

CITY OF SEWARD, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-13 and 66-69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The nonmajor fund combining statements and the component unit combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information described in the first sentence of this paragraph are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019, 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.

August, Maltzman,
Galloway & Luth. PC-

Grand Island, Nebraska
January 25, 2019

**CITY OF SEWARD, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2018**

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, 2018. 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 \$49,674,663 (*net position*). Of this amount, \$17,897,992 (*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 \$22,560,646. Approximately 21.2 percent of this total amount, \$4,788,860, is *unrestricted net position*.
- At the end of the current fiscal year, the General Fund had unassigned fund balance of \$3,089,194, or 58.8 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, 2018

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, 2018

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, 2018

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 \$49,674,663 at the close of the most recent fiscal year.

Summary Statements of Net Position

	September 30, 2018			September 30, 2017		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 7,385,802	\$ 16,119,229	\$ 23,505,031	\$ 6,697,887	\$ 15,951,907	\$ 22,649,794
Capital Assets	19,672,637	23,836,913	43,509,550	19,946,866	24,550,125	44,496,991
Total Assets	<u>27,058,439</u>	<u>39,956,142</u>	<u>67,014,581</u>	<u>26,644,753</u>	<u>40,502,032</u>	<u>67,146,785</u>
Long-term Liabilities	3,626,263	10,994,046	14,620,309	4,266,872	11,927,085	16,193,957
Other Liabilities	871,530	1,848,079	2,719,609	1,346,584	1,869,806	3,216,390
Total Liabilities	<u>4,497,793</u>	<u>12,842,125</u>	<u>17,339,918</u>	<u>5,613,456</u>	<u>13,796,891</u>	<u>19,410,347</u>
Net Position:						
Net Investment in						
Capital Assets	15,633,097	12,028,688	27,661,785	14,798,284	11,768,977	26,567,261
Restricted	2,138,689	1,976,197	4,114,886	2,343,496	1,957,796	4,301,292
Unrestricted	4,788,860	13,109,132	17,897,992	3,889,517	12,978,368	16,867,885
Total Net Position	<u>\$ 22,560,646</u>	<u>\$ 27,114,017</u>	<u>\$ 49,674,663</u>	<u>\$ 21,031,297</u>	<u>\$ 26,705,141</u>	<u>\$ 47,736,438</u>

By far the largest portion of the City of Seward's net position (55.7 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 (8.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$17,897,992) 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, 2018

Expenses and Program Revenues - Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2018</u>		<u>Year Ended September 30, 2017</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 70,785	\$ 265,211	\$ 69,194	\$ 265,181
Economic Development	4,078	345,902	-	241,525
Public Safety	236,431	1,310,625	121,696	1,261,326
Public Works	423,673	1,161,765	473,078	972,972
Environment and Leisure	716,233	2,048,190	706,633	1,953,151
Interest	-	120,068	-	129,237
Depreciation	-	1,068,509	-	1,039,267
Total	<u>\$ 1,451,200</u>	<u>\$ 6,320,270</u>	<u>\$ 1,370,601</u>	<u>\$ 5,862,659</u>

Revenues by Source - Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2018</u>		<u>Year Ended September 30, 2017</u>	
Charges for Services	\$ 776,440	9.89 %	\$ 716,640	9.76 %
Operating Grants and Contributions	404,638	5.16	310,242	4.22
Capital Grants and Contributions	270,122	3.44	343,719	4.68
Property Taxes	1,476,726	18.81	1,427,458	19.44
Motor Vehicle Taxes	157,230	2.00	149,176	2.03
Sales Tax	1,631,944	20.79	1,508,124	20.54
Franchise Tax	1,161,785	14.80	1,119,928	15.25
Occupation Tax	349,124	4.45	323,797	4.41
TIF Proceeds	262,043	3.34	193,481	2.63
State Allocation	763,936	9.73	740,299	10.08
Miscellaneous	115	-	16,653	0.23
Interest	29,936	0.38	16,455	0.22
Gain on Sale of Assets	85,580	1.09	78,100	1.06
Interfund Transfers	480,000	6.12	400,000	5.45
Total	<u>\$ 7,849,619</u>	<u>100.00 %</u>	<u>\$ 7,344,072</u>	<u>100.00 %</u>

Net position increased \$1,529,349 in the governmental funds during the year ended September 30, 2018.

**CITY OF SEWARD, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2018**

Business-type activities. Business-type activities increased the City of Seward's net position by \$408,876 for the year ended September 30, 2018. Key elements of this increase are as follows:

Expenses and Program Revenues - Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2018</u>		<u>Year Ended September 30, 2017</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 9,806,715	\$ 9,641,058	\$ 9,484,137	\$ 9,219,391
Water	1,851,386	1,432,165	1,862,084	1,805,796
Sewer	1,487,009	1,322,431	1,388,892	1,272,936
Total	<u>13,145,110</u>	<u>12,395,654</u>	<u>12,735,113</u>	<u>12,298,123</u>
Interfund Transfer	-	480,000	-	400,000
	<u>\$ 13,145,110</u>	<u>\$ 12,875,654</u>	<u>\$ 12,735,113</u>	<u>\$ 12,698,123</u>

Revenues by Source - Business-type Activities

<u>SOURCES OF REVENUE</u>	<u>Year Ended September 30, 2018</u>		<u>Year Ended September 30, 2017</u>	
Charges for Services	\$ 13,145,110	98.95 %	\$ 12,697,638	99.16 %
Capital Grants and Contributions	-	-	37,475	0.29
Interest	99,695	0.75	52,200	0.41
Miscellaneous	39,725	0.30	17,389	0.14
Total	<u>\$ 13,284,530</u>	<u>100.00 %</u>	<u>\$ 12,804,702</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 \$6,471,399. Approximately 47.7 percent of this total amount (\$3,089,194) 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 (\$705,372), 2) restricted for street projects (\$868,098), 3) restricted for Federal programs (\$25,994), 4) restricted for economic development (\$309,287), 5) restricted for library maintenance (\$19,518), 6) placed in a nonspendable endowment for cemetery perpetual care (\$210,420), 7) committed for public safety

CITY OF SEWARD, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2018

(\$246,925), 8) committed for sports complex lights (\$60,272), 9) assigned for parks (\$51,064), 10) assigned for cemetery (\$148,599), 11) assigned for unemployment compensation (\$17,386), or 12) assigned for street expenses (\$719,270).

The General Fund is the chief operating fund of the City of Seward. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,089,194, while total fund balance reached \$3,632,958. 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 58.8 percent of total General Fund expenditures, while total fund balance represents 69.1 percent of that same amount.

The fund balance of the City of Seward's General Fund increased by \$538,224 during the current fiscal year.

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

Unrestricted net position of the proprietary funds at the end of the year were as follows: Electric Fund - \$8,490,301, Water Fund - \$2,809,063, and Sewer Fund - \$1,809,768. The change in net position for the proprietary funds was as follows: Electric Fund – decrease of \$(210,308), Water Fund – increase of \$440,542, and Sewer Fund – increase of \$178,642. 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, 2018, amounts to \$43,509,550 (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:

- 15 laptop computers for police cars - \$27,273
- Flooring and accent wall at Civic Center - \$49,453
- Concrete pad and black rubber tile for parks - \$25,715
- Parking lot at the swimming pool - \$26,000
- Asphalt road for Veterans' section of cemetery - \$58,920

CITY OF SEWARD, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2018

- Grass rig - \$46,289
- F350 pickup for fire department - \$32,598
- Building at 246 N 3rd Street purchased for fire department - \$184,303
- Police radios paid for with grant proceeds - \$70,000
- Highway 15 water main - \$158,278
- Second stage sewer pump - \$25,057
- 2018 digger derrick truck - \$292,461
- Final electrical update in Miers Block (Dale's Hotel) - \$29,333
- Electrical improvements for Ridge Run - \$39,635
- Final electrical improvements for Schmader/Roberts Street - \$35,259

