

**CITY OF SEWARD, NEBRASKA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**September 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Seward, Nebraska, as of and for the year ended September 30, 2019, 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 did not audit the financial statements of the Seward Airport Authority aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Seward Airport Authority, is based solely on the report of the other auditors. 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

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and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Seward, Nebraska, as of September 30, 2019, and the respective changes in financial position and cash flows, where applicable, 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 66-69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Seward, Nebraska's financial statements. The nonmajor fund combining statements and the component unit combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The nonmajor fund combining statements and the component unit combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information described in the first sentence of this paragraph are 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 January 9, 2020, on our consideration of the City of Seward, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Seward’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Seward, Nebraska’s internal control over financial reporting and compliance.

AMGL, PC.

Grand Island, Nebraska  
January 9, 2020

**CITY OF SEWARD, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For The Year Ended September 30, 2019**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Seward, we offer readers of the City of Seward financial statements this narrative overview and analysis of the financial activities of the City of Seward for the fiscal year ended September 30, 2019. For information on the Seward Airport Authority component unit included in these financial statements, please see the separate audit report for the Airport.

**Financial Highlights**

- The assets of the City of Seward exceeded its liabilities at the close of the most recent fiscal year by \$51,574,935 (*net position*). Of this amount, \$17,781,003 (*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 Seward's governmental funds reported combined ending net position of \$23,583,233. Approximately 27.5 percent of this total amount, \$6,474,337, is *unrestricted net position*.
- At the end of the current fiscal year, the General Fund had unassigned fund balance of \$3,604,961, or 80.3 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 Seward's basic financial statements. The City of Seward'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 Seward's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Seward'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 Seward 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).

**CITY OF SEWARD, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2019**

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Both of the government-wide financial statements distinguish functions of the City of Seward that are principally supported by taxes and intergovernmental revenues (*governmental activities*) 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 Seward include general government, public safety, highways and streets, economic development, and culture and recreation. The business-type activities of the City of Seward include the Electric, Water, and Sewer Enterprise Funds.

The government-wide financial statements include not only the City of Seward itself (known as the *primary government*), but also legally separate entities, the Seward Airport Authority and the Seward Library Foundation, for which the City of Seward is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

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 Seward, 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 Seward 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 Seward maintains seven 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 Debt Service Fund, all of which are considered to be major funds. Data from the other four 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.

**CITY OF SEWARD, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2019**

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The City of Seward adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General, Street, and Debt Service 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 Seward maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Seward uses enterprise funds to account for its Electric, Water, and Sewer 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 Electric, Water, and Sewer Funds, all of which are considered to be major funds of the City of Seward.

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 24-65 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 Seward's budgetary comparison schedules. Required supplementary information can be found on pages 66-69 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and the component units are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 70-73 of this report.

**CITY OF SEWARD, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2019**

**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 Seward, assets exceeded liabilities by \$51,574,934 at the close of the most recent fiscal year.

**Summary Statements of Net Position**

|                          | September 30, 2019         |                             |               | September 30, 2018         |                             |               |
|--------------------------|----------------------------|-----------------------------|---------------|----------------------------|-----------------------------|---------------|
|                          | Governmental<br>Activities | Business-type<br>Activities | Total         | Governmental<br>Activities | Business-type<br>Activities | Total         |
| Current and Other Assets | \$ 8,255,835               | \$ 14,463,204               | \$ 22,719,039 | \$ 7,385,802               | \$ 16,119,229               | \$ 23,505,031 |
| Capital Assets           | 19,387,164                 | 25,564,100                  | 44,951,264    | 19,672,637                 | 23,836,913                  | 43,509,550    |
| Total Assets             | 27,642,999                 | 40,027,304                  | 67,670,303    | 27,058,439                 | 39,956,142                  | 67,014,581    |
| Long-term Liabilities    | 3,112,387                  | 9,986,379                   | 13,098,766    | 3,626,263                  | 10,994,046                  | 14,620,309    |
| Other Liabilities        | 947,379                    | 2,049,223                   | 2,996,602     | 871,530                    | 1,848,079                   | 2,719,609     |
| Total Liabilities        | 4,059,766                  | 12,035,602                  | 16,095,368    | 4,497,793                  | 12,842,125                  | 17,339,918    |
| Net Position:            |                            |                             |               |                            |                             |               |
| Net Investment in        |                            |                             |               |                            |                             |               |
| Capital Assets           | 15,876,463                 | 14,694,370                  | 30,570,833    | 15,633,097                 | 12,028,688                  | 27,661,785    |
| Restricted               | 1,232,433                  | 1,990,666                   | 3,223,099     | 2,138,689                  | 1,976,197                   | 4,114,886     |
| Unrestricted             | 6,474,337                  | 11,306,666                  | 17,781,003    | 4,788,860                  | 13,109,132                  | 17,897,992    |
| Total Net Position       | \$ 23,583,233              | \$ 27,991,702               | \$ 51,574,935 | \$ 22,560,646              | \$ 27,114,017               | \$ 49,674,663 |

By far the largest portion of the City of Seward's net position (59.3 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), net of any related debt used to acquire those assets that is still outstanding. The City of Seward uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Seward'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 Seward's net position (6.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$17,781,003) 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 Seward is able to report positive balances in all three categories of net position, for the government as a whole as well as for its separate governmental and business-type activities.

**CITY OF SEWARD, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2019**

**Expenses and Program Revenues - Governmental Activities**

| <u>Function</u>         | <u>Year Ended September 30, 2019</u> |                         | <u>Year Ended September 30, 2018</u> |                         |
|-------------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|
|                         | <u>Program Revenues</u>              | <u>Program Expenses</u> | <u>Program Revenues</u>              | <u>Program Expenses</u> |
| General Government      | \$ 81,167                            | \$ 306,775              | \$ 70,785                            | \$ 265,211              |
| Economic Development    | -                                    | 330,204                 | 4,078                                | 345,902                 |
| Public Safety           | 125,246                              | 1,333,111               | 236,431                              | 1,310,625               |
| Public Works            | 453,350                              | 1,476,310               | 423,673                              | 1,161,765               |
| Environment and Leisure | 680,988                              | 2,077,062               | 716,233                              | 2,048,190               |
| Interest                | -                                    | 98,906                  | -                                    | 120,068                 |
| Depreciation            | -                                    | 1,107,511               | -                                    | 1,068,509               |
| Total                   | <u>\$ 1,340,751</u>                  | <u>\$ 6,729,879</u>     | <u>\$ 1,451,200</u>                  | <u>\$ 6,320,270</u>     |

**Revenues by Source - Governmental Activities**

**SOURCES OF REVENUE**

|                                    | <u>Year Ended September 30, 2019</u> |                 | <u>Year Ended September 30, 2018</u> |                 |
|------------------------------------|--------------------------------------|-----------------|--------------------------------------|-----------------|
| Charges for Services               | \$ 771,559                           | 9.95 %          | \$ 776,440                           | 9.89 %          |
| Operating Grants and Contributions | 239,498                              | 3.09            | 404,638                              | 5.16            |
| Capital Grants and Contributions   | 329,694                              | 4.25            | 270,122                              | 3.44            |
| Property Taxes                     | 1,556,192                            | 20.07           | 1,476,726                            | 18.81           |
| Motor Vehicle Taxes                | 162,849                              | 2.10            | 157,230                              | 2.00            |
| Sales Tax                          | 1,812,434                            | 23.38           | 1,631,944                            | 20.79           |
| Franchise Tax                      | 1,151,367                            | 14.85           | 1,161,785                            | 14.80           |
| Occupation Tax                     | 357,249                              | 4.61            | 349,124                              | 4.45            |
| TIF Proceeds                       | 229,227                              | 2.96            | 262,043                              | 3.34            |
| State Allocation                   | 820,213                              | 10.58           | 763,936                              | 9.73            |
| Miscellaneous                      | 10,255                               | 0.13            | 115                                  | -               |
| Interest                           | 63,213                               | 0.82            | 29,936                               | 0.38            |
| Gain on Sale of Assets             | 248,713                              | 3.21            | 85,580                               | 1.09            |
| Interfund Transfers                | -                                    | -               | 480,000                              | 6.12            |
| Total                              | <u>\$ 7,752,463</u>                  | <u>100.00 %</u> | <u>\$ 7,849,619</u>                  | <u>100.00 %</u> |

Net position increased \$1,022,587 in the governmental funds during the year ended September 30, 2019.

**CITY OF SEWARD, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2019**

**Business-type activities.** Business-type activities increased the City of Seward's net position by \$877,685 for the year ended September 30, 2019. Key elements of this increase are as follows:

**Expenses and Program Revenues - Business-type Activities**

| <u>Function</u>    | <u>Year Ended September 30, 2019</u> |                         | <u>Year Ended September 30, 2018</u> |                         |
|--------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|
|                    | <u>Program Revenues</u>              | <u>Program Expenses</u> | <u>Program Revenues</u>              | <u>Program Expenses</u> |
| Electric           | \$ 9,618,095                         | \$ 9,549,603            | \$ 9,806,715                         | \$ 9,641,058            |
| Water              | 1,848,731                            | 1,406,568               | 1,851,386                            | 1,432,165               |
| Sewer              | 1,542,147                            | 1,369,333               | 1,487,009                            | 1,322,431               |
| Total              | 13,008,973                           | 12,325,504              | 13,145,110                           | 12,395,654              |
| Interfund Transfer | -                                    | -                       | -                                    | 480,000                 |
|                    | <u>\$ 13,008,973</u>                 | <u>\$ 12,325,504</u>    | <u>\$ 13,145,110</u>                 | <u>\$ 12,875,654</u>    |

**Revenues by Source - Business-type Activities**

| <u>SOURCES OF REVENUE</u>          | <u>Year Ended September 30, 2019</u> |                 | <u>Year Ended September 30, 2018</u> |                 |
|------------------------------------|--------------------------------------|-----------------|--------------------------------------|-----------------|
| Charges for Services               | \$ 12,984,490                        | 98.34 %         | \$ 13,145,110                        | 98.95 %         |
| Operating Grants and Contributions | 14,483                               | 0.11            | -                                    | -               |
| Capital Grants and Contributions   | 10,000                               | 0.08            | -                                    | -               |
| Interest                           | 161,795                              | 1.23            | 99,695                               | 0.75            |
| Gain on Sale of Assets             | 5,618                                | 0.04            | -                                    | -               |
| Miscellaneous                      | 26,803                               | 0.20            | 39,725                               | 0.30            |
| Total                              | <u>\$ 13,203,189</u>                 | <u>100.00 %</u> | <u>\$ 13,284,530</u>                 | <u>100.00 %</u> |

**Financial Analysis of the Government's Funds**

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

**Governmental Funds.** The focus of the City of Seward'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 Seward'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 Seward's governmental funds reported combined ending fund balances of \$7,073,360. Approximately 51.0 percent of this total amount (\$3,604,961) 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 to pay debt service (\$712,240), 2) restricted for street projects (\$57,902), 3) restricted for Federal programs (\$19,620), 4) restricted for economic development (\$203,817), 5) restricted for library maintenance (\$19,672), 6) placed in a

**CITY OF SEWARD, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2019**

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nonspendable endowment for cemetery perpetual care (\$219,182), 7) committed for public safety (\$310,493), 8) committed for sports complex lights (\$60,748), 9) assigned for parks (\$50,236), 10) assigned for cemetery (\$149,773), 11) assigned for unemployment compensation (\$14,925), 12) assigned for street expenses (\$793,541), or 13) assigned for budgetary stabilization (\$856,250).

The General Fund is the chief operating fund of the City of Seward. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,604,961, while total fund balance reached \$5,067,058. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 80.3 percent of total General Fund expenditures, while total fund balance represents 112.9 percent of that same amount.

The fund balance of the City of Seward's General Fund increased by \$1,434,100 during the current fiscal year.

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

Unrestricted net position of the proprietary funds at the end of the year were as follows: Electric Fund - \$6,344,476, Water Fund - \$3,066,581, and Sewer Fund - \$1,895,609. The change in net position for the proprietary funds was as follows: Electric Fund – increase of \$214,334, Water Fund – increase of \$492,821, and Sewer Fund – increase of \$170,530. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Seward's business-type activities.

### **Budgetary Highlights**

There was no difference between the original budget and the final adopted budget for the City of Seward.

### **Capital Asset and Debt Administration**

**Capital Assets.** The City of Seward's investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$44,951,264 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, building and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- Parking lot at the pool - \$33,000
- Groundsmaster 4000-D T4 - \$65,625
- Playground equipment - \$77,000

**CITY OF SEWARD, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2019**

- Construction in progress on rail campus streets and engineering - \$632,658
- Construction in progress on Waverly Road to Karol Kay Blvd - \$62,904
- 2018 Ford Explorer for police - \$32,209
- 2019 Ford Interceptor for police - \$29,416
- Construction in progress on rail campus water improvements - \$144,117
- 2019 Chevy Silverado for water department - \$41,000
- SW3 well project - \$27,382
- Construction in progress on rail campus sewer improvements - \$149,057
- Sewer easement jetter - \$63,238
- Vulcan model ESK 190 grit classifier - \$37,940
- Construction in progress on substation reclosure - \$266,257
- Karol Kay Blvd electrical upgrades - \$33,567
- Construction in progress on rail campus/Progressive Ave electrical improvements - \$605,936
- Construction in progress on Fairway Woods electrical improvements - \$103,593
- Shoal Creek electrical improvements - \$53,291
- Highway 15 land purchase - \$524,199
- Walker Road land purchase - \$1,140,038

**City of Seward's Capital Assets**  
**(net of depreciation)**

|                | <u>Year Ended September 30, 2019</u>     |   |                      | <u>Year Ended September 30, 2018</u>     |   |                      |
|----------------|--|---|----------------------|--|---|----------------------|
|                | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u>         | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u>         |
| Land           | \$ 596,405                               | \$ 1,931,102                              | \$ 2,527,507         | \$ 836,814                               | \$ 264,065                                | \$ 1,100,879         |
| Construction   |  |   |                      |  |   |                      |
| in progress    | 1,259,759                                | 1,408,502                                 | 2,668,261            | 569,057                                  | 130,210                                   | 699,267              |
| Infrastructure | 7,141,157                                | -   | 7,141,157            | 7,475,977                                | -   | 7,475,977            |
| Buildings      | 8,236,740                                | 843,846                                   | 9,080,586            | 8,468,427                                | 865,328                                   | 9,333,755            |
| Equipment      | 2,153,103                                | 1,101,575                                 | 3,254,678            | 2,322,362                                | 1,155,668                                 | 3,478,030            |
| Distribution   |  |   |                      |  |   |                      |
| Systems        | -  | 20,279,075                                | 20,279,075           | -  | 21,421,642                                | 21,421,642           |
| Total          | <u>\$ 19,387,164</u>                     | <u>\$ 25,564,100</u>                      | <u>\$ 44,951,264</u> | <u>\$ 19,672,637</u>                     | <u>\$ 23,836,913</u>                      | <u>\$ 43,509,550</u> |

Additional information on the City of Seward's capital assets can be found in Note C4 on pages 47-50 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Seward had total long-term debt outstanding of \$14,380,431. Of this amount, \$2,985,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of Seward's debt represents bonds and notes secured solely by specified revenue sources (i.e., revenue bonds and notes payable and capital lease obligations).

