

CITY OF GOTHENBURG, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

RJMeyer
& Associates CPA
Certified Public Accountants

CITY OF GOTHENBURG, NEBRASKA
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Gothenburg
Gothenburg, Nebraska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gothenburg, Nebraska, as of and for the year ended September 30, 2010, which collectively comprise the City of Gothenburg, Nebraska's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of the City of Gothenburg, Nebraska, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Gothenburg, Nebraska, as of September 30, 2010, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the City of Gothenburg, Nebraska, has issued separate reporting entity financial statements for which we have issued our report dated March 31, 2011.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gothenburg, Nebraska as of September 30, 2010, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2011, on our consideration of the City of Gothenburg, Nebraska's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 10 and 45 through 46 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Gothenburg, Nebraska's basic financial statements. The other supplementary information on pages 47 through 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we express no opinion on it.

RJ Meyer & Associates, LLC

North Platte, Nebraska
March 21, 2011

CITY OF GOTHENBURG, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Gothenburg, Nebraska offers its financial statement readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010. We encourage readers to read the information presented here in conjunction with the transactions, events and conditions reflected in the City of Gothenburg, Nebraska's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at September 30, 2010 by \$8,303,849 (net assets). Of this amount, \$3,495,288 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net assets increased \$155,001 from September 30, 2009. Of this amount \$20,083 is a decrease in governmental activities and \$175,084 was an increase in business-type activities.

As of September 30, 2010, the City's governmental funds reported combined ending fund balances of \$5,014,393. Twenty-three and a half percent of this total amount, \$1,178,407 is available for spending at the City's discretion (unreserved fund balance).

As of September 30, 2010, unreserved fund balance for the General Fund was \$1,178,407, or 58% percent, of total General Fund expenditures.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Gothenburg's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information, in addition to the basic financial statements that will enhance the reader's understanding of the financial condition of the City of Gothenburg.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

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

The statement of activities presents information showing how the City's net assets changed during the year ended September 30, 2010. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF GOTHENBURG, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (Continued)

Government-wide Financial Statements (Continued)

Both of the government-wide financial statements distinguish functions of the City 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 include the following functions: general government, public safety, streets and highways, culture and recreation, welfare and other. The business-type activities of the City include its electric, water, sewer and solid waste utilities.

The government-wide financial statements can be found on pages 11 to 14 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, 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 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 cash received and expended, 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 maintains ten 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, CDBG Loan Reuse Fund, Sales Tax Fund, Capital Projects Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other five nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each nonmajor governmental fund is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15 to 19 of this report.

CITY OF GOTHENBURG, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

Proprietary Funds

Enterprise funds, a type of proprietary fund, are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer, and solid waste utilities.

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 that are considered to be major funds. The Solid Waste Fund is considered to be a nonmajor fund.

The basic proprietary fund financial statements can be found on pages 20 to 25 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 26 to 44 of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 47 to 54 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$8,303,849 at September 30, 2010.

The City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related outstanding debt used to acquire the assets, represents approximately 40 percent of the City's net assets. The City uses these capital assets to provide services to citizens; however, they are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources required to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Our analysis of the condensed statement of net assets focuses on the net assets of the City's governmental and business-type activities.

CITY OF GOTHENBURG, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

**City of Gothenburg, Nebraska
Condensed Statement of Net Assets
September 30, 2010 and 2009
(in thousands)**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
ASSETS						
Current and other assets	5,558	5,827	2,820	2,553	8,378	8,380
Capital assets	<u>3,595</u>	<u>3,555</u>	<u>4,024</u>	<u>4,142</u>	<u>7,619</u>	<u>7,697</u>
TOTAL ASSETS	<u>9,153</u>	<u>9,382</u>	<u>6,844</u>	<u>6,695</u>	<u>15,997</u>	<u>16,077</u>
LIABILITIES						
Long-term liabilities outstanding	1,330	940	1,456	1,475	2,786	2,415
Other liabilities	<u>554</u>	<u>1,152</u>	<u>507</u>	<u>514</u>	<u>1,061</u>	<u>1,666</u>
TOTAL LIABILITIES	<u>1,884</u>	<u>2,092</u>	<u>1,963</u>	<u>1,989</u>	<u>3,847</u>	<u>4,081</u>
NET ASSETS						
Invested in capital assets, net of related debt	2,265	1,874	2,568	2,667	4,833	4,541
Restricted	3,822	4,042			3,822	4,042
Unrestricted	<u>1,182</u>	<u>2,039</u>	<u>2,313</u>	<u>3,413</u>	<u>3,495</u>	<u>5,452</u>
TOTAL NET ASSETS	<u>7,269</u>	<u>7,290</u>	<u>6,844</u>	<u>4,706</u>	<u>12,150</u>	<u>11,996</u>

30 percent of the City's total net assets are unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2010, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

CITY OF GOTHENBURG, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

**City of Gothenburg, Nebraska
Condensed Statement of Activities
Years Ended September 30, 2010 and 2009**

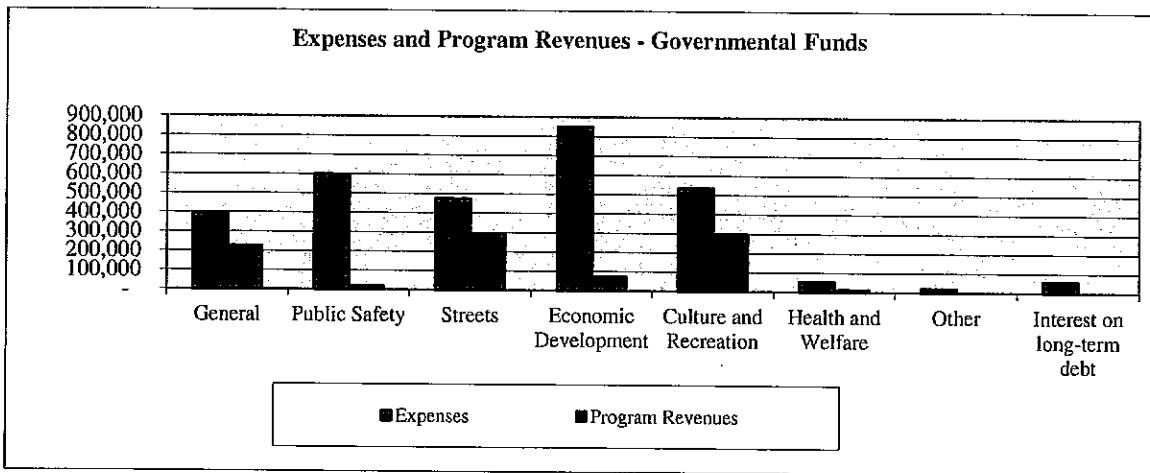
	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	2010	2009	2010	2009	2010	2009
REVENUES						
Program revenues						
Charges for services	122	75	5,556	5,040	5,678	5,115
Capital grants and contributions	785	580			785	580
General revenues						
Property taxes	428	414			428	414
Other taxes	805	793			805	793
Grants and contributions not restricted to specific programs	216	33			216	33
Other	<u>422</u>	<u>361</u>	<u>115</u>	<u>59</u>	<u>537</u>	<u>420</u>
Total revenues	<u>2,778</u>	<u>2,256</u>	<u>5,671</u>	<u>5,099</u>	<u>8,449</u>	<u>7,355</u>
EXPENSES						
General government	395	346			395	346
Public safety	597	632			597	632
Highways/streets	472	355			472	355
Economic development	850	381			850	381
Culture and recreation	533	562			533	562
Health and welfare	54	63			54	63
Other	19	22			19	22
Interest on long-term debt	57	34			57	34
Trash			400	376	400	396
Water			344	332	344	331
Sewer			684	674	684	663
Electric			<u>3,888</u>	<u>3,241</u>	<u>3,888</u>	<u>3,576</u>
Total expenses	<u>2,977</u>	<u>2,395</u>	<u>5,316</u>	<u>4,623</u>	<u>8,293</u>	<u>7,361</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS						
	(200)	(139)	355	133	156	(6)
Transfers	<u>180</u>	<u>180</u>	<u>(180)</u>	<u>(180)</u>	<u> </u>	<u> </u>
INCREASE (DECREASE) IN NET ASSETS						
	(20)	41	175	(47)	156	(6)
NET ASSETS, beginning of year	<u>7,289</u>	<u>7,248</u>	<u>4,706</u>	<u>4,753</u>	<u>11,995</u>	<u>12,001</u>
NET ASSETS, end of year	<u>7,269</u>	<u>7,289</u>	<u>4,881</u>	<u>4,706</u>	<u>12,151</u>	<u>11,995</u>

CITY OF GOTHENBURG, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

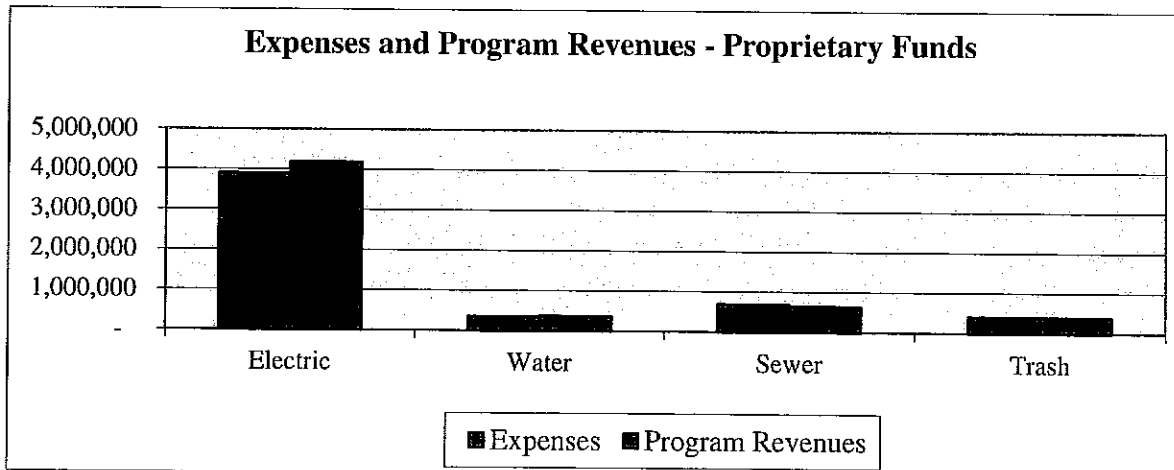
Governmental Activities

Property taxes increased by \$14,082, and sales and use tax revenue increased by \$13,007 during the fiscal year ended September 30, 2010. Legislation passed by the Nebraska Legislature expanded the sales tax base to include certain services.



Business-Type Activities

Charges for services for business-type activities increased by approximately \$441,007, or 8.6 percent.



CITY OF GOTHENBURG, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

The focus of the City'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's financing requirements. In particular, unreserved 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 September 30, 2010, the City's governmental funds reported combined ending fund balances of \$5,014,393. Approximately 23.5 percent of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remaining fund balance of \$3,835,986 has already been committed and is reserved for: 1) economic development (\$3,281,396), 2) for debt service (\$506,828), 3) for the library (\$8,479), and 4) culture and recreation (\$25,728).

