

**COMMUNITY REDEVELOPMENT
AUTHORITY OF THE
CITY OF KEARNEY, NEBRASKA**

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2018



Prepared by the Department of Finance

**Community Redevelopment Authority
of the City of Kearney, Nebraska
Annual Financial Report
For the Fiscal Year Ended September 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

Community Redevelopment Authority
Kearney, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Community Redevelopment Authority of the City of Kearney, Nebraska, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

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

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Community Redevelopment Authority of the City of Kearney, Nebraska, as of September 30, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Community Redevelopment Authority of the City of Kearney, Nebraska's 2017 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated January 18, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 16 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2019, on our consideration of the Community Redevelopment Authority's

internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Community Redevelopment Authority's internal control over financial reporting and compliance.

KSO CPA's, P.C.

KSO CPA'S, P.C.

Kearney, Nebraska
January 9, 2019



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**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***

Community Redevelopment Authority
Kearney, Nebraska

We have audited, 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, the financial statements of the governmental activities, and each major fund of the Community Redevelopment Authority of the City of Kearney, Nebraska as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Community Redevelopment Authority of the City of Kearney, Nebraska's basic financial statements, and have issued our report thereon dated January 9, 2019.

Internal Control over Financial Reporting

Management of the Community Redevelopment Authority of the City of Kearney, Nebraska is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Community Redevelopment Authority of the City of Kearney, Nebraska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Community Redevelopment Authority of the City of Kearney, Nebraska's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Community Redevelopment Authority of the City of Kearney, Nebraska's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we did identify a certain deficiency in internal control that we consider to be a material weakness.

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.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

We consider the lack of segregation of duties to be a material weakness, as discussed in the following paragraph.

1. One of the primary characteristics of any system of internal accounting control is that no person should be allowed to control a transaction from its inception to its recording in the accounting records. Although this division of duties is not always possible within your organization because of the limited number of employees, we feel you should be aware of the situation.

It is our recommendation that management implement procedures to segregate duties in several areas throughout the entity whenever possible.

Management concurs with the recommendation and will review the current system and segregate duties where it is possible to do so. Adding personnel to segregate duties is cost prohibitive due to budget restraints.

Community Redevelopment Authority of the City of Kearney, Nebraska's response to the finding identified in our audit is described above. We did not audit Community Redevelopment Authority of the City of Kearney, Nebraska's response, and accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Community Redevelopment Authority of the City of Kearney, 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.

This report is intended for the information of management and is not intended to be and should not be used by anyone other than these specified parties.

KSO CPA's, P.C.

KSO CPA's, P.C.

Kearney, Nebraska
January 9, 2019

Management's Discussion and Analysis

As management of the Community Redevelopment Authority of the City of Kearney, Nebraska (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2018.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$308,079 (*net position*). Of this amount, \$306,275 (*unrestricted net position*) may be used to meet the Authority's ongoing obligations to citizens and creditors in accordance with the Authority's fund designations and fiscal policies.
- The Authority's total net position increased by \$23,446 in comparison with the prior year.
- As of the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$308,079, an increase of \$23,446 in comparison with the prior year. Ninety-nine percent of this total amount, \$306,275 is available for use within the Authority's designations and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$306,275, or 27 percent of total general fund expenditures.
- The Authority had no debt as of the end of the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

The *statement of activities* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position 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).

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by taxes and intergovernmental revenues (*governmental activities*).

The governmental activities of the Authority consist solely of community development. The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has only one governmental fund, the general fund.

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 Authority's near-term financial 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 the comparison between *governmental funds* and *governmental activities*.

The Authority maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered a major fund.

The Authority adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-16 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 17-21 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$308,079 at the close of the most recent fiscal year. A portion of the Authority's net position (0.6 percent) represents resources that are subject to external restrictions on how they may be used. The

remaining balance of unrestricted net asset (\$306,275) may be used to meet the Authority's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Authority is able to report positive balances in both categories of net position. The same situation held true for the prior fiscal year.

