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Client	City of La Vista
Client ID	2228
Class	Engagements
Subclass	Audit
Title	2006-Engagements-La Vista - Audit Report YE 9-30-06, ISSUED.pdf
Document Name	La Vista - Audit Report YE 9-30-06, ISSUED
Permanent	No
Expiration Date	3/13/2013
Year	2006
Created	Tfal01 - 3/13/2007 2:00:47 PM

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**CITY OF LA VISTA, NEBRASKA**

**SEPTEMBER 30, 2006**

# CITY OF LA VISTA, NEBRASKA

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December 14, 2006

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the City Council  
**City of La Vista, Nebraska**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the non major fund of City of La Vista, Nebraska, as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of City of La Vista, Nebraska'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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the non major fund of the City of La Vista, Nebraska, as of September 30, 2006, and the respective changes in financial position and the 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 a report dated December 14, 2006 on our consideration 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 grants. 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 our audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The City has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

The budgetary comparison schedules (pages 25-27) are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Orizon CPAs LLC*  
**ORIZON CPAs LLC**

# CITY OF LA VISTA, NEBRASKA

## STATEMENT OF NET ASSETS SEPTEMBER 30, 2006

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 9,466,762	\$ 432,130	\$ 9,898,892
Cash at county treasurer	36,074		36,074
Certificates of deposit	2,236,625	262,467	2,499,092
Investments	6,112,472	543,066	6,655,538
Total cash and investments	17,851,933	1,237,663	19,089,596
Receivables:			
Property taxes	490,958		490,958
Special assessments, net of allowance	602,890		602,890
Accrued interest	42,564		42,564
Other	670,463	89,515	759,978
Unamortized debt issue costs	315,048	11,570	326,618
Land	6,924,174	9,524	6,933,698
Construction in progress	6,832,301		6,832,301
Capital assets, net of accumulated depreciation	25,601,424	4,470,452	30,071,876
Total assets	59,331,755	5,818,724	65,150,479
<b>LIABILITIES:</b>			
Accounts payable	621,996	94,895	716,891
Accrued expenses	962,438	365,581	1,328,019
Current portion of long-term liabilities	1,320,000	80,000	1,400,000
Deferred revenue	200,000		200,000
Compensated absences	496,534	97,001	593,535
Registered warrants	5,740,342		5,740,342
Bonds payable	32,945,000	771,586	33,716,586
Total liabilities	42,286,310	1,409,063	43,695,373
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	4,787,899	3,628,390	8,416,289
Restricted for:			
Debt service	6,973,766		6,973,766
Special revenue	3,774,583		3,774,583
Capital projects	(496,106)		(496,106)
Unrestricted	2,005,303	781,271	2,786,574
Total net assets	\$ 17,045,445	\$ 4,409,661	\$ 21,455,106

See accompanying notes to the basic financial statements.

**CITY OF LA VISTA, NEBRASKA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	Program Revenues			Net Revenues (Expenses) and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Net Total
<b>Primary government</b>						
<b>Governmental activities:</b>						
General services	\$ 2,199,196	\$ 579,361	\$	\$ (722,161)		\$ (722,161)
Public safety	3,166,732	130,895		(3,035,837)		(3,035,837)
Public works	1,751,436	545,178	\$ 753,977	(452,281)		(452,281)
Culture and recreation	1,886,615			(1,528,752)		(1,528,752)
Community development		1,405,301		1,405,301		1,405,301
Interest on long-term debt				(1,320,354)		(1,320,354)
<b>Total governmental activities</b>	<u>10,324,333</u>	<u>2,660,735</u>	<u>753,977</u>	<u>(5,654,084)</u>		<u>(5,654,084)</u>
<b>Business-type activities:</b>						
Sewer	1,521,742				\$ (195,877)	(195,877)
Golf	326,636				(147,923)	(147,923)
<b>Total business-type activities</b>	<u>1,848,378</u>				<u>(343,800)</u>	<u>(343,800)</u>
<b>Total</b>	<u>\$ 12,172,711</u>	<u>\$ 2,660,735</u>	<u>\$ 753,977</u>	<u>(5,654,084)</u>	<u>(343,800)</u>	<u>(5,997,884)</u>
<b>General Revenues:</b>						
Taxes				6,465,319		6,465,319
Interest income				642,010	38,291	680,301
Gain on sale of assets				2,545		2,545
Net assets received from annexation				320,295	1,909,736	2,230,031
Miscellaneous				8,069		8,069
Transfers				(205,000)	205,000	
				<u>7,233,238</u>	<u>2,153,027</u>	<u>9,386,265</u>
Change in Net Assets				1,579,154	1,809,227	3,388,381
Net Assets - beginning of year, as restated				15,466,291	2,600,434	18,066,725
Net Assets - end of year				<u>\$ 17,045,445</u>	<u>\$ 4,409,661</u>	<u>\$ 21,455,106</u>

See accompanying notes to the basic financial statements.