The General Fund is the chief operating fund of the City. At September 30, 2010, unreserved fund balance of the General Fund was \$1,178,407, as was its total fund balance. This represents a decrease of the General Fund's total (unrestricted) fund balance of \$200,160 during 2010. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 58 percent of total General Fund expenditures, while its total fund balance also represents 58 percent of the General Fund's total expenditures.

The Debt Service Fund had a fund balance of \$506,828 at September 30, 2010 as a result of a net increase in fund balance during 2010 of \$35,630. The City uses the Debt Service Fund to accumulate monies for principal and interest payments of various purpose, refunding and fire department tax anticipation bonds. Financing is provided by property taxes for the City's share of debt.

Proprietary Funds

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

Unrestricted net assets of the Electric, Water, Sewer, and Waste Utility Funds amounted to \$2,150,180, \$(142,300), \$238,902, and \$66,625, respectively, at September 30, 2010. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences between the original budget and the final budget amounts for the year ended September 30, 2010.

CITY OF GOTHENBURG, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$7,618,565 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, and assets within the electric, water, and sewer systems.

**Capital Assets (net of depreciation)
September 30, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	187,309	31,581	218,890
Buildings and equipment	6,023,489	13,704,575	19,728,064
Infrastructure	1,114,989		1,114,989
Accumulated depreciation	<u>(3,730,786)</u>	<u>(9,712,592)</u>	<u>(13,443,378)</u>
Totals	<u>3,595,001</u>	<u>4,023,564</u>	<u>7,618,565</u>

Additional information on the City's capital assets can be found in Note 7 on pages 38 - 39 of this report.

Long-Term Debt

At September 30, 2010, the end of the current fiscal year, the City had total long-term debt outstanding of \$2,785,514. Bonded indebtedness represents \$1,330,000 of this amount, and is backed by the full faith and credit of the City. The remaining \$1,455,514 of the City's debt represents loans secured solely by specified revenue sources (i.e., NDEQ loans).

Additional information on the City's long-term debt can be found in Note 9 on pages 40 - 42 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Gothenburg, Nebraska's finances. If you have questions concerning any of the information provided in this report or need additional financial information, contact Bruce Clymer, City Administrator, City of Gothenburg, 409 9th Street, Gothenburg, Nebraska 69138.

CITY OF GOTHENBURG, NEBRASKA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash equivalents	633,989.87	931,252.52	1,565,242.39
Cash on deposit - County Treasurer	35,749.86	-	35,749.86
Certificates of deposit	169,810.65	1,139,486.96	1,309,297.61
Receivables (net of allowance for uncollectibles)	189,970.55	565,801.16	755,771.71
Property taxes receivable			
Current	5,964.23	-	5,964.23
Deferred	16,027.57	-	16,027.57
Sales tax receivable	85,393.44	-	85,393.44
Special assessments			
Deferred	336,211.96	-	336,211.96
Delinquent	17,437.92	-	17,437.92
Notes receivable	327,600.00	-	327,600.00
Notes receivable - RDA	1,195,532.35	-	1,195,532.35
Restricted assets			
Temporarily restricted			
RDA bonds	1,738,417.32	113,909.15	1,852,326.47
Cash and cash equivalents	790,279.64	-	790,279.64
Deferred assesments	-	70,255.05	70,255.05
Deferred bond costs	16,036.50	-	16,036.50
Capital assets (net of accumulated depreciation)			
Land	187,309.00	31,581.00	218,890.00
Infrastructure	1,114,989.00	-	1,114,989.00
Buildings and equipment	6,023,489.35	13,704,575.41	19,728,064.76
Less accumulated depreciation	<u>(3,730,786.21)</u>	<u>(9,712,592.12)</u>	<u>(13,443,378.33)</u>
TOTAL ASSETS	<u>9,153,423.00</u>	<u>6,844,269.13</u>	<u>15,997,692.13</u>

CITY OF GOTHENBURG, NEBRASKA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Accounts payable	60,398.24	368,702.23	429,100.47
Accrued interest	-	12,107.57	12,107.57
Payroll taxes payable	13,036.19	-	13,036.19
Sales tax payable	-	16,950.21	16,950.21
Deferred tax revenue	10,063.34	-	10,063.34
Deferred assessments	353,649.83	70,255.39	423,905.22
Accrued compensated absences	26,117.68	17,912.06	44,029.74
Customer deposits	-	21,370.26	21,370.26
Cash deficit - equity in pooled cash	90,844.84	-	90,844.84
Noncurrent liabilities			
Due within one year	115,000.00	239,081.89	354,081.89
Due in more than one year	1,215,000.00	1,216,431.98	2,431,431.98
TOTAL LIABILITIES	<u>1,884,110.12</u>	<u>1,962,811.59</u>	<u>3,846,921.71</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,265,001.14	2,568,050.42	4,833,051.56
Restricted for:			
Debt service	506,827.62	-	506,827.62
Economic development	3,281,396.34	-	3,281,396.34
Library	8,478.99	-	8,478.99
Keno	25,728.07	-	25,728.07
Unrestricted	1,181,880.72	2,313,407.12	3,495,287.84
TOTAL NET ASSETS	<u>7,269,312.88</u>	<u>4,881,457.54</u>	<u>12,150,770.42</u>
TOTAL LIABILITIES AND NET ASSETS	<u>9,153,423.00</u>	<u>6,844,269.13</u>	<u>15,997,692.13</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GOTHENBURG, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Functions/programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities		Total
					Governmental Activities	Business-Type Activities	
Primary government							
Governmental activities							
General Government	395,019.54	13,768.65	207,003.25	(174,247.64)	-	-	(174,247.64)
Public Safety	597,701.62	18,780.02	-	(578,921.60)	-	-	(578,921.60)
Streets and Highways	472,570.52	-	290,591.05	(181,979.47)	-	-	(181,979.47)
Economic Development	849,637.74	-	71,589.00	(778,048.74)	-	-	(778,048.74)
Culture and Recreation	532,648.12	77,642.11	216,072.32	(238,933.69)	-	-	(238,933.69)
Health and Welfare	53,547.50	11,530.00	-	(42,017.50)	-	-	(42,017.50)
Other	19,365.75	-	-	(19,365.75)	-	-	(19,365.75)
Interest on long-term debt	57,376.90	-	-	(57,376.90)	-	-	(57,376.90)
Total governmental activities	<u>2,977,867.69</u>	<u>121,720.78</u>	<u>785,255.62</u>	<u>(2,070,891.29)</u>	<u>-</u>	<u>-</u>	<u>(2,070,891.29)</u>
Business-type activities							
Electric	3,887,960.50	4,172,049.48	-	-	284,088.98	284,088.98	284,088.98
Water	344,669.68	360,724.15	-	-	16,054.47	16,054.47	16,054.47
Sewer	683,895.11	630,425.71	-	-	(53,469.40)	(53,469.40)	(53,469.40)
Trash	399,711.21	392,554.69	-	-	(7,156.52)	(7,156.52)	(7,156.52)
Total business-type activities	<u>5,316,236.50</u>	<u>5,555,754.03</u>	<u>-</u>	<u>-</u>	<u>239,517.53</u>	<u>239,517.53</u>	<u>239,517.53</u>
Total primary government	<u>8,294,104.19</u>	<u>5,677,474.81</u>	<u>785,255.62</u>	<u>(2,070,891.29)</u>	<u>239,517.53</u>	<u>(1,831,373.76)</u>	<u>(1,831,373.76)</u>
General revenues							
Property taxes, levied for general purposes				428,273.82	-	-	428,273.82
Sales taxes, levied for general purposes				475,835.14	-	-	475,835.14
Sales taxes, levied for economic development				237,917.62	-	-	237,917.62
Franchise taxes				23,315.90	-	-	23,315.90
Motor vehicle taxes				66,604.92	-	-	66,604.92

CITY OF GOTHENBURG, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
General revenues (Continued)						
Payments in-lieu-of taxes		1,263.66		-		1,263.66
Licenses and permits		14,914.22		-		14,914.22
Special assessments		149,890.21		-		149,890.21
Grants and contributions not restricted to specific programs		216,386.32		75,000.00		291,386.32
Unrestricted investment earnings		5,179.94		37,132.46		42,312.40
Restricted investment earnings		55,643.11		-		55,643.11
Rental income		5,708.25		-		5,708.25
Keno lottery		10,502.48		-		10,502.48
Other receipts		179,372.58		-		179,372.58
Total general revenues		1,870,808.17		115,567.76		1,986,375.93
Transfers		180,000.00		(180,000.00)		-
CHANGE IN NET ASSETS		(20,083.12)		175,085.29		155,002.17
NET ASSETS, beginning of year		7,289,396.00		4,706,372.25		11,995,768.25
NET ASSETS, end of year		7,269,312.88		4,881,457.54		12,150,770.42

The notes to the financial statements are an integral part of this statement.

CITY OF GOTHENBURG, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUND TYPES
SEPTEMBER 30, 2010

	CDBG					Total Governmental Funds
	General	Loan Reuse	Debt Service	Sales Tax	Other Governmental Funds	
ASSETS						
Cash (including cash equivalents)	620,434.80	-	-	-	13,555.07	633,989.87
Cash on deposit - County Treasurer	35,749.86	-	-	-	-	35,749.86
Certificates of deposit	169,810.65	-	-	-	-	169,810.65
Receivables (net of allowance for uncollectibles)	-	102,666.33	-	42,696.72	44,607.50	189,970.55
Property taxes receivable						
Current	5,964.23	-	-	-	-	5,964.23
Deferred	16,027.57	-	-	-	-	16,027.57
Accrued interest receivable	-	-	-	-	-	-
Sales tax receivable	-	-	-	-	-	-
Special assessments (net)	85,393.44	-	-	-	-	85,393.44
Deferred	-	-	-	-	-	-
Delinquent	5,294.40	-	336,211.96	-	-	336,211.96
Notes Receivable	327,600.00	-	12,143.52	-	-	17,437.92
Notes Receivable - RDA	-	1,195,532.35	-	-	-	327,600.00
Restricted assets - cash and cash equivalents	-	-	-	-	-	1,195,532.35
Temporarily restricted	-	-	-	-	-	-
RDA bonds	-	-	-	1,738,417.32	-	1,738,417.32
Cash and equivalents	-	247,677.69	506,827.62	-	35,774.33	790,279.64
TOTAL ASSETS	<u>1,266,274.95</u>	<u>1,545,876.37</u>	<u>855,183.10</u>	<u>1,781,114.04</u>	<u>93,936.90</u>	<u>5,542,385.36</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	56,094.97	-	-	-	-	56,094.97
Payroll taxes payable	13,036.19	-	-	-	-	13,036.19
Deferred tax revenue	10,063.34	-	-	-	-	10,063.34
Deferred assessments	5,294.35	-	348,355.48	-	-	353,649.83
Other liabilities	3,379.27	-	-	-	924.00	4,303.27
Cash deficit - equity in pooled cash	-	-	-	90,844.84	-	90,844.84
Total liabilities	<u>87,868.12</u>	<u>-</u>	<u>348,355.48</u>	<u>90,844.84</u>	<u>924.00</u>	<u>527,992.44</u>
FUND BALANCES						
Reserved for:						
Debt service	-	-	506,827.62	-	-	506,827.62
Economic development	-	1,545,876.37	-	1,690,269.20	45,250.77	3,281,396.34
Library	-	-	-	-	8,478.99	8,478.99
Culture and Recreation	-	-	-	-	25,728.07	25,728.07
Unreserved, reported in:						
General Fund	1,178,406.83	-	-	-	-	1,178,406.83
Special revenue funds (designated)	-	-	-	-	-	-
Total fund balances	<u>1,178,406.83</u>	<u>1,545,876.37</u>	<u>506,827.62</u>	<u>1,690,269.20</u>	<u>93,012.90</u>	<u>5,014,392.92</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,266,274.95</u>	<u>1,545,876.37</u>	<u>855,183.10</u>	<u>1,781,114.04</u>	<u>93,936.90</u>	<u>5,542,385.36</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GOTHENBURG
RECONCILIATION OF THE BALANCE SHEET
OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2010

