



CITY OF AUBURN
AUBURN, NEBRASKA

COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

CITY OF AUBURN, NEBRASKA
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Auburn
Auburn, Nebraska

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Auburn, Nebraska as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

City of Auburn
Auburn, Nebraska

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

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

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

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Auburn Board of Public Works and Qualified Opinion on Business-Type Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the Auburn Board of Public Works, Auburn, Nebraska, as of September 30, 2018, or the respective changes in financial position thereof for the year then ended in accordance with basis of accounting described in Note 1.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Adverse Opinion on Auburn Board of Public Works and Qualified Opinion on Business-Type Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position – modified cash basis of the business-type activities of the City of Auburn, Nebraska, as of September 30, 2018 and the changes in financial position – modified cash basis thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, other than the Auburn Board of Public Works, and the aggregate remaining fund information for the primary government of the City of Auburn, Nebraska, as of September 30, 2018, and the respective changes in financial position – modified cash basis thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the basic financial statements, which describes the basis of accounting. The basic financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

City of Auburn
Auburn, Nebraska

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

City of Auburn
Auburn, Nebraska

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2018 on our consideration of the City of Auburn, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Auburn, Nebraska's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Auburn, Nebraska's internal control over financial reporting and compliance.

Massman Nelson Remy PC
Certified Public Accountants

Omaha, Nebraska
October 30, 2018

CITY OF AUBURN, NEBRASKA
COMBINED STATEMENT OF NET POSITION – MODIFIED CASH BASIS
SEPTEMBER 30, 2018

ASSETS

Cash in bank	\$ 1,988,283
Certificates of deposit	110,264
Cash in custody of County Treasurer	35,410
Special assessments receivable	25,603
Capital assets:	
Non-depreciable	407,023
Depreciable, net	<u>6,406,380</u>
Total assets	<u>8,972,963</u>

LIABILITIES

Deferred revenue - special assessments	25,603
Other liabilities	4,379
Bonds payable:	
Due within one year	<u>60,000</u>
Total liabilities	<u>89,982</u>

NET POSITION

Invested in capital assets, net of related debt	6,753,403
Restricted for:	
Community betterment	74,221
Unrestricted	<u>2,055,357</u>
Net position	<u>\$ 8,882,981</u>

See the accompanying notes to the financial statements.

CITY OF AUBURN, NEBRASKA
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 1,082,774	\$ -	\$ -	\$ -	\$ 1,082,774
Public health and safety	54,147	-	-	-	54,147
Public works	401,338	-	-	-	401,338
Culture – recreation	485,713	197,028	-	-	288,685
Debt service	6,591	-	-	-	6,591
Keno expenditures	10,876	-	-	-	10,876
CDBG program	189,848	-	-	-	189,848
Depreciation	346,463	-	-	-	346,463
Total governmental activities	<u>2,577,750</u>	<u>197,028</u>	<u>-</u>	<u>-</u>	<u>2,380,722</u>
General revenue:					
Taxes					715,659
Intergovernmental					819,057
Special assessments					10,391
Interest income					3,000
Keno proceeds					11,741
Local option sales tax					471,128
Licenses and permits					13,763
CDBG program					223,720
Community Redevelopment net					137,214
Miscellaneous					<u>52,291</u>
Total general revenue and transfers					<u>2,457,964</u>
Change in net position					77,242
Net position – beginning of year					<u>8,805,739</u>
Net position – end of year					<u>\$ 8,882,981</u>

See the accompanying notes to the financial statements.

CITY OF AUBURN, NEBRASKA
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY
PRIMARY GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
SEPTEMBER 30, 2018

ASSETS

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue Keno</u>	<u>Total</u>
Assets:				
Cash in bank	\$ 1,914,062	\$ -	\$ 74,221	\$ 1,988,283
Certificates of deposit	110,264	-	-	110,264
Cash in custody of County Treasurer	35,410	-	-	35,410
Special assessments receivable	-	25,603	-	25,603
Total assets	<u>\$ 2,059,736</u>	<u>\$ 25,603</u>	<u>\$ 74,221</u>	<u>\$ 2,159,560</u>

