

**CITY OF WAYNE, NEBRASKA**

**FINANCIAL STATEMENTS**

September 30, 2005

# CITY OF WAYNE, NEBRASKA

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**CITY OF WAYNE, NEBRASKA**

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**CITY OF WAYNE**  
**Wayne, Nebraska**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Fiscal Year 10/01/2004 to 09/30/2005

As management of the City of Wayne (City), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Wayne for the fiscal year ended September 30, 2005.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The City of Wayne has adopted the provision of Statement No. 34 of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." Statement 34 established standards for external financial reporting for all state and local government entities, which includes government-wide financial statements, and fund financial statements.

This annual report consists of 3 parts: (1) the basic financial statements; (2) Fund Statements and (3) Notes to the Financial Statements.

The government-wide financial statements report information on all of the non-fiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type (Proprietary) activities, which rely on user fees and charges for support.

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

The governmental funds are used to account for governmental type activities typical for a municipality. Operating receipts and disbursements generally result from providing general government, public safety, public works, and cultural and recreational activities. These fund types are supported mostly through tax dollars and intergovernmental receipts. Economic Development and E-911 are reported under the heading of Special Revenue.

Proprietary funds are used to account for business type activities typical for a City of the first class. Operating receipts and disbursements generally result from providing utility services and goods. These fund types are supported mostly through user fees. The Electric, Water, Sewer and Transfer Station Funds are considered proprietary funds.

Fiduciary funds are reported assets held in a trust and therefore cannot be used by the City.

The Self Funded Insurance fund is an internal service fund used to pay employees' health insurance claims. The City self insures the cost of the employee health insurance claims up to \$2,500 per individual. Each department contributes monthly to this agency fund which is used to pay the claims as they are incurred.

The Notes To Financial Statements section discusses the City's accounting policies and provides more detail about portions of the financial statement such as fixed assets, long-term debt, cash and certificate of deposit, budget and budgetary control, compensated absences, restricted assets, risk management, retirement plans.

## **FINANCIAL HIGHLIGHTS**

- The assets of the City of Wayne exceeded its liabilities at the close of the most recent fiscal year by \$1,558,805 (net assets). Of the total net assets, \$9,657,473 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- Total liabilities are \$8,073,417 of which \$6,015,455 are long-term liabilities and \$2,057,962 are current liabilities.
- As of the close of the current fiscal year, the City of Wayne governmental funds reported combined ending fund balance of \$13,533,307.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,153,632, or 78% percent of total general fund expenditures.
- The City of Wayne total bonded debt decreased by \$965,000 during the current fiscal year.

### **Reporting the City as a whole**

Our analysis of the City as a whole begins on page 3. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. This is similar to the accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets, the difference between assets, as what the citizens own, and liabilities, what the citizens owe, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, and the condition of the City's capital assets (roads, building, water and sewer lines) to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities:** most of the City's basis services are reported here, including the police, fire, street maintenance, parks, recreation and general government. Property taxes, intergovernmental revenues, services and fees, and state and federal grants finance most of these activities.
- **Business-type activities:** the City charges a fee to customers to help cover all or most of the cost of the services it provides. The City's electric, water, sewer system and transfer station are reported here.

The following is a comparison of net assets/fund balances or retained earnings of the City by fund and the changes from the previous year:

### CITY OF WAYNE'S NET ASSETS

	Governmental Activities 2004	Governmental Activities 2005	Business-Type 2004	Business- Type 2005	Total 2004	Total 2005
Current and other Assets	2,615,506	2,995,614	7,789,010	8,034,360	11,040,822	11,029,974
Restricted cash & Investments	636,306	499,830	727,524	758,151	1,363,830	1,257,981
Capital Assets	14,013,458	14,224,890	8,526,991	8,586,578	23,619,756	22,811,468
Unamortized bond issue costs & defeasement (net)	0	93,540	36,360	32,320	36,360	125,860
<b>Total Assets</b>	<b>17,265,270</b>	<b>17,813,874</b>	<b>17,395,308</b>	<b>17,411,409</b>	<b>34,660,578</b>	<b>35,225,283</b>
Long-term liabilities outstanding	4,717,667	3,139,998	3,645,000	2,875,457	8,362,667	6,015,455
Current liabilities	214,473	1,140,569	496,586	917,393	711,059	2,057,962
<b>Total Liabilities</b>	<b>4,932,140</b>	<b>4,280,567</b>	<b>4,141,586</b>	<b>3,792,850</b>	<b>9,073,726</b>	<b>8,073,417</b>
<b>Net assets:</b>						
Invested in capital Assets net of related debt	9,295,791	10,118,704	4,988,488	5,356,578	14,284,279	15,475,282
Restricted	1,302,390	575,944	708,840	758,176	2,011,230	2,019,147
Unrestricted	1,734,949	2,153,632	7,556,394	7,503,805	9,291,343	9,657,437
<b>Total net assets</b>	<b>12,333,130</b>	<b>13,533,307</b>	<b>13,253,722</b>	<b>13,618,559</b>	<b>25,586,852</b>	<b>27,151,866</b>

The largest source of receipts for the City is user fees in the Utility Departments. The Utility Funds transferred \$342,670 in revenues to the operations of the governmental funds. The Electric Fund transferred the remaining \$61,222 that was committed to the installation of a geothermal HVAC system at the Community Activity Center. And the Electric Fund also transferred \$57,250 that was committed to the Public Safety Bonds.

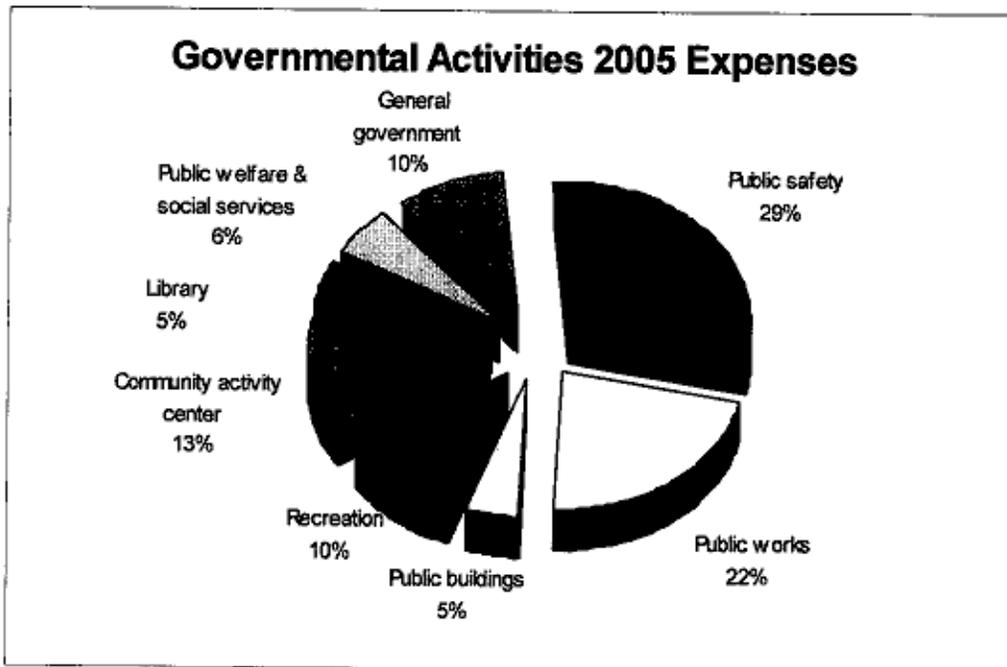
In addition to the Utility Fund transfers, the governmental funds are financed by revenues from property tax, state aid, municipal equalization, grants and user and license fees.

