

**CITY OF LA VISTA
MAYOR AND CITY COUNCIL REPORT
APRIL 17, 2018 AGENDA**

Subject:	Type:	Submitted By:
FY 2016/2017 AUDIT REPORT — BKD, LLP	◆ RESOLUTION ORDINANCE RECEIVE/FILE	CINDY MISEREZ FINANCE DIRECTOR

SYNOPSIS

A resolution has been prepared to accept the audit for the twelve months ending September 30, 2017. The Council will also be accepting the audit for the Economic Development Fund – LB840.

FISCAL IMPACT

N/A.

RECOMMENDATION

Approval.

BACKGROUND

The certified public accountants, BKD, LLP have submitted to the City their *Accountants' Report and General Purpose Financial Statement*. The audit states that the City's financial statements were tested and disclosed no instances of noncompliance with *Government Auditing Standards*.

RESOLUTION NO. _____

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF LA VISTA, NEBRASKA APPROVING THE FISCAL YEAR 2016-2017 MUNICIPAL AUDIT AS PREPARED BY THE AUDITING FIRM OF BKD, LLP, OMAHA, NEBRASKA.

WHEREAS, the City of La Vista has contracted with the firm of BKD, LLP, Omaha, Nebraska, to complete an audit of the City's fiscal year 2016-2017 municipal operations; and

WHEREAS, BKD, LLP has completed said audit and provided copies of their findings.

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and City Council of La Vista, Nebraska, that the 2016-2017 municipal audit is hereby accepted and approved.

PASSED AND APPROVED THIS 17TH DAY OF APRIL, 2018.

CITY OF LA VISTA

Douglas Kindig, Mayor

ATTEST:

Pamela A. Buethe, CMC
City Clerk

City of La Vista, Nebraska

Independent Auditor's Report and Financial Statements

September 30, 2017



City of La Vista, Nebraska

September 30, 2017

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Independent Auditor's Report

The Honorable Mayor and City Council
City of La Vista, Nebraska

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of La Vista, Nebraska (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of La Vista, Nebraska as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

BKD, LLP

Omaha, Nebraska
April 11, 2018

City of La Vista, Nebraska
Statement of Net Position
September 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 13,947,642	\$ 1,703,898	\$ 15,651,540
Restricted cash and cash equivalents	5,833,866	-	5,833,866
Cash at County Treasurer	115,586	-	115,586
Certificates of deposit	2,117,483	252,057	2,369,540
Investments	3,375,951	-	3,375,951
Receivables	18,496,429	445,159	18,941,588
Internal balances	18,855	(18,855)	-
Prepaid expenses	134,883	4,639	139,522
Capital assets			
Nondepreciable	21,090,823	9,524	21,100,347
Depreciable, net	39,896,410	5,148,817	45,045,227
Total assets	105,027,928	7,545,239	112,573,167
Deferred Outflows of Resources			
Deferred charge on refunding	611,353	-	611,353
Liabilities			
Accounts payable	1,337,764	731,996	2,069,760
Accrued expenses	1,349,797	274,498	1,624,295
Sales tax refunds payable	2,053,344	-	2,053,344
Compensated absences			
Payable within one year	60,857	4,723	65,580
Payable in more than one year	1,405,014	107,661	1,512,675
Notes payable			
Due within one year	34,880	-	34,880
Due in more than one year	47,926	-	47,926
Bonds payable			
Due within one year	4,065,000	-	4,065,000
Due in more than one year	50,462,525	-	50,462,525
Total liabilities	60,817,107	1,118,878	61,935,985
Net Position			
Net investment in capital assets	28,465,755	5,158,341	33,624,096
Restricted for debt service	4,419,875	-	4,419,875
Restricted for community betterment	2,734,800	-	2,734,800
Unrestricted	9,201,744	1,268,020	10,469,764
Total net position	\$ 44,822,174	\$ 6,426,361	\$ 51,248,535

City of La Vista, Nebraska
Statement of Activities
Year Ended September 30, 2017

	Program Revenues				Net Revenues (Expenses) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 3,302,609	\$ 547,546	\$ 514,442	\$ -	\$ (2,240,621)	\$ -	\$ (2,240,621)
Public safety	6,839,929	-	56,817	-	(6,783,112)	-	(6,783,112)
Public works	4,116,582	-	1,677,978	-	(2,438,604)	-	(2,438,604)
Culture and recreation	3,372,819	371,747	-	-	(3,001,072)	-	(3,001,072)
Community betterment	555,357	1,228,240	-	-	672,883	-	672,883
Community development	842,525	-	-	-	(842,525)	-	(842,525)
Interest on long-term debt	2,055,098	-	-	-	(2,055,098)	-	(2,055,098)
Total governmental activities	21,084,919	2,147,533	2,249,237	-	(16,688,149)	-	(16,688,149)
Business-type activities							
Sewer	3,540,832	3,829,690	19,731	-	-	308,589	308,589
Golf	12,715	3,470	-	-	-	(9,245)	(9,245)
Total business-type activities	3,553,547	3,833,160	19,731	-	-	299,344	299,344
Total Primary Government	<u>\$ 24,638,466</u>	<u>\$ 5,980,693</u>	<u>\$ 2,268,968</u>	<u>-</u>	<u>(16,688,149)</u>	<u>299,344</u>	<u>(16,388,805)</u>
General Revenues							
Property taxes					7,685,321	-	7,685,321
Sales and use taxes					9,140,084	-	9,140,084
Sales tax refunds					(2,048,490)	-	(2,048,490)
Occupation taxes					1,743,994	-	1,743,994
Motor vehicle taxes					477,817	-	477,817
Interest income					1,274,532	1,831	1,276,363
Miscellaneous					782,123	-	782,123
Transfers					185,724	(185,724)	-
Total general revenues and transfers					19,241,105	(183,893)	19,057,212
Change in Net Position					2,552,956	115,451	2,668,407
Net Position, Beginning of Year					42,269,218	6,310,910	48,580,128
Net Position, End of Year					<u>\$ 44,822,174</u>	<u>\$ 6,426,361</u>	<u>\$ 51,248,535</u>

See Notes to the Financial Statements

City of La Vista, Nebraska

Balance Sheet – Governmental Funds September 30, 2017

	General Fund	Debt Service Fund	Keno Fund	Capital Improvements Fund	Economic Development Fund	84th Street Redevelopment Fund	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 4,444,197	\$ 5,239,014	\$ 94,012	\$ -	\$ 309,425	\$ 3,860,994	\$ 13,947,642
Restricted cash and cash equivalents	-	521,013	68,952	-	-	5,243,901	5,833,866
Cash at County Treasurer	95,759	19,827	-	-	-	-	115,586
Certificates of deposit	1,260,876	-	856,607	-	-	-	2,117,483
Investments	1,519,954	35,440	1,820,557	-	-	-	3,375,951
Due from other funds	17,047	2,377	-	-	-	-	19,424
Receivables	1,387,076	825,530	98,082	-	15,810,692	375,049	18,496,429
Prepaid expenses	134,883	-	-	-	-	-	134,883
Total assets	<u>\$ 8,859,792</u>	<u>\$ 6,643,201</u>	<u>\$ 2,938,210</u>	<u>\$ -</u>	<u>\$ 16,120,117</u>	<u>\$ 9,479,944</u>	<u>\$ 44,041,264</u>
Liabilities							
Accounts payable	\$ 290,998	\$ 3,878	\$ 106,152	\$ 870,738	\$ -	\$ 65,998	\$ 1,337,764
Accrued expenses	401,309	-	81,550	-	-	-	482,859
Due to other funds	2,377	-	3,497	11,240	-	-	17,114
Total liabilities	<u>694,684</u>	<u>3,878</u>	<u>191,199</u>	<u>881,978</u>	<u>-</u>	<u>65,998</u>	<u>1,837,737</u>
Deferred Inflows of Resources							
Unavailable revenues	<u>108,847</u>	<u>421,358</u>	<u>12,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>542,416</u>
Fund Balances							
Nonspendable	134,883	-	-	-	-	-	134,883
Restricted for:							
Debt service	-	6,217,965	-	-	-	-	6,217,965
Community betterment	-	-	2,734,800	-	-	-	2,734,800
Economic development	-	-	-	-	16,120,117	-	16,120,117
84th street redevelopment	-	-	-	-	-	9,413,946	9,413,946
Committed for:							
Capital improvements	-	-	-	-	-	-	-
Unassigned	<u>7,921,378</u>	<u>-</u>	<u>-</u>	<u>(881,978)</u>	<u>-</u>	<u>-</u>	<u>7,039,400</u>
Total fund balances	<u>8,056,261</u>	<u>6,217,965</u>	<u>2,734,800</u>	<u>(881,978)</u>	<u>16,120,117</u>	<u>9,413,946</u>	<u>41,661,111</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,859,792</u>	<u>\$ 6,643,201</u>	<u>\$ 2,938,210</u>	<u>\$ -</u>	<u>\$ 16,120,117</u>	<u>\$ 9,479,944</u>	<u>\$ 44,041,264</u>

