

CITY OF AUBURN
AUBURN, NEBRASKA

COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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 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, 2015, 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 and Qualified Opinion on the Enterprise Fund on Business-Type Activities

The financial statements referred to above include only the government of the City of Auburn, Nebraska, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. Management has not included the enterprise fund of the Auburn Board of Public Works, which the modified cash basis of accounting requires to be reported with the financial data of the City's financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the government-wide financial statements has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Enterprise Fund and Qualified Opinion on Business-Type Activity" 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, 2015, 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 matter described in the "Basis for Adverse Opinion on Enterprise Fund 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 City of Auburn, Nebraska, as of September 30, 2015 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, the business-type activities, other than the Enterprise Fund, each major fund, and the aggregate remaining fund information for the primary government of the City of Auburn, Nebraska, as of September 30, 2015, 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.

Emphasis of Matter

As described in 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 are 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. The 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, based on our audit, the procedures performed as described above, 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 October 29, 2015 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.

Certified Public Accountants

Omaha, Nebraska
October 29, 2015

CITY OF AUBURN, NEBRASKA
COMBINED STATEMENT OF NET POSITION – MODIFIED CASH BASIS
SEPTEMBER 30, 2015

ASSETS

Cash in bank	\$ 2,102,749
Certificates of deposit	350,000
Cash in custody of County Treasurer	37,401
Special assessments receivable	193,946
Grant receivable	9,181
Capital assets:	
Non-depreciable	407,023
Depreciable, net	<u>5,634,111</u>
 Total assets	 <u>8,734,411</u>

LIABILITIES

Deferred revenue - special assessments	193,946
Bonds payable:	
Due within one year	75,000
Due in more than one year	<u>620,000</u>
 Total liabilities	 <u>888,946</u>

NET POSITION

Invested in capital assets, net of related debt	5,346,134
Restricted for:	
Debt service	-
Community betterment	88,331
Unrestricted	<u>2,411,000</u>
 Net position	 <u>\$ 7,845,465</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, 2015

<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>
<u>Governmental activities:</u>					
General government	\$ 600,234	\$ -	\$ -	\$ -	\$ 600,234
Public health and safety	46,612	-	-	-	46,612
Public works	227,531	-	-	-	227,531
Culture – recreation	387,212	171,001	-	-	216,211
Debt service	44,874	-	-	-	44,874
Keno expenditures	7,175	-	-	-	7,175
CDBG program	8,464	-	-	-	8,464
Transfers	202,660	-	-	-	202,660
Depreciation	244,306	-	-	-	244,306
Total governmental activities	<u>1,769,068</u>	<u>171,001</u>	<u>-</u>	<u>-</u>	<u>1,598,067</u>
General revenue:					
Taxes					677,344
Intergovernmental					979,758
Special assessments					24,568
Interest income					3,770
Keno proceeds					16,072
Local option sales tax					442,217
Licenses and permits					12,984
CDBG program					54,099
Community Redevelopment Authority – net					202,732
Miscellaneous					<u>24,038</u>
Total general revenue and transfers					<u>2,437,582</u>
Change in net position					839,515
Net position – beginning of year					<u>7,005,950</u>
Net position – end of year					<u>\$ 7,845,465</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, 2015

ASSETS

	Governmental Fund Types			
	General	Debt Service	Special Revenue Keno	Total
Assets:				
Cash in bank	\$ 2,014,418	\$ -	\$ 88,331	\$ 2,102,749
Certificates of deposit	350,000	-	-	350,000
Cash in custody of County Treasurer	37,401	-	-	37,401
Special assessments receivable	-	193,946	-	193,946
Grant receivable	9,181	-	-	9,181
	<u>\$ 2,411,000</u>	<u>\$ 193,946</u>	<u>\$ 88,331</u>	<u>\$ 2,693,277</u>
Total assets				

LIABILITIES AND FUND EQUITY

Liabilities:				
Deferred revenue – special assessments	\$ -	\$ 193,946	\$ -	\$ 193,946
	<u>-</u>	<u>193,946</u>	<u>-</u>	<u>193,946</u>
Total liabilities				
Fund equity:				
Restricted for:				
Debt service	-	-	-	-
Community betterment	-	-	88,331	88,331
Unassigned	2,411,000	-	-	2,411,000
	<u>2,411,000</u>	<u>-</u>	<u>88,331</u>	<u>2,499,331</u>
Total fund equity				
	<u>\$ 2,411,000</u>	<u>\$ 193,946</u>	<u>\$ 88,331</u>	<u>\$ 2,693,277</u>
Total liabilities and fund equity				