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

Fund Balance - total governmental funds	5,014,392.92
Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.	3,611,037.64
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,356,117.68)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>7,269,312.88</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GOTHENBURG, NEBRASKA
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND TYPES
 YEAR ENDED SEPTEMBER 30, 2010

	CDBG				Other Governmental Funds	Total Governmental Funds
	General	Loan Reuse	Debt Service	Sales Tax		
REVENUES						
Property taxes	428,273.82	-	-	-	-	428,273.82
Sales taxes	475,835.14	-	-	237,917.62	-	713,752.76
Motor vehicle taxes	66,604.92	-	-	-	-	66,604.92
Franchise taxes	23,315.90	-	-	-	-	23,315.90
Licenses and permits	14,914.22	-	-	-	-	14,914.22
Intergovernmental	715,244.28	-	-	-	298,163.80	1,013,408.08
Charges for services	41,350.00	-	-	-	-	41,350.00
Special assessments	-	-	149,890.21	-	-	149,890.21
Interest	5,179.94	14,307.79	2,974.44	38,210.85	150.03	60,823.05
Other	136,289.16	-	0.33	102,450.42	26,711.70	265,451.61
Total revenues	1,907,007.38	14,307.79	152,864.98	378,578.89	325,025.53	2,777,784.57

EXPENDITURES	
Current	
General Government	361,713.18
Public Safety	511,601.23
Streets	412,312.40
City Hall	13,148.94
Health and Welfare	44,320.45
Library	217,715.96
Culture and Recreation	222,804.77
Tree Lot/Compost	365.75
Economic Development	-
Community Service	19,000.00
Capital outlay	290,734.97
Debt service	-
Principal	110,000.00
Interest	57,376.90
Total expenditures	3,145,497.83

General Government	360,513.18	-	1,200.00	-	-	361,713.18
Public Safety	485,674.57	-	-	-	25,926.66	511,601.23
Streets	412,312.40	-	-	-	-	412,312.40
City Hall	13,148.94	-	-	-	-	13,148.94
Health and Welfare	44,320.45	-	-	-	-	44,320.45
Library	217,715.96	-	-	-	11,796.02	229,511.98
Culture and Recreation	222,804.77	-	-	-	8,400.00	231,204.77
Tree Lot/Compost	365.75	-	-	-	-	365.75
Economic Development	-	-	-	675,831.54	173,806.20	849,637.74
Community Service	-	-	-	19,000.00	-	19,000.00
Capital outlay	290,734.97	-	-	-	8,569.52	299,304.49
Debt service	-	-	110,000.00	-	-	110,000.00
Principal	-	-	57,376.90	-	-	57,376.90
Interest	-	-	174,576.90	-	-	174,576.90
Total expenditures	2,047,590.99	-	174,576.90	694,831.54	228,498.40	3,145,497.83

CITY OF GOTHENBURG, NEBRASKA
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND TYPES
 YEAR ENDED SEPTEMBER 30, 2010

	General	CDBG Loan Reuse	Debt Service	Sales Tax	Other Governmental Funds	Total Governmental Funds
REVENUES OVER (UNDER) EXPENDITURE	(140,583.61)	14,307.79	(21,711.92)	(316,252.65)	96,527.13	(367,713.26)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	180,000.00	-	89,680.83	-	149,895.73	419,576.56
Bond proceeds	-	-	500,000.00	-	-	500,000.00
Operating transfers out	(239,576.56)	-	-	-	-	(239,576.56)
Payments on warrants	-	-	(532,338.15)	-	(199,055.00)	(731,393.15)
Warrant proceeds	-	-	-	-	1,500.00	1,500.00
Total other financing sources (uses)	(59,576.56)	-	57,342.68	-	(47,659.27)	(49,893.15)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(200,160.17)	14,307.79	35,630.76	(316,252.65)	48,867.86	(417,606.41)
FUND BALANCES, beginning of year	1,378,567.00	1,531,568.58	471,196.86	2,006,521.85	44,144.89	5,431,999.18
FUND BALANCES, end of year	1,178,406.83	1,545,876.37	506,827.62	1,690,269.20	93,012.75	5,014,392.77

The notes to the financial statements are an integral part of this statement.

CITY OF GOTHENBURG, NEBRASKA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010

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

Net change in fund balances - total governmental funds	(417,606.41)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	49,738.79
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>347,784.50</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>(20,083.12)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GOTHENBURG, NEBRASKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business-Type Activities Enterprise Funds				Total
	Electric	Water	Sewer	Waste	
ASSETS					
Current Assets					
Cash and cash equivalents	982,202.28	53,398.18	72,771.05	50,269.04	1,158,640.55
Certificates of deposit	1,139,486.96	-	-	-	1,139,486.96
Accounts receivable	345,904.97	38,360.66	68,177.80	42,712.61	495,156.04
Unbilled revenue	51,877.36	4,657.96	8,593.22	5,516.58	70,645.12
Restricted investment - RDA Bonds	-	1,757.42	112,151.73	-	113,909.15
Total current assets	<u>2,519,471.57</u>	<u>98,174.22</u>	<u>261,693.80</u>	<u>98,498.23</u>	<u>2,977,837.82</u>
Capital Assets					
Land	31,581.00	-	-	-	31,581.00
Buildings and equipment	6,026,431.01	1,929,301.87	5,727,595.64	21,246.89	13,704,575.41
Less accumulated depreciation	<u>(4,066,062.52)</u>	<u>(1,490,411.41)</u>	<u>(4,134,871.30)</u>	<u>(21,246.89)</u>	<u>(9,712,592.12)</u>
Net capital assets	<u>1,991,949.49</u>	<u>438,890.46</u>	<u>1,592,724.34</u>	<u>-</u>	<u>4,023,564.29</u>
Other Assets					
Deferred assessments receivable	-	46,257.22	23,997.83	-	70,255.05
Total other assets	<u>-</u>	<u>46,257.22</u>	<u>23,997.83</u>	<u>-</u>	<u>70,255.05</u>
TOTAL ASSETS	<u>4,511,421.06</u>	<u>583,321.90</u>	<u>1,878,415.97</u>	<u>98,498.23</u>	<u>7,071,657.16</u>
LIABILITIES					
Current liabilities					
Cash deficit - equity in pooled cash	-	227,388.03	-	-	227,388.03
Accounts payable	324,320.83	9,351.79	3,156.11	31,873.50	368,702.23
Accrued interest	-	-	12,107.57	-	12,107.57
Accrued payroll taxes	-	-	-	-	-
Taxes payable	14,708.44	-	2,241.77	-	16,950.21
Current portion of long-term debt - loan	-	-	239,081.89	-	239,081.89
Total current liabilities	<u>339,029.27</u>	<u>236,739.82</u>	<u>256,587.34</u>	<u>31,873.50</u>	<u>864,229.93</u>

CITY OF GOTHENBURG, NEBRASKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business-Type Activities Enterprise Funds				Total
	Electric	Water	Sewer	Waste	
LIABILITIES (Continued)					
Current liabilities payable from restricted assets					
Consumer deposits	21,370.26	-	-	-	21,370.26
Noncurrent liabilities					
Loan payable (net of current portion)	-	-	1,216,431.98	-	1,216,431.98
Other liabilities					
Deferred assessments	-	46,257.58	23,997.81	-	70,255.39
Compensated absences	8,891.63	3,734.48	5,285.95	-	17,912.06
Total other liabilities	8,891.63	49,992.06	29,283.76	-	88,167.45
TOTAL LIABILITIES	369,291.16	286,731.88	1,502,303.08	31,873.50	2,190,199.62
NET ASSETS					
Invested in capital assets, net of related debt					
Unrestricted	1,991,949.49	438,890.46	137,210.47	-	2,568,050.42
	2,150,180.41	(142,300.44)	238,902.42	66,624.73	2,313,407.12
TOTAL NET ASSETS	4,142,129.90	296,590.02	376,112.89	66,624.73	4,881,457.54
TOTAL LIABILITIES AND NET ASSETS	4,511,421.06	583,321.90	1,878,415.97	98,498.23	7,071,657.16

The notes to the financial statements are an integral part of this statement.

CITY OF GOTHENBURG, NEBRASKA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2010

	Business-Type Activities Enterprise Funds				Total
	Electric	Water	Sewer	Waste	
OPERATING REVENUES					
Charge for services	4,129,890.00	334,194.95	620,119.85	392,487.20	5,476,692.00
Other	42,159.48	26,529.20	10,305.86	67.49	79,062.03
Total operating revenues	4,172,049.48	360,724.15	630,425.71	392,554.69	5,555,754.03
Less: Cost of purchased power	3,129,490.69	-	-	-	3,129,490.69
GROSS OPERATING MARGIN	1,042,558.79	360,724.15	630,425.71	392,554.69	2,426,263.34
OPERATING EXPENSES					
Chemicals	2,008.49	140.00	119.00	-	2,267.49
Administrative services	6,683.27	5,371.73	3,844.28	-	15,899.28
Personal services	363,979.44	144,691.33	214,236.80	-	722,907.57
Insurance	29,904.80	14,952.40	14,952.40	-	59,809.60
Supplies	32,313.03	4,998.96	18,632.96	-	55,944.95
Postage	1,046.27	787.46	497.38	-	2,331.11
Trash haulers	-	-	-	378,840.75	378,840.75
Recycling fee	-	-	-	8,173.80	8,173.80
Bad debts	3,525.23	447.00	762.25	-	4,734.48
Repairs and maintenance	53,869.60	55,791.87	46,182.93	-	155,844.40
Utilities	11,618.28	42,800.64	50,955.83	-	105,374.75
Haul and spread sludge	-	-	8,892.45	-	8,892.45
Fuel/grease/oil/tires	10,830.65	7,881.23	6,506.40	-	25,218.28
Taxes	19,728.62	1,408.98	-	-	21,137.60
Other professional services	4,687.50	1,568.75	13,390.94	-	19,647.19
Depreciation	209,150.76	59,519.36	258,769.45	-	527,439.57
Miscellaneous	9,123.87	4,309.97	1,205.38	12,696.66	27,335.88
Total operating expenses	758,469.81	344,669.68	638,948.45	399,711.21	2,141,799.15
OPERATING INCOME (LOSS)	284,088.98	16,054.47	(8,522.74)	(7,156.52)	284,464.19
NONOPERATING REVENUES					
(EXPENSES)					
Interest income	26,912.62	2,553.55	7,666.29	-	37,132.46
Grants received	-	-	75,000.00	-	75,000.00
Gain on sale of fixed assets	3,435.30	-	-	-	3,435.30
Interest expense	-	-	(44,946.66)	-	(44,946.66)
Total nonoperating revenues (expenses)	30,347.92	2,553.55	37,719.63	-	70,621.10

CITY OF GOTHENBURG, NEBRASKA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2010

	Business-Type Activities Enterprise Funds				Total
	Electric	Water	Sewer	Waste	
TRANSFERS OUT	(180,000.00)	-	-	-	(180,000.00)
NET INCOME (LOSS)	134,436.90	18,608.02	29,196.89	(7,156.52)	175,085.29
NET ASSETS, beginning of year	4,007,693.00	277,982.00	346,916.00	73,781.25	4,706,372.25
NET ASSETS, end of year	4,142,129.90	296,590.02	376,112.89	66,624.73	4,881,457.54

The notes to the financial statements are an integral part of this statement.