### CITY OF WAYNE'S CHANGES IN NET ASSETS

	Governmental Activities 2004	Governmental Activities 2005	Business- Type 2004	Business- Type 2005	Total 2004	Total 2005
General government	281,379	271,108			281,379	271,108
Public safety	823,123	827,842			823,123	827,842
Public works	639,261	600,417			639,261	600,417
Public buildings	140,036	134,084			140,036	134,084
Recreation	257,829	281,472			257,829	281,472
Community Activity Center	368,130	355,058			368,130	355,058
Library	128,412	127,987			128,412	127,987
Public welfare & social services	156,758	160,232			156,758	160,232
Electric			4,460,792	4,601,054	4,460,792	4,601,054
Water			455,148	448,336	455,148	448,336
Sewer			373,405	348,881	373,405	348,881
Transfer Station			181,521	174,885	181,521	174,885
<b>Total expenses</b>	<b>2,794,928</b>	<b>2,758,200</b>	<b>5,470,866</b>	<b>5,573,156</b>	<b>8,265,794</b>	<b>8,331,356</b>
<b>Program Revenues:</b>						
Charges for services	795,273	826,646	5,560,250	5,755,587	6,355,523	6,582,233
Operating grants and contributions	436,368	429,167			436,368	429,167
Capital grants and contributions	320,345	826,996		40,821	320,345	867,817
<b>General Revenues:</b>						
Property taxes	672,549	654,110			672,549	654,110
City sales taxes	444,531	477,509			444,531	477,509
Special assessments	34,071	0			34,071	0
Intergovernmental income	411,486	477,114			411,486	477,114
Investment earnings	95,357	106,020	307,300	294,604	402,657	400,624
Unrealized/realized (loss) on investments	(722)	(28,464)	(73,913)	(89,472)	(74,635)	(117,936)
Miscellaneous	19,772	64,562	77,730	54,925	97,502	119,487
Transfers	97,830	118,472	(97,830)	(118,472)	0	0
<b>Total revenues</b>	<b>3,326,860</b>	<b>3,952,132</b>	<b>5,773,537</b>	<b>5,937,993</b>	<b>9,100,397</b>	<b>9,890,125</b>
<b>Changes In Net Assets</b>	<b>531,932</b>	<b>1,193,932</b>	<b>302,671</b>	<b>364,837</b>	<b>834,603</b>	<b>1,558,769</b>
Net Assets –beginning of year, as restated	11,801,198	12,339,375	12,951,051	13,253,722	24,752,249	25,593,097
<b>Net Assets – End of Year</b>	<b>12,333,130</b>	<b>13,533,307</b>	<b>13,253,722</b>	<b>13,618,559</b>	<b>25,586,852</b>	<b>27,151,866</b>

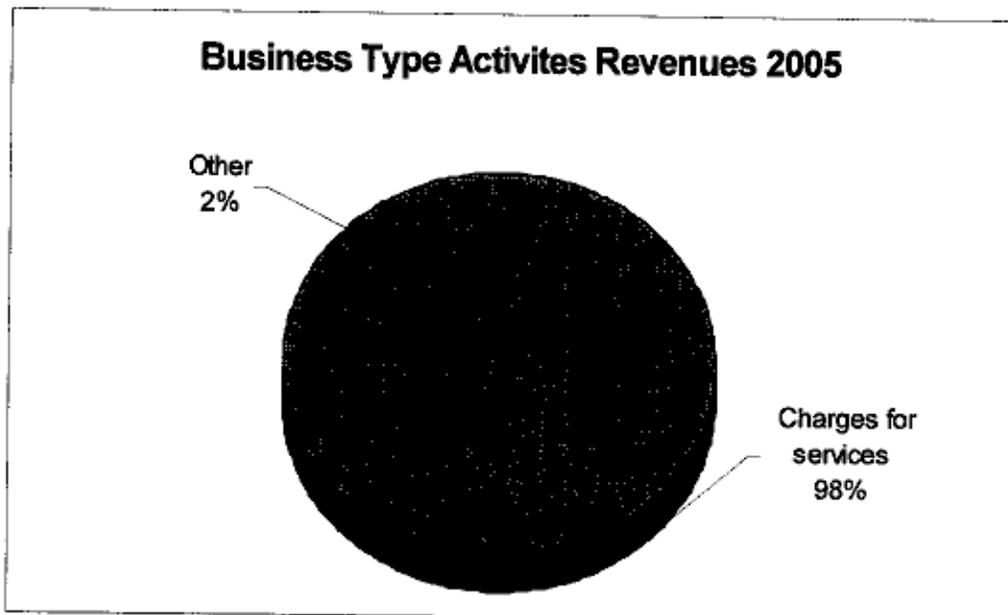
Below are specific graphs which provide comparisons of governmental activities revenues and expenditures.

Taxes amounted to 28% of the revenues for the governmental activities for the City of Wayne. Intergovernmental revenues were 12% of the revenues for general governmental activities. Transfers amounted to 3%. Charges for services which include activity fees account for another 21% of the revenues. While grants for operating amounted to another 11% of the revenues. And grants for capital amounted to 21% with the remaining 4% coming from other sources.



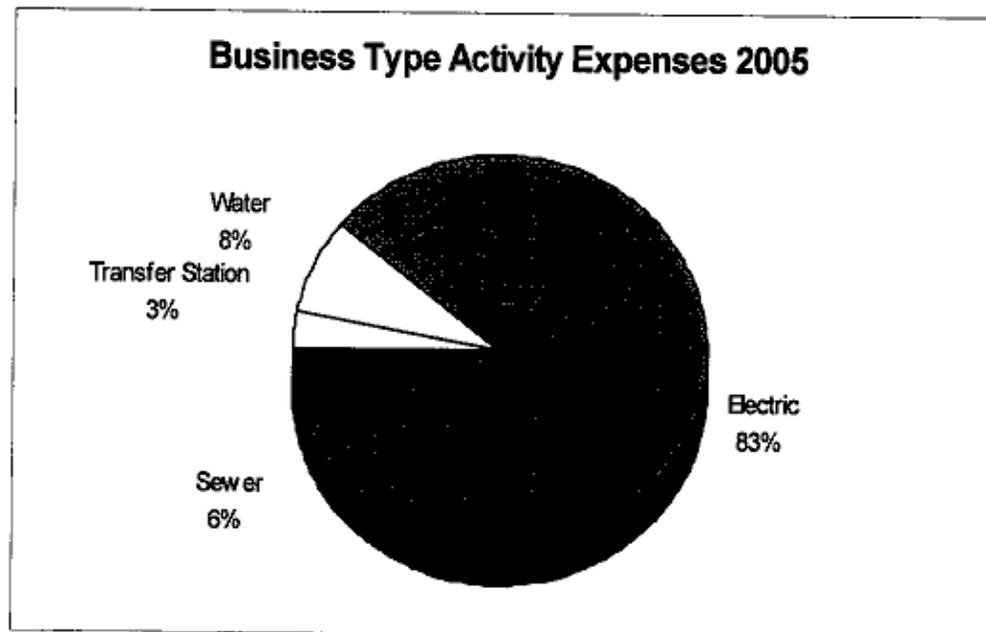
The Governmental Activities chart shows 13% of the expenditures for the year being spent by the Community Activity Center and 10% for Recreation. Public safety accounts for 29% of the annual expenditures and public works accounts for 22%. The balance is accounted for in the various departments indicated in the chart.

Below are graphs showing the business-type actives revenue and expenditure comparisons.



98% of the revenues are from user charges. The remaining 2% are mainly from Interest earnings.

The Electric Fund makes up 83% of the business type activities followed by 8% Water Funds, 6% Sewer Funds and 3% Transfer Station Funds



#### Total expenses

- The City's cash and investment accounts increased by \$426,290. Governmental funds increased by \$152,618 and proprietary funds increased by \$273,672.
- The City had a total of \$10,177,019 in cash and investments at September 30, 2005. Governmental activities balance was \$2,058,017 in unrestricted funds and \$499,830 in restricted funds. Business-type activities had \$6,861,021 in unrestricted funds and \$758,151 in restricted funds.

## FINANCIAL ANALYSIS OF THE CITY

The City received \$654,110 in property tax for fiscal year 2005 and \$679,314 in 2004. The decrease was due to delinquencies in the payment of property taxes and a reduction in the property tax levy. Levies are expressed in dollars and cents per \$100 of valuation. The following tables show the levies and valuations for the past three years.

<u>Year</u>	<u>City</u>	<u>Debt</u>	<u>City Total</u>	<u>Airport</u>	<u>Total Levy</u>	<u>Assessed Valuation</u>
2001	0.414289	0.067811	0.482100	0.045147	0.527247	\$136,039,199
2002	0.415171	0.067138	0.482309	0.046061	0.528370	\$137,403,462
2003	0.421317	0.071653	0.492970	0.044748	0.537718	\$143,051,488
2004	0.400815	0.070504	0.471319	0.051628	0.522947	\$145,381,877

The Nebraska legislature allows for Cities to levy property taxes up to a maximum of forty five cents per \$100 of valuation. The citizens of Wayne approved a local sales tax for the debt service of the Community Activity Center.