**CITY OF SEWARD, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2019**

**City of Seward's Outstanding Debt**

|                    | <u>Year Ended September 30, 2019</u> |                      |                      | <u>Year Ended September 30, 2018</u> |                      |                      |
|--------------------|--------------------------------------|----------------------|----------------------|--------------------------------------|----------------------|----------------------|
|                    | <u>Governmental</u>                  | <u>Business-type</u> | <u>Total</u>         | <u>Governmental</u>                  | <u>Business-type</u> | <u>Total</u>         |
|                    | <u>Activities</u>                    | <u>Activities</u>    |                      | <u>Activities</u>                    | <u>Activities</u>    |                      |
| General Obligation |                                      |                      |                      |                                      |                      |                      |
| Bonds              | \$ 1,344,600                         | \$ 75,400            | \$ 1,420,000         | \$ 1,641,100                         | \$ 118,900           | \$ 1,760,000         |
| Highway Allocation |                                      |                      |                      |                                      |                      |                      |
| Bonds              | 1,355,000                            | -                    | 1,355,000            | 1,455,000                            | -                    | 1,455,000            |
| Public Safety      |                                      |                      |                      |                                      |                      |                      |
| Bonds              | 210,000                              | -                    | 210,000              | 250,000                              | -                    | 250,000              |
| Revenue Bonds      | -                                    | 10,745,000           | 10,745,000           | -                                    | 11,630,000           | 11,630,000           |
| Note Payable       | 181,664                              | -                    | 181,664              | 230,510                              | -                    | 230,510              |
| Capital Leases     | 419,437                              | 49,330               | 468,767              | 462,930                              | 59,325               | 522,255              |
| Total              | <u>\$ 3,510,701</u>                  | <u>\$ 10,869,730</u> | <u>\$ 14,380,431</u> | <u>\$ 4,039,540</u>                  | <u>\$ 11,808,225</u> | <u>\$ 15,847,765</u> |

The City of Seward's total debt decreased by \$1,467,334 (9.3 percent) during the current fiscal year, as the City made scheduled principal payments.

Additional information on the City of Seward's long-term debt can be found in Note C6 on pages 51-58 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The City's Enterprise Funds maintained strong cash positions and the City has been able to keep up with the increasing costs of operations.

- Property tax asking for the year ending September 30, 2020 of \$1,629,010 is \$63,320 (4.0 percent) higher than the prior year. The property valuation also increased 4.0 percent over the prior year.
- At September 30, 2019, the City had contractual commitments totaling \$796,788 on the Rail Campus project, which is expected to be completed by September 2021. The City also had contractual commitments totaling \$621,729 for two utility projects expected to be completed during the year ending September 30, 2020.
- At September 30, 2019, the City had a \$104,944 contractual commitment for a helicopter for the Nebraska Guard park memorial. Expected completion is September 2020.
- Also at September 30, 2019, the City had a \$164,350 contractual commitment for a Ford F550 pump truck, which is expected to be received by February 2020.

All of these factors were considered in preparing the City of Seward's budget for the 2020 fiscal year.

**Request for Information**

This financial report is designed to provide a general overview of the City of Seward'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 Clerk, City of Seward, 537 Main Street, P.O. Box 38, Seward, NE 68434.

**CITY OF SEWARD, NEBRASKA**  
**STATEMENT OF NET POSITION**

**September 30, 2019**

|  | Primary Government         |                             |                      | Component<br>Units  |
|--|----------------------------|-----------------------------|----------------------|---------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total                |                     |
| <b>ASSETS</b>                                    |                            |                             |                      |                     |
| Current assets:                                  |                            |                             |                      |                     |
| Cash and cash equivalents                        | \$ 4,987,182               | \$ 5,159,057                | \$ 10,146,239        | \$ 118,948          |
| Certificates of deposit                          | 430,559                    | 4,817,029                   | 5,247,588            | 156,530             |
| County treasurer cash                            | 124,038                    | -                           | 124,038              | 12,269              |
| Investments                                      | -                          | -                           | -                    | 39,281              |
| Receivables:                                     |                            |                             |                      |                     |
| Property tax                                     | 27,550                     | -                           | 27,550               | 3,800               |
| Accounts, net of allowance for doubtful accounts | 1,048                      | 1,316,627                   | 1,317,675            | 892                 |
| Unbilled revenue                                 | -                          | 315,653                     | 315,653              | -                   |
| Grants   | 13,728                     | 14,483                      | 28,211               | 1,040,035           |
| Interest   | 483                        | 9,146                       | 9,629                | 2                   |
| Current portion of notes                         | 81,296                     | -                           | 81,296               | -                   |
| Due from other governments                       | 426,177                    | -                           | 426,177              | -                   |
| Prepaid insurance                                | -                          | -                           | -                    | 10,908              |
| Inventory  | 80,403                     | 729,958                     | 810,361              | -                   |
| Total current assets                             | <u>6,172,464</u>           | <u>12,361,953</u>           | <u>18,534,417</u>    | <u>1,382,665</u>    |
| Noncurrent assets:                               |                            |                             |                      |                     |
| Restricted cash and cash equivalents             | 1,265,800                  | 739,024                     | 2,004,824            | -                   |
| Restricted certificates of deposit               | 15,000                     | 1,362,227                   | 1,377,227            | -                   |
| Permanently restricted investments               | -                          | -                           | -                    | 85,616              |
| Noncurrent notes receivable                      | 802,571                    | -                           | 802,571              | -                   |
| Capital assets:                                  |                            |                             |                      |                     |
| Land   | 596,405                    | 1,931,102                   | 2,527,507            | 194,263             |
| Construction in progress                         | 1,259,759                  | 1,408,502                   | 2,668,261            | -                   |
| Other capital assets, net of depreciation        | 17,531,000                 | 22,224,496                  | 39,755,496           | 2,971,079           |
| Net capital assets                               | <u>19,387,164</u>          | <u>25,564,100</u>           | <u>44,951,264</u>    | <u>3,165,342</u>    |
| Total noncurrent assets                          | <u>21,470,535</u>          | <u>27,665,351</u>           | <u>49,135,886</u>    | <u>3,250,958</u>    |
| <b>Total assets</b>                              | <u>27,642,999</u>          | <u>40,027,304</u>           | <u>67,670,303</u>    | <u>4,633,623</u>    |
| <b>LIABILITIES</b>                               |                            |                             |                      |                     |
| Current liabilities:                             |                            |                             |                      |                     |
| Accounts payable                                 | 202,075                    | 734,065                     | 936,140              | 4,661               |
| Accrued interest                                 | 22,487                     | 42,071                      | 64,558               | 1,656               |
| Other accrued expenses                           | 134,493                    | 158,222                     | 292,715              | -                   |
| Customer deposits                                | -                          | 110,585                     | 110,585              | -                   |
| Unavailable property tax                         | 19,516                     | -                           | 19,516               | -                   |
| Unearned revenue                                 | 31,362                     | -                           | 31,362               | 16,876              |
| Current portion of long-term obligations         | 537,446                    | 1,004,280                   | 1,541,726            | 79,017              |
| Total current liabilities                        | <u>947,379</u>             | <u>2,049,223</u>            | <u>2,996,602</u>     | <u>102,210</u>      |
| Noncurrent liabilities:                          |                            |                             |                      |                     |
| Compensated absences - noncurrent                | 139,132                    | 120,929                     | 260,061              | -                   |
| Noncurrent portion of long-term obligations      | 2,973,255                  | 9,865,450                   | 12,838,705           | 274,621             |
| Total noncurrent liabilities                     | <u>3,112,387</u>           | <u>9,986,379</u>            | <u>13,098,766</u>    | <u>274,621</u>      |
| <b>Total liabilities</b>                         | <u>4,059,766</u>           | <u>12,035,602</u>           | <u>16,095,368</u>    | <u>376,831</u>      |
| <b>NET POSITION</b>                              |                            |                             |                      |                     |
| Net investment in capital assets                 | 15,876,463                 | 14,694,370                  | 30,570,833           | 2,811,704           |
| Restricted for:                                  |                            |                             |                      |                     |
| Debt service                                     | 712,240                    | 1,990,666                   | 2,702,906            | -                   |
| Street projects                                  | 57,902                     | -                           | 57,902               | -                   |
| Federal loan programs                            | 19,620                     | -                           | 19,620               | -                   |
| Economic development                             | 203,817                    | -                           | 203,817              | -                   |
| Cemetery perpetual care                          | 219,182                    | -                           | 219,182              | -                   |
| Library maintenance                              | 19,672                     | -                           | 19,672               | -                   |
| Permanently restricted-Guthal                    | -                          | -                           | -                    | 85,616              |
| Unrestricted                                     | 6,474,337                  | 11,306,666                  | 17,781,003           | 1,359,472           |
| <b>Total net position</b>                        | <u>\$ 23,583,233</u>       | <u>\$ 27,991,702</u>        | <u>\$ 51,574,935</u> | <u>\$ 4,256,792</u> |

See notes to financial statements.

**CITY OF SEWARD, NEBRASKA**

**STATEMENT OF ACTIVITIES**

**For the year ended September 30, 2019**

| <u>Functions/Programs</u>        | <u>Expenses</u>      | <u>Charges for<br/>Services</u> | <u>Program Revenues<br/>Operating<br/>Grants and<br/>Contributions</u> |
|----------------------------------|----------------------|---------------------------------|--|
| <b>Primary government:</b>       |                      |                                 |  |
| <b>Governmental activities:</b>  |                      |                                 |  |
| General government               | \$ 306,775           | \$ 39,887                       | \$ 41,280  |
| Economic development             | 330,204              | -                               | -  |
| Public safety                    | 1,333,111            | 12,925                          | 50,696   |
| Public works                     | 1,476,310            | 263,288                         | 7,125  |
| Environment and leisure          | 2,077,062            | 455,459                         | 140,397  |
| Interest and related expenses    | 98,906               | -                               | -  |
| Depreciation - unallocated       | 1,107,511            | -                               | -  |
| Total governmental activities    | <u>6,729,879</u>     | <u>771,559</u>                  | <u>239,498</u>   |
| <b>Business-type activities:</b> |                      |                                 |  |
| Electric                         | 9,549,603            | 9,603,612                       | 14,483   |
| Water                            | 1,406,568            | 1,838,731                       | -  |
| Sewer                            | 1,369,333            | 1,542,147                       | -  |
| Total business-type activities   | <u>12,325,504</u>    | <u>12,984,490</u>               | <u>14,483</u>  |
| <b>Total primary government</b>  | <u>\$ 19,055,383</u> | <u>\$ 13,756,049</u>            | <u>\$ 253,981</u>  |
| <b>Component units:</b>          |                      |                                 |  |
| Seward Airport Authority         | \$ 331,113           | \$ 104,177                      | \$ -   |
| Seward Library Foundation        | 5,029                | -                               | 13,306   |
| <b>Total component units</b>     | <u>\$ 336,142</u>    | <u>\$ 104,177</u>               | <u>\$ 13,306</u>   |

See notes to financial statements.

| Capital<br>Grants and<br>Contributions | Net (Expenses) Revenues and Changes in Net Position |                             |                      | Component<br>Units  |
|--|---|-----------------------------|----------------------|---------------------|
|  | Primary Government                                  |                             | Total                |                     |
|  | Governmental<br>Activities                          | Business-type<br>Activities |                      |                     |
| \$ -                                   | \$ (225,608)  |                             | \$ (225,608)         |                     |
| -                                      | (330,204)   |                             | (330,204)            |                     |
| 61,625                                 | (1,207,865)   |                             | (1,207,865)          |                     |
| 182,937                                | (1,022,960)   |                             | (1,022,960)          |                     |
| 85,132                                 | (1,396,074)   |                             | (1,396,074)          |                     |
| -                                      | (98,906)  |                             | (98,906)             |                     |
| -                                      | (1,107,511)   |                             | (1,107,511)          |                     |
| <u>329,694</u>                         | <u>(5,389,128)</u>                                  | \$ -                        | <u>(5,389,128)</u>   |                     |
| -                                      | -   | 68,492                      | 68,492               |                     |
| 10,000                                 | -   | 442,163                     | 442,163              |                     |
| -                                      | -   | 172,814                     | 172,814              |                     |
| <u>10,000</u>                          | <u>-</u>  | <u>683,469</u>              | <u>683,469</u>       |                     |
| <u>\$ 339,694</u>                      | <u>(5,389,128)</u>                                  | <u>683,469</u>              | <u>(4,705,659)</u>   |                     |
| \$ 1,121,000                           |   |                             |                      | \$ 894,064          |
| -                                      |   |                             |                      | 8,277               |
| <u>\$ 1,121,000</u>                    |   |                             |                      | <u>902,341</u>      |
| General revenues:                      |   |                             |                      |                     |
| Taxes:                                 |   |                             |                      |                     |
| Property                               | 1,556,192   | -                           | 1,556,192            | 171,344             |
| Motor vehicle                          | 162,849   | -                           | 162,849              | -                   |
| Sales tax                              | 1,812,434   | -                           | 1,812,434            | -                   |
| Franchise                              | 1,151,367   | -                           | 1,151,367            | -                   |
| Occupation                             | 357,249   | -                           | 357,249              | -                   |
| TIF proceeds                           | 229,227   | -                           | 229,227              | -                   |
| State allocation                       | 820,213   | -                           | 820,213              | -                   |
| Miscellaneous                          | 10,255  | 26,803                      | 37,058               | -                   |
| Interest income                        | 63,213  | 161,795                     | 225,008              | 2,992               |
| Gain on sale of assets                 | 248,716   | 5,618                       | 254,334              | (2,265)             |
| Total general revenues                 | <u>6,411,715</u>                                    | <u>194,216</u>              | <u>6,605,931</u>     | <u>172,071</u>      |
| Change in net position                 | <u>1,022,587</u>                                    | <u>877,685</u>              | <u>1,900,272</u>     | <u>1,074,412</u>    |
| Net position - September 30, 2018      | <u>22,560,646</u>                                   | <u>27,114,017</u>           | <u>49,674,663</u>    | <u>3,182,380</u>    |
| Net position - September 30, 2019      | <u>\$ 23,583,233</u>                                | <u>\$ 27,991,702</u>        | <u>\$ 51,574,935</u> | <u>\$ 4,256,792</u> |

