

CITY OF ALMA, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2016

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	19
Statement of Fund Net Position - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Notes to Financial Statements	24
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
General Fund	54
Street Fund	55
Airport Fund	56
Note to Required Supplementary Information	57
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	59
Combining Statement of Revenues and Expenditures - General Fund Departments	60
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 <i>Government Auditing Standards</i>	61



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Alma, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alma, Nebraska 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 accounting principles generally accepted in the United States of America; this includes 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.

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump
Kyle R. Overturf

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alma, Nebraska, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-13 and 54-57 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 consider 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alma, Nebraska's basic financial statements. The nonmajor fund combining statements and statement of revenues and expenditures by General Fund department are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 supplementary information described above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2017, on our consideration of the City of Alma, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alma, Nebraska's internal control over financial reporting and compliance.

Almqvist, M. M.

Co-Member & Partner, P.C.

Grand Island, Nebraska
February 3, 2017

**CITY OF ALMA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2016**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the City of Alma, we offer readers of the City of Alma financial statements this narrative overview and analysis of the financial activities of the City of Alma for the fiscal year ended September 30, 2016.

Financial Highlights

- The assets of the City of Alma exceeded its liabilities at the close of the most recent fiscal year by \$8,223,587 (*net position*). Of this amount, \$992,824 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Alma governmental funds reported combined ending net position of \$5,787,988. Approximately 8.2 percent of this total amount, \$472,779, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$303,034, or 28.4 percent of total General Fund expenditures.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Alma that are principally supported by taxes and intergovernmental revenues (*governmental activities*)

CITY OF ALMA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016

from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Alma include general government, public safety, highways and streets, economic development, and culture and recreation. The business-type activities of the City of Alma include the Gas, Water, Sewer, Trash, Electric, Golf and RV Park Enterprise Funds.

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

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

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

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

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

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

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

Proprietary funds. The City of Alma maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-

CITY OF ALMA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016

wide financial statements. The City of Alma uses enterprise funds to account for its Gas, Water, Sewer, Trash, Electric, Golf and RV Park Funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Gas, Water, Sewer, Trash, Electric, Golf and RV Park Funds, all of which are considered to be major funds of the City of Alma.

The basic proprietary fund financial statements can be found on pages 20-23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-53 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Alma's budgetary comparison schedules. Required supplementary information can be found on pages 54-57 of this report.

The nonmajor governmental funds combining statements and the statement of General Fund revenue and expenditures by department can be found on pages 58-60.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Alma, assets exceeded liabilities by \$8,223,587 at the close of the most recent fiscal year.

Summary Statements of Net Position

	<u>September 30, 2016</u>			<u>September 30, 2015</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 972,374	\$ 595,966	\$ 1,568,340	\$ 1,206,885	\$ 475,939	\$ 1,682,824
Capital Assets	7,485,888	2,330,913	9,816,801	7,084,788	2,362,662	9,447,450
Total Assets	<u>8,458,262</u>	<u>2,926,879</u>	<u>11,385,141</u>	<u>8,291,673</u>	<u>2,838,601</u>	<u>11,130,274</u>
Long-term Liabilities	2,374,160	262,420	2,636,580	2,515,499	324,296	2,839,795
Other Liabilities	296,114	228,860	524,974	210,769	220,771	431,540
Total Liabilities	<u>2,670,274</u>	<u>491,280</u>	<u>3,161,554</u>	<u>2,726,268</u>	<u>545,067</u>	<u>3,271,335</u>
Net Position:						
Net Investment in						
Capital Assets	4,957,542	1,915,554	6,873,096	4,415,186	1,900,693	6,315,879
Restricted	357,667	-	357,667	400,816	-	400,816
Unrestricted	472,779	520,045	992,824	749,403	392,841	1,142,244
Total Net Position	<u>\$ 5,787,988</u>	<u>\$ 2,435,599</u>	<u>\$ 8,223,587</u>	<u>\$ 5,565,405</u>	<u>\$ 2,293,534</u>	<u>\$ 7,858,939</u>

CITY OF ALMA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016

By far the largest portion of the City of Alma's net position (83.6 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Alma uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Alma's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Alma's net position (4.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$992,824) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Expenses and Program Revenues – Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2016</u>		<u>Year Ended September 30, 2015</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 4,475	\$ 360,776	\$ 4,066	\$ 270,759
Public Safety	1,500	64,267	10,854	66,750
Public Works	201	188,138	-	143,724
Recreation	46,214	266,174	27,043	228,154
Airport	416,298	31,908	166,805	43,636
Economic Development	-	31,233	-	22,893
Interest	-	68,231	-	63,415
Depreciation	-	345,990	-	278,625
Total	<u>\$ 468,688</u>	<u>\$ 1,356,717</u>	<u>\$ 208,768</u>	<u>\$ 1,117,956</u>

CITY OF ALMA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016

Revenues by Source – Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2016</u>		<u>Year Ended September 30, 2015</u>	
Charges for Services	\$ 59,733	3.78 %	\$ 59,045	5.36 %
Operating Grants and Contributions	29,887	1.89	22,476	2.04
Capital Grants and Contributions	379,068	24.00	127,496	11.56
Property Taxes	286,367	18.13	291,263	26.42
Motor Vehicle Taxes	24,967	1.58	23,821	2.16
Sales Tax	312,027	19.76	307,332	27.88
Franchise Taxes	3,866	0.24	1,667	0.15
State Allocation	233,122	14.76	226,821	20.57
Miscellaneous	116,145	7.36	14,746	1.34
Loss on Disposal of Equipment	-	-	(83,941)	(7.61)
Interest	5,476	0.35	5,545	0.50
Transfers	128,642	8.15	106,190	9.63
Total	<u>\$ 1,579,300</u>	<u>100.00 %</u>	<u>\$ 1,102,461</u>	<u>100.00 %</u>

Net position increased \$222,583 in the governmental funds during the year ended September 30, 2016.

Business-type activities. Business-type activities increased the City of Alma's net position by \$142,065. Key elements of this increase are as follows:

Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2016</u>		<u>Year Ended September 30, 2015</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Gas	\$ 426,425	\$ 401,121	\$ 478,220	\$ 439,260
Water	240,632	202,222	269,203	239,112
Sewer	69,385	83,636	75,799	68,551
Trash	171,211	169,724	168,149	184,145
Electric	-	6,277	-	4,431
Golf	289,810	260,104	280,716	327,329
RV Park	49,477	31,338	49,469	30,269
Total	<u>1,246,940</u>	<u>1,154,422</u>	<u>1,321,556</u>	<u>1,293,097</u>
Interfund transfers	-	128,642	-	106,190
	<u>\$ 1,246,940</u>	<u>\$ 1,283,064</u>	<u>\$ 1,321,556</u>	<u>\$ 1,399,287</u>

CITY OF ALMA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016

Revenues by Source – Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2016</u>		<u>Year Ended September 30, 2015</u>	
Charges for Services	\$ 1,242,445	87.18 %	\$ 1,316,556	88.64 %
Grants and Contributions	4,495	0.32	5,000	0.34
Franchise Fees	178,948	12.56	173,860	11.71
Loss on Disposal of Equipment	(780)	(0.06)	(10,235)	(0.69)
Interest	21	-	88	-
Total	<u>\$ 1,425,129</u>	<u>100.00 %</u>	<u>\$ 1,485,269</u>	<u>100.00 %</u>

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Alma's governmental funds reported combined ending fund balances of \$820,262. Approximately 30.4 percent of this total amount (\$249,017) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is not available for new spending because it has already been 1) restricted for hospital bond debt service (\$84,426), 2) restricted for fire pension (\$46,583), 3) restricted for street improvements (\$211,433), 4) restricted for Federal programs (\$15,225), 5) assigned for street improvements (\$2,140), 6) nonspendable for inventory (\$6,468), or 7) assigned for budgetary stabilization (\$204,970).

The General Fund is the chief operating fund of the City of Alma. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$303,034, while total fund balance was \$554,587. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 28.4 percent of total General Fund expenditures, while total fund balance represents 52.0 percent of the same amount.

The fund balance of the City of Alma's General Fund decreased by \$(160,012) during the current fiscal year.

