955,892	15,967,524
Total Assets	22,001,603	21,559,328
Long-term Liabilities	6,798,263	7,391,417
Other Liabilities	1,083,176	1,043,684
Total Liabilities	7,881,439	8,435,101
Net Position:		
Net Investment in Capital Assets	8,232,801	7,701,332
Restricted	1,231,821	1,168,956
Unrestricted	4,655,542	4,253,939
Total Net Position	\$ 14,120,164	\$ 13,124,227

A large portion of the City of Ogallala's net position (58.3 percent) reflects its investment in capital assets (land, infrastructure, buildings, distribution systems, vehicles, and equipment), net of any related debt used to acquire those assets that is still outstanding. The City of Ogallala uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Ogallala's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Ogallala's net position (8.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$4,655,542) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Ogallala is able to report positive balances in all three categories of net position, for the government as a whole as well as for its separate governmental and business-type activities.

**CITY OF OGALLALA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2013**

Expenses and Program Revenues - Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2013</u>		<u>Year Ended September 30, 2012</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 436,681	\$ 874,737	\$ 290,659	\$ 796,167
Public Safety	222,550	1,096,921	201,127	1,135,430
Public Works	132,571	837,624	94,355	836,528
Environment and Leisure	658,632	1,344,662	794,230	1,446,953
Hospital Debt Service	-	410,568	-	415,839
Interest on Long-term Debt	57,924	149,293	21,490	158,533
Depreciation	-	739,345	-	720,702
Total	<u>\$ 1,508,358</u>	<u>\$ 5,453,150</u>	<u>\$ 1,401,861</u>	<u>\$ 5,510,152</u>

SOURCES OF REVENUE

	<u>Year Ended September 30, 2013</u>		<u>Year Ended September 30, 2012</u>	
Charges for Services	\$ 873,263	14.33 %	\$ 879,383	15.10 %
Operating Grants and Contributions	567,805	9.32	364,485	6.26
Capital Grants and Contributions	67,290	1.10	157,993	2.71
Property Taxes	1,081,470	17.75	1,034,695	17.77
Motor Vehicle Taxes	88,378	1.45	86,734	1.49
Sales Tax	1,436,750	23.58	1,464,149	25.15
Franchise Taxes	1,160,936	19.06	1,097,615	18.85
State Allocation	680,850	11.18	631,767	10.85
Keno	74,486	1.22	59,063	1.02
Interest	2,784	0.05	3,018	0.05
Gain on disposal of assets	13,212	0.22	-	-
Other	45,258	0.74	43,550	0.75
Total	<u>\$ 6,092,482</u>	<u>100.00 %</u>	<u>\$ 5,822,452</u>	<u>100.00 %</u>

Net position increased \$639,332 in the governmental funds during the year ended September 30, 2013.

Business-type activities. Business-type activities increased the City of Ogallala's net position by \$395,648.

CITY OF OGALLALA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2013

Expenses and Program Revenues - Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2013</u>		<u>Year Ended September 30, 2012</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Water	\$ 1,071,183	\$ 865,935	\$ 1,213,315	\$ 931,437
Sewer	751,057	566,513	821,882	558,424
Total	<u>\$ 1,822,240</u>	<u>\$ 1,432,448</u>	<u>\$ 2,035,197</u>	<u>\$ 1,489,861</u>

Revenues by Source - Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2013</u>		<u>Year Ended September 30, 2012</u>	
Charges for Services	\$ 1,744,848	95.45 %	\$ 1,902,560	93.02 %
Capital Grants and Contributions	77,392	4.23	132,637	6.48
Interest	5,856	0.32	10,202	0.50
Total	<u>\$ 1,828,096</u>	<u>100.00 %</u>	<u>\$ 2,045,399</u>	<u>100.00 %</u>

Financial Analysis of the Government's Funds

As noted earlier, the City of Ogallala used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Ogallala's *governmental* funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Ogallala's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Ogallala's governmental funds reported combined ending fund balances of \$2,400,119. Approximately 54.1 percent of this total amount (\$1,297,819) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is not available for new spending because it is 1) restricted for Federal programs (\$68,595), 2) restricted to pay debt service (\$538,458), 3) nonspendable endowment to generate income to pay for the perpetual care of the municipal cemetery (\$116,199), 4) committed for community betterment (\$221,886), or 5) assigned for street expenses (\$157,162).

The General Fund is the chief operating fund of the City of Ogallala. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,297,819, while total fund balance reached \$1,635,904. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

CITY OF OGALLALA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2013

Unassigned fund balance represents 34.8 percent of total General Fund expenditures, while total fund balance represents 43.8 percent of that same amount.

The fund balance of the City of Ogallala's General Fund increased by \$188,974 during the current fiscal year. The fund balance of the Street Fund increased by \$190,712.

Proprietary funds. The City of Ogallala's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the year were as follows: Water Fund - \$1,075,835 and Sewer Fund - \$1,665,100. The net position for the proprietary funds changed as follows: Water Fund - increase of \$207,616 and Sewer Fund - increase of \$188,032. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Ogallala's business-type activities.

General Fund Budgetary Highlights

There was no difference between the original budget and the final adopted budget for the General, Street, and the Debt Service Funds.

Capital Asset and Debt Administration

Capital Assets. The City of Ogallala's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$15,955,892 (net of accumulated depreciation). This investment in capital assets includes land, streets, building and system improvements, vehicles, equipment, and construction in progress.

Major capital asset events (individually greater than \$20,000) during the current fiscal year included the following:

- Administration building roof replacement - \$36,880
- Hydraulic power cot - \$30,000
- 2013 Ford ambulance - \$55,161
- Pool pump - \$30,989
- Pool heater - \$21,062
- Park canopy - \$34,472
- 2013 Ford F-150 pickup for parks department - \$28,609
- 2013 police vehicle - \$26,654
- Construction in progress on 5th Street project - \$99,428
- Construction in progress on 2nd Street, B Street and South A improvements - \$45,375
- Construction in progress on downtown improvement project - \$116,152
- 2013 Ford F-150 pickup for street department - \$26,092
- Sewer system 2013-2 improvements - \$67,588

**CITY OF OGALLALA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2013**

- Sewer system 2013-3 improvements - \$30,150
- Valve insertion tapping equipment - \$61,779
- Construction in progress on South water source project - \$125,401
- Construction in progress on water control system project - \$180,500

**City of Ogallala's Capital Assets
(net of depreciation)**

	<u>Year Ended September 30, 2013</u>			<u>Year Ended September 30, 2012</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 335,031	\$ 222,552	\$ 557,583	\$ 335,031	\$ 222,552	\$ 557,583
Construction in Progress	265,955	305,901	571,856	40,804	-	40,804
Infrastructure	5,550,312	-	5,550,312	5,898,178	-	5,898,178
Buildings and Improvements	2,693,867	-	2,693,867	2,804,550	-	2,804,550
Distribution Systems	-	5,425,825	5,425,825	-	5,640,443	5,640,443
Equipment	592,662	26,158	618,820	483,725	31,384	515,109
Vehicles	537,629	-	537,629	510,857	-	510,857
Total	<u>\$ 9,975,456</u>	<u>\$ 5,980,436</u>	<u>\$ 15,955,892</u>	<u>\$ 10,073,145</u>	<u>\$ 5,894,379</u>	<u>\$ 15,967,524</u>

Additional information on the City of Ogallala's capital assets can be found in Note C5 on pages 41-44 of this report.

Long-term debt. At the end of the current fiscal year, the City of Ogallala had the following long-term debt outstanding:

City of Ogallala's Outstanding Debt

	<u>Year Ended September 30, 2013</u>			<u>Year Ended September 30, 2012</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Obligation						
Bonds	\$ 3,827,500	\$ 432,500	\$ 4,260,000	\$ 3,994,340	\$ 460,660	\$ 4,455,000
Revenue Bonds	-	1,225,000	1,225,000	-	1,450,000	1,450,000
Notes Payable	686,084	1,552,007	2,238,091	787,218	1,613,017	2,400,235
Total	<u>\$ 4,513,584</u>	<u>\$ 3,209,507</u>	<u>\$ 7,723,091</u>	<u>\$ 4,781,558</u>	<u>\$ 3,523,677</u>	<u>\$ 8,305,235</u>

The City of Ogallala's total debt decreased by \$582,144 (7.0 percent) during the current fiscal year as scheduled principal payments were made. The City issued \$250,000 of Series 2013 Highway Allocation Bonds. The Sewer Fund received DEQ loan proceeds of \$80,790 for the wastewater treatment plant project.

**CITY OF OGALLALA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2013**

The City of Ogallala does not have a bond rating.

Additional information on the City of Ogallala's long-term debt can be found in Note C6 on pages 44-50 of this report.

Economic Factors and Next Year's Budgets and Rates

- The property tax asking for the year ending September 30, 2014, increased \$37,941 (3.8 percent). The Debt Service tax asking increased \$9,600, while the General Fund tax asking increased \$28,341.

Request for Information

This financial report is designed to provide a general overview of the City of Ogallala's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, City of Ogallala, 411 East 2nd Street, Ogallala, NE 69153.

