

CITY OF BURWELL, NEBRASKA

FINANCIAL STATEMENTS

Year Ended September 30, 2016

CITY OF BURWELL, NEBRASKA

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MARVIN E. JEWELL & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Burwell, Nebraska

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Burwell, Nebraska (the City), as of and for the year ended September 30, 2016, 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 misstatement, whether due to fraud or error.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type

activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2016, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The 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 opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statements of proprietary funds are presented in the supplementary information for purposes of additional analysis as required by Nebraska Revised Statute 19-2903 and are also not a required part of the basic financial statements.

The budgetary comparison schedule, which is the responsibility of management, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The statements of proprietary funds in the supplementary information are the responsibility of management and were derived from and relate 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 statements of proprietary funds presented in the supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole, on the basis of accounting described in Notes to the Statements of Proprietary Funds, Note A.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2017, on our consideration of the City'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Marvin E. Jewell & Co., P.C.

Lincoln, Nebraska
March 10, 2017

CITY OF BURWELL, NEBRASKA

Statement of Net Position – Modified Cash Basis

September 30, 2016

	Governmental	Business-Type	
	Activities	Activities	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 527,189	110,253	637,442
Cash held by County Treasurer	10,625	-	10,625
Restricted cash	926,328	65,434	991,762
Restricted cash held by County Treasurer	10,288	-	10,288
Investments	519,018	80,494	599,512
Restricted investments	<u>-</u>	<u>72,219</u>	<u>72,219</u>
Total assets	<u>1,993,448</u>	<u>328,400</u>	<u>2,321,848</u>
 NET POSITION			
Net investment in capital assets	-	-	-
Restricted for:			
Public Welfare	346,034	-	346,034
Utility Deposits	-	39,653	39,653
Debt Service	590,582	98,000	688,582
Unrestricted	<u>1,056,832</u>	<u>190,747</u>	<u>1,247,579</u>
Total net position	<u>\$ 1,993,448</u>	<u>328,400</u>	<u>2,321,848</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BURWELL, NEBRASKA

Statement of Activities – Modified Cash Basis

For the Year Ended September 30, 2016

Functions/Programs	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	Disbursements	Charges for Services	Operating	Capital Grants	Governmental Activities	Business- Type Activities	Total
			Grants and Contributions	and Contributions			
Governmental Activities							
General Government	\$ (41,977)	15,734	-	-	(26,243)	-	(26,243)
Public Safety	(163,314)	3,548	-	-	(159,766)	-	(159,766)
Streets	(2,739,024)	26,137	139,889	-	(2,572,998)	-	(2,572,998)
Public Welfare	(159,542)	15,662	19,188	855	(123,837)	-	(123,837)
Culture and Recreation	(63,548)	15,339	-	-	(48,209)	-	(48,209)
Assessments	-	17,624	-	-	17,624	-	17,624
TIF Projects	(13,025)	13,629	-	-	604	-	604
Principal, Interest and Charges on Debt	(285,916)	-	-	-	(285,916)	-	(285,916)
Total Governmental Activities	(3,466,346)	107,673	159,077	855	(3,198,741)	-	(3,198,741)
Business-Type Activities							
Electric	(1,530,983)	1,561,355	-	-	-	30,372	30,372
Water	(127,059)	145,734	-	-	-	18,675	18,675
Sewer	(142,438)	166,992	-	-	-	24,554	24,554
Sanitation	(167,398)	156,595	-	-	-	(10,803)	(10,803)
Total Business-Type Activities	(1,967,878)	2,030,676	-	-	-	62,798	62,798
Total Primary Government	\$ (5,434,224)	2,138,349	159,077	855	(3,198,741)	62,798	(3,135,943)
General Receipts:							
Property Tax					295,246	-	295,246
Property Tax Credit					12,312	-	12,312
Motor Vehicle Tax					30,843	-	30,843
Sales and Use Tax					283,940	-	283,940
In Lieu Tax					4,097	-	4,097
Occupation and Franchise Tax					7,010	-	7,010
State Aid and Equalization					72,366	-	72,366
Unrestricted Investment Earnings					8,943	516	9,459
Restricted Investment Earnings					7,600	-	7,600
Total General Receipts					722,357	516	722,873
Bond and Note Proceeds (Redemption), net					2,825,000	-	2,825,000
Contributions - Internal Activities					59,489	(59,489)	-
Total General Receipts, Net Bond Proceeds and Contributions					3,606,846	(58,973)	3,547,873
Change in Net Position					408,105	3,825	411,930
Net Position - Beginning					1,585,343	324,575	1,909,918
Net Position - Ending					\$ 1,993,448	328,400	2,321,848

The accompanying notes are an integral part of these financial statements.

CITY OF BURWELL, NEBRASKA

**Balance Sheet – Modified Cash Basis
Governmental Funds**

September 30, 2016

	General Fund	Street	Local Option Sales Tax	Subdivision	Regular Downtown	Community Subdivision	L Street Construction	Other Governmental Funds	Total
ASSETS									
CURRENT ASSETS									
Cash	\$ 129,790	106,116	112,304	-	-	-	-	178,979	527,189
Restricted cash	-	-	140,435	93,363	68,344	187,500	289,914	146,772	926,328
Cash held by County Treasurer	9,738	887	-	-	-	-	-	-	10,625
Restricted cash held by County Treasurer	-	-	-	1,028	7,942	-	-	1,318	10,288
TOTAL CURRENT ASSETS	<u>139,528</u>	<u>107,003</u>	<u>252,739</u>	<u>94,391</u>	<u>76,286</u>	<u>187,500</u>	<u>289,914</u>	<u>327,069</u>	<u>1,474,430</u>
OTHER ASSETS - Investments	<u>489,193</u>	<u>-</u>	<u>29,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>519,018</u>
TOTAL ASSETS	<u>\$ 628,721</u>	<u>107,003</u>	<u>282,564</u>	<u>94,391</u>	<u>76,286</u>	<u>187,500</u>	<u>289,914</u>	<u>327,069</u>	<u>1,993,448</u>
LIABILITIES AND FUND BALANCES									
FUND BALANCES									
Nonspendable	\$ -	-	-	-	-	-	-	-	-
Restricted	-	-	140,435	94,391	76,286	187,500	289,914	148,090	936,616
Committed	-	-	142,129	-	-	-	-	178,979	321,108
Assigned	566,423	107,003	-	-	-	-	-	-	673,426
Unassigned	62,298	-	-	-	-	-	-	-	62,298
TOTAL FUND BALANCES	<u>628,721</u>	<u>107,003</u>	<u>282,564</u>	<u>94,391</u>	<u>76,286</u>	<u>187,500</u>	<u>289,914</u>	<u>327,069</u>	<u>1,993,448</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 628,721</u>	<u>107,003</u>	<u>282,564</u>	<u>94,391</u>	<u>76,286</u>	<u>187,500</u>	<u>289,914</u>	<u>327,069</u>	<u>1,993,448</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BURWELL, NEBRASKA

