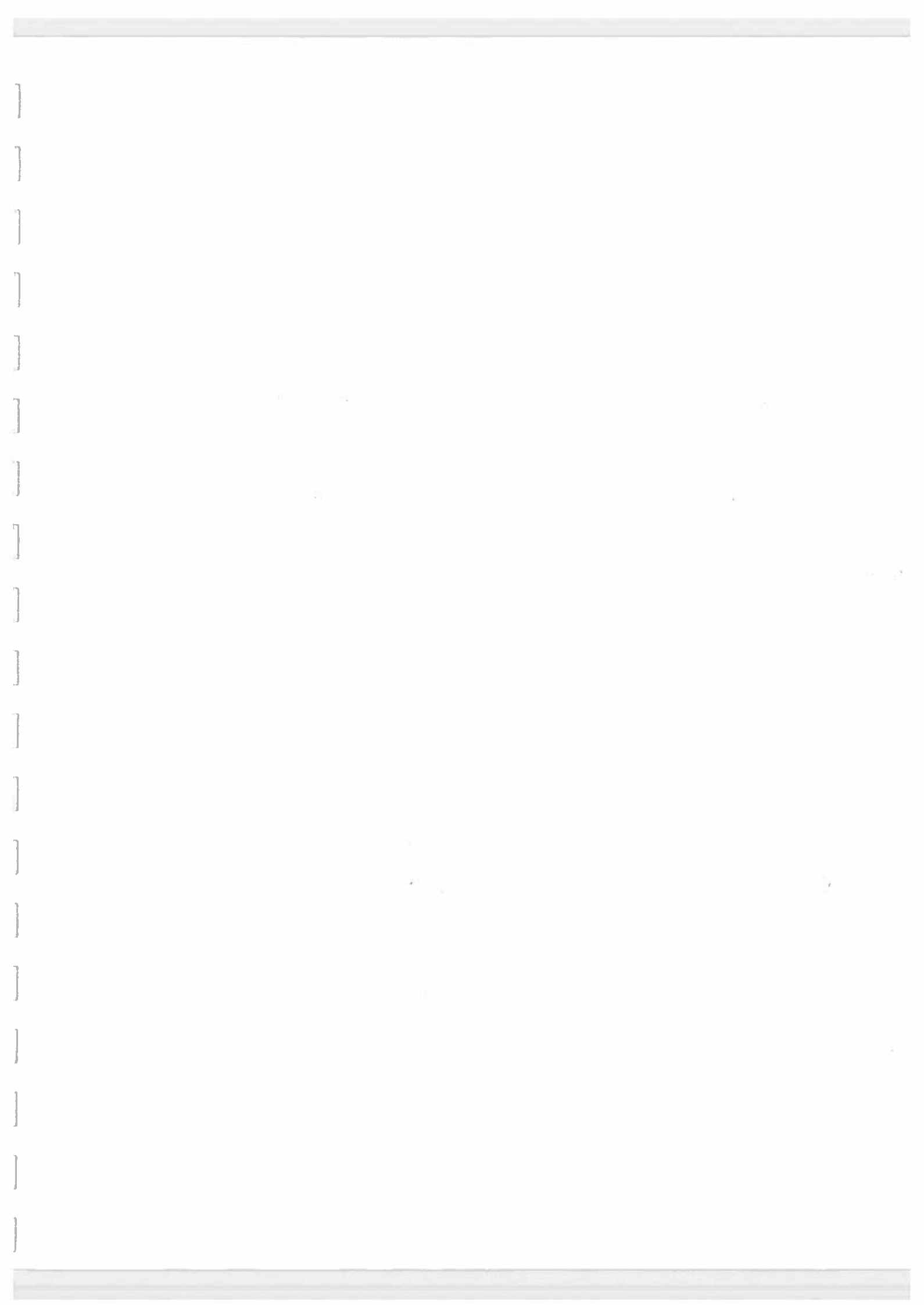


CITY OF AUBURN  
AUBURN, NEBRASKA

COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017



CITY OF AUBURN, NEBRASKA  
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of Auburn  
Auburn, Nebraska

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Auburn, Nebraska as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis 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 misstatements, 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 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.

City of Auburn  
Auburn, Nebraska

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

**Basis for Adverse Opinion on Auburn Board of Public Works and Qualified Opinion on Business-Type Activities**

Management has not included Auburn Board of Public Works in the City's financial statements. The modified cash basis of accounting requires Auburn Board of Public Works to be presented as a major enterprise fund and financial information about the Auburn Board of Public Works to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues and expenses and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the business-type activities and the omitted major fund has not been determined.

**Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Auburn Board of Public Works and Qualified Opinion on Business-Type Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the Auburn Board of Public Works, Auburn, Nebraska, as of September 30, 2017, or the respective changes in financial position thereof for the year then ended in accordance with basis of accounting described in Note 1.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Adverse Opinion on Auburn Board of Public Works and Qualified Opinion on Business-Type Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position – modified cash basis of the business-type activities of the City of Auburn, Nebraska, as of September 30, 2017 and the changes in financial position – modified cash basis thereof for the year then ended in accordance with the basis of accounting described in Note 1.

**Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, other than the Auburn Board of Public Works, and the aggregate remaining fund information for the primary government of the City of Auburn, Nebraska, as of September 30, 2017, and the respective changes in financial position – modified cash basis thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the basic financial statements, which describes the basis of accounting. The basic 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.