CITY OF OGALLALA, NEBRASKA

STATEMENT OF NET POSITION

September 30, 2013

	Primary Government			Component Unit (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,811,389	\$ 1,805,954	\$ 3,617,343	\$ 28,019
Certificates of deposit	62,870	382,202	445,072	-
County treasurer cash	71,114	-	71,114	23,557
Accounts receivable	-	213,778	213,778	-
Unbilled revenue	-	69,946	69,946	-
Current portion of TIF receivables	-	-	-	212,000
Accrued interest receivable	49	-	49	-
Due (to) from other funds	(4,078)	4,078	-	-
Prepaid expenses	-	1,528	1,528	-
Inventory	-	97,275	97,275	-
Total current assets	1,941,344	2,574,761	4,516,105	263,576
Noncurrent assets:				
Restricted cash	660,361	416,839	1,077,200	25,000
Restricted certificates of deposit	49,654	124,990	174,644	-
Note receivable	-	277,762	277,762	-
Noncurrent TIF receivables	-	-	-	1,953,400
Capital assets:				
Land	335,031	222,552	557,583	263,600
Construction in progress	265,955	305,901	571,856	-
Other capital assets, net of depreciation	9,374,470	5,451,983	14,826,453	-
Net capital assets	9,975,456	5,980,436	15,955,892	263,600
Total noncurrent assets	10,685,471	6,800,027	17,485,498	2,242,000
Total assets	12,626,815	9,374,788	22,001,603	2,505,576
LIABILITIES				
Current liabilities:				
Accounts payable	-	52,188	52,188	1,354
Accrued expenses	-	59,400	59,400	2,251
Claims incurred but not paid	13,500	-	13,500	-
Customer deposits	-	33,260	33,260	-
Current portion of long-term obligations	522,583	402,245	924,828	106,030
Total current liabilities	536,083	547,093	1,083,176	109,635
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	3,991,001	2,807,262	6,798,263	982,895
Total liabilities	4,527,084	3,354,355	7,881,439	1,092,530
NET POSITION				
Net investment in capital assets	5,461,872	2,770,929	8,232,801	92,946
Restricted for:				
Federal programs	68,595	-	68,595	-
Debt service	538,458	508,569	1,047,027	25,000
Cemetery perpetual care	116,199	-	116,199	-
Unrestricted	1,914,607	2,740,935	4,655,542	1,295,100
Total net position	\$ 8,099,731	\$ 6,020,433	\$ 14,120,164	\$ 1,413,046

See notes to financial statements.

CITY OF OGALLALA, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary government:			
Governmental activities			
(modified cash basis):			
General government	\$ 874,737	\$ 240,095	\$ 196,586
Public safety	1,096,921	158,840	63,139
Public works	837,624	65,852	-
Environment and leisure	1,344,662	408,476	250,156
Hospital debt service	410,568	-	-
Interest/fees on long-term debt	149,293	-	57,924
Depreciation - unallocated	739,345	-	-
Total governmental activities	5,453,150	873,263	567,805
Business-type activities			
(accrual basis):			
Water	865,935	1,041,545	-
Sewer	566,513	703,303	-
Total business-type activities	1,432,448	1,744,848	-
Total primary government	\$ 6,885,598	\$ 2,618,111	\$ 567,805
Component unit (accrual basis):			
Community Redevelopment Authority	\$ 249,766	\$ 40,000	\$ 214,468

See notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position				
Capital Grants and Contributions	Primary Government			Component Unit (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	
\$ -	\$ (438,056)		\$ (438,056)	
571	(874,371)		(874,371)	
66,719	(705,053)		(705,053)	
-	(686,030)		(686,030)	
-	(410,568)		(410,568)	
-	(91,369)		(91,369)	
-	(739,345)		(739,345)	
<u>67,290</u>	<u>(3,944,792)</u>		<u>(3,944,792)</u>	
29,638	-	205,248	205,248	
47,754	-	184,544	184,544	
<u>77,392</u>	<u>-</u>	<u>389,792</u>	<u>389,792</u>	
<u>\$ 144,682</u>	<u>(3,944,792)</u>	<u>389,792</u>	<u>(3,555,000)</u>	
<u>\$ -</u>				\$ 4,702
General revenues:				
Taxes:				
Property	1,081,470	-	1,081,470	60,089
Motor vehicle	88,378	-	88,378	-
Sales tax	1,436,750	-	1,436,750	-
Franchise	1,160,936	-	1,160,936	-
State allocation	680,850	-	680,850	-
Keno	74,486	-	74,486	-
Interest income	2,784	5,856	8,640	445
Gain on sale of assets	13,212	-	13,212	-
Other	45,258	-	45,258	-
Total general revenues	<u>4,584,124</u>	<u>5,856</u>	<u>4,589,980</u>	<u>60,534</u>
Change in net position	639,332	395,648	1,034,980	65,236
Net position - September 30, 2012				
As previously reported	7,460,399	5,663,828	13,124,227	1,347,810
Restatement (note A4)	-	(39,043)	(39,043)	-
As restated	<u>7,460,399</u>	<u>5,624,785</u>	<u>13,085,184</u>	<u>1,347,810</u>
Net position - September 30, 2013	<u>\$ 8,099,731</u>	<u>\$ 6,020,433</u>	<u>\$ 14,120,164</u>	<u>\$ 1,413,046</u>

CITY OF OGALLALA, NEBRASKA

**BALANCE SHEET - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS**

September 30, 2013

	<u>General Fund</u>	<u>Street Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,528,694	\$157,162	\$469,508	\$ 124,308	\$2,279,672
Certificates of deposit	53,411	-	-	-	53,411
County treasurer cash	<u>53,799</u>	<u>-</u>	<u>17,315</u>	<u>-</u>	<u>71,114</u>
Total assets	<u>\$ 1,635,904</u>	<u>\$157,162</u>	<u>\$486,823</u>	<u>\$ 124,308</u>	<u>\$2,404,197</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	\$ -	4,078	\$ -	\$ 4,078
Fund balances:					
Nonspendable:					
Cemetery perpetual care	116,199	-	-	-	116,199
Restricted for:					
Debt service	-	-	482,745	55,713	538,458
Federal programs	-	-	-	68,595	68,595
Committed for:					
Community betterment	221,886	-	-	-	221,886
Assigned for:					
Street expenses	-	157,162	-	-	157,162
Unassigned	<u>1,297,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,297,819</u>
Total fund balances	<u>1,635,904</u>	<u>157,162</u>	<u>482,745</u>	<u>124,308</u>	<u>2,400,119</u>
Total liabilities and fund balances	<u>\$ 1,635,904</u>	<u>\$157,162</u>	<u>\$486,823</u>	<u>\$ 124,308</u>	<u>\$2,404,197</u>

See notes to financial statements.

CITY OF OGALLALA, NEBRASKA

RECONCILIATION OF THE BALANCE SHEET - MODIFIED
CASH BASIS - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

September 30, 2013

Total fund balances - governmental funds \$ 2,400,119

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 as assets in governmental funds. The cost of the assets is \$22,534,408, and the accumulated depreciation is \$12,558,952. 9,975,456

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 237,740

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

General obligation bonds payable	\$ (3,827,500)	
Notes payable	<u>(686,084)</u>	<u>(4,513,584)</u>

Total net position - governmental activities \$ 8,099,731

See notes to financial statements.

CITY OF OGALLALA, NEBRASKA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**

For the year ended September 30, 2013

	<u>General Fund</u>	<u>Street Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 772,288	\$ 2,296	\$ 288,586	\$ 18,300	\$ 1,081,470
Motor vehicle	-	88,378	-	-	88,378
Sales tax	884,707	120,342	-	431,701	1,436,750
Franchise	1,007,295	129,322	-	24,319	1,160,936
Intergovernmental	231,109	555,544	57,924	2,961	847,538
Grants	283,523	8,095	-	107,758	399,376
Charges for services	802,172	23,911	-	47,181	873,264
Keno receipts	74,486	-	-	-	74,486
Contributions	10,407	-	-	-	10,407
Interest income	1,976	-	298	-	2,274
Sale of assets	10,725	-	-	3,680	14,405
Bond proceeds	-	250,000	-	-	250,000
Other	42,077	2,058	-	1,123	45,258
Total revenues	<u>4,120,765</u>	<u>1,179,946</u>	<u>346,808</u>	<u>637,023</u>	<u>6,284,542</u>
EXPENDITURES					
General government	884,051	-	352	352	884,755
Public safety	1,102,987	-	-	-	1,102,987
Public works	136,005	717,529	-	-	853,534
Environment and leisure	1,139,163	-	-	213,091	1,352,254
Capital outlay	377,422	206,803	-	-	584,225
Principal payments on debt	76,264	49,870	391,840	-	517,974
Interest on long-term debt	15,899	15,032	118,047	-	148,978
Bond fees	-	-	315	-	315
Other - Hospital debt service	-	-	-	410,568	410,568
Total expenditures	<u>3,731,791</u>	<u>989,234</u>	<u>510,554</u>	<u>624,011</u>	<u>5,855,590</u>
Excess (deficiency) of revenues over expenditures	388,974	190,712	(163,746)	13,012	428,952
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	<u>(200,000)</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	188,974	190,712	36,254	13,012	428,952
Fund balances - September 30, 2012	<u>1,446,930</u>	<u>(33,550)</u>	<u>446,491</u>	<u>111,296</u>	<u>1,971,167</u>
Fund balances - September 30, 2013	<u>\$ 1,635,904</u>	<u>\$ 157,162</u>	<u>\$ 482,745</u>	<u>\$ 124,308</u>	<u>\$ 2,400,119</u>

See notes to financial statements.

