

CITY OF SEWARD, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2020

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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, 2020, 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, 2020, 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 March 30, 2021, 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
March 30, 2021

**CITY OF SEWARD, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2020**

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, 2020. 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 \$54,982,964 (*net position*). Of this amount, \$19,176,304 (*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 \$25,761,951. Approximately 35.4 percent of this total amount, \$9,111,482, is *unrestricted net position*.
- At the end of the current fiscal year, the General Fund had unassigned fund balance of \$4,227,087, or 89.2 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, 2020

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, 2020

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, 2020

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 \$54,982,964 at the close of the most recent fiscal year.

Summary Statements of Net Position

	September 30, 2020			September 30, 2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 10,795,628	\$ 13,151,571	\$ 23,947,199	\$ 8,255,835	\$ 14,463,204	\$ 22,719,039
Capital Assets	22,759,331	27,075,817	49,835,148	19,387,164	25,564,100	44,951,264
Total Assets	<u>33,554,959</u>	<u>40,227,388</u>	<u>73,782,347</u>	<u>27,642,999</u>	<u>40,027,304</u>	<u>67,670,303</u>
Long-term Liabilities	6,340,566	9,073,487	15,414,053	3,112,387	9,986,379	13,098,766
Other Liabilities	1,452,442	1,932,888	3,385,330	947,379	2,049,223	2,996,602
Total Liabilities	<u>7,793,008</u>	<u>11,006,375</u>	<u>18,799,383</u>	<u>4,059,766</u>	<u>12,035,602</u>	<u>16,095,368</u>
Net Position:						
Net Investment in						
Capital Assets	15,416,198	17,165,367	32,581,565	15,876,463	14,694,370	30,570,833
Restricted	1,234,271	1,990,824	3,225,095	1,232,433	1,990,666	3,223,099
Unrestricted	9,111,482	10,064,822	19,176,304	6,474,337	11,306,666	17,781,003
Total Net Position	<u>\$ 25,761,951</u>	<u>\$ 29,221,013</u>	<u>\$ 54,982,964</u>	<u>\$ 23,583,233</u>	<u>\$ 27,991,702</u>	<u>\$ 51,574,935</u>

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 (5.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$19,176,304) 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, 2020

Expenses and Program Revenues - Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2020</u>		<u>Year Ended September 30, 2019</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 248,739	\$ 474,796	\$ 81,167	\$ 306,775
Economic Development	13,030	647,513	-	330,204
Public Safety	264,702	1,282,940	125,246	1,333,111
Public Works	1,103,604	1,205,909	453,350	1,476,310
Environment and Leisure	967,086	2,086,010	680,988	2,077,062
Interest	-	181,922	-	98,906
Depreciation	-	1,146,852	-	1,107,511
Total	<u>\$ 2,597,161</u>	<u>\$ 7,025,942</u>	<u>\$ 1,340,751</u>	<u>\$ 6,729,879</u>

Revenues by Source - Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2020</u>		<u>Year Ended September 30, 2019</u>	
Charges for Services	\$ 1,107,141	12.03 %	\$ 771,559	9.95 %
Operating Grants and Contributions	661,594	7.19	239,498	3.09
Capital Grants and Contributions	828,426	9.00	329,694	4.25
Property Taxes	1,618,469	17.58	1,556,192	20.07
Motor Vehicle Taxes	165,993	1.80	162,849	2.10
Sales Tax	2,161,079	23.48	1,812,434	23.38
Franchise Tax	1,158,124	12.58	1,151,367	14.85
Occupation Tax	322,364	3.50	357,249	4.61
TIF Proceeds	254,189	2.76	229,227	2.96
State Allocation	821,988	8.93	820,213	10.58
Miscellaneous	1,745	0.02	10,255	0.13
Interest	63,145	0.69	63,213	0.82
Gain on Sale of Assets	40,403	0.44	248,713	3.21
Total	<u>\$ 9,204,660</u>	<u>100.00 %</u>	<u>\$ 7,752,463</u>	<u>100.00 %</u>

Net position increased \$2,178,718 in the governmental funds during the year ended September 30, 2020.

CITY OF SEWARD, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2020

Business-type activities. Business-type activities increased the City of Seward's net position by \$1,229,311 for the year ended September 30, 2020. Key elements of this increase are as follows:

Expenses and Program Revenues - Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2020</u>		<u>Year Ended September 30, 2019</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 9,655,699	\$ 9,388,448	\$ 9,618,095	\$ 9,549,603
Water	2,038,074	1,481,692	1,848,731	1,406,568
Sewer	1,609,991	1,344,545	1,542,147	1,369,333
Total	<u>\$ 13,303,764</u>	<u>\$ 12,214,685</u>	<u>\$ 13,008,973</u>	<u>\$ 12,325,504</u>

Revenues by Source - Business-type Activities

<u>SOURCES OF REVENUE</u>	<u>Year Ended September 30, 2020</u>		<u>Year Ended September 30, 2019</u>	
Charges for Services	\$ 13,297,412	98.91 %	\$ 12,984,490	98.34 %
Operating Grants and Contributions	781	0.01	14,483	0.11
Capital Grants and Contributions	5,571	0.04	10,000	0.08
Interest	122,548	0.91	161,795	1.23
Gain on Sale of Assets	-	-	5,618	0.04
Miscellaneous	17,684	0.13	26,803	0.20
Total	<u>\$ 13,443,996</u>	<u>100.00 %</u>	<u>\$ 13,203,189</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 \$9,710,652. Approximately 43.5 percent of this total amount (\$4,227,087) 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 (\$732,698), 2) restricted for street projects (\$4,218), 3) restricted for Federal programs (\$17,538), 4) restricted for economic development (\$250,476), 5) placed in a nonspendable endowment for cemetery perpetual care (\$229,341), 6) committed for public safety (\$379,942), 7) committed for sports complex lights (\$30,964), 8) assigned for parks (\$50,464), 9) assigned for cemetery (\$150,601), 10) assigned for

CITY OF SEWARD, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2020

unemployment compensation (\$11,941), 11) assigned for street expenses (\$2,729,404), or 12) assigned for budgetary stabilization (\$895,978).

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 \$4,227,087, while total fund balance reached \$5,746,977. 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 89.2 percent of total General Fund expenditures, while total fund balance represents 121.2 percent of that same amount.

The fund balance of the City of Seward's General Fund increased by \$679,919 during the current fiscal year, and the Street Fund increased \$1,882,179.

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 - \$4,970,849, Water Fund - \$2,997,148, and Sewer Fund - \$2,096,825. The change in net position for the proprietary funds was as follows: Electric Fund – increase of \$360,841, Water Fund – increase of \$588,092, and Sewer Fund – increase of \$280,378. 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, 2020, amounts to \$49,835,148 (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:

- Golf course middle pond improvements - \$86,618
- Playground equipment - \$101,304
- 2020 International with dump body for street department - \$160,192
- Construction in progress on rail campus project - \$1,459,540
- Construction in progress on Waverly Road project - \$1,185,222
- Construction in progress on East Seward Street project - \$594,653
- Lincoln Avenue to Hillcrest overlay project - \$192,172

CITY OF SEWARD, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2020

- 2019 culvert improvement project - \$80,863
- 30 Club Car golf carts acquired via capital lease - \$148,882
- Kubota tractor with loader and Snake mower acquired via capital lease - \$63,797
- Construction in progress on 6th Street water main project - \$431,416
- Construction in progress on rail campus water improvements - \$163,292
- Construction in progress on rail campus sewer improvements - \$157,237
- Construction in progress on the Waverly Road electrical improvements - \$69,270
- Construction in progress on rail campus electrical improvements - \$1,204,694
- Concordia University electrical service improvements - \$72,417
- 2019 Altec Ford F550 - \$188,025