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

CITY OF ALMA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016

Unrestricted net position of the proprietary funds at the end of the year were as follows: Gas Fund – \$216,513, Water Fund – \$150,859, Sewer Fund – \$5,659, Trash Fund – \$15,957, Electric Fund – \$67,978, Golf Fund – \$20,377, and RV Park Fund – \$42,702. The change in net position for the proprietary funds was as follows: Gas Fund – increase of \$24,524, Water Fund – increase of \$38,410, Sewer Fund – decrease of \$(2,037), Trash Fund – increase of \$20,207, Electric Fund – increase of \$9,737, Golf Fund – increase of \$32,300, and RV Park Fund – increase of \$18,924. Other factors concerning the finances of these seven funds have already been addressed in the discussion of the City of Alma's business-type activities.

Budgetary Highlights

The City of Alma did not amend its budget during the year ended September 30, 2016.

Capital Asset and Debt Administration

Capital Assets. The City of Alma's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$9,816,801 (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events (individually greater than \$10,000) during the current fiscal year included the following:

- Heart monitor/defibrillator - \$23,981
- Caring Cupboard roof - \$69,971
- Additional pool costs - \$62,334
- Concrete pads and sidewalk at pool - \$15,411
- Infield dirt at ballfield - \$10,783
- JD Z950R Ztrak mower - \$10,250
- JD 5075E utility tractor - \$39,380
- Airport terminal construction in progress - \$484,714
- Airport PAPI lights project - \$11,108
- Sewer force main construction in progress - \$47,761

CITY OF ALMA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016

- Electric distribution system fringe area properties - \$98,420

City of Alma's Capital Assets
(net of depreciation)

	Year Ended September 30, 2016			Year Ended September 30, 2015		
	Governmental		Business-type <u>Total</u>	Governmental		Business-type <u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
Land	\$ 163,751	\$ 242,856	\$ 406,607	\$ 163,751	\$ 242,856	\$ 406,607
Construction in Progress	545,750	47,761	593,511	82,436	-	82,436
Buildings and Improvements	5,104,609	583,334	5,687,943	5,138,310	614,620	5,752,930
Machinery and Equipment	463,503	294,445	757,948	457,679	390,883	848,562
Infrastructure	1,208,275	-	1,208,275	1,242,612	-	1,242,612
Distribution Systems	-	1,162,517	1,162,517	-	1,114,303	1,114,303
Total	\$ 7,485,888	\$ 2,330,913	\$ 9,816,801	\$ 7,084,788	\$ 2,362,662	\$ 9,447,450

Additional information on the City of Alma's capital assets can be found in Note C5 on pages 42-44 of this report.

Long-term debt. At the end of the current fiscal year, the City of Alma had total bonded debt and notes payable outstanding of \$2,943,705.

City of Alma's Outstanding Debt

	Year Ended September 30, 2016			Year Ended September 30, 2015		
	Governmental		Business-type <u>Total</u>	Governmental		Business-type <u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
General Obligation Bonds	\$ 1,875,000	\$ -	\$ 1,875,000	\$ 1,970,000	\$ -	\$ 1,970,000
Various Purpose Bonds	420,000	-	420,000	450,000	-	450,000
Refunding Bonds	-	86,000	86,000	-	128,000	128,000
Notes Payable	233,346	329,359	562,705	249,602	333,969	583,571
Total	\$ 2,528,346	\$ 415,359	\$ 2,943,705	\$ 2,669,602	\$ 461,969	\$ 3,131,571

The City of Alma's total debt decreased by \$187,866 (6.0 percent) during the current fiscal year, due to scheduled payments which were partially offset by the issuance of the electric distribution system loan.

The City of Alma does not have a bond rating.

Additional information on the City of Alma's long-term debt can be found in Note C7 on pages 45-49 of this report.

CITY OF ALMA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2016

Economic Factors and Next Year's Budgets and Rates

- Property tax asking for the year ending September 30, 2017, is \$291,082, the same as the prior year.
- The City has a commitment of \$75,549 for the airport terminal project.
- The City has a commitment of \$107,940 for the sewer force main project.

All of these factors were considered in preparing the City of Alma's budget for the 2017 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the City of Alma's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, City of Alma, P.O. Box 468, Alma, NE 68920.

CITY OF ALMA, NEBRASKA
STATEMENT OF NET POSITION
September 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 270,447	\$ 239,042	\$ 509,489
Certificates of deposit	243,000	157,000	400,000
County treasurer cash	18,901	-	18,901
Receivables:			
Accounts, net of allowance for doubtful accounts	-	2,484	2,484
Unbilled revenue	-	75,999	75,999
Current portion of notes receivable	1,275	-	1,275
Lease	-	59,528	59,528
Property tax	5,997	-	5,997
Sales tax	52,645	-	52,645
Inventory	6,468	40,413	46,881
Total current assets	598,733	574,466	1,173,199
Noncurrent assets:			
Restricted cash and cash equivalents	194,732	21,500	216,232
Restricted certificates of deposit	170,000	-	170,000
Noncurrent portion of notes receivable	8,909	-	8,909
Capital assets:			
Land	163,751	242,856	406,607
Construction in progress	545,750	47,761	593,511
Depreciable capital assets, net of depreciation	6,776,387	2,040,296	8,816,683
Net capital assets	7,485,888	2,330,913	9,816,801
Total noncurrent assets	7,859,529	2,352,413	10,211,942
Total assets	8,458,262	2,926,879	11,385,141
LIABILITIES			
Current liabilities:			
Accounts payable	115,276	22,267	137,543
Advance utility collections	-	15,872	15,872
Accrued expenses	26,652	16,282	42,934
Customer deposits	-	21,500	21,500
Current portion of long-term obligations	154,186	152,939	307,125
Total current liabilities	296,114	228,860	524,974
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	2,374,160	262,420	2,636,580
Total liabilities	2,670,274	491,280	3,161,554
NET POSITION			
Net investment in capital assets	4,957,542	1,915,554	6,873,096
Restricted for:			
Fire pension	46,583	-	46,583
Street improvements	211,433	-	211,433
Federal programs	15,225	-	15,225
Hospital bond debt service	84,426	-	84,426
Unrestricted	472,779	520,045	992,824
Total net position	\$ 5,787,988	\$ 2,435,599	\$ 8,223,587

See notes to financial statements.

CITY OF ALMA, NEBRASKA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 360,776	\$ 4,225	\$ 250
Public safety	64,267	-	1,500
Public works	188,138	-	201
Environment and leisure	266,174	18,278	27,936
Airport	31,908	37,230	-
Economic development	31,233	-	-
Interest and fees on long-term debt	68,231	-	-
Depreciation - unallocated	345,990	-	-
Total governmental activities	1,356,717	59,733	29,887
Business-type activities:			
Gas	401,121	426,425	-
Water	202,222	240,632	-
Sewer	83,636	69,385	-
Trash	169,724	166,716	-
Electric	6,277	-	-
Golf	260,104	289,810	-
RV Park	31,338	49,477	-
Total business-type activities	1,154,422	1,242,445	-
Total primary government	\$ 2,511,139	\$ 1,302,178	\$ 29,887

See notes to financial statements.