CITY OF OGALLALA, 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, 2013

Total net change in fund balances - governmental funds	\$ 428,952
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$584,225) and capital assets funded directly with grant proceeds (\$58,624) were exceeded by depreciation expense (\$739,345) during the period.	(96,496)
Remaining basis on capital asset disposals does not impact the governmental funds, but the remaining basis reduces the gain on sale of assets on the statement of activities.	(1,193)
Bond proceeds are reported as revenue in the governmental funds, but the issuance of bonds increases long-term liabilities in the statement of net position.	(250,000)
Repayments of bond and loan principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.	517,974
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.	<u>40,095</u>
Change in net position of governmental activities	<u><u>\$ 639,332</u></u>

See notes to financial statements.

CITY OF OGALLALA, NEBRASKA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2013

	Enterprise Funds		Total	Governmental Activities - Internal Service
	Water Fund	Sewer Fund		Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 597,382	\$ 1,208,572	\$ 1,805,954	\$ 192,078
Certificates of deposit	-	382,202	382,202	59,113
Accounts receivable	135,568	78,210	213,778	-
Unbilled revenue	41,351	28,595	69,946	-
Accrued interest receivable	-	-	-	49
Due from other funds	2,039	2,039	4,078	-
Prepaid expenses	880	648	1,528	-
Inventory	97,275	-	97,275	-
Total current assets	<u>874,495</u>	<u>1,700,266</u>	<u>2,574,761</u>	<u>251,240</u>
Noncurrent assets:				
Restricted cash	416,839	-	416,839	-
Restricted certificates of deposit	124,990	-	124,990	-
Note receivable	277,762	-	277,762	-
Capital assets:				
Land	136,185	86,367	222,552	-
Construction in progress	305,901	-	305,901	-
Distribution and collection systems	7,168,755	12,128,757	19,297,512	-
Equipment	334,030	151,287	485,317	-
Less accumulated depreciation	(5,400,887)	(8,929,959)	(14,330,846)	-
Net capital assets	<u>2,543,984</u>	<u>3,436,452</u>	<u>5,980,436</u>	<u>-</u>
Total noncurrent assets	<u>3,363,575</u>	<u>3,436,452</u>	<u>6,800,027</u>	<u>-</u>
Total assets	<u>4,238,070</u>	<u>5,136,718</u>	<u>9,374,788</u>	<u>251,240</u>
LIABILITIES				
Current liabilities:				
Accounts payable	36,004	16,184	52,188	-
Accrued payroll and vacation	20,035	5,656	25,691	-
Accrued interest	8,946	13,326	22,272	-
Sales tax payable	11,437	-	11,437	-
Claims incurred but not paid	-	-	-	13,500
Customer deposits	33,260	-	33,260	-
Current portion of long-term obligations	249,910	152,335	402,245	-
Total current liabilities	<u>359,592</u>	<u>187,501</u>	<u>547,093</u>	<u>13,500</u>
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	<u>1,285,340</u>	<u>1,521,922</u>	<u>2,807,262</u>	<u>-</u>
Total liabilities	<u>1,644,932</u>	<u>1,709,423</u>	<u>3,354,355</u>	<u>13,500</u>
NET POSITION				
Net investment in capital assets	1,008,734	1,762,195	2,770,929	-
Restricted for debt service	508,569	-	508,569	-
Unrestricted	1,075,835	1,665,100	2,740,935	237,740
Total net position	<u>\$ 2,593,138</u>	<u>\$ 3,427,295</u>	<u>\$ 6,020,433</u>	<u>\$ 237,740</u>

See notes to financial statements.

CITY OF OGALLALA, NEBRASKA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS

For the year ended September 30, 2013

	Enterprise Funds			Governmental Activities - Internal Service
	Water Fund	Sewer Fund	Total	Fund
Operating revenues:				
Sales to customers	\$ 968,930	\$ 694,967	\$ 1,663,897	\$ -
Tap fees	6,748	-	6,748	-
Health insurance premiums	-	-	-	384,569
Other revenue	65,867	8,336	74,203	90
Total operating revenues	1,041,545	703,303	1,744,848	384,659
Operating expenses:				
Salaries and benefits	203,101	110,587	313,688	-
Insurance and bonds	15,857	18,040	33,897	-
Utilities and telephone	118,756	84,222	202,978	-
Repairs and maintenance	31,384	64,131	95,515	-
Contracted services	105,497	98,244	203,741	-
Gas and oil	9,869	3,787	13,656	-
Supplies	51,763	5,986	57,749	-
Professional fees	5,432	6,429	11,861	-
Bad debt expense	1,010	-	1,010	-
Miscellaneous	12,362	9,129	21,491	-
Depreciation	281,741	115,839	397,580	-
Insurance claims and health premiums	-	-	-	345,072
Total operating expenses	836,772	516,394	1,353,166	345,072
Operating income	204,773	186,909	391,682	39,587
Nonoperating revenues (expenses):				
Interest income	2,368	3,488	5,856	508
Grant revenue	29,638	-	29,638	-
DEQ loan forgiveness	-	47,754	47,754	-
Interest expense	(29,163)	(50,119)	(79,282)	-
Total nonoperating revenues (expenses)	2,843	1,123	3,966	508
Change in net position	207,616	188,032	395,648	40,095
Net position - September 30, 2012				
As previously reported	2,424,565	3,239,263	5,663,828	197,645
Restatement (note A4)	(39,043)	-	(39,043)	-
As restated	2,385,522	3,239,263	5,624,785	197,645
Net position - September 30, 2013	\$ 2,593,138	\$ 3,427,295	\$ 6,020,433	\$ 237,740

See notes to financial statements.

CITY OF OGALLALA, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the year ended September 30, 2013

	<u>Enterprise Funds</u>			Governmental Activities - Internal Service <u>Fund</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 1,067,482	\$ 711,651	\$ 1,779,133	\$ -
Receipts from employees and other funds	-	-	-	393,471
Payments to suppliers	(340,658)	(283,191)	(623,849)	(331,572)
Payments to employees	(204,516)	(114,315)	(318,831)	-
Net cash provided by operating activities	<u>522,308</u>	<u>314,145</u>	<u>836,453</u>	<u>61,899</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Increase in due from/to other funds	20,745	(9,064)	11,681	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of property and equipment	(367,680)	(115,957)	(483,637)	-
Grant revenue	29,638	-	29,638	-
DEQ loan forgiveness	-	47,754	47,754	-
Proceeds from issuance of bonds/notes payable	-	80,790	80,790	-
Principal payments on capital debt	(245,660)	(149,300)	(394,960)	-
Interest paid on capital debt	(29,650)	(50,918)	(80,568)	-
Net cash used by capital and related financing activities	<u>(613,352)</u>	<u>(187,631)</u>	<u>(800,983)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Decrease (increase) in certificates of deposit	-	526,796	526,796	(255)
Increase in restricted cash	(245,764)	-	(245,764)	-
Decrease in restricted certificates of deposit	239,877	-	239,877	-
Principal received on note receivable	19,400	-	19,400	-
Interest received	2,455	3,920	6,375	472
Net cash provided by investing activities	<u>15,968</u>	<u>530,716</u>	<u>546,684</u>	<u>217</u>
Increase (decrease) in cash and cash equivalents	(54,331)	648,166	593,835	62,116
Cash and cash equivalents - beginning of the year	<u>651,713</u>	<u>560,406</u>	<u>1,212,119</u>	<u>129,962</u>
Cash and cash equivalents - end of the year	<u>\$ 597,382</u>	<u>\$ 1,208,572</u>	<u>\$ 1,805,954</u>	<u>\$ 192,078</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 204,773	\$ 186,909	\$ 391,682	\$ 39,587
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	281,741	115,839	397,580	-
Change in assets and liabilities:				
Accounts receivable and unbilled revenue	25,386	8,348	33,734	8,812
Inventory	(2,811)	-	(2,811)	-
Accounts payable	14,083	6,777	20,860	-
Accrued expenses	(1,415)	(3,728)	(5,143)	-
Sales tax payable	(1,174)	-	(1,174)	-
Claims incurred but not paid	-	-	-	13,500
Customer deposits	1,725	-	1,725	-
Net cash provided by operating activities	<u>\$ 522,308</u>	<u>\$ 314,145</u>	<u>\$ 836,453</u>	<u>\$ 61,899</u>

See notes to financial statements.

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

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CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Ogallala, Nebraska (City) are prepared in accordance with the modified cash basis of accounting for governmental funds and the accrual basis for the proprietary funds and discretely presented component unit. The City’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note.