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, 2015

Total fund balance – all governmental funds		\$ 2,499,331
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	9,959,283	
Accumulated depreciation	<u>(3,918,149)</u>	6,041,134
Long-term liabilities are not due and payable in this current period and therefore, are not reported in the funds:		
Bonds payable		<u>(695,000)</u>
Net position of governmental activities		<u>\$ 7,845,465</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, 2015

	Governmental Fund Types			
	General	Debt Service	Special Revenue Keno	Total
Receipts:				
Taxes – personal property	\$ 632,149	\$ 45,195	\$ -	\$ 677,344
Taxes – sales	-	442,217	-	442,217
Special assessments	-	24,568	-	24,568
Licenses and permits	12,984	-	-	12,984
Intergovernmental	979,758	-	-	979,758
Charges for services	171,001	-	-	171,001
Miscellaneous	27,808	-	-	27,808
Total receipts	<u>1,823,700</u>	<u>511,980</u>	<u>-</u>	<u>2,335,680</u>
Disbursements:				
Current:				
General government	600,234	-	-	600,234
Public works	227,531	-	-	227,531
Public health and safety	46,612	-	-	46,612
Cultural and recreational	387,212	-	-	387,212
Debt service:				
Principal retirement	-	515,000	-	515,000
Interest	-	44,709	-	44,709
Bond handling fee	-	165	-	165
Total disbursements	<u>1,261,589</u>	<u>559,874</u>	<u>-</u>	<u>1,821,463</u>
Excess of receipts over (under) disbursements	<u>562,111</u>	<u>(47,894)</u>	<u>-</u>	<u>514,217</u>
Other financing sources:				
CDBG programs	54,099	-	-	54,099
Gross keno proceeds	-	-	16,072	16,072
Community Redevelopment Authority – net	202,732	-	-	202,732
Transfer from other fund	-	38,908	-	38,908
Total other financing sources	<u>256,831</u>	<u>38,908</u>	<u>16,072</u>	<u>311,811</u>
Other financing uses:				
CDBG programs	8,464	-	-	8,464
Keno expenditures	-	-	7,175	7,175
Capitalized outlays – net	545,948	-	-	545,948
Transfers	202,660	-	-	202,660
Transfer to other fund	38,908	-	-	38,908
Total other financing uses	<u>795,980</u>	<u>-</u>	<u>7,175</u>	<u>803,155</u>
Excess of receipts and other financing sources over disbursements and other financing uses	<u>22,962</u>	<u>(8,986)</u>	<u>8,897</u>	<u>22,873</u>
Fund balance, beginning of year	<u>2,388,038</u>	<u>8,986</u>	<u>79,434</u>	<u>2,476,458</u>
Fund balance, end of year	<u>\$ 2,411,000</u>	<u>\$ -</u>	<u>\$ 88,331</u>	<u>\$ 2,499,331</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, 2015

Net change in fund balances – total governmental funds	\$	22,873
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	545,948	
Depreciation	<u>(244,306)</u>	301,642
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.		
		<u>515,000</u>
Change in net position of governmental activities	\$	<u>839,515</u>

See the accompanying notes to the financial statements.

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

1. 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, 2015 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, 2015

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, 2015

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 respected 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, 2015

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

Fund Financial Statements

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, 2015

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, 2015

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, 2015

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, 2015.

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, 2015, the City's deposits were fully insured or collateralized.

As of September 30, 2014, the carrying amount of the City's pooled cash accounts at one bank was \$2,333,225. In addition, the City has investments in the form of certificates of deposit worth \$150,000 at another bank at September 30, 2015. Of the total City deposits, \$500,000 was covered by federal depository insurance, \$1,897,166 was covered by various County, City and school district bond certificates and \$392,400 and \$106,039 was covered by Federal National Mortgage Association notes and Federal Home Loan Mortgage Corporation notes, respectively, held in the pledging bank's trust department in the City's name in the form of joint safekeeping receipt. The bank holding the \$2,333,225 of pooled cash accounts was short \$80,020 on September 30, 2015. An additional \$100,000 was pledged by the bank by November, 2015.