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

	<u>Year Ended September 30, 2020</u>			<u>Year Ended September 30, 2019</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>	
Land	\$ 596,405	\$ 1,931,102	\$ 2,527,507	\$ 596,405	\$ 1,931,102	\$ 2,527,507
Construction						
in progress	4,517,483	3,842,414	8,359,897	1,259,759	1,408,502	2,668,261
Infrastructure	7,226,384	-	7,226,384	7,141,157	-	7,141,157
Buildings	8,189,054	815,833	9,004,887	8,236,740	843,846	9,080,586
Equipment	2,230,005	1,193,628	3,423,633	2,153,103	1,101,575	3,254,678
Distribution						
Systems	-	19,292,840	19,292,840	-	20,279,075	20,279,075
Total	<u>\$ 22,759,331</u>	<u>\$ 27,075,817</u>	<u>\$ 49,835,148</u>	<u>\$ 19,387,164</u>	<u>\$ 25,564,100</u>	<u>\$ 44,951,264</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 \$17,253,583. Of this amount, \$6,775,000 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, 2020

City of Seward's Outstanding Debt

	<u>Year Ended September 30, 2020</u>			<u>Year Ended September 30, 2019</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	\$ 5,769,550	\$ 30,450	\$ 5,800,000	\$ 1,344,600	\$ 75,400	\$ 1,420,000
Highway Allocation						
Bonds	805,000	-	805,000	1,355,000	-	1,355,000
Public Safety						
Bonds	170,000	-	170,000	210,000	-	210,000
Revenue Bonds	-	9,880,000	9,880,000	-	10,745,000	10,745,000
Note Payable	131,478	-	131,478	181,664	-	181,664
Capital Leases	467,105	-	467,105	419,437	49,330	468,767
Total	<u>\$ 7,343,133</u>	<u>\$ 9,910,450</u>	<u>\$ 17,253,583</u>	<u>\$ 3,510,701</u>	<u>\$ 10,869,730</u>	<u>\$ 14,380,431</u>

The City of Seward's total debt increased by \$2,873,152 (20.0 percent) during the current fiscal year, as the City issued \$4,725,000 of Series 2020 General Obligation Street and Refunding Bonds which provided approximately \$4.2 million of new funding for street projects.

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, 2021 of \$1,737,997 is \$108,987 (6.7 percent) higher than the prior year. The property valuation also increased 6.7 percent over the prior year.
- At September 30, 2020, the City had a contractual commitment of \$243,807 on the 6th Street water main project, which is expected to be completed in December 2020. The City also had a contractual commitment of \$342,166 on the outfall relocation project expected to be completed by May 2021.
- At September 30, 2020, the City had contractual commitments totaling \$3,492,835 on three street construction projects with expected completion by December 2021.

All of these factors were considered in preparing the City of Seward's budget for the 2021 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, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,792,998	\$ 5,071,281	\$ 11,864,279	\$ 236,124
Certificates of deposit	434,463	3,648,997	4,083,460	83,845
County treasurer cash	128,097	-	128,097	12,640
Investments	-	-	-	48,612
Receivables:				
Property tax	38,578	-	38,578	3,879
Accounts, net of allowance for doubtful accounts	15,159	1,405,114	1,420,273	1,375
Unbilled revenue	-	334,628	334,628	-
Grants	697,878	-	697,878	113,967
Interest	669	7,409	8,078	3
Current portion of notes	88,211	-	88,211	-
Due from other governments	492,361	-	492,361	-
Prepaid insurance	-	-	-	11,960
Inventory	75,639	576,261	651,900	-
Total current assets	<u>8,764,053</u>	<u>11,043,690</u>	<u>19,807,743</u>	<u>512,405</u>
Noncurrent assets:				
Restricted cash and cash equivalents	1,221,676	741,472	1,963,148	-
Restricted certificates of deposit	15,000	1,366,409	1,381,409	-
Permanently restricted investments	-	-	-	85,616
Noncurrent notes receivable	794,899	-	794,899	-
Capital assets:				
Land	596,405	1,931,102	2,527,507	1,227,066
Construction in progress	4,517,483	3,842,414	8,359,897	-
Other capital assets, net of depreciation	17,645,443	21,302,301	38,947,744	2,801,583
Net capital assets	<u>22,759,331</u>	<u>27,075,817</u>	<u>49,835,148</u>	<u>4,028,649</u>
Total noncurrent assets	<u>24,790,906</u>	<u>29,183,698</u>	<u>53,974,604</u>	<u>4,114,265</u>
Total assets	<u>33,554,959</u>	<u>40,227,388</u>	<u>73,782,347</u>	<u>4,626,670</u>
LIABILITIES				
Current liabilities:				
Accounts payable	79,850	623,042	702,892	-
Accrued interest	48,166	29,852	78,018	2,350
Other accrued expenses	162,530	187,487	350,017	-
Customer deposits	-	117,057	117,057	-
Unavailable property tax	28,061	-	28,061	-
Unearned revenue	29,777	-	29,777	18,274
Current portion of long-term obligations	1,104,058	975,450	2,079,508	178,264
Total current liabilities	<u>1,452,442</u>	<u>1,932,888</u>	<u>3,385,330</u>	<u>198,888</u>
Noncurrent liabilities:				
Compensated absences - noncurrent	101,491	138,487	239,978	-
Noncurrent portion of long-term obligations	6,239,075	8,935,000	15,174,075	202,134
Total noncurrent liabilities	<u>6,340,566</u>	<u>9,073,487</u>	<u>15,414,053</u>	<u>202,134</u>
Total liabilities	<u>7,793,008</u>	<u>11,006,375</u>	<u>18,799,383</u>	<u>401,022</u>
NET POSITION				
Net investment in capital assets	15,416,198	17,165,367	32,581,565	3,648,251
Restricted for:				
Debt service	732,698	1,990,824	2,723,522	-
Street projects	4,218	-	4,218	-
Federal loan programs	17,538	-	17,538	-
Economic development	250,476	-	250,476	-
Cemetery perpetual care	229,341	-	229,341	-
Permanently restricted-Guthal	-	-	-	85,616
Unrestricted	9,111,482	10,064,822	19,176,304	491,781
Total net position	<u>\$ 25,761,951</u>	<u>\$ 29,221,013</u>	<u>\$ 54,982,964</u>	<u>\$ 4,225,648</u>

See notes to financial statements.

CITY OF SEWARD, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 474,796	\$ 39,935	\$ 208,804
Economic development	647,513	-	13,030
Public safety	1,282,940	13,875	250,827
Public works	1,205,909	354,746	8,850
Environment and leisure	2,086,010	698,585	180,083
Interest and related expenses	181,922	-	-
Depreciation - unallocated	1,146,852	-	-
Total governmental activities	7,025,942	1,107,141	661,594
Business-type activities:			
Electric	9,388,448	9,654,918	781
Water	1,481,692	2,037,974	-
Sewer	1,344,545	1,604,520	-
Total business-type activities	12,214,685	13,297,412	781
Total primary government	\$ 19,240,627	\$ 14,404,553	\$ 662,375
Component units:			
Seward Airport Authority	\$ 323,211	\$ 103,625	\$ -
Seward Library Foundation	8,696	-	7,427
Total component units	\$ 331,907	\$ 103,625	\$ 7,427

See notes to financial statements.