1. Financial Reporting Entity

The City of Ogallala, Nebraska, was incorporated in 1884. The City operates under a City Manager form of government with an elected legislative body, Council, composed of five members. The Council President is elected by the Council bi-annually and the five members of the City Council are elected on four-year terms. The administration of the City government is performed under the direction of the Council by the City Manager. Services provided to residents include public safety, highways and streets, parks, recreation, water and sanitary sewer systems, and general administrative services.

The City’s financial reporting entity comprises the following:

Primary Government:	City of Ogallala
Discretely Presented Component Unit:	Ogallala Community Redevelopment Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 61, and has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable, and, as such, should be included within the City’s financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Additionally, the primary government is required to consider other organizations 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.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The following is the discretely presented component unit:

**Brief Description of Activities
and Relationship to the City**

Ogallala Community
Redevelopment Authority

Created by the City of Ogallala, the CRA's purpose is to prevent and eliminate blighted areas in the City of Ogallala.

2. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of principal and interest on the general long-term debt of the City other than debt-service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the City's general obligation bonds.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Governmental Funds, continued

Internal Service Funds

The Internal Service Funds account for activities that provide goods and services to other funds, departments, or agencies of the primary government and its component unit on a cost-reimbursement basis.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
Governmental:	
General Fund	See above for description.
Street Fund	The Street Fund is a Special Revenue Fund that accounts for the City's share of highway allocation from the State of Nebraska.
Debt Service Fund	See above for description.
Proprietary:	
Enterprise	
Water and sewer	See above for description.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. **Basis of Presentation, continued**

Major and Nonmajor Funds, continued

<u>Fund</u>	<u>Brief Description</u>
<i>Nonmajor:</i>	
Special Revenue:	
Hospital Community Improvement Fund	The Hospital Community Improvement Fund is a Special Revenue Fund that accounts for sales tax allocated to the hospital bond payments.
Action/RSVP Fund	The Action/RSVP Fund is a Special Revenue Fund that accounts for Federal grant money used for the RSVP program.
Public Transportation	The Public Transportation Fund is a Special Revenue Fund that accounts for Federal and State grant money used for the City's handibus.
Internal Service:	
Health Insurance	See above for description.

3. **Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b, below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Measurement Focus, continued

- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. Under the modified cash basis of accounting, proceeds from the issuance of long-term debt increase liabilities and payment of long-term debt reduces liabilities. Capital assets are capitalized and depreciation is recognized over the estimated lives of the related assets.

Business-type activities and the discretely presented component unit are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded as revenue when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified cash basis of accounting using a flow of current financial resources measurement focus. Proceeds from issuance of long-term debt are recognized when received and payment of long-term debt principal is reported as an expenditure when paid. Capital asset purchases are recorded as expenditures and depreciation is not recognized.

All proprietary funds and the discretely presented component unit utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Certificates of Deposit

For the purpose of the Statement of Net Assets, “cash and cash equivalents” include all demand accounts and savings accounts. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all cash on hand, demand accounts, savings accounts, and equity in pooled cash which has an original maturity of three months or less. The County Treasurer’s cash represents revenues collected not yet remitted to the City.

Certificates of deposit are carried at cost, which approximates fair market value. Additional cash and certificate of deposit disclosures are presented in Notes B2, C1, and D2.

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

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Business-type activities report utility billings as their major receivables.

In the fund financial statements, proprietary fund receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. The City has recorded a \$26,500 allowance for uncollectible accounts receivable.

Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Restricted Assets

Restricted assets include cash and certificates of deposit that are legally restricted as to their use. The primary restricted assets are related to debt service.

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, property and equipment are accounted for as capital assets. The City has a \$1,000 capitalization threshold. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The City has elected the depreciation approach for reporting infrastructure.

Depreciation of governmental capital assets is recorded as an unallocated expense in the Statement of Activities. Depreciation for all proprietary capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

Infrastructure	25 years
Buildings and Improvements	15-50 years
Equipment	5-15 years
Vehicles	5-7 years
Distribution and Collection Systems	20-50 years

Prior to July 1, 1980, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost. The cost of normal maintenance, preservation, and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. In the event of termination, an employee is paid for all unused accumulated vacation time. Accumulated vacation time is accrued in the accompanying proprietary funds financial statement but not in the governmental funds.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable.

Fund Financial Statements

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Government-wide Statements, continued

- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Effective October 1, 2010, the City adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.

Assigned—Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 16). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

Net Position Restatement

Effective October 1, 2012, the City adopted GASB 65, which requires bond issuance costs to be expensed as period costs. Unamortized bond issuance costs as of September 30, 2012 in the Water Fund totaling \$39,043, were written off to net position at that time.

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses

Sales and Use Tax

The City presently levies a one and one-half cent sales tax on taxable sales within the City. The sales tax is collected by the Nebraska Department of Revenue and remitted to the City in the month following receipt. The Nebraska Department of Revenue receives the sales tax approximately one month after collection by vendors. One cent of the sales tax is recorded in various governmental funds and used for budgeted appropriations. One-half cent of the sales tax is used for payments on the Hospital bonds.

Property Taxes

The City has the power to levy taxes each year sufficient to pay any judgment existing against the City, the interest on bonded debt, and the principal on bonded debt maturing during the fiscal year or within six months thereafter, as well as taxes authorized by state law.

The tax levies for all political subdivisions in Keith County are certified by the County Board on or before October 15. Real estate taxes are due on December 31 and attach as an enforceable lien and become delinquent in two equal installments on May 1 and September 1. Personal property taxes are due in the same manner as real estate taxes. Delinquent taxes bear 14 percent interest.

Property taxes levied for 2012-2013 are recorded as revenue when received by the County.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – by Character and Function

Proprietary Fund – by Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to the use of economic resources.

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component unit are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

1. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include Special Revenue and Debt Service Funds.

2. Deposit Laws and Regulations

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The City's demand deposits are insured up to \$250,000 and certificates of deposit/savings accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Any interest-bearing deposits in excess of the FDIC limits are supposed to be insured by collateral held by the pledging institution in the City's name.

3. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources are described in Note A2 for the various funds.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

4. Debt Restrictions and Covenants

Bonds Payable

The various bond ordinances relating to the bonds payable contain some restrictions or covenants that are financial-related. These include covenants such as debt service coverage requirements and required reserve account balances. The City is in compliance with the bond restrictions and covenants.

5. Budgetary Data

The City is required by state laws to adopt annual budgets for all fund types. Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act.

The Nebraska Budget Act provides the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditure and/or tax levy limitations.

The City follows these procedures in establishing the budgetary data reflected in the accompanying financial statements.

- a. On or before August 1, the City prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.
- b. The budget is published with subsequent public hearings to obtain taxpayer comments.
- c. Prior to September 20, the City Council adopts the budget, which is then filed with the appropriate state and county officials.
- d. Total expenditures may not legally exceed total appropriations. Appropriations lapse at year end and any revisions require board approval.
- e. The County Clerk certifies a preliminary property tax levy for each fund of the City which levied property taxes in the county the previous year based on the combined valuation and amount required for the City the prior year. The preliminary levy becomes the final levy unless the governing board passes, by a majority vote, a resolution setting the levy at a different amount.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data, continued

- f. The property tax requirements resulting from the budget process are utilized by the County Assessor to establish the tax levy. Taxes are levied annually on or before October 15. Real property taxes and personal property taxes are due December 31 with the first half delinquent May 1 and the second half delinquent September 1.
- g. Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.
- h. The City of Ogallala adopts a budget by appropriations ordinance for all funds.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the financial statements for the City's various assets, liabilities, equity, revenues, and expenditures/expenses.

1. Cash and Certificates of Deposit

Deposits

The City's policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose how its deposits were insured or secured with collateral at September 30, 2013. The categories of collateral are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uninsured and 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; or collateralized with no written or approved collateral agreement.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

1. Cash and Certificates of Deposit, continued

Deposits, continued

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits and certificates of deposit	\$ 5,615,995	\$ 2,059,008	\$ 3,542,583	\$ 14,404	\$ <u>5,367,278</u>
Reconciliation to Government-wide Statement of Net Position:					
Primary Government –					
Unrestricted cash and cash equivalents					\$ 3,617,343
Unrestricted certificates of deposit					445,072
Restricted cash and cash equivalents					1,077,200
Restricted certificates of deposit					<u>174,644</u>
Total primary government					5,314,259
Component Unit –					
Unrestricted cash and cash equivalents					28,019
Restricted cash and cash equivalents					<u>25,000</u>
Total component unit					<u>53,019</u>
Total					\$ <u>5,367,278</u>

2. Restricted Assets

The restricted assets as of September 30, 2013, are as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Primary Government Total</u>	<u>Discretely Presented Component Unit</u>
Type of Restricted Assets:				
Cash	\$ 660,361	\$ 416,839	\$ 1,077,200	\$ 25,000
Certificates of deposit	<u>49,654</u>	<u>124,990</u>	<u>174,644</u>	<u>-</u>
	\$ <u>710,015</u>	\$ <u>541,829</u>	\$ <u>1,251,844</u>	\$ <u>35,000</u>

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

2. Restricted Assets, continued

The General Fund has a \$66,545 of cash and a \$49,654 certificate of deposit restricted for cemetery perpetual care. The Debt Service Fund has \$469,508 of cash and the Hospital Community Improvement Fund has \$55,713 of cash restricted for debt service. The Action/RSVP Fund has \$22,741 of cash and the Public Transportation Fund has \$45,854 of cash restricted for federal programs.