City of La Vista, Nebraska
Reconciliation of the Balance Sheet
of Governmental Funds to the
Statement of Net Position
September 30, 2017

Total Fund Balances - Total Governmental Funds	\$ 41,661,111
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation used in governmental activities, are not financial resources and, therefore, are not reported in the funds.	60,987,233
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Other related amounts include interest payable of \$763,741, bond premiums of \$197,564 and bond discounts of \$30,039. Amount also includes retainage payable of \$90,986.	(55,460,724)
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Deferred outflows of resources related to refunded debt are not current financial resources, and therefore, are not reported in the funds.	611,353
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Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(1,465,871)
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Sales tax refunds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(2,053,344)
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Deferred inflows represents funds not available in the current period and, therefore, are not recognized as revenue in the governmental funds.	<div style="border-top: 1px solid black; display: inline-block;">542,416</div>
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Net Position of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 44,822,174</div>
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City of La Vista, Nebraska

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended September 30, 2017

	General Fund	Debt Service Fund	Keno Fund	Capital Improvements Fund	Economic Development Fund	84th Street Redevelopment Fund	Total
Revenues							
Property tax	\$ 5,616,897	\$ 2,058,024	\$ -	\$ -	\$ -	\$ -	\$ 7,674,921
Sales and use tax	4,570,142	2,284,871	-	-	-	2,285,071	9,140,084
Occupation tax	1,743,994	-	-	-	-	-	1,743,994
Motor vehicle tax	472,382	5,435	-	-	-	-	477,817
Licenses and permits	547,546	-	-	-	-	-	547,546
Intergovernmental	2,201,182	-	-	-	-	-	2,201,182
Charges for services	352,183	-	-	-	-	-	352,183
Keno	-	-	1,228,240	-	-	-	1,228,240
Interest income	22,778	14,155	7,142	266	1,186,594	16,968	1,247,903
Special assessments	-	21,843	-	-	-	-	21,843
Miscellaneous	204,545	526,208	35,242	-	-	-	765,995
Total revenues	15,731,649	4,910,536	1,270,624	266	1,186,594	2,302,039	25,401,708
Expenditures							
Current							
General government	2,601,682	348,716	28,055	-	-	-	2,978,453
Public works	2,068,969	-	-	-	-	-	2,068,969
Public safety	6,157,356	-	-	-	-	-	6,157,356
Culture and recreation	2,564,596	-	-	-	-	-	2,564,596
Community betterment	-	-	555,357	-	-	-	555,357
Community development	583,862	-	-	-	499	258,164	842,525
State sales tax refunds	796,535	398,267	-	-	-	398,267	1,593,069
Capital outlay	723,376	-	-	8,600,293	-	-	9,323,669
Debt service							
Principal retirement	33,904	3,255,000	-	-	730,000	-	4,018,904
Interest	-	647,875	-	-	1,265,741	114,331	2,027,947
Total expenditures	15,530,280	4,649,858	583,412	8,600,293	1,996,240	770,762	32,130,845
Excess (Deficiency) of Revenues Over (Under) Expenditures	201,369	260,678	687,212	(8,600,027)	(809,646)	1,531,277	(6,729,137)
Other Financing Sources (Uses)							
Transfers, net	(1,276,118)	(67,193)	81,341	7,453,572	800,000	(6,767,955)	223,647
Total other financing sources (uses)	(1,276,118)	(67,193)	81,341	7,453,572	800,000	(6,767,955)	223,647
Net Change in Fund Balances	(1,074,749)	193,485	768,553	(1,146,455)	(9,646)	(5,236,678)	(6,505,490)
Fund Balances, Beginning of Year	9,131,010	6,024,480	1,966,247	264,477	16,129,763	14,650,624	48,166,601
Fund Balances, End of Year	\$ 8,056,261	\$ 6,217,965	\$ 2,734,800	\$ (881,978)	\$ 16,120,117	\$ 9,413,946	\$ 41,661,111

City of La Vista, Nebraska
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Changes in Net Position of Governmental Activities
Year Ended September 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (6,505,490)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. 6,333,384

Governmental funds report the effect of premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 26,485

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 4,018,904

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due. 53,589

Compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (149,830)

Sales tax refunds do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds until the refunds are paid. This is the amount by which refunds accrued in the statement of activities exceed payments made in the governmental funds. (455,421)

Deferred inflows represent funds not available in the current period and, therefore, are not recognized as revenue in the governmental funds. (650,002)

Governmental funds report capital asset transfers to proprietary funds as expenditures. However, in the statement of activities, these transfers are shown at the net value. (37,923)

Amortization on deferred amounts on refunding that do not represent activity in the governmental funds. (80,740)

Change in Net Position of Governmental Activities \$ 2,552,956

City of La Vista, Nebraska

Balance Sheet – Proprietary Funds September 30, 2017

	Golf Fund	Sewer Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ -	\$ 1,703,898	\$ 1,703,898
Certificates of deposit	-	252,057	252,057
Accounts receivable	-	445,159	445,159
Prepaid expenses	-	4,639	4,639
Total current assets	-	2,405,753	2,405,753
Non-Current Assets			
Land	-	9,524	9,524
Equipment and furniture	215,389	1,309,701	1,525,090
Utility systems	-	7,747,465	7,747,465
Vehicles	108,643	419,425	528,068
Buildings and improvements	-	9,365	9,365
Accumulated depreciation	(290,585)	(4,370,586)	(4,661,171)
Capital assets - net of depreciation	33,447	5,124,894	5,158,341
Total assets	\$ 33,447	\$ 7,530,647	\$ 7,564,094
Liabilities and Net Position			
Current Liabilities			
Accounts payable	\$ -	\$ 731,996	\$ 731,996
Accrued expenses	-	274,498	274,498
Due to other funds	18,855	-	18,855
Compensated absences - current portion	-	4,723	4,723
Total current liabilities	18,855	1,011,217	1,030,072
Non-Current Liabilities			
Compensated absences	-	107,661	107,661
Total non-current liabilities	-	107,661	107,661
Net Position			
Net investment in capital assets	33,447	5,124,894	5,158,341
Unrestricted	(18,855)	1,286,875	1,268,020
Total net position	14,592	6,411,769	6,426,361
Total liabilities and net position	\$ 33,447	\$ 7,530,647	\$ 7,564,094

City of La Vista, Nebraska
Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
Year Ended September 30, 2017

	Golf Fund	Sewer Fund	Total
Operating Revenues			
User fees	\$ -	\$ 3,593,560	\$ 3,593,560
Permits and hookups	-	236,130	236,130
Grant income	-	19,731	19,731
Merchandise sales	3,393	-	3,393
Other revenue	77	-	77
	<u>3,470</u>	<u>3,849,421</u>	<u>3,852,891</u>
Total operating revenues			
Operating Expenses			
General and administrative	1,025	548,905	549,930
Maintenance	1,156	2,771,274	2,772,430
Depreciation and amortization	10,534	220,653	231,187
	<u>12,715</u>	<u>3,540,832</u>	<u>3,553,547</u>
Total operating expenses			
Operating Income (Loss)	<u>(9,245)</u>	<u>308,589</u>	<u>299,344</u>
Nonoperating Revenues			
Interest income	152	1,679	1,831
	<u>152</u>	<u>1,679</u>	<u>1,831</u>
Total nonoperating revenues			
Income (Loss) Before Transfers and Capital Contributions	(9,093)	310,268	301,175
Operating Transfer	(223,135)	(512)	(223,647)
Capital Contribution	<u>-</u>	<u>37,923</u>	<u>37,923</u>
Change in Net Position	(232,228)	347,679	115,451
Net Position, Beginning of Year	<u>246,820</u>	<u>6,064,090</u>	<u>6,310,910</u>
Net Position, End of Year	<u><u>\$ 14,592</u></u>	<u><u>\$ 6,411,769</u></u>	<u><u>\$ 6,426,361</u></u>