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position			Component Units
	Primary Government		Total	
	Governmental Activities	Business-type Activities		
\$ -	\$ (226,057)		\$ (226,057)	
-	(634,483)		(634,483)	
-	(1,018,238)		(1,018,238)	
740,008	(102,305)		(102,305)	
88,418	(1,118,924)		(1,118,924)	
-	(181,922)		(181,922)	
-	(1,146,852)		(1,146,852)	
<u>828,426</u>	<u>(4,428,781)</u>	\$ -	<u>(4,428,781)</u>	
-	-	267,251	267,251	
100	-	556,382	556,382	
5,471	-	265,446	265,446	
<u>5,571</u>	<u>-</u>	<u>1,089,079</u>	<u>1,089,079</u>	
<u>\$ 833,997</u>	<u>(4,428,781)</u>	<u>1,089,079</u>	<u>(3,339,702)</u>	
\$ -				\$ (219,586)
-				(1,269)
<u>\$ -</u>				<u>(220,855)</u>
General revenues:				
Taxes:				
Property	1,618,469	-	1,618,469	177,869
Motor vehicle	165,993	-	165,993	-
Sales tax	2,161,079	-	2,161,079	-
Franchise	1,158,124	-	1,158,124	-
Occupation	322,364	-	322,364	-
TIF proceeds	254,189	-	254,189	-
State allocation	821,988	-	821,988	-
Miscellaneous	1,745	17,684	19,429	-
Interest income	63,145	122,548	185,693	2,532
Gain on sale of assets	40,403	-	40,403	9,310
Total general revenues	<u>6,607,499</u>	<u>140,232</u>	<u>6,747,731</u>	<u>189,711</u>
Change in net position	<u>2,178,718</u>	<u>1,229,311</u>	<u>3,408,029</u>	<u>(31,144)</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>
Net position - September 30, 2020	<u>\$ 25,761,951</u>	<u>\$ 29,221,013</u>	<u>\$ 54,982,964</u>	<u>\$ 4,225,648</u>

CITY OF SEWARD, NEBRASKA

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

September 30, 2020

	<u>General</u>	<u>Street</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 4,745,578	\$ 2,047,420	\$ -	\$ -	\$ 6,792,998
Certificates of deposit	434,463	-	-	-	434,463
County treasurer cash	128,097	-	-	-	128,097
Receivables:					
Accounts, net of allowance for doubtful accounts	12,378	2,781	-	-	15,159
Grants	197,878	500,000	-	-	697,878
Interest	641	-	-	28	669
Property tax	38,578	-	-	-	38,578
Due from other governments	347,636	144,725	-	-	492,361
Inventory	-	75,639	-	-	75,639
Restricted assets:					
Cash	-	4,218	732,698	484,760	1,221,676
Certificates of deposit	-	-	-	15,000	15,000
Total assets	<u><u>\$ 5,905,249</u></u>	<u><u>\$ 2,774,783</u></u>	<u><u>\$ 732,698</u></u>	<u><u>\$ 499,788</u></u>	<u><u>\$ 9,912,518</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 44,886	\$ 32,531	\$ -	\$ 2,433	\$ 79,850
Accrued expenses	55,548	8,630	-	-	64,178
Unearned golf revenue	29,777	-	-	-	29,777
Unavailable property tax	28,061	-	-	-	28,061
Total liabilities	<u>158,272</u>	<u>41,161</u>	<u>-</u>	<u>2,433</u>	<u>201,866</u>
Fund balances:					
Nonspendable					
Cemetery perpetual care	-	-	-	229,341	229,341
Restricted for:					
Debt service	-	-	732,698	-	732,698
Street projects	-	4,218	-	-	4,218
Federal programs	-	-	-	17,538	17,538
Economic development	-	-	-	250,476	250,476
Committed for:					
Public safety	379,942	-	-	-	379,942
Sports complex lights	30,964	-	-	-	30,964
Assigned for:					
Budgetary stabilization	895,978	-	-	-	895,978
Parks	50,464	-	-	-	50,464
Cemetery	150,601	-	-	-	150,601
Unemployment compensation	11,941	-	-	-	11,941
Street expenses	-	2,729,404	-	-	2,729,404
Unassigned	4,227,087	-	-	-	4,227,087
Total fund balances	<u>5,746,977</u>	<u>2,733,622</u>	<u>732,698</u>	<u>497,355</u>	<u>9,710,652</u>
Total liabilities and fund balances	<u><u>\$ 5,905,249</u></u>	<u><u>\$ 2,774,783</u></u>	<u><u>\$ 732,698</u></u>	<u><u>\$ 499,788</u></u>	<u><u>\$ 9,912,518</u></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, 2020

Total fund balances - governmental funds \$ 9,710,652

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$36,899,176, and the accumulated depreciation is \$14,139,845. 22,759,331

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. 883,110

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:

Compensated absences	\$	(199,843)	
Accrued interest on long-term debt		(48,166)	
Bonds payable		(6,744,550)	
Note payable		(131,478)	
Capital lease obligations		(467,105)	(7,591,142)

Total net position - governmental activities \$ 25,761,951

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, 2020

	<u>General</u>	<u>Street</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 1,618,469	\$ -	\$ -	\$ -	\$ 1,618,469
Motor vehicle	165,993	-	-	-	165,993
Sales tax	1,348,981	233,021	429,077	150,000	2,161,079
Franchise	1,158,124	-	-	-	1,158,124
Occupation	322,364	-	-	-	322,364
TIF proceeds	-	-	-	254,189	254,189
Intergovernmental	59,639	820,142	-	-	879,781
Charges for services	809,149	42,608	-	255,384	1,107,141
Loan collections	-	-	-	90,005	90,005
Interest income	29,226	11	11,059	3,356	43,652
Grants	86,613	740,008	-	210,434	1,037,055
Contributions	386,322	-	-	8,850	395,172
Bond/loan proceeds	-	4,725,000	-	-	4,725,000
Other income	1,745	-	-	-	1,745
Total revenues	<u>5,986,625</u>	<u>6,560,790</u>	<u>440,136</u>	<u>972,218</u>	<u>13,959,769</u>
EXPENDITURES					
General government	274,727	-	-	200,069	474,796
Economic development	-	-	-	717,268	717,268
Public safety	1,311,067	-	-	-	1,311,067
Public works	456,738	749,026	-	145	1,205,909
Environment and leisure	2,086,010	-	-	-	2,086,010
Capital outlay	544,833	3,780,318	-	-	4,325,151
Principal payments on debt	60,607	45,190	940,236	-	1,046,033
Interest on long-term debt	6,077	9,860	68,043	-	83,980
Bond fees	-	-	72,263	-	72,263
Total expenditures	<u>4,740,059</u>	<u>4,584,394</u>	<u>1,080,542</u>	<u>917,482</u>	<u>11,322,477</u>
Excess (deficiency) of revenues over expenditures	1,246,566	1,976,396	(640,406)	54,736	2,637,292
OTHER FINANCING SOURCES (USES)					
Transfers in	-	566,647	660,864	-	1,227,511
Transfers out	<u>(566,647)</u>	<u>(660,864)</u>	<u>-</u>	<u>-</u>	<u>(1,227,511)</u>
Net transfers	<u>(566,647)</u>	<u>(94,217)</u>	<u>660,864</u>	<u>-</u>	<u>-</u>
Net change in fund balances	679,919	1,882,179	20,458	54,736	2,637,292
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>
Fund balances - September 30, 2020	<u>\$ 5,746,977</u>	<u>\$ 2,733,622</u>	<u>\$ 732,698</u>	<u>\$ 497,355</u>	<u>\$ 9,710,652</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, 2020

Total net change in fund balances - governmental funds	\$ 2,637,292
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 (\$4,537,830) exceeded depreciation expense (\$1,146,852) and new capital lease obligations (\$212,679) during the period.	3,178,299
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.	(18,811)
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.	(70,512)
The issuance of economic development loans is reported as an expense in the governmental funds, but increases assets in the statement of net position.	81,019
Forgiveness of LB840 loans is not reported in the fund financial statements, but is reported as economic development expense in the statement of activities.	(11,264)
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.	28,127
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.	(25,679)
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.	(4,725,000)
Equipment was traded in with the remaining capital lease principal being paid off in exchange for the trade value.	59,214
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,046,033
Change in net position of governmental activities	<u>\$ 2,178,718</u>

See notes to financial statements.