The Water Fund has set aside a reserve of \$33,260 for customer utility deposits.

The 2011 Water Revenue Refunding Bond calls for a bond and interest reserve of \$145,000, an improvement reserve of \$145,000, and a bond sinking reserve with a September 30, 2013, required balance of \$218,569. At September 30, 2013, the City had funded all of the required \$508,569 bond reserves.

The component unit has \$25,000 of cash pledged on a City Highway Allocation bond issue.

3. TIF Receivables and Payables

The Ogallala Community Redevelopment Authority has undertaken a program for the redevelopment of blighted areas in the City. Under the program, various projects agree to create a minimum taxable valuation for real estate tax assessment purposes. The CRA receives the incremental real estate taxes paid by the projects and then returns a portion of the tax incremental financing (TIF) funds to the projects. Estimated future receivables and payables under TIF agreements were as follows as of September 30, 2013:

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. TIF Receivables and Payables, continued

	<u>TIF Receivable</u>	<u>TIF Payable</u>
<u>Central/South Redevelopment Area:</u>		
Kennedy Hospitality	\$ 595,400	\$ 254,769
Godfathers	61,600	-
21 st Century	285,000	150,000
Stewardship, Ltd.	7,500	6,750
Pharmacy Property (Buenz Drug)	56,800	-
US Recycling	72,000	-
RIKNIK Inc	73,500	-
Stauffer	148,500	75,000
<u>Northern Redevelopment Area:</u>		
Tri-State	285,000	256,500
England	36,000	17,499
Ogallala Investors	21,000	11,024
Yada, Inc.	12,500	-
Great West Townhomes	193,500	146,729
Hinze Oral Surgery	181,800	-
<u>Eastern Redevelopment Area:</u>		
Len Johnson	6,600	-
KCHDC Modular Home #1	3,900	-
KCHDC Modular Home #2	4,800	-
Oak Ridge Apartments	<u>120,000</u>	<u>-</u>
	<u>\$ 2,165,400</u>	<u>\$ 918,271</u>
Current portion	\$ 212,000	\$ 100,442
Noncurrent portion	<u>1,953,400</u>	<u>817,829</u>
Total	<u>\$ 2,165,400</u>	<u>\$ 918,271</u>

4. Note Receivable

On August 12, 2002, the City entered into an installment sale of real estate with Keith County Area Development, Inc. (KCAD). Under terms of the promissory note, principal is due immediately when any lots are sold by KCAD. The entire balance of the note is due upon the earlier of the sale of the last of the lots or on August 12, 2022. The note is non-interest-bearing until maturity, whether by acceleration or otherwise, after which it shall bear interest of eight percent. The note is secured by the related real estate and had a balance of \$277,762 at September 30, 2013.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance at October 1, <u>2012</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2013</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 335,031	\$ -	\$ -	\$ 335,031
Construction in progress	40,804	225,151	-	265,955
Total capital assets not being depreciated	375,835	225,151	-	600,986
Other capital assets being depreciated:				
Infrastructure	9,045,045	-	-	9,045,045
Buildings and improvements	7,471,633	43,880	-	7,515,513
Equipment	3,121,932	223,487	(14,448)	3,330,971
Vehicles	1,967,056	150,331	(75,494)	2,041,893
Total other capital assets at historical cost	21,605,666	417,698	(89,942)	21,933,422
Less accumulated depreciation for:				
Infrastructure	(3,146,867)	(347,866)	-	(3,494,733)
Buildings and improvements	(4,667,083)	(154,563)	-	(4,821,646)
Equipment	(2,638,207)	(113,357)	13,255	(2,738,309)
Vehicles	(1,456,199)	(123,559)	75,494	(1,504,264)
Total accumulated depreciation	<u>(11,908,356)</u>	<u>(739,345) *</u>	<u>88,749</u>	<u>(12,558,952)</u>
Other capital assets, net	<u>9,697,310</u>	<u>(321,647)</u>	<u>(1,193)</u>	<u>9,374,470</u>
Governmental activities capital assets, net	<u>\$ 10,073,145</u>	<u>\$ (96,496)</u>	<u>\$ (1,193)</u>	<u>\$ 9,975,456</u>

* Depreciation expense was incurred by the following governmental activities:

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. Capital Assets, continued

Governmental Activities, continued:

General Fund:

General government:

Administration	\$ 24,539
Community development	10,773
Planning	<u>955</u>
Total general government	36,267

Public safety:

Fire	66,772
Ambulance	10,811
Police	<u>33,150</u>
Total public safety	110,733

Public works:

Cemetery	13,570
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Environment and leisure:

Airport	120,199
Library	5,750
Park	32,563
Recreation center	37,708
Pool	<u>15,267</u>
Total environment and leisure	<u>211,487</u>

Total General Fund 372,057

Special Revenue Funds:

Street	355,056
Public transportation	<u>12,232</u>
Total Special Revenue Funds	<u>367,288</u>

Total Governmental Activities
Depreciation Expense \$ 739,345

Construction in progress at September 30, 2013 consists of \$99,428 of engineering fees paid on the 5th Street project design, \$45,375 of engineering fees on the 2nd Street, B Street and South A Street project design, and \$121,152 of engineering fees and construction costs paid on the downtown improvement project. See note D3 for details on contractual commitments in place on these projects as of year end.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. Capital Assets, continued

	Balance at October 1, <u>2012</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2013</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 222,552	\$ -	\$ -	\$ 222,552
Construction in progress	-	305,901	-	305,901
Total capital assets not being depreciated	222,552	305,901	-	528,453
Other capital assets being depreciated:				
Distribution and collection systems	19,136,794	160,718	-	19,297,512
Equipment	493,387	17,018	(25,088)	485,317
Total other capital assets at historical cost	19,630,181	177,736	(25,088)	19,782,829
Less accumulated depreciation for:				
Distribution and collection systems	(13,496,351)	(375,336)	-	(13,871,687)
Equipment	(462,003)	(22,244)	25,088	(459,159)
Total accumulated depreciation	(13,958,354)	(397,580) *	25,088	(14,330,846)
Other capital assets, net	5,671,827	(219,844)	-	5,451,983
Business-type capital assets, net	<u>\$ 5,894,379</u>	<u>\$ 86,057</u>	<u>\$ -</u>	<u>\$ 5,980,436</u>

* Depreciation expense was charged to functions as follows:

Water	\$ 281,741
Sewer	115,839
Total Business-type Activities Depreciation Expense	<u>\$ 397,580</u>

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. Capital Assets, continued

	Balance at October 1, <u>2012</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2013</u>
<u>Discretely Presented Component Unit:</u>				
Capital assets not being depreciated:				
Land held for redevelopment	\$ <u>224,600</u>	\$ <u>39,000</u>	\$ <u>-</u>	\$ <u>263,600</u>

6. Long-term Debt

The reporting entity's long-term debt is segregated among the amounts to be repaid from governmental activities, business-type activities, and the discretely presented component unit.

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended September 30, 2013:

<u>Type of Debt</u>	Balance October 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2013</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds and notes payable	\$ <u>4,781,558</u>	\$ <u>250,000</u>	\$ <u>(517,974)</u>	\$ <u>4,513,584</u>	\$ <u>522,583</u>
Business-type Activities:					
Bond and note payables	\$ <u>3,523,677</u>	\$ <u>80,790</u>	\$ <u>(394,960)</u>	\$ <u>3,209,507</u>	\$ <u>402,245</u>
Discretely Presented Component Unit:					
TIF payables (see Note C3 for details)	\$ <u>677,529</u>	\$ <u>240,742</u>	\$ <u>-</u>	\$ <u>918,271</u>	\$ <u>100,442</u>
Note payable	<u>137,305</u>	<u>40,000</u>	<u>(6,651)</u>	<u>170,654</u>	<u>5,588</u>
	<u>\$ 814,834</u>	<u>\$ 280,742</u>	<u>\$ (6,651)</u>	<u>\$ 1,088,925</u>	<u>\$ 106,030</u>

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Governmental Activities:

As of September 30, 2013, the governmental long-term liabilities consisted of the following:

Bonds and notes payable:

The City issued \$915,000 of refunding street improvement bonds on September 28, 2011, to refinance the 2006 street improvement bonds (15 percent of these bond proceeds were for the Water Fund and 15 percent were for the Sewer Fund.) The bonds bear interest ranging from 0.45 percent to 3.50 percent and are payable over 15 years with the final principal payment due September 15, 2026. \$ 570,500

The City issued street improvement refunding bonds in the amount of \$1,005,000 on April 14, 2010, to refinance the 2004 street improvement bonds. The bonds bear interest ranging from 0.65 percent to 3.65 percent and are payable over 12 years with the final principal payment due December 15, 2021. 775,000