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			Total
	TIF	General	Debt Service	
Balance, September 30, 2014	\$ -	\$ 79,022	\$ 5,911	\$ 84,933
Receipts:				
Tax collections				
(net of collection fee)	271,678	510,661	41,058	823,397
Interest on tax collection	-	2,772	223	2,995
Homestead exemption (net of collection fee)	-	28,375	2,282	30,657
Car line tax allocation	-	104	8	112
Motor vehicle	-	69,931	-	69,931
Pro-rate	-	1,518	122	1,640
Property tax relief	-	18,789	1,502	20,291
Total receipts	<u>271,678</u>	<u>632,150</u>	<u>45,195</u>	<u>949,023</u>
Disbursements Remitted to City	<u>(271,678)</u>	<u>(676,114)</u>	<u>(48,763)</u>	<u>(996,555)</u>
Balance, September 30, 2015	<u>\$ -</u>	<u>\$ 35,058</u>	<u>\$ 2,343</u>	<u>\$ 37,401</u>

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015

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 \$19,956 of principal and \$4,986 of interest on special assessments during the year. They issued \$0 in new assessments and as of September 30, 2015, the balance remaining to collect was \$193,946.

5. Capital Assets

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

	Balance September 30, 2014	<u>Additions</u>	<u>Deletions</u>	Balance September 30, 2015
Land	\$ 407,023	\$ -	\$ -	\$ 407,023
Building and improvements	4,067,825	-	-	4,067,825
Equipment	757,148	51,465	40,723	767,890
Vehicles	671,591	-	-	671,591
Street	<u>3,550,471</u>	<u>494,483</u>	<u>-</u>	<u>4,044,954</u>
	9,454,058	545,948	40,723	9,959,283
Less accumulated depreciation	<u>3,714,566</u>	<u>244,306</u>	<u>40,723</u>	<u>3,918,149</u>
Capital assets, net of accumulated depreciation	<u>\$ 5,739,492</u>	<u>\$ 301,642</u>	<u>\$ -</u>	<u>\$ 6,041,134</u>

The City recorded depreciation expense of \$244,306 for the year ended September 30, 2015.

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 2014-2015 fiscal year was \$618,123 or \$.4754 per \$100 of assessed valuation. The total assessed valuation was \$130,027,947 for the 2014-2015 fiscal year.

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015

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, 2015 was \$367,025 and \$190,977, respectively. The City's share of the contribution was \$11,459 and employees contributed \$8,496 for the year ended September 30, 2015.

8. Outstanding Warrants Payable

There were no warrants issued during the fiscal year ended September 30, 2015.

9. Bonds Payable

The 2004 general obligation various purpose bonds for \$645,000 were issued to refinance the warrants payable at September 30, 2003. The bonds were refinanced on September 1, 2009. The 2009 refunding purpose bond reissue was for \$480,000. The bonds bear interest at 2.10% - 3.75% per annum and are repayable in installments of \$45,000 - \$55,000 per year through August 1, 2019. During the current fiscal year the bonds were called and paid off.

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 2.25% - 4.50% per annum and are repayable in installments of \$50,000 - \$75,000 per year through June 15, 2024. During the current fiscal year the regular payment of \$50,000 was paid.

The 2010 general obligation paving bonds for \$255,000 were issued to refinance certain warrants payable at April 26, 2010. The bonds bear interest at 1.75% - 3.95% per annum and are repayable in installments of \$20,000 - \$25,000 per year through May 15, 2022. During the current fiscal year the bonds were called and paid off.

The 2010 highway allocation fund pledge bonds for \$190,000 were issued to refinance certain warrants payable at April 26, 2010. The bonds bear interest at 1.75% - 3.75% per annum and are repayable in installments of \$15,000 - \$25,000 per year through May 15, 2020. During the current fiscal year the regular payment of \$20,000 was paid.

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015

9. Bonds Payable - Continued

The details of bonds payable are as follows:

	<u>Balance September 30, 2014</u>	<u>Issue</u>	<u>Payments</u>	<u>Balance September 30, 2015</u>
2009 Reissue Bonds	\$ 260,000	\$ -	\$ 260,000	\$ -
2009 G.O.V.P. Bonds	630,000	-	50,000	580,000
2010 G.O.P. Bonds	185,000	-	185,000	-
2010 H.A.F.P. Bonds	<u>135,000</u>	<u>-</u>	<u>20,000</u>	<u>115,000</u>
	<u>\$ 1,210,000</u>	<u>\$ -</u>	<u>\$ 515,000</u>	<u>\$ 695,000</u>

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

<u>Maturities</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	2.80 – 3.15	\$ 75,000	\$ 26,725	\$ 101,725
2017	3.20 – 3.35	75,000	24,432	99,432
2018	3.40 – 3.55	85,000	21,951	106,951
2019	3.60 – 3.75	85,000	18,969	103,969
2020	3.75 – 3.95	90,000	15,821	105,821
2021 - 2024	4.10 – 4.50	<u>285,000</u>	<u>32,015</u>	<u>317,015</u>
Total		<u>\$ 695,000</u>	<u>\$ 139,913</u>	<u>\$ 834,913</u>

For the year ending September 30, 2015, the interest paid was \$44,709, and the agent fee was \$165.