**Statement of Receipts, Disbursements and Changes in Fund Balances – Modified Cash Basis
Governmental Funds**

For the Year Ended September 30, 2016

	General Fund	Street	Local Option Sales Tax	Subdivision	Regular Downtown	Community Subdivision	L Street Construction	Other Governmental Funds	Total
RECEIPTS									
Taxes	\$ 160,788	42,575	114,335	16,688	126,762	-	-	160,828	621,976
Intergovernmental	75,154	151,361	16,400	-	-	-	-	-	242,915
Charges for services	37,457	26,137	12,826	16,663	961	-	-	13,629	107,673
Grants and donations	-	-	-	-	-	-	-	855	855
Investment income	8,601	142	186	3,318	164	-	4,118	14	16,543
TOTAL RECEIPTS	282,000	220,215	143,747	36,669	127,887	-	4,118	175,326	989,962
DISBURSEMENTS									
Current:									
General Government	41,303	-	-	-	399	-	-	275	41,977
Public Safety	163,314	-	-	-	-	-	-	-	163,314
Streets	-	222,655	-	-	-	-	-	-	222,655
Public Welfare	7,623	-	135,565	-	4,293	-	-	762	148,243
Culture and Recreation	63,548	-	-	-	-	-	-	-	63,548
Capital Outlay	16,865	-	11,299	-	-	-	-	-	28,164
Capital Project	-	-	-	-	-	-	2,397,222	102,282	2,499,504
Debt Service	-	-	-	36,066	183,440	-	42,679	36,756	298,941
TOTAL DISBURSEMENTS	292,653	222,655	146,864	36,066	188,132	-	2,439,901	140,075	3,466,346
EXCESS RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,653)	(2,440)	(3,117)	603	(60,245)	-	(2,435,783)	35,251	(2,476,384)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	-	99,303	99,303
Transfers out	-	-	-	-	-	-	(99,303)	-	(99,303)
Capital contributions	(2,623)	-	-	-	62,112	-	-	-	59,489
Issuance of debt	-	-	-	-	-	-	2,825,000	-	2,825,000
TOTAL OTHER FINANCING SOURCES (USES)	(2,623)	-	-	-	62,112	-	2,725,697	99,303	2,884,489
NET CHANGE IN FUND BALANCES	(13,276)	(2,440)	(3,117)	603	1,867	-	289,914	134,554	408,105
FUND BALANCES - BEGINNING	641,997	109,443	285,681	93,788	74,419	187,500	-	192,515	1,585,343
FUND BALANCES - ENDING	\$ 628,721	107,003	282,564	94,391	76,286	187,500	289,914	327,069	1,993,448

The accompanying notes are an integral part of these financial statements.

CITY OF BURWELL, NEBRASKA

**Statement of Net Position – Modified Cash Basis
Proprietary Funds**

September 30, 2016

	<u>Business-Type Activities -- Enterprise Funds</u>				<u>Total</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	
ASSETS					
CURRENT ASSETS					
Cash	\$ 51,973	-	38,637	19,992	110,602
Restricted cash	65,434	-	-	-	65,434
TOTAL CURRENT ASSETS	<u>117,407</u>	<u>-</u>	<u>38,637</u>	<u>19,992</u>	<u>176,036</u>
OTHER ASSETS					
Investments	70,313	10,181	-	-	80,494
Restricted investments	72,219	-	-	-	72,219
TOTAL OTHER ASSETS	<u>142,532</u>	<u>10,181</u>	<u>-</u>	<u>-</u>	<u>152,713</u>
TOTAL ASSETS	<u>259,939</u>	<u>10,181</u>	<u>38,637</u>	<u>19,992</u>	<u>328,749</u>
CURRENT LIABILITIES					
Cash overdraft	-	349	-	-	349
TOTAL LIABILITIES	<u>-</u>	<u>349</u>	<u>-</u>	<u>-</u>	<u>349</u>
NET POSITION					
Net investment in capital assets	-	-	-	-	-
Restricted	137,653	-	-	-	137,653
Unrestricted	122,286	9,832	38,637	19,992	190,747
TOTAL NET POSITION	<u>\$ 259,939</u>	<u>9,832</u>	<u>38,637</u>	<u>19,992</u>	<u>328,400</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BURWELL, NEBRASKA

**Statement of Receipts, Disbursements, and
Changes in Net Position – Modified Cash Basis
Proprietary Funds**

For the Year Ended September 30, 2016

	Business-Type Activities – Enterprise Funds				Total
	Electric	Water	Sewer	Other Enterprise Funds	
OPERATING RECEIPTS					
User fees	\$ 1,490,875	145,291	165,119	156,595	1,957,880
Bulk power sales	70,480	-	-	-	70,480
Other fees	-	443	1,873	-	2,316
TOTAL OPERATING RECEIPTS	<u>1,561,355</u>	<u>145,734</u>	<u>166,992</u>	<u>156,595</u>	<u>2,030,676</u>
OPERATING DISBURSEMENTS					
Salaries	173,491	42,987	53,094	-	269,572
Payroll taxes	13,245	3,288	4,062	-	20,595
Employee benefits	44,324	17,107	122	-	61,553
Retirement	7,871	2,068	2,476	-	12,415
Contractual services	3,600	1,600	1,600	161,953	168,753
Repairs and maintenance	41,011	15,719	8,437	-	65,167
Utilities	1,008,716	12,502	8,935	-	1,030,153
Telephone	3,126	46	332	-	3,504
Insurance	25,435	7,739	9,126	-	42,300
Supplies	89,277	6,869	2,510	-	98,656
Legal and professional services	17,739	675	675	-	19,089
Dues, memberships and meetings	1,646	-	-	5,445	7,091
Travel and mileage	3,093	2,510	2,117	-	7,720
Gas and oil	5,615	1,208	1,213	-	8,036
Rent	18,720	7,200	9,600	-	35,520
Miscellaneous	5,472	5,541	2,823	-	13,836
TOTAL OPERATING DISBURSEMENTS	<u>1,462,381</u>	<u>127,059</u>	<u>107,122</u>	<u>167,398</u>	<u>1,863,960</u>
OPERATING INCOME (LOSS)	<u>98,974</u>	<u>18,675</u>	<u>59,870</u>	<u>(10,803)</u>	<u>166,716</u>
NONOPERATING RECEIPTS (DISBURSEMENTS)					
Debt principal payments	(55,000)	-	(34,364)	-	(89,364)
Investment earnings	472	41	3	-	516
Interest expense	(13,602)	-	(952)	-	(14,554)
TOTAL NONOPERATING RECEIPTS (DISBURSEMENTS)	<u>(68,130)</u>	<u>41</u>	<u>(35,313)</u>	<u>-</u>	<u>(103,402)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	30,844	18,716	24,557	(10,803)	63,314
CAPITAL CONTRIBUTIONS (NET)	<u>(12,159)</u>	<u>(26,976)</u>	<u>(20,354)</u>	<u>-</u>	<u>(59,489)</u>
CHANGE IN NET POSITION	18,685	(8,260)	4,203	(10,803)	3,825
NET POSITION - BEGINNING	<u>241,254</u>	<u>18,092</u>	<u>34,434</u>	<u>30,795</u>	<u>324,575</u>
NET POSITION - ENDING	<u>\$ 259,939</u>	<u>9,832</u>	<u>38,637</u>	<u>19,992</u>	<u>328,400</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BURWELL, NEBRASKA

**Statement of Fiduciary Net Position – Modified Cash Basis
Fiduciary Funds**

For the Year Ended September 30, 2016

	<u>School</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ -
TOTAL CURRENT ASSETS	<u>-</u>
TOTAL ASSETS	<u><u>\$ -</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Due to other taxing units	\$ -
TOTAL CURRENT LIABILITIES	<u>-</u>
NET POSITION	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF BURWELL, NEBRASKA

Notes to Financial Statements

September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The City of Burwell, Nebraska (the City) is a governmental entity established under and governed by the laws of the State of Nebraska. As a political subdivision of the State, the City is exempt from State and Federal income taxes. The City has considered all potential component units for which it is financially accountable and other organizations which are fiscally dependent on the City or the significance of their relationship with the City is such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. No component units were identified. The accounts of the Burwell Housing Authority and the Burwell Airport Authority are excluded from the accompanying financial statements because they are considered autonomous agencies since their respective boards are responsible for designation of management and fiscal accountability and these agencies are not financially interdependent with the City. The accompanying financial statements present the financial position and the changes in net position of the City only. The City is not includable as a component unit within another reporting entity.