**CITY OF LA VISTA, NEBRASKA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2006**

	General	Debt Service	Keno	Capital Improvements	Offstreet Parking	Non Major Fund	Total Governmental Funds
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 1,421,994	\$ 1,091,698	\$ 1,448,776	\$ 3,987,705	\$ 1,132,589	\$ 384,000	\$ 9,466,762
Cash with county treasurer	33,237	2,837					36,074
Certificates of deposit		262,467	1,974,158				2,236,625
Investments	670,844	5,198,475	243,153				6,112,472
Receivables:							
Property taxes	360,552	130,406					490,958
Special assessments		672,415					672,415
Accrued interest receivable - special assessments		42,564					42,564
Other	424,694	159,648	86,121				670,463
<b>Total assets</b>	<b>\$ 2,911,321</b>	<b>\$ 7,560,510</b>	<b>\$ 3,752,208</b>	<b>\$ 3,987,705</b>	<b>\$ 1,132,589</b>	<b>\$ 384,000</b>	<b>\$ 19,728,333</b>

See accompanying notes to the basic financial statements.

CITY OF LA VISTA, NEBRASKA

BALANCE SHEET - GOVERNMENTAL FUNDS, CONTINUED  
 SEPTEMBER 30, 2006

	General	Debt Service	Keno	Capital Improvements	Offstreet Parking	Non Major Fund	Total Governmental Funds
LIABILITIES:							
Accounts payable	\$ 125,625	\$ 250	15	\$ 113,357	\$ 382,749		\$ 621,996
Accrued expenses	283,859		61,610				345,469
Warrants payable				5,099,788			5,099,788
Contingent liability	334,395	844,280	100,000				100,000
Deferred revenue	743,879	844,530	361,625	5,213,145	382,749		1,378,675
Total liabilities							7,545,928
FUND BALANCE:							
Restricted for:							
Debt service funds		6,715,980					6,715,980
Special revenue funds			3,390,583			\$ 384,000	3,774,583
Capital projects fund				(1,225,440)	749,840		(475,600)
Unrestricted	2,167,442						2,167,442
Total fund balance	2,167,442	6,715,980	3,390,583	(1,225,440)	749,840	384,000	12,182,405
Total liabilities and fund balances	\$ 2,911,321	\$ 7,560,510	\$ 3,752,208	\$ 3,987,705	\$ 1,132,589	\$ 384,000	\$ 19,728,333

See accompanying notes to the basic financial statements.

**CITY OF LA VISTA, NEBRASKA**

**RECONCILIATION OF THE  
BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006**

Total fund balance - total governmental funds	\$ 12,182,405
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in the funds.	39,357,899
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Other related amounts include interest payable of \$516,969 and bond issue costs of \$315,048.	(35,107,475)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(496,534)
Special assessments receivable are offset by deferred revenue and, therefore, no allowance for doubtful accounts is necessary.	(69,525)
Deferred revenues represents funds not available in the current period and, therefore, are not recognized as revenue in the governmental funds.	<u>1,178,675</u>
Net Assets of Governmental Activities	<u>\$ 17,045,445</u>

See accompanying notes to the basic financial statements.

CITY OF LA VISTA, NEBRASKA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	General	Debt Service	Keno	Capital Improvements	Offstreet Parking	Non Major Funds	Total Governmental
<b>REVENUES:</b>							
Taxes	\$ 5,004,854	\$ 1,071,310				\$ 192,000	\$ 6,268,164
Licenses and permits	897,674						897,674
Intergovernmental revenues	1,099,114						1,099,114
Charges for services	357,863						357,863
Grant income	155,332			\$ 221,840			377,172
Gain on sale of assets	2,545						2,545
Keno			\$ 1,405,301				1,405,301
Interest income	61,841	236,570	120,939	166,330	\$ 56,330		642,010
Special assessments		333,780					333,780
Special assessments interest		80,919					80,919
Other revenues	8,069						8,069
Total revenues	<u>7,587,292</u>	<u>1,722,579</u>	<u>1,526,240</u>	<u>388,170</u>	<u>56,330</u>	<u>192,000</u>	<u>11,472,611</u>
<b>EXPENDITURES:</b>							
Current:							
General government	1,706,696						1,706,696
Streets and street lighting	1,121,868	46,381	55,857		208,537		2,017,471
Public safety	2,803,264						2,803,264
Culture and recreation	1,432,660		250,115				1,682,775
Capital outlay	450,686			8,810,491	6,962,523		16,223,700
Debt service:							
Principal retirement		4,669,581					4,669,581
Interest		935,350					935,350
Bond issue costs		92,010			75,430		167,440
Total expenditures	<u>7,515,174</u>	<u>5,743,322</u>	<u>305,972</u>	<u>8,810,491</u>	<u>7,246,490</u>		<u>29,621,449</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>72,118</u>	<u>(4,020,743)</u>	<u>1,220,268</u>	<u>(8,422,321)</u>	<u>(7,190,160)</u>	<u>192,000</u>	<u>(18,148,838)</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond proceeds		9,900,000					9,900,000
Net cash received from annexation	67,493	1,885,707			7,940,000		17,840,000
Transfers		(6,020,788)	(1,039,034)	6,854,820			1,953,200
Total other financing sources (uses)	<u>67,493</u>	<u>5,764,921</u>	<u>(1,039,034)</u>	<u>6,854,820</u>	<u>7,940,000</u>		<u>19,588,200</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND FINANCING SOURCES OVER EXPENDITURES AND FINANCING USES</b>	<u>139,611</u>	<u>1,744,178</u>	<u>181,234</u>	<u>(1,567,501)</u>	<u>749,840</u>	<u>192,000</u>	<u>1,439,362</u>
<b>FUND BALANCE - beginning of year</b>	<u>2,027,831</u>	<u>4,971,802</u>	<u>3,209,349</u>	<u>342,061</u>		<u>192,000</u>	<u>10,743,043</u>
<b>FUND BALANCE (DEFICIT) - end of year</b>	<u>\$ 2,167,442</u>	<u>\$ 6,715,980</u>	<u>\$ 3,390,583</u>	<u>\$ (1,225,440)</u>	<u>\$ 749,840</u>	<u>\$ 384,000</u>	<u>\$ 12,182,405</u>

