

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

FINANCIAL STATEMENTS
And
INDEPENDENT AUDITOR'S REPORT

September 30, 2012

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

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Scottsbluff, Nebraska

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Council
and City Administrator
Scottsbluff, Nebraska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Scottsbluff, Nebraska, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Scottsbluff, Nebraska as of September 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2013, on our consideration of the City of Scottsbluff, Nebraska's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 44 through 50 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Scottsbluff, Nebraska's financial statements as a whole. The combining statements listed in the table of contents as other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dana J Cole + Company, LLP

Scottsbluff, Nebraska
January 16, 2013

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

September 30, 2012

The management of the City of Scottsbluff, Nebraska (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. Please consider this discussion in conjunction with the additional information provided in the transactions, events and conditions reflected in the City's financial statements (beginning on page 12).

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at September 30, 2012, by \$64,650,075 (net assets). Of this amount, \$23,491,051 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of September 30, 2012, the City's governmental funds reported combined ending fund balances of \$15,681,299. This is an increase of \$1,839,346 in comparison with the prior year.
- As of September 30, 2012, unassigned fund balance for the general fund was \$3,267,991, or 44% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the City's net assets changed during the year ended September 30, 2012. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general administrative services, public safety, streets and highways, health, planning and zoning, parks and recreation, libraries, and self-insurance. The business-type activities of the City include sanitation, wastewater, water, stormwater, electric utilities, and geographic information systems.

The government-wide financial statements can be found on pages 12-14 of this report.

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – (CONTINUED)

September 30, 2012

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and government-wide activities.

The City maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, the Transportation fund, the Economic Development fund, the Debt Service fund, the Special Projects fund, and the Leasing Corporation fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15-20 of this report.

Proprietary funds - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sanitation, wastewater, water, stormwater, and electric systems. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-funding unemployment and health insurance and geographic information services. Because the self-funding services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The geographic information services is shown as a business-type function and has been included within the business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all of the enterprise funds. Internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for these funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 21-26 of this report.

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – (CONTINUED)

September 30, 2012

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 27-28 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-42 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget. The City adopts an annual appropriated budget for its general fund and all other governmental funds. A budgetary comparison statement has been provided for the General, Transportation, Economic Development, Debt, Special Projects, and Leasing Corporation major funds to demonstrate compliance with this budget.

CITY OF SCOTTSBUFF
Scottsbluff, Nebraska

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – (CONTINUED)

September 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$64,650,075 at September 30, 2012.

By far the largest portion of the City's net assets (63 percent) reflects its investment in capital assets (e.g., land, buildings, improvements, utility plant, infrastructure, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Scottsbluff
Condensed Statement of Net Assets
September 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 19,233,411	\$ 17,929,989	\$ 8,034,958	\$ 7,133,063	\$ 27,268,369	\$ 25,063,052
Capital assets	29,286,649	28,320,802	22,820,732	22,595,596	52,107,381	50,916,398
Other noncurrent assets	1,115,760	1,112,745	406,008	327,471	1,521,768	1,440,216
Total assets	49,635,820	47,363,536	31,261,698	30,056,130	80,897,518	77,419,666
Current liabilities	4,258,734	4,420,826	1,254,846	1,222,837	5,513,580	5,643,663
Long-term liabilities outstanding	6,433,247	6,111,426	4,300,616	4,837,355	10,733,863	10,948,781
Total liabilities	10,691,981	10,532,252	5,555,462	6,060,192	16,247,443	16,592,444
Net assets:						
Invested in capital assets, net of related debt	22,651,444	22,008,612	18,101,572	17,344,946	40,753,016	39,353,558
Restricted	-	-	406,008	327,471	406,008	327,471
Unrestricted	16,292,395	14,822,672	7,198,656	6,323,521	23,491,051	21,146,193
Total net assets	\$ 38,943,839	\$ 36,831,284	\$ 25,706,236	\$ 23,995,938	\$ 64,650,075	\$ 60,827,222

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – (CONTINUED)

September 30, 2012

At September 30, 2012, the City is able to report positive balances in all three categories of net assets, for the government as a whole.

City of Scottsbluff
Statement of Activities and Changes in Net Assets
September 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 400,290	\$ 354,092	\$ 9,295,676	\$ 8,602,680	\$ 9,695,966	\$ 8,956,772
Operating grants and contributions	-	285,673	-	30,417	-	316,090
Capital grants and contributions	1,014,250	1,337,689	395,217	-	1,409,467	1,337,689
General revenues:						
Property taxes	1,510,679	1,511,813	-	-	1,510,679	1,511,813
Sales and use tax	5,517,510	5,252,695	-	-	5,517,510	5,252,695
Other taxes	1,299,370	1,384,932	-	-	1,299,370	1,384,932
Intergovernmental	1,421,542	2,045,521	-	-	1,421,542	2,045,521
Investment income	77,944	69,362	30,787	37,742	108,731	107,104
Miscellaneous	3,654,357	1,678,451	174,252	885,561	3,828,609	2,564,012
Total revenues	14,895,942	13,920,228	9,895,932	9,556,400	24,791,874	23,476,628
Expenses:						
General government	3,276,504	3,635,674	-	-	3,276,504	3,635,674
Public safety	5,136,865	4,642,932	-	-	5,136,865	4,642,932
Transportation	2,980,211	1,556,616	-	-	2,980,211	1,556,616
Public health	469,295	269,085	-	-	469,295	269,085
Culture and recreation	2,730,310	2,856,880	-	-	2,730,310	2,856,880
Public works	509,339	1,641,543	-	-	509,339	1,641,543
Interest on long-term debt	195,131	197,992	-	-	195,131	197,992
Environmental services	-	-	1,828,606	1,774,530	1,828,606	1,774,530
Wastewater	-	-	2,112,359	2,075,720	2,112,359	2,075,720
Water	-	-	1,481,137	1,448,765	1,481,137	1,448,765
Electric	-	-	76,566	80,196	76,566	80,196
Stormwater	-	-	93,714	115,352	93,714	115,352
Geographic information systems	-	-	78,984	85,100	78,984	85,100
Total expenses	15,297,655	14,800,722	5,671,366	5,579,663	20,969,021	20,380,385
Increase (decrease) in net assets before transfers	(401,713)	(880,494)	4,224,566	3,976,737	3,822,853	3,096,243
Transfers in (out)	2,514,268	2,263,146	(2,514,268)	(2,263,146)	-	-
Increase (decrease) in net assets	2,112,555	1,382,652	1,710,298	1,713,591	3,822,853	3,096,243
Net assets, October 1	36,831,284	35,448,632	23,995,938	22,282,347	60,827,222	57,730,979
Net assets, September 30	\$ 38,943,839	\$ 36,831,284	\$ 25,706,236	\$ 23,995,938	\$ 64,650,075	\$ 60,827,222

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – (CONTINUED)

September 30, 2012

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net assets by a total of \$2,112,555. Key elements in this increase follows:

- The economic development fund received sales tax revenue that was more than grants. This contributed over \$652,000 to the increase in net assets.
- The general fund experienced a \$217,000 increase in transfers from the electric fund due to an increased lease payment from Nebraska Public Power District.
- The debt service fund had \$429,000 more in receipts (mainly property tax) than debt payments that were due.
- The transportation fund had contributed capital for Avenue B project that was paid for by Regional West Health Services. That value of that project was \$1,014,250.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the city's net assets by \$1,710,298. Water and Stormwater funds had contributed capital (\$395,025) for Avenue B project that was paid for by Regional West Health Services. The overall increase was approximately the same as prior year which keeps the funds in line with rate increases keeping up to offset costs.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2012, the City's governmental funds reported combined ending fund balances of \$15,681,299, an increase of \$1,839,346 in comparison with the prior year. Of this total amount, \$652,777 of the increase is due to the economic development fund. Also \$895,088 of the increase is from the general fund.

The general fund is the chief operating fund of the City. At September 30, 2012, the unassigned fund balance of the general fund was \$3,267,991. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. The unassigned fund balance represents 44 percent of total general fund expenditures.

The fund balance of the City's general fund increased by \$895,088 during 2012. This increase was due to a larger than expected increase in transfers of lease payments. The transfer to the general fund was \$217,000 higher than prior year along with sales tax revenue being \$201,000 higher than the prior year.

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – (CONTINUED)

September 30, 2012

PROPRIETARY FUNDS

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

Unrestricted net assets of the sanitation, wastewater system, water system, electric system, and stormwater system amounted to \$145,830, \$2,457,610, \$1,599,509, \$2,562,962, and \$522,487 respectively, at September 30, 2012. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variances between actual general fund revenues and expenditures and the final amended budget include:

- \$195,350 positive variance in taxes. \$193,713 is due to sales tax receipts being higher than projected.
- \$450,718 positive variance in general government. This includes \$180,000 for software. This purchase was not completed and carried over to the new fiscal year. Only \$27,000 was spent. \$250,000 was budgeted in contingency to cover any unforeseen costs that may arise during the year. \$162,350 of the contingency was spent on parks and library improvements. \$100,000 was budgeted as a possible grant match for the senior center. That grant was not awarded which resulted in none of that money being spent.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2012, was \$52,107,381 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, streets, storm sewers, electric plant, and water and sewer plant.

City of Scottsbluff
Capital assets (net of depreciation)
September 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 471,878	\$ 471,878	\$ 1,316,023	\$ 1,316,025	\$ 1,787,901	\$ 1,787,903
Inventory	2,562,113	2,562,113	-	-	2,562,113	2,562,113
Construction in progress	1,278,993	297,180	26,797	27,867	1,305,790	325,047
Buildings and improvements	8,864,037	8,997,665	3,059,675	3,192,447	11,923,712	12,190,112
Equipment and vehicles	2,778,473	2,923,140	2,162,957	2,123,907	4,941,429	5,047,047
Infrastructure	13,331,155	13,068,827	8,769,045	7,855,952	22,100,200	20,924,779
Landfill improvements	-	-	8,676	8,676	8,676	8,676
Plant in service	-	-	7,477,561	8,070,724	7,477,561	8,070,724
Total	\$ 29,286,648	\$ 28,320,803	\$ 22,820,733	\$ 22,595,598	\$ 52,107,381	\$ 50,916,401

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) – (CONTINUED)

September 30, 2012

Major capital asset events during 2012 included the following:

- Avenue B contributed capital from Regional West Health Services. Transportation-\$1,014,250; Water-\$125,591; and Stormwater-\$269,434
- 2013 freightliner collection vehicle (\$163,342) and loader (\$120,348) for sanitation, total cost was \$283,690.
- Zoo lift station replacement (\$159,661) and transmission main (\$596,943) for water, total cost was \$756,604.

Additional information on the City’s capital assets can be found in Note 4 of the notes to the financial statements on pages 35-36 of this report.