**CITY OF SEWARD, NEBRASKA**

**BALANCE SHEET -  
GOVERNMENTAL FUNDS**

**September 30, 2019**

|   | <u>General</u>      | <u>Street</u>     | <u>Debt<br/>Service</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|-------------------|-------------------------|---|---|
| <b>ASSETS</b>                                       |                     |                   |                         |   |   |
| Cash and cash equivalents                           | \$ 4,286,671        | \$ 700,511        | \$ -                    | \$ -                                    | \$ 4,987,182                            |
| Certificates of deposit                             | 430,559             | -                 | -                       | -                                       | 430,559                                 |
| County treasurer cash                               | 124,038             | -                 | -                       | -                                       | 124,038                                 |
| Receivables:  |                     |                   |                         |   |   |
| Accounts, net of allowance<br>for doubtful accounts | -                   | 1,048             | -                       | -                                       | 1,048                                   |
| Grants  | 3,813               | 9,915             | -                       | -                                       | 13,728                                  |
| Interest  | 454                 | -                 | -                       | 29                                      | 483                                     |
| Property tax  | 27,550              | -                 | -                       | -                                       | 27,550                                  |
| Due from other governments                          | 311,430             | 114,747           | -                       | -                                       | 426,177                                 |
| Inventory   | -                   | 80,403            | -                       | -                                       | 80,403                                  |
| Restricted assets:                                  |                     |                   |                         |   |   |
| Cash  | 19,672              | 57,902            | 712,240                 | 475,986                                 | 1,265,800                               |
| Certificates of deposit                             | -                   | -                 | -                       | 15,000                                  | 15,000                                  |
| <b>Total assets</b>                                 | <u>\$ 5,204,187</u> | <u>\$ 964,526</u> | <u>\$ 712,240</u>       | <u>\$ 491,015</u>                       | <u>\$ 7,371,968</u>                     |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>            |                     |                   |                         |   |   |
| Liabilities:  |                     |                   |                         |   |   |
| Accounts payable                                    | \$ 47,608           | \$ 106,071        | \$ -                    | \$ 48,396                               | \$ 202,075                              |
| Accrued expenses                                    | 38,643              | 7,012             | -                       | -                                       | 45,655                                  |
| Unearned golf revenue                               | 31,362              | -                 | -                       | -                                       | 31,362                                  |
| Unavailable property tax                            | 19,516              | -                 | -                       | -                                       | 19,516                                  |
| <b>Total liabilities</b>                            | <u>137,129</u>      | <u>113,083</u>    | <u>-</u>                | <u>48,396</u>                           | <u>298,608</u>                          |
| Fund balances:                                      |                     |                   |                         |   |   |
| Nonspendable  |                     |                   |                         |   |   |
| Cemetery perpetual care                             | -                   | -                 | -                       | 219,182                                 | 219,182                                 |
| Restricted for:                                     |                     |                   |                         |   |   |
| Debt service  | -                   | -                 | 712,240                 | -                                       | 712,240                                 |
| Street projects                                     | -                   | 57,902            | -                       | -                                       | 57,902                                  |
| Federal programs                                    | -                   | -                 | -                       | 19,620                                  | 19,620                                  |
| Economic development                                | -                   | -                 | -                       | 203,817                                 | 203,817                                 |
| Library maintenance                                 | 19,672              | -                 | -                       | -                                       | 19,672                                  |
| Committed for:                                      |                     |                   |                         |   |   |
| Public safety                                       | 310,493             | -                 | -                       | -                                       | 310,493                                 |
| Sports complex lights                               | 60,748              | -                 | -                       | -                                       | 60,748                                  |
| Assigned for:                                       |                     |                   |                         |   |   |
| Budgetary stabilization                             | 856,250             | -                 | -                       | -                                       | 856,250                                 |
| Parks   | 50,236              | -                 | -                       | -                                       | 50,236                                  |
| Cemetery  | 149,773             | -                 | -                       | -                                       | 149,773                                 |
| Unemployment compensation                           | 14,925              | -                 | -                       | -                                       | 14,925                                  |
| Street expenses                                     | -                   | 793,541           | -                       | -                                       | 793,541                                 |
| Unassigned  | 3,604,961           | -                 | -                       | -                                       | 3,604,961                               |
| <b>Total fund balances</b>                          | <u>5,067,058</u>    | <u>851,443</u>    | <u>712,240</u>          | <u>442,619</u>                          | <u>7,073,360</u>                        |
| <b>Total liabilities and<br/>    fund balances</b>  | <u>\$ 5,204,187</u> | <u>\$ 964,526</u> | <u>\$ 712,240</u>       | <u>\$ 491,015</u>                       | <u>\$ 7,371,968</u>                     |

See notes to financial statements.

**CITY OF SEWARD, NEBRASKA**

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

**September 30, 2019**

|   |           |                          |
|---|-----------|--------------------------|
| <b>Total fund balances - governmental funds</b>   | \$        | 7,073,360                |
| <p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>  |           |                          |
| <p>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 \$32,623,691, and the accumulated depreciation is \$13,236,527.</p> |           |                          |
|   |           | 19,387,164               |
| <p>Notes receivable are not financial resources and therefore are not reported as assets in governmental funds. The notes receivable are reported as assets in the statement of net position.</p>   |           |                          |
|   |           | 883,867                  |
| <p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:</p>                              |           |                          |
| Compensated absences  | \$        | (227,970)                |
| Accrued interest on long-term debt  |           | (22,487)                 |
| Bonds payable   |           | (2,909,600)              |
| Note payable  |           | (181,664)                |
| Capital lease obligations   |           | (419,437)                |
|   |           | <u>(3,761,158)</u>       |
| <b>Total net position - governmental activities</b>   | <b>\$</b> | <b><u>23,583,233</u></b> |

See notes to financial statements.

**CITY OF SEWARD, NEBRASKA**

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

**For the year ended September 30, 2019**

|  | <u>General</u>      | <u>Street</u>     | <u>Debt<br/>Service</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|-------------------|-------------------------|---|---|
| <b>REVENUES</b>  |                     |                   |                         |   |   |
| Taxes:   |                     |                   |                         |   |   |
| Property   | \$ 1,556,192        | \$ -              | \$ -                    | \$ -                                    | \$ 1,556,192                            |
| Motor vehicle  | 162,849             | -                 | -                       | -                                       | 162,849                                 |
| Sales tax  | 1,000,462           | 228,160           | 433,812                 | 150,000                                 | 1,812,434                               |
| Franchise  | 1,151,367           | -                 | -                       | -                                       | 1,151,367                               |
| Occupation   | 357,249             | -                 | -                       | -                                       | 357,249                                 |
| TIF proceeds   | -                   | -                 | -                       | 229,227                                 | 229,227                                 |
| Intergovernmental  | 57,196              | 820,213           | -                       | -                                       | 877,409                                 |
| Charges for services   | 747,159             | 24,276            | -                       | 124                                     | 771,559                                 |
| Loan collections   | -                   | -                 | -                       | 113,642                                 | 113,642                                 |
| Interest income  | 36,688              | 120               | 6,188                   | 4,394                                   | 47,390                                  |
| Grants   | 88,885              | 146,780           | -                       | 31,363                                  | 267,028                                 |
| Contributions  | 176,218             | -                 | -                       | 7,125                                   | 183,343                                 |
| Loan proceeds for redevelopers                               | -                   | -                 | -                       | 4,504                                   | 4,504                                   |
| Bond/loan proceeds   | 89,089              | -                 | -                       | -                                       | 89,089                                  |
| Sale of property   | 494,986             | -                 | -                       | -                                       | 494,986                                 |
| Other income   | 5,750               | -                 | -                       | -                                       | 5,750                                   |
| Total revenues   | <u>5,924,090</u>    | <u>1,219,549</u>  | <u>440,000</u>          | <u>540,379</u>                          | <u>8,124,018</u>                        |
| <b>EXPENDITURES</b>  |                     |                   |                         |   |   |
| General government   | 267,905             | -                 | -                       | 38,870                                  | 306,775                                 |
| Economic development   | -                   | -                 | -                       | 604,446                                 | 604,446                                 |
| Public safety  | 1,331,635           | -                 | -                       | -                                       | 1,331,635                               |
| Public works   | 390,389             | 1,085,776         | -                       | 145                                     | 1,476,310                               |
| Environment and leisure                                      | 2,077,062           | -                 | -                       | -                                       | 2,077,062                               |
| Capital outlay   | 343,304             | 663,379           | -                       | -                                       | 1,006,683                               |
| Principal payments on debt                                   | 73,879              | 58,703            | 485,346                 | -                                       | 617,928                                 |
| Interest on long-term debt                                   | 5,816               | 11,751            | 80,651                  | -                                       | 98,218                                  |
| Bond fees  | -                   | -                 | 3,000                   | -                                       | 3,000                                   |
| Total expenditures   | <u>4,489,990</u>    | <u>1,819,609</u>  | <u>568,997</u>          | <u>643,461</u>                          | <u>7,522,057</u>                        |
| <b>Excess (deficiency) of<br/>revenues over expenditures</b> | 1,434,100           | (600,060)         | (128,997)               | (103,082)                               | 601,961                                 |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>                    |                     |                   |                         |   |   |
| Transfers in   | -                   | -                 | 135,865                 | -                                       | 135,865                                 |
| Transfers out  | -                   | (135,865)         | -                       | -                                       | (135,865)                               |
| Net transfers  | <u>-</u>            | <u>(135,865)</u>  | <u>135,865</u>          | <u>-</u>                                | <u>-</u>                                |
| <b>Net change in fund balances</b>                           | 1,434,100           | (735,925)         | 6,868                   | (103,082)                               | 601,961                                 |
| Fund balances - September 30, 2018                           | <u>3,632,958</u>    | <u>1,587,368</u>  | <u>705,372</u>          | <u>545,701</u>                          | <u>6,471,399</u>                        |
| Fund balances - September 30, 2019                           | <u>\$ 5,067,058</u> | <u>\$ 851,443</u> | <u>\$ 712,240</u>       | <u>\$ 442,619</u>                       | <u>\$ 7,073,360</u>                     |

See notes to financial statements.

**CITY OF SEWARD, 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, 2019**

|  |                            |
|--|----------------------------|
| <b>Total net change in fund balances - governmental funds</b>  | \$ 601,961                 |
| Amounts reported for <i>governmental activities</i> in the statement of activities are different because:  |                            |
| 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 (\$1,068,308) was exceeded by depreciation expense (\$1,107,511) during the period. |                            |
| Grants funded \$61,625 of the capital additions.   | (39,203)                   |
| Basis remaining of capital asset disposals does not impact the governmental funds, but the remaining basis reduces the gain on sale of capital assets in the statement of activities.  | (246,270)                  |
| Collection of loan proceeds on economic development loans is reported as revenue in the governmental funds, but reduces assets in the statement of net position.   | (97,819)                   |
| The issuance of economic development loans is reported as an expense in the governmental funds, but increases assets in the statement of net position.   | 331,319                    |
| Forgiveness of LB840 loans is not reported in the fund financial statements, but is reported as economic development expense in the statement of activities.   | (57,077)                   |
| The change in compensated absences is reported as an expense in the statement of net position. Compensated absences are not reported in the governmental funds.  | (1,475)                    |
| The change in accrued interest payable is reported as an expense in the statement of net position. Accrued interest payable is not reported in the governmental funds.   | 2,312                      |
| The issuance of debt is reported as revenue in the governmental funds, but the issuance increases long-term liabilities in the statement of net position.  | (89,089)                   |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.   | 617,928                    |
| <b>Change in net position of governmental activities</b>   | <u><u>\$ 1,022,587</u></u> |

See notes to financial statements.

**CITY OF SEWARD, NEBRASKA**

**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS**

**September 30, 2019**

|   | Enterprise Funds |               |               |               |
|---|------------------|---------------|---------------|---------------|
|   | Electric<br>Fund | Water<br>Fund | Sewer<br>Fund | Total         |
| <b>ASSETS</b>                                       |                  |               |               |               |
| Current assets:                                     |                  |               |               |               |
| Cash and cash equivalents                           | \$ 925,317       | \$ 2,731,207  | \$ 1,502,533  | \$ 5,159,057  |
| Certificates of deposit                             | 4,371,594        | 155,225       | 290,210       | 4,817,029     |
| Receivables:  |                  |               |               |               |
| Accounts, net of allowance for<br>doubtful accounts | 1,013,649        | 170,584       | 132,394       | 1,316,627     |
| Unbilled revenue                                    | 225,247          | 47,650        | 42,756        | 315,653       |
| Grants receivable                                   | 14,483           | -             | -             | 14,483        |
| Interest  | 7,367            | 1,208         | 571           | 9,146         |
| Inventory   | 652,606          | 77,352        | -             | 729,958       |
| Total current assets                                | 7,210,263        | 3,183,226     | 1,968,464     | 12,361,953    |
| Noncurrent assets:                                  |                  |               |               |               |
| Restricted cash and cash equivalents                | 192,020          | 401,659       | 145,345       | 739,024       |
| Restricted certificates of deposit                  | 467,218          | 515,332       | 379,677       | 1,362,227     |
| Capital assets:                                     |                  |               |               |               |
| Land  | 1,737,460        | 103,548       | 90,094        | 1,931,102     |
| Construction in progress                            | 1,071,865        | 171,500       | 165,137       | 1,408,502     |
| Distribution systems                                | 17,136,238       | 15,537,890    | 11,979,051    | 44,653,179    |
| Buildings   | 831,014          | 138,776       | 371,474       | 1,341,264     |
| Equipment   | 2,286,297        | 398,118       | 895,905       | 3,580,320     |
| Less accumulated depreciation                       | (12,418,123)     | (7,632,113)   | (7,300,031)   | (27,350,267)  |
| Net capital assets                                  | 10,644,751       | 8,717,719     | 6,201,630     | 25,564,100    |
| Total noncurrent assets                             | 11,303,989       | 9,634,710     | 6,726,652     | 27,665,351    |
| Total assets  | 18,514,252       | 12,817,936    | 8,695,116     | 40,027,304    |
| <b>LIABILITIES</b>                                  |                  |               |               |               |
| Current liabilities:                                |                  |               |               |               |
| Accounts payable                                    | 675,949          | 36,554        | 21,562        | 734,065       |
| Customer deposits                                   | 109,945          | 640           | -             | 110,585       |
| Accrued interest payable                            | 13,619           | 24,587        | 3,865         | 42,071        |
| Other accrued expenses                              | 50,885           | 24,087        | 26,068        | 101,040       |
| Sales tax payable                                   | 57,182           | -             | -             | 57,182        |
| Current portion of long-term obligations            | 390,000          | 346,865       | 267,415       | 1,004,280     |
| Total current liabilities                           | 1,297,580        | 432,733       | 318,910       | 2,049,223     |
| Noncurrent liabilities:                             |                  |               |               |               |
| Compensated absences - noncurrent                   | 68,152           | 31,417        | 21,360        | 120,929       |
| Noncurrent portion of long-term obligations         | 4,185,000        | 2,700,200     | 2,980,250     | 9,865,450     |
| Total noncurrent liabilities                        | 4,253,152        | 2,731,617     | 3,001,610     | 9,986,379     |
| Total liabilities                                   | 5,550,732        | 3,164,350     | 3,320,520     | 12,035,602    |
| <b>NET POSITION</b>                                 |                  |               |               |               |
| Net investment in capital assets                    | 6,069,751        | 5,670,654     | 2,953,965     | 14,694,370    |
| Restricted for:                                     |                  |               |               |               |
| Debt service  | 549,293          | 916,351       | 525,022       | 1,990,666     |
| Unrestricted  | 6,344,476        | 3,066,581     | 1,895,609     | 11,306,666    |
| Total net position                                  | \$ 12,963,520    | \$ 9,653,586  | \$ 5,374,596  | \$ 27,991,702 |

See notes to financial statements.