Basis of Presentation – The accompanying basic financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by GASB. These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds and component units that are fiduciary in nature, if applicable. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, net position or fund balance, receipts and expenditures. The City's funds are organized into three major categories: governmental, proprietary and fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City, is determined by the Board to be major, or meets the following criteria:

- (a) Total assets, liabilities, receipts or expenditures of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total for all funds of that category or type.

CITY OF BURWELL, NEBRASKA

Notes to Financial Statements

September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (b) Total assets, liabilities, receipts or expenditures of the individual governmental fund or enterprise fund are at least five percent (5%) of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The reporting entity includes the following special revenue funds:

<u>Fund</u>	<u>Brief Description</u>
<i>Major Funds</i>	
Street	Accounts for motor vehicle fees and state highway allocations received and disbursements for street maintenance, construction and improvements. Financing is provided by a specific annual property tax levy to the extent that intergovernmental revenues are not sufficient to provide such financing.
Local Option Sales Tax	Accounts for the 1% city sales tax designated to finance the economic development of the City and related disbursements for economic development of the City.
Community Subdivision	Accounts for grants received from Nebraska Economic Development and related disbursements for the Community Center
<i>Non-major Funds</i>	
Infrastructure	Accounts for 33% of the city sales tax designated to finance capital improvements and/or infrastructure improvements of the City and related disbursements.
CDBG Housing and Rehab	Accounts for grants received from CDBG and related disbursements paid for rehabilitation of residential housing.

CITY OF BURWELL, NEBRASKA

Notes to Financial Statements

September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Service Funds

The debt service funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for the payment of general long-term principal, interest and related costs.

<u>Fund</u>	<u>Brief Description</u>
<i>Major Fund</i>	
Subdivision	Accounts for the accumulation of resources for, and the payment of, general long-term principal, interest and costs related to the 2011 paving project.
Regular Downtown	Accounts for the accumulation of resources for, and the payment of, general long-term principal, interest and costs related to the downtown district financing project.
L Street Construction	Accounts for the accumulation of resources for, and the payment of, general long-term principal, interest and construction costs related to the L Street construction project.
<i>Non-major Funds</i>	
L Street Paving	Accounts for the accumulation of resources for, and the payment of, general long-term principal, interest and costs related to the 2011 Highway Allocation Bond.
CRA Subdivision	Accounts for the accumulation of TIF receipts and the payment of TIF indebtedness comprised of long-term principal, interest and related costs.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds:

<u>Fund</u>	<u>Brief Description</u>
<i>Major Funds</i>	
Electric	Accounts for the activities of the City's electricity distribution operations.
Water	Accounts for the activities of the City's water distribution operations.
Sewer	Accounts for the activities of the City's sewer system and treatment operations.

CITY OF BURWELL, NEBRASKA

Notes to Financial Statements

September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Major Funds

Sanitation	Accounts for receipts and remittances for contracted garbage collection services.
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Fiduciary Funds

Agency Funds

The agency fund accounts for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. The School Fund is the City's only agency fund.

Basis of Accounting, Measurement Focus – Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item (b) below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- (a) All governmental funds utilize a “current financial resources” measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- (b) The proprietary funds utilize an “economic resources” measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and net financial position. Proprietary fund equity is classified as net position.

BASIS OF ACCOUNTING

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting recognizes assets, liabilities, net position/fund balance, receipts and expenditures when they result from cash transactions. This modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles.

CITY OF BURWELL, NEBRASKA

Notes to Financial Statements

September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These modifications include adjustments for the following balances arising from cash transactions:

- Cash-based interfund receivables and payables
- Investments
- Cash-based payroll liabilities

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) *are not recorded* in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the City utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

ASSETS, LIABILITIES AND EQUITY

Cash and Cash Equivalents – For purposes of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposits or short-term investments with an original maturity of three months or less.

Investments – Investments classified in the financial statements consist entirely of certificates of deposit acquired with cash whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

Inventories – Inventory purchases are accounted for as operating supply expenditures of the proprietary fund upon disbursement of funds.

Capital Assets – Capital assets resulting from cash transactions are accounted for as capital outlay disbursements of the respective fund upon acquisition. Maintenance and repairs are expended as incurred and are reported as program operating disbursements in the governmental funds and as a separate expense in the proprietary funds.

Long-term Debt – Long-term debts of governmental and proprietary funds are not reported as liabilities in the financial statements. In the governmental funds, the issuance of debt is reported net of premiums or discounts, as other financing sources. Payments of principal and interest are reported as debt service disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current debt service disbursements. In the proprietary funds, the issuance of debt is reported net of premiums or discounts, as non-operating receipts. Payments of principal, interest, fees, and issuance costs are reported as current non-operating disbursements.

CITY OF BURWELL, NEBRASKA

Notes to Financial Statements

September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classification – In the government-wide statements, equity is classified as net position and displayed in three components:

- (a) Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt. As the City utilizes the modified cash basis of accounting, there is no resulting net investment in capital assets.
- (b) Restricted – Consists of restricted assets with constraints placed on the use either by: (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- (c) Unrestricted – Net amount of assets that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the City's policy to first use restricted net resources prior to the use of unrestricted net resources when an expenditure is incurred for purposes for which both restricted and unrestricted net resources are available.

Governmental fund equity is reported as a fund balance and classified as nonspendable, restricted, committed, assigned and unassigned based on the respective level of constraint. These classifications are defined as follows:

- (a) Nonspendable – Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
- (b) Restricted – Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or by restrictions imposed by law through constitutional provisions or enabling legislation.
- (c) Committed – Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the City's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance or resolution.
- (d) Assigned – Amounts constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority.
- (e) Unassigned – The residual classification of the general fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

It is the City's policy to first use restricted funds prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. It is also the City policy to use committed fund balances before assigned fund balances and assigned fund balances before unassigned amounts when an expenditure is incurred for purposes for which any of those classifications are available to be used.

Proprietary fund equity is reported as net position and classified in the same manner as the government-wide statements, as previously described.