CITY OF GOTHENBURG, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-Type Activities Enterprise Funds				Total
	Electric	Water	Sewer	Waste	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	4,135,829.43	332,973.64	626,602.42	389,018.76	5,484,424.25
Other operating cash receipts	42,159.48	26,529.20	10,305.86	67.49	79,062.03
Cash payments to suppliers	(3,314,830.30)	(140,458.99)	(165,942.20)	(399,711.21)	(4,020,942.70)
Cash payments to employees	(363,979.44)	(144,691.33)	(214,236.80)	-	(722,907.57)
Net cash provided by (used by) operating activities	<u>499,179.17</u>	<u>74,352.52</u>	<u>256,729.28</u>	<u>(10,624.96)</u>	<u>819,636.01</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Cash paid for property and equipment	(258,472.75)	(43,893.08)	(106,221.64)	-	(408,587.47)
Cash paid for interest	-	-	(45,111.66)	-	(45,111.66)
Cash paid for loan principal	-	-	(224,686.30)	-	(224,686.30)
Net cash used in capital and related financing activities	<u>(258,472.75)</u>	<u>(43,893.08)</u>	<u>(376,019.60)</u>	<u>-</u>	<u>(678,385.43)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Increase (Decrease) in consumer dep	(899.76)	-	-	-	(899.76)
Receipts of interest income	18,499.62	2,553.55	7,666.29	-	28,719.46
TIF & assessment receipts	-	20,159.49	25,657.56	-	45,817.05
Purchase certificate of deposit	(120,421.00)	-	-	-	(120,421.00)
Net cash provided by (used in) investing activities	<u>(102,821.14)</u>	<u>22,713.04</u>	<u>33,323.85</u>	<u>-</u>	<u>(46,784.25)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Increase (Decrease) equity in pooled cash	-	(46,097.30)	83,737.52	-	37,640.22
Grant proceeds	-	-	75,000.00	-	75,000.00
Transfer out	(180,000.00)	-	-	-	(180,000.00)
Net cash provided by (used in) noncapital financing sources	<u>(180,000.00)</u>	<u>(46,097.30)</u>	<u>158,737.52</u>	<u>-</u>	<u>(67,359.78)</u>

CITY OF GOTHENBURG, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-Type Activities Enterprise Funds				
	Electric	Water	Sewer	Waste	Total
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(42,114.72)	7,075.18	72,771.05	(10,624.96)	27,106.55
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,024,317.00</u>	<u>46,323.00</u>	<u>-</u>	<u>60,894.00</u>	<u>1,131,534.00</u>
CASH AND CASH EQUIVALENTS, end of year (including all restricted cash)	<u>982,202.28</u>	<u>53,398.18</u>	<u>72,771.05</u>	<u>50,269.04</u>	<u>1,158,640.55</u>
OTHER SUPPLEMENTAL INFORMATION					
Cash and cash equivalents (claim on cash)	<u>982,202.28</u>	<u>53,398.18</u>	<u>72,771.05</u>	<u>50,269.04</u>	<u>1,158,640.55</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	<u>284,088.98</u>	<u>16,054.47</u>	<u>(8,522.74)</u>	<u>(7,156.52)</u>	<u>284,464.19</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					-
Depreciation and amortization	209,150.76	59,519.36	258,769.45	-	527,439.57
(Increase) Decrease in accrued compensation	9,243.37	4,406.52	6,070.05	-	19,719.94
(Increase) Decrease in unbilled rev	(5,100.36)	(541.96)	57.78	(46.58)	(5,631.12)
(Increase) decrease in accounts receivable	(51,622.97)	(6,326.66)	(3,860.80)	(3,537.61)	(65,348.04)
(Increase) Decrease in accrued interest		-	1,488.43	-	1,488.43
(Increase) Decrease in taxes payabl	1,677.56	324.00	3,072.00	-	5,073.56
Increase (Decrease) in accounts payable and accrued expenses	<u>51,741.83</u>	<u>916.79</u>	<u>(344.89)</u>	<u>115.75</u>	<u>52,429.48</u>
Total adjustments	<u>215,090.19</u>	<u>58,298.05</u>	<u>265,252.02</u>	<u>(3,468.44)</u>	<u>535,171.82</u>
Net cash provided by (used by) operating activities	<u>499,179.17</u>	<u>74,352.52</u>	<u>256,729.28</u>	<u>(10,624.96)</u>	<u>819,636.01</u>

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gothenburg, Nebraska operates under the provisions of statutes of the State of Nebraska. The City operates under a Mayor-Council form of government and provides the following services: general (administrative), public works (streets), public health and safety (police and fire), cemetery, public library, cultural and recreation (parks), electric, water, sanitation, solid waste maintenance, public improvements, planning and zoning, and redevelopment assistance.

A. REPORTING ENTITY

The financial statements include only the primary government of the City of Gothenburg, Nebraska. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices of the City that are not legally separate. Such legally separate entities are referred to as component units.

The City of Gothenburg, Nebraska has one component unit over which it exercises significant influence, the City of Gothenburg Community Redevelopment Authority. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The Redevelopment Authority is considered a component unit of the City of Gothenburg, Nebraska because it is benefited by tax increment financing.

These financial statements encompass only the primary government of the City of Gothenburg, Nebraska and do not include the component unit. The Redevelopment Authority issues separately audited financial statements that may be obtained from the City Clerk of the City of Gothenburg, Nebraska.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining nonmajor governmental or enterprise funds are aggregated and reported as other governmental or enterprise funds.

C. BASIS OF PRESENTATION

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City uses the following fund categories, fund types, and major funds:

Governmental Funds

The City reports the following major governmental funds:

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

CDBG Loan Reuse Fund - The CDBG Loan Reuse Fund is used to account for the accumulation of resources, and the payment of expenses related to projects for the expansion and creation of new jobs within the City.

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

Sales Tax Fund - The Sales Tax Fund is used to account for the accumulation of sales tax revenues, and related expenses for projects relating to the expansion and creation of new jobs within the City.

Capital Project Funds (when needed) - The Capital Project Funds account for acquisition of fixed assets or construction of major capital facilities not being financed by proprietary funds or nonexpendable trust funds.

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF PRESENTATION (Continued)

Governmental Funds (Continued)

Additionally, the City reports the following nonmajor fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital) that are legally restricted to expenditures for specified purposes.

Proprietary Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises; or (b) where the governing body has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

The City reports the following major proprietary funds:

Electric Fund - The Electric Fund accounts for the revenues and expenses of the electric utility. The electric utility purchases electricity wholesale from Nebraska Public Power and retails it to the residents of the City.

Water Fund - The Water Fund accounts for the revenues and expenses of the water utility. The water utility pumps, transmits, stores and distributes water to the residents of the City.

Sewer Fund - The Sewer Fund accounts for the revenues and expenses of the sewer utility. The sewer utility pumps, transmits, and processes the liquid waste of the residents of the City.

The City reports the following nonmajor proprietary fund:

Waste Fund - The Waste Fund accounts for the revenues and expenses of the waste utility. The waste utility collects and transmits the solid waste of the residents of the City.

Fiduciary Funds

The Trust Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Nonexpendable Trust and Pension Trust Funds.

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales and services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

E. BUDGET AND BUDGETARY ACCOUNTING

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

Prior to September 10, the Treasurer submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayer comments.

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGET AND BUDGETARY ACCOUNTING (Continued)

Prior to September 10, the budget is legally enacted by formal approval by the City Council.

Formal budgetary integration is employed as a management control device during the year for all reported funds.

City expenditures are limited to budgeted amounts. The City must hold a public hearing to authorize expenditures in excess of budget.

F. INVESTMENTS

Investments are carried at fair value. Short-term investments (U.S. Government Securities) are reported at amortized cost, which approximates fair value.

G. RECEIVABLES

Loans are made from reuse money in Special Revenue funds to local businesses for economic development. The loans are recorded as receivable. Interest on loans and deposits is recorded as revenue, and is accrued through September 30.

The account receivables in the enterprise funds represent amounts due for services provided to local residents and businesses. Meters are read on the 25th of the month. The receivables are billed at the end of the month, based on the meter readings, and are due by the eighth of the following month. Service is discontinued for nonpayment.

Notes receivable in the general and special revenue funds represent tax-supported contributions toward capital construction related to those funds. Payments received in the General Fund are considered income when received. The notes bear 0% interest.

H. CONCENTRATION OF CREDIT RISK

The City has receivables from business and individuals living in the City for property taxes, special assessments and charges for service provided by enterprise funds. Real or personal property is collateral for the property taxes and special assessments, charges for service are uncollateralized.

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. CAPITAL ASSETS

Prior to GASB Statement No. 34, capital assets for governmental funds were recorded in the General Fixed Asset Account Group and were not depreciated. The new model requires that all capital assets, whether owned by governmental activities or business-type activities be recorded and depreciated in the government-wide financial statements.

Capital assets are defined as assets with an initial cost of \$2,000 or more and an estimated useful life of more than one year.

Capital assets are stated at cost or at estimated fair value at time of donation. The accounting for property, plant and equipment and accumulated depreciation in the Electric, Water and Water Pollution Control Enterprise Funds is recorded at cost less retirements in the manner prescribed by the Federal Power Commission and/or the National Association of Railroad and Utility Commissioners.

The City's policy is to capitalize interest on proprietary funds and construction projects until substantially completed. Major expenditures for property and those which substantially increased useful lives are capitalized. Maintenance, repairs and minor renewals are expensed when incurred. When capital assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Property, plant and equipment are depreciated in the Proprietary Fund of the City using the straight-line method over the following estimated useful lives:

Plant and equipment	5 - 50 years
Transportation	5 - 8 years

J. COMPENSATED ABSENCES

The government allows employees to accumulate vacation leave up to two-year's vacation entitlement. Sick leave will be paid only upon illness while in the employment of the government.