City of La Vista, Nebraska
Statement of Cash Flows –
Proprietary Funds
Year Ended September 30, 2017

	Golf Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 3,470	\$ 3,800,379	\$ 3,803,849
Payments to suppliers	(16,125)	(2,194,427)	(2,210,552)
Payments to employees	(16,251)	(749,772)	(766,023)
Grant income	-	19,731	19,731
	<u>(28,906)</u>	<u>875,911</u>	<u>847,005</u>
Net cash provided by (used in) operating activities			
Cash Flows from Noncapital Financing Activities			
Transfers	(223,135)	(512)	(223,647)
Net repayments between funds	(12,853)	31,708	18,855
	<u>(235,988)</u>	<u>31,196</u>	<u>(204,792)</u>
Net cash provided by (used in) noncapital financing activities			
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	-	(41,363)	(41,363)
	<u>-</u>	<u>(41,363)</u>	<u>(41,363)</u>
Net cash used in capital and related financing activities			
Cash Flows from Investing Activities			
Interest income	152	943	1,095
	<u>152</u>	<u>943</u>	<u>1,095</u>
Net cash provided by investing activities			
Net Increase (Decrease) in Cash and Cash Equivalents	(264,742)	866,687	601,945
Cash and Cash Equivalents, Beginning of Year	<u>264,742</u>	<u>837,211</u>	<u>1,101,953</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ -</u></u>	<u><u>\$ 1,703,898</u></u>	<u><u>\$ 1,703,898</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ (9,245)	\$ 308,589	\$ 299,344
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	10,534	220,653	231,187
Changes in operating assets and liabilities			
Receivables	-	(29,311)	(29,311)
Payables and accrued expenses	(30,195)	380,619	350,424
Prepaid expenses	-	(4,639)	(4,639)
	<u>-</u>	<u>(4,639)</u>	<u>(4,639)</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (28,906)</u></u>	<u><u>\$ 875,911</u></u>	<u><u>\$ 847,005</u></u>
Supplemental Cash Flows Information			
Transfer of capital asset from governmental activities	\$ -	\$ 37,923	\$ 37,923

City of La Vista, Nebraska

Notes to Financial Statements

September 30, 2017

Note 1: Summary of Significant Accounting Policies

Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the City of La Vista, Nebraska (the “City”) are discussed in the subsequent section of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the City’s financial activities for the fiscal year ended September 30, 2017.

The City of La Vista, Nebraska operates under a Council-Mayor form of government and provides the following services: public safety (Police and Fire), public works (highway and streets), sanitary sewer, culture and recreation, community development (public improvements), planning and zoning, and general administrative services.

Financial Reporting Entity

These financial statements present the financial statements of the City as the primary government. In determining its reporting entity, the City has considered all potential component units for which it is financially accountable, including other organizations which are fiscally dependent on the City, or the significance of their relationship with the City is such that exclusion would make the financial statements misleading or incomplete. The Governmental Accounting Standards Board (“GASB”) has set forth criteria to be considered in determining financial accountability, which was used in making this evaluation.

The City has determined the La Vista Municipal Facilities Corporation is a blended component unit as the governing body consists of members appointed by the City government and the City is obligated to help support the component unit. A blended component unit, although a legally separate entity, is a direct part of the government’s operations.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Accordingly, all of the City’s assets, deferred outflows of resources, liabilities and deferred inflow of resources, including capital assets and long-term liabilities, are included in the statement of net position. However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

City of La Vista, Nebraska
Notes to Financial Statements
September 30, 2017

Note 1: Summary of Significant Accounting Policies - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period and that it is legally available for such purposes. Expenditures are recorded when the related fund liability is incurred, except for debt service expenditures and other certain long-term obligations, which are reported as expenditures in the year due.

Major revenues that are determined to be susceptible to accrual include real estate taxes, sales taxes, earned interest, and charges for services. Major revenues not susceptible to accrual because they are either not available early enough to pay liabilities from the current period or are not measurable until received include franchise taxes, special assessments, licenses, permits, and fines. Revenues not considered available are recorded as deferred inflows of resources.

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 or 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 non-operating in the financial statements.

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

Basis of Presentation

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

City of La Vista, Nebraska
Notes to Financial Statements
September 30, 2017

Note 1: Summary of Significant Accounting Policies - Continued

Basis of Presentation - Continued

The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Separate financial statements are provided for governmental funds and proprietary funds. Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Major individual funds are reported in separate columns in the fund financial statements. A fund is considered major if it is the primary operating fund of the City, meets specific criteria set forth by GASB or is identified as a major fund by the City's management.

Fund Types and Major Funds

Governmental funds are those through which most general governmental functions of the City are financed. Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The City reports the following major governmental funds:

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. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services and interest income.

Debt Service Fund is used to account for financial resources that are restricted for, and the payment of, general long-term debt principal, interest, and related costs.

Keno Fund is used to account for the revenues and expenses related to the Keno operations of the City. These funds are used for community betterment.

Capital Improvements Fund is used to account for financial resources that are committed to expenditures for capital outlay.

Economic Development Fund is used to account for revenues and expenditures to support the City's commercial developments, rehabilitate residential neighborhoods and expand industrial development in order to ensure economic stability and vitality of the City.

City of La Vista, Nebraska

Notes to Financial Statements

September 30, 2017

Note 1: Summary of Significant Accounting Policies - Continued

Fund Types and Major Funds - Continued

84th Street Redevelopment Fund is used to account for revenues and expenditures to support the redevelopment of the 84th Street corridor between Harrison Street and Giles Street to improve the economic viability of a town center and central park. A voter approved sales tax levy provides the revenue for this fund.

Proprietary funds are used to account for the City's ongoing organizations and activities that are similar to those often found in the private sector. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included in the balance sheet. Proprietary fund operating statements present increases and decreases in total net position.

The City reports the following major proprietary funds:

Sewer Fund accounts for the activities of the government's sewer utility.

Golf Fund accounts for the activities of the government's golf course. In 2016, the golf course ceased operations and all subsequent activity relates to closure related items.

Cash and Investments

The City maintains a cash deposit pool that is available for use by all funds. The pool consists of bank deposits and investments. The equity of proprietary funds in this pool is considered to be cash and cash equivalents for purposes of the statement of cash flows. In addition, cash and investments are separately held by several of the City's funds.

Nonnegotiable certificates of deposit are carried at amortized cost, which approximates fair value. The City invests in an external investment pool which primarily invests in government agency securities, certificates of deposit, demand deposits and repurchase agreements which are valued at amortized cost, which approximates fair value based on the short-term nature of the investments. The City carries its interest in the external investment pool at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is assigned to the funds with which the related investment asset is associated.

Special Assessments

Special assessments are recorded as revenue in the year the assessments become current. Annual installments not yet due are reflected as special assessments receivables and deferred inflows of resources.

City of La Vista, Nebraska
Notes to Financial Statements
September 30, 2017

Note 1: Summary of Significant Accounting Policies - Continued

Unbilled Sewer Revenue

Billings for sewer revenues are rendered on a monthly basis. Unbilled sewer revenues, representing estimated consumer usage for the period between the last billing date and the end of the year, have been recorded and are included in accounts receivable.

Capital Assets and Depreciation

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements; proprietary capital assets are also reported in their respective fund. The City maintains infrastructure asset records consistent with all other capital assets. The City generally capitalizes assets with a cost of \$2,500 or more as purchase and construction outlays occur. Such assets are recorded at historical cost or estimated historical cost. Donated assets are stated at acquisition value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10 – 45 years
Improvements	5 – 30 years
Infrastructure	20 – 60 years
Equipment, furniture, and fixtures	5 – 20 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

City of La Vista, Nebraska
Notes to Financial Statements
September 30, 2017

Note 1: Summary of Significant Accounting Policies - Continued

Deferred Outflows/Inflows of Resources - Continued

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category and is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments, and grants that are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Obligations

In government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond discounts or premiums are amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Compensated Absences

Vacation leave and other compensated absences with similar characteristics are accrued as the benefits are earned if the leave is attributable to past services and it is probable that the City will compensate the employees for such benefits. Sick leave and other compensated absences with similar characteristics are accrued as the benefits are earned only to the extent that it is probable that the City will compensate the employees for such benefits. Such accruals are based on current salary rates plus an additional amount for compensation-related payments such as Social Security and Medicare taxes and pension amounts using rates in effect at that date. Vacation and sick leave is accrued in accordance with the City's policy, when incurred in the government-wide and proprietary fund financial statements. In the governmental funds, only compensated absences expected to be liquidated with expendable available financial resources are recorded as a fund liability.