LONG-TERM DEBT

At September 30, 2012, the City of Scottsbluff had total bonded debt outstanding of \$6,825,000. This entire amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Scottsbluff
Outstanding Bonded Debt
September 30, 2012 and 2011

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 1,180,000	\$ -	\$ -	\$ -	\$ 1,180,000	\$ -
Revenue bonds	5,645,000	6,230,000	-	-	5,645,000	6,230,000
Total	\$ 6,825,000	\$ 6,230,000	\$ -	\$ -	\$ 6,825,000	\$ 6,230,000

The City's total bonded debt increased by \$595,000 (9.55 percent) during 2012. The key factors to this increase was the issuance of General Obligation Highway Bonds in the amount of \$1,180,000 to fund portion of quiet zone and three road projects, such as 27th Street from Highway 26 to Avenue I and payments of \$585,000 on current debt.

Additional information on the City's long-term debt can be found in Note 5 of the notes to the financial statements on pages 36-38 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The increase in the City’s property tax base provided by real growth is estimated at .63%, with an actual increase in valuation from the prior year of approximately \$16 million.
- For 2013 budget, the projection for sales tax was estimated at 1% growth.
- The cost of living adjustment given to employees was 3.4%.
- \$507,900 was allocated in the general fund to purchase software and parks & recreation improvements.

All of these factors were considered in preparing the City’s budget for the 2013 fiscal year.

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – (CONTINUED)

September 30, 2012

The utility rates were increased for the 2013 budget year. The sanitation, wastewater, and water rates were increased by 4%, 3%, and 7% respectively. The rate increases affected both residential and industrial consumers by approximately the same percentage. These increases are necessary to fund debt service on the new debt issued by the utilities and to cover the cost of inflation.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Scottsbluff, Finance Department, 2525 Circle Drive, Scottsbluff, NE 69361.

**CITY OF SCOTTSBLUFF, NEBRASKA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Equity in pooled cash	\$ 15,506,604	\$ 6,068,951	\$ 21,575,555
Funds held by county treasurer	78,390	-	78,390
Net receivables:			
Taxes	1,786,057	-	1,786,057
Accounts and unbilled	-	1,685,680	1,685,680
Special assessments	222,938	-	222,938
Accrued interest	16,558	3,354	19,912
Governmental unit	210,310	-	210,310
Other receivables	1,412,554	-	1,412,554
Inventory	-	276,973	276,973
Total current assets	<u>19,233,411</u>	<u>8,034,958</u>	<u>27,268,369</u>
Noncurrent assets:			
Restricted investments	-	406,008	406,008
Investments - building	1,000,000	-	1,000,000
Bond issuance costs	115,760	-	115,760
Capital assets - non-depreciable	4,312,985	1,342,818	5,655,803
Net capital assets - depreciable	24,973,664	21,477,914	46,451,578
Total noncurrent assets	<u>30,402,409</u>	<u>23,226,740</u>	<u>53,629,149</u>
Total assets	<u>\$ 49,635,820</u>	<u>\$ 31,261,698</u>	<u>\$ 80,897,518</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 814,943	\$ 344,298	\$ 1,159,241
Accrued interest payable	59,698	33,308	93,006
Accrued compensated absences	111,352	34,872	146,224
Other accrued expenses	104,868	150,598	255,466
Notes and warrants payable	1,324,274	543,519	1,867,793
Deferred revenue	1,843,599	148,251	1,991,850
Total current liabilities	<u>4,258,734</u>	<u>1,254,846</u>	<u>5,513,580</u>
Noncurrent liabilities:			
Bonds and notes payable	6,009,891	4,175,641	10,185,532
Accrued compensated absences	423,356	124,975	548,331
Total noncurrent liabilities	<u>6,433,247</u>	<u>4,300,616</u>	<u>10,733,863</u>
Total liabilities	<u>10,691,981</u>	<u>5,555,462</u>	<u>16,247,443</u>
NET ASSETS			
Invested in capital assets, net of related debt	22,651,444	18,101,572	40,753,016
Restricted for:			
New landfill	-	406,008	406,008
Unrestricted	16,292,395	7,198,656	23,491,051
Total net assets	<u>38,943,839</u>	<u>25,706,236</u>	<u>64,650,075</u>
Total liabilities and net assets	<u>\$ 49,635,820</u>	<u>\$ 31,261,698</u>	<u>\$ 80,897,518</u>

See accompanying notes to the basic financial statements.

**CITY OF SCOTTSBLUFF, NEBRASKA
STATEMENT OF ACTIVITIES
FOR YEAR ENDED SEPTEMBER 30, 2012**

	Program Revenues			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 3,276,504	\$ 16,724	\$ -	\$ -
Public safety	5,136,865	122,455	98,192	139,171
Transportation	2,980,211	1,847	-	1,014,250
Public health and social services	469,295	44,215	-	-
Culture and recreation:				
Library	614,533	-	-	-
Parks and recreation	1,765,777	197,392	5,710	-
Zoo	350,000	17,657	-	-
Public works	509,339	-	116,155	-
Interest on long term debt	195,131	-	-	-
Total governmental activities	<u>15,297,655</u>	<u>400,290</u>	<u>220,057</u>	<u>1,153,421</u>
Business type activities:				
Environmental services	1,828,606	2,123,891	-	-
Wastewater	2,112,359	2,640,549	-	192
Water	1,481,137	2,037,365	-	125,591
Electric	76,566	2,480,973	-	-
Stormwater	93,714	12,898	22,930	269,434
Geographic information systems	78,984	-	-	-
Total business type activities	<u>5,671,366</u>	<u>9,295,676</u>	<u>22,930</u>	<u>395,217</u>
Total primary government	<u>\$ 20,969,021</u>	<u>\$ 9,695,966</u>	<u>\$ 242,987</u>	<u>\$ 1,548,638</u>

General Revenues:

Taxes:
Property taxes, levied for general purposes
Property taxes, levied for debt service
Property taxes, levied for transportation
Property taxes, levied for cemetery perpetual care
Property taxes, levied for public safety
Sales tax
Other taxes
Intergovernmental
Investment income
Miscellaneous
Net transfers
Total general revenues and transfers
Change in net assets
Net assets, October 1
Net assets, September 30

See accompanying notes to the basic financial statements.

Net (Expenses) Revenues and
Changes in Net Assets

Primary Government		
Governmental Activities	Business type Activities	Total
\$ (3,259,780)	\$ -	\$ (3,259,780)
(4,777,047)	-	(4,777,047)
(1,964,114)	-	(1,964,114)
(425,080)	-	(425,080)
(614,533)	-	(614,533)
(1,562,675)	-	(1,562,675)
(332,343)	-	(332,343)
(393,184)	-	(393,184)
(195,131)	-	(195,131)
(13,523,887)	-	(13,523,887)
-	295,285	295,285
-	528,382	528,382
-	681,819	681,819
-	2,404,407	2,404,407
-	211,548	211,548
-	(78,984)	(78,984)
-	4,042,457	4,042,457
(13,523,887)	4,042,457	(9,481,430)
162,337	-	162,337
852,270	-	852,270
282,577	-	282,577
56,068	-	56,068
157,427	-	157,427
5,517,510	-	5,517,510
1,299,370	-	1,299,370
1,421,542	-	1,421,542
77,944	30,787	108,731
3,295,129	151,322	3,446,451
2,514,268	(2,514,268)	-
15,636,442	(2,332,159)	13,304,283
2,112,555	1,710,298	3,822,853
36,831,284	23,995,938	60,827,222
\$ 38,943,839	\$ 25,706,236	\$ 64,650,075

**CITY OF SCOTTSBLUFF, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Economic Development Fund</u>	<u>Debt Service Fund</u>
ASSETS				
Equity in pooled cash	\$ 3,342,101	\$ 2,203,831	\$ 3,582,153	\$ 4,044,820
Funds held by county treasurer	10,878	17,938	-	31,186
Net receivables:				
Taxes	863,269	256,813	177,358	382,963
Accounts and unbilled	-	-	-	-
Special assessments	-	-	-	222,938
Accrued interest	1,846	1,218	1,979	10,235
Governmental unit	52,293	141,481	-	-
Other receivables	40,051	-	-	1
Due from other funds	-	-	-	-
Inventory	-	-	-	-
Investments - buildings	-	-	1,000,000	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,310,438</u>	<u>\$ 2,621,281</u>	<u>\$ 4,761,490</u>	<u>\$ 4,692,143</u>
LIABILITIES				
Accounts payable	\$ 192,136	\$ 436,612	\$ 103,735	\$ 205
Accrued salaries	75,869	10,716	-	-
Accrued interest payable	-	-	-	-
Other accrued expenses	14,766	1,522	-	-
Due to other funds	-	-	-	-
Warrants payable	-	-	-	415,289
Deferred revenue	81,776	154,645	-	556,095
Total liabilities	<u>364,547</u>	<u>603,495</u>	<u>103,735</u>	<u>971,589</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	807,882	3,576,509	3,720,554
Committed	-	-	-	-
Assigned	677,900	1,209,904	1,081,246	-
Unassigned	3,267,991	-	-	-
Total fund balances	<u>3,945,891</u>	<u>2,017,786</u>	<u>4,657,755</u>	<u>3,720,554</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 4,310,438</u>	<u>\$ 2,621,281</u>	<u>\$ 4,761,490</u>	<u>\$ 4,692,143</u>

See accompanying notes to the basic financial statements.

Special Projects Fund	Leasing Corporation Fund	Other Governmental Funds	Total Governmental Funds
\$ 569,297	\$ 7,613	\$ 1,278,657	\$ 15,028,472
-	-	18,388	78,390
-	-	105,654	1,786,057
-	-	-	-
-	-	-	222,938
307	4	709	16,298
8,319	-	8,217	210,310
4,500	-	-	44,552
-	-	-	-
-	-	-	-
-	-	-	1,000,000
<u>\$ 582,423</u>	<u>\$ 7,617</u>	<u>\$ 1,411,625</u>	<u>\$ 18,387,017</u>
\$ 10,108	\$ -	\$ 67,186	\$ 809,982
-	-	1,755	88,340
-	-	-	-
-	-	240	16,528
-	-	-	-
-	-	-	415,289
<u>475,597</u>	<u>-</u>	<u>107,466</u>	<u>1,375,579</u>
<u>485,705</u>	<u>-</u>	<u>176,647</u>	<u>2,705,718</u>
-	-	-	-
-	7,617	403,010	8,515,572
96,718	-	811,201	907,919
-	-	20,767	2,989,817
-	-	-	3,267,991
<u>-</u>	<u>7,617</u>	<u>1,234,978</u>	<u>15,681,299</u>
<u>\$ 485,705</u>	<u>\$ 7,617</u>	<u>\$ 1,411,625</u>	<u>\$ 18,387,017</u>

**CITY OF SCOTTSBLUFF, NEBRASKA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

Total Governmental Fund Balances	\$ 15,681,299
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	29,286,649
Internal service funds are used by management to charge the costs of certain services to individual funds. These assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	473,424
Deferred revenue in governmental fund financials for property taxes and special assessments is shown as revenue for government wide financials.	899,989
Bond issuance costs are expensed in governmental fund financials and shown as an asset that is amortized for government wide financials.	115,760
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	
Due within one year:	
Interest payable	\$ 59,698
Bonds payable	908,985
Compensated absences	111,352
Due in more than one year:	
Bonds payable	6,009,891
Compensated absences	423,356
	<u>(7,513,282)</u>
Net assets of governmental activities	<u>\$ 38,943,839</u>

See accompanying notes to the basic financial statements.