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

	<u>Year Ended September 30, 2018</u>			<u>Year Ended September 30, 2017</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	\$ 836,814	\$ 264,065	\$ 1,100,879	\$ 836,814	\$ 264,065	\$ 1,100,879
Construction						
in progress	569,057	130,210	699,267	510,957	91,049	602,006
Infrastructure	7,475,977	-	7,475,977	7,749,937	-	7,749,937
Buildings	8,468,427	865,328	9,333,755	8,398,606	835,666	9,234,272
Equipment	2,322,362	1,155,668	3,478,030	2,450,552	1,006,133	3,456,685
Distribution						
Systems	-	21,421,642	21,421,642	-	22,353,212	22,353,212
Total	<u>\$ 19,672,637</u>	<u>\$ 23,836,913</u>	<u>\$ 43,509,550</u>	<u>\$ 19,946,866</u>	<u>\$ 24,550,125</u>	<u>\$ 44,496,991</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 \$15,847,765. Of this amount, \$3,465,000 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, 2018

City of Seward's Outstanding Debt

	<u>Year Ended September 30, 2018</u>			<u>Year Ended September 30, 2017</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
General Obligation						
Bonds	\$ 1,641,100	\$ 118,900	\$ 1,760,000	\$ 1,964,550	\$ 175,450	\$ 2,140,000
Highway Allocation						
Bonds	1,455,000	-	1,455,000	1,555,000	-	1,555,000
Public Safety						
Bonds	250,000	-	250,000	289,000	-	289,000
Revenue Bonds	-	11,630,000	11,630,000	-	12,525,000	12,525,000
Note Payable	230,510	-	230,510	278,040	-	278,040
Capital Leases	462,930	59,325	522,255	1,061,992	80,698	1,142,690
Total	<u>\$ 4,039,540</u>	<u>\$ 11,808,225</u>	<u>\$ 15,847,765</u>	<u>\$ 5,148,582</u>	<u>\$ 12,781,148</u>	<u>\$ 17,929,730</u>

The City of Seward's total debt decreased by \$2,081,965 (11.6 percent) during the current fiscal year, as the City made scheduled principal payments.

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

Economic Factors and Next Year's Budgets and Rates

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

- Property tax asking for the year ending September 30, 2019 of \$1,565,690 is \$82,617 (5.6 percent) higher than the prior year. The property valuation also increased 5.6 percent over the prior year.
- At September 30, 2018, the City had contractual commitments totaling \$856,629 on the Rail Campus project. The completion date for this project is unknown. The City also had contractual commitments totaling \$505,673 for three utility projects expected to be completed during the year ending September 30, 2019.
- The City plans to increase water rates 2.6 percent and increase sewer rates 4.5 percent in 2019.

All of these factors were considered in preparing the City of Seward's budget for the 2019 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, 2018

	Primary Government			Component <u>Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,501,154	\$ 7,014,459	\$ 10,515,613	\$ 97,452
Certificates of deposit	428,190	4,779,109	5,207,299	154,204
County treasurer cash	87,790	-	87,790	8,448
Investments	-	-	-	41,546
Receivables:				
Property tax	29,091	-	29,091	3,800
Accounts, net of allowance for doubtful accounts	14,887	1,269,509	1,284,396	978
Unbilled revenue	-	315,616	315,616	-
Grants	9,761	-	9,761	-
Interest	200	5,086	5,286	5
Current portion of notes	70,461	-	70,461	-
Due from other governments	345,451	-	345,451	-
Prepaid insurance	-	-	-	9,939
Inventory	76,026	644,943	720,969	-
Total current assets	<u>4,563,011</u>	<u>14,028,722</u>	<u>18,591,733</u>	<u>316,372</u>
Noncurrent assets:				
Restricted cash and cash equivalents	2,170,808	731,202	2,902,010	-
Restricted certificates of deposit	15,000	1,359,305	1,374,305	-
Permanently restricted investments	-	-	-	85,616
Noncurrent notes receivable	636,983	-	636,983	-
Capital assets:				
Land	836,814	264,065	1,100,879	105,156
Construction in progress	569,057	130,210	699,267	-
Other capital assets, net of depreciation	18,266,766	23,442,638	41,709,404	3,129,493
Net capital assets	<u>19,672,637</u>	<u>23,836,913</u>	<u>43,509,550</u>	<u>3,234,649</u>
Total noncurrent assets	<u>22,495,428</u>	<u>25,927,420</u>	<u>48,422,848</u>	<u>3,320,265</u>
Total assets	<u>27,058,439</u>	<u>39,956,142</u>	<u>67,014,581</u>	<u>3,636,637</u>
LIABILITIES				
Current liabilities:				
Accounts payable	110,454	605,765	716,219	7,850
Accrued interest	24,799	45,129	69,928	1,848
Other accrued expenses	132,345	144,380	276,725	-
Customer deposits	-	114,310	114,310	-
Unavailable property tax	18,660	-	18,660	-
Unearned revenue	34,169	-	34,169	17,531
Current portion of long-term obligations	551,103	938,495	1,489,598	73,390
Total current liabilities	<u>871,530</u>	<u>1,848,079</u>	<u>2,719,609</u>	<u>100,619</u>
Noncurrent liabilities:				
Compensated absences - noncurrent	137,826	124,316	262,142	-
Noncurrent portion of long-term obligations	3,488,437	10,869,730	14,358,167	353,638
Total noncurrent liabilities	<u>3,626,263</u>	<u>10,994,046</u>	<u>14,620,309</u>	<u>353,638</u>
Total liabilities	<u>4,497,793</u>	<u>12,842,125</u>	<u>17,339,918</u>	<u>454,257</u>
NET POSITION				
Net investment in capital assets	15,633,097	12,028,688	27,661,785	2,807,621
Restricted for:				
Debt service	705,372	1,976,197	2,681,569	-
Street projects	868,098	-	868,098	-
Federal loan programs	25,994	-	25,994	-
Economic development	309,287	-	309,287	-
Cemetery perpetual care	210,420	-	210,420	-
Library maintenance	19,518	-	19,518	-
Permanently restricted-Guthal	-	-	-	85,616
Unrestricted	4,788,860	13,109,132	17,897,992	289,143
Total net position	<u>\$ 22,560,646</u>	<u>\$ 27,114,017</u>	<u>\$ 49,674,663</u>	<u>\$ 3,182,380</u>

See notes to financial statements.

CITY OF SEWARD, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2018

<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	\$ 265,211	\$ 42,788	\$ 27,997
Economic development	345,902	4,078	-
Public safety	1,310,625	12,677	153,754
Public works	1,161,765	239,313	7,125
Environment and leisure	2,048,190	477,584	215,762
Interest and related expenses	120,068	-	-
Depreciation - unallocated	1,068,509	-	-
Total governmental activities	6,320,270	776,440	404,638
Business-type activities:			
Electric	9,641,058	9,806,715	-
Water	1,432,165	1,851,386	-
Sewer	1,322,431	1,487,009	-
Total business-type activities	12,395,654	13,145,110	-
Total primary government	\$ 18,715,924	\$ 13,921,550	\$ 404,638
Component units:			
Seward Airport Authority	\$ 314,287	\$ 101,997	\$ -
Seward Library Foundation	15,366	-	15,140
Total component units	\$ 329,653	\$ 101,997	\$ 15,140

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		
\$ -	\$ (194,426)		\$ (194,426)	
-	(341,824)		(341,824)	
70,000	(1,074,194)		(1,074,194)	
177,235	(738,092)		(738,092)	
22,887	(1,331,957)		(1,331,957)	
-	(120,068)		(120,068)	
-	(1,068,509)		(1,068,509)	
<u>270,122</u>	<u>(4,869,070)</u>	\$ -	<u>(4,869,070)</u>	
-	-	165,657	165,657	
-	-	419,221	419,221	
-	-	164,578	164,578	
<u>-</u>	<u>-</u>	<u>749,456</u>	<u>749,456</u>	
<u>\$ 270,122</u>	<u>(4,869,070)</u>	<u>749,456</u>	<u>(4,119,614)</u>	
\$ -				\$ (212,290)
-				(226)
<u>\$ -</u>				<u>(212,516)</u>
General revenues:				
Taxes:				
Property	1,476,726	-	1,476,726	162,391
Motor vehicle	157,230	-	157,230	-
Sales tax	1,631,944	-	1,631,944	-
Franchise	1,161,785	-	1,161,785	-
Occupation	349,124	-	349,124	-
TIF proceeds	262,043	-	262,043	-
State allocation	763,936	-	763,936	-
Miscellaneous	115	39,725	39,840	-
Interest income	29,936	99,695	129,631	4,356
Gain on sale of assets	85,580	-	85,580	6,281
Interfund transfers	480,000	(480,000)	-	-
Total general revenues	<u>6,398,419</u>	<u>(340,580)</u>	<u>6,057,839</u>	<u>173,028</u>
Change in net position	1,529,349	408,876	1,938,225	(39,488)
Net position - September 30, 2017				
As previously reported	21,031,297	26,705,141	47,736,438	3,233,232
Restatement	-	-	-	(11,364)
As restated	<u>21,031,297</u>	<u>26,705,141</u>	<u>47,736,438</u>	<u>3,221,868</u>
Net position - September 30, 2018	<u>\$ 22,560,646</u>	<u>\$ 27,114,017</u>	<u>\$ 49,674,663</u>	<u>\$ 3,182,380</u>