LIABILITIES AND FUND EQUITY

Liabilities:				
Deferred revenue – special assessments	\$ -	\$ 25,603	\$ -	\$ 25,603
Other liabilities	4,379	-	-	4,379
Total liabilities	<u>4,379</u>	<u>25,603</u>	<u>-</u>	<u>29,982</u>
Fund equity:				
Restricted for:				
Debt service	-	-	-	-
Community betterment	-	-	74,221	74,221
Unassigned	2,055,357	-	-	2,055,357
Total fund equity	<u>2,055,357</u>	<u>-</u>	<u>74,221</u>	<u>2,129,578</u>
Total liabilities and fund equity	<u>\$ 2,059,736</u>	<u>\$ 25,603</u>	<u>\$ 74,221</u>	<u>\$ 2,159,560</u>

See the accompanying notes to the financial statements.

CITY OF AUBURN, NEBRASKA
RECONCILIATION OF COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
GOVERNMENTAL FUNDS – MODIFIED CASH BASIS – TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total fund balance – all governmental funds		\$	2,129,578
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund financial statement:			
Capital assets	11,489,067		
Accumulated depreciation	<u>(4,675,664)</u>		6,813,403
Long-term liabilities are not due and payable in this current period and therefore, are not reported in the funds:			
Bonds payable			<u>(60,000)</u>
Net position of governmental activities		\$	<u>8,882,981</u>

See the accompanying notes to the financial statements.

CITY OF AUBURN, NEBRASKA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES – GENERAL AND DEBT SERVICE FUNDS –
PRIMARY GOVERNMENT – MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Governmental Fund Types			
	General	Debt Service	Special Revenue Keno	Total
Receipts:				
Taxes – personal property	\$ 667,765	\$ 47,894	\$ -	\$ 715,659
Taxes – sales	-	471,128	-	471,128
Special assessments	-	10,391	-	10,391
Licenses and permits	13,763	-	-	13,763
Intergovernmental	819,057	-	-	819,057
Charges for services	197,028	-	-	197,028
Miscellaneous	55,291	-	-	55,291
Total receipts	<u>1,752,904</u>	<u>529,413</u>	<u>-</u>	<u>2,282,317</u>
Disbursements:				
Current:				
General government	1,082,774	-	-	1,082,774
Public works	401,338	-	-	401,338
Public health and safety	54,147	-	-	54,147
Cultural and recreational	485,713	-	-	485,713
Debt service:				
Principal retirement	-	190,000	-	190,000
Interest	-	6,531	-	6,531
Bond handling fee	-	60	-	60
Total disbursements	<u>2,023,972</u>	<u>196,591</u>	<u>-</u>	<u>2,220,563</u>
Excess (deficit) of receipts over (under) disbursements	<u>(271,068)</u>	<u>332,822</u>	<u>-</u>	<u>61,754</u>
Other financing sources:				
CDBG programs	223,720	-	-	223,720
Gross keno proceeds	-	-	11,741	11,741
Community Redevelopment Authority – net	137,214	-	-	137,214
Transfer from other fund	360,661	-	-	360,661
Total other financing sources	<u>721,595</u>	<u>-</u>	<u>11,741</u>	<u>733,336</u>
Other financing uses:				
CDBG programs	189,848	-	-	189,848
Keno expenditures	-	-	10,876	10,876
Capitalized outlays – net	75,776	-	-	75,776
Transfer to other fund	-	360,661	-	360,661
Total other financing uses	<u>265,624</u>	<u>360,661</u>	<u>10,876</u>	<u>637,161</u>
Excess (deficit) of receipts and other financing sources over (under) disbursements and other financing uses	<u>184,903</u>	<u>(27,839)</u>	<u>865</u>	<u>157,929</u>
Fund balance, beginning of year	<u>1,870,454</u>	<u>27,839</u>	<u>73,356</u>	<u>1,971,649</u>
Fund balance, end of year	<u>\$ 2,055,357</u>	<u>\$ -</u>	<u>\$ 74,221</u>	<u>\$ 2,129,578</u>

See the accompanying notes to the financial statements.