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015

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 \$70,750 for October through December, 2014 and \$229,500 for January through September, 2015 for a total of \$300,250 for the fiscal year. The interlocal agreement has been extended through December 2016 with monthly payments of \$26,333. Under the extended interlocal agreement, the City is also required to give the county \$10,000 for replacement vehicle costs. The City gave the county three of its patrol vehicles in January 2013 (net book value of \$56,073) to satisfy this requirement for 2013 – 2015. The annual minimum commitment is as follows:

2016	\$ 313,500
2017	<u>79,000</u>
	<u>\$ 392,500</u>

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, 2015 is as follows.

Balance - beginning of period	\$ <u>79,434</u>
Receipts:	
Interest	136
Proceeds from operator	<u>13,436</u>
Total receipts	<u>13,572</u>
Disbursements:	
Community betterment -	
Banners	2,614
Microphone and stand	153
Earth Day	293
Nebraska sales tax	<u>1,615</u>
Total disbursements	<u>4,675</u>
Balance - end of period	<u>\$ 88,331</u>

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015

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 \$23,467 at September 30, 2015.

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 \$27,540 at September 30, 2015.

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, 2015, 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, \$23,000 of principal was paid back and \$75 of interest earned and \$0 was reloaned out to another business and \$514 was expended for fees. At September 30, 2015, the City had \$42,343 in its C.D.B.G. reuse account.

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015

16. 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 \$263,580, interest of \$1,169 and loan repayment of \$1,064. Total expenditures were \$53,107, consisting of \$335 for legal fees, \$15 for publishing costs and \$52,757 for loan payments. The balance in the project is \$878,677 at September 30, 2015. 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 \$1,061 at September 30, 2015.

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 \$8,097 was collected through TIF taxes and earned \$1 in interest. Total expenditures were \$15,842 for TIF loan repayments. The balance in this project is \$10 at September 30, 2015.

17. Subsequent Events

The City evaluated subsequent events after the balance sheet date of September 30, 2015 through October 29, 2015, which was the date the financial statements were issued. The City has concluded there are no subsequent events, which have occurred from September 30, 2015 through October 29, 2015, which require additional disclosure.

18. 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 \$5,625,860 at December 31, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2015

	<u>Original Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable/ (Unfavorable)</u>
Receipts:			
Taxes – personal property	\$ 709,414	\$ 677,345	\$ (32,069)
Taxes – sales	400,000	442,217	42,217
Special assessments levied	42,740	24,568	(18,172)
Licenses and permits	14,000	12,984	(1,016)
Intergovernmental	1,934,040	967,803	(966,237)
Charges for services	135,200	171,000	35,800
Miscellaneous	21,400	30,581	9,181
Total receipts	<u>3,256,794</u>	<u>2,326,498</u>	<u>(930,296)</u>
Disbursements:			
Current:			
General government	644,405	600,086	44,319
Public works	279,320	227,531	51,789
Public health and safety	44,015	46,612	(2,597)
Cultural and recreational	360,230	387,208	(26,978)
Debt service:			
Principal retirement	515,000	515,000	-
Interest	43,593	44,709	(1,116)
Bond handling fee	150	165	(15)
Total disbursements	<u>1,886,713</u>	<u>1,821,311</u>	<u>65,402</u>
Excess of receipts over disbursements	<u>1,370,081</u>	<u>505,187</u>	<u>(864,894)</u>
Other financing sources:			
CDBG programs	106,500	54,099	(52,401)
Gross keno proceeds	16,000	16,072	72
Community Redevelopment Authority – net	-	202,732	202,732
Miscellaneous	310	-	(310)
Total other financing sources	<u>122,810</u>	<u>272,903</u>	<u>150,093</u>
Other financing uses:			
CDBG programs	106,453	8,464	97,989
Keno expenditures	94,000	7,175	86,825
Transfers	365,000	202,660	162,340
Capitalized outlays	2,217,546	545,949	1,671,597
Total other financing uses	<u>2,782,999</u>	<u>764,248</u>	<u>2,018,751</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>\$ (1,290,108)</u>	<u>\$ 13,842</u>	<u>\$ 1,303,950</u>

CITY OF AUBURN, NEBRASKA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

1. 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.