CITY OF SEWARD, NEBRASKA

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

September 30, 2018

	<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	\$ 2,952,868	\$ 548,286	\$ -	\$ -	\$ 3,501,154
Certificates of deposit	428,190	-	-	-	428,190
County treasurer cash	87,790	-	-	-	87,790
Receivables:					
Accounts, net of allowance for doubtful accounts	-	14,887	-	-	14,887
Grants	-	-	-	9,761	9,761
Interest	181	-	-	19	200
Property tax	29,091	-	-	-	29,091
Due from other governments	249,155	96,296	-	-	345,451
Inventory	-	76,026	-	-	76,026
Restricted assets:					
Cash	19,518	868,098	705,372	577,820	2,170,808
Certificates of deposit	-	-	-	15,000	15,000
Total assets	<u><u>\$ 3,766,793</u></u>	<u><u>\$ 1,603,593</u></u>	<u><u>\$ 705,372</u></u>	<u><u>\$ 602,600</u></u>	<u><u>\$ 6,678,358</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 43,290	\$ 10,265	\$ -	\$ 56,899	\$ 110,454
Accrued expenses	37,716	5,960	-	-	43,676
Unearned golf revenue	34,169	-	-	-	34,169
Unavailable property tax	18,660	-	-	-	18,660
Total liabilities	<u>133,835</u>	<u>16,225</u>	<u>-</u>	<u>56,899</u>	<u>206,959</u>
Fund balances:					
Nonspendable					
Cemetery perpetual care	-	-	-	210,420	210,420
Restricted for:					
Debt service	-	-	705,372	-	705,372
Street projects	-	868,098	-	-	868,098
Federal programs	-	-	-	25,994	25,994
Economic development	-	-	-	309,287	309,287
Library maintenance	19,518	-	-	-	19,518
Committed for:					
Public safety	246,925	-	-	-	246,925
Sports complex lights	60,272	-	-	-	60,272
Assigned for:					
Parks	51,064	-	-	-	51,064
Cemetery	148,599	-	-	-	148,599
Unemployment compensation	17,386	-	-	-	17,386
Street expenses	-	719,270	-	-	719,270
Unassigned	3,089,194	-	-	-	3,089,194
Total fund balances	<u>3,632,958</u>	<u>1,587,368</u>	<u>705,372</u>	<u>545,701</u>	<u>6,471,399</u>
Total liabilities and fund balances	<u><u>\$ 3,766,793</u></u>	<u><u>\$ 1,603,593</u></u>	<u><u>\$ 705,372</u></u>	<u><u>\$ 602,600</u></u>	<u><u>\$ 6,678,358</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, 2018

Total fund balances - governmental funds	\$	6,471,399
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$31,889,029, and the accumulated depreciation is \$12,216,392.</p>		
		19,672,637
<p>Notes receivable are not financial resources and therefore are not reported as assets in governmental funds. The notes receivable are reported as assets in the statement of net position.</p>		
		707,444
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:</p>		
Compensated absences	\$	(226,495)
Accrued interest on long-term debt		(24,799)
Bonds payable		(3,346,100)
Note payable		(230,510)
Capital lease obligations		(462,930)
		<u>(4,290,834)</u>
Total net position - governmental activities	\$	<u>22,560,646</u>

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, 2018

	<u>General</u>	<u>Street</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 1,476,726	\$ -	\$ -	\$ -	\$ 1,476,726
Motor vehicle	157,230	-	-	-	157,230
Sales tax	817,969	205,056	458,919	150,000	1,631,944
Franchise	1,161,785	-	-	-	1,161,785
Occupation	349,124	-	-	-	349,124
TIF proceeds	-	-	-	262,043	262,043
Intergovernmental	99,375	763,936	-	-	863,311
Charges for services	741,327	31,035	-	4,078	776,440
Loan collections	-	-	-	111,779	111,779
Interest income	13,277	423	2,607	2,319	18,626
Grants	62,005	131,816	-	9,761	203,582
Contributions	294,678	-	-	7,125	301,803
Loan proceeds for redevelopers	-	-	-	23,935	23,935
Bond/loan proceeds	56,737	-	-	-	56,737
Sale of property	85,580	-	-	-	85,580
Other income	115	-	-	-	115
Total revenues	<u>5,315,928</u>	<u>1,132,266</u>	<u>461,526</u>	<u>571,040</u>	<u>7,480,760</u>
EXPENDITURES					
General government	261,152	-	-	4,059	265,211
Economic development	-	-	-	707,429	707,429
Public safety	1,311,848	-	-	-	1,311,848
Public works	409,931	751,689	-	145	1,161,765
Environment and leisure	2,048,190	-	-	-	2,048,190
Capital outlay	631,954	92,326	-	-	724,280
Principal payments on debt	571,279	84,520	509,980	-	1,165,779
Interest on long-term debt	23,350	14,736	86,280	-	124,366
Bond fees	-	-	3,000	-	3,000
Total expenditures	<u>5,257,704</u>	<u>943,271</u>	<u>599,260</u>	<u>711,633</u>	<u>7,511,868</u>
Excess (deficiency) of revenues over expenditures	58,224	188,995	(137,734)	(140,593)	(31,108)
OTHER FINANCING SOURCES (USES)					
Transfers in	480,000	-	131,816	-	611,816
Transfers out	-	(131,816)	-	-	(131,816)
Net transfers	<u>480,000</u>	<u>(131,816)</u>	<u>131,816</u>	<u>-</u>	<u>480,000</u>
Net change in fund balances	538,224	57,179	(5,918)	(140,593)	448,892
Fund balances - September 30, 2017					
As originally reported	2,971,520	1,530,189	711,290	809,508	6,022,507
Restatement	123,214	-	-	(123,214)	-
As restated	<u>3,094,734</u>	<u>1,530,189</u>	<u>711,290</u>	<u>686,294</u>	<u>6,022,507</u>
Fund balances - September 30, 2018	<u>\$ 3,632,958</u>	<u>\$ 1,587,368</u>	<u>\$ 705,372</u>	<u>\$ 545,701</u>	<u>\$ 6,471,399</u>

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, 2018

Total net change in fund balances - governmental funds	\$ 448,892
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 (\$794,280) was exceeded by depreciation expense (\$1,068,509) during the period. Grants funded \$70,000 of the capital additions.	(274,229)
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.	(100,469)
The issuance of economic development loans is reported as an expense in the governmental funds, but increases assets in the statement of net position.	337,592
The change in compensated absences is reported as an expense in the statement of net position. Compensated absences are not reported in the governmental funds.	1,223
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.	7,298
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.	(56,737)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>1,165,779</u>
Change in net position of governmental activities	<u><u>\$ 1,529,349</u></u>

See notes to financial statements.