City of Auburn  
Auburn, Nebraska

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 22 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in a appropriated operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Auburn, Nebraska's financial statements. The other supplementary information on pages 25 through 30 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

City of Auburn  
Auburn, Nebraska

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated November 11, 2017 on our consideration of the City of Auburn, 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 Auburn, Nebraska's internal control over financial reporting and compliance.

Massman Nelson Ray PC

Certified Public Accountants

Omaha, Nebraska  
November 11, 2017

CITY OF AUBURN, NEBRASKA  
COMBINED STATEMENT OF NET POSITION – MODIFIED CASH BASIS  
SEPTEMBER 30, 2017

ASSETS

Cash in bank	\$ 1,902,045
Certificates of deposit	10,000
Cash in custody of County Treasurer	61,593
Special assessments receivable	34,789
Capital assets:	
Non-depreciable	407,023
Depreciable, net	<u>6,677,067</u>
Total assets	<u>9,092,517</u>

LIABILITIES

Deferred revenue - special assessments	34,789
Other liabilities	1,989
Bonds payable:	
Due within one year	60,000
Due in more than one year	<u>190,000</u>
Total liabilities	<u>286,778</u>

NET POSITION

Invested in capital assets, net of related debt	6,834,090
Restricted for:	
Debt service	27,839
Community betterment	73,356
Unrestricted	<u>1,870,454</u>
Net position	<u>\$ 8,805,739</u>

See the accompanying notes to the financial statements.



CITY OF AUBURN, NEBRASKA  
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
General government	\$ 805,020	\$ -	\$ -	\$ -	\$ 805,020
Public health and safety	49,701	-	-	-	49,701
Public works	268,991	-	-	-	268,991
Culture – recreation	539,781	190,853	-	-	348,928
Debt service	11,500	-	-	-	11,500
Keno expenditures	30,975	-	-	-	30,975
CDBG program	178,321	-	-	-	178,321
Transfers	25,000	-	-	-	25,000
Depreciation	307,111	-	-	-	307,111
Total governmental activities	<u>2,216,400</u>	<u>190,853</u>	<u>-</u>	<u>-</u>	<u>2,025,547</u>
General revenue:					
Taxes					701,340
Intergovernmental					809,636
Special assessments					40,622
Interest income					3,293
Keno proceeds					14,149
Local option sales tax					480,431
Licenses and permits					12,135
CDBG program					212,659
Community Redevelopment net					78,108
Miscellaneous					<u>103,776</u>
Total general revenue and transfers					<u>2,456,149</u>
Change in net position					430,602
Net position – beginning of year					<u>8,375,137</u>
Net position – end of year					<u>\$ 8,805,739</u>

See the accompanying notes to the financial statements.

CITY OF AUBURN, NEBRASKA  
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY  
PRIMARY GOVERNMENTAL FUNDS – MODIFIED CASH BASIS  
SEPTEMBER 30, 2017

ASSETS

	Governmental Fund Types			
	General	Debt Service	Special Revenue Keno	Total
Assets:				
Cash in bank	\$ 1,800,850	\$ 27,839	\$ 73,356	\$ 1,902,045
Certificates of deposit	10,000	-	-	10,000
Cash in custody of County Treasurer	61,593	-	-	61,593
Special assessments receivable	-	34,789	-	34,789
	\$ 1,872,443	\$ 62,628	\$ 73,356	\$ 2,008,427
Total assets	\$ 1,872,443	\$ 62,628	\$ 73,356	\$ 2,008,427

LIABILITIES AND FUND EQUITY

Liabilities:				
Deferred revenue – special assessments	\$ -	\$ 34,789	\$ -	\$ 34,789
Other liabilities	1,989	-	-	1,989
	1,989	34,789	-	36,778
Total liabilities	1,989	34,789	-	36,778
Fund equity:				
Restricted for:				
Debt service	-	27,839	-	27,839
Community betterment	-	-	73,356	73,356
Unassigned	1,870,454	-	-	1,870,454
	1,870,454	27,839	73,356	1,971,649
Total fund equity	1,870,454	27,839	73,356	1,971,649
Total liabilities and fund equity	\$ 1,872,443	\$ 62,628	\$ 73,356	\$ 2,008,427

See the accompanying notes to the financial statements.

CITY OF AUBURN, NEBRASKA  
RECONCILIATION OF COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -  
GOVERNMENTAL FUNDS – MODIFIED CASH BASIS – TO STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017

Total fund balance – all governmental funds		\$ 1,971,649
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 not reported in the fund financial statement:		
Capital assets	11,413,291	
Accumulated depreciation	<u>(4,329,201)</u>	7,084,090
Long-term liabilities are not due and payable in this current period and therefore, are not reported in the funds:		
Bonds payable		<u>(250,000)</u>
Net position of governmental activities		<u>\$ 8,805,739</u>

See the accompanying notes to the financial statements.