See accompanying notes to the basic financial statements.

## CITY OF LA VISTA, NEBRASKA

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2006

Net change in fund balances - total governmental funds	\$ 1,439,362
Amounts reported for governmental activities in the statement of activities different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	14,897,237
Proceeds from debt issues are an other financing source in the governmental funds, but a debt issue increases long-term liabilities in the Statement of Net Assets. Other related amounts include the amount by which bond issue costs exceed amortization, which is an expenditure in the funds, but these costs are capitalized in the Statement of Net Assets and amortized over their useful lives.	(17,672,560)
Proceeds received from annexation as reported in the governmental funds includes only cash and investments, but in the Statement of Net Assets capital assets and related debt are also accounted for.	2,266,676
Repayment of bond and warrant principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	770,000
In the Statement of Activities, interest is accrued on outstanding bonds and warrants, whereas in governmental funds, an interest expenditure is reported when due.	(385,004)
Amount by which bond issue costs exceed amortization, which is an expenditure in the funds, but these costs are capitalized in the Statement of Net Assets and amortized over their useful lives.	(21,809)
Compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	11,588
Special assessments receivable are offset by deferred revenue and, therefore, no allowance for doubtful accounts is necessary.	(41,917)
Deferred revenues represents funds not available in the current period and, therefore, are not recognized as revenue in the governmental funds.	<u>315,581</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,579,154</u>

See accompanying notes to the basic financial statements.

# CITY OF LA VISTA, NEBRASKA

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS SEPTEMBER 30, 2006

<b>ASSETS</b>			
	Golf	Sewer	Total
<b>CURRENT ASSETS</b>			
Cash and equivalents	\$ 6,840	\$ 425,290	\$ 432,130
Certificates of deposit		262,467	262,467
Investments		543,066	543,066
Accounts receivable		89,515	89,515
Total current assets	6,840	1,320,338	1,327,178
<b>BOND ISSUE COSTS - NET OF AMORTIZATION</b>	11,570		11,570
<b>CAPITAL ASSETS - NET OF DEPRECIATION</b>	920,738	3,559,238	4,479,976
<b>TOTAL ASSETS</b>	\$ 939,148	\$ 4,879,576	\$ 5,818,724
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 4,168	\$ 90,727	\$ 94,895
Accrued expenses	18,916	346,665	365,581
Compensated absences	3,192	93,809	97,001
Current portion of long-term liabilities	80,000		80,000
Total current liabilities	106,276	531,201	637,477
<b>LONG-TERM DEBT</b>			
Bond payable	760,000		760,000
Capital lease obligation	11,586		11,586
Total long-term debt	771,586		771,586
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	69,152	3,559,238	3,628,390
Unrestricted	(7,866)	789,137	781,271
Total net assets	61,286	4,348,375	4,409,661
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 939,148	\$ 4,879,576	\$ 5,818,724

See accompanying notes to the basic financial statements.