CITY OF SEWARD, NEBRASKA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
September 30, 2018

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,119,082	\$ 2,481,416	\$ 1,413,961	\$ 7,014,459
Certificates of deposit	4,336,535	154,683	287,891	4,779,109
Receivables:				
Accounts, net of allowance for doubtful accounts	991,937	150,569	127,003	1,269,509
Unbilled revenue	225,679	46,361	43,576	315,616
Interest	4,265	507	314	5,086
Inventory	569,856	75,087	-	644,943
Total current assets	<u>9,247,354</u>	<u>2,908,623</u>	<u>1,872,745</u>	<u>14,028,722</u>
Noncurrent assets:				
Restricted cash and cash equivalents	191,750	406,625	132,827	731,202
Restricted certificates of deposit	466,679	513,191	379,435	1,359,305
Capital assets:				
Land	70,423	103,548	90,094	264,065
Construction in progress	101,886	6,122	22,202	130,210
Distribution systems	17,012,712	15,537,891	11,979,050	44,529,653
Buildings	831,014	125,841	371,474	1,328,329
Equipment	2,363,934	315,248	772,298	3,451,480
Less accumulated depreciation	(11,712,103)	(7,291,802)	(6,862,919)	(25,866,824)
Net capital assets	<u>8,667,866</u>	<u>8,796,848</u>	<u>6,372,199</u>	<u>23,836,913</u>
Total noncurrent assets	<u>9,326,295</u>	<u>9,716,664</u>	<u>6,884,461</u>	<u>25,927,420</u>
Total assets	<u>18,573,649</u>	<u>12,625,287</u>	<u>8,757,206</u>	<u>39,956,142</u>
LIABILITIES				
Current liabilities:				
Accounts payable	571,846	19,566	14,353	605,765
Customer deposits	112,410	1,900	-	114,310
Accrued interest payable	14,519	26,391	4,219	45,129
Other accrued expenses	46,633	21,203	22,147	89,983
Sales tax payable	54,397	-	-	54,397
Current portion of long-term obligations	380,000	315,997	242,498	938,495
Total current liabilities	<u>1,179,805</u>	<u>385,057</u>	<u>283,217</u>	<u>1,848,079</u>
Noncurrent liabilities:				
Compensated absences - noncurrent	69,658	32,400	22,258	124,316
Noncurrent portion of long-term obligations	4,575,000	3,047,065	3,247,665	10,869,730
Total noncurrent liabilities	<u>4,644,658</u>	<u>3,079,465</u>	<u>3,269,923</u>	<u>10,994,046</u>
Total liabilities	<u>5,824,463</u>	<u>3,464,522</u>	<u>3,553,140</u>	<u>12,842,125</u>
NET POSITION				
Net investment in capital assets	3,712,866	5,433,786	2,882,036	12,028,688
Restricted for:				
Debt service	546,019	917,916	512,262	1,976,197
Unrestricted	8,490,301	2,809,063	1,809,768	13,109,132
Total net position	<u>\$ 12,749,186</u>	<u>\$ 9,160,765</u>	<u>\$ 5,204,066</u>	<u>\$ 27,114,017</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, 2018

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
Operating revenues:				
User charges	\$ 9,707,127	\$ 1,707,527	\$ 1,465,418	\$ 12,880,072
Customer service charges	35,537	8,387	8,481	52,405
Other revenue	64,051	135,472	13,110	212,633
Total operating revenues	<u>9,806,715</u>	<u>1,851,386</u>	<u>1,487,009</u>	<u>13,145,110</u>
Operating expenses:				
Cost of power	6,276,401	-	-	6,276,401
Personnel	745,943	431,310	407,081	1,584,334
Contract services	58,866	10,830	22,394	92,090
Utilities	89,439	132,979	73,071	295,489
Repairs and maintenance	362,443	238,979	119,278	720,700
Supplies	74,069	29,284	22,672	126,025
Professional fees	39,333	16,099	29,453	84,885
Insurance	59,528	33,973	34,191	127,692
Fuel and transportation	16,932	6,995	11,425	35,352
Dues, memberships & training	16,652	9,924	7,691	34,267
Miscellaneous	6,875	3,916	8,127	18,918
Franchise fees	993,499	93,405	74,881	1,161,785
Depreciation	781,488	333,513	428,734	1,543,735
Total operating expenses	<u>9,521,468</u>	<u>1,341,207</u>	<u>1,238,998</u>	<u>12,101,673</u>
Operating income	285,247	510,179	248,011	1,043,437
Nonoperating revenues (expenses):				
Interest income	66,846	21,321	11,528	99,695
Miscellaneous income	37,189	-	2,536	39,725
Interest expense	(118,790)	(89,158)	(82,633)	(290,581)
Loan administration fees	(800)	(1,800)	(800)	(3,400)
Total nonoperating revenues (expenses)	<u>(15,555)</u>	<u>(69,637)</u>	<u>(69,369)</u>	<u>(154,561)</u>
Income before interfund transfers	269,692	440,542	178,642	888,876
Interfund transfers:				
Transfer to other funds	(480,000)	-	-	(480,000)
Change in net position	(210,308)	440,542	178,642	408,876
Net position - September 30, 2017	<u>12,959,494</u>	<u>8,720,223</u>	<u>5,025,424</u>	<u>26,705,141</u>
Net position - September 30, 2018	<u>\$ 12,749,186</u>	<u>\$ 9,160,765</u>	<u>\$ 5,204,066</u>	<u>\$ 27,114,017</u>

See notes to financial statements.

CITY OF SEWARD, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the year ended September 30, 2018

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$9,805,763	\$1,873,039	\$ 1,481,587	\$13,160,389
Payments to suppliers	(7,968,034)	(564,659)	(391,361)	(8,924,054)
Payments to employees	(740,388)	(432,360)	(402,130)	(1,574,878)
Net cash provided by operating activities	1,097,341	876,020	688,096	2,661,457
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to other funds	(480,000)	-	-	(480,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of property and equipment	(553,324)	(207,884)	(69,315)	(830,523)
Principal payments on capital debt	(391,850)	(326,562)	(254,511)	(972,923)
Interest paid on capital debt	(120,334)	(90,885)	(82,995)	(294,214)
Loan administration fees	(800)	(1,800)	(800)	(3,400)
Net cash used by capital and related financing activities	(1,066,308)	(627,131)	(407,621)	(2,101,060)
CASH FLOWS FROM INVESTING ACTIVITIES:				
(Increase) decrease in certificates of deposit	(23,289)	(1,920)	(1,566)	(26,775)
Interest received	65,841	21,293	11,528	98,662
Net cash provided by investing activities	42,552	19,373	9,962	71,887
Increase (decrease) in cash and cash equivalents	(406,415)	268,262	290,437	152,284
Cash and cash equivalents - beginning of the year	3,717,247	2,619,779	1,256,351	7,593,377
Cash and cash equivalents - end of the year	\$3,310,832	\$2,888,041	\$ 1,546,788	\$ 7,745,661
Composition of cash and cash equivalents:				
Cash and cash equivalents	\$3,119,082	\$2,481,416	\$ 1,413,961	\$ 7,014,459
Restricted cash and cash equivalents	191,750	406,625	132,827	731,202
Total cash and cash equivalents	\$3,310,832	\$2,888,041	\$ 1,546,788	\$ 7,745,661

CITY OF SEWARD, NEBRASKA

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

For the year ended September 30, 2018

	Enterprise Funds			<u>Total</u>
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 285,247	\$ 510,179	\$ 248,011	\$ 1,043,437
Adjustments to reconcile operating income to net cash provided by operating activities:				
Miscellaneous nonoperating revenue	37,189	-	2,536	39,725
Depreciation expense	781,488	333,513	428,734	1,543,735
Change in assets and liabilities:				
Accounts receivable	(37,744)	21,423	(7,958)	(24,279)
Inventories	36,306	743	-	37,049
Accounts payable	(10,303)	10,982	11,822	12,501
Customer deposits	(1,298)	230	-	(1,068)
Sales tax payable	901	-	-	901
Accrued expenses	5,555	(1,050)	4,951	9,456
Net cash provided by operating activities	<u>\$ 1,097,341</u>	<u>\$ 876,020</u>	<u>\$ 688,096</u>	<u>\$ 2,661,457</u>

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, 2018

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, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

Blended Component Units

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

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The following are the discretely presented component units:

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

2. Basis of Presentation

Government-wide Financial Statements

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

CITY OF SEWARD, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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, 2018

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 above 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 above for description.

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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 above 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, 2018

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, 2018

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, 2018

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	\$ 249,155	Sales Tax
Street	33,594	Sales Tax
Street	<u>62,702</u>	Highway Allocation
	<u>\$ 345,451</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, 2018

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, 2018

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, 2018

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, 2018

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.