The City's sick leave policy allows employees to accumulate a maximum of 130 days of unused sick leave and any earned sick leave in excess of 130 days will be paid out at a rate of two days sick leave for one-day payment.

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. LONG-TERM OBLIGATIONS

The City reports long-term debt of governmental funds at face value in the government-wide financial statements only. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

L. INTERFUND TRANSACTIONS

During the course of normal operations the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by City management. Quasi-external transactions and reimbursements are appropriately accounted for as fund revenues and expenditures/expenses, or adjustments thereto, in the funds involved.

The General Fund and enterprise funds provide services for each other. Amounts charged for these services are recorded as revenue and expenditures/operating expenses in the respective funds. All lease transactions are interfund, so no further disclosure is deemed necessary.

M. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the City considers cash, which consists of checking and interest bearing money market accounts as well as short-term certificates of deposit with an original maturity date of three months or less to be cash equivalents.

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles 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.

O. UNBILLED REVENUES

Billings for electric, water, sewer, and waste revenues are rendered on a monthly cycle basis. Unbilled revenues from the last billing date to the end of the period are accrued in the period of usage and included in accounts receivable.

P. FASB STATEMENTS

The City has elected Alternative 1, as provided by Governmental Accounting Standards Board Statement No. 20, and accordingly, FASB statements issued after November 30, 1989 are not applied.

Q. RESTRICTED ASSETS - ORDER OF USE

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

R. PROPERTY TAXES

Property taxes are recorded as a receivable when levied. Based on past experience, the uncollected portion has been negligible. The portion of the taxes not collected within 60 days after fiscal period end are recorded as deferred revenue.

Property tax revenues are recognized in the accounting period when they become susceptible to accrual; that is, when they become both "measurable" and "available" to finance expenditures.

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. PROPERTY TAXES (Continued)

Property tax calendar:

Lien date	January 1, 2009
Levy date	September 30, 2009
Tax bills mailed	December 1, 2009
Due date	December 31, 2009
First installment payment delinquent	May 1, 2010
Second installment payment delinquent	September 1, 2010

The City is permitted by State Statute to levy taxes up to \$0.4500 cents per \$100 of actual valuation for general governmental services other than the payment of principal and interest on long-term debt and in necessary amounts for the payment of principal and interest on long-term debt. Valuations are determined by the County Assessor. The following schedule shows comparative tax levies for \$100 actual assessed valuations:

	<u>Tax Levies Cents Per \$100 of Actual Valuation 2009</u>
Fund	
General	<u>0.324558</u>
City actual valuations	<u>143,664,700</u>

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government fund balance sheet includes a reconciliation between fund balance - total government funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains, "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds". The details of that difference are as follows:

Bonds and notes payable	<u>(1,356,117.68)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>(1,356,117.68)</u>

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the "government-wide statement of activities." One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlays	-285,017.00
Depreciation	<u>(235,278.21)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>49,738.79</u>

NOTE 3. SALES TAX

During fiscal year 1986, the citizens of the City voted in favor of a 1/2% city sales tax with a 4 year sunset. A resolution adopted by the City Council stated that 100% of the sales tax revenue was to be used for economic development. During fiscal year 1991, the citizens of the City voted in favor of maintaining the 1/2% city sales tax with no sunset. A resolution adopted by the City Council stated that 100% of the proceeds were to be used for the purpose of financing the economic development program to create jobs and ensure the economic stability and vitality for a four-year period. During fiscal year 1993 the citizens of the City voted in favor of an additional 1/2% sales tax with a 4 year sunset. A resolution adopted by the City Council stated the 100% of the increase was to be used for swimming pool renovations. During fiscal year 1997 the citizens of the City voted in favor of an additional 1% sales tax with no sunset. A resolution adopted by the City Council stated the additional 1% was to be used for property tax relief. The local merchants collect the sales tax and remit it to the Nebraska Department of Revenue by the 25th of the following month. The Department of Revenue remits the sales tax to the City of Gothenburg, Nebraska (net of a collection fee) within 30 days after they receive it. The City sales tax is recorded as revenue by the City of Gothenburg, Nebraska when it is in the hands of the intermediary collecting agent.

NOTE 4. CONCENTRATION OF CREDIT RISK

As of September 30, 2010, the City's deposits with financial institutions were entirely covered by FDIC insurance and securities held by agents of the depositories and assigned to the City in the form of joint safekeeping receipts.

Custodial credit risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized.

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 4. CONCENTRATION OF CREDIT RISK (Continued)

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk – Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The types of investments the City is authorized to invest funds in are enumerated in State Statutes and generally include U.S. Government obligations and securities in which the state investment officer is authorized to invest. The City has no investment policy that would further limit its investment choices.

NOTE 5. INVESTMENTS

State laws authorize the City, with the consent of its City Council, to invest the funds of the City in securities of the nature of which individuals of prudence, discretion and intelligence acquire or retain in dealing with the property of another.

Investments are carried at cost and are shown on the balance sheet at cost net of amortized discount or premium. Certificates of deposit are included in cash and are not included below in investments.

Redevelopment Authority Bonds	<u>1,852,326.47</u>
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The government has investments in bonds issued by the Gothenburg Redevelopment Authority, which constitute conduit debt to the Redevelopment Authority. According to the bond resolutions of the Redevelopment Authority, these bonds are a limited obligation of the Authority. The Authority is not obligated to pay the principal of the bonds or interest or any other costs associated with the bonds and has not pledged its faith, credit, or taxing power for such payment.

During the year ended September 30, 1997, the City purchased \$660,000 of registered bonds of the Gothenburg Redevelopment Authority and made a loan of CDBG funds to help finance an economic development project. The 1997 bonds (Series A) are to be paid solely from revenues and other amounts derived from the Project and secured by a first priority pledge of TIF revenues payable after the final scheduled maturity of the Series B Bonds, a security interest in project revenue, and a first priority deed of trust to the project. A deed of trust, and a financing statement on grain handling equipment secure the loan. The bonds and loan bear 0% interest and are due at maturity, October 1, 2011.

During the years ended September 30, 1998 and 1999, the government purchased \$300,589 of registered bonds from the Gothenburg Redevelopment Authority. The bonds are to be paid by proceeds of the sale of lots in the Industrial Tract.

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 5. INVESTMENTS (Continued)

During the years ended September 30, 1998 and 1999, the government purchased registered bond issues of \$244,000 and \$335,000 from the Gothenburg Redevelopment Authority to help finance two economic development projects. The bonds bear interest at the rate of 3% and 6% respectively, and are to be paid with TIF revenues pledged for the project.

During the year ended September 30, 2001, the government purchased \$331,150 of registered bonds from the Gothenburg Redevelopment Authority to help finance economic development projects. The notes bear interest at the rate of 4.5% and are to be paid with TIF revenues pledged for the project.

During the year ended September 30, 2002, the government purchased \$220,000 and \$78,350 of registered bonds from the Gothenburg Redevelopment Authority to help finance economic development projects. The bonds bear interest at the rates of 0% and 4.5% respectively, and are to be paid with TIF revenues pledged for the projects.

During the year ended September 30, 2003, the government purchased \$340,000 of registered bonds from the Gothenburg Redevelopment Authority to help finance economic development projects. The bonds bear interest at the rate 6.5%, and are to be paid with TIF revenues pledged for the projects.

During the year ended September 30, 2004, the government entered into a redevelopment contract providing for up to \$770,000 of TIF financing. As of September 30, 2009, the City had loaned \$220,000 towards the project.

During the year ended September 30, 2005, the government entered into a redevelopment contract providing for up to \$750,000 of TIF financing. The bonds are to be paid with TIF revenues pledged for the projects.

During the year ended September 30, 2007, the government purchased \$550,000 of registered bonds from the Gothenburg Redevelopment Authority. The government purchased an additional \$184,000 during 2008. The project was not finalized as of September 30, 2009.

During the year ended September 30, 2008, the government purchased \$300,000 of registered bonds from the Gothenburg Redevelopment Authority. The government purchased an additional \$100,000 during the year ended September 30, 2009.

During the year ended September 30, 2010, the government purchased \$180,000 of registered bonds from the Gothenburg Redevelopment Authority.

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. RESTRICTED ASSETS

Restricted assets of the City at September 30, 2009, consisted of the following cash and cash equivalent accounts restricted for specified purposes:

Debt Service Fund	<u>506,827.62</u>
Special Revenue Funds	
CDBG Loan Reuse Fund	247,677.69
Kenno Fund	25,728.07
Library State Aid	8,478.99
Other miscellaneous funds	<u>44,607.50</u>
Total special revenue funds	<u>326,492.25</u>
Total restricted assets	<u>833,319.87</u>

NOTE 7. CHANGES IN FIXED ASSETS

Capital asset activity for the year ended September 30, 2010, was as follows:

	Balance October 1, <u>2009</u>	Addi- tions	Dele- tions	Balance September 30, <u>2010</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	<u>187,309</u>	_____	_____	<u>187,309</u>
Total capital assets not depreciated	<u>187,309</u>	_____	_____	<u>187,309</u>
Capital assets being depreciated				
Buildings and equipment	6,863,156	303,718	(28,396)	7,138,478
Less accumulated depreciation				
Buildings and improvements	<u>(3,506,863)</u>	<u>(233,618)</u>	<u>9,695</u>	<u>(3,730,786)</u>
Total capital assets being depreciated, net	<u>3,356,293</u>	<u>70,100</u>	<u>(18,701)</u>	<u>3,407,692</u>
Governmental activities capital assets, net	<u>3,543,602</u>	<u>70,100</u>	<u>(18,701)</u>	<u>3,595,001</u>

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 7. CHANGES IN FIXED ASSETS (Continued)

	Balance October 1, <u>2009</u>	Addi- tions	Dele- tions	Balance September 30, <u>2010</u>
<u>Business-Type Activities</u>				
Capital assets not being depreciated				
Land and right-of-way	<u>31,581</u>	_____	_____	<u>31,581</u>
Total capital assets not depreciated	<u>31,581</u>	_____	_____	<u>31,581</u>
Capital assets being depreciated				
Buildings and equipment	13,320,570	435,615	(51,610)	13,704,575
Less accumulated depreciation				
Plant and equipment	<u>(9,209,735)</u>	<u>(527,440)</u>	<u>24,583</u>	<u>(9,712,591)</u>
Total capital assets being depreciated, net	<u>4,110,835</u>	<u>(91,825)</u>	<u>(27,027)</u>	<u>3,991,983</u>
Business-type activities capital assets, net	<u>4,142,416</u>	<u>(91,825)</u>	<u>(27,027)</u>	<u>4,023,564</u>

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities	
General Government	6,114
Public Safety	86,088
Streets and Highways	60,258
Culture and Recreation	71,931
Health and Welfare	<u>9,227</u>
Total depreciation expense - governmental activities	<u>233,618</u>
Business-type activities	
Electric	209,151
Water	59,519
Sewer	<u>258,770</u>
Total depreciation expense - business-type activities	<u>527,440</u>

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

The government issues various purpose bonds to pay for some property improvements. These bonds are to be repaid from special assessments to the property owners benefited by the improvements, and from taxes levied by the government. These bonds pledge the full faith and credit of the government.