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ -	\$ (356,301)		\$ (356,301)
-	(62,767)		(62,767)
-	(187,937)		(187,937)
-	(219,960)		(219,960)
379,068	384,390		384,390
-	(31,233)		(31,233)
-	(68,231)		(68,231)
-	(345,990)		(345,990)
<u>379,068</u>	<u>(888,029)</u>	<u>\$ -</u>	<u>(888,029)</u>
-	-	25,304	25,304
-	-	38,410	38,410
-	-	(14,251)	(14,251)
4,495	-	1,487	1,487
-	-	(6,277)	(6,277)
-	-	29,706	29,706
-	-	18,139	18,139
<u>4,495</u>	<u>-</u>	<u>92,518</u>	<u>92,518</u>
<u>\$ 383,563</u>	<u>(888,029)</u>	<u>92,518</u>	<u>(795,511)</u>
General revenues:			
Taxes:			
Property	286,367	-	286,367
Motor vehicle	24,967	-	24,967
Sales tax	312,027	-	312,027
Franchise	3,866	178,948	182,814
State allocation	233,122	-	233,122
Miscellaneous	116,145	-	116,145
Loss on disposal of equipment	-	(780)	(780)
Interest income	5,476	21	5,497
Interfund transfers	128,642	(128,642)	-
Total general revenues	<u>1,110,612</u>	<u>49,547</u>	<u>1,160,159</u>
Change in net position	222,583	142,065	364,648
Net position - September 30, 2015	<u>5,565,405</u>	<u>2,293,534</u>	<u>7,858,939</u>
Net position - September 30, 2016	<u>\$ 5,787,988</u>	<u>\$ 2,435,599</u>	<u>\$ 8,223,587</u>

CITY OF ALMA, NEBRASKA

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

September 30, 2016

	<u>General</u>	<u>Street</u>	<u>Airport</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 295,586	\$ 48,498	\$ 21,444	\$ 99,651	\$ 465,179
Certificates of deposit	238,000	170,000	5,000	-	413,000
County treasurer cash	18,901	-	-	-	18,901
Receivables:					
Property tax	5,997	-	-	-	5,997
Sales tax	39,026	13,619	-	-	52,645
Inventory	-	-	6,468	-	6,468
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 597,510	\$ 232,117	\$ 32,912	\$ 99,651	\$ 962,190
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 20,709	\$ 14,106	\$ 80,461	\$ -	\$ 115,276
Payroll withholdings	1,489	-	-	-	1,489
Accrued payroll	6,368	-	-	-	6,368
Sales tax payable	81	-	-	-	81
Accrued interest payable	14,276	4,438	-	-	18,714
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	42,923	18,544	80,461	-	141,928
Fund balances:					
Nonspendable:					
Inventory	-	-	6,468	-	6,468
Restricted for:					
Fireman pension	46,583	-	-	-	46,583
Street improvements	-	211,433	-	-	211,433
Federal programs	-	-	-	15,225	15,225
Hospital bond debt service	-	-	-	84,426	84,426
Assigned for:					
Street improvements	-	2,140	-	-	2,140
Budgetary stabilization	204,970	-	-	-	204,970
Unassigned	303,034	-	(54,017)	-	249,017
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	554,587	213,573	(47,549)	99,651	820,262
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 597,510	\$ 232,117	\$ 32,912	\$ 99,651	\$ 962,190
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

See notes to financial statements.

CITY OF ALMA, NEBRASKA

**RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

September 30, 2016

Total fund balances - governmental funds		\$	820,262
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:			
Notes receivable are not recorded as an asset in the fund financial statements.			10,184
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$10,294,285 and the accumulated depreciation is \$2,808,397.			7,485,888
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the fund financial statements. Long-term liabilities at year end consist of:			
Bonds payable	\$	(2,295,000)	
Notes payable		(233,346)	(2,528,346)
Total net position - governmental activities		\$	<u>5,787,988</u>

See notes to financial statements.

CITY OF ALMA, NEBRASKA

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

For the Year Ended September 30, 2016

	<u>General</u>	<u>Street</u>	<u>Airport</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 286,367	\$ -	\$ -	\$ -	\$ 286,367
Motor vehicle	24,967	-	-	-	24,967
Sales tax	232,878	79,149	-	-	312,027
Franchise	3,866	-	-	-	3,866
Intergovernmental	90,647	142,475	-	-	233,122
Licenses and permits	5,804	-	-	-	5,804
Charges for services	14,798	-	24,665	-	39,463
Rent	7,705	-	12,565	-	20,270
Grants and donations	29,686	201	379,068	-	408,955
Loan collections	-	-	-	1,330	1,330
Interest income	5,300	-	-	176	5,476
Other income	96,177	688	13,476	-	110,341
Total revenues	<u>798,195</u>	<u>222,513</u>	<u>429,774</u>	<u>1,506</u>	<u>1,451,988</u>
EXPENDITURES					
General government	360,756	-	-	20	360,776
Public safety	64,267	-	-	-	64,267
Public works	8,146	179,992	-	-	188,138
Environment and leisure	266,174	-	-	-	266,174
Airport	-	-	31,908	-	31,908
Economic development	31,233	-	-	-	31,233
Capital outlay	194,631	49,630	502,829	-	747,090
Principal payments on debt	86,536	45,000	9,720	-	141,256
Interest on long-term debt	53,936	14,295	-	-	68,231
Total expenditures	<u>1,065,679</u>	<u>288,917</u>	<u>544,457</u>	<u>20</u>	<u>1,899,073</u>
Excess (deficiency) of revenues over expenditures	(267,484)	(66,404)	(114,683)	1,486	(447,085)
OTHER FINANCING SOURCES					
Transfers from other funds	<u>107,472</u>	<u>-</u>	<u>1,150</u>	<u>20,020</u>	<u>128,642</u>
Net change in fund balances	(160,012)	(66,404)	(113,533)	21,506	(318,443)
Fund balances - September 30, 2015	<u>714,599</u>	<u>279,977</u>	<u>65,984</u>	<u>78,145</u>	<u>1,138,705</u>
Fund balances - September 30, 2016	<u>\$ 554,587</u>	<u>\$ 213,573</u>	<u>\$ (47,549)</u>	<u>\$ 99,651</u>	<u>\$ 820,262</u>

See notes to financial statements.

CITY OF ALMA, NEBRASKA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2016

Total net change in fund balances - governmental funds	\$ (318,443)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Payments on notes receivable are reported in the governmental funds as revenue, but the payments decrease notes receivable in the statement of activities.	(1,330)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$747,090) exceeds depreciation expense (\$345,990).	401,100
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>141,256</u>
Change in net position of governmental activities	<u><u>\$ 222,583</u></u>

See notes to financial statements.

CITY OF ALMA, NEBRASKA

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS

September 30, 2016

	Enterprise Funds			
	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Trash Fund</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 92,330	\$ 71,738	\$ -	\$ 3,444
Certificates of deposit	110,000	40,000	7,000	-
Receivables:				
Accounts, net of allowance for doubtful accounts	-	1,046	202	1,236
Lease	-	-	-	-
Unbilled revenue	20,992	33,677	6,674	14,656
Due from other funds	5,845	-	-	-
Inventory	18,149	10,695	-	-
Total current assets	<u>247,316</u>	<u>157,156</u>	<u>13,876</u>	<u>19,336</u>
Noncurrent assets:				
Restricted cash and cash equivalents	9,550	6,050	5,900	-
Capital assets:				
Land	1,000	77,068	135,588	7,200
Construction in progress	-	-	47,761	-
Distribution systems	142,572	1,803,921	143,893	-
Buildings and improvements	4,882	5,785	415,546	52,123
Equipment	82,532	183,814	159,130	331,673
Less accumulated depreciation	<u>(204,903)</u>	<u>(1,111,142)</u>	<u>(462,859)</u>	<u>(239,041)</u>
Net capital assets	<u>26,083</u>	<u>959,446</u>	<u>439,059</u>	<u>151,955</u>
Total noncurrent assets	<u>35,633</u>	<u>965,496</u>	<u>444,959</u>	<u>151,955</u>
Total assets	<u>282,949</u>	<u>1,122,652</u>	<u>458,835</u>	<u>171,291</u>
LIABILITIES				
Current liabilities:				
Accounts payable	11,260	2,743	682	1,893
Due to other funds	-	-	5,845	-
Advance utility collections	15,872	-	-	-
Accrued payroll	2,645	1,548	1,286	1,365
Accrued interest payable	-	152	-	121
Sales tax payable	1,026	1,854	404	-
Customer deposits	9,550	6,050	5,900	-
Current portion of long-term obligations	-	41,000	-	77,385
Total current liabilities	<u>40,353</u>	<u>53,347</u>	<u>14,117</u>	<u>80,764</u>
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	-	45,000	-	25,841
Total liabilities	<u>40,353</u>	<u>98,347</u>	<u>14,117</u>	<u>106,605</u>
NET POSITION				
Net investment in capital assets	26,083	873,446	439,059	48,729
Unrestricted	216,513	150,859	5,659	15,957
Total net position	<u>\$ 242,596</u>	<u>\$ 1,024,305</u>	<u>\$ 444,718</u>	<u>\$ 64,686</u>

See notes to financial statements.