Equity Restatement

Fund balance for the General Fund was increased \$123,214 and fund balance for the Perpetual Care Fund was decreased \$123,214 to reclassify a bank account that was not restricted for perpetual care to the cemetery department of the General Fund.

CITY OF SEWARD, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Equity Restatement, continued

Net position of the Seward Airport Authority was decreased \$11,364 as of September 30, 2017 to remove unamortized bond financing costs from assets and net position.

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, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Property Taxes, continued

Property taxes levied for 2017-2018 are recorded as revenue when expected to be collected within 60 days after September 30, 2018. 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, 2018

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, 2018

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, 2018

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, 2018. The categories of collateral are defined as follows:

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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	\$ 20,622,226	\$ 1,459,076	\$ 19,163,150	\$ -	\$ <u>20,250,883</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –	
Unrestricted cash and cash equivalents	\$ 10,515,613
Unrestricted certificates of deposit	5,207,299
Restricted cash and cash equivalents	2,902,010
Restricted certificates of deposit	1,374,305
Component Units –	
Unrestricted cash and cash equivalents	97,452
Unrestricted certificates of deposit	<u>154,204</u>
	\$ <u>20,250,883</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, 2018. The categories of investments are defined as follows:

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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>	Category <u>1</u>	Category <u>2</u>	Category <u>3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Publicly Traded Equities	\$ -	\$ 127,162	\$ -	\$ <u>127,162</u>	\$ <u>127,162</u>

Reconciliation to Government-wide Statement of Net Position:

Component Units –

Unrestricted investments	\$ 41,546
Permanently restricted investments	<u>85,616</u>
	\$ <u>127,162</u>

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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

2. Restricted Assets

The restricted assets as of September 30, 2018, 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	\$ 2,170,808	\$ 731,202	\$ 2,902,010	\$ -
Certificates of deposit	15,000	1,359,305	1,374,305	-
Investments	-	-	-	85,616
	<u>\$ 2,185,808</u>	<u>\$ 2,090,507</u>	<u>\$ 4,276,315</u>	<u>\$ 85,616</u>

Restricted cash and investments for governmental activities consists of \$19,518 of General Fund cash restricted for library maintenance, \$868,098 of Street Fund cash restricted for street projects, \$705,372 of Debt Service Fund cash restricted for debt service, \$19,304 of CDBG Fund cash restricted for Federal programs, \$264,507 of LB840 Fund cash restricted for economic development, \$98,608 of TIF Fund cash restricted for economic development, and \$210,401 of Perpetual Care Fund cash and certificates of deposit restricted for cemetery perpetual care.

Restricted business-type assets consist of debt service reserves of \$546,019 for the Electric Fund, \$917,916 for the Water Fund, and \$512,262 for the Sewer Fund. The Electric Fund also has \$112,410 and the Water Fund has \$1,900 restricted for customer deposits.

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

3. Accounts and Notes Receivable

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of minor receivables in the Street Fund. Accounts receivable for the component units consist of minor receivables. Receivables detail at September 30, 2018, is as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Accounts receivable	\$ 14,887	\$ 1,270,625	\$ 1,285,512	\$ 978
Allowance for doubtful accounts	-	(1,116)	(1,116)	-
Net accounts receivable	<u>\$ 14,887</u>	<u>\$ 1,269,509</u>	<u>\$ 1,284,396</u>	<u>\$ 978</u>

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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, 2018:

<u>Type of Loan</u>	<u>Due From</u>	<u>Note Balance at September 30, 2018</u>	<u>Terms</u>
LB840	B & M Seed, LLC	\$ 52,500	2.5%; monthly payments due over 5 years; final payment due 10/1/23
LB840	Sports Express, Inc.	5,264	3.25%; monthly payments due over 7 years; final payment due 5/1/19
LB840	Seward Hotel Group	66,186	3.25%; monthly payments over 15 years; final payment due 9/1/27
LB840	Kelly's Paradise	60,246	2.38%; monthly payments due over 10 years; final payment due 8/1/28
LB840	Barely Legal Distilling, LLC	70,000	2.25%; monthly payments due over 5 years; final payment due 2/1/23
LB840	Precision Pilates	34,409	2.38%; monthly payments due over 5 years; final payment due 8/1/23
LB840	Cornerstone Interiors & Design	61,195	2.13%; monthly payments due over 10 years; final payment due 1/1/28
LB840	SBSX Properties	4,760	3.25%; monthly payments due over 5 years; final payment due 3/1/20
LB840	In Motion	6,064	2.5%; monthly payments due over 5 years; final payment due 12/1/20
LB840	Turning Point Behavioral Health & Addiction Counseling	20,984	1.75%; monthly payments due over 10 years; final payment due 12/1/26

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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>2018</u>	<u>Terms</u>
LB840	Hexagon Properties	92,495	1.875%; monthly payments due over 15 years; final payment due 3/30/32
LB840	Red Path Gallery & Tasting Room	53,964	2.375%; monthly payments due over 10 years; final payment due 8/1/28
LB840	Fullfield Ag, LLC	179,377	1.875%; monthly payments due over 15 years; final payment due 2/15/32

Total notes receivable		\$ <u>707,444</u>	
Current portion		\$ 70,461	
Noncurrent portion		<u>636,983</u>	
		\$ <u>707,444</u>	

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

	<u>Balance at</u> <u>October 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	<u>Balance at</u> <u>September 30, 2018</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 836,814	\$ -	\$ -	\$ -	\$ 836,814
Construction in progress	<u>510,957</u>	<u>67,240</u>	<u>-</u>	<u>(9,140)</u>	<u>569,057</u>
Total capital assets not being depreciated	1,347,771	67,240	-	(9,140)	1,405,871
Other capital assets being depreciated:					
Infrastructure	12,852,900	81,581	-	9,140	12,943,621
Buildings	11,401,272	293,992	-	-	11,695,264
Machinery and equipment	<u>5,501,706</u>	<u>351,467</u>	<u>(8,900)</u>	<u>-</u>	<u>5,844,273</u>
Total other capital assets at historical cost	29,755,878	727,040	(8,900)	9,140	30,483,158
Less accumulated depreciation for:					
Infrastructure	(5,102,963)	(364,681)	-	-	(5,467,644)
Buildings	(3,002,666)	(224,171)	-	-	(3,226,837)
Machinery and equipment	<u>(3,051,154)</u>	<u>(479,657)</u>	<u>8,900</u>	<u>-</u>	<u>(3,521,911)</u>
Total accumulated depreciation	<u>(11,156,783)</u>	<u>(1,068,509)</u> *	<u>8,900</u>	<u>-</u>	<u>(12,216,392)</u>
Other capital assets, net	<u>18,599,095</u>	<u>(341,469)</u>	<u>-</u>	<u>9,140</u>	<u>18,266,766</u>
Governmental activities capital assets, net	<u>\$ 19,946,866</u>	<u>\$ (274,229)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,672,637</u>

* Depreciation expense was charged to governmental activities as follows:

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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

4. Capital Assets, continued

Governmental Activities, continued:

General government	\$ 23,839
Public safety	
Fire	167,937
Police	<u>57,391</u>
Total public safety	225,328
Public works:	
Streets and storm sewers	407,841
Cemetery	<u>27,083</u>
Total public works	434,924
Environment and leisure:	
Civic Center	12,943
Golf	51,709
Library	98,353
Parks and recreation	156,644
Senior Center	17,171
Trails	<u>47,598</u>
Total environment and leisure	<u>384,418</u>
Total governmental depreciation expense	\$ <u>1,068,509</u>

Construction in progress at September 30, 2018, consists of \$101,674 for the Rail Campus project, \$142,088 for the Waverly Road street project, \$319,173 for the Karol Kay Blvd project, and \$6,122 for the GIS update project. See Note D3 for additional details on these projects.