OTHER SUPPLEMENTARY INFORMATION

CITY OF AUBURN, NEBRASKA
SUMMARY OF REVENUES RECEIVED – MODIFIED CASH BASIS
GENERAL AND DEBT SERVICE FUNDS
SEPTEMBER 30, 2015
(SUPPLEMENTARY DATA)

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Debt Service</u>	
Taxes:			
General property and other taxes	\$ 599,380	\$ 42,561	\$ 641,941
Interest on tax collections	2,772	223	2,995
Sales tax	-	442,217	442,217
Homestead exemption allocation	28,375	2,281	30,656
Car line tax	104	8	112
Motor vehicle pro-rate tax allocation	1,518	122	1,640
Total taxes	<u>632,149</u>	<u>487,412</u>	<u>1,119,561</u>
Special assessments collected	-	24,568	24,568
Licenses and permits	<u>12,984</u>	-	<u>12,984</u>
Intergovernmental:			
Auburn Board of Public Works	102,080	-	102,080
Highway incentive payments	4,000	-	4,000
State revenue sharing:			
Highway allocation	349,815	-	349,815
Motor vehicle fee	28,732	-	28,732
Equalization	202,843	-	202,843
State aid	1,069	-	1,069
Nemaha Cty MFO	1,667	-	1,667
Grant income	286,149	-	286,149
State license and fines	3,403	-	3,403
Total intergovernmental	<u>979,758</u>	<u>-</u>	<u>979,758</u>
Charges for services:			
Recreation Committee	38,920	-	38,920
Pool receipts	56,003	-	56,003
Lessons	6,365	-	6,365
Franchise fees	69,713	-	69,713
Total charges for services	<u>171,001</u>	<u>-</u>	<u>171,001</u>
Miscellaneous:			
Investment income	3,770	-	3,770
Other	24,038	-	24,038
Total miscellaneous	<u>27,808</u>	<u>-</u>	<u>27,808</u>
Total	<u>\$ 1,823,700</u>	<u>\$ 511,980</u>	<u>\$ 2,335,680</u>

CITY OF AUBURN, NEBRASKA
SUMMARY OF EXPENDITURES PAID – MODIFIED CASH BASIS
GENERAL FUND
SEPTEMBER 30, 2015
(SUPPLEMENTARY DATA)

	<u>General Government</u>	<u>Cultural and Recreational</u>	<u>Public Health and Safety</u>	<u>Public Works</u>	<u>Total</u>
Salaries/Personal services	\$ 126,112	\$ 128,863	\$ 6,000	\$ 106,051	\$ 367,026
Employee benefits	35,873	23,759	4,642	36,043	100,317
Utilities	9,241	40,936	8,083	8,119	66,379
Repairs and maintenance	18,313	66,690	17,128	22,696	124,827
Meeting expense	1,420	353	1,000	-	2,773
Insurance	4,690	10,271	4,764	5,306	25,031
Recreation expenses	-	35,059	-	-	35,059
Audit and consultation	62,646	-	-	-	62,646
Memberships and schools	8,132	543	1,819	-	10,494
Office supplies and services	6,398	-	-	58	6,456
Licenses and taxes	3,640	-	-	-	3,640
Custodial services	-	15,058	600	4,269	19,927
Miscellaneous	426	4,675	-	-	5,101
Gas, oil and tires	-	-	-	13,730	13,730
Supplies	-	26,192	1,526	24,176	51,894
Books	-	17,959	-	-	17,959
Interlocal costs					
of law enforcement	300,250	-	-	-	300,250
Grant expenditures	12,045	-	-	-	12,045
Economic development	7,000	-	-	-	7,000
Trees and care	4,048	-	-	-	4,048
Land rent	-	-	-	6,672	6,672
Sales tax remitted	-	3,141	-	-	3,141
Fire chief expenses	-	-	1,050	-	1,050
Capital outlay – noncapitalized	-	13,713	-	411	14,124
Totals	<u>\$ 600,234</u>	<u>\$ 387,212</u>	<u>\$ 46,612</u>	<u>\$ 227,531</u>	<u>\$ 1,261,589</u>

CITY OF AUBURN, NEBRASKA
SUMMARY OF EXPENDITURES PAID – MODIFIED CASH BASIS
GENERAL GOVERNMENT FUND
SEPTEMBER 30, 2015
(SUPPLEMENTARY DATA)