City of La Vista, Nebraska

Notes to Financial Statements

September 30, 2017

Note 1: Summary of Significant Accounting Policies - Continued

Sales Tax Refunds Payable

Qualified companies in the State of Nebraska are allowed certain benefits under various legislative acts and incentive programs, including refunds of sales and use taxes paid. These refunds can include the local option tax as well as state taxes. Under state statute, the State Tax Commissioner must notify an affected city, village, county, or municipal county of any refund claims of more than twenty-five thousand dollars by June 15 of a given year. The notification must be made by July 1 of the same year and the refund will be made on or after November 15. The City accrues these tax refunds due upon receipt of notification from the State Tax Commissioner.

Net Position

Net position is required to be classified into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvements of those assets are also included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to unspent proceeds is not included in the calculation of net investment in capital assets.

Restricted – This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classification

The fund balances for the City’s governmental funds are displayed in five components:

Nonspendable – Nonspendable fund balances are not in a spendable form or are required to be maintained intact.

Restricted – Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

City of La Vista, Nebraska
Notes to Financial Statements
September 30, 2017

Note 1: Summary of Significant Accounting Policies - Continued

Fund Balance Classification - Continued

Committed – Committed fund balances may be used only for the specific purposes determined by resolution of the City Council. Commitments may be changed or lifted only by issuance of a resolution by the City Council.

Assigned – Assigned fund balances are intended to be used by the City for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. At September 30, 2017, the City did not have any assigned funds.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

Fund balances are classified as restricted, committed, assigned, or unassigned. When expenditures are incurred that use funds from more than one classification, the City will generally determine the order which the funds are used on a case-by-case basis, taking into account any applicable requirements of grant agreements, contracts, business circumstances, or other constraints. If no other constraints exist, the order of spending of resources will be restricted, committed, assigned and, lastly, unassigned.

Use of Estimates

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

Note 2: Budget and Budgetary Accounting

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

- The City's department heads and mid-level managers prepare and submit budget requests for the following fiscal year to the City Administrator who then reviews the request with the department and division heads.

City of La Vista, Nebraska
Notes to Financial Statements
September 30, 2017

Note 2: Budget and Budgetary Accounting - Continued

- After this review process has been completed, the City Administrator presents these budget requests to the Mayor and City Council along with recommendations as to what changes, if any, should be made. These budget requests and recommendations are reviewed by the City Council at meetings open to the public.
- A public hearing on the budget is then conducted at a City Council meeting to obtain comments from citizens.
- Prior to September 20, the City Council legally enacts the ensuing fiscal year's budget through the passage of a resolution adopting the budget.
- Formal budgetary integration is employed as a management control device during the year for the General, Debt Service and Proprietary Funds.
- The budgets adopted are stated on a cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Note 3: Deposits and Investments

Deposits

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

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Nebraska; bonds of any city, county, school district or special road district of the State of Nebraska; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The statutes allow pledged securities to be reduced by the amount of the deposit insured by the Federal Deposit Insurance Corporation (FDIC).

At September 30, 2017, all of the City's deposits in excess of FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent of the City.

Investments

Generally, the City's investing activities are managed under the custody of the City Finance Director. The City does not have a specific investment policy, but follows state statutes. The City may legally invest in state-sponsored pooled investment funds and in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. Agencies and instrumentalities.

City of La Vista, Nebraska

Notes to Financial Statements

September 30, 2017

Note 3: Deposits and Investments - Continued

Investments - Continued

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates (market rates) will affect the fair value of an investment.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in possession of an outside party.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's only investments are units of participation in the short-term investment pool of the Nebraska Public Agency Investment Trust ("NPAIT"). NPAIT is a special purpose government established under Nebraska statute. The investment pool or trust is not registered and is not rated for credit risk. The City limits its interest rate risk by investing only in the short-term pool, which consists primarily of government agency or government securitized investments with maturities of less than one year. The amount invested in the NPAIT pool was \$3,375,951 at September 30, 2017.

Concentration of Credit Risk – The City places no limit on the amount that may be invested in any one issuer.

Summary of Carrying Values

The carrying values of deposits and investments are included in the government-wide statement of net position as follows:

Carrying Values	
Cash at County Treasurer	\$ 115,586
Deposits	23,854,946
Investments	<u>3,375,951</u>
	<u>\$ 27,346,483</u>

Included in the following statement of net position captions as follows:

Cash and cash equivalents	\$ 15,651,540
Restricted cash and cash equivalents	5,833,866
Cash at Country Treasurer	115,586
Certificates of deposit	2,369,540
Investments	<u>3,375,951</u>
	<u>\$ 27,346,483</u>

City of La Vista, Nebraska

Notes to Financial Statements

September 30, 2017

Note 4: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Investments

The City's investments in external pooled investments are carried at cost and thus are not included within the fair value hierarchy.

Note 5: Property Taxes

The tax levy for the City is certified by the Sarpy County Board each year. Real estate taxes are due and attached as an enforceable lien on December 31 following the levy date. The first half of real estate taxes becomes delinquent on April 1 and the second half becomes delinquent August 1 following the levy date. Delinquent taxes bear interest at a 14% annual rate. Property taxes are collected by the County Treasurer and are periodically remitted to the City.

The tax rate to finance governmental services other than the payment of principal and interest on long-term debt for the year ended September 30, 2017, was \$0.4100 per \$100 of assessed valuation and the debt service requirement was \$0.1400 per \$100 of assessed valuation. The assessed valuation for the 2016-2017 tax year was \$1,410,681,076.

City of La Vista, Nebraska
Notes to Financial Statements
September 30, 2017

Note 6: Receivables

Receivables at September 30, 2017, consist of the following:

Fund	Taxes	Accounts Receivable	Special Assessments	Interest	Note Receivable	Gross Receivables	Allowance for Uncollectibles	Net Receivables
General	\$ 810,084	\$ 576,992	\$ -	\$ -	\$ -	\$ 1,387,076	\$ -	\$ 1,387,076
Debt Service	395,532	-	501,285	207,063	-	1,103,880	278,350	825,530
Keno	-	98,082	-	-	-	98,082	-	98,082
84th Street Redevelopment	375,049	-	-	-	-	375,049	-	375,049
Economic Development	-	-	-	-	15,810,692	15,810,692	-	15,810,692
Sewer	-	445,159	-	-	-	445,159	-	445,159
	<u>\$ 1,580,665</u>	<u>\$ 1,120,233</u>	<u>\$ 501,285</u>	<u>\$ 207,063</u>	<u>\$ 15,810,692</u>	<u>\$ 19,219,938</u>	<u>\$ 278,350</u>	<u>\$ 18,941,588</u>

Note Receivable

The City has a note receivable ("Loan") from an entity associated with the interests of developer John Q. Hammons and related companies and entities ("developer"), an owner and developer of hotels and motels, for an economic development project involving construction of two hotels and a conference center in the City. The Hammons Interests are all privately held and have undertaken to provide only limited publicly available financial information. The City obtained a deed of trust on the conference center in connection with the Loan.

As of September 30, 2017, the balance of the loan with the developer was \$15,810,692 with an interest rate equal to the average coupon rate of the bonds issued to fund the loan. The balance of the note was due in a single balloon payment on September 30, 2017.

In June of 2016, the developer filed for protection under Chapter 11 of the United States Bankruptcy Code. Significant payments remain outstanding on the Loan, including all of the principal amount. Payments received by the City on the Loan have not been pledged for the payment of economic development bonds and are subject to being applied to other economic development purposes so long as the Loan remains outstanding. The City will remain obligated on the economic development bonds, including certain tax revenues and sales tax revenues of the City, regardless of whether the principal of the Loan is repaid.