CITY OF BURWELL, NEBRASKA

Notes to Financial Statements

September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receipts and Disbursements –

PROGRAM RECEIPTS

In the Statement of Activities, modified cash basis receipts that are derived directly from each governmental activity or from parties outside the City's taxpayers are reported as program receipts. The City has the following program receipts in each activity:

General Government	Fees, rents, permits and licenses
Public Safety	Fees, permits and licenses
Streets	Highway allocation and incentive payments; shop and equipment rents
Public Welfare	Grave opening/closing fees, lot sales, economic development receipts, grants and specific donations
Culture and Recreation	Park and pool fees
Capital Projects	Capital grants and contributions
Assessments	Paving assessment receipts
TIF Projects	Ad valorem property taxes and monies received from redevelopment companies directed to TIF projects and indebtedness

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose. Property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable in two installments on May 1st and September 1st. The County bills and collects property taxes and remits to the City monthly. City property tax receipts are recognized when received by the County Treasurer.

OPERATING RECEIPTS AND DISBURSEMENTS

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods and/or services in connection with the proprietary fund's principle ongoing operations. The principle operating receipts are user fees. The principle operating expenses include the cost of sales and services, administrative expenses and overhead charges. Operating receipts and disbursements also include other transactions not related to capital and related financing, non-capital financing or investing activities. Capital outlays are reported as non-operating expenses.

Internal and Interfund Balances and Activities – In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

CITY OF BURWELL, NEBRASKA

Notes to Financial Statements

September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND FINANCIAL STATEMENTS

Interfund activity resulting from cash transactions or events, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

- (a) Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- (b) Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- (c) Interfund reimbursements – Repayments from funds responsible for certain expenditures to the funds that initially paid for them are not reported as reimbursements, but as adjustments to disbursements in the respective funds.
- (d) Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances resulting from cash transactions or events, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- (a) Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
- (b) Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Contributions - Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

Use of Estimates – The preparation of financial statements in conformity with the modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as commitments and contingencies disclosures). Accordingly, actual results could differ from those estimates.

Accounting Changes – In December 2015, the GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and Statement 79, *Certain External Investment Pools and Pool Participants*. The requirements of Statement 78 are effective for fiscal years beginning after December 15, 2015. Most of the requirements of Statement 79 are effective for fiscal years beginning after June 15, 2015, with some provisions not effective until fiscal years beginning after December 15, 2015. These Statements are not expected to have a material effect on the City's statement of net position or activities.

In January 2016, the GASB issued Statement 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2016. This Statement is not expected to have a material effect on the City's statement of net position or activities.

CITY OF BURWELL, NEBRASKA

Notes to Financial Statements

September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In March 2016, the GASB issued Statement 81, *Irrevocable Split-Interest Agreements* and Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of Statement 81 are effective for fiscal years beginning after December 15, 2016. Most of the requirements of Statement 82 are effective for fiscal years beginning after June 15, 2016, with one provision allowed to be extended until the first reporting period in which the measurement date of a particular liability is on or after June 15, 2017. These Statements are not expected to have a material effect on the City's statement of net position or activities.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state and local laws and contractual regulations. No issues of noncompliance considered material to the financial statements were noted.

NOTE 3 – CASH AND INVESTMENTS

The statutes of the State of Nebraska authorize the City to invest in certificates of deposit and time deposits of banks or capital stock financial institutions, obligations of the United States government and agencies thereof any securities as provided in the Public Funds Deposit Security Act. The City's funds were invested in demand checking accounts, money market checking accounts, and certificates of deposit. During the fiscal year ended September 30, 2016, the City complied with the provisions of its enabling State legislation and the City's cash management and investment policy.

Investments at year end consisted solely of certificates of deposit. The fair market value of these investments is the same as cost.

At September 30, 2016, the City held the following deposits and investments:

	Carrying Value	Maturities in Years		Credit Rating
		Less than 1	1-5	
Demand deposits	\$ 1,629,204	1,629,204	-	n/a
Time deposits - certificates of deposit	671,731	436,135	235,596	n/a
Total deposits and investments	<u>\$ 2,300,935</u>	<u>2,065,339</u>	<u>235,596</u>	
Statement of Net Position:				
Cash	\$ 637,442			
Restricted cash	991,762			
Investments	599,512			
Restricted investments	<u>72,219</u>			
Statement of Fiduciary Net Position:				
Cash	-			
	<u>\$ 2,300,935</u>			

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law. No deposits in excess of the amount

CITY OF BURWELL, NEBRASKA

Notes to Financial Statements

September 30, 2016

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

insured by the Federal Deposit Insurance Corporation (FDIC) shall be allowed to accumulate in the bank unless (1) the bank gives a surety bond; (2) the bank can give the City securities as collateral on the excess funds; or (3) the bank can issue a joint custody receipt to the benefit of the City where a third party bank actually holds the security.

As of September 30, 2016, the City's funds were entirely insured or collateralized by the depository banks. The City's funds were invested in demand checking accounts and certificates of deposits. Investments at year end consisted solely of certificates of deposit. The fair market value of these investments is the same as cost.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable. At September 30, 2016, the City's investments with maturity dates were limited to time deposits that were not exposed to interest rate risk.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2016, the City's investments were limited to time deposits that were not exposed to credit rate risk.

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investment in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. At September 30, 2016, the City had no concentration of credit risk as defined above.

NOTE 4 – RESTRICTED ASSETS

Restricted assets of \$1,074,269 are composed of the following amounts:

- a) \$187,500 held by the community subdivision fund for a new community center,
- b) \$18,099 held by the CDBG housing and rehab fund for grant money to be loaned out to different businesses in the community,
- c) \$140,435 held by the local option sales tax fund for CDBG grant money received from sale of home in the September 30, 2014 fiscal year,
- d) \$590,582 held by the debt service funds for the payment of general long-term principal, interest and related costs,
- e) \$98,000 held by the electric fund for the payment of principal and interest on long-term bonds,
- f) \$39,653 held by the electric fund for repayment of customer utility deposits.

NOTE 5 – INTERFUND BALANCES AND ACTIVITY

The flow of assets from one fund to another where repayment is not expected is reported as transfers. Transfers are used to (1) move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. General fund internal transfers have been eliminated.

CITY OF BURWELL, NEBRASKA

Notes to Financial Statements

September 30, 2016

NOTE 5 – INTERFUND BALANCES AND ACTIVITY

Transfers between funds of the primary government for the year ended September 30, 2016 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds		
L Street Construction	\$ -	99,303
Non-major Funds		
Infrastructure	<u>99,303</u>	<u>-</u>
Total	<u>\$ 99,303</u>	<u>99,303</u>

NOTE 6 – FUND BALANCE – GOVERNMENTAL FUNDS

	<u>Debt Service</u>				<u>Special Revenue Funds</u>				<u>Total</u>
	General	Regular	L Street	Other	Local Option	Community	Governmental		
	Fund	Subdivision	Downtown	Construction	Street	Sales Tax	Subdivision	Funds	
Fund balances:									
Nonspendable	\$ -	-	-	-	-	-	-	-	-
Restricted									
Public Welfare	-	-	-	-	-	140,435	187,500	18,099	346,034
Debt service	-	94,391	76,286	289,914	-	-	-	129,991	590,582
Committed									
Economic development	-	-	-	-	-	142,129	-	-	142,129
Capital projects	-	-	-	-	-	-	-	178,979	178,979
Assigned									
Street	-	-	-	-	107,003	-	-	-	107,003
Public Welfare	80,311	-	-	-	-	-	-	-	80,311
Culture and Recreation	486,112	-	-	-	-	-	-	-	486,112
Unassigned	62,298	-	-	-	-	-	-	-	62,298
Total fund balances	<u>\$ 628,721</u>	<u>94,391</u>	<u>76,286</u>	<u>289,914</u>	<u>107,003</u>	<u>282,564</u>	<u>187,500</u>	<u>327,069</u>	<u>1,993,448</u>