On August 1, 2007, the City issued Various Purpose Bonds totaling \$445,000 with interest rates at 3.85% - 4.40%, due in annual installments of \$35,000 to \$55,000, August 2007 through 2016.

As of September 30, 1993, the City received \$2,947,700 of loan proceeds from the Nebraska Department of Environmental Quality (NDEQ). Semiannual payments of approximately \$115,000, which include interest at 3.50%, and an administrative fee of .50% are due from June 15, 1994 through December 15, 2011.

As of September 30, 1999, the City received \$630,339 of loan proceeds from the Nebraska Department of Environmental Quality (NDEQ). Semiannual payments of approximately \$13,000 from June 15, 2000 through December 15, 2011, and \$84,000 from June 15, 2012 through December 15, 2015, which include interest at 3.00% and an administrative fee of 1%.

As of September 30, 2006, the City received \$372,105 of loan proceeds from the Nebraska Department of Environmental Quality (NDEQ). Semiannual payments of approximately \$13,500 are due from December 15, 2007 through June 15, 2026, which include interest at 3.05% and an administrative fee of 1%.

On July 1, 2008, the City issued \$645,000 in Various Purpose Refunding Bonds to currently refund the Street Improvement Series 2001 bonds. The bonds are payable over 9 years with interest rates at 2.15% - 3.70%, due in annual installments of \$35,000 to \$85,000, December 2008 through 2017. The government will save approximately \$54,971 in interest expense over the life of the bond due to refinancing.

On July 7, 2010, the City issued \$500,000 in Various Purpose Bonds with interest rates at 0.85 - 3.45%, due in annual installments of \$45,000 - 55,000, December 15, 2011 to December 15, 2020.

As of September 30, 2010, the City received \$129,827 of loan proceeds from the Nebraska Department of Environmental Quality (NDEQ). Semiannual payments of approximately \$3,953 are due from June 15, 2010 to December 15, 2029, which include interest expense at 2.00%.

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

As of September 30, 2010, the City received \$150,000 of ARRA loan proceeds from the Nebraska Department of Environmental Quality (NDEQ) of which \$75,000 of these proceeds were forgiven. Semiannual payments of approximately \$1,973 are due from December 15, 2010 to June 15, 2029, which include interest expense at 0.00%.

The government has pledged the Wastewater User Charge as the dedicated source of revenue for the repayment of the long-term loan for the Waste Treatment Plant and the Clean Water loan.

The government has assessed property owners \$168,952 and charged tap fees of \$150,000 for a portion of the project costs. The government has pledged sewer and water use charges as the dedicated source of revenue for the repayment of the balance of these long-term loans.

The following is a summary of long-term transactions for the City for the year ended September 30, 2010:

Governmental Activities

	Balance October 1, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2010</u>	Amount Due <u>in 2011</u>
3.85 - 4.40% 2007 V.P. Bonds	370,000		(40,000)	290,000	45,000
0.85 - 3.45% 2010 V.P. Bonds		500,000		500,000	
2.15 - 3.70% 2008 V.P. Bonds	<u>610,000</u>		(70,000)	<u>540,000</u>	<u>70,000</u>
Total Governmental Activities	<u>940,000</u>	<u>500,000</u>	<u>(110,000)</u>	<u>1,330,000</u>	<u>115,000</u>

Business-Type Activities

<u>Sewer Fund</u>					
3.05% 2007 NDEQ Loan	330,651		(15,100)	315,550	15,100
3.50% 1993 NDEQ Loan	527,175		(205,399)	321,776	205,399
2.00% 2010 NDEQ Loan		129,827	(2,702)	127,125	5,389
0.00% 2010 NDEQ Loan		75,000		75,000	3,947
4% NDEQ Loan	<u>617,547</u>		(1,485)	<u>616,063</u>	<u>1,485</u>
Total	<u>1,475,373</u>		<u>(214,486)</u>	<u>1,455,514</u>	<u>231,320</u>
Total Business- Type Activities	<u>1,475,373</u>	<u>204,827</u>	<u>(214,486)</u>	<u>1,455,514</u>	<u>231,320</u>
Total Long-Term Debt	<u>2,415,373</u>	<u>704,827</u>	<u>(324,486)</u>	<u>2,785,514</u>	<u>331,984</u>

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

Annual Requirements of Long-Term Debt

The annual requirements to service the proceeding outstanding debt as of September 30, 2010 including interest payments of \$443,912 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities Street Improvement Bonds</u>	<u>Business- Type Activities Utility Loans</u>	<u>Total</u>
2011	154,939	289,610	444,549
2012	201,713	249,319	451,032
2013	197,175	208,736	405,911
2014	197,297	207,071	404,368
2015	201,745	205,352	407,097
2016 - 2020	518,368	276,541	794,909
2021 - 2025	55,949	188,992	244,941
2026 - 2030		<u>76,618</u>	<u>76,618</u>
	1,527,185	1,702,241	3,229,426
Less interest	<u>(197,185)</u>	<u>(246,727)</u>	<u>(443,912)</u>
	<u>1,330,000</u>	<u>1,455,514</u>	<u>2,785,514</u>

NOTE 9. TRANSFERS

Transfers between funds of the primary government for the ended September 30, 2010, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds		
General Fund		
Street Fund		89,681
City of Gothenburg Public Works	180,000	
Downtown Revitalization		146,896
Debt Service Fund		
Street Fund	89,681	
Downtown Revitalization	146,896	
Enterprise Fund		
General Fund		<u>180,000</u>
GRAND TOTALS	<u>416,577</u>	<u>416,577</u>

The City transfers funds from its enterprise funds to the General Fund to pay for administrative services. The General Fund transfers funds are used to move resources collected for the payment of debt to the Debt Service Fund.

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 10. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains three enterprise funds which provide electric, water, and sewer sales and services. The City has outstanding NDEQ loans related to Utility Fund operations. The revenues of the Sewer Fund are pledged as security for these loans. The fund financial statements report these funds as major funds.

NOTE 11. INTERLOCAL AGREEMENT - SOLID WASTE

The City has entered into an interlocal agreement as provided by Nebraska's Interlocal Cooperation Act with several counties, cities and villages to provide for solid waste disposal. The agreement created the Lexington Solid Waste Agency. The City will share costs in excess of revenues incurred by this agency. The Agency has issued \$2,835,000 in loans for a new land-fill that are to be paid by December 15, 2012. The City has entered into a service agreement with the Agency to meet 13.48% of the bond obligation, or \$382,158, in the event Agency revenues fall short. At September 30, 2010, there were no costs to be recognized. No accrual has been made for possible future commitments.

NOTE 12. RETIREMENT PLAN

The City participates in a 457 deferred compensation plan. The plan is a defined contribution plan and full-time employees are eligible to participate at 21 years of age and after one year of service. The employer matches 100% of the contributions, not to exceed 6% of compensation. The employee becomes fully vested in the new plans upon his/her normal retirement date, upon becoming totally disabled, upon completion of 7 years of service, at death, or at plan termination.

Total wages	1,284,950
Eligible wages	1,051,793
Employee contributions	72,560
City contributions	61,864

NOTE 13. RISK MANAGEMENT

Liability Insurance

The City purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier.

Workers' Compensation

The City purchases liability insurance for workers' compensation from a commercial carrier.

CITY OF GOTHENBURG, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 14. FUND BALANCES

Fund balances are reserved or designated as follows:

Special Revenue	
Reserved	
Library grants	8,479
Keno	25,728
CDBG Loan	1,545,876
Sales Tax	1,690,269
Debt Service	<u>506,828</u>
	<u>3,777,180</u>
Designated	
Parks	<u>13,555</u>

NOTE 15. SUBSEQUENT EVENTS

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 21, 2011, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF GOTHENBURG, NEBRASKA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -
BUDGETARY BASIS - BUDGET AND ACTUAL - ALL FUNDS
YEAR ENDED SEPTEMBER 30, 2010

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes and special assessments	1,197,555.00	1,392,681.75	195,126.75
Licenses and permits	11,925.00	14,914.22	2,989.22
Intergovernmental	657,379.00	1,013,408.08	356,029.08
Charges for services	5,595,942.00	5,435,739.29	(160,202.71)
Interest	47,000.00	97,955.51	50,955.51
Other		347,948.94	347,948.94
Bond proceeds	2,050,000.00	500,000.00	(1,550,000.00)
Warrant proceeds		1,500.00	1,500.00
Transfers in	180,000.00	419,576.56	239,576.56
Total revenues	11,965,219.00	9,223,724.35	(516,076.65)
EXPENDITURES			
Current			
General Government	621,631.00	367,713.18	253,917.82
Public Safety	853,006.00	511,601.23	341,404.77
Civil Defense	2,100.00	-	2,100.00
Streets	1,656,611.00	420,881.92	1,235,729.08
City Hall	32,857.00	13,148.94	19,708.06
Health and Welfare	76,204.00	44,320.45	31,883.55
Library	233,214.00	229,511.98	3,702.02
Culture and Recreation	282,544.00	231,204.77	51,339.23
Tree Lot/Compost	2,100.00	365.75	1,734.25
Economic Development	3,226,194.00	849,637.74	2,376,556.26
Community Service	27,000.00	19,000.00	8,000.00
Electric	4,755,407.00	3,874,619.73	880,787.27
Waste	393,240.00	399,595.46	(6,355.46)
Wastewater	853,972.00	477,545.70	376,426.30
Water	820,468.00	323,938.05	496,529.95
Debt service			
Principal and Interest	1,615,521.00	1,168,403.01	447,117.99
Transfers out	180,000.00	419,576.56	(239,576.56)
Total expenditures	15,632,069.00	9,351,064.47	6,281,004.53
REVENUES UNDER EXPENDITURES		(127,340.12)	

See accompanying notes to financial statements.

CITY OF GOTHENBURG, NEBRASKA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE 1. STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -
BUDGETARY BASIS - BUDGET AND ACTUAL

Basis of Accounting

As described in Note 1, budgets are adopted on the cash basis of accounting. The governmental fund types which report on the modified accrual basis, and the Enterprise Funds, which report on the accrual basis, are included in the combined statement of revenues and expenses - budget and actual, general all-purpose fund, on the budgetary (cash) basis. A reconciliation of operating results on the budgetary basis to net income for the Governmental Funds and Enterprise Funds are as follows:

Budget Law

The City is required by state law to hold public hearings and adopt annual budgets for all funds on the cash basis of accounting. Total expenditures for each fund may not exceed the total budgeted expenditures. Appropriations for expenditures lapse at year-end. Any revisions to the adopted budget of total expenditures to any fund require a public hearing.