The City had a valuation increase due to growth of \$1,305,250. The City issued permits for \$9,202,045.25 in new construction for fiscal 2005.

### BUDGET HIGHLIGHTS

**GENERAL FUND** - Revenues exceeded expenditures by \$313,132. The parks department completed the first phase of the trail project with grant funds being used for 83% of the project. The second phase of the trail project was started and will carry over into fiscal year 2005-06 for completion. There were other capital outlays during the current year however; equipment replacement will need to be addressed in the upcoming budget year.

The City has taken action to address blighted and substandard properties within the City limits. In the current fiscal year, the City declared two areas of the City blighted and substandard to enhance the future growth and development of the areas. If a developer brings forward a redevelopment plan and it is approved by the City Council for Tax Increment Financing it will not increase the valuation for 15 years as allowed by state statute.

**SALES TAX DEBT SERVICE FUND** - The City sales tax collections continue to increase annually. This keeps on track for early bond payoff as projected by our bond agent. The City anticipates having the bonds paid off by 2010 if revenues remain steady. This year the City prepaid \$100,000 in bonds, plus during the refinancing we used funds on hand to reduce the debt issue by another \$185,000. The refinancing allowed the City to obtain a lower interest rate on the bonds.

**TRANSFER STATION FUND** - During the current fiscal year rates were adjusted to allow for the garbage haulers to be billed on a per ton basis in lieu of a yardage rate. Excess cash was also used to reimburse the electric fund for the internal borrowing that took place during the renovation of the station.

**ELECTRIC FUND** - Revenues exceeded expenditures by \$252,990. Net revenues were \$99,701 below fiscal year 2004 revenues. This was mainly due to no rate increase during the fiscal year.

**SEWER FUND** - Revenues exceeded expenditures by \$9,826. Net revenues were \$86,540 above fiscal year 2004 revenues. The major contributing factor for the increase in revenues was that we increased the rates by \$2 per meter for building reserves for capital projects.

**WATER FUND** - Expenditures exceeded revenues by \$85,504. Net revenues were \$54,551 above fiscal year 2004 revenues. The major contributing factor for the increase in revenues was that we increased the rates by \$2 per meter for building reserves for capital projects.

**CAPITAL PROJECTS FUND** - There were three major projects in the Capital Projects Fund. The Vintage Hills Third Addition and Fairway Estates were completed during the year; however, we have not assessed the improvement costs. The third project was Country Club Road and it will be completed in the next fiscal year. STP funds are being used for 80% of the cost of Country Club Road.

**CITY OF WAYNE'S CAPITAL ASSETS  
(NET OF DEPRECIATION)**

**CITY DEBT**

The City refinanced the General Obligation 1998 and 2002 series bonds this year resulting in a savings of about \$15,600 and reducing our average interest rate from 4.70% to 3.47%.

The City refinanced the Public Safety Bonds resulting in a savings of about \$48,800 and we reduced our average interest rate from 5.18% to 4.11%.

The City refinanced the sales tax revenue bonds resulting in a saving of about \$138,400 and we reduced our average interest rate from 5.20% to 3.73%.

**CITY OF WAYNE'S  
DEBT SCHEDULE AS OF SEPTEMBER 30, 2005 IS AS FOLLOWS:**

	Current Principal	Current Interest	Total	Principal
<b>Revenue Bonds</b>				
Electric	235,000	91,690	326,690	2,390,000
Water	164,000	18,611	182,611	345,000
Sewer	31,000	3,509	34,509	65,000
Sales Tax	170,000	70,294	240,294	1,810,000
<b>Total</b>	<b>600,000</b>	<b>184,104</b>	<b>784,104</b>	<b>4,610,000</b>
	Current Principal	Current Interest	Total	Principal
<b>General Obligation</b>				
Series 2005	70,000	20,103	90,103	505,000
Series 2003 Notes	640,000	5,440	645,440	0
Series 2005 Public Safety	25,000	23,862	48,862	605,000
<b>Total</b>	<b>735,000</b>	<b>49,405</b>	<b>784,405</b>	<b>1,110,000</b>
<b>Total City Indebtedness</b>	<b>1,335,000</b>	<b>233,509</b>	<b>1,568,509</b>	<b>5,720,000</b>

Additional information on the City of Wayne's long-term debt can be found in Note 6 on Page 26 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Wayne is in a strong financial position. The budget adopted for 2004-05 continues the City's practice of conservative financial planning. The budget adopted complies with the financial management policies approved by the City Council and is structured to meet the Council's priorities. For 2004-05, those priorities included: supporting economic development, restructuring City government, improving transportation and providing open and accessible government.

The City's sales tax revenue has increased by approximately 8% indicating continued economic stability and/or growth in the area.

Rates for the utility funds are set to cover operating costs and capital needs. Effective October 1, 2004, the base rate for water and sewer service was increased by \$2/service. The City adopted a rate increase for the upcoming fiscal year to cover a commitment to the Wayne Area Economic Development Inc. organization. At the same time they readjusted the rates as suggested by our consultant in the last quarter of 2005. This adjustment was revenue neutral.

Capital items for 2005 include ongoing street improvement and maintenance projects, open space purchases and improvements to the City's bike/hike trail system.

Due to EPA requirements, the City will be engaging in a study of the wastewater treatment plant. This will necessitate having a rate study for the Water and Sewer Funds.

Along with the County, the City has entered into a contract to have a jail feasibility study completed. Final results are not completed at this time.

One issue the City has been dealing with is one of the highest property tax rates in the state of Nebraska. The City has reduced their levy by approximately \$0.036 per \$100 of valuation. The overall property tax levy for the City of Wayne was reduced by approximately \$0.185 per \$100 of valuation for the upcoming fiscal year.

#### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the City Treasurer, City of Wayne, P.O. Box 8, Wayne, NE 68787.

## INDEPENDENT AUDITORS' REPORT

To the City Council  
Wayne, Nebraska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wayne, Nebraska, as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

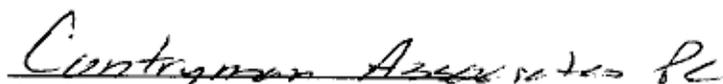
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wayne, Nebraska, as of September 30, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, is 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 required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2005, on our consideration of the City of Wayne, Nebraska's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Wayne, Nebraska's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the City of Wayne, Nebraska. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
Certified Public Accountants  
Grand Island, Nebraska

November 18, 2005

# CITY OF WAYNE, NEBRASKA

## STATEMENT OF NET ASSETS

September 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash	451,819	327,550	779,369
Investments	1,527,419	6,533,471	8,060,890
Cash with county treasurer	78,779	0	78,779
Restricted assets:			
Block grant loans	761,141	0	761,141
Receivables:			
Property taxes	58,500	0	58,500
Special assessments	66,181	0	66,181
Accounts and interest	103,275	915,231	1,018,506
TIF	0	10,000	10,000
Internal balances	(51,500)	51,500	0
Inventory	0	196,608	196,608
<b>TOTAL CURRENT ASSETS</b>	<b>2,995,614</b>	<b>8,034,360</b>	<b>11,029,974</b>
<b>NONCURRENT ASSETS:</b>			
Restricted cash and investments	499,830	758,151	1,257,981
Capital assets:			
Non-depreciable	1,250,732	363,314	1,614,046
Depreciable (net)	12,974,158	8,223,264	21,197,422
Unamortized bond issue costs and defeasement (net)	93,540	32,320	125,860
<b>TOTAL NONCURRENT ASSETS</b>	<b>14,818,260</b>	<b>9,377,049</b>	<b>24,195,309</b>
<b>TOTAL ASSETS</b>	<b>17,813,874</b>	<b>17,411,409</b>	<b>35,225,283</b>

*See accompanying notes*

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	67,135	398,523	465,658
Accrued liabilities	54,980	30,358	85,338
Compensated absences	48,633	58,512	107,145
Current portion of long-term debt	969,821	430,000	1,399,821
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,140,569</u>	<u>917,393</u>	<u>2,057,962</u>
<b>NONCURRENT LIABILITIES:</b>			
Compensated absences	3,633	30,707	34,340
Customer deposits	0	44,750	44,750
Long-term debt-net	3,136,365	2,800,000	5,936,365
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>3,139,998</u>	<u>2,875,457</u>	<u>6,015,455</u>
<b>TOTAL LIABILITIES</b>	<u>4,280,567</u>	<u>3,792,850</u>	<u>8,073,417</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	10,118,704	5,356,578	15,475,282
Restricted for:			
Debt service	475,654	758,176	1,233,830
Block grant loans	761,141	0	761,141
Park	24,176	0	24,176
Unrestricted	2,153,632	7,503,805	9,657,437
<b>TOTAL NET ASSETS</b>	<u>13,533,307</u>	<u>13,618,559</u>	<u>27,151,866</u>