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

**For the year ended September 30, 2019**

|   | Enterprise Funds     |                     |                     | Total                |
|---|----------------------|---------------------|---------------------|----------------------|
|   | Electric<br>Fund     | Water<br>Fund       | Sewer<br>Fund       |                      |
| <b>Operating revenues:</b>                |                      |                     |                     |                      |
| User charges                              | \$ 9,511,254         | \$ 1,695,902        | \$ 1,516,327        | \$ 12,723,483        |
| Customer service charges                  | 40,278               | 9,257               | 9,633               | 59,168               |
| Other revenue                             | 52,080               | 133,572             | 16,187              | 201,839              |
| Total operating revenues                  | <u>9,603,612</u>     | <u>1,838,731</u>    | <u>1,542,147</u>    | <u>12,984,490</u>    |
| <b>Operating expenses:</b>                |                      |                     |                     |                      |
| Cost of power                             | 6,244,563            | -                   | -                   | 6,244,563            |
| Personnel                                 | 810,911              | 509,474             | 479,889             | 1,800,274            |
| Contract services                         | 39,939               | 18,062              | 22,220              | 80,221               |
| Utilities                                 | 85,412               | 137,469             | 81,340              | 304,221              |
| Repairs and maintenance                   | 251,875              | 120,951             | 91,860              | 464,686              |
| Supplies                                  | 71,684               | 30,323              | 23,122              | 125,129              |
| Professional fees                         | 48,441               | 12,492              | 22,160              | 83,093               |
| Insurance                                 | 51,963               | 31,709              | 31,076              | 114,748              |
| Fuel and transportation                   | 10,006               | 6,470               | 12,063              | 28,539               |
| Dues, memberships & training              | 22,888               | 10,293              | 10,897              | 44,078               |
| Miscellaneous                             | 6,226                | 5,423               | 1,512               | 13,161               |
| Franchise fees                            | 980,066              | 93,331              | 77,970              | 1,151,367            |
| Depreciation                              | 813,174              | 345,911             | 437,112             | 1,596,197            |
| Total operating expenses                  | <u>9,437,148</u>     | <u>1,321,908</u>    | <u>1,291,221</u>    | <u>12,050,277</u>    |
| Operating income                          | 166,464              | 516,823             | 250,926             | 934,213              |
| <b>Nonoperating revenues (expenses):</b>  |                      |                     |                     |                      |
| Interest income                           | 104,729              | 39,568              | 17,498              | 161,795              |
| Miscellaneous income                      | 24,405               | -                   | 2,398               | 26,803               |
| Grant revenue                             | 14,483               | 10,000              | -                   | 24,483               |
| Gain on disposal of capital assets        | 5,618                | -                   | -                   | 5,618                |
| Interest expense                          | (111,655)            | (82,860)            | (77,312)            | (271,827)            |
| Loan administration fees                  | (800)                | (1,800)             | (800)               | (3,400)              |
| Total nonoperating revenues<br>(expenses) | <u>36,780</u>        | <u>(35,092)</u>     | <u>(58,216)</u>     | <u>(56,528)</u>      |
| Income before<br>interfund transfers      | 203,244              | 481,731             | 192,710             | 877,685              |
| <b>Interfund transfers:</b>               |                      |                     |                     |                      |
| Transfer from (to) other funds            | 11,090               | 11,090              | (22,180)            | -                    |
| <b>Change in net position</b>             | 214,334              | 492,821             | 170,530             | 877,685              |
| Net position - September 30, 2018         | <u>12,749,186</u>    | <u>9,160,765</u>    | <u>5,204,066</u>    | <u>27,114,017</u>    |
| Net position - September 30, 2019         | <u>\$ 12,963,520</u> | <u>\$ 9,653,586</u> | <u>\$ 5,374,596</u> | <u>\$ 27,991,702</u> |

See notes to financial statements.

**CITY OF SEWARD, NEBRASKA**

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS**

**For the year ended September 30, 2019**

|  | Enterprise Funds |               |               | Total         |
|--|------------------|---------------|---------------|---------------|
|  | Electric<br>Fund | Water<br>Fund | Sewer<br>Fund |               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                         |                  |               |               |               |
| Receipts from customers  | \$ 9,607,057     | \$ 1,816,167  | \$ 1,539,974  | \$ 12,963,198 |
| Payments to suppliers  | (7,791,710)      | (451,800)     | (367,011)     | (8,610,521)   |
| Payments to employees  | (808,165)        | (507,573)     | (476,866)     | (1,792,604)   |
| Net cash provided by operating activities                            | 1,007,182        | 856,794       | 696,097       | 2,560,073     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING<br/>ACTIVITIES:</b>          |                  |               |               |               |
| Transfers to other funds   | 11,090           | 11,090        | (22,180)      | -             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES:</b> |                  |               |               |               |
| Purchase of property and equipment                                   | (2,797,691)      | (266,782)     | (266,543)     | (3,331,016)   |
| Proceeds from sale of capital assets                                 | 13,250           | -             | -             | 13,250        |
| Grant proceeds   | -                | 10,000        | -             | 10,000        |
| Principal payments on capital debt                                   | (380,000)        | (315,997)     | (242,498)     | (938,495)     |
| Interest paid on capital debt  | (112,555)        | (84,664)      | (77,666)      | (274,885)     |
| Loan administration fees   | (800)            | (1,800)       | (800)         | (3,400)       |
| Net cash used by capital and related<br>financing activities         | (3,277,796)      | (659,243)     | (587,507)     | (4,524,546)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                         |                  |               |               |               |
| (Increase) decrease in certificates of deposit                       | (35,059)         | (542)         | (2,319)       | (37,920)      |
| (Increase) decrease in restricted certificates of deposit            | (539)            | (2,141)       | (242)         | (2,922)       |
| Interest received  | 101,627          | 38,867        | 17,241        | 157,735       |
| Net cash provided by investing activities                            | 66,029           | 36,184        | 14,680        | 116,893       |
| Increase (decrease) in cash and cash equivalents                     | (2,193,495)      | 244,825       | 101,090       | (1,847,580)   |
| Cash and cash equivalents - beginning of the year                    | 3,310,832        | 2,888,041     | 1,546,788     | 7,745,661     |
| Cash and cash equivalents - end of the year                          | \$ 1,117,337     | \$ 3,132,866  | \$ 1,647,878  | \$ 5,898,081  |
| <b>Composition of cash and cash equivalents:</b>                     |                  |               |               |               |
| Cash and cash equivalents  | \$ 925,317       | \$ 2,731,207  | \$ 1,502,533  | \$ 5,159,057  |
| Restricted cash and cash equivalents                                 | 192,020          | 401,659       | 145,345       | 739,024       |
| Total cash and cash equivalents                                      | \$ 1,117,337     | \$ 3,132,866  | \$ 1,647,878  | \$ 5,898,081  |

**CITY OF SEWARD, NEBRASKA**

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

**For the year ended September 30, 2019**

|   | Enterprise Funds         |                       |                       | <u>Total</u> |
|---|--------------------------|-----------------------|-----------------------|--------------|
|   | <u>Electric<br/>Fund</u> | <u>Water<br/>Fund</u> | <u>Sewer<br/>Fund</u> |              |
| <b>Reconciliation of operating income to net cash<br/>provided by operating activities:</b> |                          |                       |                       |              |
| Operating income  | \$ 166,464               | \$ 516,823            | \$ 250,926            | \$ 934,213   |
| Adjustments to reconcile operating income to net<br>cash provided by operating activities:  |                          |                       |                       |              |
| Miscellaneous nonoperating revenue  | 24,405                   | -                     | 2,398                 | 26,803       |
| Depreciation expense  | 813,174                  | 345,911               | 437,112               | 1,596,197    |
| Change in assets and liabilities:   |                          |                       |                       |              |
| Accounts receivable   | (21,280)                 | (21,304)              | (4,571)               | (47,155)     |
| Inventories   | (82,750)                 | (2,265)               | -                     | (85,015)     |
| Accounts payable  | 104,103                  | 16,988                | 7,209                 | 128,300      |
| Customer deposits   | (2,465)                  | (1,260)               | -                     | (3,725)      |
| Sales tax payable   | 2,785                    | -                     | -                     | 2,785        |
| Accrued expenses  | 2,746                    | 1,901                 | 3,023                 | 7,670        |
| Net cash provided by operating activities   | \$ 1,007,182             | \$ 856,794            | \$ 696,097            | \$ 2,560,073 |

See notes to financial statements.

**CITY OF SEWARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**

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**CITY OF SEWARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Seward, 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 Seward, Nebraska, was incorporated in 1868. The City operates under a Mayor-Council form of government with an elected Mayor, and an elected legislative body, Council, composed of eight members. The Mayor is elected at large for a four-year term, and the eight members of the City Council are elected, two from each of four wards, on alternating 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, development, electric, water, and sanitary sewer systems, transfer station, and general administrative services.

The City’s financial reporting entity comprises the following:

|                                       |   |
|---------------------------------------|---|
| Primary Government:                   | City of Seward  |
| Discretely Presented Component Units: | Seward Airport Authority<br>Seward Library Foundation |

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 SEWARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**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. The following are the discretely presented component units:

|                           | <u>Brief Description of Activities and Relationship to the City:</u>  |
|---------------------------|---|
| Seward Airport Authority  | Established to provide for the operation of the Seward Airport. The component unit information was obtained from financial statements which can be obtained by contacting the Seward Airport Authority. |
| Seward Library Foundation | Established to support the Seward library.  |

**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.

**CITY OF SEWARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**2. Basis of Presentation, continued**

**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:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 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.

*Debt Service Fund*

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the City's general obligation bonds.

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**2. Basis of Presentation, continued**

**Governmental Funds, continued**

*Permanent Fund*

The Permanent Fund accounts for assets held by the City pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

**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.

**Major and Nonmajor Funds**

The funds are further classified as major or non-major as follows:

| <b><u>Fund</u></b> | <b><u>Brief Description</u></b>  |
|--------------------|--|
| <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. |
| Debt Service       | See page 27 for description.   |

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. **Basis of Presentation, continued**

Major and Nonmajor Funds, continued

| <b><u>Fund</u></b>         | <b><u>Brief Description</u></b>   |
|----------------------------|---|
| <i>Major, continued:</i>   |   |
| Proprietary:               |   |
| Enterprise:                |   |
| Electric, Water, and Sewer | See page 28 for description.  |
| <i>Nonmajor:</i>           |   |
| Special Revenue:           |   |
| CDBG                       | Special revenue fund that accounts for community development grants and related expenses.                     |
| LB840                      | Special revenue fund that accounts for sales tax to be used for economic development under LB840.             |
| TIF                        | Special revenue fund that accounts for tax increment financing projects used to promote economic development. |
| Perpetual Care             | Permanent fund that accounts for the monies in a permanent care endowment fund for the cemetery.              |

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.

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**3. Measurement Focus and Basis of Accounting, continued**

**Measurement Focus, continued**

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 and the discretely presented component units 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.

In the fund financial statements, governmental 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.

**CITY OF SEWARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**3. Measurement Focus and Basis of Accounting, continued**

**Basis of Accounting, continued**

All proprietary funds and discretely presented component units 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.

Certificates of deposit and 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 SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

**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 and unbilled revenue 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 and unbilled revenue compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**Due from Other Governments**

The total due from other governments consists of the following:

| <u>Fund</u> | <u>Amount</u>     | <u>Service</u>     |
|-------------|-------------------|--------------------|
| General     | \$ 311,430        | Sales Tax          |
| Street      | 30,782            | Sales Tax          |
| Street      | 15,167            | Motor Vehicle Fees |
| Street      | <u>68,798</u>     | Highway Allocation |
|             | <u>\$ 426,177</u> |                    |

**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 related to debt service and proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**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.

*Government-wide Statements*

In the government-wide financial statements, capital assets that are purchased or acquired with an original cost of \$5,000 or more are capitalized and reported on the Statement of Net Position. 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               | 25-40 years |
| Improvements            | 5-25 years  |
| Machinery and Equipment | 5-20 years  |
| Utility System          | 20-50 years |
| Infrastructure          | 20-50 years |

Prior to July 1, 1980, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical 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.

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Capital Assets, continued**

*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.

**Unavailable Revenues**

Unavailable revenues consist of property taxes and special assessments expected to be collected after 60 days.

**Compensated Absences**

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. A portion of the liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this obligation is estimated based on historical trends. In the fund financial statements, governmental funds report only the current compensated absence liability payable from expendable available financial resources, while the proprietary funds report the total liability.

Employees generally earn sick leave at the rate of one day per month with the total accumulation up to 900 hours. In the event of retirement, an employee is reimbursed 50 percent of the accumulated sick leave if the employee meets certain eligibility requirements.

**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.

**CITY OF SEWARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Long-term Debt, continued**

*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 notes payable and accrued compensated absences.

*Fund Financial Statements*

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” or “net investment in capital assets.”

*Fund Financial Statements*

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

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Equity Classifications, continued**

*Fund Financial Statements, continued*

Effective October 1, 2010, the City 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 SEWARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**5. Revenues, Expenditures, and Expenses**

**Sales and Use Tax**

The City presently levies a 1.5 cent sales tax on taxable sales within the City. 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. The sales tax allocated to the General and Debt Service Funds for property tax relief, with up to \$150,000 per year approved for the LB840 Fund to be used for economic development. Sales tax collected on the sale of motor vehicles is restricted for street improvements as required by LB904.

Sales taxes collected by the State in September (which represent sales for August) and received by the City in October have been accrued and are included under the caption “Due from other governments.”

**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 Seward 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.

**CITY OF SEWARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**5. Revenues, Expenditures, and Expenses, continued**

**Property Taxes, continued**

Property taxes levied for 2018-2019 are recorded as revenue when expected to be collected within 60 days after September 30, 2019. 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.

The City-owned electric, water, and sewer utilities make payments in lieu of taxes (10 percent of gross revenues for electric, 5 percent of gross revenues for water, and 5 percent of gross revenues for sewer).

**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 Fund – 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.

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**5. Revenues, Expenditures, and Expenses, continued**

**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 and its component units are 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:

**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: Special Revenue, Debt Service, and Permanent 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 cash deposits or certificates of deposit in excess of the FDIC limits are insured by collateral held by the pledging institution in the City's name.

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued**

**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.

**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.

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued**

**5. Budgetary Data, continued**

- 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.
- 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 Seward 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 its various assets, liabilities, equity, revenues, and expenditures/expenses.