CITY OF AUBURN, NEBRASKA
RECONCILIATION OF STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances – total governmental funds	\$ 157,929
Amounts reported for governmental activities in the statement of net activities are different because:	
Governmental funds report capital outlays as expenditures while government activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital outlays - net	75,776
Depreciation	(346,463)
	(270,687)
Warrant and bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of warrants and bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayment exceeded proceeds.	190,000
Change in net position of governmental activities	<u>\$ 77,242</u>

See the accompanying notes to the financial statements.

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

1. Summary of Significant Accounting Policies

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

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

Reporting Entity

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

Related Organizations

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

Government-Wide Financial Statements

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

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

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

1. Summary of Significant Accounting Policies - Continued

Government-Wide Financial Statements - Continued

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

Fund Financial Statements

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

The following fund types are used by the City:

Governmental Fund Types

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

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

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

Measurement Focus and Basis of Accounting

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

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

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

1. Summary of Significant Accounting Policies - Continued

Measurement Focus and Basis of Accounting - Continued

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

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

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

Financial Statement Accounts

Cash and Certificates of Deposit

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

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

Capital Assets

Government-Wide Statements

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

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

1. Summary of Significant Accounting Policies - Continued

Financial Statement Accounts - Continued

Capital Assets - Continued

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

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

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

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

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

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

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

Restricted Assets

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

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

1. Summary of Significant Accounting Policies - Continued

Financial Statement Accounts - Continued

Long-Term Debt

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

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Net Position/Fund Equity

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

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

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

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

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

1. Summary of Significant Accounting Policies - Continued

Property Tax Revenues

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

Budgets

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

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

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

Use of Estimates

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

Concentration of Credit Risk

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

2. Cash and Certificates of Deposit

Deposit risks include:

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

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

2. Cash and Certificates of Deposit - Continued

State statutes authorize the City to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the City Council. The City currently invests in only certificates of deposit, which as defined by Governmental Accounting Standards Board Statement No. 3, the City has no equity investments as of September 30, 2018.

State law requires all funds in depositories to be fully insured or collateralized, and the City's policy is to require depositories to provide pledged securities to cover deposits in excess of FDIC limits. At September 30, 2018, the City's deposits were fully insured or collateralized.

As of September 30, 2018, the carrying amount of the City's pooled cash accounts at one bank was \$2,103,117. Of the total City deposits, \$250,000 was covered by federal depository insurance, and \$1,995,000 was covered by various County, City and school district bond certificates held in the pledging bank's trust department in the City's name in the form of joint safekeeping receipt. The pledged assets exceeded the total pooled cash accounts at the bank by \$141,883 on September 30, 2018.

3. Cash in Custody of County Treasurer

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

	Fund			
	TIF	General	Debt Service	Total
Balance, September 30, 2017	\$ -	\$ 57,452	\$ 4,141	\$ 61,593
Receipts:				
Tax collections				
(net of collection fee)	-	524,889	42,203	567,092
Interest on tax collection	-	3,916	315	4,231
Homestead exemption (net of collection fee)	-	31,169	2,506	33,675
Car line tax allocation	-	163	13	176
Motor vehicle	-	79,579	-	79,579
Pro-rate	-	1,001	696	1,697
Property tax relief	-	27,048	2,161	29,209
Total receipts	-	667,765	47,894	715,659
Disbursements Remitted to City	-	(692,009)	(49,833)	(741,842)
Balance, September 30, 2018	\$ -	\$ 33,208	\$ 2,202	\$ 35,410

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

4. Special Assessments Receivable

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

Special assessments were against certain properties within the district in connection with the construction of street improvements. Special assessments bear interest at 7.00% - 8.00% per annum until delinquent and at the rate specified by law thereafter until paid. The City received \$9,186 of principal and \$1,369 of interest on special assessments during the year. They issued \$0 in new assessments and as of September 30, 2018, the balance remaining to collect was \$25,603.