CITY OF SEWARD, NEBRASKA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
September 30, 2020

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 828,909	\$ 2,567,817	\$ 1,674,555	\$ 5,071,281
Certificates of deposit	3,200,251	155,848	292,898	3,648,997
Receivables:				
Accounts, net of allowance for doubtful accounts	1,035,121	222,425	147,568	1,405,114
Unbilled revenue	229,927	59,209	45,492	334,628
Interest	6,163	875	371	7,409
Inventory	495,952	80,309	-	576,261
Total current assets	<u>5,796,323</u>	<u>3,086,483</u>	<u>2,160,884</u>	<u>11,043,690</u>
Noncurrent assets:				
Restricted cash and cash equivalents	198,621	380,175	162,676	741,472
Restricted certificates of deposit	467,850	518,595	379,964	1,366,409
Capital assets:				
Land	1,737,460	103,548	90,094	1,931,102
Construction in progress	2,702,963	781,363	358,088	3,842,414
Distribution systems	17,349,390	15,584,475	11,979,050	44,912,915
Buildings	831,014	138,776	378,769	1,348,559
Equipment	2,583,024	457,847	926,576	3,967,447
Less accumulated depreciation	(13,215,053)	(7,974,749)	(7,736,818)	(28,926,620)
Net capital assets	<u>11,988,798</u>	<u>9,091,260</u>	<u>5,995,759</u>	<u>27,075,817</u>
Total noncurrent assets	<u>12,655,269</u>	<u>9,990,030</u>	<u>6,538,399</u>	<u>29,183,698</u>
Total assets	<u>18,451,592</u>	<u>13,076,513</u>	<u>8,699,283</u>	<u>40,227,388</u>
LIABILITIES				
Current liabilities:				
Accounts payable	610,106	7,411	5,525	623,042
Customer deposits	116,757	300	-	117,057
Accrued interest payable	12,664	14,258	2,930	29,852
Other accrued expenses	64,630	31,500	29,117	125,247
Sales tax payable	62,240	-	-	62,240
Current portion of long-term obligations	400,000	330,200	245,250	975,450
Total current liabilities	<u>1,266,397</u>	<u>383,669</u>	<u>282,822</u>	<u>1,932,888</u>
Noncurrent liabilities:				
Compensated absences - noncurrent	75,834	36,166	26,487	138,487
Noncurrent portion of long-term obligations	3,785,000	2,415,000	2,735,000	8,935,000
Total noncurrent liabilities	<u>3,860,834</u>	<u>2,451,166</u>	<u>2,761,487</u>	<u>9,073,487</u>
Total liabilities	<u>5,127,231</u>	<u>2,834,835</u>	<u>3,044,309</u>	<u>11,006,375</u>
NET POSITION				
Net investment in capital assets	7,803,798	6,346,060	3,015,509	17,165,367
Restricted for:				
Debt service	549,714	898,470	542,640	1,990,824
Unrestricted	4,970,849	2,997,148	2,096,825	10,064,822
Total net position	<u>\$ 13,324,361</u>	<u>\$ 10,241,678</u>	<u>\$ 5,654,974</u>	<u>\$ 29,221,013</u>

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, 2020

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
Operating revenues:				
User charges	\$ 9,586,421	\$ 1,885,198	\$ 1,589,519	\$ 13,061,138
Customer service charges	34,717	8,333	8,267	51,317
Other revenue	33,780	144,443	6,734	184,957
Total operating revenues	<u>9,654,918</u>	<u>2,037,974</u>	<u>1,604,520</u>	<u>13,297,412</u>
Operating expenses:				
Cost of power	6,006,614	-	-	6,006,614
Personnel	825,321	492,537	443,574	1,761,432
Contract services	55,841	13,259	21,046	90,146
Utilities	80,123	138,136	73,720	291,979
Repairs and maintenance	293,307	140,175	94,489	527,971
Supplies	70,880	17,993	21,116	109,989
Professional fees	81,179	77,766	39,085	198,030
Insurance	60,363	35,680	34,834	130,877
Fuel and transportation	10,187	5,778	5,324	21,289
Dues, memberships & training	21,339	10,676	9,026	41,041
Miscellaneous	6,738	3,390	2,507	12,635
Franchise fees	974,648	102,701	80,775	1,158,124
Depreciation	796,930	352,080	446,277	1,595,287
Total operating expenses	<u>9,283,470</u>	<u>1,390,171</u>	<u>1,271,773</u>	<u>11,945,414</u>
Operating income	371,448	647,803	332,747	1,351,998
Nonoperating revenues (expenses):				
Interest income	77,612	31,710	13,226	122,548
Miscellaneous income	15,978	-	1,706	17,684
Grant revenue	781	100	5,471	6,352
Interest expense	(104,178)	(65,055)	(71,972)	(241,205)
Loan administration fees	(800)	(26,466)	(800)	(28,066)
Total nonoperating revenues (expenses)	<u>(10,607)</u>	<u>(59,711)</u>	<u>(52,369)</u>	<u>(122,687)</u>
Change in net position	360,841	588,092	280,378	1,229,311
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>
Net position - September 30, 2020	<u>\$ 13,324,361</u>	<u>\$ 10,241,678</u>	<u>\$ 5,654,974</u>	<u>\$ 29,221,013</u>

See notes to financial statements.

CITY OF SEWARD, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the year ended September 30, 2020

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 9,656,614	\$ 1,974,234	\$ 1,588,316	\$ 13,219,164
Payments to suppliers	(7,570,408)	(577,654)	(397,959)	(8,546,021)
Payments to employees	(803,894)	(480,375)	(435,398)	(1,719,667)
Net cash provided by operating activities	1,282,312	916,205	754,959	2,953,476
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of property and equipment	(2,140,977)	(725,621)	(240,406)	(3,107,004)
Grant proceeds	15,264	100	5,471	20,835
Proceeds from the issuance of long-term debt	-	1,635,000	-	1,635,000
Principal payments on capital debt	(390,000)	(1,936,865)	(267,415)	(2,594,280)
Interest paid on capital debt	(105,133)	(75,384)	(72,907)	(253,424)
Loan administration fees	(800)	(26,466)	(800)	(28,066)
Net cash used by capital and related financing activities	(2,621,646)	(1,129,236)	(576,057)	(4,326,939)
CASH FLOWS FROM INVESTING ACTIVITIES:				
(Increase) decrease in certificates of deposit	1,171,343	(623)	(2,688)	1,168,032
(Increase) decrease in restricted certificates of deposit	(632)	(3,263)	(287)	(4,182)
Interest received	78,816	32,043	13,426	124,285
Net cash provided by investing activities	1,249,527	28,157	10,451	1,288,135
Increase (decrease) in cash and cash equivalents	(89,807)	(184,874)	189,353	(85,328)
Cash and cash equivalents - beginning of the year	1,117,337	3,132,866	1,647,878	5,898,081
Cash and cash equivalents - end of the year	\$ 1,027,530	\$ 2,947,992	\$ 1,837,231	\$ 5,812,753
Composition of cash and cash equivalents:				
Cash and cash equivalents	\$ 828,909	\$ 2,567,817	\$ 1,674,555	\$ 5,071,281
Restricted cash and cash equivalents	198,621	380,175	162,676	741,472
Total cash and cash equivalents	\$ 1,027,530	\$ 2,947,992	\$ 1,837,231	\$ 5,812,753

See notes to financial statements.

CITY OF SEWARD, NEBRASKA

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

For the year ended September 30, 2020

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 371,448	\$ 647,803	\$ 332,747	\$ 1,351,998
Adjustments to reconcile operating income to net cash provided by operating activities:				
Miscellaneous nonoperating revenue	15,978	-	1,706	17,684
Depreciation expense	796,930	352,080	446,277	1,595,287
Change in assets and liabilities:				
Accounts receivable	(26,152)	(63,400)	(17,910)	(107,462)
Inventories	156,654	(2,957)	-	153,697
Accounts payable	(65,843)	(29,143)	(16,037)	(111,023)
Customer deposits	6,812	(340)	-	6,472
Sales tax payable	5,058	-	-	5,058
Accrued expenses	21,427	12,162	8,176	41,765
Net cash provided by operating activities	\$ 1,282,312	\$ 916,205	\$ 754,959	\$ 2,953,476

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, 2020

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 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, 2020

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:

Brief Description of Activities and Relationship to the City:

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, 2020

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, 2020

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:

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
Governmental:	
General	See page 27 for description.
Street	The Street Fund is a special revenue fund that accounts for the City's share of highway allocation from the State of Nebraska.
Debt Service	See page 27 for description.