The City issued \$250,000 of highway allocation bonds on February 27, 2013, to fund street improvement projects. The bonds bear interest ranging from 1.40 percent to 3.75 percent and are payable over 11 years with the final principal payment due December 15, 2024. The Ogallala Community Redevelopment Authority has pledged to make these bond payments. 250,000

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Governmental Activities, continued:

Bonds and notes payable, continued:

The City issued \$965,000 of various purpose bonds on December 2, 2008, to fund street improvement projects. The bonds bear interest ranging from 2.5 percent to 5.5 percent and are payable over 15 years with the final principal payment due December 1, 2023. 770,000

The City issued \$625,000 of street improvement bonds on September 15, 2009, to fund a street and water project (with the Street Fund receiving \$390,000 of the bond proceeds and the Water Fund receiving \$235,000 of the proceeds). The bonds bear interest ranging from 1.25 percent to 4.50 percent and are payable over 15 years with the final principal payment due September 15, 2024. 312,000

The City issued \$1,160,000 of street refunding bonds on June 15, 2009, to refinance the 2003 street refunding bonds. The bonds bear interest ranging from 1.0 percent to 3.5 percent and are payable over nine years with the final principal payment due December 15, 2018. 750,000

The City issued \$250,000 of municipal building bonds on September 15, 2009, to finance the airport building project. The bonds bear interest ranging from 1.25 percent to 3.85 percent and are payable over 10 years with the final principal payment due September 15, 2019. 155,000

On July 14, 2009, the City issued a \$247,294 note payable to the Nebraska Department of Aeronautics. This Hangar Revolving Loan is due in monthly payments of \$2,060 for nine years, through December 2019. The loan bears no interest and is unsecured. 154,500

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Governmental Activities, continued:

Bonds and notes payable, continued:

On September 21, 2010, the City issued \$400,000 of public safety tax anticipation bonds to fund the purchase of a new fire truck. The bonds bear interest ranging from 0.75 percent to 1.85 percent and are payable over five years with the final principal payment due December 15, 2015. 245,000

On April 11, 2011, the City issued a \$113,200 lease purchase agreement with Community First National Bank to fund the purchase of a dump truck. The lease is due in five annual installments of \$24,998 commencing September 15, 2011 through September 15, 2015. The lease bears interest of 4.16 percent. 47,038

On May 20, 2011, the City issued a \$300,000 note payable to Pinnacle Bank to fund the Goodall Recreation Center expansion. The note is due in four annual payments of \$36,726 commencing June 15, 2012, with a final balloon payment of \$201,129 due June 15, 2016. The note bears interest of 3.75 percent. 248,811

On August 11, 2005, the City issued a \$425,000 note payable to Wells Fargo for the construction of a street shop building. The note is due in 15 annual payments of \$40,504 commencing August 11, 2006, through August 11, 2020. The note bears interest of 4.84 percent. 235,735

Total bonds and notes payable	<u>\$ 4,513,584</u>
Current portion	\$ 522,583
Noncurrent portion	<u>3,991,001</u>
Total	<u>\$ 4,513,584</u>

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Business-type Activities:

As of September 30, 2013, the long-term debt payable from proprietary fund resources consisted of the following:

The City issued water revenue refunding bonds in the amount of \$1,450,000 on November 15, 2011, for the purpose of refinancing the Series 2005 and Series 2005B water bonds. Interest rates for the bonds range from 0.45 percent to 2.80 percent. These bonds are payable annually with semi-annual interest payments maturing in the year 2022. Bond indentures contain significant requirements for annual debt service and flow of funds through various restricted accounts. The bonds require the use of operations and maintenance, bond payment, debt service reserve, improvements, and surplus accounts. The bonds also require the City to maintain sufficient funds for the operation of the combined utilities and to maintain adequate net revenues. The City of Ogallala is in compliance with all significant requirements of the bond covenants.

\$ 1,225,000

The City issued \$915,000 of refunding street improvement bonds on September 28, 2011, to refinance the 2006 street improvement bonds (15 percent of these bond proceeds were for the Water Fund and 15 percent were for the Sewer Fund). The bonds bear interest ranging from 0.45 percent to 3.50 percent and are payable over 15 years with the final principal payment due September 15, 2026. (The Water and Sewer Funds each owe 50 percent of the balance shown).

244,500

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Business-type Activities, continued:

The City issued \$625,000 of street improvement bonds on September 15, 2009, to fund a street and water project (with the Street Fund receiving \$390,000 of the bond proceeds and the Water Fund receiving \$235,000 of the proceeds). The bonds bear interest ranging from 1.25 percent to 4.50 percent and are payable over 15 years with the final principal payment due September 15, 2024. 188,000

NDEQ note for a wastewater treatment plant project with total available principal of \$423,000. As of September 30, 2013, the City had drawn \$422,832 on this loan. The note is due semiannually including interest and matures in 2031. Interest is at 2.0 percent. 404,839

NDEQ note for a wastewater treatment plant with original issue amount of \$2,397,400. The note is due semiannually including interest and matures in 2021. Interest is at 3.23 percent. 1,147,168

Total business-type activity bonds and note payable \$ 3,209,507

Current portion \$ 402,245

Noncurrent portion 2,807,262

Total \$ 3,209,507

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Discretely Presented Component Unit:

As of September 30, 2013, the note payable from the discretely presented component unit consisted of the following:

On January 24, 2013, the CRA refinanced its note with Adams Bank & Trust to obtain an additional \$40,000 of financing for demolition costs on the Plaza Inn and Lakeway Lodge properties. The note bears interest of 4.5 percent and is due in 40 semi-annual payments of \$6,656 commencing June 15, 2013, through December 15, 2032. The note is secured by the land held for redevelopment.	\$ <u>170,654</u>
Current portion	\$ 5,588
Noncurrent portion	<u>165,066</u>
Total	\$ <u>170,654</u>

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2013, are as follows:

Year Ending September 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>			<u>Component Unit</u>	
	Bonds and Notes Payable		Bonds and Note Payable			Note Payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Fees</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 522,583	\$ 142,916	\$ 402,245	\$ 75,213	\$ 15,159	\$ 5,588	\$ 7,723
2015	542,598	130,428	400,145	68,673	13,692	5,845	7,466
2016	699,663	116,240	294,806	61,968	12,179	6,096	7,215
2017	438,207	95,597	289,616	55,190	10,620	6,397	6,914
2018	461,449	81,587	297,957	47,898	9,012	6,692	6,619
2019-2023	1,506,764	205,235	1,221,629	118,908	21,615	38,367	28,189
2024-2028	342,320	17,631	205,393	22,035	8,032	48,071	18,485
2029-2033	-	-	97,716	4,418	2,209	53,598	6,302
	<u>\$4,513,584</u>	<u>\$ 789,634</u>	<u>\$3,209,507</u>	<u>\$ 454,303</u>	<u>\$ 92,518</u>	<u>\$170,654</u>	<u>\$ 88,913</u>

7. Interfund Transactions and Balances

At September 30, 2013, the Debt Service Fund owed \$2,039 to both the Water Fund and the Sewer Fund. Also, during the year ended September 30, 2013, the General Fund transferred \$200,000 to the Debt Service Fund.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE D – OTHER NOTES

1. Employee Pension Plans

The City of Ogallala has the following pension plans for all eligible employees:

General service employees participate in the Money Accumulated Pension Plan. To be eligible, an employee must be at least 21 years of age and have completed six months of service. Effective July 1, 1974, each eligible participant shall make a basic monthly contribution of 3.5 percent of his or her monthly compensation and the City shall contribute an equal 3.5 percent.

Firefighters and police officers participate in a defined contribution plan, restated January 1, 1984. Employees become eligible to participate in these plans when they have reached the age of 21 years. Eligible firefighters shall make a basic contribution of 6.5 percent of their monthly compensation and the City shall contribute 13 percent of compensation. Eligible police officers shall make basic contributions of six percent of their monthly compensation and the City shall contribute six percent.

Employees shall be fully vested in the employer contributions when they have completed 10 years of service.

The following information is provided for each plan for the year ended September 30, 2013:

	<u>General Service</u>	<u>Fire- Fighters</u>	<u>Police</u>
Total wages	\$ 1,404,063	\$ -	\$ 516,626
Covered wages	1,344,105	-	434,422
Employee contribution	47,044	-	26,065
City contribution	47,044	-	26,065
Voluntary employee contributions	16,495	-	-

Future contributions are not expected to increase materially for the fiscal year ending September 30, 2014.

The City also has a Volunteer Emergency Responders Plan, where participants become fully vested after seven years of service. This Plan is funded half by the City and half by the Rural Fire District.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE D – OTHER NOTES, continued

2. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to minimize the effect of possible exposure to these risks. There have been no significant reductions in insurance coverage from coverage in the prior year. During the past three fiscal years, there have been no settlements exceeding the amount of the City's insurance coverage.

Employees of the City are covered by the City's medical insurance plan, which self-insures employees' deductible out-of-pocket expenses. The City is protected against catastrophic losses by stop-loss insurance coverage. Stop-loss coverage is in effect for claims exceeding \$12,500 per employee.