5. Capital Assets

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

	Balance September 30, 2017	Additions	Deletions	Balance September 30, 2018
Land	\$ 407,023	\$ -	\$ -	\$ 407,023
Building and improvements	4,361,663	-	-	4,361,663
Equipment	1,068,279	75,776	-	1,144,055
Vehicles	931,330	-	-	931,330
Street	4,644,996	-	-	4,644,996
	11,413,291	75,776	-	11,489,067
Less accumulated depreciation	4,329,201	346,463	-	4,675,664
Capital assets, net of accumulated depreciation	<u>\$ 7,084,090</u>	<u>\$ (270,687)</u>	<u>\$ -</u>	<u>\$ 6,813,403</u>

The City recorded depreciation expense of \$346,463 for the year ended September 30, 2018.

6. Property Taxes

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

The tax levy for the 2017-2018 fiscal year was \$631,288 or \$.4754 per \$100 of assessed valuation. The total assessed valuation was \$132,797,396 for the 2017-2018 fiscal year.

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

7. Retirement Commitments

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

The total payroll and eligible payroll for the City for the year ended September 30, 2018 was \$461,713 and \$212,857, respectively. The City's share of the contribution was \$12,772 and employees contributed \$9,520 for the year ended September 30, 2018.

8. Outstanding Warrants Payable

There were no warrants issued during the fiscal year ended September 30, 2018.

9. Bonds Payable

The 2009 general obligation various purpose bonds for \$875,000 were issued to refinance the warrants payable at June 1, 2009. The bonds bear interest at 3.55% - 4.10% per annum and are repayable in installments of \$60,000 - \$65,000 per year through June 15, 2021. During the current fiscal year the regular payment of \$60,000 was paid. In addition, the 2020 and 2021 payments were made in the amount of \$65,000 and \$65,000, respectively. Total principal paid for the fiscal year ended September 30, 2018 was \$190,000.

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

9. Bonds Payable - Continued

The details of bonds payable are as follows:

	Balance September 30, 2017	Issue	Payments	Balance September 30, 2018
2009 G.O.V.P. Bonds	\$ 250,000	\$ -	\$ 190,000	\$ 60,000

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

Maturities	Interest Rate	Principal	Interest	Total
2019	3.75	\$ 60,000	\$ 2,250	\$ 62,250

For the year ending September 30, 2018, the interest paid was \$6,531, and the agent fee was \$60

10. Lease Commitments

On November 28, 2012, the City entered into a three-year interlocal agreement with Nemaha County to provide complete law enforcement services and duties to the City by the Nemaha County Sheriff's Office. During the fiscal year, the City paid the County \$80,500 for October through December, 2017 and \$239,250 for January through September, 2018 for a total of \$319,750 for the fiscal year. The interlocal agreement has been extended through December 2018 with monthly payments of \$26,583. Under the extended interlocal agreement, the City is also required to give the county \$10,000 for replacement vehicle costs.

On March 23, 2018, the City entered into a sixty-three month lease agreement with Capital Business Systems, Inc. for a Canon copier. Lease states payments of \$215 start in July 2018 and will run through September 2023. At the end of the term of the agreement, the agreement will renew for an additional one-year period under the same terms unless the City provides a written notice at least 30 days prior to the end date. During the fiscal year, the City paid lease payments of \$645.

The annual minimum lease commitment is as follows:

2019	\$ 82,330
2020	2,580
2021	2,580
2022	2,580
2023	2,580
	<u>\$ 92,650</u>

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

11. Keno Operation

In March, 2012, the City contracted with Zelinger Keno, Inc. to operate the keno activity in Auburn, Nebraska. On October 9, 2017, the City approved an agreement with CBlake, LLC, Craig Blake as keno contractor for the City of Auburn, Nebraska and the termination of the current keno agreement with Zelinger Keno, Inc. The operator maintains a separate self-balancing set of accounts for the keno activity in a trust-type manner. On a monthly basis, the net proceeds are transferred to the City and deposited in the City of Auburn keno account. This account has been combined with other general fund activities in the foregoing financial statements. A summary of the keno account activity for the twelve months ended September 30, 2018 is as follows.