**1. Cash and Investments**

**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, 2019. The categories of collateral are defined as follows:

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

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

**1. Cash and Investments, continued**

**Deposits, continued**

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.

| <u>Types of Deposits</u>                       | <u>Total Bank<br/>Balance</u> | <u>Category<br/>1</u> | <u>Category<br/>2</u> | <u>Category<br/>3</u> | <u>Total<br/>Carrying<br/>Value</u> |
|--|-------------------------------|-----------------------|-----------------------|-----------------------|-------------------------------------|
| Demand deposits and<br>certificates of deposit | \$ 19,464,535                 | \$ 1,386,598          | \$ 18,077,937         | \$ -                  | \$ <u>19,051,356</u>                |

Reconciliation to Government-wide Statement of Net Position:

|  |                      |
|--|----------------------|
| Primary Government –                   |                      |
| Unrestricted cash and cash equivalents | \$ 10,146,239        |
| Unrestricted certificates of deposit   | 5,247,588            |
| Restricted cash and cash equivalents   | 2,004,824            |
| Restricted certificates of deposit     | 1,377,227            |
| Component Units –                      |                      |
| Unrestricted cash and cash equivalents | 118,948              |
| Unrestricted certificates of deposit   | <u>156,530</u>       |
|  | <u>\$ 19,051,356</u> |

**Investments**

The City’s policies and applicable laws regarding investments are discussed in Notes A4 and B2. The table presented below is designed to disclose whether the investments are insured or registered and who holds the security at September 30, 2019. The categories of investments are defined as follows:

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

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

**1. Cash and Investments, continued**

**Investments, continued**

Category 1 – Insured or registered with securities held by the entity or its agent in the entity’s name.

Category 2 – Uninsured and unregistered with securities held by the counterparty’s trust department or agent in the entity’s name.

Category 3 – Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the City’s name.

| <b><u>Type of Investment</u></b> | <b>Category<br/><u>1</u></b> | <b>Category<br/><u>2</u></b> | <b>Category<br/><u>3</u></b> | <b><u>Carrying<br/>Amount</u></b> | <b><u>Fair<br/>Value</u></b> |
|----------------------------------|------------------------------|------------------------------|------------------------------|-----------------------------------|------------------------------|
| Publicly Traded Equities         | \$ -                         | \$ 124,897                   | \$ -                         | \$ <u>124,897</u>                 | \$ <u>124,897</u>            |

Reconciliation to Government-wide Statement of Net Position:

Component Units –

|                                    |                   |
|------------------------------------|-------------------|
| Unrestricted investments           | \$ 39,281         |
| Permanently restricted investments | <u>85,616</u>     |
|                                    | <u>\$ 124,897</u> |

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

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

**2. Restricted Assets**

The restricted assets as of September 30, 2019, are as follows:

|                            | <u>Governmental<br/>Activities</u> | <u>Business-<br/>type<br/>Activities</u> | <u>Total<br/>Primary<br/>Government</u> | <u>Component<br/>Unit</u> |
|----------------------------|------------------------------------|--|---|---------------------------|
| Type of Restricted Assets: |                                    |  |   |                           |
| Cash and cash equivalents  | \$ 1,265,800                       | \$ 739,024                               | \$ 2,004,824                            | \$ -                      |
| Certificates of deposit    | 15,000                             | 1,362,227                                | 1,377,227                               | -                         |
| Investments                | -                                  | -  | -                                       | 85,616                    |
|                            | <u>\$ 1,280,800</u>                | <u>\$ 2,101,251</u>                      | <u>\$ 3,382,051</u>                     | <u>\$ 85,616</u>          |

Restricted cash and investments for governmental activities consists of \$19,672 of General Fund cash restricted for library maintenance, \$57,902 of Street Fund cash restricted for street projects, \$712,240 of Debt Service Fund cash restricted for debt service, \$19,620 of CDBG Fund cash restricted for Federal programs, \$193,323 of LB840 Fund cash restricted for economic development, \$58,890 of TIF Fund cash restricted for economic development, and \$219,153 of Perpetual Care Fund cash and certificates of deposit restricted for cemetery perpetual care.

Restricted business-type assets consist of debt service reserves of \$549,293 for the Electric Fund, \$916,351 for the Water Fund, and \$525,022 for the Sewer Fund. The Electric Fund also has \$109,945 and the Water Fund has \$640 restricted for customer deposits.

The Seward Library Foundation has \$85,616 of permanently restricted investments endowed for the income only to be used to support the Seward library.

**3. Accounts and Notes Receivable**

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of minor receivables in the Street Fund. Accounts receivable for the component units consist of minor receivables. Receivables detail at September 30, 2019, is as follows:

|                                 | <u>Governmental<br/>Activities</u> | <u>Business-<br/>type<br/>Activities</u> | <u>Total<br/>Primary<br/>Government</u> | <u>Component<br/>Units</u> |
|---------------------------------|------------------------------------|--|---|----------------------------|
| Accounts receivable             | \$ 1,048                           | \$ 1,318,927                             | \$ 1,319,975                            | \$ 892                     |
| Allowance for doubtful accounts | -                                  | ( 2,300)                                 | ( 2,300)                                | -                          |
| Net accounts receivable         | <u>\$ 1,048</u>                    | <u>\$ 1,316,627</u>                      | <u>\$ 1,317,675</u>                     | <u>\$ 892</u>              |

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

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

**3. Accounts and Notes Receivable, continued**

Notes receivable for the governmental activities consist of the following at September 30, 2019:

| <u>Type of Loan</u> | <u>Due From</u>                | Note Balance at<br>September 30,<br><u>2019</u> | <u>Terms</u>  |
|---------------------|--------------------------------|---|---|
| LB840               | B & M Seed, LLC                | \$ 43,452                                       | 2.5%; monthly payments due over 5 years; final payment due 10/1/23  |
| LB840               | La Cocina                      | 50,000  | 5.0%; 20 percent forgivable annually if borrower retains improvements; due 1/7/24   |
| LB840               | Seward Hotel Group             | 59,680  | 3.25%; monthly payments over 15 years; final payment due 9/1/27   |
| LB840               | ECES, Inc                      | 37,340  | 2.625%; monthly payments due over 10 years; final payment due 1/1/29  |
| LB840               | Barely Legal Distilling, LLC   | 70,000  | 2.25%; monthly payments due over 5 years; final payment due 2/1/23  |
| LB840               | Green Future Properties        | 235,000   | 2.75%; monthly payments due over 15 years; 12% of the loan will be forgiven after 166 payments have been made; final payment due 9/1/34 |
| LB840               | Cornerstone Interiors & Design | 55,202  | 2.13%; monthly payments due over 10 years; final payment due 1/1/28   |
| LB840               | SBSX Properties                | 1,613   | 3.25%; monthly payments due over 5 years; final payment due 3/1/20  |
| LB840               | In Motion                      | 3,411   | 2.5%; monthly payments due over 5 years; final payment due 12/1/20  |

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

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

**3. Accounts and Notes Receivable, continued**

| <u>Note Held By</u> | <u>Due From</u>  | Note Balance at<br>September 30,<br><u>2019</u> | <u>Terms</u>   |
|---------------------|--|---|--|
| LB840               | Turning Point Behavioral<br>Health & Addiction<br>Counseling | 18,599  | 1.75%; monthly payments due over<br>10 years; final payment due 12/1/26                  |
| LB840               | Bottle Rocket Brewing  | 6,319   | 5.0%; 20 percent forgivable<br>annually if borrower retains<br>improvements; due 9/30/24 |
| LB840               | Hexagon Properties   | 86,501  | 1.875%; monthly payments due<br>over 15 years; final payment due<br>3/30/32              |
| LB840               | Red Path Gallery<br>& Tasting Room                           | 49,079  | 2.375%; monthly payments due<br>over 10 years; final payment due<br>8/1/28               |
| LB840               | Fullfield Ag, LLC  | 167,671   | 1.875%; monthly payments due<br>over 15 years; final payment due<br>2/15/32              |
|                     |  | <hr/>   |  |
|                     | Total notes receivable                                       | \$ <u>883,867</u>                               |  |
|                     | Current portion  | \$ 81,296                                       |  |
|                     | Noncurrent portion   | <u>802,571</u>                                  |  |
|                     |  | \$ <u>883,867</u>                               |  |

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

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

**4. Capital Assets**

Capital asset activity for the year ended September 30, 2019, was as follows:

|   | <u>Balance at</u><br><u>October 1, 2018</u> | <u>Additions</u>     | <u>Disposals</u>    | <u>Reclass</u> | <u>Balance at</u><br><u>September 30, 2019</u> |
|---|---|----------------------|---------------------|----------------|--|
| <b><u>Governmental Activities:</u></b>        |   |                      |                     |                |  |
| Capital assets not being depreciated:         |   |                      |                     |                |  |
| Land  | \$ 836,814                                  | \$ -                 | \$ (240,409)        | \$ -           | \$ 596,405                                     |
| Construction in progress                      | <u>569,057</u>                              | <u>696,824</u>       | <u>-</u>            | <u>(6,122)</u> | <u>1,259,759</u>                               |
| Total capital assets not being depreciated    | 1,405,871                                   | 696,824              | (240,409)           | (6,122)        | 1,856,164                                      |
| Other capital assets being depreciated:       |   |                      |                     |                |  |
| Infrastructure                                | 12,943,621                                  | 33,000               | -                   | -              | 12,976,621                                     |
| Buildings                                     | 11,695,264                                  | 6,084                | -                   | -              | 11,701,348                                     |
| Machinery and equipment                       | <u>5,844,273</u>                            | <u>332,400</u>       | <u>(93,237)</u>     | <u>6,122</u>   | <u>6,089,558</u>                               |
| Total other capital assets at historical cost | 30,483,158                                  | 371,484              | (93,237)            | 6,122          | 30,767,527                                     |
| Less accumulated depreciation for:            |   |                      |                     |                |  |
| Infrastructure                                | (5,467,644)                                 | (367,820)            | -                   | -              | (5,835,464)                                    |
| Buildings                                     | (3,226,837)                                 | (237,771)            | -                   | -              | (3,464,608)                                    |
| Machinery and equipment                       | <u>(3,521,911)</u>                          | <u>(501,920)</u>     | <u>87,376</u>       | <u>-</u>       | <u>(3,936,455)</u>                             |
| Total accumulated depreciation                | <u>(12,216,392)</u>                         | <u>(1,107,511) *</u> | <u>87,376</u>       | <u>-</u>       | <u>(13,236,527)</u>                            |
| Other capital assets, net                     | <u>18,266,766</u>                           | <u>(736,027)</u>     | <u>(5,861)</u>      | <u>6,122</u>   | <u>17,531,000</u>                              |
| Governmental activities capital assets, net   | <u>\$ 19,672,637</u>                        | <u>\$ (39,203)</u>   | <u>\$ (246,270)</u> | <u>\$ -</u>    | <u>\$ 19,387,164</u>                           |

\* Depreciation expense was charged to governmental activities as follows:

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

4. Capital Assets, continued

Governmental Activities, continued:

|   |                     |
|---|---------------------|
| General government                      | \$ 23,839           |
| Public safety                           |                     |
| Fire                                    | 178,882             |
| Police                                  | <u>71,266</u>       |
| Total public safety                     | 250,148             |
| Public works:                           |                     |
| Streets and storm sewers                | 402,974             |
| Cemetery                                | <u>28,804</u>       |
| Total public works                      | 431,778             |
| Environment and leisure:                |                     |
| Civic Center                            | 17,707              |
| Golf                                    | 53,597              |
| Library                                 | 98,493              |
| Parks and recreation                    | 165,832             |
| Senior Center                           | 18,520              |
| Trails                                  | <u>47,597</u>       |
| Total environment and leisure           | <u>401,746</u>      |
| Total governmental depreciation expense | \$ <u>1,107,511</u> |

Construction in progress at September 30, 2019, consists of \$734,332 for the Rail Campus project, \$204,993 for the Waverly Road street project, and \$320,434 for the Karol Kay Blvd project. See Note D3 for additional details on these projects.

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

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

**4. Capital Assets, continued**

|   | <u>Balance at</u><br><u>October 1, 2018</u> | <u>Additions</u> | <u>Disposals</u> | <u>Reclass</u> | <u>Balance at</u><br><u>September 30, 2019</u> |
|---|---|------------------|------------------|----------------|--|
| <b><u>Business-type Activities:</u></b>       |   |                  |                  |                |  |
| Capital assets not being depreciated:         |   |                  |                  |                |  |
| Land  | \$ 264,065                                  | \$ 1,667,037     | \$ -             | \$ -           | \$ 1,931,102                                   |
| Construction in progress                      | 130,210                                     | 1,296,658        | -                | (18,366)       | 1,408,502                                      |
| Total capital assets not being depreciated    | 394,275                                     | 2,963,695        | -                | (18,366)       | 3,339,604                                      |
| Other capital assets being depreciated:       |   |                  |                  |                |  |
| Buildings                                     | 1,328,329                                   | 12,935           | -                | -              | 1,341,264                                      |
| Distribution systems                          | 44,529,653                                  | 123,526          | -                | -              | 44,653,179                                     |
| Equipment                                     | 3,451,480                                   | 230,860          | (120,386)        | 18,366         | 3,580,320                                      |
| Total other capital assets at historical cost | 49,309,462                                  | 367,321          | (120,386)        | 18,366         | 49,574,763                                     |
| Less accumulated depreciation for:            |   |                  |                  |                |  |
| Buildings                                     | (463,001)                                   | (34,417)         | -                | -              | (497,418)                                      |
| Distribution systems                          | (23,108,011)                                | (1,266,093)      | -                | -              | (24,374,104)                                   |
| Equipment                                     | (2,295,812)                                 | (295,687)        | 112,754          | -              | (2,478,745)                                    |
| Total accumulated depreciation                | (25,866,824)                                | (1,596,197) *    | 112,754          | -              | (27,350,267)                                   |
| Other capital assets, net                     | 23,442,638                                  | (1,228,876)      | (7,632)          | 18,366         | 22,224,496                                     |
| Business-type capital assets, net             | \$ 23,836,913                               | \$ 1,734,819     | \$ (7,632)       | \$ -           | \$ 25,564,100                                  |

\* Depreciation expense was charged to functions as follows:

|   |                     |
|---|---------------------|
| Electric  | \$ 813,174          |
| Water   | 345,911             |
| Sewer   | <u>437,112</u>      |
| Total business-type activities depreciation expense | <u>\$ 1,596,197</u> |

Construction in progress at September 30, 2019, consists of \$609,719 on the Electric Fund, \$144,118 on the Water Fund, and \$149,057 on the Sewer Fund for the rail campus project, \$78,274 of costs on the Dale’s Hotel electric update project, \$103,593 of costs on the Fairway Woods electric service project, \$279,963 of costs on the Seward Industrial Substation electrical project, \$316 of costs on the daycare electrical service project, \$27,382 of costs on the SW3 well project, and \$16,080 of costs on the Waverly Road sewer extension. See Note D3 for additional detail of the construction in progress at September 30, 2019.