**CITY OF SCOTTSBLUFF, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	General Fund	Transportation Fund	Economic Development Fund	Debt Service Fund
Revenues:				
Taxes and special assessments	\$ 5,027,755	\$ 910,587	\$ 985,354	\$ 1,042,239
Licenses and permits	138,945	-	-	-
Intergovernmental	114,258	1,302,284	-	-
Charges for services	335,488	1,847	-	-
Interest	12,845	9,922	14,482	31,526
Other revenue	182,477	89,244	37,940	(2,399)
Total revenues	<u>5,811,768</u>	<u>2,313,884</u>	<u>1,037,776</u>	<u>1,071,366</u>
Expenditures:				
Current operations:				
General government	513,549	-	384,999	591,112
Public safety	4,201,542	-	-	-
Transportation	-	2,119,679	-	-
Public health and social services	-	-	-	-
Culture and recreation:				
Library	602,022	-	-	-
Parks and recreation	1,394,316	-	-	-
Zoo	350,000	-	-	-
Public works	363,712	-	-	-
Capital expenditures	53,297	1,201,046	-	50,073
Debt service:				
Principal	-	-	-	40,314
Interest	-	4,174	-	12,070
Bond issuance costs	-	17,275	-	-
Contingency	-	5,200	-	-
Total expenditures	<u>7,478,438</u>	<u>3,347,374</u>	<u>384,999</u>	<u>693,569</u>
Excess revenues over (under) expenditures	<u>(1,666,670)</u>	<u>(1,033,490)</u>	<u>652,777</u>	<u>377,797</u>
Other financing sources (uses):				
Proceeds from debt issuance	-	1,180,000	-	52,000
Warrant and bond expense	-	-	-	(350)
FMV loss on investment	-	-	-	-
Operating transfers in	2,575,658	-	-	-
Operating transfers out	(13,900)	(50,094)	-	-
Total other financing sources (uses)	<u>2,561,758</u>	<u>1,129,906</u>	<u>-</u>	<u>51,650</u>
Excess revenues and other financing sources over (under) expenditures and other financing uses	895,088	96,416	652,777	429,447
Fund balances, October 1	<u>3,050,803</u>	<u>1,921,370</u>	<u>4,004,978</u>	<u>3,291,107</u>
Fund balances, September 30	<u>\$ 3,945,891</u>	<u>\$ 2,017,786</u>	<u>\$ 4,657,755</u>	<u>\$ 3,720,554</u>

See accompanying notes to the basic financial statements.

Special Projects Fund	Leasing Corporation Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 365,429	\$ 8,331,364
-	-	2,650	141,595
-	-	5,000	1,421,542
18,740	-	44,215	400,290
1,194	32	5,930	75,931
<u>479,523</u>	<u>697,266</u>	<u>409,977</u>	<u>1,894,028</u>
<u>499,457</u>	<u>697,298</u>	<u>833,201</u>	<u>12,264,750</u>
-	-	85,229	1,574,889
416,965	-	234,801	4,853,308
-	-	-	2,119,679
-	-	448,134	448,134
-	-	3,700	605,722
-	-	-	1,394,316
-	-	-	350,000
104,294	-	23,938	491,944
-	-	183,559	1,487,975
-	545,000	40,000	625,314
-	152,265	25,188	193,697
-	-	-	17,275
-	-	-	5,200
<u>521,259</u>	<u>697,265</u>	<u>1,044,549</u>	<u>14,167,453</u>
<u>(21,802)</u>	<u>33</u>	<u>(211,348)</u>	<u>(1,902,703)</u>
-	-	-	1,232,000
-	-	-	(350)
-	-	-	-
-	-	-	2,575,658
-	-	(1,265)	(65,259)
<u>-</u>	<u>-</u>	<u>(1,265)</u>	<u>3,742,049</u>
(21,802)	33	(212,613)	1,839,346
<u>118,520</u>	<u>7,584</u>	<u>1,447,591</u>	<u>13,841,953</u>
<u>\$ 96,718</u>	<u>\$ 7,617</u>	<u>\$ 1,234,978</u>	<u>\$ 15,681,299</u>

**CITY OF SCOTTSBLUFF, NEBRASKA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Net Change in Fund Balances - Total Governmental Funds	\$ 1,839,346
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(60,027)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the value of assets donated.	1,044,191
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the Statement of Net Assets.	(1,232,000)
Payments on debt are expenditures in the funds, but a debt payment decreases long-term liabilities in the Statement of Net Assets.	625,314
Deferred revenue in governmental fund financials for property taxes and special assessments is shown as revenue for government wide financials.	(3,805)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	(27,288)
Accrued interest	(1,434)
Bond amortization costs	(11,775)
Internal service funds are used by management to charge the costs of certain services to individual funds.	(59,967)
	<hr/>
Change in net assets of governmental activities	<u>\$ 2,112,555</u>

See accompanying notes to the basic financial statements.

CITY OF SCOTTSBLUFF, NEBRASKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Business-type Activities			
	Environmental Services	Wastewater	Water	Electric
ASSETS				
Current assets				
Equity in pooled cash	\$ 510,064	\$ 2,277,989	\$ 1,130,579	\$ 1,573,515
Net receivables:				
Accounts and unbilled	87,096	353,436	395,722	848,577
Accrued interest	282	1,258	625	870
Inventory	-	-	276,973	-
Total current assets	<u>597,442</u>	<u>2,632,683</u>	<u>1,803,899</u>	<u>2,422,962</u>
Noncurrent assets				
Restricted investments	406,008	-	-	-
Due from other funds	-	-	-	140,000
Capital assets - non-depreciable	34,008	222,378	595,561	300,000
Net capital assets - depreciable	<u>719,899</u>	<u>11,901,975</u>	<u>7,052,388</u>	<u>690,266</u>
Total noncurrent assets	<u>1,159,915</u>	<u>12,124,353</u>	<u>7,647,949</u>	<u>1,130,266</u>
Total assets	<u>\$ 1,757,357</u>	<u>\$ 14,757,036</u>	<u>\$ 9,451,848</u>	<u>\$ 3,553,228</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 230,566	\$ 60,581	\$ 52,111	\$ -
Accrued interest payable	-	33,308	-	-
Accrued salaries	13,120	9,963	9,239	-
Accrued compensated absences	21,065	7,274	5,938	-
Other accrued expenses	1,442	15,095	100,616	-
Current portion long-term debt	-	543,519	-	-
Deferred revenue	<u>148,251</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>414,444</u>	<u>669,740</u>	<u>167,904</u>	<u>-</u>
Noncurrent liabilities				
Long-term debt	-	4,175,641	-	-
Compensated absences	<u>37,168</u>	<u>48,852</u>	<u>36,486</u>	<u>-</u>
Total noncurrent liabilities	<u>37,168</u>	<u>4,224,493</u>	<u>36,486</u>	<u>-</u>
Total liabilities	<u>451,612</u>	<u>4,894,233</u>	<u>204,390</u>	<u>-</u>
NET ASSETS				
Invested in capital assets, net of related debt	753,907	7,405,193	7,647,949	990,266
Restricted for new landfill	406,008	-	-	-
Unreserved	<u>145,830</u>	<u>2,457,610</u>	<u>1,599,509</u>	<u>2,562,962</u>
Total net assets	<u>1,305,745</u>	<u>9,862,803</u>	<u>9,247,458</u>	<u>3,553,228</u>
Total liabilities and net assets	<u>\$ 1,757,357</u>	<u>\$ 14,757,036</u>	<u>\$ 9,451,848</u>	<u>\$ 3,553,228</u>

See accompanying notes to the basic financial statements.

Business-type Activities			Governmental Activities
Stormwater	Internal Service	Totals	Internal Service
\$ 522,333	\$ 54,471	\$ 6,068,951	\$ 478,133
849	-	1,685,680	-
289	30	3,354	260
-	-	276,973	-
<u>523,471</u>	<u>54,501</u>	<u>8,034,958</u>	<u>478,393</u>
-	-	406,008	-
-	-	140,000	-
190,871	-	1,342,818	-
<u>1,113,386</u>	<u>-</u>	<u>21,477,914</u>	<u>-</u>
<u>1,304,257</u>	<u>-</u>	<u>23,366,740</u>	<u>-</u>
<u>\$ 1,827,728</u>	<u>\$ 54,501</u>	<u>\$ 31,401,698</u>	<u>\$ 478,393</u>
\$ 984	\$ 56	\$ 344,298	\$ 4,969
-	-	33,308	-
-	960	33,282	-
-	595	34,872	-
-	163	117,316	-
-	30,000	573,519	-
-	-	148,251	-
<u>984</u>	<u>31,774</u>	<u>1,284,846</u>	<u>4,969</u>
-	110,000	4,285,641	-
-	2,469	124,975	-
<u>-</u>	<u>112,469</u>	<u>4,410,616</u>	<u>-</u>
<u>984</u>	<u>144,243</u>	<u>5,695,462</u>	<u>4,969</u>
1,304,257	-	18,101,572	-
-	-	406,008	-
<u>522,487</u>	<u>(89,742)</u>	<u>7,198,656</u>	<u>473,424</u>
<u>1,826,744</u>	<u>(89,742)</u>	<u>25,706,236</u>	<u>473,424</u>
<u>\$ 1,827,728</u>	<u>\$ 54,501</u>	<u>\$ 31,401,698</u>	<u>\$ 478,393</u>

**CITY OF SCOTTSBLUFF, NEBRASKA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Business-type Activities			
	Environmental Services	Wastewater	Water	Electric
Operating revenues:				
Charges for services	\$ 2,123,891	\$ 2,640,549	\$ 2,037,365	\$ 2,480,973
Other revenues	<u>111,593</u>	<u>30,915</u>	<u>2,831</u>	<u>1,374</u>
Total operating revenues	<u>2,235,484</u>	<u>2,671,464</u>	<u>2,040,196</u>	<u>2,482,347</u>
Operating expenses:				
Personnel services	964,573	731,088	633,235	-
Operating supplies	175,557	91,540	261,052	1
Contractual	424,165	103,914	78,112	-
Maintenance	98,117	99,838	21,483	-
Utilities	13,970	178,775	155,588	-
Insurance	13,658	28,168	24,233	-
Other operating expenses	699	7,044	6,135	-
Depreciation and amortization	<u>137,867</u>	<u>761,333</u>	<u>301,299</u>	<u>76,565</u>
Total operating expenses	<u>1,828,606</u>	<u>2,001,700</u>	<u>1,481,137</u>	<u>76,566</u>
Operating income (loss)	<u>406,878</u>	<u>669,764</u>	<u>559,059</u>	<u>2,405,781</u>
Non-operating revenues (expenses):				
Interest income	1,785	9,101	3,985	13,592
Gain (loss) on sale of assets	-	-	-	-
Loan forgiveness	-	-	-	-
Interest expense	-	(110,659)	-	-
Net non-operating revenues (expenses)	<u>1,785</u>	<u>(101,558)</u>	<u>3,985</u>	<u>13,592</u>
Income (loss) before contributions & transfers	<u>408,663</u>	<u>568,206</u>	<u>563,044</u>	<u>2,419,373</u>
Capital contributions	-	192	125,591	-
Transfers from (to) other funds:				
Operating transfers in	-	-	-	-
Operating transfers (out)	(55,949)	(226,944)	(79,894)	(2,397,458)
Net transfers from (to) other funds	<u>(55,949)</u>	<u>(226,944)</u>	<u>(79,894)</u>	<u>(2,397,458)</u>
Net income (loss)	352,714	341,454	608,741	21,915
Net assets, October 1	<u>953,031</u>	<u>9,521,349</u>	<u>8,638,717</u>	<u>3,531,313</u>
Net assets, September 30	<u>\$ 1,305,745</u>	<u>\$ 9,862,803</u>	<u>\$ 9,247,458</u>	<u>\$ 3,553,228</u>

See accompanying notes to the basic financial statements.