The Bankruptcy Court has allowed the developer to continue to remit the quarterly interest payments to the City and interest payments are current through the December 31, 2017 payment. The developer did not make the principal balloon payment on September 30, 2017 or since. A plan for repayment will be presented to the Bankruptcy Court in 2018. It is unclear what impact the bankruptcy filing will have on the repayment of the note. Management has determined that no allowance is necessary at September 30, 2017.

City of La Vista, Nebraska
Notes to Financial Statements
September 30, 2017

Note 7: Capital Assets and Depreciation

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Land, not being depreciated	\$ 11,344,222	\$ -	\$ -	\$ -	\$ 11,344,222
Construction in progress	3,683,310	8,349,337	(422,511)	(1,863,535)	9,746,601
Total capital assets, not being depreciated	<u>15,027,532</u>	<u>8,349,337</u>	<u>(422,511)</u>	<u>(1,863,535)</u>	<u>21,090,823</u>
Capital assets, being depreciated					
Buildings	19,086,165	95,297	-	-	19,181,462
Improvements/infrastructure	56,634,329	20,315	-	1,772,396	58,427,040
Equipment/furniture/vehicles	9,530,926	592,639	(25,543)	53,216	10,151,238
Total capital assets, being depreciated	<u>85,251,420</u>	<u>708,251</u>	<u>(25,543)</u>	<u>1,825,612</u>	<u>87,759,740</u>
Accumulated Depreciation					
Buildings	(11,186,263)	(740,002)	-	-	(11,926,265)
Improvements/infrastructure	(26,437,090)	(1,736,513)	-	-	(28,173,603)
Equipment/furniture/vehicles	(7,275,238)	(513,767)	25,543	-	(7,763,462)
Total accumulated depreciation	<u>(44,898,591)</u>	<u>(2,990,282)</u>	<u>25,543</u>	<u>-</u>	<u>(47,863,330)</u>
Capital assets being depreciated, net	<u>40,352,829</u>	<u>(2,282,031)</u>	<u>-</u>	<u>1,825,612</u>	<u>39,896,410</u>
Governmental activities capital assets, net	<u>\$ 55,380,361</u>	<u>\$ 6,067,306</u>	<u>\$ (422,511)</u>	<u>\$ (37,923)</u>	<u>\$ 60,987,233</u>

Depreciation was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 171,949
Public safety	623,293
Culture and recreation	282,498
Public works	<u>1,912,542</u>
Total governmental activities depreciation expense	<u>\$ 2,990,282</u>

City of La Vista, Nebraska
Notes to Financial Statements
September 30, 2017

Note 7: Capital Assets and Depreciation - Continued

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities					
Land, not being depreciated	\$ 9,524	\$ -	\$ -	\$ -	\$ 9,524
Capital assets, being depreciated					
Building and improvements	9,365	-	-	-	9,365
Sewer line system	7,709,542	-	-	37,923	7,747,465
Equipment and furniture	2,011,795	41,363	-	-	2,053,158
Total capital assets, being depreciated	9,730,702	41,363	-	37,923	9,809,988
Accumulated depreciation					
Building and improvements	(9,365)	-	-	-	(9,365)
Sewer line system	(3,162,361)	(154,653)	-	-	(3,317,014)
Equipment and furniture	(1,258,258)	(76,534)	-	-	(1,334,792)
Total accumulated depreciation	(4,429,984)	(231,187)	-	-	(4,661,171)
Capital assets being depreciated, net	5,300,718	(189,824)	-	37,923	5,148,817
Business-type activities capital assets, net	<u>\$ 5,310,242</u>	<u>\$ (189,824)</u>	<u>\$ -</u>	<u>\$ 37,923</u>	<u>\$ 5,158,341</u>

Depreciation was charged to functions/programs as follows:

Business-type Activities	
Golf	\$ 10,534
Sewer	<u>220,653</u>
Total business-type activities depreciation expense	<u>\$ 231,187</u>

City of La Vista, Nebraska

Notes to Financial Statements

September 30, 2017

Note 8: Long-term Liabilities

General obligation bonds, issued by the City for various municipal improvements, are repaid with property taxes recorded in the Debt Service Fund. The City has pledged its full faith and credit as collateral for the general obligation bonds. The City has no debt outstanding subject to legal debt limitations. The City's borrowing capacity is restrained by maintaining the City's debt at a responsible level.

The following is a summary of long-term debt activity of the City for the year ended September 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Long-term debt					
General obligation bonds	\$ 47,130,000	\$ -	\$ 3,985,000	\$ 43,145,000	\$ 4,065,000
Bond anticipation notes	11,215,000	-	-	11,215,000	-
Installment notes payable	116,710	-	33,904	82,806	34,880
Premium/discount on bonds issued	194,010	-	26,485	167,525	-
Other long-term liabilities					
Compensated absences	1,316,041	842,013	692,183	1,465,871	60,857
Governmental activities long-term liabilities	\$ 59,971,761	\$ 842,013	\$ 4,737,572	\$ 56,076,202	\$ 4,160,737
Business-type Activities					
Other long-term liabilities					
Compensated absences	\$ 122,814	\$ 34,692	\$ 45,122	\$ 112,384	\$ 4,723

The compensated absences reported as governmental activities will be paid from the General Fund. The compensated absences of the business-type activities will be paid from the Sewer Fund.

City of La Vista, Nebraska
Notes to Financial Statements
September 30, 2017

Note 8: Long-term Liabilities - Continued

Long-term bonded debt and notes payable are comprised of the following:

	Interest Rate	Maturity Date	Date Callable	Ending Balance
Governmental Activities				
General obligation bonds				
July 7, 2007, EDP taxable bonds	6.000-7.730%	10/15/2029	10/15/2012	\$ 16,420,000
July 15, 2011, refunding bonds for fire facility	2.000-4.150%	12/15/2026	07/15/2016	3,390,000
June 28, 2012, GO refunding bonds	0.300-3.250%	12/15/2032	06/28/2017	6,110,000
December 31, 2014, GO refunding bonds	1.750-2.450%	08/15/2023	12/31/2019	4,325,000
December 31, 2014, highway allocation refunding bonds	1.850-3.250%	11/15/2028	12/31/2019*	690,000
December 31, 2014, public safety tax anticipation refunding bonds	1.850-2.350%	11/15/2022	12/31/2019	635,000
December 31, 2014, facilities corp refunding bonds	1.750-3.650%	03/15/2035	12/31/2019	2,145,000
December 1, 2015 GO refunding bonds	0.500-2.350%	12/15/2026	12/01/2020	7,430,000
May 25, 2016 highway allocation refunding bonds	1.000-3.125%	05/01/2041	05/01/2041**	2,000,000
Total general obligation bonds				<u>\$ 43,145,000</u>
Bond anticipation note ***				
September 8, 2016 bond anticipation notes	1.000%	03/15/2018	03/15/2017	\$ 11,215,000
Installment notes payable				
January 5, 2015, dump truck note payable	2.89%	01/05/2020		\$ 82,806

* Bonds are subject to mandatory redemption in various amounts prior to maturity beginning November 15, 2015.

** Bonds are subject to mandatory redemption in various amounts prior to maturity beginning May 1, 2017.

*** Bond anticipation notes were issued to pay the costs of certain public infrastructure projects within the 84th Street Redevelopment Area of the City. In December 2017, the City issued \$18,840,000 of Tax Supported Improvement Bonds, Series 2017, to pay the costs of constructing public infrastructure improvements and costs of redevelopment in the 84th Street Redevelopment Project area. Proceeds of the Tax Supported Improvement Bonds were used to retire the outstanding Bond Anticipation Notes. Interest rates on the Tax Supported Improvement Bonds range from 1.25% to 5.00% and have a final maturity of July 15, 2042. The Bond Anticipation Notes are classified as a long-term liability on the statement of net position.