**CITY OF LA VISTA, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>Golf</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES:			
User fees	\$ 152,401	\$ 766,168	\$ 918,569
Permits and hookups		559,697	559,697
Merchandise sales	24,482		24,482
Other revenue	1,830		1,830
Total operating revenues	<u>178,713</u>	<u>1,325,865</u>	<u>1,504,578</u>
OPERATING EXPENSES:			
General administrative	83,715	407,399	491,114
Cost of merchandise sold	16,026		16,026
Maintenance	106,778		106,778
Production and distribution		977,431	977,431
Depreciation and amortization	74,380	136,912	211,292
Total operating expenses	<u>280,899</u>	<u>1,521,742</u>	<u>1,802,641</u>
OPERATING INCOME (LOSS)	<u>(102,186)</u>	<u>(195,877)</u>	<u>(298,063)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	122	38,169	38,291
Net assets received from annexation		1,909,736	1,909,736
Interest on notes payable	(45,737)		(45,737)
Total non-operating revenues (expenses)	<u>(45,615)</u>	<u>1,947,905</u>	<u>1,902,290</u>
INCOME (LOSS) BEFORE TRANSFERS	(147,801)	1,752,028	1,604,227
NET OPERATING TRANSFERS	<u>205,000</u>		<u>205,000</u>
NET INCOME	<u>57,199</u>	<u>1,752,028</u>	<u>1,809,227</u>
NET ASSETS - beginning of year as previously reported	4,087	1,570,060	1,574,147
PRIOR PERIOD ADJUSTMENT		<u>1,026,287</u>	<u>1,026,287</u>
NET ASSETS - beginning of year, as restated	<u>4,087</u>	<u>2,596,347</u>	<u>2,600,434</u>
NET ASSETS - end of year	<u>\$ 61,286</u>	<u>\$ 4,348,375</u>	<u>\$ 4,409,661</u>

See accompanying notes to the basic financial statements.

**CITY OF LA VISTA, NEBRASKA**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	Business-Type Activities - Enterprise Funds		
	Golf	Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 178,713	\$ 1,334,211	\$ 1,512,924
Payments to suppliers	(69,563)	(851,457)	(921,020)
Payments to employees	(145,540)	(314,161)	(459,701)
Net cash provided by (used in) operating activities	(36,390)	168,593	132,203
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers	205,000		205,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of fixed assets	(43,823)	(362,418)	(406,241)
Principal paid on bonds	(80,000)		(80,000)
Interest paid on bonds	(46,903)		(46,903)
Net cash used in capital and related financing activities	(170,726)	(362,418)	(533,144)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of investments		(134,233)	(134,233)
Proceeds from sales and maturities of investments		200,000	200,000
Interest income	122	38,169	38,291
Net cash provided by (used in) investing activities	122	103,936	104,058
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,994)	(89,889)	(91,883)
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	8,834	515,179	524,013
<b>CASH AND CASH EQUIVALENTS - end of year</b>	\$ 6,840	\$ 425,290	\$ 432,130
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (102,186)	\$ (195,877)	\$ (298,063)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	74,380	136,912	211,292
Decrease in receivables		8,346	8,346
Increase in payables and accrued expenses	(8,584)	219,212	210,628
Net cash provided by (used in) operating activities	\$ (36,390)	\$ 168,593	\$ 132,203
<b>NONCASH INVESTING AND FINANCIAL ACTIVITIES</b>			
Purchase of property and equipment	\$ 55,409		\$ 55,409
Loan proceeds for purchase of property and equipment	(11,586)		(11,586)
Cash paid for purchase of property and equipment	\$ 43,823		\$ 43,823

See accompanying notes to the basic financial statements.

**CITY OF LA VISTA, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of City of La Vista, Nebraska (City) are discussed in the subsequent section of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2006.

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

FINANCIAL REPORTING ENTITY

These financial statements present the financial statements of the City as the primary government. In determining its reporting entity, the City has considered all potential component units for which it is financially accountable, including other organizations which are fiscally dependent on the City, or the significance of their relationship with the City are such that exclusion would make the financial statements misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability, which was used in making this evaluation. The City has no potential component units to include in its reporting entity.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

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

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

**CITY OF LA VISTA, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION, CONTINUED

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

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

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

Net assets restricted for debt service include the excess of assets over certain liabilities restricted for the debt service on bonds. Restricted assets are also reported for various community betterment and capital projects.

BASIS OF PRESENTATION

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

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

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

**CITY OF LA VISTA, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

BASIS OF PRESENTATION, CONTINUED

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

FUND TYPES AND MAJOR FUNDS

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

The City reports the following major governmental funds:

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

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

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

Capital Improvements Fund is used to account for resources and expenditures to purchase and construct capital assets.

Off-Street Parking Fund is used to account for resources and expenditures for the creation and upkeep of the Off-Street Parking District.

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

The City reports the following major proprietary funds:

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

Golf Fund accounts for the activities of the government's golf course.

# CITY OF LA VISTA, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### CASH AND INVESTMENTS

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

Nonnegotiable certificates of deposit are carried at amortized cost, which approximates fair value. All other investments are carried at fair value. Fair value is determined using quoted market prices.

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

#### SPECIAL ASSESSMENTS

Special assessments are recorded as revenue in the year the assessments became current; those amounts receivable after one year are recorded as deferred revenue. Annual installments not yet due are reflected as special assessments receivables and deferred revenues.

#### UNBILLED SEWER REVENUE

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

#### CAPITAL ASSETS AND DEPRECIATION

The City's property, plant, equipment and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements; proprietary capital assets are also reported in their respective fund. The City maintains infrastructure asset records consistent with all other capital assets. The City generally capitalizes assets with a cost of \$1,000 or more as purchase and construction outlays occur. Such assets are recorded at historical cost or estimated historical cost. Donated assets are stated at fair value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

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

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

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

# CITY OF LA VISTA, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### LONG-TERM DEBT, DEFERRED DEBT EXPENSE AND BOND DISCOUNTS/PREMIUMS

In government-wide and proprietary financial statements, outstanding debt is reported as a liability. Bond issuance costs, bond discounts or premiums and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using the method that approximates the effective interest method.