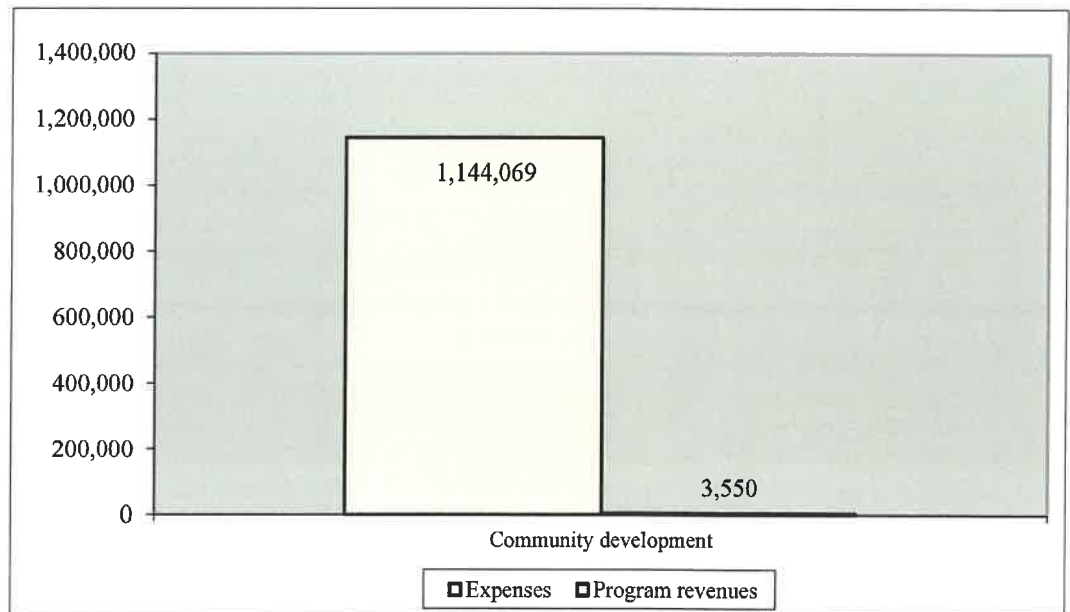
- **Governmental activities.** Governmental activities increased the Authority's net position by \$23,446 in the current fiscal year, thereby accounting for 100 percent of the total increase in the net position of the Authority.

Community Redevelopment Authority's Changes in Net position

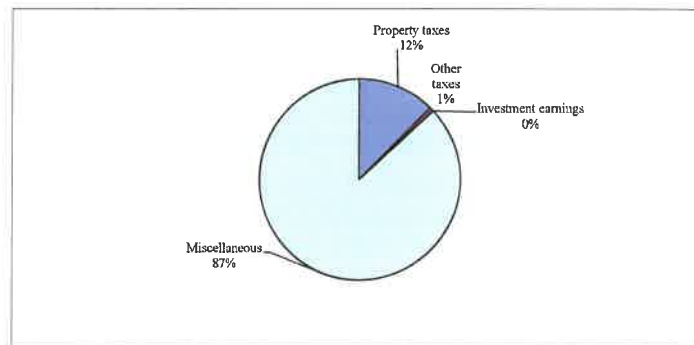
	Governmental activities	
	2017	2018
Revenues:		
Program revenues:		
Charges for services	3,700	3,100
Operating grants and contributions	446	383
Capital grants and contributions	0	0
General revenues:		
Property taxes	147,205	144,116
Other taxes	8,084	7,440
Other	827,833	1,012,476
Total revenues	987,268	1,167,515
Expenses:		
Community development	1,009,295	1,144,069
Total expenses	1,009,295	1,144,069
Increase (decrease) in net assets	(22,027)	23,446
Net assets - beginning	306,660	284,633
Net assets - ending	284,633	308,079

Below are graphs, which provide comparisons of the governmental activities revenues and expenditures:

Expense and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



Financial Analysis of the Authority's Funds

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

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

At the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$308,079, an increase of \$23,446 in comparison with the prior year. Ninety nine percent of this amount (\$306,275) constitutes *unreserved fund balance*, which is available for spending at the Authority's discretion.

The general fund is the chief operating fund of the Authority. At the end of the current fiscal year, unreserved fund balance of the general fund was \$306,275 while total fund balance reached \$308,079. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 27 percent of total general fund expenditures, while total fund balance represents 27 percent of that same amount.

The fund balance of the Authority's general fund increased by \$23,446 during the current fiscal year.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget.

Capital Asset and Debt Administration

Capital assets. The Authority had no investment in capital assets for its governmental activities as of September 30, 2018.

Long-term debt. At the end of the current fiscal year, the Authority had no bonded debt.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the City of Kearney is currently 2.2 percent, which is an increase from a rate of 2.1 percent a year ago. This compares favorably to the state's average unemployment rate of 2.8 percent and the national average rate of 3.9 percent.
- The occupancy rate of the city's central business district has remained at 95 percent for the past three years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Authority's budget for the 2018-2019 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$306,275. The Authority has appropriated \$250,519 of this amount for spending in the 2018-2019 fiscal year budget. The use of this available fund balance eliminated the need to raise property taxes during the 2018-2019 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Authority'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 Office of the Finance Director, 18 East 22nd Street, Kearney, NE 68847.