**CITY OF WAYNE, NEBRASKA**

STATEMENT OF ACTIVITIES

Year Ended September 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES:</b>				
General government	271,108	512,405	0	0
Public safety	827,842	111,821	38,173	0
Public works	600,417	967	319,488	480,453
Public buildings	134,084	11,940	0	0
Recreation	281,472	59,065	0	237,344
Community Activity Center	355,058	72,001	0	109,199
Library	127,987	10,144	0	0
Public welfare and social services	160,232	48,303	71,506	0
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>2,758,200</b>	<b>826,646</b>	<b>429,167</b>	<b>826,996</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Electric	4,601,054	4,711,178	0	40,821
Water	448,336	504,305	0	0
Sewer	348,881	333,043	0	0
Transfer station	174,885	207,061	0	0
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>5,573,156</b>	<b>5,755,587</b>	<b>0</b>	<b>40,821</b>
<b>TOTAL</b>	<b>8,331,356</b>	<b>6,582,233</b>	<b>429,167</b>	<b>867,817</b>

**GENERAL REVENUE:**

Taxes  
 Sales tax  
 Intergovernmental  
 Interest income  
 Unrealized/realized (loss) on investments  
 Miscellaneous  
 Transfers  
**TOTAL GENERAL REVENUE AND TRANSFERS**

**CHANGE IN NET ASSETS**

Net assets - beginning of year, as originally stated  
 Prior period adjustment  
 Net assets - beginning of year, as restated

**NET ASSETS - END OF YEAR**

See accompanying notes

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
241,297	0	241,297
(677,848)	0	(677,848)
200,491	0	200,491
(122,144)	0	(122,144)
14,937	0	14,937
(173,858)	0	(173,858)
(117,843)	0	(117,843)
(40,423)	0	(40,423)
<u>(675,391)</u>	<u>0</u>	<u>(675,391)</u>
0	150,945	150,945
0	55,969	55,969
0	(15,838)	(15,838)
0	32,176	32,176
<u>0</u>	<u>223,252</u>	<u>223,252</u>
<u>(675,391)</u>	<u>223,252</u>	<u>(452,139)</u>
654,110	0	654,110
477,509	0	477,509
477,114	0	477,114
106,020	294,604	400,624
(28,464)	(89,472)	(117,936)
64,562	54,925	119,487
118,472	(118,472)	0
<u>1,869,323</u>	<u>141,585</u>	<u>2,010,908</u>
<u>1,193,932</u>	<u>364,837</u>	<u>1,558,769</u>
12,333,130	13,253,722	25,586,852
6,245	0	6,245
<u>12,339,375</u>	<u>13,253,722</u>	<u>25,593,097</u>
<u>13,533,307</u>	<u>13,618,559</u>	<u>27,151,866</u>

**CITY OF WAYNE, NEBRASKA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

September 30, 2005

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Capital Projects Fund</u>
<b>ASSETS:</b>			
Cash	478,431	0	(62,184)
Cash at County Treasurer	67,551	0	0
Investments	717,224	442,655	252,177
Receivables:			
Property taxes	51,000	0	0
Special assessments	963	0	0
Accounts and interest	8,984	89,817	167
Restricted Assets:			
Cash	0	34,573	0
Investments	24,176	441,081	0
Block grant loans	0	0	0
<b>TOTAL ASSETS</b>	<u>1,348,329</u>	<u>1,008,126</u>	<u>190,160</u>
<b>LIABILITIES:</b>			
Accounts payable	64,859	0	2,276
Due to other funds	51,500	0	0
Accrued compensated absences	48,633	0	0
Deferred revenues	0	0	0
<b>TOTAL LIABILITIES</b>	<u>164,992</u>	<u>0</u>	<u>2,276</u>
<b>FUND BALANCES:</b>			
Reserved for:			
Park	24,176	0	0
Debt service	0	475,654	0
Block grant loans	0	0	0
Unreserved for:			
General fund	1,159,161	0	0
Debt service funds	0	532,472	0
Capital project fund	0	0	187,884
Special revenue funds	0	0	0
<b>TOTAL FUND BALANCES</b>	<u>1,183,337</u>	<u>1,008,126</u>	<u>187,884</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>1,348,329</u>	<u>1,008,126</u>	<u>190,160</u>

*See accompanying notes.*

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
35,572	451,819
11,228	78,779
115,363	1,527,419
7,500	58,500
65,218	66,181
4,307	103,275
0	34,573
0	465,257
<u>761,141</u>	<u>761,141</u>
<u>1,000,329</u>	<u>3,546,944</u>
0	67,135
0	51,500
0	48,633
<u>48,458</u>	<u>48,458</u>
<u>48,458</u>	<u>215,726</u>
0	24,176
0	475,654
761,141	761,141
0	1,159,161
149,087	681,559
0	187,884
<u>41,643</u>	<u>41,643</u>
<u>951,871</u>	<u>3,331,218</u>
<u>1,000,329</u>	<u>3,546,944</u>

# CITY OF WAYNE, NEBRASKA

## RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS

September 30, 2005

Total fund balance - all governmental funds	3,331,218
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	14,224,890
Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	87,018
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(3,633)
Long-term debt	(4,106,186)
Net assets of governmental activities	<u>13,533,307</u>

*See accompanying notes.*

**CITY OF WAYNE, NEBRASKA**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

Year Ended September 30, 2005

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Capital Projects Fund</u>
<b>REVENUES:</b>			
Property taxes	564,832	0	0
City sales tax	0	477,509	0
Special assessment taxes	541	0	0
In lieu of taxes	452,903	0	0
Intergovernmental	1,134,577	0	480,453
Licenses and permits	39,350	0	0
Rental income	83,581	0	0
Charges for sales and services	176,785	0	0
Interest on investments	28,498	32,465	7,178
Miscellaneous	55,412	109,200	22,604
Net realized/unrealized gain (loss) on fair market value	(14,483)	(7,295)	(6,750)
<b>TOTAL REVENUES</b>	<u>2,521,996</u>	<u>611,879</u>	<u>503,485</u>
<b>EXPENDITURES:</b>			
Current:			
General government	133,368	0	0
Public safety	756,778	0	0
Public works	276,341	0	0
Public buildings	134,084	0	0
Recreation	241,055	0	0
Community Activity Center	151,977	0	0
Library	106,440	0	0
Public Welfare and Social Services	160,309	0	0
Capital outlay	303,649	0	530,920
Debt service (principal and interest)	79,035	454,617	10,880
<b>TOTAL EXPENDITURES</b>	<u>2,343,036</u>	<u>454,617</u>	<u>541,800</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>178,960</u>	<u>157,262</u>	<u>(38,315)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers - in	108,185	61,222	0
Transfers - out	0	(98,185)	0
Refunding bond	0	1,980,000	0
Payment to refunded bond escrow agent	0	(2,165,000)	0
Sale of assets	25,987	0	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>134,172</u>	<u>(221,963)</u>	<u>0</u>
<b>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>313,132</u>	<u>(64,701)</u>	<u>(38,315)</u>
Fund balance-beginning of year - as originally stated	863,960	1,072,827	226,199
Prior period adjustment	6,245	0	0
Fund balance-beginning of year - as restated	<u>870,205</u>	<u>1,072,827</u>	<u>226,199</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>1,183,337</u>	<u>1,008,126</u>	<u>187,884</u>

See accompanying notes.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
89,278	654,110
0	477,509
17,609	18,150
0	452,903
9,048	1,624,078
0	39,350
0	83,581
0	176,785
37,879	106,020
39,726	226,942
64	(28,464)
<u>193,604</u>	<u>3,830,964</u>

1,410	134,778
12,654	769,432
0	276,341
0	134,084
0	241,055
0	151,977
0	106,440
0	160,309
0	834,569
<u>1,393,054</u>	<u>1,937,586</u>
<u>1,407,118</u>	<u>4,746,571</u>

<u>(1,213,514)</u>	<u>(915,607)</u>
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57,250	226,657
(10,000)	(108,185)
1,205,000	3,185,000
0	(2,165,000)
0	25,987
<u>1,252,250</u>	<u>1,164,459</u>