City of La Vista, Nebraska
Notes to Financial Statements
September 30, 2017

Note 8: Long-term Liabilities - Continued

Maturities of the long-term debt, subject to mandatory redemption are as follows:

Governmental Activities

Year Ending September 30,	General Obligation Bonds		Installment Notes	
	Principal	Interest	Principal	Interest
2018	\$ 4,065,000	\$ 1,814,453	\$ 34,880	\$ 1,916
2019	4,175,000	1,697,919	35,901	894
2020	3,975,000	1,575,068	12,025	66
2021	3,940,000	1,449,562	-	-
2022	4,070,000	1,309,461	-	-
2023-2027	14,655,000	4,374,066	-	-
2028-2032	7,080,000	946,761	-	-
2033-2037	750,000	123,114	-	-
2038-2042	435,000	34,531	-	-
	<u>\$ 43,145,000</u>	<u>\$ 13,324,935</u>	<u>\$ 82,806</u>	<u>\$ 2,876</u>

Note 9: Interfund Balances and Activity

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (b) move revenues from restricted funds to funds where the expenditures were incurred related to the restrictions and to (c) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfer To/From Other Funds at September 30, 2017, consists of the following cash and capital asset transfers:

Transfer To	Transfer From						Total
	General Fund	Debt Service Fund	Keno Fund	Sewer Fund	84th Street Redevelopment Fund	Golf Fund	
General Fund	\$ -	\$ -	\$ 60,000	\$ -	\$ -	\$ -	\$ 60,000
Debt Service	445,477	-	-	-	-	-	445,477
Keno	-	188,781	-	-	-	223,135	411,916
Capital Improvements	90,641	323,889	270,575	512	6,767,955	-	7,453,572
Economic Development	800,000	-	-	-	-	-	800,000
	<u>\$ 1,336,118</u>	<u>\$ 512,670</u>	<u>\$ 330,575</u>	<u>\$ 512</u>	<u>\$ 6,767,955</u>	<u>\$ 223,135</u>	<u>\$ 9,170,965</u>

As of September 30, 2017, the balance due to/from other funds primarily resulted from the respective funds overdrawing its share of pooled cash and the transfer of golf course employees to the city parks & recreation department.

City of La Vista, Nebraska
Notes to Financial Statements
September 30, 2017

Note 10: Reconciliation of Budget Basis to GAAP

Amounts presented on a non-GAAP budget basis of accounting differ from those presented in accordance with GAAP due to the treatment afforded accruals, encumbrances, and funds for which legally adopted annual budgets are not established. A reconciliation for the year ended September 30, 2017, which discloses the nature and amount of the adjustments necessary to convert the actual GAAP data to the budgetary basis, is presented below:

	General Fund	Keno Fund	Economic Development Fund	84th Street Redevelopment Fund
Net change in fund balance				
Balance on a GAAP basis	\$(1,074,749)	\$ 768,553	\$ (9,646)	\$ (5,236,678)
Basic differences (accruals) occur because the cash basis of accounting used for budgeting differs from the modified accrual basis of accounting prescribed for governmental funds	<u>275,553</u>	<u>38,335</u>	<u>-</u>	<u>66,915</u>
Balance on a budget basis	<u><u>\$ (799,196)</u></u>	<u><u>\$ 806,888</u></u>	<u><u>\$ (9,646)</u></u>	<u><u>\$ (5,169,763)</u></u>

Note 11: Retirement Plans

The employees of the City are covered by several defined contribution retirement plans as detailed below. All plans are administered by outside trustees and, therefore, are not included in the City's basic financial statements. Any plan provisions or amendments are reviewed and approved by the Mayor and City Council.

City Administrator's Retirement Plan

The City has a defined contribution pension plan covering the City Administrator. The plan requires that both the employee and the City contribute an amount equal to 6% of the employee's base salary per pay period. The City's pension expense and plan member's contributions to the plan for the year ended September 30, 2017, were \$8,961 each.

Civilian Employee Retirement Plan

The City has a defined contribution pension plan covering all civilian employees who are eligible. The plan requires that both the employee and the City contribute an amount equal to 6% of the employee's base salary per pay period. The plan allows for forfeitures to be used to pay administration costs of the plan and then used to reduce the City's contributions. Employees are fully vested in their contributions and begin vesting in employer contributions after four years and are fully vested after seven years. The City's pension expense and plan members' contributions to the plan for the year ended September 30, 2017, were \$221,970 each. The City used forfeitures of \$161 to offset the City's contributions to the plan in 2017.

City of La Vista, Nebraska
Notes to Financial Statements
September 30, 2017

Note 11: Retirement Plans - Continued

Police Retirement Plan

The City has a defined contribution pension plan for its full time employees in the Police Department. The plan was converted effective January 1, 1984, from a defined benefit plan to a defined contribution plan. The plan requires that both the employee and the City contribute an amount equal to 7% of the employee's base salary per pay period. The plan allows for forfeitures to be used to pay administration costs of the plan and then used to reduce the City's contributions. Employees are fully vested in their contributions and begin vesting in employer contributions after four years and are fully vested after seven years. The City's pension expense and plan members' contributions to the plan for the year ended September 30, 2017, were \$199,929 each. The City used no forfeitures to offset the City's contributions to the plan in 2017.

Fire Retirement Plan

The City has a defined contribution pension plan for its full time employees in the Fire Department. The plan was effective June 2007. The plan requires that the employee contribute an amount equal to 6.5% and the City contribute an amount equal to 13% of the employee's base salary per pay period. The plan allows for forfeitures to be allocated to the Unallocated Employer Account and if the Unallocated Employer Account is sufficient to meet plan liabilities, then forfeitures shall first be used to pay expenses of administration and then reduce City contributions. Employees are fully vested in their own contributions and begin vesting in employer contributions after four years and are fully vested after seven years. The City's pension expense and contributions to the plan for the year ended September 30, 2017, were \$10,549 and the plan members' contributions to the plan for the year ended September 30, 2017 were \$5,275.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular permanent full and part-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefits of the participants and their beneficiaries. The plan assets are held in trust by a third party for the employees and are not reflected in these financial statements.

City of La Vista, Nebraska

Notes to Financial Statements

September 30, 2017

Note 12: Keno Fund Operations

The following data summarizes the Keno (Special Revenue) Fund's activity for the year ended September 30, 2017:

Gross sales	\$ 17,530,647
Less: prizes paid	(14,164,143)
Operator's commission	(2,171,920)
Deposits to progressive games	<u>33,656</u>
Net Keno revenue	<u>\$ 1,228,240</u>

Note 13: Risk Management

The City is exposed to various risks of loss related to torts, theft, damage to, or destruction of assets, errors or omissions, injuries to employees, or natural disasters. These risks are transferred to independent insurance carriers and no self-insurance program is maintained by the City. City management believes adequate coverage exists for potential exposures as of September 30, 2017. The City did not pay any settlement amounts which exceeded its insurance coverage for any of the three preceding years.

Note 14: Commitments and Contingencies

Commitments

During the year, the City has accepted various bids for street improvements and other projects in the normal course of business that have not been completed and/or fully paid for at year-end.

Claims and Litigation

The City is involved in various litigation matters in the normal course of business. The outcome of such litigation is not expected to have a material effect on the City's financial position or results of operations.

Government Grants

The City participates in a number of federally assisted grant programs, which are subject to financial and compliance audits or reviews. The amount of expenditures, if any, which may be disallowed by the granting agencies, is not determinable at this time; however, City officials do not believe that such amounts, if any, will be significant.

City of La Vista, Nebraska
Notes to Financial Statements
September 30, 2017

Note 14: Commitments and Contingencies - Continued

Community Development Block Grant Program

The City is participating in the State of Nebraska Department of Economic Development Community Development Block Grant ("CDBG") program. Under this program, the City has received federal funds from the State of Nebraska to undertake community development activities, as authorized. As of September 30, 2017, the City has entered into loan agreements with three businesses to provide CDBG funds. Since fiscal year 2010, the City has loaned a total of \$1,097,362 to these businesses, of which \$0 was loaned in fiscal year 2017. Under the agreements with these businesses, if the businesses meet certain criteria, some or all of their loans may be forgiven. As any repayments on these loans would be returned to the State, the City charges these loans to expense in the year advanced.

Sales Tax Refunds

Qualified companies in the State of Nebraska are allowed certain benefits under various legislative acts and incentive programs, including refunds of sales and use taxes paid. These refunds can include the local option tax as well as state taxes. Under state statute, the State Tax Commissioner must notify an affected city, village, county, or municipal county of any refund claims of more than twenty-five thousand dollars by June 15 of a given year. The notification must be made by July 1 of the same year and the refund will be made on or after November 15. The amount of tax refunds due, if any, under these acts and programs is not determinable by the City until notification is made by the State.