CITY OF AUBURN, NEBRASKA  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES – GENERAL AND DEBT SERVICE FUNDS –  
PRIMARY GOVERNMENT – MODIFIED CASH BASIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Governmental Fund Types			Total
	General	Debt Service	Special Revenue Keno	
<b>Receipts:</b>				
Taxes – personal property	\$ 654,942	\$ 46,398	\$ -	\$ 701,340
Taxes – sales	-	480,431	-	480,431
Special assessments	-	40,622	-	40,622
Licenses and permits	12,135	-	-	12,135
Intergovernmental	809,636	-	-	809,636
Charges for services	190,853	-	-	190,853
Miscellaneous	107,068	-	-	107,068
Total receipts	<u>1,774,634</u>	<u>567,451</u>	<u>-</u>	<u>2,342,085</u>
<b>Disbursements:</b>				
Current:				
General government	805,020	-	-	805,020
Public works	268,991	-	-	268,991
Public health and safety	49,701	-	-	49,701
Cultural and recreational	539,781	-	-	539,781
Debt service:				
Principal retirement	-	55,000	-	55,000
Interest	-	11,455	-	11,455
Bond handling fee	-	45	-	45
Total disbursements	<u>1,663,493</u>	<u>66,500</u>	<u>-</u>	<u>1,729,993</u>
Excess of receipts over disbursements	<u>111,141</u>	<u>500,951</u>	<u>-</u>	<u>612,092</u>
<b>Other financing sources:</b>				
CDBG programs	212,659	-	-	212,659
Gross keno proceeds	-	-	14,149	14,149
Community Redevelopment Authority – net	78,108	-	-	78,108
Transfer from other fund	475,046	-	-	475,046
Total other financing sources	<u>765,813</u>	<u>-</u>	<u>14,149</u>	<u>779,962</u>
<b>Other financing uses:</b>				
CDBG programs	178,321	-	-	178,321
Keno expenditures	-	-	30,975	30,975
Capitalized outlays – net	1,214,151	-	-	1,214,151
Transfers	25,000	-	-	25,000
Transfer to other fund	-	474,641	405	475,046
Total other financing uses	<u>1,417,472</u>	<u>474,641</u>	<u>31,380</u>	<u>1,923,493</u>
Excess (deficit) of receipts and other financing sources over (under) disbursements and other financing uses	(540,518)	26,310	(17,231)	(531,439)
Fund balance, beginning of year	2,410,972	1,529	90,587	2,503,088
Fund balance, end of year	<u>\$ 1,870,454</u>	<u>\$ 27,839</u>	<u>\$ 73,356</u>	<u>\$ 1,971,649</u>

See the accompanying notes to the financial statements.

CITY OF AUBURN, NEBRASKA  
RECONCILIATION OF STATEMENT OF RECEIPTS,  
DISBURSEMENTS AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net change in fund balances – total governmental funds		\$ (531,439)
Amounts reported for governmental activities in the statement of net activities are different because:		
Governmental funds report capital outlays as expenditures while government activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital outlays - net	1,214,152	
Depreciation	(307,111)	907,041
Warrant and bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of warrants and bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayment exceeded proceeds.		
		55,000
Change in net position of governmental activities		\$ 430,602

See the accompanying notes to the financial statements.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

I. Summary of Significant Accounting Policies

The City of Auburn is a political subdivision of the State of Nebraska located in Nemaha County. It was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Nebraska. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services.

This summary of significant accounting policies of the City of Auburn, Nebraska is presented to assist in understanding the City's financial statements. The combined financial statements and notes are representations of the City's management, which is responsible for their integrity and objectivity.

Reporting Entity

The financial statements include all funds of the City, except for the Board of Public Works. Other than for this exception, the criteria specified by the Governmental Accounting Standards Board have been applied in determining the scope of the reporting entity for financial reporting purposes. Specifically, those agencies, offices, organizations, commissions, and public authorities over which the City's elected officials exercise oversight responsibility are included in the financial statements. Manifestations of oversight responsibility are included in the financial statements. Manifestations of oversight responsibility over an entity include: 1) financial interdependency, 2) selection of governing authority, 3) designation of management, 4) ability to significantly influence operations, and 5) accountability for fiscal matters.

Related Organizations

The Auburn Board of Public Works is a related organization but is excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. An audit of the Auburn Board of Public Works will be completed for the year ending December 31, 2017 and will be filed under separate cover.

Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The general services that the City performs for its citizens are classified as governmental activities. The City's utilities including electric, water and sewer are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column. The governmental and fiduciary activities are reported on a cash basis, and the business-type activity is reported on a full accrual, economic resource basis. The City's net position is reported in three parts – invested in capital assets, net of related debt; restricted for debt services; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2017

1. Summary of Significant Accounting Policies - Continued

Government-Wide Financial Statements - Continued

The government-wide Statement of Activities reports both the gross and net cost of each of the City's governmental functions and business-type activities. The net costs of each governmental function are also supported by general government revenues (property taxes, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the governmental function or business-type activity. Operating grants include operation-specific and discretionary grants while the capital grants column reflects capital-specific grants.

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its asset, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by classification within the financial statements.

The following fund types are used by the City:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than net income. The following is a description of the governmental funds of the City:

General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

In the government-wide financial statements, the activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. On an accrual basis, revenues are recognized when earned. Expenditures are recorded when liabilities are incurred, regardless of the timing of related cash flows.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2017

1. Summary of Significant Accounting Policies - Continued

Measurement Focus and Basis of Accounting - Continued

In the fund financial statements, both funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is, when they become both measurable and available. Available means collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recognized in the period the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt are reported as other financing sources in governmental funds.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is to pay the expenditure from restricted fund balances and then from less restrictive classifications – committed, assigned and then unassigned fund balances.