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds, continued

<u>Fund</u>	<u>Brief Description</u>
<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, 2020

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, 2020

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, 2020

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	\$ 347,636	Sales Tax
Street	48,436	Sales Tax
Street	17,171	Motor Vehicle Fees
Street	<u>79,118</u>	Highway Allocation
	<u>\$ 492,361</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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Property Taxes, continued

Property taxes levied for 2019-2020 are recorded as revenue when expected to be collected within 60 days after September 30, 2020. 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, 2020

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, 2020

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, 2020

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, 2020. The categories of collateral are defined as follows:

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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 Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits and certificates of deposit	\$ 21,184,439	\$ 1,569,969	\$ 19,614,470	\$ -	\$ <u>19,612,265</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –	
Unrestricted cash and cash equivalents	\$ 11,864,279
Unrestricted certificates of deposit	4,083,460
Restricted cash and cash equivalents	1,963,148
Restricted certificates of deposit	1,381,409
Component Units –	
Unrestricted cash and cash equivalents	236,124
Unrestricted certificates of deposit	<u>83,845</u>
	\$ <u>19,612,265</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, 2020. The categories of investments are defined as follows:

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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.

<u>Type of Investment</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Publicly Traded Equities	\$ -	\$ 134,228	\$ -	\$ <u>134,228</u>	\$ <u>134,228</u>

Reconciliation to Government-wide Statement of Net Position:

Component Units –

Unrestricted investments	\$ 48,612
Permanently restricted investments	<u>85,616</u>
	<u>\$ 134,228</u>

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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

2. Restricted Assets

The restricted assets as of September 30, 2020, are as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Type of Restricted Assets:				
Cash and cash equivalents	\$ 1,221,676	\$ 741,472	\$ 1,963,148	\$ -
Certificates of deposit	15,000	1,366,409	1,381,409	-
Investments	-	-	-	<u>85,616</u>
	<u>\$ 1,236,676</u>	<u>\$ 2,107,881</u>	<u>\$ 3,344,557</u>	<u>\$ 85,616</u>

Restricted cash and investments for governmental activities consists of \$4,218 of Street Fund cash restricted for street projects, \$732,698 of Debt Service Fund cash restricted for debt service, \$19,964 of CDBG Fund cash restricted for Federal programs, \$30,931 of LB840 Fund cash restricted for economic development, \$219,552 of TIF Fund cash restricted for economic development, and \$229,313 of Perpetual Care Fund cash and certificates of deposit restricted for cemetery perpetual care.

Restricted business-type assets consist of debt service reserves of \$549,714 for the Electric Fund, \$898,470 for the Water Fund, and \$542,640 for the Sewer Fund. The Electric Fund also has \$116,757 and the Water Fund has \$300 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 General and Street Funds. Accounts receivable for the component units consist of minor receivables. Receivables detail at September 30, 2020, is as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Accounts receivable	\$ 15,159	\$ 1,407,434	\$ 1,422,593	\$ 1,375
Allowance for doubtful accounts	-	(2,320)	(2,320)	-
Net accounts receivable	<u>\$ 15,159</u>	<u>\$ 1,405,114</u>	<u>\$ 1,420,273</u>	<u>\$ 1,375</u>

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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, 2020:

<u>Type of Loan</u>	<u>Due From</u>	<u>Note Balance at September 30, 2020</u>	<u>Terms</u>
LB840	B & M Seed, LLC	\$ 33,219	2.5%; monthly payments due over 5 years; final payment due 10/1/23
LB840	La Cocina	40,000	5.0%; 20 percent forgivable annually if borrower retains improvements; due 1/7/24
LB840	Seward Hotel Group	52,964	3.25%; monthly payments over 15 years; final payment due 9/1/27
LB840	ECES, Inc	33,728	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	222,164	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	48,567	2.13%; monthly payments due over 10 years; final payment due 1/1/28
LB840	Gilgorevic	1,822	5.0%; 20 percent forgivable annually if borrower retains improvements; due 10/16/24

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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 September 30, <u>2020</u>	<u>Terms</u>
LB840	Turning Point Behavioral Health & Addiction Counseling	16,172	1.75%; monthly payments due over 10 years; final payment due 12/1/26
LB840	Bottle Rocket Brewing	5,055	5.0%; 20 percent forgivable annually if borrower retains improvements; due 9/30/24
LB840	Kirby Roth Insurance	6,522	5.0%; 20 percent forgivable annually if borrower retains improvements; due 7/23/25
LB840	Hexagon Properties	80,395	1.875%; monthly payments due over 15 years; final payment due 3/30/32
LB840	Red Path Gallery & Tasting Room	44,080	2.375%; monthly payments due over 10 years; final payment due 8/1/28
LB840	The Alps Dog Retreat	72,675	2.375%; monthly payments due over 72 months; \$13,081.50 is forgivable after 64 payments; final payment due 12/1/26
LB840	Fullfield Ag, LLC	155,747	1.875%; monthly payments due over 15 years; final payment due 2/15/32
	Total notes receivable	<u>\$ 883,110</u>	
	Current portion	\$ 88,211	
	Noncurrent portion	<u>794,899</u>	
		<u>\$ 883,110</u>	

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	<u>Balance at</u> <u>October 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	<u>Balance at</u> <u>September 30, 2020</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 596,405	\$ -	\$ -	\$ -	\$ 596,405
Construction in progress	<u>1,259,759</u>	<u>3,257,724</u>	<u>-</u>	<u>-</u>	<u>4,517,483</u>
Total capital assets not being depreciated	1,856,164	3,257,724	-	-	5,113,888
Other capital assets being depreciated:					
Infrastructure	12,976,621	463,072	-	-	13,439,693
Buildings	11,701,348	193,737	-	-	11,895,085
Machinery and equipment	<u>6,089,558</u>	<u>623,297</u>	<u>(262,345)</u>	<u>-</u>	<u>6,450,510</u>
Total other capital assets at historical cost	30,767,527	1,280,106	(262,345)	-	31,785,288
Less accumulated depreciation for:					
Infrastructure	(5,835,464)	(377,845)	-	-	(6,213,309)
Buildings	(3,464,608)	(241,423)	-	-	(3,706,031)
Machinery and equipment	<u>(3,936,455)</u>	<u>(527,584)</u>	<u>243,534</u>	<u>-</u>	<u>(4,220,505)</u>
Total accumulated depreciation	<u>(13,236,527)</u>	<u>(1,146,852) *</u>	<u>243,534</u>	<u>-</u>	<u>(14,139,845)</u>
Other capital assets, net	<u>17,531,000</u>	<u>133,254</u>	<u>(18,811)</u>	<u>-</u>	<u>17,645,443</u>
Governmental activities capital assets, net	<u>\$ 19,387,164</u>	<u>\$ 3,390,978</u>	<u>\$ (18,811)</u>	<u>\$ -</u>	<u>\$ 22,759,331</u>

* Depreciation expense was charged to governmental activities as follows:

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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

4. Capital Assets, continued

Governmental Activities, continued:

General government	\$ 22,422
Public safety	
Fire	176,378
Police	<u>67,784</u>
Total public safety	244,162
Public works:	
Streets and storm sewers	428,625
Cemetery	<u>25,269</u>
Total public works	453,894
Environment and leisure:	
Civic Center	15,436
Golf	58,006
Library	100,932
Parks and recreation	185,446
Senior Center	18,956
Trails	<u>47,598</u>
Total environment and leisure	<u>426,374</u>
Total governmental depreciation expense	\$ <u>1,146,852</u>

Construction in progress at September 30, 2020, consists of \$2,193,872 for the Rail Campus project, \$1,390,214 for the Waverly Road street project, \$328,659 for the Karol Kay Blvd project, \$594,653 for the East Seward Street improvement project, and \$10,085 for the concrete pad at Armory Park. See Note D3 for additional details on these projects.