Enterprise Funds				
Electric Fund	Golf Fund	RV Park Fund	Eliminations	Total
\$ 8,450	\$ 18,556	\$ 44,524	\$ -	\$ 239,042
-	-	-	-	157,000
-	-	-	-	2,484
59,528	-	-	-	59,528
-	-	-	-	75,999
-	-	-	(5,845)	-
-	11,569	-	-	40,413
<u>67,978</u>	<u>30,125</u>	<u>44,524</u>	<u>(5,845)</u>	<u>574,466</u>
-	-	-	-	21,500
-	22,000	-	-	242,856
-	-	-	-	47,761
275,678	-	-	-	2,366,064
-	516,161	119,593	-	1,114,090
-	353,117	33,547	-	1,143,813
(46,158)	(484,593)	(34,975)	-	(2,583,671)
<u>229,520</u>	<u>406,685</u>	<u>118,165</u>	<u>-</u>	<u>2,330,913</u>
<u>229,520</u>	<u>406,685</u>	<u>118,165</u>	<u>-</u>	<u>2,352,413</u>
297,498	436,810	162,689	(5,845)	2,926,879
-	4,185	1,504	-	22,267
-	-	-	(5,845)	-
-	-	-	-	15,872
-	3,251	254	-	10,349
-	1,071	-	-	1,344
-	1,241	64	-	4,589
-	-	-	-	21,500
14,060	20,494	-	-	152,939
<u>14,060</u>	<u>30,242</u>	<u>1,822</u>	<u>(5,845)</u>	<u>228,860</u>
77,330	114,249	-	-	262,420
<u>91,390</u>	<u>144,491</u>	<u>1,822</u>	<u>(5,845)</u>	<u>491,280</u>
138,130	271,942	118,165	-	1,915,554
67,978	20,377	42,702	-	520,045
<u>\$ 206,108</u>	<u>\$ 292,319</u>	<u>\$ 160,867</u>	<u>\$ -</u>	<u>\$ 2,435,599</u>

CITY OF ALMA, NEBRASKA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS**

For the Year Ended September 30, 2016

	Enterprise Funds			
	Gas Fund	Water Fund	Sewer Fund	Trash Fund
Operating revenues:				
Charges for services	\$ 421,977	\$ 236,727	\$ 66,874	\$ 164,366
Franchise fees	-	-	-	-
Other revenue	4,448	3,905	2,511	2,350
Total operating revenues	<u>426,425</u>	<u>240,632</u>	<u>69,385</u>	<u>166,716</u>
Operating expenses:				
Purchased energy	240,588	-	-	-
Personnel services	125,845	64,786	33,026	43,114
Utilities and telephone	1,748	19,460	6,437	382
Repairs and maintenance	4,204	20,837	5,613	14,544
Supplies	-	16,255	1,579	5,216
Professional fees	708	3,225	345	-
Insurance and bonds	3,771	9,019	1,280	2,799
Fuel and transportation	1,176	2,000	35	7,843
Dues and fees	3,802	3,345	525	182
Contractual obligations	-	-	-	29,778
Miscellaneous	7,357	8,515	7,622	1,350
Depreciation	11,922	53,766	27,174	61,770
Total operating expenses	<u>401,121</u>	<u>201,208</u>	<u>83,636</u>	<u>166,978</u>
Operating income (loss)	25,304	39,424	(14,251)	(262)
Nonoperating revenues (expenses):				
Interest income	-	-	-	-
Grant income	-	-	-	4,495
Loss on disposal of fixed assets	(780)	-	-	-
Interest expense	-	(1,014)	-	(2,746)
Total nonoperating revenues (expenses)	<u>(780)</u>	<u>(1,014)</u>	<u>-</u>	<u>1,749</u>
Income (loss) before interfund transfers	24,524	38,410	(14,251)	1,487
Interfund transfers:				
Transfers from (to) other funds	-	-	12,214	18,720
Change in net position	<u>24,524</u>	<u>38,410</u>	<u>(2,037)</u>	<u>20,207</u>
Net position - September 30, 2015	<u>218,072</u>	<u>985,895</u>	<u>446,755</u>	<u>44,479</u>
Net position - September 30, 2016	<u>\$ 242,596</u>	<u>\$ 1,024,305</u>	<u>\$ 444,718</u>	<u>\$ 64,686</u>

See notes to financial statements.

Enterprise Funds			
Electric Fund	Golf Fund	RV Park Fund	Total
\$ -	\$ 278,900	\$ 49,337	\$ 1,218,181
178,948	-	-	178,948
-	10,910	140	24,264
<u>178,948</u>	<u>289,810</u>	<u>49,477</u>	<u>1,421,393</u>
-	-	-	240,588
-	117,261	8,656	392,688
-	20,932	11,459	60,418
-	13,878	1,926	61,002
-	61,432	561	85,043
-	150	-	4,428
-	6,283	1,386	24,538
-	3,724	229	15,007
-	370	-	8,224
-	-	-	29,778
-	2,219	30	27,093
6,277	29,385	7,091	197,385
<u>6,277</u>	<u>255,634</u>	<u>31,338</u>	<u>1,146,192</u>
172,671	34,176	18,139	275,201
-	21	-	21
-	-	-	4,495
-	-	-	(780)
-	(4,470)	-	(8,230)
<u>-</u>	<u>(4,449)</u>	<u>-</u>	<u>(4,494)</u>
172,671	29,727	18,139	270,707
(162,934)	2,573	785	(128,642)
9,737	32,300	18,924	142,065
<u>196,371</u>	<u>260,019</u>	<u>141,943</u>	<u>2,293,534</u>
<u>\$ 206,108</u>	<u>\$ 292,319</u>	<u>\$ 160,867</u>	<u>\$ 2,435,599</u>

CITY OF ALMA, NEBRASKA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

For the Year Ended September 30, 2016

	Enterprise Funds	
	Gas Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 437,949	\$ 251,618
Payments to suppliers	(270,337)	(97,245)
Payments to employees	(125,312)	(64,451)
Net cash provided by operating activities	42,300	89,922
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Change in due to/from other funds	(1,413)	-
Transfers from (to) other funds	-	-
Net cash provided (used) by noncapital financing activities	(1,413)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	-	-
Grants and contributions received	-	-
Proceeds from issuance of capital debt	-	-
Principal payments on capital debt	-	(42,000)
Interest paid on capital debt	-	(1,089)
Net cash used by capital and related financing activities	-	(43,089)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in restricted cash	1,250	800
Interest received	-	-
Net cash provided by investing activities	1,250	800
Increase (decrease) in cash and cash equivalents	42,137	47,633
Cash and cash equivalents - beginning of the year	50,193	24,105
Cash and cash equivalents - end of the year	\$ 92,330	\$ 71,738

See notes to financial statements.

Enterprise Funds

<u>Sewer Fund</u>	<u>Trash Fund</u>	<u>Electric Fund</u>	<u>Golf Fund</u>	<u>RV Park Fund</u>	<u>Total</u>
\$ 70,490	\$ 169,570	\$ 178,413	\$ 289,810	\$ 49,477	\$ 1,447,327
(24,112)	(61,825)	-	(122,422)	(16,368)	(592,309)
(31,740)	(42,701)	-	(115,924)	(8,402)	(388,530)
<u>14,638</u>	<u>65,044</u>	<u>178,413</u>	<u>51,464</u>	<u>24,707</u>	<u>466,488</u>
5,845	-	-	(4,432)	-	-
<u>12,214</u>	<u>18,720</u>	<u>(162,934)</u>	<u>2,573</u>	<u>785</u>	<u>(128,642)</u>
18,059	18,720	(162,934)	(1,859)	785	(128,642)
(47,761)	(5,995)	(98,420)	(6,440)	(7,800)	(166,416)
-	4,495	-	-	-	4,495
-	-	98,420	-	-	98,420
-	(75,947)	(7,030)	(20,053)	-	(145,030)
-	(2,874)	-	(4,577)	-	(8,540)
<u>(47,761)</u>	<u>(80,321)</u>	<u>(7,030)</u>	<u>(31,070)</u>	<u>(7,800)</u>	<u>(217,071)</u>
1,450	-	-	-	-	3,500
-	-	-	21	-	21
<u>1,450</u>	<u>-</u>	<u>-</u>	<u>21</u>	<u>-</u>	<u>3,521</u>
(13,614)	3,443	8,449	18,556	17,692	124,296
<u>13,614</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>26,832</u>	<u>114,746</u>
<u>\$ -</u>	<u>\$ 3,444</u>	<u>\$ 8,450</u>	<u>\$ 18,556</u>	<u>\$ 44,524</u>	<u>\$ 239,042</u>

CITY OF ALMA, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS, Continued**

For the Year Ended September 30, 2016

	Enterprise Funds	
	Gas Fund	Water Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 25,304	\$ 39,424
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	11,922	53,766
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	(2,798)	12,380
Inventories	(2,102)	(1,972)
Accounts payable	(5,025)	(12,481)
Advance utility collections	15,872	-
Accrued payroll	533	335
Sales tax payable	144	(136)
Customer deposits	(1,550)	(1,394)
Net cash provided by operating activities	\$ 42,300	\$ 89,922

See notes to financial statements.