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

#### COMPENSATED ABSENCES

Vacation leave and other compensated absences with similar characteristics are accrued as the benefits are earned if the leave is attributable to past services and it is probable that the City will compensate the employees for such benefits. Sick leave and other compensated absences with similar characteristics are accrued as the benefits are earned only to the extent that it is probable that the City will compensate the employees for such benefits. Such accruals are based on current salary rates.

Vacation and sick leave is accrued in accordance with the City's policy, when incurred in the government-wide and proprietary fund financial statements. In the governmental funds, only compensated absences expected to be liquidated with expendable available financial resources are recorded as a fund liability.

#### USE OF ESTIMATES

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

#### PRIOR PERIOD ADJUSTMENT

During the current year, corrections totaling \$368,352 were made to the beginning of year net assets to appropriately account for the policy related to compensated absences in the governmental activities. In addition, a reclassification in the amount of \$1,026,287 was made to the beginning of year capital assets for governmental activities and business-type activities, to appropriately reflect certain capital assets that should have been recorded in the sewer fund under business-type activities.

### 2. BUDGET AND BUDGETARY ACCOUNTING

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

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

## CITY OF LA VISTA, NEBRASKA

### NOTES TO FINANCIAL STATEMENTS, CONTINUED

#### 2. BUDGET AND BUDGETARY ACCOUNTING, CONTINUED

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

On September 5, 2006, the City Council approved certain amendments to the original budget.

#### 3. DEPOSITS 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 City's deposit policy for custodial credit risk 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.

The City's cash deposits, including certificates of deposit, are insured by the Federal Deposit Insurance Corporation (FDIC) and other collateral. At September 30, 2006, \$32,475 of the City's bank balances of \$8,941,382 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$32,475
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Cash and investments with the Sarpy County Treasurer of \$36,074 was covered by collateral held by the County or was invested in U.S. Government Securities held by the County's agent.

The City may legally invest in state-sponsored pooled investment funds and in direct obligation of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. Agencies and instrumentalities.

The City's only investments are units of participation in the short-term investment pool of the Nebraska Public Agency Investment Trust (NPAIT). NPAIT is a special purpose government established under Nebraska statute. The investment pool or trust is not registered and is not rated for credit risk. The City limits its interest rate risk by investing only in the short-term pool, which consists primarily of government agency or government securitized investments with maturities of less than one year. The amount invested in the NPAIT pool was \$6,655,538 at September 30, 2006.

#### 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND DEFERRED REVENUE

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

**CITY OF LA VISTA, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND DEFERRED REVENUE, CONTINUED**

The tax rate to finance governmental services other than the payment of principal and interest on long-term debt for the year ended September 30, 2006 was \$.4735 per \$100 of assessed valuation and the debt service requirements was \$.0200 per \$100 of assessed valuation. The assessed valuation for the 2005-2006 tax year was \$553,757,119.

In the governmental fund financial statements, property taxes are recorded as a receivable when levied. Based on past experience, the uncollectible portion has been negligible and no allowance for uncollectible taxes has been recorded. Property taxes levied for 2005-06 are recorded as revenue when levied and collected within 60 days after September 30, 2006. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. The portion of the taxes not collected within 60 days after year-end is recorded as deferred revenue.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Historically, substantially all property taxes have been collected.

**5. CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended September 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Not being depreciated:				
Land, not being depreciated	\$ 1,956,496	\$ 4,967,678		\$ 6,924,174
Construction in process	<u>242,604</u>	<u>6,832,301</u>	\$ (242,604)	<u>6,832,301</u>
Subtotal	<u>2,199,100</u>	<u>11,799,979</u>	<u>(242,604)</u>	<u>13,756,475</u>
Other capital assets:				
Buildings	13,030,601	2,751,232		15,781,833
Improvements/infrastructure	16,888,063	5,513,807	(1,088,019)	21,313,851
Equipment and furniture	<u>3,592,783</u>	<u>542,111</u>		<u>4,134,894</u>
Subtotal	<u>33,511,447</u>	<u>8,807,150</u>	<u>(1,088,019)</u>	<u>41,230,578</u>
Accumulated depreciation:				
Buildings	(3,505,856)	(494,497)		(4,000,353)
Improvements/infrastructure	(8,658,428)	(454,125)	61,732	(9,050,821)
Equipment and furniture	<u>(2,255,990)</u>	<u>(321,990)</u>		<u>(2,577,980)</u>
Subtotal	<u>(14,420,274)</u>	<u>(1,270,612)</u>	<u>61,732</u>	<u>(15,629,154)</u>
Net other capital assets	<u>19,091,173</u>	<u>7,536,538</u>	<u>(1,026,287)</u>	<u>25,601,424</u>
Net capital assets	<u>\$ 21,290,273</u>	<u>\$ 19,336,517</u>	<u>\$(1,268,891)</u>	<u>\$ 39,357,899</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General services	\$ 144,520
Public safety	357,539
Culture and recreation	201,618
Public works	<u>566,935</u>
Total governmental activities depreciation expense	<u>\$ 1,270,612</u>