<u>38,736</u>	<u>248,852</u>
---------------	----------------

913,135	3,076,121
0	6,245
<u>913,135</u>	<u>3,082,366</u>
<u>951,871</u>	<u>3,331,218</u>

## CITY OF WAYNE, NEBRASKA

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2005

Net change in fund balances - total governmental funds	248,852
Amounts reported for governmental activities in the statement of net activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	210,876
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.	628,245
Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>105,959</u>
Change in net assets of governmental activities	<u><u>1,193,932</u></u>

*See accompanying notes.*

**CITY OF WAYNE, NEBRASKA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

September 30, 2005

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash	127,382	56,583	72,148
Investments	4,865,897	934,930	632,709
Accounts and interest receivables, net	723,697	81,180	50,504
TIF receivable	10,000	0	0
Inventory	182,453	14,155	0
Due from other funds	51,500	0	0
<b>TOTAL CURRENT ASSETS</b>	<u>5,960,929</u>	<u>1,086,848</u>	<u>755,361</u>
<b>NONCURRENT ASSETS:</b>			
Restricted assets:			
Cash	172,281	46,000	72,426
Investments	316,645	96,600	54,199
Capital assets (net)	5,600,670	1,582,662	1,127,103
Bond issue costs (net)	32,320	0	0
<b>TOTAL NONCURRENT ASSETS</b>	<u>6,121,916</u>	<u>1,725,262</u>	<u>1,253,728</u>
<b>TOTAL ASSETS</b>	<u>12,082,845</u>	<u>2,812,110</u>	<u>2,009,089</u>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	372,119	11,557	3,890
Accrued interest payable	25,432	3,894	1,032
Compensated absences	45,336	7,089	4,134
Current portion of long-term debt	235,000	164,000	31,000
<b>TOTAL CURRENT LIABILITIES</b>	<u>677,887</u>	<u>186,540</u>	<u>40,056</u>
<b>NONCURRENT LIABILITIES:</b>			
Compensated absences	25,284	5,423	0
Customer deposit	44,750	0	0
Long-term debt	2,390,000	345,000	65,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>2,460,034</u>	<u>350,423</u>	<u>65,000</u>
<b>TOTAL LIABILITIES</b>	<u>3,137,921</u>	<u>536,963</u>	<u>105,056</u>
<b>NET ASSETS:</b>			
Investment in capital assets, net of related debt	2,975,670	1,073,662	1,031,103
Restricted for debt service	488,926	142,625	126,625
Unrestricted	5,480,328	1,058,860	746,305
<b>TOTAL NET ASSETS</b>	<u>8,944,924</u>	<u>2,275,147</u>	<u>1,904,033</u>

See accompanying notes.

<u>Transfer Station Fund</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
53,646	309,759	17,791
0	6,433,536	99,935
34,176	889,557	25,674
0	10,000	0
0	196,608	0
0	51,500	0
<u>87,822</u>	<u>7,890,960</u>	<u>143,400</u>
0	290,707	0
0	467,444	0
276,143	8,586,578	0
0	32,320	0
<u>276,143</u>	<u>9,377,049</u>	<u>0</u>
<u>363,965</u>	<u>17,268,009</u>	<u>143,400</u>
10,857	398,423	98
0	30,358	0
1,953	58,512	0
0	430,000	0
<u>12,810</u>	<u>917,293</u>	<u>98</u>
0	30,707	0
0	44,750	0
0	2,800,000	0
<u>0</u>	<u>2,875,457</u>	<u>0</u>
<u>12,810</u>	<u>3,792,750</u>	<u>98</u>
276,143	5,356,578	0
0	758,176	0
75,012	7,360,505	143,302
<u>351,155</u>	<u>13,475,259</u>	<u>143,302</u>

## CITY OF WAYNE, NEBRASKA

### RECONCILIATION OF STATEMENT OF NET ASSETS OF PROPRIETARY FUNDS TO STATEMENT OF NET ASSETS

September 30, 2005

Total net assets - all proprietary funds	13,475,259
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Amounts reported for business-type activities in the statement of net assets  
are different because:

Internal service funds are used by management to charge the costs of  
certain health costs to individual funds. The assets and liabilities  
of the internal service funds are included in business-type activities

143,300
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Net assets of business-type activities
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<u>13,618,559</u>
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*See accompanying notes.*

## CITY OF WAYNE, NEBRASKA

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

Year Ended September 30, 2005

	Electric Fund	Water Fund	Sewer Fund
<b>OPERATING REVENUES:</b>			
User charges	4,711,178	504,305	333,043
Miscellaneous	83,880	4,776	7,090
<b>TOTAL OPERATING REVENUES</b>	<b>4,795,058</b>	<b>509,081</b>	<b>340,133</b>
<b>OPERATING EXPENSES:</b>			
Personnel	840,191	140,214	113,854
Contract services	19,168	35,621	36,623
Commodities	3,232,669	111,085	66,218
Depreciation	399,535	131,168	117,948
Amortization	4,040	8,801	9,881
<b>TOTAL OPERATING EXPENSES</b>	<b>4,495,603</b>	<b>426,889</b>	<b>344,524</b>
<b>OPERATING INCOME (LOSS)</b>	<b>299,455</b>	<b>82,192</b>	<b>(4,391)</b>
<b>NON-OPERATING REVENUES (EXPENSE):</b>			
Interest income	220,679	42,045	29,322
Interest expense	(87,234)	(21,447)	(4,357)
Net (decrease) in fair value of investments	(61,438)	(17,286)	(10,748)
<b>TOTAL OTHER NON-OPERATING REVENUES (EXPENSE)</b>	<b>72,007</b>	<b>3,312</b>	<b>14,217</b>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTION AND TRANSFERS</b>	<b>371,462</b>	<b>85,504</b>	<b>9,826</b>
Transfers - out	(118,472)	0	0
<b>NET INCOME (LOSS)</b>	<b>252,990</b>	<b>85,504</b>	<b>9,826</b>
Net assets - beginning of year - as originally stated	8,656,934	2,189,643	1,894,207
Prior period adjustment	35,000	0	0
Net assets - beginning of year - as restated	<b>8,691,934</b>	<b>2,189,643</b>	<b>1,894,207</b>
<b>NET ASSETS - END OF YEAR</b>	<b>8,944,924</b>	<b>2,275,147</b>	<b>1,904,033</b>

<u>Transfer Station Fund</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
207,061	5,755,587	221,655
0	95,746	0
<u>207,061</u>	<u>5,851,333</u>	<u>221,655</u>
20,441	1,114,700	239,872
121,151	212,563	0
13,704	3,423,676	0
19,589	668,240	0
0	22,722	0
<u>174,885</u>	<u>5,441,901</u>	<u>239,872</u>
<u>32,176</u>	<u>409,432</u>	<u>(18,217)</u>
438	292,484	2,122
0	(113,038)	0
0	(89,472)	0
<u>438</u>	<u>89,974</u>	<u>2,122</u>
32,614	499,406	(16,095)
0	(118,472)	0
<u>32,614</u>	<u>380,934</u>	<u>(16,095)</u>
353,541	13,094,325	159,397
(35,000)	0	0
<u>318,541</u>	<u>13,094,325</u>	<u>159,397</u>
<u>351,155</u>	<u>13,475,259</u>	<u>143,302</u>

## CITY OF WAYNE, NEBRASKA

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF PROPRIETARY FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2005

Net change in fund balances - total proprietary funds	380,934
Amounts reported for business-type activities in the statement of net activities are different because:	
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds are reported with business-type activities	(16,093)
Change in net assets of business-type activities	<u>364,841</u>