Business-type Activities			Governmental Activities
Stormwater	Internal Service	Totals	Internal Service
\$ 12,898	\$ -	\$ 9,295,676	\$ -
27,418	121	174,252	1,598,906
<u>40,316</u>	<u>121</u>	<u>9,469,928</u>	<u>1,598,906</u>
-	62,767	2,391,663	-
8,668	710	537,528	-
14,939	1,673	622,803	-
24	6,400	225,862	-
457	457	349,247	-
328	-	66,387	-
3,372	-	17,250	1,664,756
65,926	-	1,342,990	-
<u>93,714</u>	<u>72,007</u>	<u>5,553,730</u>	<u>1,664,756</u>
<u>(53,398)</u>	<u>(71,886)</u>	<u>3,916,198</u>	<u>(65,850)</u>
2,085	239	30,787	2,013
-	-	-	-
-	-	-	-
-	(6,977)	(117,636)	-
<u>2,085</u>	<u>(6,738)</u>	<u>(86,849)</u>	<u>2,013</u>
<u>(51,313)</u>	<u>(78,624)</u>	<u>3,829,349</u>	<u>(63,837)</u>
269,434	-	395,217	-
135,000	110,977	245,977	3,870
-	-	(2,760,245)	-
<u>135,000</u>	<u>110,977</u>	<u>(2,514,268)</u>	<u>3,870</u>
353,121	32,353	1,710,298	(59,967)
<u>1,473,623</u>	<u>(122,095)</u>	<u>23,995,938</u>	<u>533,391</u>
<u>\$ 1,826,744</u>	<u>\$ (89,742)</u>	<u>\$ 25,706,236</u>	<u>\$ 473,424</u>

CITY OF SCOTTSBLUFF, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities			
	Environmental Services	Wastewater	Water	Electric
Cash flows from operating activities:				
Cash received from customers	\$ 2,185,526	\$ 2,643,271	\$ 1,949,569	\$ 2,414,569
Cash paid to suppliers	(801,508)	(491,982)	(563,810)	(1)
Cash paid to employees	(678,206)	(512,421)	(471,553)	-
Other expenses	(222,445)	(204,124)	(144,108)	-
Net cash provided by operating activities	<u>483,367</u>	<u>1,434,744</u>	<u>770,098</u>	<u>2,414,568</u>
Cash flows from non-capital financing activities:				
Transfers from (to) other funds	(55,949)	(226,944)	(79,894)	(2,397,458)
Net cash provided (used) by non-capital financing activities	<u>(55,949)</u>	<u>(226,944)</u>	<u>(79,894)</u>	<u>(2,397,458)</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	(294,940)	(193,827)	(679,895)	-
Principal paid on capital debt	-	(531,490)	-	-
Interest paid on capital debt	-	(114,401)	-	-
Net cash (used) by capital and related financing activities	<u>(294,940)</u>	<u>(839,718)</u>	<u>(679,895)</u>	<u>-</u>
Cash flows from investing activities:				
Investment in landfill	(78,537)	-	-	-
Interest and dividends	1,776	8,986	4,031	13,649
Net cash provided by investing activities	<u>(76,761)</u>	<u>8,986</u>	<u>4,031</u>	<u>13,649</u>
Net increase in cash and cash equivalents	55,717	377,068	14,340	30,759
Cash and cash equivalents, October 1	454,347	1,900,921	1,116,239	1,542,756
Cash and cash equivalents, September 30	<u>\$ 510,064</u>	<u>\$ 2,277,989</u>	<u>\$ 1,130,579</u>	<u>\$ 1,573,515</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 406,878	\$ 669,764	\$ 559,059	\$ 2,405,781
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization expense	137,867	761,333	301,299	76,565
Changes in assets and liabilities:				
Receivables - net of allowances	(34,727)	(28,193)	(90,627)	(67,778)
Inventory	-	-	(28,674)	-
Accounts and other payables	(32,908)	24,828	15,828	-
Accrued expenses	6,257	7,012	13,213	-
Net cash provided by operating activities	<u>\$ 483,367</u>	<u>\$ 1,434,744</u>	<u>\$ 770,098</u>	<u>\$ 2,414,568</u>

See accompanying notes to the basic financial statements.

Business-type Activities			Governmental Activities
Stormwater	Internal Service	Totals	Internal Service
\$ 12,051	\$ 114	\$ 9,205,100	\$ 1,598,906
(4,097)	(9,370)	(1,870,768)	(1,660,329)
-	(48,896)	(1,711,076)	-
-	(13,735)	(584,412)	-
<u>7,954</u>	<u>(71,887)</u>	<u>5,038,844</u>	<u>(61,423)</u>
<u>135,000</u>	<u>110,977</u>	<u>(2,514,268)</u>	<u>3,870</u>
<u>135,000</u>	<u>110,977</u>	<u>(2,514,268)</u>	<u>3,870</u>
(4,250)	-	(1,172,912)	-
-	(30,000)	(561,490)	-
-	(6,977)	(121,378)	-
<u>(4,250)</u>	<u>(36,977)</u>	<u>(1,855,780)</u>	<u>-</u>
-	-	(78,537)	-
<u>2,025</u>	<u>240</u>	<u>30,707</u>	<u>2,069</u>
<u>2,025</u>	<u>240</u>	<u>(47,830)</u>	<u>2,069</u>
140,729	2,353	620,966	(55,484)
381,604	52,118	5,447,985	533,617
<u>\$ 522,333</u>	<u>\$ 54,471</u>	<u>\$ 6,068,951</u>	<u>\$ 478,133</u>
\$ (53,398)	\$ (71,886)	\$ 3,916,198	\$ (65,850)
65,926	-	1,342,990	-
(847)	-	(222,172)	-
-	-	(28,674)	-
(3,727)	(34)	3,987	4,427
-	33	26,515	-
<u>\$ 7,954</u>	<u>\$ (71,887)</u>	<u>\$ 5,038,844</u>	<u>\$ (61,423)</u>

**CITY OF SCOTTSBLUFF, NEBRASKA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012**

	<u>Agency Fund</u>	<u>Pension Trust Fund</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Equity in pooled cash	\$ 470,993	\$ -	\$ 470,993
Funds held by county treasurer	2,947	-	2,947
Investments managed by trustee	-	8,730,782	8,730,782
Net receivables:			
Accrued interest	260	-	260
Deferred charges	619	-	619
	<u>474,819</u>	<u>8,730,782</u>	<u>9,205,601</u>
Total assets	<u>\$ 474,819</u>	<u>\$ 8,730,782</u>	<u>\$ 9,205,601</u>
LIABILITIES			
Accounts and warrants payable	\$ 64,568	\$ -	\$ 64,568
Accrued interest payable	-	-	-
Debt service	410,251	-	410,251
Total liabilities	<u>474,819</u>	<u>-</u>	<u>474,819</u>
FUND BALANCES			
Reserved for employee retirement	-	8,730,782	8,730,782
Unreserved	-	-	-
Total fund balances	<u>-</u>	<u>8,730,782</u>	<u>8,730,782</u>
	<u>\$ 474,819</u>	<u>\$ 8,730,782</u>	<u>\$ 9,205,601</u>
Total liabilities and fund balances	<u>\$ 474,819</u>	<u>\$ 8,730,782</u>	<u>\$ 9,205,601</u>

See accompanying notes to the basic financial statements.

**CITY OF SCOTTSBLUFF, NEBRASKA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 312,936
Employee	<u>310,895</u>
Total contributions	623,831
Transfers in	-
Investment earnings:	
Net investment earnings and appreciation in fair value of investments	<u>1,159,628</u>
Total additions	<u>1,783,459</u>
Deductions:	
Benefit payments	267,997
Use of forfeitures to fund employer contributions	-
Forfeitures	-
Administrative costs	<u>5,985</u>
Total deductions	<u>273,982</u>
Change in fiduciary net assets	1,509,477
Net assets held in trust for pension benefits, October 1	<u>7,221,305</u>
Net assets held in trust for pension benefits, September 30	<u>\$ 8,730,782</u>

See accompanying notes to the basic financial statements.

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity - The City of Scottsbluff (City) is a municipal government responsible for providing services to the local citizenry, which are deemed best to be provided for by the public sector. The services provided include general administration, public safety, highways and streets, cemetery, recreation, public improvements, health and social services, parks, library, keno, environmental service, electric, water and wastewater; all of which are funded by tax collections and user fees.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP). The basic, but not the only criterion, for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographical boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibility.

As required by GAAP, these financial statements present the City of Scottsbluff (the primary government) and its component units. These component units are included in the City's reporting entity because of the significance of each unit's operational and financial relationship with the City.

City of Scottsbluff Leasing Corporation

The City of Scottsbluff Leasing Corporation was formed in 1981 to provide tax-exempt financing for various construction projects of the City. The governing body is appointed by the City's governing body. The services provided by the Leasing Corporation are so intertwined with the City that the Leasing Corporation is in substance the same as the City and it is reported as part of the City and blended in the City's financial statements.

Community Development Agency

The Community Development Agency was created by the Mayor and City Council to provide for redevelopment of various areas within the City. Although it is legally separate from the City, the sole purpose of this Agency is to provide for City redevelopment and it is presented in the City's Agency Fund.

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements - The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Fiduciary activities, whose resources are not available to finance the City's programs, are excluded from the government-wide statements. The material effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

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

Property taxes, sales taxes, highway user fees, interdepartmental charges, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Special assessments are recorded as revenues in the year the assessments are paid. Installments not yet paid are reflected as special assessments receivable and deferred revenues. Other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

Transportation Fund - This fund accounts for the resources accumulated and payments made for the maintenance, construction, and improvement of the streets in the City.

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Economic Development Fund - This fund accounts for the resources and payments made for the Local Option Municipal Economic Development Act for the City. This Act sunsets in October, 2015.