**CITY OF LA VISTA, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**5. CAPITAL ASSETS AND DEPRECIATION, CONTINUED**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Business-type activities:				
Not being depreciated:				
Land	\$ 9,524			\$ 9,524
Other capital assets:				
Golf course	1,597,858			1,597,858
Building and improvements	54,365			54,365
Sewer line system	1,374,806	\$ 1,909,736	\$ 1,088,019	4,372,561
Equipment and furniture	1,187,245	404,531	38,537	1,630,313
Subtotal	<u>4,214,274</u>	<u>2,314,267</u>	<u>1,126,556</u>	<u>7,655,097</u>
Accumulated depreciation:				
Golf course	(706,745)	(54,015)		(760,760)
Building and improvements	(52,423)	(537)		(52,960)
Sewer line system	(1,103,278)	(86,927)	(61,732)	(1,251,937)
Equipment and furniture	(1,025,494)	(68,253)	(25,241)	(1,118,988)
Subtotal	<u>(2,887,940)</u>	<u>(209,732)</u>	<u>(86,973)</u>	<u>(3,184,645)</u>
Net other capital assets	<u>1,326,334</u>	<u>2,104,535</u>	<u>1,039,583</u>	<u>4,470,452</u>
Net capital assets	<u>\$ 1,335,858</u>	<u>\$ 2,104,535</u>	<u>\$ 1,039,583</u>	<u>\$ 4,479,976</u>

Depreciation was charged to functions as follows:

Business-type activities:	
Golf	\$ 72,820
Sewer	136,912
Total business-type activities depreciation expense	<u>\$ 209,732</u>

**6. 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 long-term debt activity of the City for the year ended September 30, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Bonds payable				
General obligation bonds	\$15,265,000	\$19,770,000	\$ 770,000	\$34,265,000
Registered warrants	640,554	8,999,369	3,899,581	5,740,342
Other long-term liabilities				
Compensated absences	<u>876,474</u>	<u>                    </u>	<u>379,940</u>	<u>496,534</u>
Governmental activities long-term liabilities	<u>\$16,782,028</u>	<u>\$28,769,369</u>	<u>\$ 5,049,521</u>	<u>\$40,501,876</u>

**CITY OF LA VISTA, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**6. LONG-TERM DEBT, CONTINUED**

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>			
Bonds payable			
Revenue bonds	\$ 920,000	\$ 80,000	\$ 840,000
Other long-term liabilities			
Compensated absences	<u>130,248</u>	<u>33,247</u>	<u>97,001</u>
Business-type activities long-term liabilities	<u>\$ 1,123,867</u>	<u>\$ 113,247</u>	<u>\$ 1,050,248</u>

Long-term bonded debt is comprised of the following individual issues:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Ending Balance</u>
<b>General Obligation Bonds</b>			
January 15, 2001 various purpose bonds	4.90-5.55%	01/15/16	\$ 1,920,000
June 15, 2002 street improvement bonds	3.90-5.45%	06/15/22	1,610,000
March 26, 2002 police facility building bonds	3.45-5.00%	03/15/22	3,500,000
June 15, 2003 library refunding bonds	2.00-3.80%	12/15/12	1,335,000
May 15, 2003 refunding bonds	2.00-4.50%	11/15/19	2,905,000
July 15, 2003 street improvement bonds	2.60-4.45%	07/15/23	3,300,000
October 15, 2004, SID bonds	2.40-5.20%	4/15/24	1,855,000
December 15, 2005, fire facility bonds	3.40-4.90%	12/15/26	5,900,000
December 15, 2005, refunding bonds for warrants	3.55-4.80%	12/15/26	4,000,000
March 15, 2006, off-street parking bonds	4.50-4.70%	4/15/25	<u>7,940,000</u>
Total general obligation bonds			<u>\$34,265,000</u>
<b>Revenue Bonds</b>			
December 15, 1993 golf course revenue bond	5.00-5.45%	12/15/13	<u>\$ 840,000</u>

The annual debt service requirements to maturity for bonded debt as of September 30, 2006 are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Governmental Activities:</b>			
2007	\$ 1,320,000	\$ 1,478,734	\$ 2,798,734
2008	1,485,000	1,430,505	2,915,505
2009	1,690,000	1,376,033	3,066,033
2010	1,750,000	1,312,999	3,062,999
2011	1,820,000	1,244,177	3,064,177
2012-16	9,450,000	5,045,499	14,495,499
2017-21	9,225,000	2,996,206	12,221,206
2022-26	6,805,000	933,638	7,738,638
2027	<u>720,000</u>	<u>17,492</u>	<u>737,492</u>
<b>TOTAL</b>	<u>\$34,265,000</u>	<u>\$15,835,283</u>	<u>\$50,100,283</u>