*See accompanying notes.*

**CITY OF WAYNE, NEBRASKA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

Year Ended September 30, 2005

	Electric Fund	Water Fund	Sewer Fund	Transfer Station Fund	Total Enterprise Funds	Internal Service Fund
<b>OPERATING ACTIVITIES:</b>						
Receipts from customers	4,804,206	517,789	342,499	186,100	5,850,594	214,542
Receipts from other funds	153,500	0	0	0	153,500	0
Payments to other funds	0	0	0	(135,000)	(135,000)	0
Payment to suppliers	(3,237,286)	(140,315)	(101,868)	(133,987)	(3,613,456)	(239,774)
Payment to employees	(809,914)	(135,020)	(113,923)	(23,382)	(1,082,239)	0
<b>NET OPERATING ACTIVITIES</b>	<b>910,506</b>	<b>242,454</b>	<b>126,708</b>	<b>(106,269)</b>	<b>1,173,399</b>	<b>(25,232)</b>
<b>NON-CAPITAL FINANCING ACTIVITIES:</b>						
Transfers (net)	(118,472)	0	0	0	(118,472)	0
Change in customer deposits	(10,530)	0	0	0	(10,530)	0
<b>NET NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(129,002)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(129,002)</b>	<b>0</b>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Payments for capital assets	(335,564)	(30,141)	(46,699)	0	(412,404)	0
Debt repayments	(230,000)	(155,000)	(30,000)	0	(415,000)	0
Interest payments	(95,370)	(23,416)	(4,438)	0	(123,224)	0
<b>NET CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(660,934)</b>	<b>(208,557)</b>	<b>(81,137)</b>	<b>0</b>	<b>(950,628)</b>	<b>0</b>
<b>INVESTING ACTIVITIES:</b>						
Interest income	220,679	42,045	29,322	438	292,484	2,122
(Increase) decrease in investments	(513,579)	(58,536)	(21,200)	0	(593,315)	0
<b>NET INVESTING ACTIVITIES</b>	<b>(292,900)</b>	<b>(16,491)</b>	<b>8,122</b>	<b>438</b>	<b>(300,831)</b>	<b>2,122</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(172,330)</b>	<b>17,406</b>	<b>53,693</b>	<b>(105,831)</b>	<b>(207,062)</b>	<b>(23,110)</b>
Cash - beginning of year	471,993	85,177	90,881	159,477	807,528	40,901
<b>CASH - END OF YEAR</b>	<b>299,663</b>	<b>102,583</b>	<b>144,574</b>	<b>53,646</b>	<b>600,466</b>	<b>17,791</b>

See accompanying notes.

	Electric Fund	Water Fund	Sewer Fund	Transfer Station Fund	Total Enterprise Funds	Internal Service Fund
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET OPERATING ACTIVITIES:</b>						
Operating income (loss)	299,455	82,192	(4,391)	32,176	409,432	(18,217)
Items not requiring cash:						
Depreciation and amortization	403,575	139,969	127,829	19,589	690,962	0
(Increase) decrease in assets:						
Receivable	9,148	8,708	2,366	(20,963)	(741)	(7,113)
TIF receivable	(10,000)	0	0	0	(10,000)	0
Inventory	(21,204)	(431)	0	0	(21,635)	0
Due from other funds	153,500	0	0	0	153,500	0
Increase (decrease) in liabilities:						
Accounts payable	48,169	6,593	904	869	56,535	98
Compensated absences	27,863	5,423	0	(2,940)	30,346	0
Due to other funds	0	0	0	(135,000)	(135,000)	0
<b>NET OPERATING ACTIVITIES</b>	<b>910,506</b>	<b>242,454</b>	<b>126,708</b>	<b>(106,269)</b>	<b>1,173,399</b>	<b>(25,232)</b>
<b>CASH - END OF YEAR CONSIST OF:</b>						
Cash	127,382	56,583	72,148	53,646	309,759	17,791
Restricted cash	172,281	46,000	72,426	0	290,707	0
<b>TOTAL</b>	<b>299,663</b>	<b>102,583</b>	<b>144,574</b>	<b>53,646</b>	<b>600,466</b>	<b>17,791</b>

# CITY OF WAYNE, NEBRASKA

## STATEMENT OF NET ASSETS FIDUCIARY FUNDS

September 30, 2005

	<u>Agency Fund</u>
<b>ASSETS:</b>	
<b>Restricted Assets:</b>	
Cash	12,220
Investments	29,019
Sales tax receivable	<u>23,042</u>
<b>TOTAL ASSETS</b>	<u><u>64,281</u></u>
<b>LIABILITIES:</b>	
Sales tax payable	19,976
Amounts held for others	<u>44,305</u>
<b>TOTAL LIABILITIES</b>	<u><u>64,281</u></u>

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the City of Wayne, Nebraska's (City) significant accounting principles and practices are presented below to assist the reader in evaluating the financial statements and accompanying notes.

Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

#### Government

The City of Wayne, Nebraska operates as a Council-Mayor form of government. The City Council is composed of eight council members and a mayor elected at-large by the citizens.

#### Reporting Entity

The basic financial statements report on the government as a whole. There were no component units required to be included in the financial statements.

#### Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services

In the Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports both the gross and net cost of each of the City's governmental functions and business-type activities.

*(Continued on next page)*

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The net costs of each governmental function are also supported by general government revenues (property taxes, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the governmental function or a business-type activity. Operating grants include operation-specific and discretionary grants while the capital grants column reflects capital-specific grants.

#### Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its asset, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The following fund types are used by the City:

#### Governmental Fund Types

The focus of the governmental funds' measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

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.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or designated by management for expenditures of specific purposes.

*(Continued on next page)*

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fund Financial Statements Continued

##### Governmental Fund Types Continued

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

Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

##### Proprietary Fund Type

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

Enterprise Funds are required to be used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governments on a cost-reimbursement basis.

##### Fiduciary Funds

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

*(Continued on next page)*

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fund Financial Statements Continued

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The following funds are considered major funds:

#### Governmental Funds

General Fund as previously described.

Sales Tax Fund is a debt service fund and accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs for the Community Activity Center.

Capital Projects Funds as previously described.

#### Proprietary Funds

Electric Fund accounts for activities of the City's electric operations.

Water Fund accounts for activities of the City's water operations.

Sewer Fund accounts for activities of the City's sewer operations.

Transfer Station Fund accounts for activities of the City's transfer station operations.

The City's internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's enterprise activities, the financial statement of the internal service funds has been allocated based on usage to the business-type activities columns when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

*(Continued on next page)*

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fund Financial Statements Continued

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

#### Financial Statement Amounts

##### Cash

The City has defined cash to include cash on hand, cash in banks and certificates of deposit (valued at cost plus accrued interest to September 30, 2005).

##### Investments

Investments are valued at quoted market prices.

##### Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, grants, and interest.

Business-type activities report utilities, unbilled utilities, and interest as their major receivables

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants and other similar intergovernmental revenues since they are usually measurable and available in 60 days. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

##### Inventory Valuation

Proprietary Fund inventories are recorded at the lower of cost or market on the first-in, first-out method.

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial Statement Amounts Continued

##### Capital Assets

Capital assets that are purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost in the government-wide financial statements. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Actual historical cost was used to value the majority of the assets acquired prior to September 30, 2003.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 – 50 years
Improvements	5 – 50 years
Electric, water and sewer plants	27 – 40 years
Machinery and equipment	3 – 30 years
Infrastructure	10 – 90 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

##### Restricted Assets

Restricted assets include cash, certificates of deposit, and accounts receivable that are restricted as to their use. The primary restricted assets are related to bonds payable and community development projects.

*(Continued on next page)*

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial Statement Amounts Continued

##### Deferred Debt Expense

In the fund financial statements, bond issuance costs are recognized in the current period by governmental fund types. In proprietary fund types, bond issuance costs are capitalized and amortized over the terms of the respective. In the government-wide financial statements, both government and business-type activities capitalize and amortize bond issuance costs over the terms of the respective bonds.

##### Long-Term Debt

Long-term debt is reported as liabilities in the government-wide statements and the proprietary fund statements.

Long-term debt for governmental funds is not reported in the fund financial statements. The debt proceeds are reported as other financial sources and payment of principal and interest reported as expenditures.

The liability for compensated absences is recorded as either current portion and/or long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

##### Equity

In the government-wide statements, equity is classified as net assets and displayed in three components:

- 1) Invested in capital assets, net of related debt – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*(Continued on next page)*

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial Statement Amounts Continued

##### Equity Continued

- 2) Restricted net assets – Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if any. Proprietary fund equity is classified the same as in the government-wide statements.

##### Revenues

Substantially all governmental fund revenues are accrued in the government-wide financial statements. Wayne County bills and collects property taxes and remits to the City monthly. These taxes are deemed to be received by the City when collected by the County treasurer. Property taxes expected to be collected with sixty days after year end are recorded as a receivable in the fund statements.

Operating revenues and expenses for proprietary funds are those that result from providing goods and services. Subsidies and grants, which finance either capital or current operations and other revenues, are reported as nonoperating revenue.

##### Expenditures

Expenditures are classified by function for both governmental and business-type activities in the government-wide financial statements. In the fund financial statements, expenditures are classified by character (current, capital outlay, and debt service) in the governmental funds and as operating and nonoperating in the proprietary funds.