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

Leasing Corporation Fund - Leasing Corporation Fund is used to account for leasing of acquisition or construction of major capital facilities (other than those financed by proprietary fund types).

Special Projects Fund - Special projects fund is used to account for miscellaneous grants such as highway safety or revenue sources for specific items such as K-9 donations.

The government reports the following major enterprise funds:

Environmental Services Fund - This fund accounts for the activities of the government's sanitation utility.

Wastewater Fund - This fund accounts for the activities of the government's wastewater utility.

Water Fund - This fund accounts for the activities of the government's water distribution operations.

Electric Fund - This fund accounts for the activities of the government's electric system utility.

Stormwater Fund - This fund accounts for the activities of the stormwater utility.

Additionally, the government reports the following fund types:

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units on a cost-reimbursement basis.

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature and do not involve the measurement of results of operations.

In reporting the financial activity of the government-wide and proprietary fund financial statements, the City applies all FASB statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

Assets, Liabilities, and Net Assets or Equity -

Deposits and Investments - The City maintains a cash and investments pool for all funds. This pool is managed by the Finance Director and interest income is allocated to each fund based on its proportionate share in the pool. Each fund type's portion of this pool is displayed as "Equity in pooled cash". This pool consists of cash on hand, certificates of deposits, and investments. The City's cash and cash equivalents are considered to be cash on hand, cash held by County Treasurer, and short-term investments with original maturities of three months or less from date of acquisition. All investments are recorded at fair value based on quoted market prices.

Inventories - Inventories are valued at the lower of cost or market, using the first-in, first-out method.

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity (Continued) -

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

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, drainage systems, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 or \$50,000 for infrastructure and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Property, plant and equipment of the government is depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 - 50 years
Vehicles	5 - 20 years
Equipment	3 - 25 years
Infrastructure	20 - 60 years

Compensated Absences - City employees generally earn vacation days at a variable rate based on years of service. In the event of termination, an employee is reimbursed for accumulated vacation time up to a maximum allowed accumulation of 366 hours. Employees earn sick leave at the rate of one day per month with total accumulation limits established by the employees' bargaining unit. With 15 years of service, the maximum allowed is four workweeks.

Vacation and sick leave are accrued when incurred in the government-wide, proprietary, and internal service fund financial statements. Such accruals are based on current salary rates.

Long-Term Obligations - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities in the statement of net assets. Bond issuance costs are reported as deferred charges and are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond proceeds as other financing sources and bond payments are expensed. Issuance costs are reported as current expenditures.

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Eliminations - Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity – Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, constructions, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

NOTE 2 - DEPOSITS AND INVESTMENTS

State Statute 14-563 R.R.S., 1943 authorizes funds of the City to be invested in “securities of the United States, the State of Nebraska, metropolitan city, county in which such metropolitan city is located or school district of such city, in the securities of municipally owned and operated public utility property and plants of such city, or in the same manner as funds of the State of Nebraska are invested, except that the city treasurer may purchase certificates of deposit from and make time deposits in banks selected as depositories of City funds”. Additionally, State Statute 15-847 R.R.S., 1943 requires banks either to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the city treasurer in the amount of the City’s deposits. The Statutes allow pledged securities to be reduced by the amount of the deposit, which is insured by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As noted above, State Statutes 15-847 R.R.S, 1943 covers this risk.

The City has entered into an investment pooling agreement with the Nebraska Public Agency Investment Trust (the Trust). The Trust was organized to allow various local governmental entities to pool their funds and invest in all instruments as allowed under state law. The trust investment consists primarily of U.S. Government securities, U.S. Government Agency securities, collateralized repurchase agreements and certificates of deposit, which are short-term in nature and not subject to significant market adjustments. The City had \$9,005,485 invested in the Trust at September 30, 2012.

Cash and Equity in Pooled Cash Management Account - At September 30, 2012, the City’s cash and pooled investments, recorded at fair market value and includes \$470,993 in the Agency (TIF) fund, consisted of the following:

Cash	\$	3,275,967
Investments:		
U.S. Agencies and Instrumentality’s Bonds and Notes		3,013,332
Nebraska Public Agency Investment Trust		11,958,037
Certificates of deposit		<u>3,799,213</u>
	\$	<u>22,046,549</u>
Shown on balance sheet as:		
Equity in pooled cash and investments	\$	<u>22,046,549</u>
	\$	<u>22,046,549</u>

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Restricted Investments - The following details the restricted investment at September 30, 2012:

	<u>Enterprise Funds</u>
Pursuant to agreement with City of Gering: Investment	\$ <u>406,008</u>
Total	\$ <u>406,008</u>

Restricted investments consists of equity in checking account for the landfill in the name of City of Gering.

Investments Managed by Trustee - The City's Pension Trust Funds are administered by trustees. At September 30, 2012 Pension Trust Funds managed by a trustee consisted of the following:

	<u>Fire</u>	<u>Police</u>	<u>City</u>	<u>Total</u>
Mutual Funds	\$ <u>1,460,124</u>	\$ <u>3,095,263</u>	\$ <u>4,175,396</u>	\$ <u>8,730,783</u>

NOTE 3 - RECEIVABLES

Receivables at September 30, 2012, consist of the following:

<u>Fund</u>	<u>Taxes</u>	<u>Accounts and Other</u>	<u>Accrued Interest</u>	<u>Special Assessments</u>
General	\$ 867,516	\$ 92,342	\$ 1,845	\$ -
Special Revenue	553,395	1,405,519	4,187	-
Debt Service	403,119	-	10,235	234,688
Capital Projects	-	125,000	28	-
Enterprise	-	1,717,422	3,353	-
Internal Service	-	-	264	-
Fiduciary	-	-	260	-
Gross Receivables	\$ 1,824,030	\$ 3,340,283	\$ 20,172	\$ 234,688
Allowance for Uncollectibles	<u>(37,973)</u>	<u>(31,739)</u>	-	<u>(11,750)</u>
Net Receivables	\$ <u>1,786,057</u>	\$ <u>3,308,544</u>	\$ <u>20,172</u>	\$ <u>222,938</u>

CITY OF SCOTTSDLUFF
Scottsbluff, Nebraska

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 471,878	\$ -	\$ -	\$ 471,878
Inventory	2,562,113	-	-	2,562,113
Construction in progress	<u>297,179</u>	<u>981,815</u>	-	<u>1,278,994</u>
Total capital assets, not being depreciated	<u>3,331,170</u>	<u>981,815</u>	-	<u>4,312,985</u>
Capital assets, being depreciated:				
Buildings and improvements	11,277,121	182,385	-	11,459,506
Equipment and vehicles	5,374,191	303,350	123,103	5,554,438
Infrastructure	<u>24,746,546</u>	<u>1,058,433</u>	<u>46,093</u>	<u>25,758,886</u>
Total capital assets, being depreciated	<u>41,397,858</u>	<u>1,544,168</u>	<u>169,196</u>	<u>42,772,830</u>
Less accumulated depreciation for:				
Buildings and improvements	2,279,456	316,013	-	2,595,469
Equipment and vehicles	2,451,050	439,270	114,355	2,775,965
Infrastructure	<u>11,677,720</u>	<u>792,641</u>	<u>42,629</u>	<u>12,427,732</u>
Total accumulated depreciation	<u>16,408,226</u>	<u>1,547,924</u>	<u>156,984</u>	<u>17,799,166</u>
Net capital assets being depreciated	<u>24,989,632</u>	<u>(3,756)</u>	<u>12,212</u>	<u>24,973,664</u>
Net governmental activities capital assets	<u>\$ 28,320,802</u>	<u>\$ 978,059</u>	<u>\$ 12,212</u>	<u>\$ 29,286,649</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,316,025	\$ -	\$ -	\$ 1,316,025
Construction in progress	<u>27,867</u>	<u>26,793</u>	<u>27,867</u>	<u>26,793</u>
Total capital assets, not being depreciated	<u>1,343,892</u>	<u>26,793</u>	<u>27,867</u>	<u>1,342,818</u>
Capital assets, being depreciated:				
Buildings and improvements	6,714,451	22,868	-	6,737,319
Landfill improvements	47,777	-	-	47,777
Equipment and vehicles	3,526,762	316,195	1,495	3,841,462
Plant in service	21,719,160	-	63,076	21,656,084
Infrastructure	<u>9,363,602</u>	<u>1,231,322</u>	-	<u>10,594,924</u>
Total capital assets, being depreciated	<u>41,371,752</u>	<u>1,570,385</u>	<u>64,571</u>	<u>42,877,566</u>
Less accumulated depreciation for:				
Buildings and improvements	3,522,006	155,639	-	3,677,645
Landfill improvements	39,101	-	-	39,101
Equipment and vehicles	1,402,853	277,145	1,495	1,678,503
Plant in service	13,648,437	593,163	63,076	14,178,524
Infrastructure	<u>1,507,651</u>	<u>318,228</u>	-	<u>1,825,879</u>
Total accumulated depreciation	<u>20,120,048</u>	<u>1,344,175</u>	<u>64,571</u>	<u>21,399,652</u>
Net capital assets being depreciated	<u>21,251,704</u>	<u>226,210</u>	-	<u>21,477,914</u>
Net business-type activities capital assets	<u>\$ 22,595,596</u>	<u>\$ 253,003</u>	<u>\$ 27,867</u>	<u>\$ 22,820,732</u>

CITY OF SCOTTSDLUFF
Scottsbluff, Nebraska

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 27,707
Public safety	259,556
Transportation	851,726
Public health and social services	18,748
Culture and recreation	374,778
Public works	<u>15,365</u>
Total depreciation expense - governmental	<u>\$ 1,547,880</u>
Business-type activities:	
Environmental services	\$ 137,867
Wastewater	761,333
Water	301,299
Electric	76,565
Stormwater	<u>65,926</u>
Total depreciation expense - business-type	<u>\$ 1,342,990</u>

NOTE 5 - LONG-TERM DEBT

Long-term debt is comprised of the following:

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Annual Installment</u>	<u>Principal Amount Outstanding</u>
Governmental activities:				
2010 Lease Rental Revenue Bonds, dated July 8, 2010, due annually through 2020; secured by library building	\$ 2,035,000	.9% to 3.6%	170,000 to 230,000	\$ 1,865,000
2009 Lease Rental and Refunding Bonds, dated September 2, 2009, due annually through 2022; secured by pool	1,975,000	.75% to 4.25%	40,000 to 160,000	1,560,000
2009 Lease Rental Revenue Bonds, dated September 2, 2009, due annually through 2019; secured by public safety building	2,030,000	1.2% to 3.8%	185,000 to 230,000	1,660,000
2002 Public Safety Bonds, dated November 5, 2002, due annually through 2022; secured by building	880,000	1.75% to 4.85%	30,000 to 65,000	560,000
2012 General Obligation Hwy Allocation Bonds, dated January 10, 2012, due annually through 2016; secured by infrastructure	1,180,000	.45% to 1.2%	235,000 to 240,000	1,180,000
Lease-payable mowers and vehicle; secured by mowers and vehicle	121,000	3.875%	43,499	41,876
secured by mowers	52,000	1.35%	17,811	<u>52,000</u>
Total governmental activities				<u>\$ 6,918,876</u>

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 5 - LONG-TERM DEBT (CONTINUED)

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Annual Installment</u>	<u>Principal Amount Outstanding</u>
Business-type activities:				
Wastewater treatment project loan - State of Nebraska, issued 1998, due annually through 2019	4,600,000	3.00%	80,000 to 151,690	1,931,255
Wastewater treatment project loan - State of Nebraska, issued 2003, due annually through 2023	1,004,334	3.00%	19,000 to 33,000	618,453
Wastewater treatment project loan - State of Nebraska, issued 2011, due annually through 2020	1,685,000	2.00%	186,564	1,453,327
Wastewater treatment project loan – ARRA - State of Nebraska, issued 2011, due annually through 2020	842,500	0%	84,250	<u>716,125</u>
Total business-type activities				\$ <u>4,719,160</u>
Total long-term debt				\$ <u>11,638,036</u>

All of the wastewater treatment project loans are secured by the wastewater treatment plant.