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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

4. Capital Assets, continued

	<u>Balance at</u> <u>October 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	<u>Balance at</u> <u>September 30, 2018</u>
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 264,065	\$ -	\$ -	\$ -	\$ 264,065
Construction in progress	91,049	69,432	-	(30,271)	130,210
Total capital assets not being depreciated	355,114	69,432	-	(30,271)	394,275
Other capital assets being depreciated:					
Buildings	1,264,727	33,331	-	30,271	1,328,329
Distribution systems	44,196,231	333,422	-	-	44,529,653
Equipment	3,057,142	394,338	-	-	3,451,480
Total other capital assets at historical cost	48,518,100	761,091	-	30,271	49,309,462
Less accumulated depreciation for:					
Buildings	(429,061)	(33,940)	-	-	(463,001)
Distribution systems	(21,843,019)	(1,264,992)	-	-	(23,108,011)
Equipment	(2,051,009)	(244,803)	-	-	(2,295,812)
Total accumulated depreciation	(24,323,089)	(1,543,735) *	-	-	(25,866,824)
Other capital assets, net	24,195,011	(782,644)	-	30,271	23,442,638
Business-type capital assets, net	\$ 24,550,125	\$ (713,212)	\$ -	\$ -	\$ 23,836,913

* Depreciation expense was charged to functions as follows:

Electric	\$ 781,488
Water	333,513
Sewer	428,734
Total business-type activities depreciation expense	\$ <u>1,543,735</u>

Construction in progress at September 30, 2018, consists of \$6,122 on the Electric Fund, \$6,122 on the Water Fund, and \$6,122 on the Sewer Fund for the GIS system update, \$78,274 of costs on the Dale’s Hotel electric update project, \$13,706 of costs on the Seward Industrial Substation electrical project, \$3,784 of costs on the rail campus electrical service 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, 2018.

CITY OF SEWARD, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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

4. Capital Assets, continued

	<u>Balance at</u> <u>October 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	<u>Balance at</u> <u>September 30, 2018</u>
<u>Airport Authority:</u>					
Capital assets not being depreciated:					
Land	\$ 105,156	\$ -	\$ -	\$ -	\$ 105,156
Other capital assets being depreciated:					
Buildings	2,871,317	-	-	-	2,871,317
Improvements	2,533,468	9,646	-	-	2,543,114
Equipment	119,840	24,114	-	-	143,954
Total other capital assets at historical cost	<u>5,524,625</u>	<u>33,760</u>	-	-	<u>5,558,385</u>
Less accumulated depreciation for:					
Buildings	(1,016,404)	(86,881)	-	-	(1,103,285)
Improvements	(1,144,349)	(83,376)	-	-	(1,227,725)
Equipment	(89,780)	(8,102)	-	-	(97,882)
Total accumulated depreciation	<u>(2,250,533)</u>	<u>(178,359)</u>	<u>-</u>	<u>-</u>	<u>(2,428,892)</u>
Other capital assets, net	<u>3,274,092</u>	<u>(144,599)</u>	<u>-</u>	<u>-</u>	<u>3,129,493</u>
Airport Authority capital assets, net	<u>\$ 3,379,248</u>	<u>\$ (144,599)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,234,649</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, 2018

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, 2018:

<u>Type of Debt</u>	<u>Balance 9/30/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/2018</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable	\$ 3,808,550	\$ -	\$ (462,450)	\$ 3,346,100	\$ 391,500
Note payable	278,040	-	(47,530)	230,510	48,846
Capital leases	1,061,992	56,737	(655,799)	462,930	110,757
Total governmental	<u>\$ 5,148,582</u>	<u>\$ 56,737</u>	<u>\$ (1,165,779)</u>	<u>\$ 4,039,540</u>	<u>\$ 551,103</u>
Business-type Activities					
Bonds payable	\$ 12,700,450	\$ -	\$ (951,550)	\$ 11,748,900	\$ 928,500
Capital leases	80,698	-	(21,373)	59,325	9,995
Total business-type	<u>\$ 12,781,148</u>	<u>\$ -</u>	<u>\$ (972,923)</u>	<u>\$ 11,808,225</u>	<u>\$ 938,495</u>
Component Units:					
Airport Authority	<u>\$ 516,774</u>	<u>\$ -</u>	<u>\$ (89,746)</u>	<u>\$ 427,028</u>	<u>\$ 73,390</u>

Governmental Activities

As of September 30, 2018, 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. \$ 666,100

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, 2018

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

6. Long-term Debt, continued

Governmental Activities, continued

Bonds payable, continued:

Highway allocation bonds – series 2013, with original issue amount of \$710,000. Interest ranges from 0.40 to 3.90 percent with final maturity July 15, 2028. 500,000

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. 70,000

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. 250,000

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. 190,000

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. 695,000

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. 785,000

Total bonds payable 3,346,100

CITY OF SEWARD, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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. 230,510

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. 45,386

Capital lease obligation due to Union Bank & Trust dated May 5, 2015, with original issue amount of \$145,952 to finance two Groundmaster mowers. The lease bears interest of 10.46 percent and is due in five annual principal and interest payments of \$30,824 commencing May 5, 2015 through May 5, 2019. 29,985

Capital lease obligation due to Bruning State Bank dated April 5, 2016, with original issue amount of \$131,100 to finance golf carts. The lease bears interest of 3.03 percent and is due in five annual principal and interest payments of \$17,160, commencing April 5, 2017 through April 5, 2021, with a final installment of \$41,600 due April 5, 2022. 86,363

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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. 158,821

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. 130,922

Capital lease obligation due to Cattle National Bank dated April 27, 2017, with original issue amount of \$34,053 to finance a Toro Greenmaster mower. The lease bears interest of 3.10 percent and is due in three annual principal and interest payments of \$11,809, commencing August 15, 2017 through August 15, 2019. 11,453

Total capital lease obligations 462,930

Total governmental activities long-term obligations \$ 4,039,540

Current portion \$ 551,103

Noncurrent portion 3,488,437

Total \$ 4,039,540

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, 2018

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

6. Long-term Debt, continued

Business-type Activities

As of September 30, 2018, 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.	\$ 710,000
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.	4,245,000
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.	98,400
Water revenue bonds - series 2013, with original issue amount of \$90,000. Interest is 2.85 percent with maturity September 1, 2027.	90,000
Water revenue bonds - series 2013B, with original issue amount of \$1,580,000. Interest ranges from 1.5 to 4.4 percent with final maturity February 15, 2036.	1,325,000
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.	745,000
Water revenue refunding bonds - series 2016, with original issue amount of \$1,205,000. Interest ranges from 0.95 to 1.80 percent with final maturity June 1, 2026.	1,075,000

CITY OF SEWARD, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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.	20,500
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Sewer revenue bonds – series 2013, with original issue amount of \$90,000. Interest is 3.20 percent with maturity September 1, 2032.	50,000
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Sewer revenue refunding bonds – series 2016, with original issue amount of \$3,860,000. Interest ranges from 2.0 to 2.75 percent with final maturity September 15, 2031.	<u>3,390,000</u>
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Total business-type activity bonds payable	11,748,900
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Capital Lease:

Capital lease obligation due to Caterpillar Finance dated March 15, 2015, with original issue amount of \$99,500 to finance a Caterpillar back hoe loader. The lease bears interest of 4.937 percent and is due in five annual principal and interest payments of \$12,924, commencing March 15, 2015 through March 15, 2019, with a final installment of \$51,765 due March 15, 2020. The Water and Sewer Fund are each paying half of these lease payments.	<u>59,325</u>
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Total business-type activity debt	\$ <u>11,808,225</u>
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Current portion	\$ 938,495
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Noncurrent portion	<u>10,869,730</u>
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Total	\$ <u>11,808,225</u>
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CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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. \$ 265,000

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

Note payable with original principal amount of \$61,184, bearing interest of 5.0 percent, due in annual principal and interest installments through November 1, 2021. 32,302

Nebraska Department of Aeronautics loan with original principal amount of \$220,253, due in 120 monthly installments of \$1,322, bearing no interest through October 31, 2026. 109,726

Total Airport notes and bond payable \$ 427,028

Current portion \$ 73,390

Noncurrent portion 353,638

Total \$ 427,028

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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, 2018, are as follows:

Year Ending September 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 551,103	\$ 84,246	\$ 938,495	\$ 276,025	\$ 73,390	\$ 10,666
2020	561,756	85,377	1,004,280	258,056	79,017	8,686
2021	705,994	75,951	960,450	235,636	72,487	6,429
2022	641,813	56,076	930,000	215,988	65,864	4,323
2023	544,874	42,226	960,000	196,615	60,864	2,636
2024-2028	784,000	108,978	4,130,000	684,917	75,406	919
2029-2033	250,000	20,400	2,215,000	286,121	-	-
2034-2038	-	-	670,000	29,780	-	-
	<u>\$4,039,540</u>	<u>\$ 473,254</u>	<u>\$ 11,808,225</u>	<u>\$2,183,138</u>	<u>\$ 427,028</u>	<u>\$ 33,659</u>

7. Interfund Transactions and Balances

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Electric Fund	\$ 480,000	\$ -
Street Fund:		
Debt Service Fund	-	131,816
Debt Service Fund:		
Street Fund	131,816	-
Electric Fund:		
General Fund	<u>-</u>	<u>480,000</u>
Total Interfund Transfers	<u>\$ 611,816</u>	<u>\$ 611,816</u>

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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 \$659,742 for the year ended September 30, 2018. Both the City and the covered employees' required contribution of \$46,182 was made for the year ended September 30, 2018. 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, 2018.

