

**Economic Development Fund of
City of La Vista, Nebraska**

Accountants' Reports and Financial Statements

September 30, 2008



**Economic Development Fund
City of La Vista, Nebraska
September 30, 2008**

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Independent Accountants' Report on Financial Statements

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

We have audited the accompanying financial statements of the Economic Development Fund of the City of La Vista, Nebraska as of and for the year ended September 30, 2008. These financial statements are the responsibility of City of La Vista's management. Our responsibility is to express an opinion 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 opinion.

As discussed in Note 1, the financial statements present only the Economic Development Fund and do not purport to, and do not, present fairly the financial position of the City of La Vista, Nebraska as of September 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Economic Development Fund of the City of La Vista, Nebraska as of September 30, 2008, and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2009, on our consideration of the Economic Development Fund of the City of La Vista, Nebraska's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

March 9, 2009

BKD, LLP

**Economic Development Fund
City of La Vista, Nebraska**

**Balance Sheet
September 30, 2008**

Assets

Cash and cash equivalents	\$ 3,612,784
Note receivable	14,183,047
Accrued interest receivable	<u>252,258</u>
Total assets	<u><u>\$ 18,048,089</u></u>

Liabilities

Accounts payable	\$ -
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Fund Balance

Restricted for:	
Special revenue funds	<u>18,048,089</u>
Total liabilities and fund balances	<u><u>\$ 18,048,089</u></u>

**Economic Development Fund
City of La Vista, Nebraska
Statement of Revenues, Expenditures and
Changes in Fund Balance
Year Ended September 30, 2008**

Interest Income	<u>\$ 1,168,646</u>
Expenditures	
Current:	
General government	3,023,763
Debt service:	
Interest expense	<u>1,094,520</u>
Total expenditures	<u>4,118,283</u>
Deficiency of Revenues Over Expenditures	(2,949,637)
Fund Balance - Beginning of Year	<u>20,997,726</u>
Fund Balance - End of Year	<u><u>\$ 18,048,089</u></u>

**Economic Development Fund
City of La Vista, Nebraska
Notes to Financial Statements
Year Ended September 30, 2008**

Note 1: Summary of Significant Accounting Policies

Organization

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

Financial Reporting Entity

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

The financial statements present only the Economic Development Fund and do not purport to, and do not, present fairly the financial position of the City as of September 30, 2008, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

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

Cash and Investments

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Economic Development Fund follows the City's deposit policy for custodial credit risk which requires compliance with the provisions of state statutes. Statutes authorize the City to invest in time deposits at banks selected as depositories of City funds, direct debt securities of the United States Government, and certain government agency bonds.

**Economic Development Fund
City of La Vista, Nebraska
Notes to Financial Statements
Year Ended September 30, 2008**

Note 1: Summary of Significant Accounting Policies - Continued

Cash and Investments - Continued

In addition to the separate savings account and certificates of deposit maintained by the Economic Development Fund, the Fund also participates in the pooled cash accounts maintained by the City. The Economic Development Fund's share of this pool is \$104,781.

The Economic Development Fund's cash deposits, including certificates of deposit, are insured by the Federal Deposit Insurance Corporation (FDIC) and other collateral. At September 30, 2008, the deposits were covered by FDIC insurance or collateral pledged by the bank.

Certificates of deposit are carried at amortized cost.

Note 2: Note Receivable

On April 25, 2007, the City entered into an economic development project with John Q. Hammons Affiliated Parties (the developer). Under the project the City would provide a \$3 million grant to the developer and a loan not to exceed \$18 million or 80% of the construction costs of a hotel and convention center. The developer will repay the entire principal balance of the loan in a single balloon payment no later than July 2017. The developer will make quarterly interest payments, at a rate equal to the average coupon rate of the bonds issued to fund the loan, until the entire principal balance is paid in full. As of September 30, 2008, the balance of the loan with the developer is \$14,183,047. Accrued interest receivable on the loan amounted to \$252,258 as of September 30, 2008.

Note 3: Long-term Debt

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

The following is a summary of the Economic Development Fund's long-term debt activity for the year ended September 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable					
General obligation bonds	\$20,695,000	\$ -	\$ -	\$ 20,695,000	\$ -

**Economic Development Fund
City of La Vista, Nebraska
Notes to Financial Statements
Year Ended September 30, 2008**

Note 3: Long-term Debt - Continued

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

Description	Interest Rate	Maturity Date	Ending Balance
July 7, 2007, EDP taxable bonds	6.00-7.73%	10/15/2029	\$ 20,695,000

The annual debt service requirements to maturity for bonded debt as of September 30, 2008 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -	\$ 1,509,682	\$ 1,509,682
2010	-	1,509,682	1,509,682
2011	505,000	1,494,533	1,999,533
2012	535,000	1,463,172	1,998,172
2013	570,000	1,429,662	1,999,662
2014-2018	3,445,000	6,540,855	9,985,855
2019-2023	4,840,000	5,142,840	9,982,840
2024-2028	7,095,000	2,887,348	9,982,348
2029-2031	3,705,000	292,001	3,997,001
Total	<u>\$ 20,695,000</u>	<u>\$ 22,269,775</u>	<u>\$ 42,964,775</u>

Note 4: Commitments and Contingencies

Included in the Economic Development Fund is \$3,612,784 in cash and cash equivalents of bond proceeds that will be used for future community and business development.

Government Auditing Standards Report

**Independent Accountants' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of the Financial
Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the Economic Development Fund (Fund) of the City of La Vista as of and for the year ended September 30, 2008, and have issued our report thereon dated March 9, 2009, which contained an explanatory paragraph stating the financial statements present only the Fund and do not purport to, and do not present fairly the financial position of the City of La Vista, Nebraska. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Fund's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Fund's financial statements that is more than inconsequential will not be prevented or detected by the Fund's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Fund'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 governing body, management and others within the Fund and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

March 9, 2009

**Economic Development Fund
City of La Vista, Nebraska
Schedule of Findings and Responses
Year Ended September 30, 2008**

**Reference
Number**

Finding

No matters are reportable.