Property tax revenues are recognized when susceptible to accrual. Revenues on special assessments and miscellaneous revenues are recognized as the amounts are collected. Investment earnings are recorded as earned since they are measurable and available.

Financial Statement Accounts

Cash and Certificates of Deposit

The City considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments in debt securities are carried at fair value and cash deposits at financial institutions are carried at cost, which reasonably estimate fair value. Income from investments held by the individual funds is recorded in the respective funds as it is earned.

Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment and infrastructure assets, are reported in the government-wide statements. Capital assets are defined as assets that have initial lives that extend beyond a single reporting period. Capital assets are stated at cost or estimated historical cost if actual is unavailable, except for donated assets, which are recorded at their fair values when donated.



CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2017

1. Summary of Significant Accounting Policies - Continued

Financial Statement Accounts - Continued

Capital Assets - Continued

The City maintains the following minimum capitalization thresholds for capital assets:

Building and improvements	\$	50,000
Land improvements	\$	20,000
Machinery, equipment and vehicles	\$	15,000
Infrastructure	\$	40,000

The City has elected to capitalize governmental fund type infrastructure, consisting primarily of street improvements, on a prospective basis. Consequently, the financial statements do not include infrastructure prior to October 1, 2003 with the exception of significant street projects.

Major expenditures for property and those which substantially increase useful lives, are capitalized. Maintenance, repairs and minor renewals, and capital assets purchased under the capitalization threshold, are expensed when incurred. When capital assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. Net interest cost relating to construction is capitalized.

Depreciation has been provided using the straight-line method over estimated useful lives as follows:

Buildings	15 - 50 years
Improvements	7 - 30 years
Equipment	7 - 30 years
Vehicles	7 - 15 years
Street	30 - 40 years

In the fund financial statements, capital assets (arising from cash transactions) acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and certificates of deposit that are restricted as to their use. The primary restricted assets are related to revenue bonds payable and outstanding warrants payable.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2017

1. Summary of Significant Accounting Policies - Continued

Financial Statement Accounts - Continued

Long-Term Debt

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of 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 are reported as expenditures.

Net Position/Fund Equity

The government-wide fund financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- Invested in capital assets, net of related debt – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and outstanding balance of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – This category represents net position of the City not restricted for any project or other purpose.

Fund equity – In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantor or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.
- Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same action it employed to commit those amounts.
- Assigned – Amounts the City intends to use for specific purposes.
- Unassigned – All amounts not included in other classifications.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2017

1. Summary of Significant Accounting Policies - Continued

Property Tax Revenues

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1, and are payable in two installments on the following May 1 and September 1. All taxes are delinquent the September 1 following the year levied. The County bills and collects property taxes and remits them to the City monthly.

Budgets

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

1. Prior to September 10, the Mayor submits to the City Council, a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 20, the budget is legally enacted through the passage of an ordinance.

Total expenditures may not legally exceed total budget appropriations. Appropriations lapse at year-end and any revisions require Board approval.

Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

All taxes, which are collected through the Nemaha County Treasurer, are from property owners within the City. Consequently, the City's ability to collect the taxes may be affected by economic fluctuations near the City of Auburn, Nebraska. To date, such concentrations of credit risk have not had a material effect on the financial statements.

2. Cash and Certificates of Deposit

Deposit risks include:

- Custodial Credit Risk – for deposits, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, the City will not be able to recover the value of its deposits or collateral securities in the possession of a third party.
- Credit Risk – for deposits, credit risk is the risk that a bank or other counterparty defaults on its own principal and/or interest payments owed to the City.
- Interest Rate Risk – for deposits, interest rate risk is the risk that the value of deposits will decrease as a result of a rise in interest rates.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2017

2. Cash and Certificates of Deposit - Continued

State statutes authorize the City to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the City Council. The City currently invests in only certificates of deposit, which as defined by Governmental Accounting Standards Board Statement No. 3, the City has no equity investments as of September 30, 2017.

State law requires all funds in depositories to be fully insured or collateralized, and the City's policy is to require depositories to provide pledged securities to cover deposits in excess of FDIC limits. At September 30, 2017, the City's deposits were fully insured or collateralized.

As of September 30, 2017, the carrying amount of the City's pooled cash accounts at one bank was \$1,915,895. Of the total City deposits, \$250,000 was covered by federal depository insurance, \$1,745,000 was covered by various County, City and school district bond certificates and \$500,000 was covered by Federal Home Loan Mortgage Corporation notes held in the pledging bank's trust department in the City's name in the form of joint safekeeping receipt. The pledged assets exceeded the total pooled cash accounts at the bank by \$579,105 on September 30, 2017.