Balance - beginning of period	\$ 73,356
Receipts:	
Interest	126
Proceeds from operator	9,116
Total receipts	<u>9,242</u>
Disbursements:	
Community betterment -	
Bandshell	2,529
Fireworks	3,000
Misic in the Park	1,050
Nebraska sales tax	1,698
State license	<u>100</u>
Total disbursements	<u>8,377</u>
Balance - end of period	\$ <u>74,221</u>

12. Risk Management

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

13. Contingencies:

Compensated Absences

The City allows its employees to accumulate vacation hours for future use or for payment upon termination, retirement or death. This accumulation is not recognized as an expenditure by the City until used or paid. The City's approximate liability for unrecognized employee vacation pay was \$25,209 at September 30, 2018.

Sick pay can only be used if the employee is sick and is not payable upon termination, retirement or death. This accumulation is not recognized as an expenditure by the City until used or paid. The City's approximate liability for unrecognized employee sick pay was \$32,062 at September 30, 2018.

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

13. Contingencies – Continued:

Community Development Block Grant

The City participates in a number of federally assisted programs, principal of which is the Community Development Block Grant. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for, or including the twelve months ended September 30, 2018, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

14. Loan Agreement with Nebraska Department of Economic Development

On August 23, 1993, the City signed a contract with the Nebraska Department of Economic Development for a \$400,000 Community Development Block Grant. The City then loaned these funds to a business located in Auburn. The City's liability for repayment of this contract is limited to the principal amounts the City receives as repayment from the local business, if the repayments are not reinvested in a like grant project. During the current year, \$0 of principal was paid back and \$84 of interest earned and \$0 was reloaned out to another business and \$216 was expended for fees. At September 30, 2018, the City had \$41,830 in its C.D.B.G. reuse account.

15. Community Redevelopment Authority

The City has entered into several Tax Incremental Financing projects through its Community Redevelopment Authority. The City combined its redevelopment plan for a blighted area known as Auburn #1 and SE Property Area into the Bucket TIF. Within this area the City is collecting incremental taxes that can be used on façade restorations, street improvements, alley resurfacing, parking areas and other exterior infrastructure improvements. During the year, the City collected tax receipts of \$296,921, interest of \$1,489 and loan repayment of \$0. Total expenditures were \$159,719, consisting of \$2,118 for legal fees, \$99 for publishing costs, \$96,250 for project costs and \$61,252 for loan payments. The balance in the project is \$1,095,984 at September 30, 2018. The City has a second redevelopment plan known as NW Sewer Area, which has been expanded to cover the same area as the Bucket TIF. Initially, the plan was to be used to acquire necessary easements and construct and install a sanitary sewer main through the development area, together with related and ancillary improvements. The City has collected no tax receipts and earned interest of \$0. Total expenditures were \$0. The balance in the project is \$0 at September 30, 2018.

The other type is a Tax Allocation Borrower/ Lender Plan used to finance commercial ventures whereby the City borrows funds from a bank and then reloans these funds to the entity. The loan repayments are set on a 15-year term with a fixed interest rate. The County Treasurer collects the TIF taxes, remits the same to the City, and the City in turn makes the loan payment directly to the bank for the entity. The City currently has six TIF Redevelopment Projects in process with five entities. Each TIF Redevelopment Project is approved by the City Council on a separate resolution. To date the City has borrowed \$854,706 and reloaned \$790,816 of these funds. During the year \$20,848 was collected through TIF taxes and earned \$0 in interest. Total expenditures were \$20,836 for TIF loan repayments. The balance in this project is \$12 at September 30, 2018.

CITY OF AUBURN, NEBRASKA
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

16. Subsequent Events

The City evaluated subsequent events after the balance sheet date of September 30, 2018 through October 30, 2018, which was the date the financial statements were issued. The City has concluded there are no subsequent events, which have occurred from September 30, 2018 through October 30, 2018, which require additional disclosure.