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 \$2,590,418 and the covered payroll amounted to \$2,014,386 for the year ended September 30, 2018. The City and the employees contributed \$120,424 and \$168,252, respectively, for the year ended September 30, 2018. The employees also contributed \$47,828 to a deferred compensation plan in accordance with Internal Revenue Code Section 457 during the year ended September 30, 2018.

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, 2018, 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, 2018

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, 2018, 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 2018	\$ 628,456
December 2018	113,940
February 2019	56,580
March 2019	309,545
May 2019	1,557,118
June 2019	1,482,899
July 2019	157,397
August 2019	154,683
January 2020	118,600
March 2020	109,554
April 2020	290,041
May 2020	308,991
June 2020	563,155
July 2020	142,996
January 2021	207,420
March 2021	69,054
September 2021	<u>311,175</u>
	<u>\$ 6,581,604</u>

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

CITY OF SEWARD, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

Concentration of Credit Risk. The City’s investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2018, the City’s investments in certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Cattle National Bank	\$ 3,789,084
Jones National Bank	2,585,100
Union Bank	<u>207,420</u>
	<u>\$ 6,581,604</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, 2018.

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 9/30/18</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
Governmental Fund Projects:				
Levee accreditation	\$ 146,110	\$ 88,451	\$ 57,659	September 2019
Waverly Road-Hwy 15 to Karol Kay	181,666	142,088	39,578	Unknown
Rail Campus project	857,579	950	856,629	Unknown
Comprehensive Plan Update	52,000	49,270	2,730	January 2019
Business-type Funds Projects:				
GIS Update	60,000	8,109	51,891	September 2019
Wastewater Treatment Facility Plan Update	34,000	14,000	20,000	September 2019
Industrial Substation	433,782	-	433,782	Unknown

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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 \$5,401 under this lease agreement during the year ended September 30, 2018.

Lease commitments as of September 30, 2018, are as follows:

<u>Year ending September 30,</u>	<u>Commitment</u>
2019	\$ 1,950
2020	1,950
2021	1,950
2022	<u>1,950</u>
	<u>\$ 7,800</u>

4. Land Options

The City has entered into four option agreements giving the City the right to purchase land for a period of time. The first option, dated March 30, 2018, cost \$1,000 and has a term of 18 months, expiring September 30, 2019. The second and third options, dated February 2, 2017, both cost \$5,000 and have a term of three years, expiring February 2, 2020. The fourth option, dated February 21, 2017, cost \$2,500 and has a term of three years, expiring February 21, 2020.

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

NOTE D – OTHER NOTES, continued

5. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2018:

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 6/17/74	Advancement of Natural Gas & Electric Vehicle Infrastructure and Use
Seward County	06/01/2018 thru 05/31/2019	Prosecution Services/Per Year
Seward County	2004 – ongoing	Emergency Management Organization (Joint County-City)
Seward County	1997 – ongoing	EL overhead line-Section 27 & 28, Township N Range 3E
Seward County	1995 – ongoing	Combined Communications Center (Enhanced 911)-est. \$200k/yr
Seward County	1999 – ongoing	Police firearms range
Seward County	2011 – ongoing	Wellhead protection/City pays admin & Legal fees
Seward County Public Power	1980 – ongoing	Joint use of poles/SPPD to pay \$1.50/pole
South Crest Subdivision	1982 – ongoing	Sanity Imp Dist #3-WA & SE/City to provide routine maintenance

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

NOTE D – OTHER NOTES, continued

5. Interlocal Agreements, continued

Parties to Agreement	Agreement Period	Descriptions
Staplehurst, Village of	2000 – ongoing	Use of burnsite for brush & untreated wood/Staplehurst pays \$1,000/yr
Statewide Communications Alliance	2002 – 2032	Jointly own, operate, regulate, manage and maintain statewide system
Upper Big Blue Natural Resources District	05/02/2017 thru 06/30/2020	Construction costs for hiking/bicycle trail \$150,000 paid by Upper Big Blue Natural Resource
Seward County Rural Fire Protection District	07/01/2018 thru 06/30/2019	Fire Protection/Equipment
H-GAC	10/01/2017 thru 09/30/2018	Cooperative purchasing program #17-5994
Seward County Chamber & Development Partnership	10/01/2017 thru 09/30/2018	Economic Development

6. Tax Abatements/Conduit Debt

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

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

CITY OF SEWARD, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

NOTE D – OTHER NOTES, continued

6. Tax Abatements/Conduit Debt, continued

Information relevant to the abatements granted by the CDA for the year ended September 30, 2018 is as follows:

<u>TIF Project:</u>	<u>Years Remaining on TIF Agreements</u>	<u>Conduit Debt Balance</u>	<u>2018 TIF Valuation</u>	<u>TIF Proceeds Received during the year 9-30-2018</u>
Progressive Sheet Metal	10	\$ 32,666	\$ 107,875	\$ 1,799
Sports Express	10	21,701	170,043	4,119
Cobblestone Inn	10	309,266	1,722,369	29,335
B & M Seed	10	42,345	372,527	4,124
Jones Bank	12	531,488	806,953	13,264
Jones Insurance	11	50,433	416,500	6,949
Grimes Construction	12	31,740	235,453	3,322
CNG, Inc.	13	1,141,482	4,334,240	60,758
Lindner	12	66,726	289,390	5,187
Two Creeks Holding	13	52,893	331,914	5,308
Bottle Rocket Brewing	13	125,658	235,975	202
Bradford	14	48,982	82,306	1,260
Peek Properties	12	24,435	10,124	172
Two Creeks Storage	15	26,000	-	-
Fast Mart	15	153,570	524,466	-
		<u>\$ 2,659,385</u>		<u>\$ 135,799</u>

7. Subsequent Events

Management has evaluated subsequent events through January 25, 2019, the date on which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SEWARD, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND

Year ended September 30, 2018

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 1,475,679	\$ 1,473,830	\$ (1,849)
Motor vehicle	132,000	157,230	25,230
Sales tax	726,081	813,447	87,366
Franchise	1,138,768	1,161,785	23,017
Occupation	333,925	349,124	15,199
Intergovernmental	53,300	99,375	46,075
Charges for services	816,165	740,551	(75,614)
Interest income	2,335	13,180	10,845
Grants	290,850	62,005	(228,845)
Contributions	448,000	294,678	(153,322)
Bond/loan proceeds	-	56,737	56,737
Sale of property	77,800	85,580	7,780
Other	13,150	115	(13,035)
	<hr/>	<hr/>	<hr/>
Total resources	5,508,053	5,307,637	(200,416)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	346,336	245,721	(100,615)
Public safety	1,874,578	1,311,063	(563,515)
Public works	389,684	409,931	20,247
Environment and leisure	2,245,810	2,048,190	(197,620)
Capital outlay	869,431	631,954	(237,477)
Principal payments on debt	-	571,279	571,279
Interest expense	15,811	23,350	7,539
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	5,741,650	5,241,488	(500,162)
Resources over (under) charges to appropriations	(233,597)	66,149	299,746
OTHER FINANCING SOURCES (USES)			
Transfers in	-	480,000	480,000
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (233,597)</u>	<u>\$ 546,149</u>	<u>\$ 779,746</u>

CITY OF SEWARD, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
STREET FUND**