3. Cash in Custody of County Treasurer

The City of Auburn, Nebraska has additional cash held for its account by the Nemaha County Treasurer. The changes in the funds held are as follows:

	Fund			
	TIF	General	Debt Service	Total
Balance, September 30, 2016	\$ -	\$ 59,366	\$ 4,291	\$ 63,657
Receipts:				
Tax collections				
(net of collection fee)	333,695	518,572	43,663	895,930
Interest on tax collection	-	3,400	273	3,673
Homestead exemption (net of collection fee)	-	25,809	2,075	27,884
Car line tax allocation	-	163	13	176
Motor vehicle	-	77,699	-	77,699
Pro-rate	-	1,260	101	1,361
Property tax relief	-	28,039	273	28,312
Total receipts	<u>333,695</u>	<u>654,942</u>	<u>46,398</u>	<u>1,035,035</u>
Disbursements Remitted to City	<u>(333,695)</u>	<u>(656,856)</u>	<u>(46,548)</u>	<u>(1,037,099)</u>
Balance, September 30, 2017	<u>\$ -</u>	<u>\$ 57,452</u>	<u>\$ 4,141</u>	<u>\$ 61,593</u>

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2017

4. Special Assessments Receivable

Revenue from special assessments has been deferred and is being amortized to revenue as payments are collected in the governmental activities financial statements.

Special assessments were against certain properties within the district in connection with the construction of street improvements. Special assessments bear interest at 7.00% - 8.00% per annum until delinquent and at the rate specified by law thereafter until paid. The City received \$36,524 of principal and \$4,717 of interest on special assessments during the year. They issued \$0 in new assessments and as of September 30, 2017, the balance remaining to collect was \$34,789.

5. Capital Assets

All capital assets are carried at their original cost. A summary is presented below:

	Balance September 30, 2016	Additions	Deletions	Balance September 30, 2017
Land	\$ 407,023	\$ -	\$ -	\$ 407,023
Building and improvements	4,110,745	250,918	-	4,361,663
Equipment	767,890	300,389	-	1,068,279
Vehicles	851,396	176,934	97,000	931,330
Street	4,159,085	485,911	-	4,644,996
	10,296,139	1,214,152	97,000	11,413,291
Less accumulated depreciation	4,119,090	307,111	97,000	4,329,201
Capital assets, net of accumulated depreciation	<u>\$ 6,177,049</u>	<u>\$ 907,041</u>	<u>\$ -</u>	<u>\$ 7,084,090</u>

The City recorded depreciation expense of \$307,111 for the year ended September 30, 2017.

6. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on December 31 and are payable in two installments on May 1 and September 1. The County bills and collects property taxes and remits to the City monthly. Property taxes are recognized as revenues when they are received by the County Treasurer.

The tax levy for the 2016-2017 fiscal year was \$631,177 or \$.4754 per \$100 of assessed valuation. The total assessed valuation was \$132,774,077 for the 2016-2017 fiscal year.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2017

7. Retirement Commitments

The City provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one anniversary year of service and after reaching age 21. Enrollment in the plan is voluntary. Participation in the plan requires that the employee contribute 4% of the employee's monthly salary. The City is required to contribute 6% of participating employee salaries. The City's contributions for each employee (and interest allocated to the employee's account) are partially vested after each year of service and fully vested after 5 years of service. The City's contribution and related interest forfeited by employees is used to reduce the City's current period contribution requirement.

The total payroll and eligible payroll for the City for the year ended September 30, 2017 was \$429,592 and \$205,307, respectively. The City's share of the contribution was \$12,318 and employees contributed \$9,139 for the year ended September 30, 2017.

8. Outstanding Warrants Payable

There were no warrants issued during the fiscal year ended September 30, 2017.

9. Bonds Payable

The 2009 general obligation various purpose bonds for \$875,000 were issued to refinance the warrants payable at June 1, 2009. The bonds bear interest at 3.55% - 4.10% per annum and are repayable in installments of \$60,000 - \$65,000 per year through June 15, 2021. During the current fiscal year the regular payment of \$55,000 was paid.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2017

9. Bonds Payable - Continued

The details of bonds payable are as follows:

	<u>Balance</u> <u>September 30,</u> <u>2016</u>	<u>Issue</u>	<u>Payments</u>	<u>Balance</u> <u>September 30,</u> <u>2017</u>
2009 G.O.V.P. Bonds	\$ <u>305,000</u>	\$ <u>-</u>	\$ <u>55,000</u>	\$ <u>250,000</u>

Total debt service of bonds payable to maturity is as follows:

<u>Maturities</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	3.55	\$ 60,000	\$ 9,523	\$ 69,523
2019	3.75	60,000	7,482	67,482
2020	3.95	65,000	5,233	70,233
2021	4.10	65,000	2,665	67,665
Total		\$ <u>250,000</u>	\$ <u>24,903</u>	\$ <u>274,903</u>

For the year ending September 30, 2017, the interest paid was \$11,455, and the agent fee was \$45.

10. Lease Commitments

On November 28, 2012, the City entered into a three-year interlocal agreement with Nemaha County to provide complete law enforcement services and duties to the City by the Nemaha County Sheriff's Office. During the fiscal year, the City paid the County \$79,000 for October through December, 2016 and \$241,500 for January through September, 2017 for a total of \$320,500 for the fiscal year. The interlocal agreement has been extended through December 2017 with monthly payments of \$26,833. Under the extended interlocal agreement, the City is also required to give the county \$10,000 for replacement vehicle costs. The annual minimum commitment is as follows:

2018	\$ <u>80,500</u>
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CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2017

11. Keno Operation

In March, 2012, the City contracted with Zelinger Keno, Inc. to operate the keno activity in Auburn, Nebraska. The operator maintains a separate self-balancing set of accounts for the keno activity in a trust-type manner. On a monthly basis, the net proceeds are transferred to the City and deposited in the City of Auburn keno account. This account has been combined with other general fund activities in the foregoing financial statements. A summary of the keno account activity for the twelve months ended September 30, 2017 is as follows.