**CITY OF SEWARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

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

**4. Capital Assets, continued**

|   | Balance at<br><u>October 1, 2018</u> | <u>Additions</u>   | <u>Disposals</u> | <u>Reclass</u> | Balance at<br><u>September 30, 2019</u> |
|---|--------------------------------------|--------------------|------------------|----------------|---|
| <b><u>Airport Authority:</u></b>              |                                      |                    |                  |                |   |
| Capital assets not being depreciated:         |                                      |                    |                  |                |   |
| Land  | \$ 105,156                           | \$ -               | \$ -             | \$ -           | \$ 105,156                              |
| Construction in progress                      | -                                    | 89,107             | -                | -              | 89,107                                  |
|   | <u>105,156</u>                       | <u>89,107</u>      | <u>-</u>         | <u>-</u>       | <u>194,263</u>                          |
| Other capital assets being depreciated:       |                                      |                    |                  |                |   |
| Buildings                                     | 2,871,317                            | -                  | -                | -              | 2,871,317                               |
| Improvements                                  | 2,543,114                            | -                  | -                | -              | 2,543,114                               |
| Equipment                                     | 143,954                              | 21,639             | -                | -              | 165,593                                 |
| Total other capital assets at historical cost | 5,558,385                            | 21,639             | -                | -              | 5,580,024                               |
| Less accumulated depreciation for:            |                                      |                    |                  |                |   |
| Buildings                                     | (1,103,285)                          | (85,675)           | -                | -              | (1,188,960)                             |
| Improvements                                  | (1,227,725)                          | (85,144)           | -                | -              | (1,312,869)                             |
| Equipment                                     | (97,882)                             | (9,234)            | -                | -              | (107,116)                               |
| Total accumulated depreciation                | <u>(2,428,892)</u>                   | <u>(180,053)</u>   | <u>-</u>         | <u>-</u>       | <u>(2,608,945)</u>                      |
| Other capital assets, net                     | <u>3,129,493</u>                     | <u>(158,414)</u>   | <u>-</u>         | <u>-</u>       | <u>2,971,079</u>                        |
| Airport Authority capital assets, net         | <u>\$ 3,234,649</u>                  | <u>\$ (69,307)</u> | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ 3,165,342</u>                     |

**5. Accounts Payable**

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

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

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

**6. 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, 2019:

| <u>Type of Debt</u>             | <u>Balance<br/>9/30/2018</u> | <u>Additions</u> | <u>Deductions</u>   | <u>Balance<br/>9/30/2019</u> | <u>Due Within<br/>One Year</u> |
|---------------------------------|------------------------------|------------------|---------------------|------------------------------|--------------------------------|
| <b>Governmental Activities:</b> |                              |                  |                     |                              |                                |
| Bonds payable                   | \$ 3,346,100                 | \$ -             | \$ (436,500)        | \$ 2,909,600                 | \$ 395,050                     |
| Note payable                    | 230,510                      | -                | (48,846)            | 181,664                      | 50,186                         |
| Capital leases                  | 462,930                      | 89,089           | (132,582)           | 419,437                      | 92,210                         |
| Total governmental              | <u>\$ 4,039,540</u>          | <u>\$ 89,089</u> | <u>\$ (617,928)</u> | <u>\$ 3,510,701</u>          | <u>\$ 537,446</u>              |
| <b>Business-type Activities</b> |                              |                  |                     |                              |                                |
| Bonds payable                   | \$ 11,748,900                | \$ -             | \$ (928,500)        | \$ 10,820,400                | \$ 954,950                     |
| Capital leases                  | 59,325                       | -                | (9,995)             | 49,330                       | 49,330                         |
| Total business-type             | <u>\$ 11,808,225</u>         | <u>\$ -</u>      | <u>\$ (938,495)</u> | <u>\$ 10,869,730</u>         | <u>\$ 1,004,280</u>            |
| <b>Component Units:</b>         |                              |                  |                     |                              |                                |
| Airport Authority               | <u>\$ 427,028</u>            | <u>\$ -</u>      | <u>\$ (73,390)</u>  | <u>\$ 353,638</u>            | <u>\$ 79,017</u>               |

**Governmental Activities**

As of September 30, 2019, the governmental long-term liabilities consisted of the following:

**Bonds payable:**

General obligation refunding bonds - series 2012, with original issue amount of \$1,373,850 (71 percent of the issue). Interest ranges from 0.30 to 2.15 percent with final maturity December 15, 2022. \$ 559,600

Highway allocation bonds - series 2012, with original issue amount of \$190,000. Interest is 2.35 percent with maturity December 15, 2023. 190,000

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

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

**6. Long-term Debt, continued**

**Governmental Activities, continued**

Bonds payable, continued:

Highway allocation bonds – series 2013, with original issue amount of \$710,000. Interest ranges from 0.40 to 3.90 percent with final maturity July 15, 2028. 455,000

Highway allocation bonds – series 2013B, with original issue amount of \$100,000. Interest ranges from 2.25 to 3.60 percent with final maturity October 15, 2024. 60,000

Public safety tax bonds - series 2014, with original issue amount of \$404,000. Interest ranges from 1.15 to 2.55 percent with final maturity April 1, 2024. 210,000

General obligation refunding bonds - series 2014, with original issue amount of \$500,000. Interest ranges from 0.20 to 2.25 percent with final maturity December 15, 2022. 155,000

Highway allocation bonds – series 2016, with original issue amount of \$825,000. Interest ranges from 2.0 to 4.0 percent with final maturity October 1, 2031. 650,000

General obligation refunding bonds - series 2016, with original issue amount of \$1,085,000. Interest ranges from 0.60 to 1.50 percent with final maturity December 15, 2022. 630,000

Total bonds payable 2,909,600

**CITY OF SEWARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

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

**6. Long-term Debt, continued**

**Governmental Activities, continued**

Note payable:

On February 19, 2016, the City borrowed \$350,000 from Jones National Bank to finance the golf course purchase. The note bears interest of 2.75 percent and is due in 14 semi-annual installments of \$27,430 through November 1, 2022. 181,664

Capital Leases:

Capital lease obligation due to Cattle National Bank dated December 29, 2017, with original issue amount of \$56,737 to finance a Toro Workman mower for golf. The lease bears interest of 2.85 percent with annual principal and interest payments due July 1, 2018 through July 1, 2022. 34,513

Capital lease obligation due to Cattle National Bank dated January 18, 2019, with original issue amount of \$65,625 to finance a Groundmaster mower. The lease bears interest of 3.75 percent and is due in five annual principal and interest payments of \$15,000 commencing June 30, 2019 through June 30, 2023. 51,724

Capital lease obligation due to Bruning State Bank dated April 5, 2016, with original issue amount of \$131,100 to finance golf carts. The lease bears interest of 3.03 percent and is due in five annual principal and interest payments of \$17,160, commencing April 5, 2017 through April 5, 2021, with a final installment of \$41,600 due April 5, 2022. 71,647

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

6. Long-term Debt, continued

Governmental Activities, continued

Capital Leases, continued:

Capital lease obligation due to Caterpillar Financial dated October 28, 2015, with original issue amount of \$201,960 to finance Caterpillar motor grader. The lease bears interest of 5.01 percent and is due in five annual principal and interest payments of \$320,259, commencing October 15, 2015 through October 15, 2019 with a final installment of \$140,280 due October 28, 2020. 146,514

Capital lease obligation due to Jones National Bank dated June 7, 2017, with original issue amount of \$161,925 to finance a street sweeper. The lease bears interest of 2.22 percent and is due in ten semi-annual principal and interest payments of \$17,796, commencing November 1, 2017 through May 1, 2022. 99,519

Capital lease obligation due to Jones National Bank dated April 8, 2019, with original issue amount of \$23,464 to finance a 2019 Ford Interceptor for police. The lease bears interest of 3.40 percent and is due in three annual principal and interest payments of \$8,158, commencing July 15, 2019 through July 15, 2021. 15,520

Total capital lease obligations 419,437

Total governmental activities long-term obligations \$ 3,510,701

Current portion \$ 537,446

Noncurrent portion 2,973,255

Total \$ 3,510,701

The Debt Service Fund is making the bond payments, the General Fund is making the note payments, and the General Fund and Street Fund are making the capital lease payments.

**CITY OF SEWARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

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

**6. Long-term Debt, continued**

**Business-type Activities**

As of September 30, 2019, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds and notes payable:

|   |            |
|---|------------|
| Electric revenue refunding bonds - series 2012, with original issue amount of \$1,855,000. Interest ranges from 0.40 to 2.55 percent with final maturity February 15, 2025.                       | \$ 610,000 |
| Electric revenue refunding bonds - series 2016, with original issue amount of \$4,755,000. Interest ranges from 0.85 to 3.20 percent with final maturity February 15, 2036.                       | 3,965,000  |
| Water general obligation bonds - series 2012, with original issue amount of \$464,400 (24 percent of the issue). Interest ranges from 0.30 to 2.15 percent with final maturity December 15, 2020. | 62,400     |
| Water revenue bonds - series 2013, with original issue amount of \$90,000. Interest is 2.85 percent with maturity September 1, 2027.  | 90,000     |
| Water revenue bonds - series 2013B, with original issue amount of \$1,580,000. Interest ranges from 1.5 to 4.4 percent with final maturity February 15, 2036.                                     | 1,260,000  |
| Water revenue refunding bonds - series 2015, with original issue amount of \$1,305,000. Interest ranges from 2.0 to 2.35 percent with final maturity June 1, 2023.                                | 605,000    |
| Water revenue refunding bonds - series 2016, with original issue amount of \$1,205,000. Interest ranges from 0.95 to 1.80 percent with final maturity June 1, 2026.                               | 1,005,000  |

**CITY OF SEWARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

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

**6. Long-term Debt, continued**

**Business-type Activities, continued**

Bonds and notes payable, continued:

|   |        |
|---|--------|
| Sewer general obligation bonds – series 2012, with original issue amount of \$96,750 (5 percent of the issue). Interest ranges from 0.30 to 2.15 percent with final maturity December 15, 2020. | 13,000 |
|---|--------|

|  |        |
|--|--------|
| Sewer revenue bonds – series 2013, with original issue amount of \$90,000. Interest is 3.20 percent with maturity September 1, 2032. | 50,000 |
|--|--------|

|  |                  |
|--|------------------|
| Sewer revenue refunding bonds – series 2016, with original issue amount of \$3,860,000. Interest ranges from 2.0 to 2.75 percent with final maturity September 15, 2031. | <u>3,160,000</u> |
|--|------------------|

|  |                   |
|--|-------------------|
| Total business-type activity bonds payable | <u>10,820,400</u> |
|--|-------------------|

Capital Lease:

|   |               |
|---|---------------|
| Capital lease obligation due to Caterpillar Finance dated March 15, 2015, with original issue amount of \$99,500 to finance a Caterpillar back hoe loader. The lease bears interest of 4.937 percent and is due in five annual principal and interest payments of \$12,924, commencing March 15, 2015 through March 15, 2019, with a final installment of \$51,765 due March 15, 2020. The Water and Sewer Fund are each paying half of these lease payments. | <u>49,330</u> |
|---|---------------|

|                                   |                      |
|-----------------------------------|----------------------|
| Total business-type activity debt | \$ <u>10,869,730</u> |
|-----------------------------------|----------------------|

|                 |              |
|-----------------|--------------|
| Current portion | \$ 1,004,280 |
|-----------------|--------------|

|                    |                  |
|--------------------|------------------|
| Noncurrent portion | <u>9,865,450</u> |
|--------------------|------------------|

|       |                      |
|-------|----------------------|
| Total | \$ <u>10,869,730</u> |
|-------|----------------------|

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

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

**6. Long-term Debt, continued**

**Component Unit**

Airport debt:

Series 2011 bonds payable with original principal amount of \$545,000, bearing interest ranging from 1.20 to 3.55 percent with final maturity January 15, 2024. \$ 220,000

Series 2009 bonds payable with original principal amount of \$20,000, bearing interest of 4.75 percent with maturity January 15, 2024. 20,000

Note payable with original principal amount of \$61,184, bearing interest of 5.0 percent, due in annual principal and interest installments through November 1, 2021. 19,776

Nebraska Department of Aeronautics loan with original principal amount of \$220,253, due in 120 monthly installments of \$1,322, bearing no interest through October 31, 2026. 93,862

Total Airport notes and bond payable \$ 353,638

Current portion \$ 79,017

Noncurrent portion 274,621

Total \$ 353,638

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

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

**6. Long-term Debt, continued**

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2019, are as follows:

| Year Ending<br>September 30, | Governmental Activities |                  |                     |                   |
|------------------------------|-------------------------|------------------|---------------------|-------------------|
|                              | Direct Placement Debt   |                  | Other Debt Issues   |                   |
|                              | Principal               | Interest         | Interest            | Interest          |
| 2020                         | \$ 142,396              | \$ 19,997        | \$ 395,050          | \$ 53,423         |
| 2021                         | 266,884                 | 15,527           | 460,550             | 62,141            |
| 2022                         | 153,892                 | 4,528            | 502,000             | 52,470            |
| 2023                         | 37,929                  | 790              | 518,000             | 41,851            |
| 2024                         | -                       | -                | 344,000             | 31,701            |
| 2025-2029                    | -                       | -                | 500,000             | 86,076            |
| 2030-2034                    | -                       | -                | 190,000             | 11,600            |
|                              | <u>\$ 601,101</u>       | <u>\$ 40,842</u> | <u>\$ 2,909,600</u> | <u>\$ 339,262</u> |

| Year Ending<br>September 30, | Business-type Activities |                 |                      |                     | Component Unit    |                  |
|------------------------------|--------------------------|-----------------|----------------------|---------------------|-------------------|------------------|
|                              | Direct Placement Debt    |                 | Other Debt Issues    |                     | Other Debt Issues |                  |
|                              | Principal                | Interest        | Principal            | Interest            | Principal         | Interest         |
| 2020                         | \$ 49,330                | \$ 2,435        | \$ 954,950           | \$ 255,621          | \$ 79,017         | \$ 8,686         |
| 2021                         | -                        | -               | 960,450              | 235,636             | 72,487            | 6,429            |
| 2022                         | -                        | -               | 930,000              | 215,988             | 65,864            | 4,323            |
| 2023                         | -                        | -               | 960,000              | 196,615             | 60,864            | 2,636            |
| 2024                         | -                        | -               | 990,000              | 175,957             | 60,864            | 919              |
| 2025-2029                    | -                        | -               | 3,665,000            | 597,575             | 14,542            | -                |
| 2030-2034                    | -                        | -               | 1,980,000            | 214,966             | -                 | -                |
| 2035-2039                    | -                        | -               | 380,000              | 12,320              | -                 | -                |
|                              | <u>\$ 49,330</u>         | <u>\$ 2,435</u> | <u>\$ 10,820,400</u> | <u>\$ 1,904,678</u> | <u>\$ 353,638</u> | <u>\$ 22,993</u> |

**7. Interfund Transactions and Balances**

The Street Fund transferred \$135,865 to the Debt Service Fund during the year ended September 30, 2019. Also, the Sewer Fund transferred \$11,090 to both the Electric Fund and the Water Fund during the year ended September 30, 2019.

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

**NOTE D – OTHER NOTES**

**1. Employee Pension and Other Benefit Plans**

Under Nebraska statutes, the City is to maintain a retirement plan for City policemen. This plan is funded through employee and employer contributions. The total contributions under this plan are deposited under a money purchase retirement plan with Ameritas Retirement. This plan requires that covered employees and the City contribute an amount equal to seven percent of the employee's monthly salary until such employee becomes eligible for regular retirement, at which time contributions shall cease. The eligible and covered payroll amounted to \$702,020 for the year ended September 30, 2019. Both the City and the covered employees' required contribution of \$49,141 was made for the year ended September 30, 2019. The employer contributions vest at the following rate: 0 to 2 years - 0 percent, 2 to 3 years - 40 percent, 4 years - 60 percent, 5 to 6 years - 80 percent, 7 years - fully vested. The employees also have the ability to make voluntary contributions to a deferred compensation plan in accordance with Internal Revenue Code Section 457. No voluntary 457 contributions were made during the year ended September 30, 2019.