Annual requirements to pay principal and interest to maturity on outstanding debt follows:

Fiscal Year Ended September 30	<u>Governmental Activities</u>					
	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>		<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 235,000	\$ 9,166	\$ 615,000	\$ 167,859	\$ 58,985	\$ 2,325
2014	235,000	7,991	555,000	156,701	17,340	471
2015	235,000	6,405	555,000	143,895	17,552	259
2016	235,000	4,173	575,000	128,964	-	-
2017	240,000	1,440	590,000	111,820	-	-
2018-2022	-	-	2,530,000	253,452	-	-
2023-2027	-	-	225,000	4,976	-	-
	<u>\$ 1,180,000</u>	<u>\$ 29,175</u>	<u>\$ 5,645,000</u>	<u>\$ 967,670</u>	<u>\$ 93,877</u>	<u>\$ 3,055</u>

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Fiscal Year Ended September 30	Business-Type Activities					
	Revenue Bonds		NDEQ Loans		Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ -	\$ -	\$ 543,519	\$ 102,372	\$ -	\$ -
2014	-	-	555,858	90,032	-	-
2015	-	-	568,516	77,375	-	-
2016	-	-	581,500	64,391	-	-
2017	-	-	594,821	51,070	-	-
2018-2022	-	-	1,818,286	81,149	-	-
2023-2027	-	-	56,660	1,209	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,719,160</u>	<u>\$ 467,598</u>	<u>\$ -</u>	<u>\$ -</u>

Long-term liability activity for the year ended September 30, 2012 was as follows:

	10/1/11 Beginning Balance	Additions	Reductions	9/30/12 Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Revenue bonds	\$ 6,230,000	\$ -	\$ 585,000	\$ 5,645,000	\$ 615,000
GO bonds	-	1,180,000	-	1,180,000	235,000
Capital lease payable	82,190	52,000	40,314	93,876	58,985
Compensated absences	507,422	27,286	-	534,708	111,352
Governmental activities	<u>\$ 6,819,612</u>	<u>\$ 1,259,286</u>	<u>\$ 625,314</u>	<u>\$ 7,453,584</u>	<u>\$ 1,020,337</u>
Business-type activities:					
Loans payable	\$ 5,250,650	\$ -	\$ 531,490	\$ 4,719,160	\$ 543,519
Compensated absences	140,431	19,416	-	159,847	34,872
Business-type activities	<u>\$ 5,391,081</u>	<u>\$ 19,416</u>	<u>\$ 531,490</u>	<u>\$ 4,879,007</u>	<u>\$ 578,391</u>

During fiscal years 1997 and 1999, the Community Development Agency (CDA) issued \$375,000 and \$1,274,000, respectively, of tax increment financing bonds for various projects within the City. At September 30, 2012, all of these bonds remained outstanding. These bonds are limited obligations of the agency payable exclusively from taxes levied against certain property in specified areas. These bonds are not general obligations of the CDA or the City, and are not included in the City's financial statements. The accumulation of resources to pay these bonds is accounted for in the agency funds for CDA.

NOTE 6 - LEASE AGREEMENT - ELECTRICAL DISTRIBUTION SYSTEM

The City leases the operation of their electrical distribution system to the Nebraska Public Power District, pursuant to an agreement which became effective January 1, 1990. This agreement continues until January 1, 2015, and thereafter from year to year, unless terminated on an anniversary of January 1, 2015, with at least five years prior written notice given by either party to the other, on or after February 1, 2009.

The Nebraska Public Power District shall maintain the distribution system and shall construct any additions necessary for service to the extent such additions are within the established extension policies of the Nebraska Public Power District.

Under the lease with the Nebraska Public Power District, for the first 15 years, the City will receive 12% of the gross retail electric revenues, adjusted for bad debt charge-offs, revenues from tax-supported agencies receiving a discount, and revenues associated with application of production cost adjustment billings and billings of other cost adjustments not included in the base rates.

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 7 - RETIREMENT PLANS

City employees are covered by one of three retirement plans in effect, covering general city employees, fire fighters and police officers, respectively.

General

The City sponsors a defined contribution plan which covers substantially all general city employees. Under the terms of the plan, an employee must be age 21 or older and have completed one year of continuous service and have not attained the age of 64. Participating employees are required to contribute 3% of their earnings. The City then makes a matching contribution to the plan on their behalf. An additional voluntary contribution can be made by employees to the plan to the extent allowed under the Internal Revenue Code, currently an additional 10%. The City will contribute an amount equal to one-half of an employees voluntary contribution, not to exceed 1½% of the employees compensation. Employees are 100% vested in the plan after completing 7 years of service, reaching normal retirement age (65), meeting the requirements for early retirement date, becoming totally disabled, or deceased, whichever occurs first. Contributions to the general city employee retirement plan were \$118,932 and \$155,181 by the City and plan participants, respectively.

Fire Fighters

Fire fighters are covered by a defined contribution plan sponsored by the City. Eligible employees are required to contribute 6-1/2% of their salary to the plan, which the City then matches at the rate of 13% of the participant's salary. Employees are fully vested after 7 whole years of service. A participant's normal retirement age is the date he attains age 55 and completes 21 years of service. Nebraska State statutes govern the coverage afforded to participants under this plan. Contributions to the fire fighters employee retirement plan were \$88,663 and \$49,492 by the City and plan participants, respectively.

Police

Police officers are covered by a defined contribution plan sponsored by the City. Participants in the plan are required to contribute 6% of their salary to the plan, which is matched by a 6% contribution from the City. Employees are fully vested after 10 whole years of service. Contributions to the police retirement plan were \$103,300 and \$108,264 by the City and plan participants, respectively. An actuarial certification dated April 8, 2010 shows an estimated present value shortfall of \$97,533 for covering future benefits relating to the defined benefit plan that was converted to a defined contribution plan effective January 1, 1984.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The City is committed to a \$100,000 annual payment to the Twin City Development program for its operation of encouraging industrial development within the area. This commitment is reviewed annually.

The Environmental Protection Agency (EPA) requires any entity with a landfill site to bring its site into compliance with 40 CFR Part 257 and 258 (Subtitle D) or close the site by October, 1993. In prior years, the City closed its landfill. In the 2008 fiscal year, the City entered into an agreement with the City of Gering for use of their landfill site and a portion of the fee paid is going towards a future landfill site.

The City is committed to \$350,000 annually to Riverside Discovery Center (RDC) for its operation of a zoo. The City entered into a contract with RDC on September 13, 2010 and payments to RDC were effective with transfer that occurred on October 1, 2010. Payments are due for ten years from effective date.

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 9 - RISK MANAGEMENT

The City provides employee health insurance through a self-funded program and has contracted for administrative services and claims processing.

From October 1, 2011, through September 30, 2012, the coverage provided was \$1,250,000 per person. Additional liability was covered by a policy, which provided insurance above the City's participation of \$40,000 per person and \$1,279,039 in the aggregate.

The City continues to carry commercial insurance for all other risks of loss including worker's compensation, general liability and law enforcement liability. Settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 10 - INDIVIDUAL INTERFUND RECEIVABLE, PAYABLE BALANCES, AND TRANSFERS

A receivable/liability was incurred due to the GIS fund needing funds to buy the equipment and software necessary to perform its functions. This interfund activity occurred during fiscal year September 2000 for a total balance of \$490,000. Payments are made on a semi-annual basis and are currently \$30,000 a year plus interest. The current interest rate being charged is 4.5%.

	<u>Due From</u>	<u>Due To</u>
Internal service - GIS	\$ -	\$ 140,000
Enterprise - Electric	<u>140,000</u>	<u>-</u>
Total	<u>\$ 140,000</u>	<u>\$ 140,000</u>

Transfers are used to move revenues between funds. The transfers below are routine in nature.

<u>Transfers Out</u>	<u>Transfers In</u>					<u>Total Transfers out</u>
	<u>General Fund</u>	<u>Non-major Gov't Funds</u>	<u>Stormwater Fund</u>	<u>GIS Fund</u>	<u>Health Ins. Fund</u>	
General Fund	\$ -	\$ -	\$ -	\$ 11,000	\$ 2,900	\$ 13,900
Transp. Fund	27,000	-	-	22,744	350	50,094
Non-major Funds	1,200	100,000	-	-	65	101,265
Env. Services Fund	54,000	-	-	1,744	205	55,949
Wastewater Fund	54,000	-	135,000	37,744	200	226,944
Water Fund	42,000	-	-	37,744	150	79,894
Electric Fund	<u>2,397,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,397,458</u>
	<u>\$ 2,575,658</u>	<u>\$ 100,000</u>	<u>\$ 135,000</u>	<u>\$ 110,976</u>	<u>\$ 3,870</u>	<u>\$ 2,925,504</u>

NOTE 11 - DEFICIT FUND NET ASSETS

The following funds had a net asset deficit as of September 30, 2012.

Geographic information system fund of \$(89,742). This will be eliminated as payments are made on the interfund payable to the electric fund.

CITY OF SCOTTSBUFF
Scottsbluff, Nebraska

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 12 - PROPERTY TAXES

The tax levies are certified by the County Board on or before October 15th. Real estate taxes are due on December 31st and attach as an enforceable lien on property on January 1st following the levy date and become delinquent in two equal installments on May 1st and September 1st. Personal property taxes are due December 31st and become delinquent on May 1st and September 1st following the levy date.

Property taxes levied for 2011-2012 are recorded as revenue when expected to be collected within 60 days after September 30, 2012. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as deferred revenue on the fund balance sheets.

The 2011 tax levy, for the 2011-2012 fiscal year, was \$1,634,240 with a tax rate per \$100 valuation of 0.216 for general and \$54,100 with a tax rate per \$100 valuation of .2165 for the business improvement district. The assessed value upon which the 2011 levy was based was \$756,592,324 for general and \$24,990,226 for the business improvement district.

NOTE 13 – GOVERNMENTAL RESERVED FUND BALANCE

The Economic Development Fund currently owns a building that was part of an agreement with Aurora Loan Services. That building is a capital asset held for resale and is shown on the governmental fund balance sheet at \$1 million. Currently, this building is available for sale.