CITY OF SEWARD, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

4. Capital Assets, continued

	Balance at <u>October 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at <u>September 30, 2020</u>
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 1,931,102	\$ -	\$ -	\$ -	\$ 1,931,102
Construction in progress	1,408,502	2,537,821	-	(103,909)	3,842,414
Total capital assets not being depreciated	<u>3,339,604</u>	<u>2,537,821</u>	<u>-</u>	<u>(103,909)</u>	<u>5,773,516</u>
Other capital assets being depreciated:					
Buildings	1,341,264	7,295	-	-	1,348,559
Distribution systems	44,653,179	155,827	-	103,909	44,912,915
Equipment	3,580,320	406,061	(18,934)	-	3,967,447
Total other capital assets at historical cost	<u>49,574,763</u>	<u>569,183</u>	<u>(18,934)</u>	<u>103,909</u>	<u>50,228,921</u>
Less accumulated depreciation for:					
Buildings	(497,418)	(35,308)	-	-	(532,726)
Distribution systems	(24,374,104)	(1,245,971)	-	-	(25,620,075)
Equipment	(2,478,745)	(314,008)	18,934	-	(2,773,819)
Total accumulated depreciation	<u>(27,350,267)</u>	<u>(1,595,287) *</u>	<u>18,934</u>	<u>-</u>	<u>(28,926,620)</u>
Other capital assets, net	<u>22,224,496</u>	<u>(1,026,104)</u>	<u>-</u>	<u>103,909</u>	<u>21,302,301</u>
Business-type capital assets, net	<u>\$ 25,564,100</u>	<u>\$ 1,511,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,075,817</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 796,930
Water	352,080
Sewer	<u>446,277</u>
Total business-type activities depreciation expense	<u>\$ 1,595,287</u>

Construction in progress at September 30, 2020, consists of \$1,814,415 on the Electric Fund, \$307,409 on the Water Fund, and \$306,294 on the Sewer Fund for the rail campus project, \$78,274 of costs on the Dale's Hotel electric update project, \$713,633 of costs on the Seward Industrial Substation electrical project, \$1,415 of costs on the Orsheln's electrical service project, \$69,270 of costs on the Waverly Road electrical project, \$25,956 of costs on the Progressive Avenue electrical project, \$42,537 of costs on the SW3 well project, \$431,417 of costs on the 6th Street water main project, \$35,714 of costs on the wastewater discharge relocation 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, 2020.

CITY OF SEWARD, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

4. Capital Assets, continued

	<u>Balance at</u> <u>October 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	<u>Balance at</u> <u>September 30, 2020</u>
<u>Airport Authority:</u>					
Capital assets not being depreciated:					
Land	\$ 105,156	\$ -	\$ -	\$ -	\$ 105,156
Construction in progress	89,107	1,032,803	-	-	1,121,910
	<u>194,263</u>	<u>1,032,803</u>	<u>-</u>	<u>-</u>	<u>1,227,066</u>
Other capital assets being depreciated:					
Buildings	2,871,317	10,003	-	-	2,881,320
Improvements	2,543,114	-	-	-	2,543,114
Equipment	165,593	-	-	-	165,593
Total other capital assets at historical cost	5,580,024	10,003	-	-	5,590,027
Less accumulated depreciation for:					
Buildings	(1,188,960)	(83,516)	-	-	(1,272,476)
Improvements	(1,312,869)	(85,144)	-	-	(1,398,013)
Equipment	(107,116)	(10,839)	-	-	(117,955)
Total accumulated depreciation	<u>(2,608,945)</u>	<u>(179,499)</u>	<u>-</u>	<u>-</u>	<u>(2,788,444)</u>
Other capital assets, net	<u>2,971,079</u>	<u>(169,496)</u>	<u>-</u>	<u>-</u>	<u>2,801,583</u>
Airport Authority capital assets, net	<u>\$ 3,165,342</u>	<u>\$ 863,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,028,649</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, 2020

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, 2020:

<u>Type of Debt</u>	<u>Balance 9/30/2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/2020</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable	\$ 2,909,600	\$ 4,725,000	\$ (890,050)	\$ 6,744,550	\$ 825,550
Note payable	181,664	-	(50,186)	131,478	51,588
Capital leases	419,437	212,679	(165,011)	467,105	226,920
Total governmental	<u>\$ 3,510,701</u>	<u>\$ 4,937,679</u>	<u>\$ (1,105,247)</u>	<u>\$ 7,343,133</u>	<u>\$ 1,104,058</u>
Business-type Activities					
Bonds payable	\$ 10,820,400	\$ 1,635,000	\$ (2,544,950)	\$ 9,910,450	\$ 975,450
Capital leases	49,330	-	(49,330)	-	-
Total business-type	<u>\$ 10,869,730</u>	<u>\$ 1,635,000</u>	<u>\$ (2,594,280)</u>	<u>\$ 9,910,450</u>	<u>\$ 975,450</u>
Component Units:					
Airport Authority	<u>\$ 353,638</u>	<u>\$ 112,400</u>	<u>\$ (85,640)</u>	<u>\$ 380,398</u>	<u>\$ 178,264</u>

Governmental Activities

As of September 30, 2020, 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. \$ 449,550

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, 2020

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

6. Long-term Debt, continued

Governmental Activities, continued

Bonds payable, continued:

General obligation refunding bonds - series 2020, with original issue amount of \$4,725,000. Interest ranges from 1.15 to 1.80 percent with final maturity April 15, 2030.	4,725,000
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. Bonds maturing October 15, 2021 through October 15, 2024 were called for early redemption on April 15, 2020.	10,000
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.	170,000
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.	120,000
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.	605,000
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.	<u>475,000</u>
Total bonds payable	6,744,550

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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. 131,478

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. 23,333

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. 38,664

Capital lease obligation due to Exchange Bank dated September 1, 2020, with original issue amount of \$148,882 to finance golf carts. The lease bears interest of 3.25 percent and is due in 30 monthly principal and interest payments of \$3,300, commencing April 1, 2021 through September 1, 2025 (no lease payments are due October through March each year), with a final installment of \$64,762 due September 1, 2025. 145,582

Capital lease obligation due to Jones National Bank dated November 20, 2019, with original issue amount of \$63,797 to finance a Kubota tractor and mower. The lease bears interest of 3.29 percent and is due in five annual principal and interest payments of \$13,760, commencing March 21, 2020 through March 31, 2024. 50,794

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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. 133,591

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. 67,251

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. 7,890
Total capital lease obligations 467,105

Total governmental activities long-term obligations \$ 7,343,133

Current portion \$ 1,104,058

Noncurrent portion 6,239,075

Total \$ 7,343,133

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, 2020

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

6. Long-term Debt, continued

Business-type Activities

As of September 30, 2020, 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. \$ 505,000

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. 3,680,000

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. 25,200

Water revenue refunding bonds - series 2020, with original issue amount of \$1,635,000. Interest ranges from 1.2 to 2.15 percent with final maturity February 15, 2036. 1,635,000

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. Bonds maturing June 1, 2022 and June 1, 2023 were called for early redemption on April 17, 2020. 150,000

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. 935,000

CITY OF SEWARD, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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. 5,250

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. 2,925,000

Total business-type activity bonds payable 9,910,450

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. -

Total business-type activity debt \$ 9,910,450

Current portion \$ 975,450

Noncurrent portion 8,935,000

Total \$ 9,910,450

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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. \$ 170,000

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 \$112,400, to fund project costs until Federal and state grant money is received, bearing interest of 4.64 percent, due December 31, 2020. 112,400

Nebraska Department of Aeronautics loan with original principal amount of \$220,253, due in 120 monthly installments of \$1,322, bearing no interest through August 31, 2025. 77,998

Total Airport notes and bonds payable \$ 380,398

Current portion \$ 178,264

Noncurrent portion 202,134

Total \$ 380,398

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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, 2020, are as follows:

<u>Year Ending September 30,</u>	Governmental Activities			
	Direct Placement Debt		Other Debt Issues	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Interest</u>
2021	\$ 278,508	\$ 20,304	\$ 825,550	\$ 113,938
2022	141,109	9,271	912,000	100,542
2023	66,973	5,305	933,000	86,031
2024	30,001	3,559	759,000	71,903
2025	81,992	2,570	530,000	60,874
2026-2030	-	-	2,655,000	171,128
2031-2035	-	-	130,000	5,200
	<u>\$ 598,583</u>	<u>\$ 41,009</u>	<u>\$ 6,744,550</u>	<u>\$ 609,616</u>

<u>Year Ending September 30,</u>	Business-type Activities		Component Unit	
	Other Debt Issues		Other Debt Issues	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 975,450	\$ 208,891	\$ 178,264	\$ 6,098
2022	935,000	189,041	65,864	4,323
2023	960,000	171,933	60,864	2,636
2024	1,000,000	154,999	60,864	919
2025	1,025,000	136,042	14,542	-
2026-2030	3,205,000	442,104	-	-
2031-2035	1,615,000	130,712	-	-
2036-2040	195,000	3,120	-	-
	<u>\$ 9,910,450</u>	<u>\$ 1,436,842</u>	<u>\$ 380,398</u>	<u>\$ 13,976</u>

7. Interfund Transactions and Balances

The General Fund transferred \$566,647 to the Street Fund during the year ended September 30, 2020. Also, the Street Fund transferred \$660,864 to the Debt Service Fund during the year ended September 30, 2020.