17. Loan Agreement with Nebraska Department of Environmental Quality

On April 13, 2009, the City adopted a loan resolution authorizing and providing for the incurrence of indebtedness for the purpose of providing portions of the cost of repairing and improving the Board of Public Works' Water Supply System. A loan, dated July 13, 2009, between the City and the Nebraska Department of Environmental Quality (NDEQ) was designated as Project No. D311499. The City further resolved that the Board of Public Works be authorized and directed to sign all necessary documents to furnish such assurances to the State of Nebraska as may be required by law or regulations and to receive all payments. As the asset is shown as being part of the Board of Public Works, all debt activity is also shown as being part of the Board of Public Works. The outstanding NDEQ loan was \$3,764,660 at December 31, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AUBURN, NEBRASKA
COMBINED STATEMENTS OF RECEIPTS AND DISBURSEMENTS
- BUDGET AND ACTUAL -
GENERAL, DEBT SERVICE AND SPECIAL REVENUE FUNDS – PRIMARY GOVERNMENT
BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original Final Budget	Actual	Variance with Budget Favorable/ (Unfavorable)
Receipts:			
Taxes – personal property	\$ 697,698	\$ 715,658	\$ 17,960
Taxes – sales	400,000	471,128	71,128
Special assessments levied	8,500	10,391	1,891
Licenses and permits	11,000	13,763	2,763
Intergovernmental	810,109	819,057	8,948
Charges for services	123,200	197,029	73,829
Miscellaneous	19,614	55,291	35,677
Total receipts	<u>2,070,121</u>	<u>2,282,317</u>	<u>212,196</u>
Disbursements:			
Current:			
General government	887,280	873,686	13,594
Public works	385,465	401,338	(15,873)
Public health and safety	97,320	54,147	43,173
Cultural and recreational	440,168	485,713	(45,545)
Debt service:			
Principal retirement	192,249	190,000	2,249
Interest	9,612	6,531	3,081
Bond handling fee	45	60	(15)
Total disbursements	<u>2,012,139</u>	<u>2,011,475</u>	<u>664</u>
Excess of receipts over disbursements	<u>57,982</u>	<u>270,842</u>	<u>212,860</u>
Other financing sources:			
CDBG programs	209,690	223,720	14,030
Gross keno proceeds	16,000	11,741	(4,259)
Community Redevelopment Authority – net	-	137,214	137,214
Transfer from other funds	25,000	-	(25,000)
Total other financing sources	<u>250,690</u>	<u>372,675</u>	<u>121,985</u>
Other financing uses:			
CDBG programs	395,788	189,848	205,940
Keno expenditures	83,885	10,876	73,009
Transfers	230,643	209,087	21,556
Capitalized outlays	86,400	75,776	10,624
Total other financing uses	<u>796,716</u>	<u>485,587</u>	<u>311,129</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>\$ (488,044)</u>	<u>\$ 157,930</u>	<u>\$ 645,974</u>

CITY OF AUBURN, NEBRASKA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

1. Budgets and Budgetary Accounting

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF AUBURN, NEBRASKA
SUMMARY OF REVENUES RECEIVED – MODIFIED CASH BASIS
GENERAL AND DEBT SERVICE FUNDS
SEPTEMBER 30, 2018
(SUPPLEMENTARY DATA)

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
Taxes:			
General property and other taxes	\$ 631,516	\$ 44,364	\$ 675,880
Interest on tax collections	3,916	315	4,231
Sales tax	-	471,128	471,128
Homestead exemption allocation	31,169	2,506	33,675
Car line tax	163	13	176
Motor vehicle pro-rate tax allocation	1,001	696	1,697
Total taxes	<u>667,765</u>	<u>519,022</u>	<u>1,186,787</u>
Special assessments collected	<u>-</u>	<u>10,391</u>	<u>10,391</u>
Licenses and permits	<u>13,763</u>	<u>-</u>	<u>13,763</u>
Intergovernmental:			
Auburn Board of Public Works	115,199	-	115,199
Highway incentive payments	4,000	-	4,000
State revenue sharing:			
Highway allocation	382,647	-	382,647
Motor vehicle fee	30,647	-	30,647
Equalization	267,031	-	267,031
State aid	1,009	-	1,009
Nemaha Cty MFO	14,770	-	14,770
Grant income	182	-	182
State license and fines	3,572	-	3,572
Total intergovernmental	<u>819,057</u>	<u>-</u>	<u>819,057</u>
Charges for services:			
Recreation Committee	67,128	-	67,128
Pool receipts	57,294	-	57,294
Lessons	9,461	-	9,461
Franchise fees	63,145	-	63,145
Total charges for services	<u>197,028</u>	<u>-</u>	<u>197,028</u>
Miscellaneous:			
Investment income	3,000	-	3,000
Other	52,291	-	52,291
Total miscellaneous	<u>55,291</u>	<u>-</u>	<u>55,291</u>
Total	<u>\$ 1,752,904</u>	<u>\$ 529,413</u>	<u>\$ 2,282,317</u>