NOTE 14 – GASBS No. 54

The City implemented GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011. In the governmental fund statements, fund balances (General fund and special revenue funds) are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. As of September 30, 2012, there is no nonspendable fund balance.
- *Restricted fund balance* – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher level of government), or imposed by constitutional provisions or enabling legislation. As of September 30, 2012, the restricted fund balance of \$8,515,572 is restricted for the following purposes:

<u>Fund</u>	<u>Purpose</u>	<u>Balance</u>
Transportation	Road projects & street maintenance	807,882
Economic dev.	Incentives for businesses	3,576,509
Debt service	Payment of principal and interest	3,720,554
Leasing Corp.	Own and lease property to City	7,617
Regional library	Library expenditures	9,070
Keno	Community betterment	46,658
Mutual fire	Fire expenditures	303,386
CDBG	Community development grants	43,896
Total restricted fund balance		8,515,572

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 14 – GASBS No. 54 (CONTINUED)

- *Committed fund balance* – amounts that can be spent only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be established, modified, or rescinded only through ordinances approved by the City Council. As of September 30, 2012, the committed fund balance of \$907,919 is committed for the following specific purposes:

<u>Fund</u>	<u>Purpose</u>	<u>Balance</u>
Special projects	Track revenues & expenditures of various projects	96,718
Cemetery	Cemetery expenditures	338,204
Business imp.	Business improvement district expenditures	114,594
Public safety	Public safety expenditures	304,141
Industrial sites	Industrial sites expenditures	<u>54,262</u>
Total committed fund balance		907,919

- *Assigned fund balance* – amount the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The City Manager may assign amounts. As of September 30, 2012, the assigned fund balance of \$2,989,817 is assigned for the following specific purposes:

<u>Fund</u>	<u>Purpose</u>	<u>Balance</u>
General	Software purchase and budget stabilization	677,900
Transportation	Road projects & street maintenance	1,209,904
Economic dev.	Incentives for businesses	1,081,246
Regional library	Library expenditures	4,735
Cemetery	Cemetery expenditures	3,187
Business imp.	Business improvement district expenditures	1,593
Public safety	Public safety expenditures	7,444
Industrial sites	Industrial sites expenditures	462
Keno	Community betterment	759
Mutual fire	Fire expenditures	<u>2,587</u>
Total assigned fund balance		2,989,817

- *Unassigned fund balance* – amounts that are available for any purpose; these amounts can be reported only in the City’s General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to deter the use of these other classified funds.

NOTE 15 – SUBSEQUENT EVENTS

The City entered into a settlement agreement with Aurora Loan Services (ALS) for the LB840 money that entity had received. The settlement amount ALS has agreed to pay is \$470,000 and it was paid in November 2012.

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through January 16, 2013, the date the financial statements were available to be issued.

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SCOTTSBLUFF, NEBRASKA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 4,769,250	\$ 4,769,250	\$ 4,964,600	\$ 195,350
Intergovernmental	57,700	57,700	71,121	13,421
Local	2,995,622	2,995,622	3,332,112	336,490
Total revenues	<u>7,822,572</u>	<u>7,822,572</u>	<u>8,367,833</u>	<u>545,261</u>
Expenditures:				
General government	958,077	958,077	507,359	450,718
Public safety - Police and Fire	4,266,497	4,266,497	4,198,543	67,954
Public works - Other	440,333	440,333	369,853	70,480
Public health and social services	38,564	38,564	34,918	3,646
Culture and recreation	2,404,261	2,404,261	2,349,304	54,957
Community development	11,657	11,657	11,657	-
Total expenditures	<u>8,119,389</u>	<u>8,119,389</u>	<u>7,471,634</u>	<u>647,755</u>
Excess revenues over (under) expenditures	\$ <u>(296,817)</u>	\$ <u>(296,817)</u>	896,199	\$ <u>1,193,016</u>
Fund balances, October 1			<u>2,521,425</u>	
Fund balances, September 30			<u>\$ 3,417,624</u>	

See accompanying notes.

**CITY OF SCOTTSBLUFF, NEBRASKA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
TRANSPORTATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 713,493	\$ 713,493	\$ 740,363	\$ 26,870
Intergovernmental	1,160,317	1,160,317	1,293,519	133,202
Local	140,000	140,000	1,402,805	1,262,805
Total revenues	<u>2,013,810</u>	<u>2,013,810</u>	<u>3,436,687</u>	<u>1,422,877</u>
Expenditures:				
Public works - Streets	<u>3,175,890</u>	<u>3,175,890</u>	<u>3,397,679</u>	<u>(221,789)</u>
Total expenditures	<u>3,175,890</u>	<u>3,175,890</u>	<u>3,397,679</u>	<u>(221,789)</u>
Excess revenues over (under) expenditures	\$ <u>(1,162,080)</u>	\$ <u>(1,162,080)</u>	39,008	\$ <u>1,201,088</u>
Fund balances, October 1			<u>1,984,632</u>	
Fund balances, September 30			\$ <u>2,023,640</u>	

See accompanying notes.

**CITY OF SCOTTSBLUFF, NEBRASKA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ECONOMIC DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 920,000	\$ 920,000	\$ 969,289	\$ 49,289
Local	22,500	22,500	49,238	26,738
Total revenues	<u>942,500</u>	<u>942,500</u>	<u>1,018,527</u>	<u>76,027</u>
Expenditures:				
Community development	3,351,250	3,351,250	453,999	2,897,251
Total expenditures	<u>3,351,250</u>	<u>3,351,250</u>	<u>453,999</u>	<u>2,897,251</u>
Excess revenues over (under) expenditures	\$ <u>(2,408,750)</u>	\$ <u>(2,408,750)</u>	564,528	\$ <u>2,973,278</u>
Fund balances, October 1			<u>3,649,375</u>	
Fund balances, September 30			\$ <u>4,213,903</u>	

See accompanying notes.

**CITY OF SCOTTSBLUFF, NEBRASKA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 956,084	\$ 956,084	\$ 905,122	\$ (50,962)
Intergovernmental	52,000	52,000	57,574	5,574
Local	1,175,000	1,175,000	578,367	(596,633)
Total revenues	<u>2,183,084</u>	<u>2,183,084</u>	<u>1,541,063</u>	<u>(642,021)</u>
Expenditures:				
General government	<u>4,222,823</u>	<u>4,222,823</u>	<u>1,167,766</u>	<u>3,055,057</u>
Total expenditures	<u>4,222,823</u>	<u>4,222,823</u>	<u>1,167,766</u>	<u>3,055,057</u>
Excess revenues over (under) expenditures	\$ <u>(2,039,739)</u>	\$ <u>(2,039,739)</u>	373,297	\$ <u>2,413,036</u>
Fund balances, October 1			<u>3,663,621</u>	
Fund balances, September 30			\$ <u>4,036,918</u>	

See accompanying notes.

**CITY OF SCOTTSBLUFF, NEBRASKA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
SPECIAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Local	<u>503,000</u>	<u>503,000</u>	<u>644,300</u>	<u>141,300</u>
Total revenues	<u>503,000</u>	<u>503,000</u>	<u>644,300</u>	<u>141,300</u>
Expenditures:				
General government	500,000	500,000	458,205	41,795
Public safety	-	-	47,824	(47,824)
Culture and recreation	-	-	15,230	(15,230)
Total expenditures	<u>500,000</u>	<u>500,000</u>	<u>521,259</u>	<u>(21,259)</u>
Excess revenues over (under) expenditures	\$ <u>3,000</u>	\$ <u>3,000</u>	123,041	\$ <u>120,041</u>
Fund balances, October 1			<u>419,260</u>	
Fund balances, September 30			\$ <u>542,301</u>	

See accompanying notes.

**CITY OF SCOTTSBLUFF, NEBRASKA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
LEASING CORPORATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Local	<u>714,925</u>	<u>714,925</u>	<u>697,297</u>	<u>(17,628)</u>
Total revenues	<u>714,925</u>	<u>714,925</u>	<u>697,297</u>	<u>(17,628)</u>
Expenditures:				
Public safety - Police and Fire	477,390	477,390	477,340	50
Culture and recreation	<u>219,925</u>	<u>219,925</u>	<u>219,925</u>	-
Total expenditures	<u>697,315</u>	<u>697,315</u>	<u>697,265</u>	<u>50</u>
Excess revenues over (under) expenditures	\$ <u>17,610</u>	\$ <u>17,610</u>	32	\$ <u>(17,578)</u>
Fund balances, October 1			<u>27,562</u>	
Fund balances, September 30			\$ <u>27,594</u>	

See accompanying notes.

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

NOTES TO THE BUDGETARY COMPARISON SCHEDULES

September 30, 2012

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

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

1. Prior to September 1, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 20, the budget is legally enacted through passage of an ordinance.
4. Formal budgetary integration is employed as a management control device for the General, Special Revenue, Capital Projects, Debt Service and Proprietary Funds.
5. Budgets are prepared using the cash basis of accounting which is a basis not consistent with accounting principles generally accepted in the United States of America.
6. The City manager is authorized to transfer budgeted amounts between departments within any fund; however, any revision that alters total expenditures of any fund requires approval of council and a public hearing.
7. All appropriations lapse at year end.

NOTE 2 - RECONCILIATION OF BUDGET BASIS REVENUE AND EXPENDITURES TO GAAP

Revenues and expenditures presented on a non-GAAP budget basis of accounting differ from the revenues and expenditures presented in accordance with GAAP because of the different treatment of accruals. A reconciliation for the year ended September 30, 2012, which discloses the nature and amount of the adjustments necessary to convert the actual GAAP data to the budgetary basis, is presented below:

	<u>General</u> <u>Fund</u>	<u>Tranps.</u> <u>Fund</u>	<u>Econ.</u> <u>Dev.</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Special</u> <u>Projects</u> <u>Fund</u>	<u>Leasing</u> <u>Corp.</u> <u>Fund</u>
Net change in fund balances:						
Balance on a GAAP basis	\$ 895,088	\$ 96,416	\$ 652,777	\$ 429,447	\$ (21,802)	\$ 33
Basis differences (accruals occur because the cash basis of accounting use for budgeting differs from the modified accrual basis of accounting prescribed for governmental fund	1,111	(57,408)	(88,249)	(56,150)	144,843	(1)
Balance on a budget basis	<u>\$ 896,199</u>	<u>\$ 39,008</u>	<u>\$ 564,528</u>	<u>\$ 373,297</u>	<u>\$ 123,041</u>	<u>\$ 32</u>

NOTE 3 – EXCESS OF EXPENDITURES OVER INTERNAL APPROPRIATIONS

Expenditures exceeded internal appropriations in the transportation and special projects funds by \$221,789 and \$21,259, respectively. These overexpenditures were funded by greater than anticipated revenues. The City's total appropriation per the State's budget form for this fiscal year was \$36,404,304 and that amount was not exceeded.