Balance - beginning of period	\$ <u>90,587</u>
Receipts:	
Interest	133
Proceeds from operator	<u>8,544</u>
Total receipts	<u>8,677</u>
Disbursements:	
Community betterment -	
Bandshell	5,646
Fireworks	2,500
Holiday decorations	15,864
Nebraska sales tax	<u>1,898</u>
Total disbursements	<u>25,908</u>
Balance - end of period	<u>\$ 73,356</u>

12. Risk Management

The City is exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage or settlement amounts exceeding insurance coverage for the current year or in the past three fiscal years.

13. Contingencies:

Compensated Absences

The City allows its employees to accumulate vacation hours for future use or for payment upon termination, retirement or death. This accumulation is not recognized as an expenditure by the City until used or paid. The City's approximate liability for unrecognized employee vacation pay was \$26,370 at September 30, 2017.

Sick pay can only be used if the employee is sick and is not payable upon termination, retirement or death. This accumulation is not recognized as an expenditure by the City until used or paid. The City's approximate liability for unrecognized employee sick pay was 33,287 at September 30, 2017.



CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2017

13. Contingencies – Continued:

Community Development Block Grant

The City participates in a number of federally assisted programs, principal of which is the Community Development Block Grant. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for, or including the twelve months ended September 30, 2017, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

14. Loan Agreement with Nebraska Department of Economic Development

On August 23, 1993, the City signed a contract with the Nebraska Department of Economic Development for a \$400,000 Community Development Block Grant. The City then loaned these funds to a business located in Auburn. The City's liability for repayment of this contract is limited to the principal amounts the City receives as repayment from the local business, if the repayments are not reinvested in a like grant project. During the current year, \$0 of principal was paid back and \$84 of interest earned and \$0 was reloaned out to another business and \$227 was expended for fees. At September 30, 2017, the City had \$41,962 in its C.D.B.G. reuse account.

15. Community Redevelopment Authority

The City has entered into several Tax Incremental Financing projects through its Community Redevelopment Authority. The City combined its redevelopment plan for a blighted area known as Auburn #1 and SE Property Area into the Bucket TIF. Within this area the City is collecting incremental taxes that can be used on façade restorations, street improvements, alley resurfacing, parking areas and other exterior infrastructure improvements. During the year, the City collected tax receipts of \$313,216, interest of \$1,370 and loan repayment of \$355. Total expenditures were \$234,717, consisting of \$1,876 for legal fees, \$84 for publishing costs, \$213,654 for project costs and \$19,103 for loan payments. The balance in the project is \$957,293 at September 30, 2017. The City has a second redevelopment plan known as NW Sewer Area, which has been expanded to cover the same area as the Bucket TIF. Initially, the plan was to be used to acquire necessary easements and construct and install a sanitary sewer main through the development area, together with related and ancillary improvements. The City has collected no tax receipts and earned interest of \$0. Total expenditures were \$0. The balance in the project is \$0 at September 30, 2017.

The other type is a Tax Allocation Borrower/ Lender Plan used to finance commercial ventures whereby the City borrows funds from a bank and then reloans these funds to the entity. The loan repayments are set on a 15-year term with a fixed interest rate. The County Treasurer collects the TIF taxes, remits the same to the City, and the City in turn makes the loan payment directly to the bank for the entity. The City currently has six TIF Redevelopment Projects in process with five entities. Each TIF Redevelopment Project is approved by the City Council on a separate resolution. To date the City has borrowed \$854,706 and reloaned \$790,816 of these funds. During the year \$20,479 was collected through TIF taxes and earned \$0 in interest. Total expenditures were \$21,225 for TIF loan repayments. The balance in this project is \$0 at September 30, 2017.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2017

16. Subsequent Events

The City evaluated subsequent events after the balance sheet date of September 30, 2017 through November 11, 2017, which was the date the financial statements were issued. The City has concluded there are two subsequent events, which have occurred from September 30, 2017 through November 11, 2017, which require additional disclosure.

On October 9, 2017 the City Council approved an agreement with CBlake, LLC, Craig Blake, as keno contractor for the City of Auburn, Nebraska and the termination of the current keno agreement with Zeilinger Keno, Inc.

Various Purpose Bonds, dated June 16, 2009, in the principal amount of \$130,000 were approved on October 9, 2017 by the City Council to be called for payment.

17. Loan Agreement with Nebraska Department of Environmental Quality

On April 13, 2009, the City adopted a loan resolution authorizing and providing for the incurrence of indebtedness for the purpose of providing portions of the cost of repairing and improving the Board of Public Works' Water Supply System. A loan, dated July 13, 2009, between the City and the Nebraska Department of Environmental Quality (NDEQ) was designated as Project No. D311499. The City further resolved that the Board of Public Works be authorized and directed to sign all necessary documents to furnish such assurances to the State of Nebraska as may be required by law or regulations and to receive all payments. As the asset is shown as being part of the Board of Public Works, all debt activity is also shown as being part of the Board of Public Works. The outstanding NDEQ loan was \$ 3,887,635 at December 31, 2016.