Enterprise Funds

<u>Sewer Fund</u>	<u>Trash Fund</u>	<u>Electric Fund</u>	<u>Golf Fund</u>	<u>RV Park Fund</u>	<u>Total</u>
\$ (14,251)	\$ (262)	\$ 172,671	\$ 34,176	\$ 18,139	\$ 275,201
27,174	61,770	6,277	29,385	7,091	197,385
2,055	2,854	(535)	-	-	13,956
-	-	-	(9,113)	-	(13,187)
(674)	269	-	(4,342)	(736)	(22,989)
-	-	-	-	-	15,872
1,286	413	-	1,337	254	4,158
(2)	-	-	21	(41)	(14)
(950)	-	-	-	-	(3,894)
<u>\$ 14,638</u>	<u>\$ 65,044</u>	<u>\$ 178,413</u>	<u>\$ 51,464</u>	<u>\$ 24,707</u>	<u>\$ 466,488</u>

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

INDEX

	Page
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
1. Financial Reporting Entity	25
2. Basis of Presentation	26
3. Measurement Focus and Basis of Accounting	29
4. Assets, Liabilities, and Equity	30
5. Revenues, Expenditures, and Expenses	35
NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
1. Fund Accounting Requirements	37
2. Deposit Laws and Regulations	37
3. Revenue Restrictions	37
4. Debt Restrictions and Covenants	37
5. Budgetary Data	38
NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS	
1. Cash and Certificates of Deposit	39
2. Restricted Assets	40
3. Accounts Receivable	41
4. Notes Receivable	41
5. Capital Assets	42
6. Accounts Payable	45
7. Long-term Debt	45
8. Interfund Balances and Transactions	49
NOTE D – OTHER NOTES	
1. Employee Pension Plans	50
2. Risk Management	50
3. Commitments and Contingencies	52
4. Interlocal Agreements	53
5. Subsequent Events	53

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Alma, Nebraska (City) are prepared in accordance with generally accepted accounting principles (GAAP). The City’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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

1. Financial Reporting Entity

The City of Alma, Nebraska, was incorporated in 1871. The City operates under a City Council form of government with an elected chief executive, Mayor, and an elected legislative body, Council, composed of four members. The Mayor is elected at large for a four-year term, and the four members of the City Council are elected on four-year terms. The administration of the City government is performed under the direction of the Mayor by the City Administrator. Services provided to residents include public safety; highways and streets; planning and zoning; parks; recreation; urban development; electric, water, and sanitary sewer systems; gas; and general administrative services.

The City’s financial reporting entity comprises the following:

Primary Government:	City of Alma
---------------------	--------------

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

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

Blended Component Units

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

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

2. Basis of Presentation

Government-wide Financial Statements

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

Fund Financial Statements

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

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Fund Financial Statements, continued

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Proprietary Funds

Enterprise Funds

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

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds

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

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
Governmental:	
General	See page 27 for description.
Street	The Street Fund is a Special Revenue Fund that accounts for the City's share of highway allocation from the State of Nebraska.
Airport	The Airport Fund is a Special Revenue Fund that accounts for airport operations.
Proprietary:	
Enterprise:	
Gas, Water, Sewer, Trash, Electric, Golf and RV Park	See page 27 for description.
<i>Nonmajor:</i>	
Special Revenue:	
CDBG	Accounts for the City's share of Community Development Block Grant Program.
Hospital Bond Sinking	Accounts for funds collected by the City for the hospital's bonds debt service.

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Basis of Accounting, continued

In the fund financial statements, governmental funds and fiduciary funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

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

4. Assets, Liabilities, and Equity

Estimates

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

Cash and Investments

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

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes B2, C1, and D2.

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

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include special assessments and property taxes. Business-type activities report utility billings as their major receivables.

In the fund financial statements, receivables in governmental funds include revenue accruals such as special assessments and property taxes, since they are usually both measurable and available. Proprietary fund receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventory

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

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Assets

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

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Capital Assets, continued

Government-wide Statements

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

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

Buildings	20-50 years
Improvements	10-50 years
Machinery and Equipment	3-20 years
Utility System	25-50 years

The governmental funds infrastructure assets are capitalized under the prospective method, valued at cost. The cost of normal maintenance, preservation, and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

Fund Financial Statements

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

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Long-term Debt

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

Government-wide Statements

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

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

Equity Classifications

Government-wide Statements

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted net position” or “net investment in capital assets.”

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Fund Financial Statements

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

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

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

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

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

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

Unassigned—All amounts not included in other spendable classifications.

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

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses

Sales and Use Tax

The City presently levies a two-cent sales tax on taxable sales within the City. The sales tax is to be used for the following purposes:

- 1 cent – General operating costs
- 1/2 cent – Pool debt service
- 1/2 cent – Street and civic improvement and renovations

The sales tax is collected by the Nebraska Department of Revenue and remitted to the City in the month following receipt. The Nebraska Department of Revenue receives the sales tax approximately one month after collection by vendors. Eighty-two percent of the sales tax is recorded in the General Fund and used for budgeted operating expenses and pool debt service. The remaining eighteen percent is recorded in the Street Fund and used for budgeted expenses.

Sales taxes collected by the State in August and September and received by the City in October and November have been accrued and are included in receivables. As of October 1, 2006, sales tax collected on the sale of motor vehicles is recorded in the Street Fund as required by LB904.

Property Taxes

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

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

Property taxes levied for 2015-2016 are recorded as revenue when expected to be collected within 60 days after September 30, 2016. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as deferred revenue on the fund balance sheets.

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

Governmental Funds – by Character and Function

Proprietary Funds – by Operating and Nonoperating

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

Interfund Transfers

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

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

1. Fund Accounting Requirements

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

2. Deposit Laws and Regulations

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

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

3. Revenue Restrictions

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

4. Debt Restrictions and Covenants

Bonds Payable

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

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data

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

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

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

- a. On or before August 1, the City prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.
- b. The budget is published with subsequent public hearings to obtain taxpayer comments.
- c. Prior to September 20, the City Council adopts the budget, which is then filed with the appropriate state and county officials.
- d. Total expenditures may not legally exceed total appropriations. Appropriations lapse at year end and any revisions require board approval.
- e. The County Clerk certifies a preliminary property tax levy for each fund of the City which levied property taxes in the county the previous year based on the combined valuation and amount required for the City the prior year. The preliminary levy becomes the final levy unless the governing board passes, by a majority vote, a resolution setting the levy at a different amount.
- f. The property tax requirements resulting from the budget process are utilized by the County Assessor to establish the tax levy. Taxes are levied annually on or before October 15. Real property taxes and personal property taxes are due December 31 with the first half delinquent May 1 and the second half delinquent September 1.

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data, continued

- g. Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.
- h. The City of Alma adopts a budget by resolution for all fund types.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

1. Cash and Certificates of Deposit

Deposits

The City's policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose how its deposits were insured or secured with collateral at September 30, 2016. The categories of collateral are defined as follows:

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

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

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name; or collateralized with no written or approved collateral agreement.