NOTE 7 – RETIREMENT PLANS

The Retirement Plan of the City of Burwell provides pension benefits for all its full-time employees through a defined contribution plan. The plan was established and is amended by Board resolution. The plan administrator is selected by the employee. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on their date of hire. Enrollment in the plan is mandatory. The plan does not require that the employee contribute. The City contributes 5% of the employee's salary each month. The City's contributions for each employee (and interest allocated to the employee's account) are vested immediately. These requirements were established and may be amended by Board resolution. The City's required 5% contribution amounted to \$24,858 for the year ended September 30, 2016. The employee elective deferral contributions totaled \$8,646 for the year ended September 30, 2016. All employer and employee contributions have been transferred to the plan's trustees for the year ended September 30, 2016.

CITY OF BURWELL, NEBRASKA

Notes to Financial Statements

September 30, 2016

NOTE 8– RISK MANAGEMENT

The City is exposed to various risks of loss from torts; theft of; damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. The City manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
(a) Torts, errors and omissions	Purchased commercial insurance	None
(b) Workers compensation, health and life	Purchased commercial insurance	None
(c) Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three years.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Operating Lease – In January 2003, the City entered into an agreement for the purpose of leasing real estate. The agreement requires a payment of \$2,400 per year commencing in January 2003. The agreement automatically renews on an annual basis.

Minimum future obligations on the operating leases at September 30, 2016 are:

<u>Year Ending September 30</u>	
2017	\$ 2,400
2018	2,400
2019	2,400
2020	2,400
2021	2,400
	<u>\$ 12,000</u>
Each subsequent year thereafter	2,400

Lease expense for the year ended September 30, 2016 was \$2,400.

CITY OF BURWELL, NEBRASKA

Notes to Financial Statements

September 30, 2016

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Long Term Liabilities – As of September 30, 2016, the long-term debt payable from governmental fund resources consisted of the following:

	<u>Balance</u> <u>Sept. 30, 2015</u>	<u>Bonds Issued/ Note Proceeds</u>	<u>Bonds Redeemed/ Principal Paid</u>	<u>Balance</u> <u>Sept. 30, 2016</u>	<u>Amount Due</u> <u>Within One Year</u>
Paving Refunding Bond: Dated September 2009, interest 1.25 to 3.95%. Final payment due September 2019.	\$ 545,000	-	(125,000)	420,000	130,000
Highway Allocation Bond: Dated June 2011, interest 0.90 to 3.35%. Final payment due June 2021.	125,000	-	(20,000)	105,000	20,000
2011 Paving Bond: Dated November 2013, interest 0.50 to 4.05%. Final payment due November 2028.	400,000	-	(25,000)	375,000	25,000
G.O. Water Bond: Dated November 2013, interest 0.50 to 3.15%. Final payment due November 2023.	150,000	-	(15,000)	135,000	15,000
G.O. Sewer Bond: Dated February 2015, interest 0.45 to 2.90%. Final payment due December 2029.	265,000	-	(15,000)	250,000	15,000
Street Improvement Bond Anticipation Note: Dated March 2016, interest 1.05%. Final payment due March 2018	-	2,695,000	-	2,695,000	-
Street Improvement Bond Anticipation Note: Dated July 2016, interest 1.10%. Final payment due March 2018	-	130,000	-	130,000	-
	<u>\$ 1,485,000</u>	<u>2,825,000</u>	<u>(200,000)</u>	<u>4,110,000</u>	<u>205,000</u>

CITY OF BURWELL, NEBRASKA

Notes to Financial Statements

September 30, 2016

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

As of September 30, 2016, the bonds and notes payable in the proprietary funds resources consisted of the following:

	<u>Balance</u> <u>Sept. 30, 2015</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>Sept. 30, 2016</u>	<u>Amount Due</u> <u>Within One Year</u>
Sewer refunding bond: Dated March 2009, interest 1.70 to 3.05%. Final payment due May 2016.	30,000	-	(30,000)	-	-
Note payable Great Western Bank, Sewer jet: Dated February 2011, interest 3.35%. Final payment due February 2016.	4,345	-	(4,345)	-	-
Electric utility bond: Dated February 2014, interest 0.40 to 4.00%. Final payment due February 2029.	145,000	-	(10,000)	135,000	10,000
Electric utility revenue refunding bond: Dated March 2014, interest 0.45 to 3.20%. Final payment due March 2024.	<u>470,000</u>	<u>-</u>	<u>(45,000)</u>	<u>425,000</u>	<u>45,000</u>
	<u>\$ 649,345</u>	<u>-</u>	<u>(89,345)</u>	<u>560,000</u>	<u>55,000</u>

The aggregate schedule of maturities of long-term liabilities, including principal and interest, for the five years subsequent to September 30, 2016 is as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2017	\$ 205,000	67,604	55,000	13,175	340,779
2018	3,040,000	47,030	55,000	12,568	3,154,598
2019	225,000	25,570	60,000	11,700	322,270
2020	75,000	18,061	60,000	10,560	163,621
2021	80,000	16,270	65,000	9,145	170,415
2022-2026	300,000	52,921	230,000	19,709	602,630
2027-2030	<u>185,000</u>	<u>11,153</u>	<u>35,000</u>	<u>2,272</u>	<u>233,425</u>
	<u>\$ 4,110,000</u>	<u>238,609</u>	<u>560,000</u>	<u>79,129</u>	<u>4,987,738</u>

Interest of \$57,238 and \$14,550 was paid by the governmental funds and proprietary funds, respectively, on bonds and notes during the year.

CITY OF BURWELL, NEBRASKA

Notes to Financial Statements

September 30, 2016

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concentration of Credit Risk – The City provides electric, water and sewer services to residents of the City of Burwell, Nebraska. In the course of providing these services, the City extends credit to its customers, which is uncollateralized.

Contracts and Agreements – On October 30, 1989, the City entered into a contract with the United States Department of Energy, Western Area Power Administration (WAPA) whereby WAPA would provide “firm electric power” in varying amounts from 359 to 566 kilowatts and the City would purchase the same. The current contract will expire on December 31, 2020. If WAPA notifies the City that there will be an increase in the amount charged for power, the City has the right to opt out of the contract one hundred eighty (180) days after the effective date of such increase. The City purchased power from WAPA in the amount of \$83,615 for the year ended September 30, 2016.