*(Continued on next page)*

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial Statement Amounts Continued

##### Interfund Activity

Interfund activities are reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2: CUSTODIAL CREDIT RISK

The City maintains a cash pool that is available for use by all funds except those required to maintain separate accounts. Each fund type's portion of these pools is displayed on the balance sheet as "Cash".

Investment pools are under the custody of the City Treasurer. Investing is performed in accordance with investment policies that comply with State Statutes and the City Charter. Funds may be invested in certificates of deposits, time certificates, and in any securities in which the state investment officer is authorized to invest pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act and as provided in the authorized investment guidelines of the Nebraska Investment Council currently effective. Investments during the year were substantially the same as those at year-end.

Investments consist of certificate of deposits and pooled mortgage backed securities of FNMA, FHLM, and FHLB.

*(Continued on next page)*

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

NOTE 2: CUSTODIAL CREDIT RISK (CONTINUED)

Custodial credit risk is the risk that in the event of a broker-dealer or financial institution failure, the government's deposits may not be fully returned. State law requires that all funds held in depositories (financial institutions) be fully insured or collateralized.

For financial reporting, cash and certificates of deposits of \$2,966,594 are considered uninsured and collateralized by the pledging financial institution and investments in the pooled mortgage backed securities of \$2,972,047 are considered uninsured and unregistered held by the broker-dealer by not in the City's name.

NOTE 3: RESTRICTED ASSETS

Certain investments of the General Fund have been restricted for park benefits. In addition, certain cash and investments in the Debt Service Funds have been restricted for payment of debt and certain cash and investments in the Enterprise Fund are restricted as required by various bond agreements. Agency Fund cash and investments are restricted by the source of the funds.

NOTE 4: SPECIAL ASSESSMENTS

The funds to pay for special assessment projects are generated through the levy of an assessment on individual property owners benefited by the project and through property taxes provided by the City to pay for the project's benefit to the general public.

The assessments receivable from property owners reflected on the balance sheet are payable in annual installments of principal and interest over periods up to 15 years. The City is obligated to provide for the funding of any deficiency in the financing of these projects through the levy of property taxes.

*(Continued on next page)*

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

**NOTE 5: CAPITAL ASSETS**

	October 1, <u>2004</u>	<u>Additions</u>	<u>Disposals</u>	September 30, <u>2005</u>
<b>Governmental activities:</b>				
Land	563,047	0	0	563,047
Buildings	9,069,615	15,269	0	9,084,884
Equipment	1,650,108	24,735	21,125	1,653,718
Improvements	764,353	592,648	0	1,357,001
Construction in progress	1,122,505	503,242	938,062	687,685
Infrastructure	<u>9,494,592</u>	<u>648,323</u>	<u>0</u>	<u>10,142,915</u>
Total	<u>22,664,220</u>	<u>1,784,217</u>	<u>959,187</u>	<u>23,489,250</u>
<b>Less accumulated depreciation</b>				
Buildings	1,457,016	240,191	0	1,697,207
Equipment	1,230,027	104,799	14,192	1,320,634
Improvements	558,359	27,894	0	586,253
Infrastructure	<u>5,405,360</u>	<u>254,906</u>	<u>0</u>	<u>5,660,266</u>
Total	<u>8,650,762</u>	<u>627,790</u>	<u>14,192</u>	<u>9,264,360</u>
Net	<u>14,013,458</u>	<u>1,156,427</u>	<u>944,995</u>	<u>14,224,890</u>
<b>Business-type activities:</b>				
Land	340,555	0	0	340,555
Buildings	7,795,266	0	0	7,795,266
Distribution system	9,149,220	193,840	0	9,343,060
Equipment	4,440,799	207,033	0	4,647,832
Construction in process	<u>11,229</u>	<u>22,760</u>	<u>11,229</u>	<u>22,760</u>
Total	<u>21,737,069</u>	<u>423,633</u>	<u>11,229</u>	<u>22,149,473</u>
<b>Less accumulated depreciation</b>				
Buildings	3,750,533	104,453	0	3,854,986
Distribution system	5,335,782	274,818	0	5,610,600
Equipment	<u>3,808,340</u>	<u>288,969</u>	<u>0</u>	<u>4,097,309</u>
Total	<u>12,894,655</u>	<u>668,240</u>	<u>0</u>	<u>13,562,895</u>
Net	<u>8,842,414</u>	<u>(244,607)</u>	<u>11,229</u>	<u>8,586,578</u>

*(Continued on next page)*

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

**NOTE 5: CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs as follows:

**Governmental activities:**

General government	110,212
Public safety	73,837
Public works	292,384
Recreation	40,417
Community Activity Center	89,393
Library	<u>21,547</u>
Total depreciation expense	<u>627,790</u>

**Business-type activities**

Electric	399,535
Water	131,168
Sewer	117,948
Transfer station	<u>19,589</u>
Total depreciation expense	<u>668,240</u>

**NOTE 6: LONG-TERM DEBT**

The City is in compliance with all significant requirements of the various bond requirements.

Long-term debt consists of the following:

	<u>October 1,</u> <u>2004</u>	<u>Issued</u>	<u>Retired</u>	<u>September 30, 2005</u>	<u>Due within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
Various Purpose Bonds – 1998	245,000	0	245,000	0	0
Sales Tax Revenue Bonds – 2000	2,425,000	0	2,425,000	0	0
Public Safety Bonds – 2001	645,000	0	645,000	0	0
Various Purpose Bonds – 2002	420,000	0	420,000	0	0

*(Continued on next page)*

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

**NOTE 6: LONG-TERM DEBT (CONTINUED)**

	<u>October 1,</u> <u>2004</u>	<u>Issued</u>	<u>Retired</u>	<u>September 30, Due within</u> <u>2005</u>	<u>One Year</u>
<b>Governmental Activities Continued:</b>					
Bond Anticipation Note – 2003 with interest at 1.70%, maturing November 15, 2005.	640,000	0	0	640,000	640,000
Public Safety Bonds – 2005 with interest at 3.30% to 4.40%, maturing May 1, 2021	0	630,000	0	630,000	25,000
General Obligation Bonds – 2005 with interest at 2.90% to 3.80%, maturing June 1, 2013.	0	575,000	0	575,000	70,000
Sales Tax Revenue Refunding Bonds – 2005 with interest at 2.50% to 4.05%, maturing December 1, 2014.	0	1,980,000	0	1,980,000	170,000
Capital lease with interest at 5.36%, maturing May 2009.	342,667	0	61,481	281,186	64,821
Compensated Absences	<u>80,209</u>	<u>0</u>	<u>27,943</u>	<u>52,266</u>	<u>48,633</u>
<b>Total Governmental Activities</b>	<b><u>4,797,876</u></b>	<b><u>3,185,000</u></b>	<b><u>3,824,424</u></b>	<b><u>4,158,452</u></b>	<b><u>1,018,454</u></b>
<b>Business-Type Activities:</b>					
Water Revenue and Refunding Bonds – 1998 with interest at 4.05% to 4.75%, maturing July 2008.	664,000	0	155,000	509,000	164,000
Sewer Revenue and Refunding Bonds – 1998 with interest at 4.05% to 4.75%, maturing July 2008.	126,000	0	30,000	96,000	31,000
Electric Refunding Bonds – 2003 with interest at 1.25% to 4.35%, maturing June 2015.	2,855,000	0	230,000	2,625,000	235,000
Compensated Absences	<u>58,873</u>	<u>30,346</u>	<u>0</u>	<u>89,219</u>	<u>58,512</u>
<b>Total Business-Type Activities</b>	<b><u>3,703,873</u></b>	<b><u>30,346</u></b>	<b><u>415,000</u></b>	<b><u>3,319,219</u></b>	<b><u>488,512</u></b>

(Continued on next page)

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

**NOTE 6: LONG-TERM DEBT (CONTINUED)**

Maturities during the next five years and thereafter are as follows (excluding compensated absences):

	Governmental Activities				Business-Type Activities	
	Bonds		Capital Lease		Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	905,000	119,699	64,821	14,215	430,000	109,110
2007	285,000	103,683	68,342	10,691	440,000	96,600
2008	295,000	94,707	72,054	6,979	455,000	82,440
2009	300,000	84,975	75,969	3,064	250,000	66,374
2010	315,000	74,586	0	0	260,000	57,274
2011-2015	1,435,000	203,593	0	0	1,395,000	120,578
2016-2020	240,000	42,280	0	0	0	0
2021	50,000	2,200	0	0	0	0
<b>Total</b>	<b><u>3,825,000</u></b>	<b><u>725,723</u></b>	<b><u>281,186</u></b>	<b><u>34,949</u></b>	<b><u>3,230,000</u></b>	<b><u>532,376</u></b>

Interest expense was charged to functions/programs as follows:

**Governmental activities:**

Public safety	34,847
Public works	31,332
Community Activity Center	<u>112,533</u>
<b>Total interest expense</b>	<b><u>178,712</u></b>

**Business-type activities**

Electric	87,234
Water	21,447
Sewer	<u>4,357</u>
<b>Total interest expense</b>	<b><u>113,038</u></b>

The City advance refunded the Sales Tax Revenue Bond-2000 with the Sales Tax Revenue Refunding Bond-2005 of \$1,980,000. The proceeds from the bond were escrowed with Fremont National Bank and Trust Co. for the purpose of generating resources for future debt service payments. As a result, the refunded bond is considered to be defeased and the liability has been removed. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by approximately \$138,000 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded bond and refunding bond) of approximately \$274,000.