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

1. Cash and Certificates of Deposit, continued

Deposits, continued

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits and certificates of deposit	\$ 1,314,468	\$ 838,598	\$ 475,870	\$ -	\$ <u>1,295,721</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –

Unrestricted cash and cash equivalents	\$ 509,489
Restricted cash and cash equivalents	216,232
Unrestricted certificates of deposit	400,000
Restricted certificates of deposit	<u>170,000</u>
	<u>\$ 1,295,721</u>

2. Restricted Assets

The restricted assets as of September 30, 2016, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 194,732	\$ 21,500	\$ 216,232
Certificates of deposit	170,000	-	170,000
	<u>\$ 364,732</u>	<u>\$ 21,500</u>	<u>\$ 386,232</u>

The governmental activities' restricted assets as of September 30, 2016, consisted of \$46,583 in the General Fund restricted for fire pension, \$218,498 in the Street Fund restricted for street improvements, \$15,225 in the CDBG Fund restricted for federal programs and \$84,426 in the Hospital Bond Sinking Fund restricted for hospital bond debt service.

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

2. Restricted Assets, continued

The business-type activities restricted assets as of September 30, 2016, consisted of \$9,550 in the Gas Fund, \$6,050 in the Water Fund and \$5,900 in the Sewer Fund restricted for customer deposits.

3. Accounts Receivable

Accounts receivable of the business-type activities consist of utilities receivable. Receivables detail at September 30, 2016, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 5,484
Allowance for doubtful accounts	<u>(3,000)</u>
Net accounts receivable	<u>\$ 2,484</u>

4. Notes Receivable

The CDBG Fund has made two rehab loans. Notes receivable at September 30, 2016, consisted of the following:

Interest-free note for \$15,501 dated November 9, 2005; due in 240 monthly payments of \$64.59 through November 1, 2025.	\$ 6,734
Interest-free note for \$10,000 dated August 31, 2005; due in 240 monthly payments of \$41.67 through October 1, 2025.	<u>3,450</u>
Total governmental activities notes receivable	\$ <u>10,184</u>
Current portion	\$ 1,275
Noncurrent portion	<u>8,909</u>
Total	\$ <u>10,184</u>

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

5. Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	<u>Balance at</u> <u>October 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	<u>Balance at</u> <u>September 30, 2016</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 163,751	\$ -	\$ -	\$ -	\$ 163,751
Construction in progress	<u>82,436</u>	<u>489,166</u>	<u>-</u>	<u>(25,852)</u>	<u>545,750</u>
Total capital assets not being depreciated	246,187	489,166	-	(25,852)	709,501
Other capital assets being depreciated:					
Infrastructure	1,369,501	-	-	-	1,369,501
Building and improvements	6,708,398	158,499	(18,500)	25,852	6,874,249
Equipment	<u>1,273,560</u>	<u>99,425</u>	<u>(31,951)</u>	<u>-</u>	<u>1,341,034</u>
Total other capital assets at historical cost	9,351,459	257,924	(50,451)	25,852	9,584,784
Less accumulated depreciation for:					
Infrastructure	(126,889)	(34,337)	-	-	(161,226)
Building and improvements	(1,570,088)	(218,052)	18,500	-	(1,769,640)
Equipment	<u>(815,881)</u>	<u>(93,601)</u>	<u>31,951</u>	<u>-</u>	<u>(877,531)</u>
Total accumulated depreciation	<u>(2,512,858)</u>	<u>(345,990) *</u>	<u>50,451</u>	<u>-</u>	<u>(2,808,397)</u>
Other capital assets, net	<u>6,838,601</u>	<u>(88,066)</u>	<u>-</u>	<u>25,852</u>	<u>6,776,387</u>
Governmental activities capital assets, net	<u>\$ 7,084,788</u>	<u>\$ 401,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,485,888</u>

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

5. Capital Assets, continued

* Depreciation expense was incurred by the following governmental activities:

General Fund:

General government	\$ 15,580
Public safety:	
Fire	24,904
Public works:	
Shop	3,161
Environment and leisure:	
Community buildings	4,482
Library	1,049
Park	8,832
Pheasant Ridge trail	35,872
Pool	75,115
Recreation	<u>4,108</u>
Total environment and leisure	<u>129,458</u>
Total General Fund	173,103
Street Fund	72,153
Airport Fund	<u>100,734</u>
Total governmental activities depreciation expense	\$ <u>345,990</u>

Construction in progress at September 30, 2016 consists of \$545,750 of engineering and construction costs on the airport terminal project. See Note D3 for additional details on construction commitments.

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

5. Capital Assets, continued

	Balance at <u>October 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>September 30, 2016</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 242,856	\$ -	\$ -	\$ 242,856
Construction in progress	-	47,761	-	47,761
Total capital assets not being depreciated	<u>242,856</u>	<u>47,761</u>	<u>-</u>	<u>290,617</u>
Other capital assets being depreciated:				
Distribution systems	2,269,322	98,420	(1,678)	2,366,064
Buildings and improvements	1,114,090	-	-	1,114,090
Equipment	1,183,578	20,235	(60,000)	1,143,813
Total other capital assets at historical cost	4,566,990	118,655	(61,678)	4,623,967
Less accumulated depreciation for:				
Distribution systems	(1,155,019)	(49,426)	898	(1,203,547)
Buildings and improvements	(499,470)	(31,286)	-	(530,756)
Equipment	(792,695)	(116,673)	60,000	(849,368)
Total accumulated depreciation	<u>(2,447,184)</u>	<u>(197,385)*</u>	<u>60,898</u>	<u>(2,583,671)</u>
Other capital assets, net	<u>2,119,806</u>	<u>(78,730)</u>	<u>(780)</u>	<u>2,040,296</u>
Business-type activities capital assets, net	<u>\$ 2,362,662</u>	<u>\$ (30,969)</u>	<u>\$ (780)</u>	<u>\$ 2,330,913</u>

* Depreciation expense was charged to functions as follows:

Gas	\$ 11,922
Water	53,766
Sewer	27,174
Trash	61,770
Electric	6,277
Golf	29,385
RV Park	7,091
Total business-type activities depreciation expense	<u>\$ 197,385</u>

Construction in progress at September 30, 2016 consists of \$47,761 of engineering on the sewer force main project. See Note D3 for additional details on construction commitments.

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

6. Accounts Payable

Payables in the general, other governmental, and proprietary funds are primarily composed of payables to vendors.

7. Long-term Debt

The reporting entity’s long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2016:

<u>Type of Debt</u>	<u>Balance at October 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2016</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable	<u>\$ 2,669,602</u>	<u>\$ -</u>	<u>\$ (141,256)</u>	<u>\$ 2,528,346</u>	<u>\$ 154,186</u>
Business-type Activities:					
Bonds and notes payable	<u>\$ 461,969</u>	<u>\$ 98,420</u>	<u>\$ (145,030)</u>	<u>\$ 415,359</u>	<u>\$ 152,939</u>

Governmental Activities

As of September 30, 2016, the governmental long-term liabilities consisted of the following:

Bonds and notes payable:

General obligation swimming pool bonds, Series 2014, with an original issue amount of \$1,885,000. Interest rates range from 0.35 percent to 3.80 percent. Interest is due in semi-annual installments and principal is due in annual installments through June 15, 2034. Paid by the General Fund.

\$ 1,720,000

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

7. Long-term Debt, continued

Governmental Activities, continued

Bonds and notes payable, continued:

Various purpose bonds, Series 2013, with an original issue amount of \$510,000. Interest rates range from 0.45 percent to 2.85 percent. Interest is due in semi-annual installments and principal is due in annual installments through April 15, 2028. Paid by the Street Fund. 420,000

The City entered into a loan agreement with the State of Nebraska Department of Aeronautics for the repayment of funds borrowed under the State of Nebraska Department of Aeronautics Revolving Hangar Loan Program. The State loaned the City \$145,600 to be repaid over a period of 180 months at \$810 per month. Paid by the Airport Fund. 42,120

General obligation paving bonds, Series 2011, with an original issue amount of \$225,000. Interest rates range from 0.50 percent to 4.15 percent. Interest is due in semi-annual installments and principal is due in annual installments through September 1, 2026. Paid by the Street Fund. 155,000

On November 21, 2014, the City entered into an agreement with Community Bank for the purpose of purchasing a mower. The original loan was \$7,902. Principal and interest at 2.40 percent are due in monthly payments of \$228 through November 20, 2017. Paid by the General Fund. 3,134

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

7. Long-term Debt, continued

Governmental Activities, continued

Bonds and notes payable, continued:

On September 14, 2015, the City entered into an agreement with Banner Capital Bank for the purpose of building a pool slide. The original loan was \$192,000. Principal and interest at 2.99 percent are due in annual payments of \$22,500 through September 14, 2021 with a balloon payment of \$86,123 due September 14, 2022. Paid by the General Fund.