CITY OF SCOTTSBLUFF
Scottsbluff, Nebraska

OTHER SUPPLEMENTARY INFORMATION

**CITY OF SCOTTSBLUFF, NEBRASKA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	<u>Regional Library</u>	<u>Cemetery & Cemetery Perpetual Care</u>	<u>Business Improvement District</u>	<u>Public Safety Equipment</u>	<u>Industrial Site</u>
ASSETS					
Equity in pooled cash	\$ 13,797	\$ 347,828	\$ 116,822	\$ 346,055	\$ 54,692
Funds held by county treasurer	-	3,568	4,486	10,334	-
Net receivables:					
Taxes	-	20,057	4,405	81,192	-
Accounts and unbilled	-	-	-	-	-
Special assessments	-	-	-	-	-
Accrued interest	8	192	65	191	32
Governmental unit	-	1,109	-	7,108	-
Other receivables	-	-	-	-	-
Due from other funds	-	-	-	-	-
Inventory	-	-	-	-	-
Total assets	<u>\$ 13,805</u>	<u>\$ 372,754</u>	<u>\$ 125,778</u>	<u>\$ 444,880</u>	<u>\$ 54,724</u>
LIABILITIES					
Accounts payable	\$ -	\$ 8,812	\$ 4,954	\$ 51,022	\$ -
Accrued interest payable	-	-	-	-	-
Accrued salaries	-	1,755	-	-	-
Other accrued expenses	-	240	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	20,556	4,637	82,273	-
Total liabilities	<u>-</u>	<u>31,363</u>	<u>9,591</u>	<u>133,295</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	9,070	-	-	-	-
Committed	-	338,204	114,594	304,141	54,262
Assigned	4,735	3,187	1,593	7,444	462
Unassigned	-	-	-	-	-
Total fund balances	<u>13,805</u>	<u>341,391</u>	<u>116,187</u>	<u>311,585</u>	<u>54,724</u>
Total liabilities and fund balances	<u>\$ 13,805</u>	<u>\$ 372,754</u>	<u>\$ 125,778</u>	<u>\$ 444,880</u>	<u>\$ 54,724</u>

<u>Keno</u>	<u>Mutual Fire</u>	<u>CDBG Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 49,787	\$ 305,804	\$ 43,872	\$ 1,278,657
-	-	-	18,388
-	-	-	105,654
-	-	-	-
-	-	-	-
28	169	24	709
-	-	-	8,217
-	-	-	-
-	-	-	-
-	-	-	-
<u>49,815</u>	<u>305,973</u>	<u>43,896</u>	<u>1,411,625</u>
\$ 2,398	\$ -	\$ -	\$ 67,186
-	-	-	-
-	-	-	1,755
-	-	-	240
-	-	-	-
-	-	-	107,466
<u>2,398</u>	<u>-</u>	<u>-</u>	<u>176,647</u>
-	-	-	-
46,658	303,386	43,896	403,010
-	-	-	811,201
759	2,587	-	20,767
-	-	-	-
<u>47,417</u>	<u>305,973</u>	<u>43,896</u>	<u>1,234,978</u>
<u>\$ 49,815</u>	<u>\$ 305,973</u>	<u>\$ 43,896</u>	<u>\$ 1,411,625</u>

**CITY OF SCOTTSBLUFF, NEBRASKA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Regional Library	Cemetery & Cemetery Perpetual Care	Business Improvement District	Public Safety Equipment	Industrial Site
Revenues:					
Taxes and special assessments	\$ -	\$ 79,381	\$ 55,257	\$ 230,791	\$ -
Licenses and permits	-	2,650	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	44,215	-	-	-
Interest	53	1,379	691	1,281	202
Other revenue	4,844	67,294	119	111,777	16,667
Total revenues	<u>4,897</u>	<u>194,919</u>	<u>56,067</u>	<u>343,849</u>	<u>16,869</u>
Expenditures:					
Current operations:					
General government	-	-	-	-	6,571
Public safety	-	-	-	224,801	-
Transportation	-	-	-	-	-
Public health and social services	-	177,588	-	-	-
Culture and recreation:					
Library	3,700	-	-	-	-
Parks and recreation	-	-	-	-	-
Zoo	-	-	-	-	-
Public works	-	-	23,938	-	-
Capital expenditures	-	-	93,390	90,169	-
Debt service:					
Principal	-	-	-	40,000	-
Interest	-	-	-	25,188	-
Contingency	-	-	-	-	-
Total expenditures	<u>3,700</u>	<u>177,588</u>	<u>117,328</u>	<u>380,158</u>	<u>6,571</u>
Excess revenues over (under) expenditures	<u>1,197</u>	<u>17,331</u>	<u>(61,261)</u>	<u>(36,309)</u>	<u>10,298</u>
Other financing sources (uses):					
Proceeds from debt issuance	-	-	-	-	-
Warrant and bond expense	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(65)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(65)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues and other financing sources over (under) expenditures and other uses	1,197	17,266	(61,261)	(36,309)	10,298
Fund balances, October 1	<u>12,608</u>	<u>324,125</u>	<u>177,448</u>	<u>347,894</u>	<u>44,426</u>
Fund balances, September 30	<u>\$ 13,805</u>	<u>\$ 341,391</u>	<u>\$ 116,187</u>	<u>\$ 311,585</u>	<u>\$ 54,724</u>

<u>Keno</u>	<u>Mutual Fire</u>	<u>CDBG</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 365,429
-	-	-	2,650
5,000	-	-	5,000
-	-	-	44,215
276	1,227	821	5,930
<u>41,885</u>	<u>92,644</u>	<u>74,747</u>	<u>409,977</u>
<u>47,161</u>	<u>93,871</u>	<u>75,568</u>	<u>833,201</u>
76,978	-	1,680	85,229
-	10,000	-	234,801
-	-	-	-
-	-	270,546	448,134
-	-	-	3,700
-	-	-	-
-	-	-	-
-	-	-	23,938
-	-	-	183,559
-	-	-	40,000
-	-	-	25,188
-	-	-	-
<u>76,978</u>	<u>10,000</u>	<u>272,226</u>	<u>1,044,549</u>
<u>(29,817)</u>	<u>83,871</u>	<u>(196,658)</u>	<u>(211,348)</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	(1,200)	(1,265)
-	-	(1,200)	(1,265)
(29,817)	83,871	(197,858)	(212,613)
<u>77,234</u>	<u>222,102</u>	<u>241,754</u>	<u>1,447,591</u>
<u>\$ 47,417</u>	<u>\$ 305,973</u>	<u>\$ 43,896</u>	<u>\$ 1,234,978</u>

**CITY OF SCOTTSBLUFF, NEBRASKA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2012**

	<u>Health Insurance</u>	<u>Unemployment Compensation</u>	<u>Geographic Information System</u>	<u>Totals</u>
ASSETS				
Current assets				
Equity in pooled cash	\$ 451,035	\$ 27,098	\$ 54,471	\$ 532,604
Net receivables:				
Accounts and unbilled	-	-	-	-
Accrued interest	245	15	30	290
Due from other funds	-	-	-	-
Inventory	-	-	-	-
Total current assets	<u>451,280</u>	<u>27,113</u>	<u>54,501</u>	<u>532,894</u>
Noncurrent assets				
Deferred charges	-	-	-	-
Net capital assets	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 451,280</u>	<u>\$ 27,113</u>	<u>\$ 54,501</u>	<u>\$ 532,894</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 2,586	\$ 2,383	\$ 56	\$ 5,025
Accrued interest payable	-	-	-	-
Accrued salaries	-	-	960	960
Accrued compensated absences	-	-	595	595
Other accrued expenses	-	-	163	163
Current portion long-term debt	-	-	30,000	30,000
Deferred revenue	-	-	-	-
Total current liabilities	<u>2,586</u>	<u>2,383</u>	<u>31,774</u>	<u>36,743</u>
Noncurrent liabilities				
Long-term debt	-	-	110,000	110,000
Compensated absences	-	-	2,469	2,469
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>112,469</u>	<u>112,469</u>
Total liabilities	<u>2,586</u>	<u>2,383</u>	<u>144,243</u>	<u>149,212</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	-	-	-
Contributed capital	-	-	-	-
Restricted for debt retirement	-	-	-	-
Unreserved	448,694	24,730	(89,742)	383,682
Total net assets	<u>448,694</u>	<u>24,730</u>	<u>(89,742)</u>	<u>383,682</u>
Total liabilities and net assets	<u>\$ 451,280</u>	<u>\$ 27,113</u>	<u>\$ 54,501</u>	<u>\$ 532,894</u>

**CITY OF SCOTTSBLUFF, NEBRASKA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Health Insurance</u>	<u>Unemployment Compensation</u>	<u>Geographic Information System</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Other revenues	<u>1,571,737</u>	<u>27,169</u>	<u>121</u>	<u>1,599,027</u>
Total operating revenues	<u>1,571,737</u>	<u>27,169</u>	<u>121</u>	<u>1,599,027</u>
Operating expenses:				
Personnel services	-	-	62,767	62,767
Operating supplies	-	-	710	710
Contractual	-	-	1,673	1,673
Maintenance	-	-	6,400	6,400
Utilities	-	-	457	457
Insurance	-	-	-	-
Other operating expenses	1,660,468	4,288	-	1,664,756
Depreciation and amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>1,660,468</u>	<u>4,288</u>	<u>72,007</u>	<u>1,736,763</u>
Operating income (loss)	<u>(88,731)</u>	<u>22,881</u>	<u>(71,886)</u>	<u>(137,736)</u>
Non-operating revenues (expenses):				
Interest income	1,901	112	239	2,252
Interest expense	<u>-</u>	<u>-</u>	<u>(6,977)</u>	<u>(6,977)</u>
Net non-operating revenues (expenses)	<u>1,901</u>	<u>112</u>	<u>(6,738)</u>	<u>(4,725)</u>
Income before transfers	<u>(86,830)</u>	<u>22,993</u>	<u>(78,624)</u>	<u>(142,461)</u>
Transfers from (to) other funds:				
Operating transfers in	3,870	-	110,977	114,847
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net transfers from (to) other funds	<u>3,870</u>	<u>-</u>	<u>110,977</u>	<u>114,847</u>
Net income (loss)	(82,960)	22,993	32,353	(27,614)
Net assets, October 1	<u>531,654</u>	<u>1,737</u>	<u>(122,095)</u>	<u>411,296</u>
Net assets, September 30	<u>\$ 448,694</u>	<u>\$ 24,730</u>	<u>\$ (89,742)</u>	<u>\$ 383,682</u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor, City Council
and City Administrator
Scottsbluff, Nebraska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsbluff, Nebraska as of and for the year ended September 30, 2012, which collectively comprise the City of Scottsbluff, Nebraska's basic financial statements and have issued our report thereon dated January 16, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City of Scottsbluff, Nebraska is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Scottsbluff, Nebraska's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Scottsbluff, Nebraska's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Scottsbluff, Nebraska's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Scottsbluff, Nebraska's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Mayor, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dana F Cole + Company, LLP

Scottsbluff, Nebraska
January 16, 2013