CITY OF AUBURN, NEBRASKA
SUMMARY OF EXPENDITURES PAID – MODIFIED CASH BASIS
GENERAL FUND
SEPTEMBER 30, 2018
(SUPPLEMENTARY DATA)

	<u>General</u> <u>Government</u>	<u>Cultural</u> <u>and</u> <u>Recreational</u>	<u>Public</u> <u>Health and</u> <u>Safety</u>	<u>Public</u> <u>Works</u>	<u>Total</u>
Salaries/Personal services	\$ 139,463	\$ 166,146	\$ 6,000	\$ 150,104	\$ 461,713
Employee benefits	45,813	35,516	5,454	49,433	136,216
Utilities	10,021	54,823	6,954	8,129	79,927
Repairs and maintenance	22,272	50,821	17,820	32,934	123,847
Meeting expense	1,557	-	755	-	2,312
Insurance	7,092	10,601	6,390	5,974	30,057
Recreation expenses	-	76,256	-	-	76,256
Audit and consultation	82,835	-	-	-	82,835
Memberships and schools	8,785	2,047	1,139	-	11,971
Office supplies and services	6,822	-	-	16	6,838
Licenses and taxes	3,846	-	-	-	3,846
Custodial services	-	13,621	639	5,034	19,294
Miscellaneous	1,822	4,734	149	-	6,705
Gas, oil and tires	-	-	-	15,845	15,845
Supplies	-	31,606	863	26,267	58,736
Books	-	20,976	-	-	20,976
Interlocal costs					
of law enforcement	319,750	-	-	-	319,750
Grant expenditures	13,129	-	-	-	13,129
Special projects	28,892	-	-	-	28,892
Economic development	7,000	-	-	-	7,000
Trees and care	2,588	-	-	-	2,588
Land rent	-	-	-	6,000	6,000
Hangar payment	209,087	-	-	-	209,087
Sales tax remitted	-	3,373	-	-	3,373
Fire chief expenses	-	-	1,050	-	1,050
Capital outlay – non-capitalized	<u>172,000</u>	<u>15,193</u>	<u>6,934</u>	<u>101,602</u>	<u>295,729</u>
Totals	<u>\$ 1,082,774</u>	<u>\$ 485,713</u>	<u>\$ 54,147</u>	<u>\$ 401,338</u>	<u>\$ 2,023,972</u>

CITY OF AUBURN, NEBRASKA
SUMMARY OF EXPENDITURES PAID – MODIFIED CASH BASIS
GENERAL GOVERNMENT FUND
SEPTEMBER 30, 2018
(SUPPLEMENTARY DATA)

	<u>General Fund</u>	<u>Police</u>	<u>Total</u>
Salaries/Personal services	\$ 139,463	\$ -	\$ 139,463
Employee benefits	45,813	-	45,813
Utilities	10,021	-	10,021
Repairs and maintenance	12,272	10,000	22,272
Meeting expense	1,557	-	1,557
Insurance	7,092	-	7,092
Audit and consultation	82,835	-	82,835
Memberships and schools	8,785	-	8,785
Office supplies and services	6,822	-	6,822
Licenses and taxes	3,846	-	3,846
Miscellaneous	1,821	-	1,821
Tree program expense	2,588	-	2,588
Hangar payment	209,087	-	209,087
Interlocal costs of law enforcement	-	319,750	319,750
Grant expenditures	13,129	-	13,129
Special projects	28,892	-	28,892
Economic development	7,000	-	7,000
Capital outlay – non-capitalized	<u>172,000</u>	<u>-</u>	<u>172,000</u>
Totals	<u>\$ 753,023</u>	<u>\$ 329,750</u>	<u>\$ 1,082,773</u>