In March 1982, the City entered into a contract with Municipal Energy Agency of Nebraska (MEAN) for total power requirement. This agreement states that the City will purchase its power needs in excess of the power supplied by WAPA directly from MEAN. To ensure that MEAN had adequate power to supply their municipal customers, MEAN participated in the building of certain power plants. The City committed to purchase power directly from MEAN for the longer of ten years or when the bonds to build the power plant had been paid in full. The power plant bonds are scheduled to be paid in full in the year 2041. The dollar amount of power purchased from MEAN was \$915,759 for the year ended September 30, 2016. In addition, an energy charge credit of \$25,799 was received back from MEAN. As part of this agreement the City has agreed to lease its power generating facility to MEAN. The City has agreed to maintain its facility in working order so that if additional power is needed by MEAN, it can use the City’s facility to generate such power. MEAN has agreed to pay the City a fee for maintaining its power plant in working condition. The amount paid to the City was \$75,902 for the year ended September 30, 2016. The City has the option to assign its rights and commitments in this contract if the entity to which it is assigning such rights and commitments is acceptable to MEAN.

The City has contractually committed to MEAN, as a bulk power participant, substantially all the energy output of its existing generation facilities for the common benefit of other participants in this agreement. The purpose of this agreement was to pool financial and other resources of all participants in order to provide for the construction of future generation facilities or the acquisition of a ready reliable power supply for the common benefit of all participants. The City may cancel this agreement two years subsequent to the time written notice is given to MEAN for cancellation.

Conduit Debt Arrangement – In January 2015 the City authorized the issuance of Tax Increment Revenue Bond Series 2013 (TIF Indebtedness) amounting to \$128,000. This note is a limited obligation of the City, payable solely from the Tax Increment Revenues pledged as security for the note. The City also entered into a redevelopment contract dated in December 2013 and amendment date in May 2014 with Burwell Investment Club LLC. According to the redevelopment contract, the Redeveloper agrees to operate 15 years and pay the real estate taxes, including any in lieu amounts (TIF Revenues). The TIF Revenues are received by the City, via the County Treasurer, and are restricted to the payment of the TIF Indebtedness, including any interest. As of September 30, 2016, the total TIF Indebtedness was \$121,375.

CITY OF BURWELL, NEBRASKA

Notes to Financial Statements

September 30, 2016

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Compliance Audits – In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Litigation – The City is subject to claims and other actions arising in the ordinary course of business. Some of these claims and actions have resulted in lawsuits where the City is a defendant. Management believes that the ultimate obligations, if any, which may result from unfavorable outcomes of such lawsuits, will not have a material adverse effect on the financial position, results of operations or cash flows of the City and such obligations, if any, would be adequately covered by insurance.

NOTE 10 – RELATED ORGANIZATIONS

The City Council approves the appointments for the Board of Commissioners for the Housing Authority of the City of Burwell (Housing Authority). While the City Council approves a voting majority of the Housing Authority's governing body, the City does not retain the ability to impose its will on the Housing Authority nor does the Housing Authority provide specific financial benefits to or burdens on the City. The City has determined that due to the insignificance of financial accountability between the two entities, the Housing Authority does not meet the criteria of a component unit.

The City Council does not appoint a voting majority of the Burwell Airport Authority (Airport Authority) governing body. The Airport Authority has a separately elected board. The City Council does appoint board members to fill vacancies to the end of a term, if necessary. The City Council approves the budget for the Airport Authority. However, the Airport Authority submits its own budget to the state. The Airport Authority does not provide specific financial benefits to or burdens on the City. The City has determined that due to the insignificance of financial accountability between the two entities, the Airport Authority does not meet the criteria of a component unit.

CITY OF BURWELL, NEBRASKA

**Statement of Net Position
Proprietary Funds
(Supplementary Information)**

September 30, 2016

	<u>Business-Type Activities -- Enterprise Funds</u>				<u>Total</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	
ASSETS					
CURRENT ASSETS					
Cash	\$ 51,973	-	38,637	19,992	110,602
Restricted cash	65,434	-	-	-	65,434
Accounts receivable, less allowance for doubtful accounts	219,422	50,988	23,380	3,483	297,273
Inventory	99,460	8,516	-	-	107,976
Accrued interest receivable	143	8	-	-	151
Prepaid expenses	23,315	7,094	8,366	-	38,775
TOTAL CURRENT ASSETS	<u>459,747</u>	<u>66,606</u>	<u>70,383</u>	<u>23,475</u>	<u>620,211</u>
NET PROPERTY AND EQUIPMENT	733,696	270,586	424,389	-	1,428,671
OTHER ASSETS					
Investments	70,313	10,181	-	-	80,494
Restricted investments	72,219	-	-	-	72,219
TOTAL OTHER ASSETS	<u>142,532</u>	<u>10,181</u>	<u>-</u>	<u>-</u>	<u>152,713</u>
TOTAL ASSETS	<u>1,335,975</u>	<u>347,373</u>	<u>494,772</u>	<u>23,475</u>	<u>2,201,595</u>
LIABILITIES					
CURRENT LIABILITIES					
Cash overdraft	-	349	-	-	349
Current portion of long-term debt	55,000	-	-	-	55,000
Accounts payable	81,922	3,869	1,846	12,369	100,006
Accrued expenses	8,975	1,058	5,636	-	15,669
Customer deposits	39,653	-	-	-	39,653
TOTAL CURRENT LIABILITIES	<u>185,550</u>	<u>5,276</u>	<u>7,482</u>	<u>12,369</u>	<u>210,677</u>
LONG-TERM LIABILITIES	<u>505,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>505,000</u>
TOTAL LIABILITIES	<u>690,550</u>	<u>5,276</u>	<u>7,482</u>	<u>12,369</u>	<u>715,677</u>
NET POSITION					
Net investment in capital assets	173,696	270,586	424,389	-	868,671
Restricted	-	-	-	-	-
Unrestricted	471,729	71,511	62,901	11,106	617,247
TOTAL NET POSITION	<u>\$ 645,425</u>	<u>342,097</u>	<u>487,290</u>	<u>11,106</u>	<u>1,485,918</u>

CITY OF BURWELL, NEBRASKA

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
(Supplementary Information)**

For the Year Ended September 30, 2016

	<u>Business-Type Activities -- Enterprise Funds</u>				<u>Total</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	
OPERATING REVENUES					
User fees	\$ 1,492,998	142,769	163,995	156,060	1,955,822
Bulk power sales	75,902	-	-	-	75,902
Other fees	-	443	1,873	-	2,316
TOTAL OPERATING REVENUES	<u>1,568,900</u>	<u>143,212</u>	<u>165,868</u>	<u>156,060</u>	<u>2,034,040</u>
OPERATING EXPENSES					
Salaries	170,841	43,728	52,657	-	267,226
Payroll taxes	13,043	3,345	4,028	-	20,416
Employee benefits	44,282	17,098	113	-	61,493
Retirement	7,871	2,068	2,476	-	12,415
Contractual services	3,600	1,600	1,600	149,291	156,091
Repairs and maintenance	41,291	15,873	8,372	-	65,536
Utilities	1,006,998	12,644	8,902	-	1,028,544
Telephone	3,302	370	332	-	4,004
Insurance	25,076	7,082	8,266	-	40,424
Supplies	90,865	6,290	2,524	-	99,679
Legal and professional services	17,739	675	675	-	19,089
Dues, memberships and meetings	1,824	-	-	5,445	7,269
Travel and mileage	3,319	2,654	2,117	-	8,090
Gas and oil	5,556	1,168	1,258	-	7,982
Rent	18,720	7,200	9,600	-	35,520
Depreciation	46,054	18,985	30,687	-	95,726
Miscellaneous	5,622	5,534	2,932	-	14,088
TOTAL OPERATING EXPENSES	<u>1,506,003</u>	<u>146,314</u>	<u>136,539</u>	<u>154,736</u>	<u>1,943,592</u>
OPERATING INCOME (LOSS)	<u>62,897</u>	<u>(3,102)</u>	<u>29,329</u>	<u>1,324</u>	<u>90,448</u>
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) on sale of equipment	(4,327)	-	-	-	(4,327)
Investment earnings	472	41	3	-	516
Interest expense	(13,581)	-	(597)	-	(14,178)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(17,436)</u>	<u>41</u>	<u>(594)</u>	<u>-</u>	<u>(17,989)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	45,461	(3,061)	28,735	1,324	72,459
CAPITAL CONTRIBUTIONS (NET)	<u>(12,159)</u>	<u>(26,976)</u>	<u>(20,354)</u>	<u>-</u>	<u>(59,489)</u>
CHANGE IN NET POSITION	33,302	(30,037)	8,381	1,324	12,970
NET POSITION - BEGINNING	<u>612,123</u>	<u>372,134</u>	<u>478,909</u>	<u>9,782</u>	<u>1,472,948</u>
NET POSITION - ENDING	<u>\$ 645,425</u>	<u>342,097</u>	<u>487,290</u>	<u>11,106</u>	<u>1,485,918</u>