CITY OF AUBURN, NEBRASKA  
COMBINED STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
- BUDGET AND ACTUAL -  
GENERAL, DEBT SERVICE AND SPECIAL REVENUE FUNDS – PRIMARY GOVERNMENT  
BUDGETARY BASIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Original Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable/ (Unfavorable)</u>
Receipts:			
Taxes – personal property	\$ 697,526	\$ 701,341	\$ 3,815
Taxes – sales	400,000	480,431	80,431
Special assessments levied	38,578	40,622	2,044
Licenses and permits	11,000	12,135	1,135
Intergovernmental	827,325	809,635	(17,690)
Charges for services	133,200	190,853	57,653
Miscellaneous	37,839	107,068	69,229
Total receipts	<u>2,145,468</u>	<u>2,342,085</u>	<u>196,617</u>
Disbursements:			
Current:			
General government	676,214	777,109	(100,895)
Public works	310,579	268,991	41,588
Public health and safety	78,285	49,701	28,584
Cultural and recreational	411,131	539,781	(128,650)
Debt service:			
Principal retirement	55,000	55,000	-
Interest	8,762	11,455	(2,693)
Bond handling fee	-	45	(45)
Total disbursements	<u>1,539,971</u>	<u>1,702,082</u>	<u>(162,111)</u>
Excess of receipts over disbursements	<u>605,497</u>	<u>640,003</u>	<u>34,506</u>
Other financing sources:			
CDBG programs	360,000	212,659	(147,341)
Gross keno proceeds	16,000	14,149	(1,851)
Community Redevelopment Authority – net	-	78,108	78,108
Total other financing sources	<u>376,000</u>	<u>304,916</u>	<u>(71,084)</u>
Other financing uses:			
CDBG programs	524,750	178,321	346,429
Keno expenditures	107,688	30,975	76,713
Transfers	127,892	52,912	74,980
Capitalized outlays	1,420,531	1,214,151	206,380
Total other financing uses	<u>2,180,861</u>	<u>1,476,359</u>	<u>704,502</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>\$ (1,199,364)</u>	<u>\$ (531,440)</u>	<u>\$ 667,924</u>

CITY OF AUBURN, NEBRASKA  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

1. Budgets and Budgetary Accounting

The City prepares its budgets on the cash basis of accounting. Accordingly, revenues are recognized when cash is received by the City and expenditures are recognized when cash is disbursed. The basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this method of accounting, all unexpended appropriations lapse at the end of the budget year.

CITY OF AUBURN, NEBRASKA  
SUMMARY OF REVENUES RECEIVED – MODIFIED CASH BASIS  
GENERAL AND DEBT SERVICE FUNDS  
SEPTEMBER 30, 2017  
(SUPPLEMENTARY DATA)

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Debt Service</u>	
<b>Taxes:</b>			
General property and other taxes	\$ 624,310	\$ 43,936	\$ 668,246
Interest on tax collections	3,400	273	3,673
Sales tax	-	480,431	480,431
Homestead exemption allocation	25,809	2,075	27,884
Car line tax	163	13	176
Motor vehicle pro-rate tax allocation	1,260	101	1,361
Total taxes	<u>654,942</u>	<u>526,829</u>	<u>1,181,771</u>
Special assessments collected	-	40,622	40,622
Licenses and permits	<u>12,135</u>	-	<u>12,135</u>
<b>Intergovernmental:</b>			
Auburn Board of Public Works	108,829	-	108,829
Highway incentive payments	4,000	-	4,000
State revenue sharing:			
Highway allocation	370,332	-	370,332
Motor vehicle fee	30,085	-	30,085
Equalization	244,673	-	244,673
State aid	1,012	-	1,012
Nemaha Cty MFO	6,280	-	6,280
Grant income	40,845	-	40,845
State license and fines	3,580	-	3,580
Total intergovernmental	<u>809,636</u>	<u>-</u>	<u>809,636</u>
<b>Charges for services:</b>			
Recreation Committee	63,523	-	63,523
Pool receipts	56,914	-	56,914
Lessons	9,005	-	9,005
Franchise fees	61,411	-	61,411
Total charges for services	<u>190,853</u>	<u>-</u>	<u>190,853</u>
<b>Miscellaneous:</b>			
Investment income	3,293	-	3,293
Other	103,775	-	103,775
Total miscellaneous	<u>107,068</u>	<u>-</u>	<u>107,068</u>
<b>Total</b>	<u>\$ 1,774,634</u>	<u>\$ 567,451</u>	<u>\$ 2,342,085</u>

CITY OF AUBURN, NEBRASKA  
SUMMARY OF EXPENDITURES PAID – MODIFIED CASH BASIS  
GENERAL GOVERNMENT FUND  
SEPTEMBER 30, 2017  
(SUPPLEMENTARY DATA)