Deposits and Investments

Custodial Credit Risk. For an investment, custodial credit risk 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 investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the City's investments at September 30, 2013, are held by banks in the name of the City. The City's investments consist only of certificates of deposit.

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. The certificate of deposit maturities are as follows:

<u>Maturities by Month</u>	<u>Amount</u>
October 2013	\$ 401,983
November 2013	185,761
January 2014	3,757
February 2015	<u>28,215</u>
	<u>\$ 619,716</u>

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City’s investments consist of certificates of deposit, money market funds, and other securities backed by U.S. Government obligations, minimizing credit risk associated with the City’s investment portfolio.

Concentration of Credit Risk. The City’s investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2013, the City’s certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Pinnacle Bank and Trust	\$ 112,524
Adams Bank and Trust	<u>507,192</u>
	\$ <u>619,716</u>

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City’s investments had no exposure to foreign currency risk and the City held no investments denominated in foreign currency at September 30, 2013.

3. Commitments and Contingencies

Construction/Capital Outlay

The City is a party to numerous contracts relating to capital outlay projects. The City intends to fund the construction through operations or long-term financing.

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2013</u>	<u>Obligation Pending</u>	<u>Expected Completion</u>
Water Fund:				
South water source:				
Well construction	\$ 68,126	\$ -	\$ 68,126	September 2015
Engineering	74,300	-	74,300	September 2015
Water control system	<u>226,569</u>	<u>180,500</u>	<u>46,069</u>	September 2015
	\$ <u>368,995</u>	\$ <u>180,500</u>	\$ <u>188,495</u>	

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Construction/Capital Outlay, continued

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2013</u>	<u>Obligation Pending</u>	<u>Expected Completion</u>
Street Fund:				
2nd St. B St. & South A St:				
Construction	\$ 1,552,274	\$ -	\$ 1,552,274	August 2015
Engineering	57,900	-	57,900	August 2015
Downtown improvements:				
Construction	<u>564,812</u>	<u>26,400</u>	<u>538,412</u>	January 2014
	<u>\$ 2,174,986</u>	<u>\$ 26,400</u>	<u>\$ 2,148,586</u>	

Airport Layout Plan

The City has a \$143,500 contract with Olssen Associates for the airport layout plan project. As of September 30, 2013, \$116,666 had been paid on this contract, leaving a commitment of \$26,834. The plan was expected to be completed by December 2013.

Lease and Management Agreements

On September 9, 2009, the City leased a mail machine from F.P. Mailing Solutions for \$83 per month. The lease is a 60-month lease, through September 9, 2014.

The City also entered into an airport management agreement with Candy Aerotech Services. Under terms of the month-to-month agreement, monthly payments of \$1,000 are due.

Commitments as of September 30, 2013, are as follows:

2014	<u>\$ 995</u>
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Rent expense totaled \$25,445 for the year ended September 30, 2013.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Commitments of Keno Funds

The City has made a commitment to pay KCAD keno funds to perform public works projects. The following balances are due to KCAD under this commitment:

December 1, 2013	\$ 10,378
December 1, 2014	<u>10,378</u>
	\$ <u>20,756</u>

The City has made a commitment to pay Kenfield Petrified Wood Gallery keno funds of \$100,000 in five annual installments of \$20,000. The first payment was made in November 2011. At September 30, 2013, three installments remained to be paid.

The City has also agreed to use keno funds to match the private fundraising efforts of the Goodall Recreation Center expansion project. Keno funds will be used to repay the \$300,000 loan to Pinnacle Bank detailed in Note C6.

4. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2013:

<u>Party to Agreement</u>	<u>Term of Agreement</u>	<u>Description</u>
Keith County	7/1/13 – 6/30/14	911 and emergency management services
Village of Brule	2/1/02 – until terminated	Operation of Brule’s municipal wastewater/water system
Ogallala Rural Fire Protection District	10/1/01 – until terminated	House and maintain District vehicles and equipment and pay a percentage for upkeep and maintenance of fire hall

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE D – OTHER NOTES, continued

4. Interlocal Agreements, continued

<u>Party to Agreement</u>	<u>Term of Agreement</u>	<u>Description</u>
Ogallala Rural Fire Protection District	3/1/13 – 2/28/14	Mutual cooperation and assistance
Keith County	5/7/13 – 5/06/14	Impound and when necessary dispose of abandoned stray dogs and cats
Community Redevelopment Authority	10/1/12 – 9/30/13	Develop and improve economic and living conditions within blighted and substandard areas in the City
Villages of Brule and Paxton and Keith County	8/91 – until terminated	Operate a lottery
Villages of Brule and Paxton and Keith County	11/15/00 – until terminated	Loan out CDBG Economic Development Reuse Funds
Community Redevelopment Authority	12/13/05 – until terminated	Executive Director Services
Keith County	3/17/04 – until terminated	Burial of indigent persons
Keith County	11/17/04 – until terminated	Equipment Sharing

5. Subsequent Events

Management has evaluated subsequent events through January 2, 2014, the date on which the financial statements were available for issue.

SUPPLEMENTARY INFORMATION

CITY OF OGALLALA, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
GENERAL FUND**

Year ended September 30, 2013

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 750,857	\$ 772,288	\$ 21,431
Sales tax	874,081	884,707	10,626
Franchise	971,494	1,007,295	35,801
Intergovernmental	117,748	231,109	113,361
Grants	837,400	283,523	(553,877)
Charges for services	924,666	802,172	(122,494)
Keno receipts	60,000	74,486	14,486
Contributions	6,000	10,407	4,407
Interest income	2,000	1,976	(24)
Sale of assets	-	10,725	10,725
Bond/loan proceeds	225,000	-	(225,000)
Other	38,000	42,077	4,077
Total resources	<u>4,807,246</u>	<u>4,120,765</u>	<u>(686,481)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government:			
Administrative	521,550	542,692	21,142
Community development	809,249	360,822	(448,427)
Planning	93,539	102,715	9,176
Total general government	<u>1,424,338</u>	<u>1,006,229</u>	<u>(418,109)</u>
Public safety:			
Fire	149,080	110,436	(38,644)
Ambulance	313,295	165,480	(147,815)
Police	971,516	963,449	(8,067)
Total public safety	<u>1,433,891</u>	<u>1,239,365</u>	<u>(194,526)</u>
Public works:			
Cemetery	139,980	143,004	3,024
Environment and leisure:			
Airport	602,068	356,057	(246,011)
Library	252,200	231,579	(20,621)
Park	355,787	352,478	(3,309)
Recreation center	295,940	283,648	(12,292)
Pool	118,870	119,431	561
Total environment and leisure	<u>1,624,865</u>	<u>1,343,193</u>	<u>(281,672)</u>
Total charges to appropriations	<u>4,623,074</u>	<u>3,731,791</u>	<u>(891,283)</u>
Resources over charges to appropriations	184,172	388,974	204,802
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Resources over (under) charges to appropriations and other financing uses	<u>\$ (15,828)</u>	<u>\$ 188,974</u>	<u>\$ 204,802</u>

CITY OF OGALLALA, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
STREET FUND**

Year ended September 30, 2013

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 2,000	\$ 2,296	\$ 296
Motor vehicle	87,500	88,378	878
Sales tax	115,000	120,342	5,342
Franchise	125,000	129,322	4,322
Intergovernmental	529,519	555,544	26,025
Grants	350,000	8,095	(341,905)
Charges for services	18,796	23,911	5,115
Bond proceeds	733,250	250,000	(483,250)
Other	-	2,058	2,058
	<hr/>	<hr/>	<hr/>
Total resources	1,961,065	1,179,946	(781,119)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Street operations and maintenance	791,426	717,529	(73,897)
Capital outlay	1,103,250	206,803	(896,447)
Principal payments on debt	-	49,870	49,870
Interest on long-term debt	-	15,032	15,032
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	1,894,676	989,234	(905,442)
Resources Over Charges to Appropriations	<u>\$ 66,389</u>	<u>\$ 190,712</u>	<u>\$ 124,323</u>

CITY OF OGALLALA, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
DEBT SERVICE FUND**

Year ended September 30, 2013

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Property tax	\$ 264,400	\$ 288,586	\$ 24,186
Intergovernmental	72,852	57,924	(14,928)
Interest income	200	298	98
	<hr/>	<hr/>	<hr/>
Total resources	337,452	346,808	9,356
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	350	352	2
Principal payments on debt	403,917	391,840	(12,077)
Interest payments on debt	122,739	118,047	(4,692)
Bond fees	250	315	65
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	527,256	510,554	(16,702)
Resources over (under) charges to appropriations	(189,804)	(163,746)	26,058
OTHER FINANCING SOURCES (USES)			
Transfers in	200,000	200,000	-
	<hr/>	<hr/>	<hr/>
Resources Over Charges to Appropriations	<u>\$ 10,196</u>	<u>\$ 36,254</u>	<u>\$ 26,058</u>