188,092

Total governmental activities bonds and notes payable

\$ 2,528,346

Current portion

\$ 154,186

Noncurrent portion

2,374,160

Total

\$ 2,528,346

Business-type Activities

As of September 30, 2016, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds and notes payable:

Water refunding bonds, series 2014, with an original issue amount of \$171,000. Interest at 0.85 percent is due in semi-annual installments and principal is due in annual installments through July 15, 2018. Paid by the Water Fund.

\$ 86,000

On January 15, 2013, the City entered into an agreement with Banner County Bank for the purpose of purchasing trash equipment. The original loan was \$374,955. Principal and interest at 1.95 percent are due in monthly payments of \$6,568 through January 28, 2018. Paid by the Trash Fund.

103,226

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

7. Long-term Debt, continued

Business-type Activities, continued

Bonds and notes payable, continued:

On July 19, 2004, the City entered into an agreement with Community Bank for the purpose of building a clubhouse. The original loan was \$255,000. Principal and interest at 3.00 percent are due in semi-annual payments of \$9,830 through June 19, 2022. Paid by the Golf Fund. 106,273

On January 1, 2016, the City entered into an agreement with Nebraska Public Power District to acquire electric distribution system fringe area properties. The original loan was \$98,420. The note is non-interest bearing. Principal is due in quarterly payments of \$3,515 through March 15, 2023. Paid by the Electric Fund. 91,390

On February 6, 2014, the City entered into an agreement with First State Bank for the purpose of building a maintenance shed. The original loan was \$40,000. Principal and interest at 4.47 percent are due in annual payments of \$4,969 through September 1, 2023. Paid by the Golf Fund. 28,470

Total business-type activity bonds and notes payable \$ 415,359

Current portion \$ 152,939

Noncurrent portion 262,420

Total \$ 415,359

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

7. Long-term Debt, continued

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2016, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 154,186	\$ 67,485	\$ 152,939	\$ 6,301
2018	152,547	65,616	106,105	3,912
2019	152,617	63,430	35,925	2,764
2020	158,152	60,877	36,606	2,083
2021	157,224	57,861	37,309	1,380
2022-2026	803,620	225,554	46,475	742
2027-2031	595,000	121,708	-	-
2032-2034	355,000	26,700	-	-
	<u>\$ 2,528,346</u>	<u>\$ 689,231</u>	<u>\$ 415,359</u>	<u>\$ 17,182</u>

8. Interfund Balances and Transactions

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 150,973	\$ 43,501
Airport Fund	1,150	-
Nonmajor Funds	20,020	-
Sewer Fund	12,214	-
Trash Fund	18,720	-
Electric Fund	-	162,934
Golf Fund	21,546	18,973
RV Park Fund	785	-
Total operating transfers	<u>\$ 225,408</u>	<u>\$ 225,408</u>

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

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

8. Interfund Balances and Transactions, continued

Interfund balances relate to negative pooled cash balances in the Sewer Fund. The Sewer Fund owed the Gas Fund \$5,845 at September 30, 2016.

NOTE D – OTHER NOTES

1. Employee Pension Plans

The City of Alma has a contributory defined contribution employees' pension plan in which the employees of the City participate. Eligible employees may contribute up to the maximum allowed by law and the City matches up to five percent. Employees are eligible to participate after they have attained the age of 21 and are considered full-time employees.

All employees are fully vested in their own contributions and become vested in the City's contribution after five years' participation in the plan.

For the year ended September 30, 2016, the City's total payroll and covered payroll under the plan was \$606,826 and \$418,230, respectively. Both the City's contribution of \$20,911 and the covered employees' contribution of \$26,915 were made for the year ended September 30, 2016.

2. Risk Management

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

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the City’s investments at September 30, 2016, are held by the counterparties not in the name of the City. The underlying securities consist of cash, certificates of deposit, and insured money market funds.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy requires that market conditions and investment securities be analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates. The certificate of deposit maturities are as follows:

<u>Maturities by Month</u>	<u>Amount</u>
October 2016	\$ 200,000
April 2017	100,000
July 2017	150,000
March 2018	80,000
April 2018	40,000
	<u>\$ 570,000</u>

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

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

Concentration of Credit Risk. The City’s investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2016, the City’s investments and certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
First State Bank	\$ 250,000
Banner Capital Bank	240,000
Community Bank	80,000
Totals	<u><u>\$ 570,000</u></u>

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City’s investments had no exposure to foreign currency risk and the City held no investments denominated in foreign currency at September 30, 2016.

3. Commitments and Contingencies

Leases

On December 13, 2013, the City entered into a five-year lease for a copier from Eakes Office Plus. Rent of \$195 is due monthly through December 2018.

Rent expense was \$2,335 for the year ended September 30, 2016. The following payments are due under the leases:

<u>Year Ending</u> <u>September 30,</u>	
2017	\$ 2,335
2018	2,335
2019	584
2020	-
2021	-
	<u><u>\$ 5,254</u></u>

CITY OF ALMA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2016

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Construction Commitments

The City’s governmental activities had the following construction commitment as of September 30, 2016:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2016</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
Airport terminal	<u>\$ 621,299</u>	<u>\$ 545,750</u>	<u>\$ 75,549</u>	November 2016

The City’s business-type activities had the following construction commitment as of September 30, 2016:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2016</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
Sewer force main	<u>\$ 143,601</u>	<u>\$ 35,661</u>	<u>\$ 107,940</u>	Unknown

4. Interlocal Agreements

The City had the following interlocal agreements in effect as of September 30, 2016:

<u>Parties to Agreement</u>	<u>Term</u>	<u>Description</u>
Harlan County	October 1, 2015 - September 30, 2016	Agreement for law enforcement
Alma Public School	September 2012 - September 2022	Educational recreational facilities
Harlan County	September 16, 2016 - September 16, 2017	Share road maintenance equipment for road from highway to golf course

5. Subsequent Events

Management has evaluated subsequent events through February 3, 2017, the date on which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALMA, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND

Year Ended September 30, 2016

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 288,200	\$ 288,799	\$ 599
Motor vehicle	20,000	24,967	4,967
Sales	210,000	232,185	22,185
Franchise	2,000	3,866	1,866
Intergovernmental	83,824	90,647	6,823
Licenses and permits	5,960	5,804	(156)
Charges for services	7,000	14,798	7,798
Rent	6,516	7,705	1,189
Grants and contributions	39,933	29,686	(10,247)
Interest income	3,860	5,300	1,440
Other	95,500	96,177	677
	<hr/>	<hr/>	<hr/>
Total resources	762,793	799,934	37,141
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	327,822	358,781	30,959
Public safety	76,341	64,423	(11,918)
Public works	10,830	8,130	(2,700)
Environment and leisure	228,732	258,372	29,640
Economic development	23,800	31,233	7,433
Capital outlay	140,620	205,781	65,161
Principal payments on debt	104,900	86,536	(18,364)
Interest payments on debt	48,185	53,953	5,768
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	961,230	1,067,209	105,979
Resources over (under) charges to appropriations	(198,437)	(267,275)	(68,838)
OTHER FINANCING SOURCES			
Net transfers	30,500	107,472	76,972
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (167,937)</u>	<u>\$ (159,803)</u>	<u>\$ 8,134</u>