	<u>General Fund</u>	<u>Police</u>	<u>Total</u>
Salaries/Personal services	\$ 134,843	\$ -	\$ 134,843
Employee benefits	46,741	-	46,741
Utilities	10,479	-	10,479
Repairs and maintenance	10,826	10,000	20,826
Meeting expense	2,953	-	2,953
Insurance	10,606	-	10,606
Audit and consultation	79,687	-	79,687
Memberships and schools	8,525	-	8,525
Office supplies and services	6,466	-	6,466
Licenses and taxes	3,719	-	3,719
Miscellaneous	4,910	-	4,910
Tree program expense	4,710	-	4,710
Hangar payment	27,912	-	27,912
Interlocal costs of law enforcement	-	320,500	320,500
Grant expenditures	41,635	-	41,635
Economic development	7,000	-	7,000
Capital outlay – non-capitalized	<u>73,508</u>	<u>-</u>	<u>73,508</u>
Totals	<u>\$ 474,520</u>	<u>\$ 330,500</u>	<u>\$ 805,020</u>

CITY OF AUBURN, NEBRASKA  
SUMMARY OF EXPENDITURES PAID – MODIFIED CASH BASIS  
CULTURAL AND RECREATIONAL – PART OF GENERAL FUND  
SEPTEMBER 30, 2017  
(SUPPLEMENTARY DATA)

	<u>Parks</u>	<u>Recreation Committee</u>	<u>Swimming Pool</u>	<u>Library</u>	<u>Senior Citizen</u>	<u>Total</u>
Salaries/Personal services	\$ 23,511	\$ -	\$ 70,442	\$ 73,302	\$ -	\$ 167,255
Employee benefits	4,312	-	12,666	15,100	-	32,078
Utilities	21,338	-	16,844	10,513	7,726	56,421
Repairs and maintenance	29,982	-	4,844	9,673	12,648	57,147
Meeting expenses	-	-	-	78	-	78
Insurance	4,338	-	1,893	3,503	236	9,970
Recreation expenses	-	77,600	-	-	-	77,600
Custodial services	-	-	1,850	10,949	2,280	15,079
Membership and schools	-	-	-	1,065	-	1,065
Miscellaneous	3,561	-	464	412	-	4,437
Supplies	13,488	-	16,959	5,269	713	36,429
Books	-	-	-	20,181	-	20,181
Sales tax remitted	-	-	3,402	-	-	3,402
Capital outlay – noncapitalized	<u>23,471</u>	<u>-</u>	<u>32,803</u>	<u>-</u>	<u>2,365</u>	<u>58,639</u>
<b>Totals</b>	<u>\$ 124,001</u>	<u>\$ 77,600</u>	<u>\$ 162,167</u>	<u>\$ 150,045</u>	<u>\$ 25,968</u>	<u>\$ 539,781</u>

CITY OF AUBURN, NEBRASKA  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(SUPPLEMENTARY DATA)

<u>Program</u>	<u>Federal CFDA #</u>	<u>Program</u>	
		<u>Receipts</u>	<u>Expenditures</u>
Department of Housing and Economic Development: Community Development Block Grants:			
	#91-ED-006: Reuse	\$ -	\$ 227
	#10-DTR-007	177,931	-
	#09-HO-6044	34,728	-
		<u>212,659</u>	<u>227</u>
Administration		-	9,044
Project expenses		-	168,887
Reuse miscellaneous expense		-	163
		<u>\$ 212,659</u>	<u>\$ 178,321</u>



CITY OF AUBURN, NEBRASKA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(SUPPLEMENTARY DATA)

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these Schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Reporting Entity

The City of Auburn, for purposes of the Schedule of Expenditures of Federal Awards, includes all funds for which the City is financially accountable.

3. Pass Through Awards

The City receives certain federal awards in the form of pass-through awards from the State of Nebraska and other various agencies. Such amounts received as pass-through awards are specifically identified on the Schedule of Expenditures of Federal Awards.

4. Contingencies

The City receives funds under various federal grant programs, and such assistance is to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies, which may impose sanctions in the event of noncompliance. Management believes that they have complied with all material aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impacts.

CITY OF AUBURN, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2017

Finding 2017-1 Significant Deficiencies

Financial Statement Preparation

Comment: Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Auditing standards emphasize that the auditor cannot be part of the system of internal control over financial reporting. In our judgment, the Board's trustee charged with governance, in the course of his assigned duties, lacks the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles (GAAP) and to correct any misstatements if present. As a result, intentional or unintentional errors could be made and not detected within a timely period by the City's management in the normal course of performing their assigned functions.

Recommendation: A remedy for this situation would be for the City to engage a person with enough accounting experience to prepare the financial statements or assist the Board with review of such statements.

Board response: At this time, the Board of Trustees of the City believes that the benefit of eliminating this significant deficiency does not outweigh the cost of engaging a duly-qualified person to perform this service.

Segregation of Duties

Comment: The City Clerk has access to or responsibility for certain duties that compromise the segregation of duties. The City Clerk has access to cash, prepares bank deposits, reconciles bank accounts and can prepare and post journal entries.

Recommendation: We recommend that the City continue to monitor and evaluate its internal controls with the use of limited personnel and to provide as much segregation of duties as determined to be feasible within its operations.

Board Response: The City acknowledges the compromises to its segregation of duties based on current staffing levels. The City has assigned the City Treasurer and a finance committee to oversee the City Clerk. They review and approve all payment vouchers prior to each City Council meeting and reviews all journal entries. Other than the latter, the City does not believe the benefits of eliminating this significant deficiency outweigh the cost of adding more accounting personnel to the City's current staff.