Year ended September 30, 2018

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Sales tax	\$ 205,000	\$ 205,056	\$ 56
Intergovernmental	764,873	764,320	(553)
Charges for services	12,603	30,769	18,166
Interest income	195	423	228
Grants	131,816	131,816	-
Other income	2,500	-	(2,500)
	<hr/>	<hr/>	<hr/>
Total resources	1,116,987	1,132,384	15,397
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	732,412	763,586	31,174
Capital projects	675,851	92,326	(583,525)
Principal payments on debt	85,000	84,520	(480)
Interest on long-term debt	15,000	14,736	(264)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	1,508,263	955,168	(553,095)
Resources over (under) charges to appropriations	(391,276)	177,216	568,492
OTHER FINANCING SOURCES (USES)			
Transfers out	(131,816)	(131,816)	-
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (523,092)</u>	<u>\$ 45,400</u>	<u>\$ 568,492</u>

CITY OF SEWARD, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
DEBT SERVICE FUND**

Year ended September 30, 2018

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 458,919	\$ 458,919	\$ -
Interest income	1,150	2,607	1,457
	<hr/>	<hr/>	<hr/>
Total resources	460,069	461,526	1,457
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments	504,980	509,980	5,000
Interest and fees	86,905	89,280	2,375
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	591,885	599,260	7,375
Resources over (under) charges to appropriations	(131,816)	(137,734)	(5,918)
OTHER FINANCING SOURCES (USES)			
Transfer in	131,816	131,816	-
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ -	\$ (5,918)	\$ (5,918)

CITY OF SEWARD, NEBRASKA

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

Year ended September 30, 2018

**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	\$ 5,307,637	\$ 1,132,384	\$ 461,526
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>8,291</u>	<u>(118)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 5,315,928</u></u>	<u><u>\$ 1,132,266</u></u>	<u><u>\$ 461,526</u></u>
Uses/outflows of resources:			
Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedules	\$ 5,241,488	\$ 955,168	\$ 599,260
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>16,216</u>	<u>(11,897)</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 5,257,704</u></u>	<u><u>\$ 943,271</u></u>	<u><u>\$ 599,260</u></u>

SUPPLEMENTARY INFORMATION

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

September 30, 2018

	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds
	CDBG	LB840	TIF	Perpetual Care	
ASSETS					
Grants receivable	\$ 9,761	\$ -	\$ -	\$ -	\$ 9,761
Interest receivable	-	-	-	19	19
Restricted assets:					
Cash and cash equivalents	19,304	264,507	98,608	195,401	577,820
Certificates of deposit	-	-	-	15,000	15,000
Total assets	\$ 29,065	\$ 264,507	\$ 98,608	\$ 210,420	\$ 602,600
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,071	\$ -	\$ 53,828	\$ -	\$ 56,899
Fund balances:					
Nonspendable:					
Cemetery perpetual care	-	-	-	210,420	210,420
Restricted for:					
Federal programs	25,994	-	-	-	25,994
Economic development	-	264,507	44,780	-	309,287
Total fund balances	25,994	264,507	44,780	210,420	545,701
Total liabilities and fund balances	\$ 29,065	\$ 264,507	\$ 98,608	\$ 210,420	\$ 602,600

CITY OF SEWARD, NEBRASKA

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

For the year ended September 30, 2018

	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds
	<u>CDBG</u>	<u>LB840</u>	<u>TIF</u>	<u>Perpetual Care</u>	
REVENUES					
Sales tax	\$ -	\$ 150,000	\$ -	\$ -	\$ 150,000
TIF proceeds	-	-	262,043	-	262,043
Grant revenue	9,761	-	-	-	9,761
Charges for services	-	-	4,026	52	4,078
Contributions	-	-	-	7,125	7,125
Loan proceeds for redevelopers	-	-	23,935	-	23,935
Loan collections	9,409	102,370	-	-	111,779
Interest income	472	782	279	786	2,319
Total revenues	19,642	253,152	290,283	7,963	571,040
EXPENDITURES					
General government	4,059	-	-	-	4,059
Economic development	-	412,748	294,681	-	707,429
Public works	-	-	-	145	145
Total expenditures	4,059	412,748	294,681	145	711,633
Net change in fund balances	15,583	(159,596)	(4,398)	7,818	(140,593)
Fund balances - September 30, 2017					
As originally reported	10,411	424,103	49,178	325,816	809,508
Restatement	-	-	-	(123,214)	(123,214)
As restated	10,411	424,103	49,178	202,602	686,294
Fund balances - September 30, 2018	<u>\$ 25,994</u>	<u>\$ 264,507</u>	<u>\$ 44,780</u>	<u>\$ 210,420</u>	<u>\$ 545,701</u>

CITY OF SEWARD, NEBRASKA

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

September 30, 2018

	<u>Seward Airport Authority</u>	<u>Seward Library Foundation</u>	<u>Total Component Units</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 93,595	\$ 3,857	\$ 97,452
Certificates of deposit	30,000	124,204	154,204
County treasurer cash	8,448	-	8,448
Investments	-	41,546	41,546
Receivables:			
Property tax	3,800	-	3,800
Accounts receivable	978	-	978
Interest	5	-	5
Prepaid insurance	9,939	-	9,939
Total current assets	<u>146,765</u>	<u>169,607</u>	<u>316,372</u>
Noncurrent assets:			
Permanently restricted investments	-	85,616	85,616
Capital assets:			
Land	105,156	-	105,156
Other capital assets, net of depreciation	3,129,493	-	3,129,493
Net capital assets	<u>3,234,649</u>	<u>-</u>	<u>3,234,649</u>
Total noncurrent assets	<u>3,234,649</u>	<u>85,616</u>	<u>3,320,265</u>
Total assets	3,381,414	255,223	3,636,637
LIABILITIES			
Current liabilities:			
Accounts payable	7,850	-	7,850
Accrued interest payable	1,848	-	1,848
Unearned revenue	17,531	-	17,531
Current portion of long-term debt	73,390	-	73,390
Total current liabilities	<u>100,619</u>	<u>-</u>	<u>100,619</u>
Noncurrent liabilities:			
Noncurrent portion of long-term debt	353,638	-	353,638
Total liabilities	<u>454,257</u>	<u>-</u>	<u>454,257</u>
NET POSITION			
Net investment in capital assets	2,807,621	-	2,807,621
Permanently restricted-Guthal	-	85,616	85,616
Unrestricted	119,536	169,607	289,143
Total net position	<u>\$ 2,927,157</u>	<u>\$ 255,223</u>	<u>\$ 3,182,380</u>

CITY OF SEWARD, NEBRASKA

**COMBINING STATEMENT OF ACTIVITIES -
COMPONENT UNITS**

For the year ended September 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Seward Airport Authority:			
Airport	\$ 314,287	\$ 101,997	\$ -
Seward Library Foundation:			
Library support	<u>15,366</u>	<u>-</u>	<u>15,140</u>
Total component units	<u><u>\$ 329,653</u></u>	<u><u>\$ 101,997</u></u>	<u><u>\$ 15,140</u></u>

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position		
	Airport Authority	Community Development Agency	Total Component Units
\$ -	\$ (212,290)	\$ -	\$ (212,290)
-	-	(226)	(226)
<u>\$ -</u>	<u>(212,290)</u>	<u>(226)</u>	<u>(212,516)</u>
General revenues:			
Taxes:			
Property	162,391	-	162,391
Interest income	334	1,951	2,285
Dividends	-	2,071	2,071
Realized and unrealized gains on investments	-	6,281	6,281
Total general revenues	<u>162,725</u>	<u>10,303</u>	<u>173,028</u>
Change in net position	(49,565)	10,077	(39,488)
Net position - beginning of year			
As previously reported	2,988,086	245,146	3,233,232
Restatement	(11,364)	-	(11,364)
As restated	<u>2,976,722</u>	<u>245,146</u>	<u>3,221,868</u>
Net position - end of year	<u>\$ 2,927,157</u>	<u>\$ 255,223</u>	<u>\$ 3,182,380</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
Terry T. Galloway
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, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 25, 2019.

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.

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.

*Amquist, Malthahn,
Galloway & Luth, P.C.*

Grand Island, Nebraska
January 25, 2019