As of September 30, 2017, the City had been notified of \$2,053,344 of sales tax refunds due, which are to be repaid starting in October 2017 through June 2018. This amount is recognized on the government-wide statement of net position.

Between October 2017 and February 2018, the City was notified by the State of approximately \$383,200 of additional sales tax refunds due beginning in December 2018.

Note 15: Interlocal Agreement

In October 2013, the City entered into an interlocal agreement with the City of Papillion ("Papillion") and the Papillion Rural Fire District ("RFD") to allow Papillion to expand its fire department operations to provide fire and emergency medical services ("EMS") for all of the participants to the agreement and areas within each participants' boundaries beginning April 1, 2014. In consideration for these services, the City and RFD each contribute proportionate funding and use of their respective fire and EMS equipment, fire apparatuses, EMS medic units and other fire or EMS vehicles and fire department real property. The agreement will terminate on September 30, 2033, with optional ten-year terms thereafter.

City of La Vista, Nebraska

Notes to Financial Statements

September 30, 2017

Note 15: Interlocal Agreement - Continued

Under the terms of the agreement, the participants have created a mutual finance organization as authorized under the Nebraska Municipal Finance Assistance Act, known as the Papillion Fire Protection Mutual Finance Organization (“MFO”). The MFO is responsible for transacting business for financing the operation and equipment needs of the fire department or MFO; having charge and custody of and managing all funds of the MFO; and seeking funding from the Nebraska Mutual Finance Assistance Fund or other potential funding organizations. The participants in the MFO are required to levy a general fund property tax at an equal rate for the purpose of jointly funding the single fire department operations. The rate must have unanimous approval from all participants and exclude levies for bonded indebtedness and lease-purchase contracts in existence on July 1, 1998. The Papillion Finance Director serves as the fiscal agent of the MFO.

As of September 30, 2017, the MFO has not issued debt nor acquired title to any assets. Any debt or assets of the MFO would be split amongst the participants.

During the year ended September 30, 2017, the City paid \$2,086,764 to Papillion in consideration of services rendered. The City received \$671,323 from the MFO, as determined by the terms of the interlocal agreement.

Note 16: Tax Abatements

The City provides tax abatements under the Tax Increment Financing Program (TIF), the Nebraska Advantage Act and the Employment and Investment Growth Act.

TIF provides property tax abatements to encourage improvements to blighted property. The program is established under the auspices of a state statute (Article 21, Section 18-2101 – 2144) empowering cities and counties to establish such programs. The abatements equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, as administered as a rebate of the incremental taxes generated from improvements to property, and last for 15 years (or fewer, if the loan is paid off). Eligibility for approval requires the property to have no loss of pre-existing tax revenues, and the developer demonstrates the project is not feasible without TIF. Abatements are obtained through application by the property owner and are reviewed and approved by the Council prior to commencing the improvements. This refund reduces the next property tax paid to the City. As of September 30, 2017, the City has entered into agreements with developers under TIF; however, no property taxes have been abated as the related projects are not yet complete.

The Employment and Investment Growth Act under State Legislative Bill (LB) 775 and the Nebraska Advantage Act under LB 312 grants tax credits and sales tax refunds for companies that hire at least 30 new employees and invest at least \$3 million. These acts allow a refund of sales tax paid on equipment or other taxable property purchased in connection with the project. This refund to companies reduces the net monthly sales receipts remitted to the City.

City of La Vista, Nebraska
Notes to Financial Statements
September 30, 2017

Note 16: Tax Abatements - Continued

Taxes abated under these programs for the fiscal year ended September 30, 2017 were as follows:

Tax Increment Financing Program - \$0

Employment and Investment Growth Act
and Nebraska Advantage Act - \$2,048,490

Note 17: Subsequent Events

The City entered into construction contracts in November 2017 for City Centre and 84th Street Redevelopment improvements with total contract amounts of approximately \$8,160,000. These costs are expected to be paid in future years as the project costs are incurred.

In November 2017, the City issued \$18,840,000 of Tax Supported Improvement Bonds, Series 2017, to pay the costs of constructing public infrastructure and costs of redevelopment in the 84th Street Redevelopment Project Area. Interest rates on the bonds range from 1.25% to 5.00% and have a final maturity of July 15, 2042.

Required Supplementary Information

City of La Vista, Nebraska
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual (Budget Basis) –
General Fund
Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ 12,322,833	\$ 12,322,833	\$ 11,549,711	\$ (773,122)
Licenses and permits	647,786	647,786	613,803	(33,983)
Intergovernmental revenues	2,236,399	2,236,399	2,186,370	(50,029)
Charges for services	306,295	306,295	365,050	58,755
Grant income	81,259	81,259	25,697	(55,562)
Interest income	26,594	26,594	22,766	(3,828)
Miscellaneous	179,589	179,589	191,087	11,498
Total revenues	<u>15,800,755</u>	<u>15,800,755</u>	<u>14,954,484</u>	<u>(846,271)</u>
Expenditures				
General government	3,065,171	3,065,171	2,522,909	542,262
Public works	2,264,829	2,264,829	1,974,666	290,163
Public safety	6,249,613	6,249,613	6,171,077	78,536
Culture and recreation	2,039,647	2,039,647	1,767,015	272,632
Public library	802,913	802,913	713,185	89,728
Community development	613,192	613,192	571,430	41,762
Capital outlay	724,199	724,199	757,280	(33,081)
Total expenditures	<u>15,759,564</u>	<u>15,759,564</u>	<u>14,477,562</u>	<u>1,282,002</u>
Excess of Revenues Over Expenditures	41,191	41,191	476,922	435,731
Other Financing Sources (Uses)				
Operating transfers	<u>(1,365,825)</u>	<u>(1,365,825)</u>	<u>(1,276,118)</u>	<u>89,707</u>
Net Change in Fund Balances	<u><u>\$ (1,324,634)</u></u>	<u><u>\$ (1,324,634)</u></u>	<u><u>\$ (799,196)</u></u>	<u><u>\$ 525,438</u></u>

City of La Vista, Nebraska
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual (Budget Basis) –
Keno Fund
Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Keno	\$ 1,360,000	\$ 1,360,000	\$ 1,262,016	\$ (97,984)
Other Sales	25,700	25,700	34,306	8,606
Interest income	8,957	8,957	7,142	(1,815)
Total revenues	<u>1,394,657</u>	<u>1,394,657</u>	<u>1,303,464</u>	<u>(91,193)</u>
Expenditures				
General government	25,235	25,235	28,055	(2,820)
Community betterment	<u>683,841</u>	<u>683,841</u>	<u>549,862</u>	<u>133,979</u>
Total expenditures	<u>709,076</u>	<u>709,076</u>	<u>577,917</u>	<u>131,159</u>
Excess of Revenues Over Expenditures	685,581	685,581	725,547	39,966
Other Financing Sources (Uses)				
Operating transfers out (in)	<u>(549,832)</u>	<u>(549,832)</u>	<u>81,341</u>	<u>631,173</u>
Total other financing sources	(549,832)	(549,832)	81,341	631,173
Net Change in Fund Balances	<u>\$ 135,749</u>	<u>\$ 135,749</u>	<u>\$ 806,888</u>	<u>\$ 671,139</u>

City of La Vista, Nebraska
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual (Budget Basis) –
Economic Development Fund
Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Interest income	\$ 30,067	\$ 30,067	\$ 21	\$ (30,046)
Interest income on note	16,997,264	16,997,264	1,186,573	(15,810,691)
Total revenues	17,027,331	17,027,331	1,186,594	(15,840,737)
Expenditures				
Debt service principal retirement	730,000	730,000	730,000	-
Debt service interest	1,265,741	1,265,741	1,265,741	-
Community development	10,000	10,000	499	9,501
Total expenditures	2,005,741	2,005,741	1,996,240	9,501
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,021,590	15,021,590	(809,646)	(15,831,236)
Other Financing Sources				
Operating transfers in	800,000	800,000	800,000	-
Total other financing sources	800,000	800,000	800,000	-
Net Change in Fund Balances	<u>\$ 15,821,590</u>	<u>\$ 15,821,590</u>	<u>\$ (9,646)</u>	<u>\$ (15,831,236)</u>