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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 \$723,723 for the year ended September 30, 2020. Both the City and the covered employees' required contribution of \$50,661 was made for the year ended September 30, 2020. 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, 2020.

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 \$2,804,631 and the covered payroll amounted to \$2,086,939 for the year ended September 30, 2020. The City and the employees contributed \$125,216 and \$125,216, respectively, for the year ended September 30, 2020. The employees also contributed \$47,509 to a deferred compensation plan in accordance with Internal Revenue Code Section 457 during the year ended September 30, 2020.

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, 2020, 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, 2020

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, 2020, 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>
October 2020	\$ 334,830
November 2020	57,751
December 2020	312,279
February 2021	633,380
March 2021	71,156
April 2021	284,493
May 2021	246,597
August 2021	155,849
September 2021	311,175
December 2021	1,183,130
March 2022	118,554
April 2022	452,742
May 2022	82,465
June 2022	574,246
December 2022	216,737
March 2023	300,545
May 2023	15,000
December 2023	<u>113,940</u>
	\$ <u>5,464,869</u>

CITY OF SEWARD, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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, 2020, the City’s investments in certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Cattle National Bank	\$ 2,926,922
Jones National Bank	2,321,210
Union Bank	<u>216,737</u>
	\$ <u>5,464,869</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, 2020.

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 9/30/20</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
6 th Street water main	\$ 503,457	\$ 259,650	\$ 243,807	December 2020
Industrial substation	503,491	534,142	59,349	January 2021
Outfall relocation project	342,166	-	342,166	May 2021
Levee accreditation	48,850	37,371	11,479	November 2020
East Seward St improvements	969,093	563,956	405,137	August 2021
Waverly Road improvements	3,651,946	1,368,677	2,283,269	December 2021
Karol Kay Blvd improvements	804,428	-	804,428	September 2021
Concrete pad at Armory Park	20,169	10,085	10,084	November 2020
Case wheel loader	115,700	-	115,700	October 2020

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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 \$3,704 under this lease agreement during the year ended September 30, 2020.

Lease commitments as of September 30, 2020, are as follows:

<u>Year ending September 30,</u>	<u>Commitment</u>
2021	\$ 1,950
2022	<u>1,950</u>
	<u>\$ 3,900</u>

Contingencies

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen worldwide. While the disruption this pandemic is causing is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, the financial impact to the City that could occur as a result of this issue is unknown and cannot be reasonably estimated at this time.

CITY OF SEWARD, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

NOTE D – OTHER NOTES, continued

4. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2020:

Parties to Agreement	Agreement Period	Descriptions
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 6/17/2074	Advancement of Natural Gas & Electric Vehicle Infrastructure and Use
Seward County	06/01/2020 thru 05/31/2021	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)
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	07/01/2020 thru 06/30/2021	Fire Protection/Equipment
H-GAC	10/01/2018 thru 09/30/2019	Cooperative purchasing program #17-5994
Seward County Chamber & Development Partnership	10/01/2019 thru 09/30/2020	Economic Development

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

NOTE D – OTHER NOTES, continued

5. 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, 2020 is as follows:

<u>TIF Project:</u>	<u>Years Remaining on TIF Agreements</u>	<u>2020 TIF Valuation</u>	<u>TIF Proceeds Received during the year 9-30-2020</u>
Progressive Sheet Metal	8	\$ 174,967	\$ 4,724
Sports Express	8	171,953	4,172
Cobblestone Inn	8	1,803,390	39,230
B & M Seed	8	430,104	10,030
Jones Bank	10	944,365	60,349
Jones Insurance	9	573,643	9,401
Grimes Construction	10	339,054	2,956
CNG, Inc.	11	4,831,845	72,043
Lindner	10	330,927	6,190
Two Creeks Holding	11	356,434	5,882
Bottle Rocket Brewing	11	276,961	13,374
Bradford	12	239,425	3,750
Peek Properties	10	86,577	2,586
Plex Homes	15	432,934	-
Project Superior	15	2,532,465	-
Green Futures	15	513,130	-
Two Creeks Storage	14	122,405	2,101
Fast Mart	13	696,561	<u>17,401</u>
			<u>\$ 254,189</u>

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

NOTE D – OTHER NOTES, continued

6. Subsequent Events

Management has evaluated subsequent events through March 30, 2021, the date on which the financial statements were available for issue.

On October 6, 2020, Council awarded a bid for the electric AMI metering system to Aclara for \$838,505 and a bid for the water AMI metering system to Metering and Technology Solutions for \$629,555.

On October 20, 2020, Council approved a redevelopment plan for TIF financing on the Levander's Body Shop project.

Also on October 20, 2020, Council awarded a bid for the wastewater outfall relocation project to Van Kirk Bros. Contracting for \$283,701.

On January 19, 2021, Council approved the purchase of a 900-Eco 9-yard combination sewer cleaning truck and body from Mid-Iowa Solid Waste Equipment Company for \$356,695.

On February 16, 2021, Council approved redevelopment plans for TIF financing on the Old Town Square, LLC and IHC Properties, LLC projects.

On March 2, 2021, Council authorized the issuance of \$3,200,000 of Series 2021 Sewer Revenue Refunding Bonds to refinance the Series 2013 and Series 2016 Sewer Revenue Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SEWARD, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND

Year ended September 30, 2020

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 1,619,301	\$ 1,615,986	\$ (3,315)
Motor vehicle	148,000	165,993	17,993
Sales tax	790,923	1,312,775	521,852
Franchise	1,173,591	1,158,124	(15,467)
Occupation	334,700	322,364	(12,336)
Intergovernmental	54,000	59,639	5,639
Charges for services	1,191,239	795,186	(396,053)
Interest income	11,550	29,039	17,489
Grants	160,000	90,426	(69,574)
Contributions	275,200	188,444	(86,756)
Other	5,395	1,745	(3,650)
	<u>5,763,899</u>	<u>5,739,721</u>	<u>(24,178)</u>
Total resources			
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	334,066	277,449	(56,617)
Public safety	1,781,776	1,294,162	(487,614)
Public works	530,612	456,738	(73,874)
Environment and leisure	2,564,923	2,086,010	(478,913)
Capital outlay	842,125	544,833	(297,292)
Principal payments on debt	-	60,607	60,607
Interest expense	-	6,077	6,077
	<u>6,053,502</u>	<u>4,725,876</u>	<u>(1,327,626)</u>
Total charges to appropriations			
Resources over (under) charges to appropriations	(289,603)	1,013,845	1,303,448
OTHER FINANCING USES			
Transfers out	(566,647)	(566,647)	-
	<u>(566,647)</u>	<u>(566,647)</u>	<u>-</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS AND OTHER FINANCING USES	<u>\$ (856,250)</u>	<u>\$ 447,198</u>	<u>\$ 1,303,448</u>

CITY OF SEWARD, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
STREET FUND**

Year ended September 30, 2020

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Sales tax	\$ 210,000	\$ 203,043	\$ (6,957)
Intergovernmental	861,000	820,142	(40,858)
Charges for services	2,500	40,875	38,375
Interest income	-	11	11
Grants	644,376	249,923	(394,453)
Bond proceeds	3,420,000	4,725,000	1,305,000
Other income	4,000	-	(4,000)
	<hr/>	<hr/>	<hr/>
Total resources	5,141,876	6,038,994	897,118
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	881,770	815,884	(65,886)
Capital projects	5,581,243	3,780,318	(1,800,925)
Principal payments on debt	-	45,190	45,190
Interest on long-term debt	-	9,860	9,860
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	6,463,013	4,651,252	(1,811,761)
Resources over (under) charges to appropriations	(1,321,137)	1,387,742	2,708,879
OTHER FINANCING SOURCES (USES)			
Transfers in	566,647	566,647	-
Transfers out	-	(660,864)	(660,864)
	<hr/>	<hr/>	<hr/>
Net transfers	566,647	(94,217)	(660,864)
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS			
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ (754,490)	\$ 1,293,525	\$ 2,048,015