**Community Redevelopment Authority
of the City of Kearney, Nebraska
Statement of Net Position
September 30, 2018**

	Governmental Activities
ASSETS	
Cash and cash equivalents	512,956
Investments	0
Receivables (net of allowance for uncollectibles)	
Interest	0
Taxes - current	0
Taxes - delinquent	10,306
Total assets	523,262
 LIABILITIES	
Accounts payable and other current liabilities	215,183
Total liabilities	215,183
 NET POSITION	
Restricted for:	
Tax increment financing	1,804
Unrestricted	306,275
Total net position	308,079

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

**Community Redevelopment Authority
of the City of Kearney, Nebraska
Statement of Activities
For the Year Ended September 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Community development	1,144,069	3,100	383	0	(1,140,586)	(1,140,586)
Total governmental activities	1,144,069	3,100	383	0	(1,140,586)	(1,140,586)
General revenues:						
Taxes:						
Property taxes					144,116	144,116
In-lieu of taxes					7,440	7,440
Unrestricted investment earnings					450	450
Miscellaneous					1,012,026	1,012,026
Total general revenues					1,164,032	1,164,032
Change in net assets					23,446	23,446
Net position - beginning					284,633	284,633
Net position - ending					308,079	308,079

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

**Community Redevelopment Authority
of the City of Kearney, Nebraska
Balance Sheet
Governmental Funds
September 30, 2018**

	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	512,956	512,956
Investments	0	0
Receivables (net of allowance for uncollectibles):		
Interest	0	0
Taxes - current	0	0
Taxes - delinquent	10,306	10,306
Total assets	523,262	523,262
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	215,183	215,183
Accrued payroll	0	0
Total liabilities	215,183	215,183
Fund balances:		
Reserved for:		
Tax increment financing	1,804	1,804
Unreserved, reported in:		
General fund	306,275	306,275
Total fund balances	308,079	308,079
Total liabilities and fund balances	523,262	523,262
Change for accruals		0
Net position of governmental activities		308,079

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

**Community Redevelopment Authority
of the City of Kearney, Nebraska
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018**

	<u>General</u>	<u>Total Governmental Funds</u>
REVENUES		
Taxes:		
Property	144,116	144,116
In lieu of taxes	7,440	7,440
Charges for services	3,100	3,100
Investment earnings	450	450
Miscellaneous	1,012,026	1,012,026
Intergovernmental - state	383	383
Total revenues	<u>1,167,515</u>	<u>1,167,515</u>
EXPENDITURES		
Current:		
Community development	124,795	124,795
Capital outlay:		
Community development	<u>1,019,274</u>	<u>1,019,274</u>
Total expenditures	<u>1,144,069</u>	<u>1,144,069</u>
Net change in fund balances	23,446	23,446
Fund balances - beginning	<u>284,633</u>	<u>284,633</u>
Fund balances - ending	<u>308,079</u>	<u>308,079</u>
Net position of governmental activities		<u>308,079</u>

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

**Community Redevelopment Authority
of the City of Kearney, Nebraska
General Fund**

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Year Ended September 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	145,000	145,000	141,668	(3,332)
In lieu of taxes	8,100	8,100	7,440	(660)
Investment earnings	600	600	447	(153)
Miscellaneous	1,101,000	1,101,000	888,477	(212,523)
Intergovernmental - state	500	500	7,136	6,636
Total revenues	<u>1,255,200</u>	<u>1,255,200</u>	<u>1,045,168</u>	<u>(210,032)</u>
EXPENDITURES				
Community development	1,484,595	1,484,595	945,699	538,896
Total expenditures	<u>1,484,595</u>	<u>1,484,595</u>	<u>945,699</u>	<u>538,896</u>
Net change in fund balances	(229,395)	(229,395)	99,469	328,864
Fund balances - beginning (cash basis)	239,395	239,395	268,540	29,145
Fund balances - ending (cash basis)	<u>10,000</u>	<u>10,000</u>	<u>368,009</u>	<u>358,009</u>
Basis of accounting reconciliation			(59,930)	
Fund balances - ending (modified accrual basis)			<u>308,079</u>	

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

**Community Redevelopment Authority
of the City of Kearney, Nebraska
Notes to the Financial Statements
September 30, 2018**

I. Summary of significant accounting policies

A. Reporting entity

The Community Redevelopment Authority of the City of Kearney, Nebraska (the "Authority") is a body corporate and politic of the State of Nebraska. Organized on August 10, 1993, the Authority was established in accordance with Nebraska State Statute to acquire, clear, rehabilitate, conserve, and develop or redevelop one or more blighted areas existing within the City of Kearney (the "City").