City of La Vista, Nebraska
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual (Budget Basis) –
84th Street Redevelopment Fund
Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Sales tax	\$ 2,174,920	\$ 2,174,920	\$ 1,887,721	\$ (287,199)
Interest income	23,842	23,842	16,968	(6,874)
Total revenues	<u>2,198,762</u>	<u>2,198,762</u>	<u>1,904,689</u>	<u>(294,073)</u>
Expenditures				
Debt service principal retirement	\$ 11,210,000	11,210,000	-	11,210,000
Debt service interest	114,229	114,229	114,331	(102)
Community development	152,000	152,000	192,166	(40,166)
Total expenditures	<u>11,476,229</u>	<u>11,476,229</u>	<u>306,497</u>	<u>11,169,732</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,277,467)</u>	<u>(9,277,467)</u>	<u>1,598,192</u>	<u>10,875,659</u>
Other Financing Sources (Uses)				
Operating transfers	(8,647,500)	(8,647,500)	(6,767,955)	1,879,545
Bond proceeds	13,100,170	13,100,170	-	(13,100,170)
Total other financing sources	<u>4,452,670</u>	<u>4,452,670</u>	<u>(6,767,955)</u>	<u>(11,220,625)</u>
Net Change in Fund Balances	<u>\$ (4,824,797)</u>	<u>(4,824,797)</u>	<u>(5,169,763)</u>	<u>\$ (344,966)</u>

Economic Development Fund

City of La Vista, Nebraska

Independent Auditor's Report and Financial Statements

September 30, 2017 and 2016



Economic Development Fund
City of La Vista, Nebraska
September 30, 2017 and 2016

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Independent Auditor's Report

The Honorable Mayor and City Council
Economic Development Fund
City of La Vista, Nebraska

We have audited the accompanying financial statements of the Economic Development Fund, a governmental fund, of the City of La Vista, Nebraska, which comprise the balance sheets as of September 30, 2017 and 2016, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Economic Development Fund of the City of La Vista, Nebraska as of September 30, 2017 and 2016, and its changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Economic Development Fund are intended to present the financial position and changes in financial position of only that portion of the governmental activities and each major fund of the City of La Vista, Nebraska that is attributable to the transactions of the Economic Development Fund. They do not purport to, and do not, present fairly the financial position of the City of La Vista, Nebraska as of September 30, 2017 and 2016, and its changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

BKD, LLP

Omaha, Nebraska
April 11, 2018

**Economic Development Fund
City of La Vista, Nebraska
Balance Sheets
September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 309,425	\$ 319,071
Note receivable	<u>15,810,692</u>	<u>15,810,692</u>
Total assets	<u>\$ 16,120,117</u>	<u>\$ 16,129,763</u>
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balance		
Restricted for economic development	<u>16,120,117</u>	<u>16,129,763</u>
Total liabilities and fund balances	<u>\$ 16,120,117</u>	<u>\$ 16,129,763</u>

Economic Development Fund
City of La Vista, Nebraska
Statements of Revenues, Expenditures, and
Changes in Fund Balance
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Interest Income	\$ 1,186,594	\$ 1,186,593
Expenditures		
Community development	499	3,872
Debt service		
Principal retirement	730,000	685,000
Interest	1,265,741	1,311,427
	<u>1,996,240</u>	<u>2,000,299</u>
Deficiency of Revenues Under Expenditures	(809,646)	(813,706)
Transfers	<u>800,000</u>	<u>600,000</u>
Net Change in Fund Balance	(9,646)	(213,706)
Fund Balance, Beginning of Year	<u>16,129,763</u>	<u>16,343,469</u>
Fund Balance, End of Year	<u>\$ 16,120,117</u>	<u>\$ 16,129,763</u>

Economic Development Fund City of La Vista, Nebraska

Notes to Financial Statements

September 30, 2017 and 2016

Note 1: Summary of Significant Accounting Policies

Organization

On September 30, 2003, the citizens of the City of La Vista, Nebraska (the “City”) voted to establish the Economic Development Program to create jobs and/or develop tourism for the purpose of supporting the City’s commercial developments, rehabilitate residential neighborhoods and expand industrial development in order to ensure the economic stability and vitality of the City.

Financial Reporting Entity

The financial statements of the Economic Development Fund include all significant separately administered activities for which the Economic Development Fund is financially accountable. Financial accountability is determined on the basis of selection of governing authority, imposition of will, a financial benefit/burden relationship, and/or fiscal dependency. The Economic Development Fund’s financial statements are included in the City’s financial statements as a major governmental fund.

The financial statements present only the Economic Development Fund and do not purport to, and do not, present fairly the financial position of the City as of September 30, 2017 and 2016, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

The Economic Development Fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period and that it is legally available for such purposes. Expenditures are recorded when the related fund liability is incurred, except for debt service expenditures which are reported as expenditures in the year due.

Use of Estimates

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

Economic Development Fund City of La Vista, Nebraska

Notes to Financial Statements

September 30, 2017 and 2016

Note 1: Summary of Significant Accounting Policies - Continued

Cash and Cash Equivalents

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

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Nebraska; bonds of any city, county, school district or special road district of the State of Nebraska; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The Statutes allow pledged securities to be reduced by the amount of the deposit insured by the Federal Deposit Insurance Corporation (FDIC).

The Economic Development Fund participates in the pooled cash accounts maintained by the City. The Fund's share of this pool was \$309,425 and \$319,071 at September 30, 2017 and 2016, respectively.

Note 2: Note Receivable

The City has a note receivable ("Loan") from an entity associated with the interests of developer John Q. Hammons and related companies and entities ("developer"), an owner and developer of hotels and motels, for an economic development project involving construction of two hotels and a conference center in the City. The Hammons Interests are all privately held and have undertaken to provide only limited publicly available financial information. The City obtained a deed of trust on the conference center in connection with the Loan.

As of September 30, 2017 and 2016, the balance of the loan with the developer was \$15,810,692 with an interest rate equal to the average coupon rate of the bonds issued to fund the loan. Accrued interest receivable on the loan amounted to \$0 at September 30, 2017 and 2016. The balance of the note was due in a single balloon payment on September 30, 2017.

In June of 2016, the developer filed for protection under Chapter 11 of the United States Bankruptcy Code. Significant payments remain outstanding on the Loan, including all of the principal amount. Payments received by the City on the Loan have not been pledged for the payment of economic development bonds and are subject to being applied to other economic development purposes so long as the Loan remains outstanding. The City will remain obligated on the economic development bonds, including certain tax revenues and sales tax revenues of the City, regardless of whether principal of the Loan is repaid.

Economic Development Fund City of La Vista, Nebraska

Notes to Financial Statements

September 30, 2017 and 2016

Note 2: Note Receivable - Continued

The Bankruptcy Court has allowed the developer to continue to remit the quarterly interest payments to the City and interest payments are current through the December 31, 2017 payment. The developer did not make the principal balloon payment on September 30, 2017 or since. A plan for repayment will be presented to the Bankruptcy Court in 2018. It is unclear what impact the bankruptcy filing will have on the repayment of the note. Management has determined that no allowance is necessary at September 30, 2017 and 2016.

Note 3: Long-term Debt

Economic Development Fund long-term bonded debt is comprised of the following individual issue:

Description	Interest Rate	Maturity Date	Original Balance	2017 Principal Outstanding	2016 Principal Outstanding
Economic Development Fund Bonds, Series 2007	6.00-7.73%	10/15/2029	\$20,695,000	\$ 16,420,000	\$ 17,150,000

The City issued these taxable special purpose economic development bonds in July 2007. Debt service on these bonds is to be funded from local tax revenue and other sources at the City's discretion.

The annual debt service requirements to maturity for bonded debt as of September 30, 2017, is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 780,000	\$ 1,216,439	\$ 1,996,439
2019	835,000	1,162,459	1,997,459
2020	890,000	1,103,548	1,993,548
2021	960,000	1,037,288	1,997,288
2022	1,035,000	961,419	1,996,419
2023-2027	6,570,000	3,415,500	9,985,500
2028-2032	5,350,000	641,976	5,991,976
Total	<u>\$ 16,420,000</u>	<u>\$ 9,538,629</u>	<u>\$ 25,958,629</u>

**Economic Development Fund
City of La Vista, Nebraska
Notes to Financial Statements
September 30, 2017 and 2016**

Note 4: City Transfer

The general fund of the City transferred \$800,000 and \$600,000 to the Economic Development Fund in 2017 and 2016, respectively, to assist in funding debt service payments.