CITY OF SEWARD, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
DEBT SERVICE FUND**

Year ended September 30, 2020

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 567,912	\$ 429,077	\$ (138,835)
Interest income	2,500	11,059	8,559
	<hr/>	<hr/>	<hr/>
Total resources	570,412	440,136	(130,276)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments	490,237	940,236	449,999
Interest and fees	77,675	140,306	62,631
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	567,912	1,080,542	512,630
Resources over (under) charges to appropriations	2,500	(640,406)	(642,906)
OTHER FINANCING SOURCES			
Transfer in	-	660,864	660,864
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES OVER CHARGES TO APPROPRIATIONS	<u>\$ 2,500</u>	<u>\$ 20,458</u>	<u>\$ 17,958</u>

CITY OF SEWARD, NEBRASKA

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

Year ended September 30, 2020

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

	<u>General Fund</u>	<u>Street Fund</u>	<u>Debt Service Fund</u>
Sources/inflows of resources:			
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 5,739,721	\$ 6,038,994	\$ 440,136
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>246,904</u>	<u>521,796</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 5,986,625</u></u>	<u><u>\$ 6,560,790</u></u>	<u><u>\$ 440,136</u></u>
Uses/outflows of resources:			
Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedules	\$ 4,725,876	\$ 4,651,252	\$ 1,080,542
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>14,183</u>	<u>(66,858)</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 4,740,059</u></u>	<u><u>\$ 4,584,394</u></u>	<u><u>\$ 1,080,542</u></u>

SUPPLEMENTARY INFORMATION

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

September 30, 2020

	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds
	<u>CDBG</u>	<u>LB840</u>	<u>TIF</u>	Perpetual Care	
ASSETS					
Interest receivable	\$ -	\$ -	\$ -	\$ 28	\$ 28
Restricted assets:					
Cash and cash equivalents	19,964	30,931	219,552	214,313	484,760
Certificates of deposit	-	-	-	15,000	15,000
Total assets	<u>\$ 19,964</u>	<u>\$ 30,931</u>	<u>\$ 219,552</u>	<u>\$ 229,341</u>	<u>\$ 499,788</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,426	\$ 7	\$ -	\$ -	\$ 2,433
Fund balances:					
Nonspendable:					
Cemetery perpetual care	-	-	-	229,341	229,341
Restricted for:					
Federal programs	17,538	-	-	-	17,538
Economic development	-	30,924	219,552	-	250,476
Total fund balances	<u>17,538</u>	<u>30,924</u>	<u>219,552</u>	<u>229,341</u>	<u>497,355</u>
Total liabilities and fund balances	<u>\$ 19,964</u>	<u>\$ 30,931</u>	<u>\$ 219,552</u>	<u>\$ 229,341</u>	<u>\$ 499,788</u>

CITY OF SEWARD, NEBRASKA

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

For the year ended September 30, 2020

	<u>Special Revenue Funds</u>			<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>CDBG</u>	<u>LB840</u>	<u>TIF</u>	<u>Perpetual Care</u>	
REVENUES					
Sales tax	\$ -	\$ 150,000	\$ -	\$ -	\$ 150,000
TIF proceeds	-	-	254,189	-	254,189
Grant revenue	197,404	13,030	-	-	210,434
Charges for services	-	-	255,296	88	255,384
Contributions	-	-	-	8,850	8,850
Loan collections	-	90,005	-	-	90,005
Interest income	583	851	556	1,366	3,356
Total revenues	<u>197,987</u>	<u>253,886</u>	<u>510,041</u>	<u>10,304</u>	<u>972,218</u>
EXPENDITURES					
General government	200,069	-	-	-	200,069
Economic development	-	416,285	300,983	-	717,268
Public works	-	-	-	145	145
Total expenditures	<u>200,069</u>	<u>416,285</u>	<u>300,983</u>	<u>145</u>	<u>917,482</u>
Net change in fund balances	(2,082)	(162,399)	209,058	10,159	54,736
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>
Fund balances - September 30, 2020	<u>\$ 17,538</u>	<u>\$ 30,924</u>	<u>\$ 219,552</u>	<u>\$ 229,341</u>	<u>\$ 497,355</u>

CITY OF SEWARD, NEBRASKA

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

September 30, 2020

	<u>Seward Airport Authority</u>	<u>Seward Library Foundation</u>	<u>Total Component Units</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 150,113	\$ 86,011	\$ 236,124
Certificates of deposit	30,000	53,845	83,845
County treasurer cash	12,640	-	12,640
Investments	-	48,612	48,612
Receivables:			
Property tax	3,879	-	3,879
Accounts receivable	1,375	-	1,375
Grants receivable	113,967	-	113,967
Interest	3	-	3
Prepaid insurance	11,960	-	11,960
Total current assets	<u>323,937</u>	<u>188,468</u>	<u>512,405</u>
Noncurrent assets:			
Permanently restricted investments	-	85,616	85,616
Capital assets:			
Land	105,156	-	105,156
Construction in progress	1,121,910	-	1,121,910
Other capital assets, net of depreciation	<u>2,801,583</u>	<u>-</u>	<u>2,801,583</u>
Net capital assets	<u>4,028,649</u>	<u>-</u>	<u>4,028,649</u>
Total noncurrent assets	<u>4,028,649</u>	<u>85,616</u>	<u>4,114,265</u>
Total assets	4,352,586	274,084	4,626,670
LIABILITIES			
Current liabilities:			
Accrued interest payable	2,350	-	2,350
Unearned revenue	18,274	-	18,274
Current portion of long-term debt	<u>178,264</u>	<u>-</u>	<u>178,264</u>
Total current liabilities	198,888	-	198,888
Noncurrent liabilities:			
Noncurrent portion of long-term debt	<u>202,134</u>	<u>-</u>	<u>202,134</u>
Total liabilities	<u>401,022</u>	<u>-</u>	<u>401,022</u>
NET POSITION			
Net investment in capital assets	3,648,251	-	3,648,251
Permanently restricted-Guthal	-	85,616	85,616
Unrestricted	<u>303,313</u>	<u>188,468</u>	<u>491,781</u>
Total net position	<u>\$ 3,951,564</u>	<u>\$ 274,084</u>	<u>\$ 4,225,648</u>

CITY OF SEWARD, NEBRASKA

**COMBINING STATEMENT OF ACTIVITIES -
COMPONENT UNITS**

For the year ended September 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Seward Airport Authority:			
Airport	\$ 323,211	\$ 103,625	\$ -
Seward Library Foundation:			
Library support	8,696	-	7,427
Total component units	\$ 331,907	\$ 103,625	\$ 7,427

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Airport Authority</u>	<u>Community Development Agency</u>	<u>Total Component Units</u>
\$ -	\$ (219,586)	\$ -	\$ (219,586)
-	-	(1,269)	(1,269)
<u>\$ -</u>	<u>(219,586)</u>	<u>(1,269)</u>	<u>(220,855)</u>
General revenues:			
Taxes:			
Property	177,869	-	177,869
Interest income	266	1,988	2,254
Dividends	-	278	278
Gain on investments	-	9,310	9,310
Total general revenues	<u>178,135</u>	<u>11,576</u>	<u>189,711</u>
Change in net position	(41,451)	10,307	(31,144)
Net position - beginning of year	<u>3,993,015</u>	<u>263,777</u>	<u>4,256,792</u>
Net position - end of year	<u>\$ 3,951,564</u>	<u>\$ 274,084</u>	<u>\$ 4,225,648</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, 2020, and the related notes to the financial statements, which collectively comprise the City’s financial statements, and have issued our report thereon dated March 30, 2021.

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, PC.

Grand Island, Nebraska
March 30, 2021