CITY OF BURWELL, NEBRASKA

Notes to Statements of Proprietary Funds (Supplementary Information)

September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The statements of proprietary funds (supplementary information) have been included and prepared in conformity with generally accepted accounting principles to satisfy Nebraska Revised Statute 19-2903.

Measurement Focus – The statements of proprietary funds utilize an "economic resources". The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and net financial position. All assets, deferred outflows, liabilities and deferred inflows (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

Basis of Accounting – Revenues from user fees and sale of labor, material and water are reported as operating revenues. Transactions which are capital, financing or investing related are reported as non-operating revenues. All expenses related to operating the proprietary funds are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

Use of Estimates – In preparing the statements of proprietary funds in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that will affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES AND EQUITY

Cash, Cash Equivalents, and Investments - These items are presented in the same manner as in the modified cash basis financial statements.

Allowance for Doubtful Accounts – Estimated allowances for uncollectible amounts are determined based upon past collection experience and current economic conditions.

Prepaid expenses – Prepaid expenses in the proprietary funds consist of insurance costs and rents that have been prepaid for the next fiscal year. These costs will be recognized as expenditures in the subsequent year.

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

Accrued Expenses – Accrued expenses represent the liability for accrued interest on long-term debt obligations as well as the liability for accrued vacation. The cost of unused employee vacation time payable in the event of employee termination is accrued. No accrual is made for sick pay since it does not vest. No liability is recorded for non-vesting accumulating rights to receive vacation and sick leave benefits.

Long-Term Debt – Long-term debts are reported as liabilities. Bond premiums and discounts, as well as issuance costs are reported as current expenses or revenues.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position-proprietary funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an

CITY OF BURWELL, NEBRASKA

**Notes to Statements of Proprietary Funds
(Supplementary Information)**

September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

outflow of resources (expense) until that time. At this time, the City has no transactions that meet the definition of deferred outflows of resources.

In addition to liabilities, the statement of net position-proprietary funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the City has no transactions that meet the definition of deferred inflows of resources.

Equity Classification – Equity is classified as net position and displayed in three components as in the government-wide statements: net investment in capital assets, restricted and unrestricted.

NOTE B – RECEIVABLES

The accounts receivable arise in the normal course of business and are reduced by a valuation allowance that reflects the City management’s best estimate of the amounts that will not be collected. The allowance for doubtful accounts was \$5,600.

NOTE C – PROPERTY AND EQUIPMENT

Capital Assets – Capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value on the date received. Support received from federal and state grants and from the municipality and others to pay for a portion of the utility plant are considered contributions in aid of construction and are classified in the income statement as contributions and recognized when earned.

Maintenance and repairs are expended as incurred. When properties are disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited to a revenue or charged to an expense.

Depreciation of capital assets is computed using the straight-line method over the estimated useful lives of the respective classes of assets as follows:

Buildings and improvements.....	10-40 years
Plant.....	10-33 years
Equipment.....	3-10 years

CITY OF BURWELL, NEBRASKA

**Notes to Statements of Proprietary Funds
(Supplementary Information)**

September 30, 2016

NOTE C – PROPERTY AND EQUIPMENT (CONTINUED)

Major classes of property and equipment in the proprietary funds at September 30, 2016 consist of the following:

	CAPITAL ASSETS, NOT DEPRECIATED		CAPITAL ASSETS, DEPRECIATED		Totals
	Land	Construction in Progress	Equipment	Systems	
<i>Business-type Activities</i>					
Electric					
Balance September 30, 2015	\$ 15,406	-	211,114	2,934,920	3,161,440
Increases	-	-	-	-	-
Decreases	-	-	61,289	390,748	452,037
Balance September 30, 2016	15,406	-	149,825	2,544,172	2,709,403
Accumulated Depreciation					
Balance September 30, 2015	-	-	208,192	2,169,171	2,377,363
Increases	-	-	2,922	43,131	46,053
Decreases	-	-	61,289	386,420	447,709
Balance September 30, 2016	-	-	149,825	1,825,882	1,975,707
Capital assets, net	15,406	-	-	718,290	733,696
Water					
Balance September 30, 2015	6,841	-	58,420	924,228	989,489
Increases	-	-	-	-	-
Decreases	-	-	7,749	-	7,749
Balance September 30, 2016	6,841	-	50,671	924,228	981,740
Accumulated Depreciation					
Balance September 30, 2015	-	-	57,489	642,429	699,918
Increases	-	-	327	18,658	18,985
Decreases	-	-	7,749	-	7,749
Balance September 30, 2016	-	-	50,067	661,087	711,154
Capital assets, net	6,841	-	604	263,141	270,586
Sewer					
Balance September 30, 2015	1,650	-	90,665	1,065,632	1,157,947
Increases	-	-	-	-	-
Decreases	-	-	1,500	-	1,500
Balance September 30, 2016	1,650	-	89,165	1,065,632	1,156,447
Accumulated Depreciation					
Balance September 30, 2015	-	-	68,217	634,655	702,872
Increases	-	-	9,183	21,503	30,686
Decreases	-	-	1,500	-	1,500
Balance September 30, 2016	-	-	75,900	656,158	732,058
Capital assets, net	1,650	-	13,265	409,474	424,389
Sanitation					
Balance September 30, 2015	-	-	8,027	-	8,027
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance September 30, 2016	-	-	8,027	-	8,027
Accumulated Depreciation					
Balance September 30, 2015	-	-	8,027	-	8,027
Increases	-	-	-	-	-
Balance September 30, 2016	-	-	8,027	-	8,027
Capital assets, net	-	-	-	-	-
<i>Business-type Activities</i>					
Capital assets, net	\$ 23,897	-	13,869	1,390,905	1,428,671