	<u>General Fund</u>	<u>Police</u>	<u>Total</u>
Salaries/Personal services	\$ 126,112	\$ -	\$ 126,112
Employee benefits	35,873	-	35,873
Utilities	9,241	-	9,241
Repairs and maintenance	8,313	10,000	18,313
Meeting expense	1,420	-	1,420
Insurance	4,690	-	4,690
Audit and consultation	62,646	-	62,646
Memberships and schools	8,132	-	8,132
Office supplies and services	6,398	-	6,398
Licenses and taxes	3,640	-	3,640
Miscellaneous	426	-	426
Tree program expense	4,048	-	4,048
Interlocal costs of law enforcement	-	300,250	300,250
Grant expenditures	12,045	-	12,045
Economic development	7,000	-	7,000
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 289,984</u>	<u>\$ 310,250</u>	<u>\$ 600,234</u>

CITY OF AUBURN, NEBRASKA
SUMMARY OF EXPENDITURES PAID – MODIFIED CASH BASIS
CULTURAL AND RECREATIONAL – PART OF GENERAL FUND
SEPTEMBER 30, 2015
(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	\$ 9,430	\$ -	\$ 52,790	\$ 66,643	\$ -	\$ 128,863
Employee benefits	1,344	-	7,192	15,223	-	23,759
Utilities	14,247	-	11,053	7,726	7,910	40,936
Repairs and maintenance	35,840	-	8,451	9,440	12,959	66,690
Meeting expenses	-	-	-	353	-	353
Insurance	3,123	-	2,500	3,321	1,327	10,271
Recreation expenses	-	35,059	-	-	-	35,059
Custodial services	-	-	2,627	10,151	2,280	15,058
Membership and schools	-	-	-	543	-	543
Miscellaneous	3,837	-	278	560	-	4,675
Supplies	7,001	-	14,148	4,905	138	26,192
Books	-	-	-	17,959	-	17,959
Sales tax remitted	-	-	3,141	-	-	3,141
Capital outlay – noncapitalized	13,713	-	-	-	-	13,713
Totals	<u>\$ 88,535</u>	<u>\$ 35,059</u>	<u>\$ 102,180</u>	<u>\$ 136,824</u>	<u>\$ 24,614</u>	<u>\$ 387,212</u>

CITY OF AUBURN, NEBRASKA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(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	\$ 23,000	\$ 514
	#10-DTR-005	14,416	33
	#09-HO-6044	<u>16,683</u>	<u>-</u>
		54,099	547
Administration		-	7,917
Project expenses		-	-
Reuse miscellaneous expense		<u>-</u>	<u>-</u>
		<u>\$ 54,099</u>	<u>\$ 8,464</u>

CITY OF AUBURN, NEBRASKA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(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.

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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

Honorable Mayor and City Council
City of Auburn
Auburn, 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, each major fund, and the aggregate remaining fund information of the City of Auburn, Nebraska as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Auburn, Nebraska's basic financial statements and have issued our report thereon dated October 29, 2015. Our report contains an adverse and qualified opinion because of the omission of an enterprise fund and an explanatory paragraph regarding use of 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 Auburn, Nebraska'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 of Auburn, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Auburn, Nebraska'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 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 in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Auburn, Nebraska's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2015-1 and 2015-2.

We noted certain matters that we reported to management of the City of Auburn, Nebraska in a separate letter dated October 29, 2015.

City of Auburn's Response to Findings

The City of Auburn, Nebraska's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City of Auburn, Nebraska's response was not subjected to the auditing procedures applied in the audit of 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.

Certified Public Accountants

Omaha, Nebraska
October 29, 2015

CITY OF AUBURN, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2015

As noted in our independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*, we identified two findings that we consider to be significant deficiencies.

Significant Deficiencies

2015-1

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.

Council Response

The City acknowledges the compromises to its segregation of duties based on current staffing levels. The City has assigned the City Treasurer to oversee the City Clerk. He reviews and approves 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.

2015-2

The City Clerk lacks the expertise to detect and correct a potential misstatement in the presentation of its financial statements or notes in accordance with accounting principles generally accepted in the United States of America and *Government Accounting Standards*.

Council Response

The City acknowledges its lack of financial reporting expertise to prepare its financial statements or notes in accordance with accounting principles generally accepted in the United States of America and *Government Accounting Standards*. However, the City does not believe the benefits of eliminating this material weakness outweigh the cost of adding more accounting personnel to the City's current staff. Therefore, the City will continue to outsource this function.