The City maintains a defined contribution plan for the City employees in accordance with Internal Revenue Code Sections 457 and 401(a). The plan is available to all full-time City employees after six months of service. This plan is funded through employee and employer contributions. The total contributions under this plan are deposited with Ameritas Retirement. This plan requires that both covered employees and the City contribute six percent of the employee's salary to the plan. The total payroll amounted to \$2,840,430 and the covered payroll amounted to \$2,189,807 for the year ended September 30, 2019. The City and the employees contributed \$125,391 and \$166,421, respectively, for the year ended September 30, 2019. The employees also contributed \$41,030 to a deferred compensation plan in accordance with Internal Revenue Code Section 457 during the year ended September 30, 2019.

**2. Risk Management**

**Insurance**

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 natural disasters. The City purchases commercial insurance to protect against risks listed above. Insurance is maintained for the various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; dishonest employees; injuries to employees; and natural disasters. During the year ended September 30, 2019, the City did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

**CITY OF SEWARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**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, 2019, are held by the counterparties not in the name of the City. The underlying securities consist of cash, direct obligations of or guaranteed by the full faith and credit of the U.S. Government, and other similar obligations of the U.S. Government or its agencies.

***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>              |
|----------------------------|----------------------------|
| January 2020               | \$ 120,077                 |
| March 2020                 | 420,036                    |
| April 2020                 | 291,785                    |
| May 2020                   | 523,384                    |
| June 2020                  | 568,807                    |
| July 2020                  | 447,685                    |
| August 2020                | 636,136                    |
| September 2020             | 1,177,760                  |
| October 2020               | 331,163                    |
| November 2020              | 57,119                     |
| January 2021               | 212,021                    |
| February 2021              | 617,010                    |
| March 2021                 | 70,096                     |
| April 2021                 | 158,267                    |
| May 2021                   | 243,809                    |
| September 2021             | 311,175                    |
| December 2021              | 113,940                    |
| March 2022                 | 9,000                      |
| March 2023                 | 300,545                    |
| May 2023                   | <u>15,000</u>              |
|                            | <b>\$ <u>6,624,815</u></b> |

**CITY OF SEWARD, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2019**

**NOTE D – OTHER NOTES, continued**

**2. Risk Management, continued**

**Deposits and Investments, continued**

*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.

*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, 2019, the City’s investments in certificates of deposit consisted of the following:

| <u>Financial Institution</u> | <u>Amount</u>       |
|------------------------------|---------------------|
| Cattle National Bank         | \$ 3,814,735        |
| Jones National Bank          | 2,598,058           |
| Union Bank                   | <u>212,022</u>      |
|                              | <u>\$ 6,624,815</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, 2019.

**3. Commitments and Contingencies**

**Construction/Contractual Commitments**

The City has numerous construction projects and other contracts in progress. The City intends to fund the construction through operations or long-term financing.

| <u>Project</u>                              | <u>Contract Amount</u> | <u>Paid Through 9/30/19</u> | <u>Obligation Pending</u> | <u>Expected Completion Date</u> |
|---|------------------------|-----------------------------|---------------------------|---------------------------------|
| Rail Campus project                         | \$ 1,704,636           | \$ 907,848                  | \$ 796,788                | September 2021                  |
| Helicopter for Nebraska Guard park memorial | 104,944                | -                           | 104,944                   | September 2020                  |
| Ford F550 pump truck                        | 164,350                | -                           | 164,350                   | February 2020                   |
| Substation improvements                     | 585,851                | -                           | 585,851                   | February 2020                   |
| AMI system evaluation                       | 39,935                 | 4,056                       | 35,879                    | September 2020                  |

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

**NOTE D – OTHER NOTES, continued**

**3. Commitments and Contingencies, continued**

**Power Contract**

In December 2015, the City entered into a contract with the Nebraska Public Power District (NPPD) for the purchase of electric power on a wholesale basis for a term of 20 years. The contract stipulates that if the City determines at any time that it wished to obtain power from another source, it must give written notice to NPPD five years prior to the time it proposes to change wholesale providers. Beginning on the date of the change, the City would be obligated to pay each month for an amount of power equal to an average of the maximum amounts of power purchased during the same month in each of the five years prior to the date of change. As of the date of this report, the City plans to continue its contract with NPPD and thus, no liability associated with this commitment has been accruing in the financial statements.

**Lease Commitments**

On February 1, 2016, the City entered into a seven year lease through December 31, 2022 for the golf course. The lease calls for annual rent of \$1,950. In addition, the City must pay the real estate tax on the property. The City paid rent of \$1,950 and real estate tax of \$4,806 under this lease agreement during the year ended September 30, 2019.

Lease commitments as of September 30, 2019, are as follows:

| <u>Year ending September 30,</u> | <u>Commitment</u> |
|----------------------------------|-------------------|
| 2020                             | \$ 1,950          |
| 2021                             | 1,950             |
| 2022                             | <u>1,950</u>      |
|                                  | <u>\$ 5,850</u>   |

**4. Land Options**

The City has entered into two option agreements giving the City the right to purchase land for a period of time. Both options, are dated February 2, 2017, cost \$5,000 each, and have a term of three years, expiring February 2, 2020. Two other options were exercised during the year ended September 30, 2019.

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

**NOTE D – OTHER NOTES, continued**

**5. Interlocal Agreements**

The City has the following interlocal agreements in effect as of September 30, 2019:

| <b>Parties to Agreement</b>                     | <b>Agreement Period</b>    | <b>Descriptions</b>   |
|---|----------------------------|---|
| Civil Defense                                   | 1981 - ongoing             | Joint City/County Organization  |
| Police Department                               | 1990 – ongoing             | Interlocal cooperative “RAP”/Rural Apprehension Program                                       |
| Upper Big Blue Natural Resources District       | 2/20/18 thru 6/30/20       | Pay up to 50 percent of levee accreditation   |
| Nebraska Community Energy Alliance              | 6/17/14 thru 6/17/74       | Advancement of Natural Gas & Electric Vehicle Infrastructure and Use                          |
| Seward County                                   | 06/01/2019 thru 05/31/2020 | Prosecution Services/Per Year   |
| Seward County                                   | 2004 – ongoing             | Emergency Management Organization (Joint County-City)   |
| Seward County                                   | 1997 – ongoing             | EL overhead line-Section 27 & 28, Township N Range 3E   |
| Seward County                                   | 1995 – ongoing             | Combined Communications Center (Enhanced 911)-est. \$200k/yr                                  |
| Seward County                                   | 1999 – ongoing             | Police firearms range   |
| Seward County                                   | 2011 – ongoing             | Wellhead protection/City pays admin & Legal fees  |
| Seward County Public Power                      | 1980 – ongoing             | Joint use of poles/SPPD to pay \$1.50/pole  |
| South Crest Subdivision                         | 1982 – ongoing             | Sanity Imp Dist #3-WA & SE/City to provide routine maintenance                                |
| Staplehurst, Village of                         | 2000 – ongoing             | Use of burnsite for brush & untreated wood/Staplehurst pays \$1,000/yr                        |
| Statewide Communications Alliance               | 2002 – 2032                | Jointly own, operate, regulate, manage and maintain statewide system                          |
| Upper Big Blue Natural Resources District       | 05/02/2017 thru 06/30/2020 | Construction costs for hiking/bicycle trail \$150,000 paid by Upper Big Blue Natural Resource |
| Seward County Rural Fire Protection District    | 07/01/2018 thru 06/30/2019 | Fire Protection/Equipment   |
| H-GAC   | 10/01/2018 thru 09/30/2019 | Cooperative purchasing program #17-5994   |
| Seward County Chamber & Development Partnership | 10/01/2018 thru 09/30/2019 | Economic Development  |

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

**NOTE D – OTHER NOTES, continued**

**6. Tax Abatements/Conduit Debt**

The Community Development Agency (CDA), who is authorized by Nebraska statutes to enter into property tax abatement agreements for the purpose of developing properties in blighted areas, has entered into tax increment financing (TIF) agreements with various redevelopers. The TIF program has the stated purpose of increasing valuation, business activity and employment in the community.

Under the TIF program, redevelopers can apply for TIF financing whereby the property tax they pay on the increased valuation of property under a TIF agreement is returned to the redeveloper (in the form of payments on conduit debt) by the CDA to finance the project for a period of up to 15 years.

Information relevant to the abatements granted by the CDA for the year ended September 30, 2019 is as follows:

| <u>TIF Project:</u>     | <u>Years Remaining<br/>on<br/>TIF Agreements</u> | <u>Conduit<br/>Debt<br/>Balance</u> | <u>2019 TIF<br/>Valuation</u> | <u>TIF Proceeds<br/>Received<br/>during the year<br/>9-30-2019</u> |
|-------------------------|--|-------------------------------------|-------------------------------|--|
| Progressive Sheet Metal | 9  | \$ 30,074                           | \$ 166,338                    | \$ 1,842   |
| Sports Express          | 9  | 19,906                              | 164,003                       | 1,526  |
| Cobblestone Inn         | 9  | 286,026                             | 1,723,014                     | 29,018   |
| B & M Seed              | 9  | 38,955                              | 411,111                       | 3,311  |
| Jones Bank              | 11   | 496,670                             | 853,136                       | 14,728   |
| Jones Insurance         | 10   | 45,969                              | 547,702                       | 7,078  |
| Grimes Construction     | 11   | 29,902                              | 324,179                       | 3,980  |
| CNG, Inc.               | 12   | 786,183                             | 4,727,076                     | 70,816   |
| Lindner                 | 11   | 62,865                              | 329,391                       | 4,890  |
| Two Creeks Holding      | 12   | 50,153                              | 342,256                       | 5,595  |
| Bottle Rocket Brewing   | 12   | 119,388                             | 263,074                       | 4,006  |
| Bradford                | 13   | 48,982                              | 218,485                       | 1,636  |
| Peek Properties         | 11   | 22,950                              | 78,090                        | 344  |
| Two Creeks Storage      | 15   | 26,000                              | 122,405                       | -  |
| Fast Mart               | 14   | 150,154                             | 671,609                       | 9,295  |
|                         |  | <u>\$ 2,214,177</u>                 |                               | <u>\$ 158,065</u>  |

**CITY OF SEWARD, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2019**

**NOTE D – OTHER NOTES, continued**

**7. Subsequent Events**

Management has evaluated subsequent events through January 9, 2020, the date on which the financial statements were available for issue.

On November 5, 2019, Council awarded a bid for the East Seward Street improvement project to Gehring Construction for \$969,093. Construction is expected to begin in June 2020.

On November 5, 2019, Council approved a redevelopment plan for TIF financing on the Dairy Queen project.

Also on November 5, 2019, Council approved a lease-purchase agreement with Jones Bank for the financing of a 2019 Kubota tractor, a 2019 Kubota loader, and a Snake S2 mower.

On December 17, 2019, Council awarded a \$3,643,135 bid to Gehring Construction & Ready Mix Co. for the Waverly Road improvements project.

On December 17, 2019, Council also awarded a \$99,243 bid to Gana Trucking & Excavating for the middle pond improvements project at the Seward Community Golf Course.

Also on December 17, 2019, Council authorized the issuance of \$5,200,000 of Series 2020 General Obligation Street Bonds and \$2,000,000 of Series 2020 Water System Revenue Refunding Bonds.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SEWARD, NEBRASKA**  
**BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL FUND**

**Year ended September 30, 2019**

|   | Budget<br>(Original and<br><u>Final</u> ) | <u>Actual</u> | Variances -<br>Actual Over<br>(Under) Final<br><u>Budget</u> |
|---|---|---------------|--|
| <b>RESOURCES (INFLOWS)</b>                              |   |               |  |
| Taxes:  |   |               |  |
| Property  | \$ 1,556,808                              | \$ 1,558,589  | \$ 1,781   |
| Motor vehicle   | 142,000                                   | 162,849       | 20,849   |
| Sales tax   | 739,188                                   | 938,187       | 198,999  |
| Franchise   | 1,130,150                                 | 1,151,367     | 21,217   |
| Occupation  | 338,863                                   | 357,249       | 18,386   |
| Intergovernmental                                       | 154,100                                   | 57,196        | (96,904)   |
| Charges for services                                    | 851,221                                   | 744,352       | (106,869)  |
| Interest income   | 4,355                                     | 36,416        | 32,061   |
| Grants  | 241,000                                   | 85,072        | (155,928)  |
| Contributions   | 305,369                                   | 176,218       | (129,151)  |
| Bond/loan proceeds                                      | -   | 89,089        | 89,089   |
| Sale of property  | -   | 494,986       | 494,986  |
| Other   | 11,500                                    | 5,750         | (5,750)  |
|   | <hr/>                                     | <hr/>         | <hr/>  |
| Total resources   | 5,474,554                                 | 5,857,320     | 382,766  |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>             |   |               |  |
| General government                                      | 431,374                                   | 263,587       | (167,787)  |
| Public safety   | 1,807,616                                 | 1,330,708     | (476,908)  |
| Public works  | 391,908                                   | 390,389       | (1,519)  |
| Environment and leisure                                 | 2,262,504                                 | 2,077,062     | (185,442)  |
| Capital outlay  | 510,876                                   | 343,304       | (167,572)  |
| Principal payments on debt                              | 32,573                                    | 73,879        | 41,306   |
| Interest expense  | -   | 5,816         | 5,816  |
|   | <hr/>                                     | <hr/>         | <hr/>  |
| Total charges to appropriations                         | 5,436,851                                 | 4,484,745     | (952,106)  |
| <br><b>RESOURCES OVER CHARGES<br/>TO APPROPRIATIONS</b> |   |               |  |
|   | <hr/> <hr/>                               | <hr/> <hr/>   | <hr/> <hr/>  |
|   | \$ 37,703                                 | \$ 1,372,575  | \$ 1,334,872   |

**CITY OF SEWARD, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
STREET FUND**

**Year ended September 30, 2019**

|   | Budget<br>(Original and<br><u>Final</u> ) | <u>Actual</u>             | Variances -<br>Actual Over<br>(Under) Final<br><u>Budget</u> |
|---|---|---------------------------|--|
| <b>RESOURCES (INFLOWS)</b>  |   |                           |  |
| Taxes:  |   |                           |  |
| Sales tax   | \$ 217,000                                | \$ 228,160                | \$ 11,160  |
| Intergovernmental   | 835,745                                   | 801,662                   | (34,083)   |
| Charges for services  | 1,500                                     | 38,115                    | 36,615   |
| Interest income   | 250                                       | 120                       | (130)  |
| Grants  | 135,865                                   | 136,865                   | 1,000  |
| Other income  | 4,000                                     | -                         | (4,000)  |
|   | <hr/>                                     | <hr/>                     | <hr/>  |
| Total resources   | 1,194,360                                 | 1,204,922                 | 10,562   |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>                                       |   |                           |  |
| Public works  | 756,592                                   | 1,089,847                 | 333,255  |
| Capital projects  | 954,569                                   | 566,827                   | (387,742)  |
| Principal payments on debt  | 60,141                                    | 58,703                    | (1,438)  |
| Interest on long-term debt  | -   | 11,751                    | 11,751   |
|   | <hr/>                                     | <hr/>                     | <hr/>  |
| Total charges to appropriations   | 1,771,302                                 | 1,727,128                 | (44,174)   |
| Resources under charges<br>to appropriations                                      | (576,942)                                 | (522,206)                 | 54,736   |
| <b>OTHER FINANCING USES</b>   |   |                           |  |
| Transfers out   | <hr/> (135,865)                           | <hr/> (135,865)           | <hr/> -  |
| <b>RESOURCES AND OTHER<br/>FINANCING USES UNDER<br/>CHARGES TO APPROPRIATIONS</b> | <hr/> <u>\$ (712,807)</u>                 | <hr/> <u>\$ (658,071)</u> | <hr/> <u>\$ 54,736</u>                                       |