Reconciliation of budgetary basis

A reconciliation of expenditures over revenue on the budgetary basis to net (loss) for all funds is as follows:

Revenues over expenses - budgetary basis	(127,340)
Adjustments	
Accounts receivable	65,348
Taxes receivable	(5,565)
Unbilled revenue	5,631
Customer deposits	900
Taxes payable	(5,279)
Accounts payable	(52,429)
Accrued wages	(19,720)
Cash at County Treasurer	(5,279)
Depreciation and amortization	(527,440)
Purchase of capital assets	408,587
Proceeds from capital debt	(204,827)
Principal on capital debt	224,686
Total adjustments	190,729
Total	(242,521)
Net change in fund balance - governmental funds	(417,606)
Change in net assets - proprietary funds	175,085
	(242,521)

OTHER SUPPLEMENTAL INFORMATION

CITY OF GOTHENBURG, NEBRASKA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2010

REVENUES	
Taxes	
General levy	428,273.82
Motor vehicle taxes	66,604.92
Franchise	23,315.90
City sales tax	475,835.14
Total taxes	<u>994,029.78</u>
Licenses and permits	<u>14,914.22</u>
Intergovernmental	
Equalization payment	118,294.59
Homestead exemption	26,573.90
State aid	30,769.36
Highway allocation and incentive	290,591.05
Motor vehicle fees	29,678.48
Prorate motor vehicle	1,686.92
Carline	1,263.66
Grants	216,386.32
Total intergovernmental	<u>715,244.28</u>
Charges for services	
Pool	24,111.75
Rents	5,708.25
Grave openings	11,530.00
Total charges for services	<u>41,350.00</u>
Miscellaneous	
Municipal Co-op - fire	18,780.02
Interest income	5,179.94
Mowing	53,530.36
E911 funds	242.16
Fees and fines	13,768.65
Other	49,967.97
Total miscellaneous	<u>141,469.10</u>
TOTAL REVENUES	<u><u>1,907,007.38</u></u>

CITY OF GOTHENBURG, NEBRASKA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2010

EXPENDITURES

General Government - administration	
Personnel services	135,500.88
Professional fees	18,279.75
Telephone	2,876.42
Office equipment and supplies	7,159.51
Dues/subscriptions	11,148.12
Printing and publishing	6,511.33
Miscellaneous	922.38
Repairs	4,364.70
Insurance	59,949.60
Community Development	90,159.50
Postage	3,911.08
Legal/public notices	5,957.98
Awards/prizes	1,941.32
Meals/lodging	625.81
Training	2,427.00
Aerial photo	4,000.00
Lease payments	2,222.48
Fuel/tires	1,132.23
Employee bonds	191.00
Technical	715.75
Total General Government - administration	360,513.18
Public Safety - police	
Personnel services	396,804.41
Dues/subscriptions	789.72
Tires and repairs	3,544.89
Gas and oil	10,613.57
Telephone	4,708.34
Printing and publishing	157.65
Supplies	2,386.69
Miscellaneous	205.56
Professional fees	1,200.00
Meals/lodging	680.92
Dog fees	2,673.27
Training	100.00
Safety	952.34
Clothing	536.13

CITY OF GOTHENBURG, NEBRASKA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2010

EXPENDITURES (Continued)

Public Safety - police (Continued)

Dispatch service	19,551.28
Technical/radios	1,424.69
Small tools	295.44
Office/computer equipment	452.23
Youth Program expenses	224.04
Total Public Safety - police	<u>449,914.09</u>

Public Safety - fire

Personnel services	1,341.38
Utilities	5,410.66
Insurance	1,527.36
Repairs	5,582.92
Supplies	4,170.26
Ambulance	2,363.34
Miscellaneous	28.08
Telephone	403.67
Awards/prizes	2,449.63
Dispatching	3,027.92
Training	2,460.00
Fuel/tires	3,756.35
Clothing	1,348.38
Total Public Safety - fire	<u>35,760.48</u>

Total Public Safety

485,674.57

Street

Personnel services	170,983.34
Asphalt/crack filler	48,702.81
Tires and repairs	24,460.43
Gas and oil	10,946.14
Gravel/sand/rock	30,053.60
Supplies	3,135.40
Miscellaneous	4,500.12
Utilities	10,940.43
Training	1,171.06
Engineering/architecture fees	65,219.66

CITY OF GOTHENBURG, NEBRASKA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2010

EXPENDITURES (Continued)

Street (Continued)

Signs/sign posts	25,499.19
Safety	462.12
Small tools	1,206.79
Concrete	5,453.78
Chemicals	9,131.31
Total - Street	<u>412,312.40</u>

City Hall

Personnel services	2,983.98
Utilities	7,866.33
Repairs	1,034.67
Janitorial	1,086.15
Safety	24.00
Supplies	153.81
Total - City Hall	<u>13,148.94</u>

Health and Welfare - cemetery

Personnel services - maintenance contract	30,198.16
Utilities	3,411.02
Chemicals	6,372.13
Legal/public notices	87.45
Repairs	4,251.69
Total Health and Welfare - cemetery	<u>44,320.45</u>

Library

Personnel services	154,163.76
Utilities	11,134.20
Telephone	1,843.85
Legal/public notices	328.92
Dues/subscriptions/books	26,427.83
Miscellaneous	346.53
Children's programs	2,213.00
Repairs	10,203.67

CITY OF GOTHENBURG, NEBRASKA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2010

EXPENDITURES (Continued)

Library (Continued)

Training	332.00
Supplies	7,072.51
Technical/computer programs	1,238.36
Janitorial	483.19
Safety	-128.97
Postage	1,799.17
Total - Library	<u>217,715.96</u>

Culture and Recreation - park

Personnel services - maintenance contract	64,842.47
Utilities	12,358.69
Repairs	13,406.33
Supplies	11,096.34
Miscellaneous	660.55
Telephone	720.28
Janitorial	15,997.26
Gravel/sand/rock	4,949.25
Lodging tax	1,174.15
Seeds/plants/trees	2,959.91
Total Culture and Recreation - park	<u>128,165.23</u>

Culture and Recreation - pool

Personal services	56,124.82
Utilities	6,405.08
Repair and maintenance	5,450.01
Supplies and chemicals	21,400.84
Taxes	1,478.59
Miscellaneous	100.00
Safety	78.68
Telephone	111.14
Printing	1,308.60
Clothing	936.14
Training	393.00
Janitorial	448.23
Small tools	404.41
Total Culture and Recreation - pool	<u>94,639.54</u>

Total Culture and Recreation

222,804.77

CITY OF GOTHENBURG, NEBRASKA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2010

EXPENDITURES (Continued)	
Tree lot/compost	
Gravel/sand/rock	365.75
Supplies	-
Total Tree lot/compost	<u>365.75</u>
Capital outlay	
Administration	-
Police	198,854.28
Street	38,514.64
City Hall	17,948.22
Cemetery	17,225.00
Park	-
Fire	2,808.65
Civil Defense	15,384.18
Total capital outlay	<u>290,734.97</u>
TOTAL EXPENDITURES	<u>2,047,590.99</u>
REVENUES UNDER EXPENDITURES	<u>(140,583.61)</u>
OTHER FINANCING SOURCES (USES)	
Operating transfers in	180,000.00
Operating transfers out	<u>(239,576.56)</u>
Total other financing sources (uses)	<u>(59,576.56)</u>
REVENUES OVER EXPENDITURES AND OTHER USES	(200,160.17)
FUND BALANCE, beginning of year	<u>1,378,567.00</u>
FUND BALANCE, end of year	<u>1,178,406.83</u>

CITY OF GOTHENBURG, NEBRASKA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2010

	Lafayette Park	Library State Aid	Keno	Capital Projects	Owner Occupied Rehab	Downtown Revitalization	Miscellaneous Funds	Totals
ASSETS								
ASSETS								
Cash	13,207.31	-	-	0.15	-	347.61	-	13,555.07
Accounts receivable	-	-	-	-	44,607.50	-	-	44,607.50
Restricted cash	-	8,478.99	25,728.07	-	-	-	1,567.27	35,774.33
TOTAL ASSETS	<u>13,207.31</u>	<u>8,478.99</u>	<u>25,728.07</u>	<u>0.15</u>	<u>44,607.50</u>	<u>347.61</u>	<u>1,567.27</u>	<u>93,936.90</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Payroll liabilities	-	-	-	-	-	-	924.00	924.00
Total liabilities	-	-	-	-	-	-	924.00	924.00
FUND BALANCES								
Designated	13,207.31	-	-	0.15	-	347.61	-	13,555.07
Restricted	-	8,478.99	25,728.07	-	44,607.50	-	643.27	79,457.83
Total fund balances (deficit)	<u>13,207.31</u>	<u>8,478.99</u>	<u>25,728.07</u>	<u>0.15</u>	<u>44,607.50</u>	<u>347.61</u>	<u>643.27</u>	<u>93,012.90</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>13,207.31</u>	<u>8,478.99</u>	<u>25,728.07</u>	<u>0.15</u>	<u>44,607.50</u>	<u>347.61</u>	<u>1,567.27</u>	<u>93,936.90</u>

CITY OF GOTHENBURG, NEBRASKA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2010

	Lafayette Park	Library State Aid	Keno	Capital Projects	Owner Occupied Rehab	Downtown Revitalization	Miscellaneous Funds	Totals
REVENUES								
Intergovernmental	-	12,517.32	10,502.48	203,555.00	62,394.00	9,195.00	-	298,163.80
Interest	-	-	150.03	-	-	-	-	150.03
Other	2,500.00	-	-	-	7.50	269.08	23,935.12	26,711.70
Total revenues	<u>2,500.00</u>	<u>12,517.32</u>	<u>10,652.51</u>	<u>203,555.00</u>	<u>62,401.50</u>	<u>9,464.08</u>	<u>23,935.12</u>	<u>325,025.53</u>
EXPENDITURES								
Current								
Intergovernmental	900.00	-	-	-	-	-	-	900.00
Refunds	-	11,796.02	-	7,500.00	17,794.00	156,012.20	25,926.66	219,028.88
Expenses	-	-	7,069.52	1,500.00	-	-	-	8,569.52
Capital outlay	900.00	11,796.02	7,069.52	9,000.00	17,794.00	156,012.20	25,926.66	228,498.40
Total expenditures	<u>900.00</u>	<u>11,796.02</u>	<u>7,069.52</u>	<u>9,000.00</u>	<u>17,794.00</u>	<u>156,012.20</u>	<u>25,926.66</u>	<u>228,498.40</u>
REVENUES OVER (UNDER) EXPENDITURE	<u>1,600.00</u>	<u>721.30</u>	<u>3,582.99</u>	<u>194,555.00</u>	<u>44,607.50</u>	<u>(146,548.12)</u>	<u>(1,991.54)</u>	<u>96,527.13</u>
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	-	3,000.00	-	146,895.73	-	149,895.73
Payments on warrants	-	-	-	(199,055.00)	-	-	-	#####
Warrant proceeds	-	-	-	1,500.00	-	-	-	1,500.00
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(194,555.00)</u>	<u>-</u>	<u>146,895.73</u>	<u>-</u>	<u>(47,659.27)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>1,600.00</u>	<u>721.30</u>	<u>3,582.99</u>	<u>-</u>	<u>44,607.50</u>	<u>347.61</u>	<u>(1,991.54)</u>	<u>48,867.86</u>
FUND BALANCE, beginning of year	<u>11,607.31</u>	<u>7,757.69</u>	<u>22,145.08</u>	<u>0.15</u>	<u>-</u>	<u>-</u>	<u>2,634.81</u>	<u>44,144.89</u>
FUND BALANCE, end of year	<u>13,207.31</u>	<u>8,478.99</u>	<u>25,728.07</u>	<u>0.15</u>	<u>44,607.50</u>	<u>347.61</u>	<u>643.27</u>	<u>93,012.75</u>