CITY OF AUBURN, NEBRASKA
SUMMARY OF EXPENDITURES PAID – MODIFIED CASH BASIS
CULTURAL AND RECREATIONAL – PART OF GENERAL FUND
SEPTEMBER 30, 2018
(SUPPLEMENTARY DATA)

	<u>Parks</u>	<u>Recreation Committee</u>	<u>Swimming Pool</u>	<u>Library</u>	<u>Senior Citizen</u>	<u>Total</u>
Salaries/Personal services	\$ 24,587	\$ -	\$ 67,059	\$ 74,500	\$ -	\$ 166,146
Employee benefits	5,059	-	13,134	17,323	-	35,516
Utilities	22,502	-	13,243	10,974	8,104	54,823
Repairs and maintenance	23,630	-	11,822	12,797	2,572	50,821
Meeting expenses	-	-	-	-	-	-
Insurance	4,162	-	1,948	4,103	388	10,601
Recreation expenses	-	76,256	-	-	-	76,256
Custodial services	-	-	2,286	9,055	2,280	13,621
Membership and schools	-	-	-	2,047	-	2,047
Miscellaneous	3,730	-	254	750	-	4,734
Supplies	13,254	-	14,471	3,799	82	31,606
Books	-	-	-	20,976	-	20,976
Sales tax remitted	-	-	3,373	-	-	3,373
Capital outlay – noncapitalized	<u>15,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,193</u>
Totals	<u>\$ 112,117</u>	<u>\$ 76,256</u>	<u>\$ 127,590</u>	<u>\$ 156,324</u>	<u>\$ 13,426</u>	<u>\$ 485,713</u>

CITY OF AUBURN, NEBRASKA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(SUPPLEMENTARY DATA)

<u>Program</u>	<u>Federal CFDA #</u>	<u>Program</u>	
		<u>Receipts</u>	<u>Expenditures</u>
Department of Housing and Economic Development: Community Development Block Grants:			
	#91-ED-006: Reuse	\$ -	\$ 245
	#10-DTR-007	165,969	-
	#09-HO-6044	<u>57,751</u>	<u>-</u>
		223,720	245
Administration		-	1,855
Project expenses		<u>-</u>	<u>187,748</u>
		<u>\$ 223,720</u>	<u>\$ 189,848</u>

CITY OF AUBURN, NEBRASKA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(SUPPLEMENTARY DATA)

1. Basis of Presentation

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

2. Reporting Entity

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

3. Pass Through Awards

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

4. Contingencies

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

Massman Nelson Reinig PC

Certified Public Accountants

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Michael L. Massman CPA
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of Auburn
Auburn, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Auburn, Nebraska as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Auburn, Nebraska's basic financial statements and have issued our report thereon dated October 30, 2018. Our report contains an adverse and qualified opinion because of the omission of an enterprise fund and an explanatory paragraph regarding use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

Honorable Mayor and City Council
City of Auburn
Auburn, Nebraska

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies. Finding 2018-1.

Compliance and Other Matters

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

City of Auburn's Response to Findings

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

Massman Nelson Berg PC

Certified Public Accountants

Omaha, Nebraska
October 30, 2018

CITY OF AUBURN, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2018

Finding 2018-1 Significant Deficiencies

Financial Statement Preparation

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

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

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

Segregation of Duties

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

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

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

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November 28, 2018

Auditor of Public Accounts
State of Nebraska
State Capitol Building
Lincoln, NE 68509

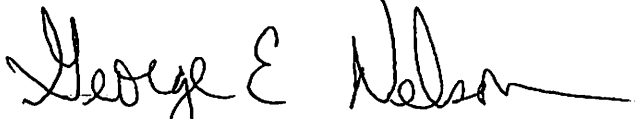
Dear Mr. Foley,

Enclosed is a copy of the audit of the City of Auburn for the year ended September 30, 2018.

If you have any questions concerning this report, please get in touch with our office.

Sincerely,

MASSMAN NELSON REINIG PC


George E. Nelson

GEN/tf

Enclosure