**CITY OF SEWARD, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
DEBT SERVICE FUND**

**Year ended September 30, 2019**

|   | Budget<br>(Original and<br><u>Final</u> ) | <u>Actual</u>   | Variances -<br>Actual Over<br>(Under) Final<br><u>Budget</u> |
|---|---|-----------------|--|
| <b>RESOURCES (INFLOWS)</b>  |   |                 |  |
| Sales tax   | \$ 433,812                                | \$ 433,812      | \$ -   |
| Interest income   | <u>1,300</u>                              | <u>6,188</u>    | <u>4,888</u>   |
| Total resources   | 435,112                                   | 440,000         | 4,888  |
| <b>CHARGES TO APPROPRIATIONS<br/>(OUTFLOWS)</b>                                     |   |                 |  |
| Principal payments  | 485,346                                   | 485,346         | -  |
| Interest and fees   | <u>84,331</u>                             | <u>83,651</u>   | <u>(680)</u>   |
| Total charges to appropriations   | <u>569,677</u>                            | <u>568,997</u>  | <u>(680)</u>   |
| Resources under charges to<br>appropriations  | (134,565)                                 | (128,997)       | 5,568  |
| <b>OTHER FINANCING SOURCES</b>  |   |                 |  |
| Transfer in   | <u>135,865</u>                            | <u>135,865</u>  | -  |
| <b>RESOURCES AND OTHER<br/>FINANCING SOURCES OVER<br/>CHARGES TO APPROPRIATIONS</b> | <u>\$ 1,300</u>                           | <u>\$ 6,868</u> | <u>\$ 5,568</u>  |

**CITY OF SEWARD, NEBRASKA**

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

**Year ended September 30, 2019**

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

|   | <u>General<br/>Fund</u>    | <u>Street<br/>Fund</u>     | <u>Debt Service<br/>Fund</u> |
|---|----------------------------|----------------------------|------------------------------|
| <b>Sources/inflows of resources:</b>  |                            |                            |                              |
| Actual amounts of resources<br>(budgetary basis) from the<br>budgetary comparison schedules   | \$ 5,857,320               | \$ 1,204,922               | \$ 440,000                   |
| Differences - budget to GAAP:   |                            |                            |                              |
| Cash to accrual adjustments   | <u>66,770</u>              | <u>14,627</u>              | <u>-</u>                     |
| Total revenues as reported on the<br>statement of revenues, expenditures,<br>and changes in fund balances -<br>governmental funds     | <u><u>\$ 5,924,090</u></u> | <u><u>\$ 1,219,549</u></u> | <u><u>\$ 440,000</u></u>     |
| <b>Uses/outflows of resources:</b>  |                            |                            |                              |
| Actual amounts (budgetary basis)<br>total charges to appropriations<br>from the budgetary comparison<br>schedules                     | \$ 4,484,745               | \$ 1,727,128               | \$ 568,997                   |
| Differences - budget to GAAP:   |                            |                            |                              |
| Cash to accrual adjustments   | <u>5,245</u>               | <u>92,481</u>              | <u>-</u>                     |
| Total expenditures as reported on<br>the statement of revenues,<br>expenditures, and changes in<br>fund balances - governmental funds | <u><u>\$ 4,489,990</u></u> | <u><u>\$ 1,819,609</u></u> | <u><u>\$ 568,997</u></u>     |

## **SUPPLEMENTARY INFORMATION**

**CITY OF SEWARD, NEBRASKA**  
**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**

**September 30, 2019**

|  | Special Revenue Funds |                   |                  | Permanent Fund    | Total Nonmajor<br>Governmental<br>Funds |
|--|-----------------------|-------------------|------------------|-------------------|---|
|  | <u>CDBG</u>           | <u>LB840</u>      | <u>TIF</u>       | Perpetual<br>Care |   |
| <b>ASSETS</b>                                      |                       |                   |                  |                   |   |
| Interest receivable                                | \$ -                  | \$ -              | \$ -             | \$ 29             | \$ 29                                   |
| Restricted assets:                                 |                       |                   |                  |                   |   |
| Cash and cash equivalents                          | 19,620                | 193,323           | 58,890           | 204,153           | 475,986                                 |
| Certificates of deposit                            | -                     | -                 | -                | 15,000            | 15,000                                  |
| <b>Total assets</b>                                | <b>\$ 19,620</b>      | <b>\$ 193,323</b> | <b>\$ 58,890</b> | <b>\$ 219,182</b> | <b>\$ 491,015</b>                       |
| <b>LIABILITIES AND FUND BALANCES</b>               |                       |                   |                  |                   |   |
| Liabilities:                                       |                       |                   |                  |                   |   |
| Accounts payable                                   | \$ -                  | \$ -              | \$ 48,396        | \$ -              | \$ 48,396                               |
| Fund balances:                                     |                       |                   |                  |                   |   |
| Nonspendable:                                      |                       |                   |                  |                   |   |
| Cemetery perpetual care                            | -                     | -                 | -                | 219,182           | 219,182                                 |
| Restricted for:                                    |                       |                   |                  |                   |   |
| Federal programs                                   | 19,620                | -                 | -                | -                 | 19,620                                  |
| Economic development                               | -                     | 193,323           | 10,494           | -                 | 203,817                                 |
| Total fund balances                                | 19,620                | 193,323           | 10,494           | 219,182           | 442,619                                 |
| <b>Total liabilities and fund<br/>    balances</b> | <b>\$ 19,620</b>      | <b>\$ 193,323</b> | <b>\$ 58,890</b> | <b>\$ 219,182</b> | <b>\$ 491,015</b>                       |

**CITY OF SEWARD, NEBRASKA**

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

**For the year ended September 30, 2019**

|                                    | Special Revenue Funds |                   |                  | Permanent Fund            | Total Nonmajor<br>Governmental<br>Funds |
|------------------------------------|-----------------------|-------------------|------------------|---------------------------|---|
|                                    | <u>CDBG</u>           | <u>LB840</u>      | <u>TIF</u>       | <u>Perpetual<br/>Care</u> |   |
| <b>REVENUES</b>                    |                       |                   |                  |                           |   |
| Sales tax                          | \$ -                  | \$ 150,000        | \$ -             | \$ -                      | \$ 150,000                              |
| TIF proceeds                       | -                     | -                 | 229,227          | -                         | 229,227                                 |
| Grant revenue                      | 31,363                | -                 | -                | -                         | 31,363                                  |
| Charges for services               | -                     | -                 | -                | 124                       | 124                                     |
| Contributions                      | -                     | -                 | -                | 7,125                     | 7,125                                   |
| Loan proceeds for redevelopers     | -                     | -                 | 4,504            | -                         | 4,504                                   |
| Loan collections                   | -                     | 113,642           | -                | -                         | 113,642                                 |
| Interest income                    | 1,133                 | 1,099             | 504              | 1,658                     | 4,394                                   |
| <b>Total revenues</b>              | <b>32,496</b>         | <b>264,741</b>    | <b>234,235</b>   | <b>8,907</b>              | <b>540,379</b>                          |
| <b>EXPENDITURES</b>                |                       |                   |                  |                           |   |
| General government                 | 38,870                | -                 | -                | -                         | 38,870                                  |
| Economic development               | -                     | 335,925           | 268,521          | -                         | 604,446                                 |
| Public works                       | -                     | -                 | -                | 145                       | 145                                     |
| <b>Total expenditures</b>          | <b>38,870</b>         | <b>335,925</b>    | <b>268,521</b>   | <b>145</b>                | <b>643,461</b>                          |
| <b>Net change in fund balances</b> | <b>(6,374)</b>        | <b>(71,184)</b>   | <b>(34,286)</b>  | <b>8,762</b>              | <b>(103,082)</b>                        |
| Fund balances - September 30, 2018 | 25,994                | 264,507           | 44,780           | 210,420                   | 545,701                                 |
| Fund balances - September 30, 2019 | <u>\$ 19,620</u>      | <u>\$ 193,323</u> | <u>\$ 10,494</u> | <u>\$ 219,182</u>         | <u>\$ 442,619</u>                       |

**CITY OF SEWARD, NEBRASKA**

**COMBINING STATEMENT OF NET POSITION -  
COMPONENT UNITS**

**September 30, 2019**

|  | <u>Seward<br/>Airport<br/>Authority</u> | <u>Seward<br/>Library<br/>Foundation</u> | <u>Total<br/>Component<br/>Units</u> |
|--|---|--|--------------------------------------|
| <b>ASSETS</b>                                |   |  |                                      |
| Current assets:                              |   |  |                                      |
| Cash and cash equivalents                    | \$ 106,598                              | \$ 12,350                                | \$ 118,948                           |
| Certificates of deposit                      | 30,000                                  | 126,530                                  | 156,530                              |
| County treasurer cash                        | 12,269                                  | -  | 12,269                               |
| Investments                                  | -                                       | 39,281                                   | 39,281                               |
| Receivables:                                 |   |  |                                      |
| Property tax                                 | 3,800                                   | -  | 3,800                                |
| Accounts receivable                          | 892                                     | -  | 892                                  |
| Grants receivable                            | 1,040,035                               | -  | 1,040,035                            |
| Interest                                     | 2                                       | -  | 2                                    |
| Prepaid insurance                            | 10,908                                  | -  | 10,908                               |
| <b>Total current assets</b>                  | <u>1,204,504</u>                        | <u>178,161</u>                           | <u>1,382,665</u>                     |
| Noncurrent assets:                           |   |  |                                      |
| Permanently restricted investments           | -                                       | 85,616                                   | 85,616                               |
| Capital assets:                              |   |  |                                      |
| Land   | 105,156                                 | -  | 105,156                              |
| Construction in progress                     | 89,107                                  | -  | 89,107                               |
| Other capital assets, net<br>of depreciation | 2,971,079                               | -  | 2,971,079                            |
| Net capital assets                           | <u>3,165,342</u>                        | <u>-</u>                                 | <u>3,165,342</u>                     |
| <b>Total noncurrent assets</b>               | <u>3,165,342</u>                        | <u>85,616</u>                            | <u>3,250,958</u>                     |
| <b>Total assets</b>                          | 4,369,846                               | 263,777                                  | 4,633,623                            |
| <b>LIABILITIES</b>                           |   |  |                                      |
| Current liabilities:                         |   |  |                                      |
| Accounts payable                             | 4,661                                   | -  | 4,661                                |
| Accrued interest payable                     | 1,656                                   | -  | 1,656                                |
| Unearned revenue                             | 16,876                                  | -  | 16,876                               |
| Current portion of long-term debt            | 79,017                                  | -  | 79,017                               |
| <b>Total current liabilities</b>             | <u>102,210</u>                          | <u>-</u>                                 | <u>102,210</u>                       |
| Noncurrent liabilities:                      |   |  |                                      |
| Noncurrent portion of long-term debt         | 274,621                                 | -  | 274,621                              |
| <b>Total liabilities</b>                     | <u>376,831</u>                          | <u>-</u>                                 | <u>376,831</u>                       |
| <b>NET POSITION</b>                          |   |  |                                      |
| Net investment in capital assets             | 2,811,704                               | -  | 2,811,704                            |
| Permanently restricted-Guthal                | -                                       | 85,616                                   | 85,616                               |
| Unrestricted                                 | 1,181,311                               | 178,161                                  | 1,359,472                            |
| <b>Total net position</b>                    | <u>\$ 3,993,015</u>                     | <u>\$ 263,777</u>                        | <u>\$ 4,256,792</u>                  |

**CITY OF SEWARD, NEBRASKA**

**COMBINING STATEMENT OF ACTIVITIES -  
COMPONENT UNITS**

**For the year ended September 30, 2019**

| <u>Functions/Programs</u>         | <u>Expenses</u>          | <u>Charges for<br/>Services</u> | <u>Program Revenues<br/>Operating<br/>Grants and<br/>Contributions</u> |
|-----------------------------------|--------------------------|---------------------------------|--|
| <b>Seward Airport Authority:</b>  |                          |                                 |  |
| Airport                           | \$ 331,113               | \$ 104,177                      | \$ -   |
| <b>Seward Library Foundation:</b> |                          |                                 |  |
| Library support                   | <u>5,029</u>             | <u>-</u>                        | <u>13,306</u>  |
| <b>Total component units</b>      | <u><u>\$ 336,142</u></u> | <u><u>\$ 104,177</u></u>        | <u><u>\$ 13,306</u></u>  |

| <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Net (Expenses) Revenues and Changes in Net Position</u> |   |                                      |
|---|--|---|--------------------------------------|
|   | <u>Airport<br/>Authority</u>                               | <u>Community<br/>Development<br/>Agency</u> | <u>Total<br/>Component<br/>Units</u> |
| \$ 1,121,000                                    | \$ 894,064   | \$ -  | \$ 894,064                           |
| -   | -  | 8,277                                       | 8,277                                |
| <u>\$ 1,121,000</u>                             | 894,064  | 8,277                                       | 902,341                              |
| General revenues:                               |  |   |                                      |
| Taxes:  |  |   |                                      |
| Property  | 171,344  | -   | 171,344                              |
| Interest income                                 | 450  | 2,327                                       | 2,777                                |
| Dividends                                       | -  | 215   | 215                                  |
| Loss on investments                             | -  | (2,265)                                     | (2,265)                              |
| Total general revenues                          | <u>171,794</u>   | <u>277</u>                                  | <u>172,071</u>                       |
| Change in net position                          | 1,065,858  | 8,554                                       | 1,074,412                            |
| Net position - beginning of year                | <u>2,927,157</u>   | <u>255,223</u>                              | <u>3,182,380</u>                     |
| Net position - end of year                      | <u>\$ 3,993,015</u>  | <u>\$ 263,777</u>                           | <u>\$ 4,256,792</u>                  |



**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  
Marcy J. Luth  
Heidi A. Ashby  
Christine R. Shenk  
Michael E. Hoback  
Joseph P. Stump  
Kyle R. Overturf  
Tracy A. Cannon

To the Honorable Mayor and Members of the City Council  
City of Seward, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Seward, Nebraska, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 9, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Seward'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.

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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 Seward'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 Seward's Response to Findings**

The City of Seward'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.

AMGL, J.C.

Grand Island, Nebraska  
January 9, 2020