**CITY OF LA VISTA, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**6. LONG-TERM DEBT, CONTINUED**

Business-type Activities:			
2007	\$ 85,000	\$ 42,735	\$ 127,735
2008	90,000	38,227	128,227
2009	95,000	33,370	128,370
2010	100,000	28,177	128,177
2011	110,000	22,533	132,533
2012-14	<u>360,000</u>	<u>29,946</u>	<u>389,946</u>
TOTAL	<u>\$ 840,000</u>	<u>\$ 194,988</u>	<u>\$ 1,034,988</u>

REGISTERED WARRANTS

On August 15, 1999, the City annexed the Brook Valley South Phase II portion of SID No. 59. At September 30, 2006 the agreement to divide the debt of SID No. 59 was not final. The City believes the best estimate of debt attributable to the Brook Valley South Phase II portion of SID No. 59 is \$640,554.

The City issued warrants totaling \$5,099,788 during the year ended September 30, 2006, for sewer and street improvements. These warrants will mature in one year at varying times in the 2006-2007 year. The warrants bear interest at 5%.

CAPITAL LEASES

The City leases four golf carts under capital lease agreements, which expire in 2010. The related assets and obligation have been recorded using the City's implicit borrowing rate as of the inception of the lease. The equipment is included in property, plant and equipment at costs of \$14,580 with accumulated depreciation of \$868.

The following is a schedule by years of future minimum lease payments under the capital lease obligations together with the present value of the net minimum lease payments as of September 30, 2006:

<u>Year Ended June 30</u>	<u>Amount</u>
2007	\$ 3,960
2008	3,960
2009	3,960
2010	<u>660</u>
TOTAL	12,540
Less amount representing interest	<u>954</u>
Present value of net minimum lease payments	<u>\$ 11,586</u>

Interest expense from the capital lease for the year ended September 30, 2006 was \$306.

## CITY OF LA VISTA, NEBRASKA

### NOTES TO FINANCIAL STATEMENTS, CONTINUED

#### 7. RETIREMENT PLANS

##### City Administrators Retirement Plan

The City has a defined contribution pension plan covering the City Administrator. The plan requires that both the employee and the City contribute an amount equal to 6% of the employee's base salary per pay period. The City's and plan member's contributions to the plan for the year ended September 30, 2006 were \$2,589 each.

##### Civilian Employee Retirement Plan

The City has a defined contribution pension plan covering all civilian employees who are eligible. The plan requires that both the employee and the City contribute an amount equal to 6% of the employee's base salary per pay period. The City's contributions to the plan for the year ended September 30, 2006 were \$133,170 and the plan members' contributions, including voluntary contributions, to the plan for the year ended September 30, 2006 were \$134,436.

##### Police Retirement Plan

The City has a defined contribution pension plan for its full time employees in the Police Department. The plan was converted effective January 1, 1984, from a defined benefit plan to a defined contribution plan. The plan requires that both the employee and the City contribute an amount equal to 6% of the employee's base salary per pay period. Additional contributions may be made by the City as required to fund the benefits payable under the plan. However, the benefit for participants employed prior to January 1, 1984 and any uniformed officer disabled or killed in the line of duty shall not be less than 50% of the participant's regular pay, as defined. The City's and plan members' contributions to the plan for the year ended September 30, 2006 were \$97,544 and \$95,634, respectively.

#### 8. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in trust by a third party for the employees and are not reflected in these financial statements.

#### 9. KENO FUND OPERATIONS

The following data summarizes the Keno (Special Revenue) Fund's activity for the year ended September 30, 2006:

Gross sales	\$12,505,702
Less: prizes paid	(9,879,220)
Operator's commission	(1,220,611)
Deposits to progressive games	<u>(570)</u>
Net keno revenue	<u>\$ 1,405,301</u>

## CITY OF LA VISTA, NEBRASKA

### NOTES TO FINANCIAL STATEMENTS, CONTINUED

#### 10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to, or destruction of assets, errors or omissions, injuries to employees, or natural disasters. These risks are transferred to independent insurance carriers and no self-insurance program is maintained by the City. City management believes adequate coverage exists for potential exposures as of September 30, 2006. The City did not pay any settlement amounts which exceeded its insurance coverage for any of the three preceding years.

#### 11. COMMITMENTS AND CONTINGENCIES

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

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

The City also participates in a number of federal and state assistance programs. The programs are subject to financial and compliance audits or reviews. The amount of expenditures, if any, which may be disallowed by the granting agencies, is not determinable; however, City officials do not believe such amounts would be significant.

Included in the Capital Improvements Fund and the Offstreet Parking Fund is cash of \$3,987,705 and \$1,132,589, respectively, of bond proceeds that will be used for future purchases of capital assets.