The Authority is being treated as a discretely presented component unit of the City of Kearney for purposes of the September 30, 2018 audit.

For financial reporting purposes, management has considered all potential component units as defined in GASB No. 34 and has determined that no other outside agency meets the criteria established therein; therefore, no other agency, has been included as a component unit in the Authority's financial statements.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses 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 the governmental fund.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The Authority reports the following major governmental fund:

The *general fund* is the Authority's primary operating fund. It accounts for all financial resources of the general government.

D. Assets, liabilities, and net position or equity

1. Deposits and investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to invest in bonds and debentures issued by any of the twelve federal land banks, the twelve intermediate credit banks, or the thirteen banks for cooperatives under the supervision of the Farm Credit Administration, or in interest bearing bonds or the obligations of the United States.

Investments for the Authority are reported at fair value.

2. Receivables and payables

Property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 1 percent of outstanding property taxes at September 30, 2018.

Property tax requirements are submitted to the Buffalo County Clerk on or before September 20 of each year, to be levied by the Buffalo County Board of Supervisors by October 15 on the property values assessed as of the same date. The tax levy notice is mailed in December with the first half payment due on May 1 and the second half payment due on September 1. Unpaid taxes at September 30 become liens on the

respective property and are classified in the financial statements as delinquent taxes receivable.

3. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

4. Comparative data/reclassifications

Comparative data for the prior years have been presented only in connection with the Management Discussion and Analysis.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with the Nebraska Budget Act. The Nebraska Budget Act requires that the Authority adopt its budget on a *cash basis*. All annual appropriations lapse at fiscal year end.

III. Detailed notes on all funds

A. Deposits and investments

At year end, the Authority's carrying amount of deposits was \$368,010 and the bank balance was \$377,997. All balances were covered by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the government's name.

Investments are categorized into these categories of credit risk:

- (1) Insured or registered, or securities held by the Authority or its agent in the Authority's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Authority's name.

At year-end, the Authority's investment balances were as follows:

	Category			Reported Amount/ Fair Value
	1	2	3	
U.S. Government Securities	0	0	0	0
Repurchase agreements	0	0	0	0
Certificates of deposit	0	0	0	0
Total investments	0	0	0	0

B. Receivables

Receivables as of year-end for the Authority's general fund, including applicable allowances for uncollectible accounts, are as follows:

	Interest	Taxes	Gross Receivables	Less:	Net Total Receivables
				Allowance For Uncollectibles	
General	0	17,701	17,701	7,395	10,306
Total	0	17,701	17,701	7,395	10,306

IV. Other information

A. Risk management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Kearney carries insurance that covers the Authority.

B. Tax Abatements

The Authority enters into property tax abatement agreements with local businesses under the state Community Development Act. Under the Act, localities may grant property tax abatements of up to 100 percent of a business' property tax bill for the purpose of increasing business activity and employment in the community. The abatements may be granted to any business located within or promising to relocate to the community.

For the fiscal year ended September 30, 2018, the Authority abated property taxes totaling \$908,042 under this program, including the following tax abatement agreements that exceeded 10 percent of the total amount abated:

- A 90 percent property tax abatement to The Buckle, Inc. for the purpose of constructing a 240,000 square foot building to be used as a distribution center, with 27,000 square feet of the structure to be used as office space. The abatement amounted to \$190,484.

- A 90 percent property tax abatement to the Younes Conference Center for the purpose of constructing a 50,600 square foot building to be used as a convention and conference center. The abatement amounted to \$97,791.
- A 100 percent property tax abatement to the Hampton Inn for the purpose of constructing a 90,000 square foot, four-story, 120 room hotel. The abatement amounted to \$98,268.

Abatements impacting the Authority for the year ended September 30, 2018 under this Act totaled \$2,894.

V. Use of estimates

The preparation of the 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 amount of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions used in preparing the financial statements.

V. Subsequent events

Upon evaluation, Management notes that there was one material subsequent event between the date of the financial statements and the date that the financial statements were issued or available to be issued, December 15, 2018. The material event is summarized below.

The Authority issued a \$3,385,000 General Business Occupation Tax Promissory Note for the purpose of paying the eligible costs related to the construction of a new Holiday Inn hotel and a convention center. This note shall not constitute an obligation of the City of Kearney or the Authority (except for such receipts as have been pledged pursuant to said Sections 18-2124 and 18-2150 R.R.S. Neb 2012) and neither the City of Kearney or the Authority shall be liable for the payment thereof from any fund or source including but not limited to tax monies.