CITY OF BURWELL, NEBRASKA

**Budgetary Comparison Schedule – Budget and Actual – Cash Basis
(Supplementary Information)**

September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Receipts				
General			282,000	
General interfund transfers			163	
L Street Paving			104,931	
L Street Construction			2,829,118	
Infrastructure			155,214	
CRA Subdivision			13,629	
Community Subdivision			-	
Housing and Rehab			855	
Street			220,215	
Local Option Sales Tax			143,747	
Subdivision			36,669	
Regular Downtown			127,887	
Total Electric			1,561,827	
Total Water			145,775	
Total Sewer			166,995	
Sanitation			<u>156,595</u>	
	<u>\$ 6,362,861</u>	<u>6,362,861</u>	<u>5,945,620</u>	<u>(417,241)</u>
Disbursements				
General			295,276	
General interfund transfers			163	
L Street Paving			32,183	
L Street Construction			2,539,204	
Infrastructure			94,105	
CRA Subdivision			13,025	
Community Subdivision			-	
Housing and Rehab			762	
Street			222,655	
Local Option Sales Tax			146,864	
Subdivision			36,066	
Regular Downtown			126,020	
Total Electric			1,543,142	
Total Water			154,035	
Total Sewer			162,792	
Sanitation			<u>167,398</u>	
	<u>7,177,272</u>	<u>7,177,272</u>	<u>5,533,690</u>	<u>1,643,582</u>
	<u>\$ (814,411)</u>	<u>(814,411)</u>	<u>411,930</u>	<u>1,226,341</u>

CITY OF BURWELL, NEBRASKA

Notes to Budgetary Comparison Schedule (Supplementary Information)

September 30, 2016

Basis of Accounting

The budget is prepared on the cash basis of accounting. Revenues and expenditures are reported when they result from cash transactions. Because state law requires that a municipality's annual budget be prepared on the cash basis of accounting, the budget adopted by the City Council is inconsistent with generally accepted accounting principles.

Budget Law

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

- (a) The City Council shall prepare a proposed all-purpose operating budget statement in writing and file with the secretary or clerk.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) A copy of the adopted budget must be filed with the levying board and the State Auditor's office. Proof of publication shall be attached.
- (d) Budgets are adopted on a cash basis. Amendments that alter the total expenditures require that an additional public hearing be held.

Revenues are budgeted in the year receipt is expected and expenditures are budgeted in the year expenses are expected to be paid. Appropriations for budgeted funds lapse at fiscal year end.

MARVIN E. JEWELL & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and City Council
City of Burwell, Nebraska

We have audited, in accordance with the 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 modified cash basis financial statements of the governmental activities, the business-type activities each major fund and the aggregate remaining fund information of the City of Burwell, Nebraska (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 10, 2017. Our report discloses that the City prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. We identified a deficiency in internal control, described below, that we consider to be a material weakness.

Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Authorization or approval of transactions, recording of transactions, and custody of the assets should normally be segregated activities. Adequate personnel are not available to assign responsibilities in such a way that different employees handle different parts of the same transaction. Authorization or approval of transactions, recording of transactions, and custody of the assets should normally be segregated activities.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City will segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Burwell, Nebraska's Response to Findings

The City of Burwell, Nebraska's response to the findings identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Marvin E. Jewell & Co., P.C.

Lincoln, Nebraska
March 10, 2017

MARVIN E. JEWELL & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
8215 NORTHWOODS DR., SUITE 300
LINCOLN, NEBRASKA 68505
(402) 423-1444 FAX 423-4829

March 10, 2017

PRIVATE AND CONFIDENTIAL

Members of the City Council
City of Burwell
Box 604
Burwell, Nebraska 68823

Dear City Council Members:

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Burwell, Nebraska (the City) as of and for the year ended September 30, 2016, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated March 10, 2017, on the financial statements of the City of Burwell, Nebraska.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Organizational Structure and Segregation of Duties

The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Council remains involved in the financial affairs of the City to provide oversight and independent review functions. While the following list is not all-inclusive, some examples of procedures that would help strengthen your internal controls would be:

- Monthly review of each bank statement and bank reconciliation.
- Monthly review of bank balances and security in place over the FDIC coverage.
- Monthly or quarterly review of each fund trial balance (with reconciliations where appropriate).
- Review of invoices presented for approval.
- Review of each payroll summary report and reconciliation to payroll presented for board approval.
- Review of contracts, loan and grant agreements and subsequent follow up reviews of restrictions and reserves to monitor continued compliance.
- Monitoring of grant or debt proceeds to the related expenditures.

Organizational Structure and Segregation of Duties (continued)

The City adopted Resolution 1999-11 requiring 2 signatures on checks written on most City bank accounts to strengthen internal controls. During our audit procedures, we noted one check that did not contain 2 signatures. Care should be taken to ensure that this resolution is being implemented on all required accounts.

Opportunities for Improved Efficiency

The City personnel continue to improve internal controls over inventory. Actual material and supplies inventory counts in the utility funds should be reconciled periodically to monitor and avoid large discrepancies. Physical inventory counts should be adequately conducted to ensure accurate counts. Those handling inventory should keep an accurate count of all items entering and leaving the warehouse in order to keep a perpetual inventory. The City personnel continue to improve internal controls over inventory.

Cash Management

Several deposits were not posted in the assessments book at September 30, 2016, but the activity was noted in the daybook. It is our understanding that the assessment book is updated prior to sending out the annual billing, however, the City should consider a monthly or quarterly reconciliation of this ledger.

The water fund has an allocated deficit cash balance of \$349. While the City as an overall positive cash balance, we recommend reviewing the cash allocations (general ledger #1020 for each fund) monthly to ensure each fund maintains a positive allocated cash balance.

Contract Compliance

An economic development loan has consistently been delinquent. While the delinquency has been acknowledged in the minutes, no plan of action regarding the delinquency has been put in place. During the fiscal year ended September 30, 2016 one payments was received on the loan. The delinquent balance is \$37,283 plus interest. The City should discuss the options available to address the delinquency and develop a formal plan of action.

Software

The utility billing software isn't integrated with the general ledger software used by the City. To aid in the analysis and reconciliation of the general ledger activity, it would be helpful if the utility and general ledger software were integrated together. This could help reduce input error and/or reduce duplicate entries.

We wish to thank all the City personnel for the courtesies and assistance extended to us during our audit. If you have any questions regarding the above, we would be pleased to discuss them with you.

Very truly yours,

MARVIN E. JEWELL & CO., P.C.



Carmen R. Standley, CPA

MARVIN E. JEWELL & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

8215 NORTHWOODS DR., SUITE 300

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(402) 423-1444 FAX 423-4829

March 10, 2017

Honorable Mayor and City Council
City of Burwell
Box 604
Burwell, Nebraska 68823

Dear Mayor and City Council Members:

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burwell, Nebraska (the City) for the year ended September 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 8, 2015 and September 28, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies that had a material effect on the financial statements were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the commitments and contingencies is based on management's knowledge and experience about past and current events and assumptions about future events. We evaluated the key factors and assumptions used to develop the notes to the financial statements regarding Commitments and Contingencies in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

City of Burwell
Box 604
Burwell, Nebraska 68823

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 10, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on the statements of proprietary funds (in compliance with Nebraska Statute 19-2903), which accompany the financial statements but are not required supplementary information (RSI). With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.


We were not engaged to report on the budgetary comparison schedule, which accompanies the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the members of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

MARVIN E. JEWELL & CO., P.C.


Carmen R. Standley, CPA