CITY OF OGALLALA, NEBRASKA

**COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2013

	Special Revenue Funds			
	Hospital Community Improvement Fund	Action/ RSVP Fund	Public Transportation Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	<u>\$ 55,713</u>	<u>\$ 22,741</u>	<u>\$ 45,854</u>	<u>\$ 124,308</u>
LIABILITIES AND FUND BALANCES				
Fund balances:				
Restricted for:				
Debt service	\$ 55,713	\$ -	\$ -	\$ 55,713
Federal programs	<u>-</u>	<u>22,741</u>	<u>45,854</u>	<u>68,595</u>
Total fund balances	<u>\$ 55,713</u>	<u>\$ 22,741</u>	<u>\$ 45,854</u>	<u>\$ 124,308</u>

CITY OF OGALLALA, NEBRASKA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS -
NONMAJOR GOVERNMENTAL FUNDS**

For the year ended September 30, 2013

	Special Revenue Funds			
	Hospital Community Improvement <u>Fund</u>	Action/ RSVP <u>Fund</u>	Public Transportation <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
REVENUES				
Taxes:				
Property	\$ -	\$ 9,184	\$ 9,116	\$ 18,300
Sales tax	410,295	10,743	10,663	431,701
Franchise	-	12,205	12,114	24,319
Intergovernmental	-	1,486	1,475	2,961
Grants	-	18,654	89,104	107,758
Licenses, fees, and fines	7,145	-	-	7,145
Charges for services	-	-	40,036	40,036
Sale of assets	-	-	3,680	3,680
Other	-	70	1,053	1,123
Total revenues	417,440	52,342	167,241	637,023
EXPENDITURES				
General government	352	-	-	352
Environment and leisure	-	56,784	156,307	213,091
Other - Hospital debt service	410,568	-	-	410,568
Total expenditures	410,920	56,784	156,307	624,011
Net change in fund balances	6,520	(4,442)	10,934	13,012
Fund balances - September 30, 2012	49,193	27,183	34,920	111,296
Fund balances - September 30, 2013	\$ 55,713	\$ 22,741	\$ 45,854	\$ 124,308

CITY OF OGALLALA, NEBRASKA
COMBINING STATEMENT OF REVENUES AND EXPENDITURES -
MODIFIED CASH BASIS - GENERAL FUND DEPARTMENTS

Year ended September 30, 2013

	<u>General</u>	<u>Fire</u>	<u>Cemetery</u>	<u>Ambulance</u>	<u>Airport</u>
REVENUES					
Taxes:					
General property tax	\$ 147,685	\$ 12,433	\$ 27,547	\$ -	\$ -
Sales tax	154,142	14,543	32,219	-	-
Franchise	177,329	16,521	36,603	-	-
Intergovernmental revenue:					
State assistance	21,316	2,011	4,455	-	-
Keith County	-	-	-	-	-
Rural Fire reimbursements	-	39,570	-	12,500	-
CRA reimbursement	-	-	-	-	-
Licenses, permits, and fines	17,325	390	-	-	1,600
Rental and fees	174,502	587	41,942	139,919	243,970
Admission fees and concessions	-	-	-	-	-
Grants	2,149	307	-	-	104,878
Keno receipts	-	-	-	-	-
Contributions	-	2,485	-	-	-
Interest income	1,478	-	332	-	-
Sale of assets	-	-	-	-	-
Other revenues	18,913	2,754	168	19	151
Total revenues	<u>714,839</u>	<u>91,601</u>	<u>143,266</u>	<u>152,438</u>	<u>350,599</u>
EXPENDITURES					
Personnel services:					
Salaries and benefits	379,398	19,034	102,125	14,674	4,006
Operating expenses:					
Insurance	6,345	8,214	2,822	5,842	14,313
Contracted services	15,988	15,078	1,391	34,965	254,616
Professional fees	8,874	1,598	578	1,749	585
Meetings, seminars, and dues	17,027	10,383	810	3,735	3,710
Transportation	773	1,590	7,722	1,907	971
Repairs and maintenance	2,949	14,477	4,190	1,400	3,549
Printing, postage, and publications	4,183	450	139	107	127
Utilities and telephone	11,250	7,165	4,946	788	10,618
Total operating expenses	<u>67,389</u>	<u>58,955</u>	<u>22,598</u>	<u>50,493</u>	<u>288,489</u>
Supplies	11,135	19,796	6,381	13,444	2,086
Other expenses	5,585	1,027	4,900	-	120
Capital outlay	79,185	11,624	7,000	86,869	5,918
Debt service:					
Principal	-	-	-	-	49,720
Interest	-	-	-	-	5,718
Total expenditures	<u>542,692</u>	<u>110,436</u>	<u>143,004</u>	<u>165,480</u>	<u>356,057</u>
Excess (deficiency) of revenues over expenditures	172,147	(18,835)	262	(13,042)	(5,458)
OTHER FINANCING SOURCES (USES)					
Transfers out	(200,000)	-	-	-	-
Net change in fund balances	<u>\$ (27,853)</u>	<u>\$ (18,835)</u>	<u>\$ 262</u>	<u>\$ (13,042)</u>	<u>\$ (5,458)</u>

Recreation Center	Pool	Park	Library	Community Development	Planning	Police	Total
\$ 99,618	\$ 41,553	\$ 85,210	\$ 48,664	\$ 65,337	\$ 11,454	\$ 232,787	\$ 772,288
116,519	48,602	99,666	56,920	76,421	13,397	272,278	884,707
132,372	55,214	113,226	64,785	86,720	15,199	309,326	1,007,295
16,114	6,722	13,783	7,872	10,568	1,853	37,652	122,346
-	-	-	15,500	-	-	-	15,500
-	-	-	-	-	-	-	52,070
-	-	-	-	41,193	-	-	41,193
-	-	-	1,636	-	36,143	17,944	75,038
-	160	664	-	4,665	-	-	606,409
83,719	37,006	-	-	-	-	-	120,725
-	-	6,019	8,343	153,243	-	8,584	283,523
-	-	-	-	74,486	-	-	74,486
-	-	5,394	2,263	-	-	265	10,407
119	-	-	30	17	-	-	1,976
-	-	2,359	-	-	-	8,366	10,725
11,893	-	2,568	1,820	1,350	600	1,841	42,077
<u>460,354</u>	<u>189,257</u>	<u>328,889</u>	<u>207,833</u>	<u>514,000</u>	<u>78,646</u>	<u>889,043</u>	<u>4,120,765</u>
114,474	64,383	121,984	167,414	89,146	68,520	719,510	1,864,668
9,082	2,150	4,720	5,513	1,707	1,018	12,152	73,878
9,092	1,402	7,923	1,681	134,608	10,000	116,582	603,326
396	396	644	552	5,929	721	784	22,806
1,352	1,042	659	890	80,639	1,133	7,011	128,391
397	359	8,923	79	466	1,073	20,643	44,903
10,333	3,578	23,004	1,276	1,210	-	12,647	78,613
1,101	991	271	1,195	241	329	1,741	10,875
52,450	19,023	75,870	10,617	4,369	842	13,769	211,707
<u>84,203</u>	<u>28,941</u>	<u>122,014</u>	<u>21,803</u>	<u>229,169</u>	<u>15,116</u>	<u>185,329</u>	<u>1,174,499</u>
12,000	11,089	38,052	3,840	782	133	11,373	130,111
13,584	2,018	140	38,522	-	17,679	9,353	92,928
59,387	13,000	70,288	-	5,000	1,267	37,884	377,422
-	-	-	-	26,544	-	-	76,264
-	-	-	-	10,181	-	-	15,899
<u>283,648</u>	<u>119,431</u>	<u>352,478</u>	<u>231,579</u>	<u>360,822</u>	<u>102,715</u>	<u>963,449</u>	<u>3,731,791</u>
176,706	69,826	(23,589)	(23,746)	153,178	(24,069)	(74,406)	388,974
-	-	-	-	-	-	-	(200,000)
<u>\$ 176,706</u>	<u>\$ 69,826</u>	<u>\$ (23,589)</u>	<u>\$ (23,746)</u>	<u>\$ 153,178</u>	<u>\$ (24,069)</u>	<u>\$ (74,406)</u>	<u>\$ 188,974</u>



**INDEPENDENT AUDITORS' 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**

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk

To the Members of the City Council
City of Ogallala, 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 - modified cash basis, the business-type activities - accrual basis, the aggregate discretely presented component unit - accrual basis, each major fund - modified cash basis for the governmental funds and accrual basis for the proprietary funds, and the aggregate remaining fund information - modified cash basis of the City of Ogallala, Nebraska, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 2, 2014. Our report on the financial statements disclosed that, as described in Note A to the financial statements, the City of Ogallala, Nebraska, prepares its financial statements for the governmental funds on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Ogallala'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

Segregation of Duties

Due to limited number of personnel, there is not adequate segregation of duties to ensure internal control over cash receipts, disbursements, and recording of transactions.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ogallala'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 Ogallala's Response to Findings

The City of Ogallala's response to the findings identified in our audit is that due to the small size of the City, it is impractical to further segregate duties. The City'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.

*Amquist, Maltzman,
Goldway & Luth, P.C.*

Grand Island, Nebraska
January 2, 2014