CITY OF GOTHENBURG, NEBRASKA
SCHEDULE OF DEBT SERVICE REQUIREMENTS
YEAR ENDED SEPTEMBER 30, 2010

	Year ending September 30,	Principal	Interest	Total
VARIOUS PURPOSE REFUNDING BONDS				
Dated July 1, 2008				
Original principal: \$645,000				
Due December 15, 2008 - 2016				
Callable: July 1, 2013				
Interest payable June 15 and December 15 of each year at 2.15 - 3.70%	2011	70,000	16,480	86,480
	2012	75,000	14,536	89,536
	2013	75,000	12,305	87,305
	2014	75,000	9,924	84,924
	2015	80,000	7,345	87,345
	2016	80,000	4,565	84,565
	2017	85,000	1,573	86,573
		<u>540,000</u>	<u>66,728</u>	<u>606,728</u>
VARIOUS PURPOSE BONDS				
Dated August 1, 2006				
Original principal: \$445,000				
Due August 1, 2007 - 2017				
Callable: August 1, 2011				
Interest payable February 1 and August 1 of each year at 3.85 - 4.40%	2011	45,000	12,230	57,230
	2012	45,000	10,408	55,408
	2013	45,000	8,562	53,562
	2014	50,000	6,695	56,695
	2015	50,000	4,570	54,570
	2016	55,000	2,420	57,420
		<u>290,000</u>	<u>44,885</u>	<u>334,885</u>
VARIOUS PURPOSE BONDS				
Dated: July 7, 2010				
Original principal: \$500,000				
Due December 15, 2011 - 2020				
Callable: July 7, 2015				
Interest payable June 15 and December 15 of each year at 0.85 - 3.45%	2011		11,229	11,229
	2012	45,000	11,769	56,769
	2013	45,000	11,308	56,308
	2014	45,000	10,678	55,678
	2015	50,000	9,830	59,830
	2016	50,000	8,768	58,768
	2017	50,000	7,530	57,530
	2018	50,000	6,142	56,142
	2019	55,000	4,565	59,565
	2020	55,000	2,805	57,805
	2021	55,000	949	55,949
		<u>500,000</u>	<u>85,572</u>	<u>585,572</u>

CITY OF GOTHENBURG, NEBRASKA
SCHEDULE OF DEBT SERVICE REQUIREMENTS
YEAR ENDED SEPTEMBER 30, 2010

	<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
WASTEWATER TREATMENT PLANT LOAN				
Original principal: \$2,947,700				
Due June 15, 1994 - December 15, 2011				
Semiannual payments due June 15				
and December 15	2011	212,651	10,763	223,414
Interest rate 3.5%	2012	<u>109,125</u>	<u>2,182</u>	<u>111,307</u>
		<u>321,776</u>	<u>12,945</u>	<u>334,721</u>
CLEAN WATER AND SEWER LOAN				
Original principal: \$630,339				
Due June 15, 2000 - December 15, 2015				
Semiannual payments due June 15				
and December 15	2011	1,530	24,627	26,157
Interest rate 3.0%	2012	73,563	24,566	98,129
	2013	148,854	20,161	169,015
	2014	153,353	14,163	167,516
	2015	157,988	7,982	165,970
	2016	<u>80,775</u>	<u>1,616</u>	<u>82,391</u>
		<u>616,063</u>	<u>93,115</u>	<u>709,178</u>
SEWER LOAN - NDEQ				
Original principal: \$372,105				
Due December 15, 2007 to June 15, 2026				
Semiannual payments due June 15				
and December 15	2011	15,564	12,623	28,187
Interest rate 3.05%	2012	16,043	11,988	28,031
	2013	16,535	11,334	27,869
	2014	17,044	10,659	27,703
	2015	17,567	9,963	27,530
	2016	18,107	9,246	27,353
	2017	18,664	8,507	27,171
	2018	19,238	7,745	26,983
	2019	19,829	6,961	26,790
	2020	20,439	6,152	26,591
	2021	21,067	5,317	26,384
	2022	21,714	4,457	26,171
	2023	22,381	3,572	25,953
	2024	23,070	2,659	25,729
	2025	23,778	1,715	25,493
	2026	<u>24,510</u>	<u>746</u>	<u>25,256</u>
		<u>315,550</u>	<u>113,644</u>	<u>429,194</u>

CITY OF GOTHENBURG, NEBRASKA
 SCHEDULE OF DEBT SERVICE REQUIREMENTS
 YEAR ENDED SEPTEMBER 30, 2010

	<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
SEWER LOAN - NDEQ				
Original principal: \$129,827				
Due June 15, 2010 to December 15, 2029				
Semiannual payments due June 15	2011	5,389	2,516	7,905
and December 15	2012	5,498	2,407	7,905
Interest rate 2.00%	2013	5,608	2,297	7,905
	2014	5,721	2,184	7,905
	2015	5,836	2,069	7,905
	2016	5,953	1,952	7,905
	2017	6,073	1,832	7,905
	2018	6,195	1,710	7,905
	2019	6,319	1,586	7,905
	2020	6,446	1,459	7,905
	2021	6,576	1,329	7,905
	2022	6,708	1,197	7,905
	2023	6,843	1,062	7,905
	2024	6,981	924	7,905
	2025	7,121	784	7,905
	2026	7,264	641	7,905
	2027	7,410	495	7,905
	2028	7,559	346	7,905
	2029	7,711	194	7,905
	2030	3,913	39	3,953
		<u>127,125</u>	<u>27,023</u>	<u>154,148</u>

CITY OF GOTHENBURG, NEBRASKA
 SCHEDULE OF DEBT SERVICE REQUIREMENTS
 YEAR ENDED SEPTEMBER 30, 2010

	<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
SEWER LOAN - NDEQ				
Original principal: \$150,000				
ARRA Principal Forgiveness \$75,000				
Due December 15 2010 to June 15, 2029	2011	3,947		3,947
Semiannual payments due December 15	2012	3,947		3,947
and June 15	2013	3,947		3,947
Interest rate 0.00%	2014	3,947		3,947
	2015	3,947		3,947
	2016	3,947		3,947
	2017	3,947		3,947
	2018	3,947		3,947
	2019	3,947		3,947
	2020	3,947		3,947
	2021	3,947		3,947
	2022	3,947		3,947
	2023	3,947		3,947
	2024	3,947		3,947
	2025	3,947		3,947
	2026	3,947		3,947
	2027	3,947		3,947
	2028	3,947		3,947
	2029	3,947		3,947
		<u>75,000</u>		<u>75,000</u>
TOTAL		<u>2,785,514</u>	<u>443,912</u>	<u>3,229,426</u>



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

The Honorable Mayor and City Council
City of Gothenburg
Gothenburg, Nebraska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Gothenburg, Nebraska, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 21, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Gothenburg, Nebraska's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gothenburg, Nebraska's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Gothenburg, Nebraska's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Gothenburg, Nebraska's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Gothenburg, Nebraska's financial statements that is more than inconsequential will not be prevented or detected by the City of Gothenburg, Nebraska's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Gothenburg, Nebraska's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Gothenburg, Nebraska'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses.

The City of Gothenburg, Nebraska's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Gothenburg, Nebraska's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the City Council, management, and the appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

R. J. Meyer & Associates, LLC

North Platte, Nebraska
March 21, 2011

CITY OF GOTHENBURG, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2010

10 - 1 **SEGREGATION OF DUTIES**

Criteria

Good business practice includes the separation of duties involving the handling of accounting information and accounting report generation.

Condition

The City's accounting department has a lack of segregation of duties.

Cause

Due to the limited number of personnel involved in the accounting function, the City of Gothenburg has limited segregation of duties over bookkeeping, billing, and accounting functions.

Effect

Increased opportunities for fraud and wrongful acts.

Organization's Response

The Organization believes the cost involved would greatly outweigh the possible benefits to be derived from developing a more complex internal control system. However, the present system seems to be operating as understood by all parties involved.

10 - 2 **LACK OF CONTROL OVER PROCESSES**

Criteria

Management is responsible for establishing and maintaining internal controls, including monitoring and for the fair presentation of financial statements, including notes to the financial statements in conformity with the accrual basis of accounting.

Condition

Management should possess the ability to prepare financial statements in accordance with generally accepted accounting principles. The preparation of financial statements under this basis of accounting requires management to possess the ability to prepare the financial statements and related disclosures without assistance from the auditors.

Cause

Financial statements prepared by the City did not have disclosures included.

Recommendation

We recommend that the City review and approve the proposed auditor adjusting entries, the adequacy of disclosures prepared by the auditors, and apply analytical procedures to the draft financial statements among other procedures as considered necessary by management.

CITY OF GOTHENBURG, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2010

10 - 2 LACK OF CONTROL OVER PROCESSES (Continued)

City's Response

The City relies on the auditors to propose adjustments necessary to prepare the financial statements including related note disclosures. The City reviews the financial statements and approves all adjustments.



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

The Honorable Mayor and City Council
City of Gothenburg
Gothenburg, Nebraska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Gothenburg, Nebraska, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 21, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Gothenburg, Nebraska's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gothenburg, Nebraska's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Gothenburg, Nebraska's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Gothenburg, Nebraska's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Gothenburg, Nebraska's financial statements that is more than inconsequential will not be prevented or detected by the City of Gothenburg, Nebraska's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Gothenburg, Nebraska's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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The City of Gothenburg, Nebraska's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Gothenburg, Nebraska's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the City Council, management, and the appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

RJ Meyer & Associates, LLC

North Platte, Nebraska
March 21, 2011

CITY OF GOTHENBURG, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2010

10 - 1 SEGREGATION OF DUTIES

Criteria

Good business practice includes the separation of duties involving the handling of accounting information and accounting report generation.

Condition

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Organization's Response

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10 - 2 LACK OF CONTROL OVER PROCESSES

Criteria

Management is responsible for establishing and maintaining internal controls, including monitoring and for the fair presentation of financial statements, including notes to the financial statements in conformity with the accrual basis of accounting.

Condition

Management should possess the ability to prepare financial statements in accordance with generally accepted accounting principles. The preparation of financial statements under this basis of accounting requires management to possess the ability to prepare the financial statements and related disclosures without assistance from the auditors.

Cause

Financial statements prepared by the City did not have disclosures included.

Recommendation

We recommend that the City review and approve the proposed auditor adjusting entries, the adequacy of disclosures prepared by the auditors, and apply analytical procedures to the draft financial statements among other procedures as considered necessary by management.

CITY OF GOTHENBURG, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2010

10 - 2 LACK OF CONTROL OVER PROCESSES (Continued)

City's Response

The City relies on the auditors to propose adjustments necessary to prepare the financial statements including related note disclosures. The City reviews the financial statements and approves all adjustments.