**CITY OF LA VISTA, NEBRASKA**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>Initial Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>				
Taxes	\$ 5,236,524	\$ 5,236,524	\$ 4,939,617	\$ (296,907)
Licenses and permits	676,500	876,500	894,145	17,645
Intergovernmental revenues	896,613	896,613	1,099,886	203,273
Charges for services	251,000	252,000	359,593	107,593
Grant income	358,998	358,998	155,332	(203,666)
Miscellaneous revenues	40,000	40,000	10,614	(29,386)
Gain on sale of assets	1,500	1,500		(1,500)
Interest income	35,000	35,000	61,841	26,841
Total revenues	<u>7,496,135</u>	<u>7,697,135</u>	<u>7,521,028</u>	<u>(176,107)</u>
<b>EXPENDITURES:</b>				
General government	1,672,024	1,745,444	1,734,433	11,011
Streets and street lighting	1,172,867	1,200,972	1,120,425	80,547
Public safety	2,871,473	2,956,282	2,776,394	179,888
Culture and recreation	1,082,933	1,121,518	973,561	147,957
Public library	496,243	496,243	458,536	37,707
Capital outlay	481,698	661,290	450,686	210,604
Total expenditures	<u>7,777,238</u>	<u>8,181,749</u>	<u>7,514,035</u>	<u>667,714</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(281,103)</b>	<b>(484,614)</b>	<b>6,993</b>	<b>491,607</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Net assets received from annexation		67,493	67,493	
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b><u>\$ (281,103)</u></b>	<b><u>\$ (484,614)</u></b>	<b>74,486</b>	<b><u>\$ 491,607</u></b>
<b>FUND BALANCE - beginning of year</b>			<u>2,018,352</u>	
<b>FUND BALANCE - end of year</b>			<u><u>\$ 2,092,838</u></u>	

See accompanying notes to the basic financial statements.

**CITY OF LA VISTA, NEBRASKA**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)**

**KENO FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>Initial Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:				
Keno	\$ 1,100,000	\$ 1,100,000	\$ 1,444,288	\$ 344,288
Interest income	<u>85,000</u>	<u>85,000</u>	<u>120,939</u>	<u>35,939</u>
Total revenues	<u>1,185,000</u>	<u>1,185,000</u>	<u>1,565,227</u>	<u>380,227</u>
EXPENDITURES:				
General government	87,500	87,500	58,427	29,073
Culture and recreational	<u>200,000</u>	<u>200,000</u>	<u>247,720</u>	<u>(47,720)</u>
Total expenditures	<u>287,500</u>	<u>287,500</u>	<u>306,147</u>	<u>(18,647)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	897,500	897,500	1,259,080	361,580
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>(2,482,381)</u>	<u>(1,543,839)</u>	<u>(1,039,034)</u>	<u>504,805</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (1,584,881)</u>	<u>\$ (646,339)</u>	220,046	<u>\$ 866,385</u>
FUND BALANCE - beginning of year			<u>3,446,041</u>	
FUND BALANCE - end of year			<u>\$ 3,666,087</u>	

See accompanying notes to the basic financial statements.

**CITY OF LA VISTA**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
OFFSTREET PARKING FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>Initial Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:				
Interest Income	\$	\$	\$ 56,330	\$ 56,330
EXPENDITURES:				
General government			198,546	(198,546)
Bond issue costs		85,500	75,430	10,070
Capital outlay		<u>8,914,500</u>	<u>6,589,765</u>	<u>2,324,735</u>
Total expenditures		<u>9,000,000</u>	<u>6,863,741</u>	<u>2,136,259</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>(9,000,000)</u>	<u>(6,807,411)</u>	<u>2,192,589</u>
OTHER FINANCING SOURCES (USES):				
Bond proceeds		<u>9,000,000</u>	<u>7,940,000</u>	<u>1,060,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$</u>	<u>\$</u>	1,132,589	<u>\$ 3,252,589</u>
FUND BALANCE - beginning of year			_____	
FUND BALANCE - end of year			<u>\$ 1,132,589</u>	

See accompanying notes to the basic financial statements.

December 14, 2006

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

Honorable Mayor and  
Members of the City Council  
**City of La Vista, Nebraska**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the non major fund of City of La Vista, Nebraska, as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of La Vista's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of La Vista's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements.

The City does not have adequate internal accounting control because it lacks proper segregation of duties. Individuals responsible for maintaining accounting records also have access to cash and cash items. A good system of internal accounting control requires adequate segregation of duties so that no one individual has access to both the accounting records and cash items or handles a transaction from its inception to its completion.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is not a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of La Vista'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 statements 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*.

The City did exceed its budgeted expenditures in the Keno Fund. However, the City did not exceed the total authorized expenditures for the year ended September 30, 2006.

This report is intended solely for the information and use of the Mayor, City Council, management and the State of Nebraska Auditor of Public Accounts and is not intended to be, and should not be, used by anyone other than these specified parties.

*Orizon CPAs LLC*  
**ORIZON CPAs LLC**