CITY OF ALMA, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
STREET FUND

Year Ended September 30, 2016

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 70,000	\$ 76,484	\$ 6,484
Intergovernmental	142,306	142,475	169
Grants and donations	-	201	201
Other income	-	688	688
	<hr/>	<hr/>	<hr/>
Total resources	212,306	219,848	7,542
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	187,449	181,723	(5,726)
Capital outlay	121,500	39,380	(82,120)
Principal payments on debt	45,000	45,000	-
Interest payments on debt	14,420	14,420	-
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	368,369	280,523	(87,846)
Resources over (under) charges to appropriations	(156,063)	(60,675)	95,388
OTHER FINANCING SOURCES			
Net transfers	80,000	-	(80,000)
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (76,063)</u>	<u>\$ (60,675)</u>	<u>\$ 15,388</u>

CITY OF ALMA, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
AIRPORT FUND**

Year Ended September 30, 2016

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Charges for services	\$ -	\$ 23,515	\$ 23,515
Rent	12,546	12,565	19
Grant income	546,062	379,068	(166,994)
Loan proceeds	27,000	-	(27,000)
Other income	-	13,476	13,476
	<hr/>	<hr/>	<hr/>
Total resources	585,608	428,624	(156,984)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Operating expenditures	36,510	31,612	(4,898)
Capital outlay	599,063	423,207	(175,856)
Principal payments on debt	9,720	9,720	-
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	645,293	464,539	(180,754)
Resources over (under) charges to appropriations	(59,685)	(35,915)	23,770
OTHER FINANCING SOURCES			
Net transfers	6,500	1,150	(5,350)
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (53,185)</u>	<u>\$ (34,765)</u>	<u>\$ 18,420</u>

CITY OF ALMA, NEBRASKA

**BUDGETARY COMPARISON SCHEDULES -
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

Year Ended September 30, 2016

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenue and Expenditures**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Airport Fund</u>
Sources/inflows of resources:			
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 799,934	\$ 219,848	\$ 428,624
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>(1,739)</u>	<u>2,665</u>	<u>1,150</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 798,195</u>	<u>\$ 222,513</u>	<u>\$ 429,774</u>
Uses/outflows of resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 1,067,209	\$ 280,523	\$ 464,539
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>(1,530)</u>	<u>8,394</u>	<u>79,918</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,065,679</u>	<u>\$ 288,917</u>	<u>\$ 544,457</u>

SUPPLEMENTARY INFORMATION

CITY OF ALMA, NEBRASKA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2016

	Special Revenue Funds		
	CDBG	Hospital Bond Sinking	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 15,225	\$ 84,426	\$ 99,651
LIABILITIES AND FUND BALANCES			
Liabilities	\$ -	\$ -	\$ -
Fund balances:			
Restricted for:			
Federal programs	15,225	-	15,225
Hospital bond debt service	-	84,426	84,426
Total fund balances	15,225	84,426	99,651
Total liabilities and fund balances	\$ 15,225	\$ 84,426	\$ 99,651

CITY OF ALMA, NEBRASKA

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

For the Year Ended September 30, 2016

	Special Revenue Funds		
	<u>CDBG</u>	Hospital Bond <u>Sinking</u>	Total Nonmajor Governmental <u>Funds</u>
REVENUES			
Interest income	\$ 15	\$ 161	\$ 176
Loan collections	1,330	-	1,330
Total revenues	1,345	161	1,506
EXPENDITURES			
General government	20	-	20
Excess of revenues over expenditures	1,325	161	1,486
OTHER FINANCING SOURCES			
Transfers from other funds	20	20,000	20,020
Net change in fund balances	1,345	20,161	21,506
Fund balances - September 30, 2015	13,880	64,265	78,145
Fund balances - September 30, 2016	\$ 15,225	\$ 84,426	\$ 99,651

CITY OF ALMA, NEBRASKA

COMBINING STATEMENT OF REVENUES AND EXPENDITURES -

GENERAL FUND DEPARTMENTS

Year Ended September 30, 2016

	<u>Administrative</u>	<u>Fire</u>	<u>Police</u>	<u>Shop</u>
REVENUES				
Taxes:				
General property tax	\$ 208,187	\$ -	\$ -	\$ -
Motor vehicle tax	24,967	-	-	-
Sales tax	165,572	-	-	-
Franchise	3,866	-	-	-
Intergovernmental revenue:				
State assistance	82,517	-	-	-
Charges for services	-	-	-	-
Grants and donations	250	1,500	-	-
Licenses and permits	5,804	-	-	-
Rent	4,225	-	-	-
Interest income	5,215	85	-	-
Other receipts	3,290	25,532	-	-
Total revenues	<u>503,893</u>	<u>27,117</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Personnel services:				
Salaries and benefits	193,375	-	-	-
Operating expenses:				
Law enforcement	-	-	41,616	-
Insurance	6,105	5,915	-	918
Professional fees	32,917	-	-	-
Fuel and transportation	-	1,431	-	-
Meetings, seminars, and dues	4,312	642	-	-
Repairs and maintenance	67,408	7,179	-	63
Printing, postage, and publications	4,916	-	-	-
Utilities and telephone	3,874	4,985	-	6,205
Total operating expenses	<u>119,532</u>	<u>20,152</u>	<u>41,616</u>	<u>7,186</u>
Supplies	9,124	1,751	-	960
Other expenses	69,958	748	-	-
Capital outlay	-	31,680	-	-
Principal payments on debt	-	-	-	-
Interest payments	-	-	-	-
Total expenditures	<u>391,989</u>	<u>54,331</u>	<u>41,616</u>	<u>8,146</u>
Excess (deficiency) of revenues over expenditures before transfers	111,904	(27,214)	(41,616)	(8,146)
TRANSFERS FROM (TO) OTHER FUNDS	<u>(388,033)</u>	<u>31,300</u>	<u>41,580</u>	<u>7,110</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (276,129)</u>	<u>\$ 4,086</u>	<u>\$ (36)</u>	<u>\$ (1,036)</u>

Community Building	Park	Pool	Recreation	Library	Pheasant Ridge Trail	Total
\$ -	\$ -	\$ 78,180	\$ -	\$ -	\$ -	\$ 286,367
-	-	-	-	-	-	24,967
-	-	67,306	-	-	-	232,878
-	-	-	-	-	-	3,866
-	-	7,276	-	854	-	90,647
-	-	12,866	-	1,932	-	14,798
-	-	2,187	-	25,749	-	29,686
-	-	-	-	-	-	5,804
3,480	-	-	-	-	-	7,705
-	-	-	-	-	-	5,300
55,694	-	8,955	1,067	1,639	-	96,177
59,174	-	176,770	1,067	30,174	-	798,195
-	21,477	73,080	-	51,216	-	339,148
-	-	-	-	-	-	41,616
3,258	2,231	4,867	1,933	2,361	-	27,588
-	-	4,378	-	-	-	37,295
-	1,748	13	4	-	-	3,196
-	-	40	-	205	-	5,199
8,696	1,465	5,083	4,236	1,998	113	96,241
-	-	130	-	284	-	5,330
9,030	7,604	8,809	6,579	4,397	2,454	53,937
20,984	13,048	23,320	12,752	9,245	2,567	270,402
2,029	1,612	11,589	1,034	12,560	1	40,660
-	-	6,436	-	3,224	-	80,366
69,971	-	82,197	10,783	-	-	194,631
-	2,628	83,908	-	-	-	86,536
-	106	53,830	-	-	-	53,936
92,984	38,871	334,360	24,569	76,245	2,568	1,065,679
(33,810)	(38,871)	(157,590)	(23,502)	(46,071)	(2,568)	(267,484)
30,980	38,363	272,134	22,804	48,734	2,500	107,472
\$ (2,830)	\$ (508)	\$ 114,544	\$ (698)	\$ 2,663	\$ (68)	\$ (160,012)



**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**

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stumpf
Kyle R. Overturf

To the Honorable Mayor and Members of the City Council
City of Alma, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alma, Nebraska, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated February 3, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

Segregation of Duties

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

Compliance and Other Matters

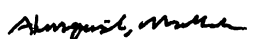
As part of obtaining reasonable assurance about whether the City of Alma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 Alma's Response to Findings

The City of Alma's response to the findings identified in our audit is that due to the small size of the City, it is impractical to further segregate duties. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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


Gordon Luth, P.C.

Grand Island, Nebraska
February 3, 2017