**CITY OF WAYNE, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

**NOTE 7: INTERFUND BALANCES AND ACTIVITY**

Due to and due from balances are used to record loans between funds and will be paid back in future years.

<u>Due from</u>	<u>Due to</u>
	<u>Electric Fund</u>
General Fund	<u>51,500</u>

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

<u>Transfer out</u>	<u>Transfer in</u>		
	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Nonmajor Governmental Fund</u>
Nonmajor Governmental Funds	10,000	0	0
Sales tax Fund	98,185	0	0
Electric Fund	<u>0</u>	<u>61,222</u>	<u>57,250</u>
Total	<u>108,185</u>	<u>61,222</u>	<u>57,250</u>

**NOTE 8: RETIREMENT PLANS**

Under Nebraska statutes, the City is to maintain a retirement plan for City policemen. This plan is funded through employee and employer contributions. The total contributions under this plan are deposited under a money purchase retirement plan with Ameritas Retirement. This plan requires that covered employees and City contribute an amount equal to 6% of the employee's monthly salary until such employee becomes eligible for regular retirement at which time contributions shall cease. Both the City and the covered employees required contribution of \$20,245 each was made for the year ended September 30, 2005.

The City maintains a defined contribution plan for the City employees in accordance with Internal Revenue Code Section 457. The plan is available to all full-time City employees. This plan is funded through employee and employer contributions. The total contributions under this plan are deposited with the ICMA. This plan requires that covered employees contribute at least 1% and City contribute 6% of the employee's monthly salary until such employee becomes eligible for regular retirement at which time contributions shall cease. The City and the employees contributed \$69,678 and \$66,126, respectively, for the year ended September 30, 2005.

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

NOTE 9: OTHER POST EMPLOYMENT BENEFITS

The City will provide postretirement health insurance for three employees until they reach age 65 in accordance with the early retirement agreement. Postretirement health insurance expense of \$14,196 was recognized for the year ended September 30, 2005.

NOTE 10: ELECTRIC GENERATION CAPACITY LEASE AND WHOLESALE POWER COMMITMENT

The City has an agreement that expires in 2011 with Nebraska Public Power District (NPPD) to sell to them the City's generating capacity of the City's generating facilities.

Concurrent with the execution of the capacity lease described above, the City entered into a wholesale power contract with NPPD. Under the terms of the agreement, the City is required to purchase all the electric power and energy in excess of power and energy supplied by NPPD needed in the operation of the City distribution system. Beginning in the year 2011, the City can start reducing power and energy purchases from NPPD and purchase these from other sources. Lease payments for the power plant from NPPD would reduce in the same ratio as power and energy purchase from NPPD. Power purchased under this agreement totaled \$2,586,831 for the year ended September 30, 2005.

The City also receives an allocation of electric energy from the United States Department of Energy Western Area Power Administration.

NOTE 11: CITY INSURANCE

The City has purchased commercial insurance on its own for the City of Wayne. This insurance is for the various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; dishonest employees; injuries to employees; and natural disasters.

The City has not paid any amounts in excess of the coverage provided by insurance in the last three audit periods.

*(Continued on next page)*

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

### NOTE 12: CONDUIT DEBT OBLIGATION

In 1996, the Community Development Agency of the City of Wayne, Nebraska issued Tax Increment Revenue Bonds (Vintage Hill Project Area), Series 1996, in the principal amount of \$250,000; in 1998, tax increment revenue bonds in the original amount of \$150,000 for the Wayne East Project; and in 2005, tax increment revenue bonds in the original amount of \$91,500 for the GITT Development MO, LLC Project. These bonds constitute a limited obligation of the Agency payable exclusively from that portion of the ad valorem real estate taxes mentioned in subdivision (2) of Section 18-2147 R.R.S. Neb. 1943, as levied, collected and apportioned from year to year with respect to certain real estate located within the "Project Areas".

These bonds do not constitute an obligation of the City of Wayne, Nebraska as the City is not liable for the payment thereof from any fund or source including but not limited to tax monies (except for such tax receipts as having been pledged pursuant to Section 18-2150 R.R.S. Neb. 1943). Accordingly, these bonds are not reported as liabilities in the accompanying financial statements.

The City has issued Industrial Revenue Bonds in the original amount of \$2,700,000 to provide financial assistance to Pacific Coast Feathers for the expansion of the facilities of Restful Knights, Inc. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The City facilitated a capital lease for equipment in the amount of \$29,382 with AVP leasing for the Wayne Country Club. The lease is secured by the equipment and is guaranteed by the Wayne Country Club and accordingly the equipment and the capital lease have not been reported in the financial statements.

As of September 30, 2005, the aggregate amount of principal conduit debt outstanding was \$1,461,130.

*(Continued on next page)*

# CITY OF WAYNE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2005

NOTE 13: COMMITMENTS

At September 20, 2005, the City has entered into contracts for construction as follows:

	<u>Contract Amount</u>	<u>Expended To Date</u>	<u>Commitment</u>
Wayne Trail Phase II	43,158	25,097	18,061
Comprehensive Plan	33,000	6,600	26,400

NOTE 14: PRIOR PERIOD ADJUSTMENTS

The prior period adjustments in the Electric Fund and the Transfer Station Fund were to record a loan from the Electric Fund to the Transfer Station that was made in prior years. The prior period adjustment in the General Fund was to record revenue that was incorrectly recorded in the Fiduciary Funds.

REQUIRED SUPPLEMENTAL INFORMATION

# CITY OF WAYNE, NEBRASKA

## BUDGETARY COMPARISON SCHEDULE - CASH BASIS ALL FUNDS

Year Ended September 30, 2005

	Original Budget	Final Budget	Actual
<b>RECEIPTS:</b>			
Taxes	675,500	675,500	647,771
Intergovernmental	1,895,865	1,895,865	1,624,078
Local	458,000	458,000	1,816,660
Other	7,334,522	10,519,522	9,458,600
Transfers	450,707	460,707	226,657
<b>TOTAL RECEIPTS</b>	<b>10,814,594</b>	<b>14,009,594</b>	<b>13,773,767</b>
<b>DISBURSEMENTS:</b>			
General government	303,910	303,910	534,877
Public safety	971,067	971,067	779,433
Public works	1,541,843	2,757,343	2,211,195
Public health and social services	173,335	173,335	160,309
Culture and recreation	1,829,209	3,809,209	2,971,350
Community Development	0	0	0
Miscellaneous	1,645,880	1,655,880	0
Electric	10,049,480	10,049,480	4,818,214
Solid Waste	345,681	345,681	257,403
Wastewater	1,180,867	1,180,867	306,982
Water	1,628,656	1,628,656	492,324
<b>TOTAL DISBURSEMENTS</b>	<b>19,669,928</b>	<b>22,875,428</b>	<b>12,532,086</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(8,855,334)</b>	<b>(8,865,834)</b>	<b>1,241,680</b>

*See accompanying note to budgetary comparison schedules - cash basis.*

# CITY OF WAYNE, NEBRASKA

## NOTES TO BUDGETARY COMPARISON SCHEDULE – CASH BASIS

September 30, 2005

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Budgetary Data

In compliance with Nebraska State Statutes, the City adopts a unified budget that encompasses all governmental and proprietary funds. It is prepared on a cash basis which differs from that used to present the financial statements in accordance with generally accepted accounting principles (GAAP). Such differences and their effect are summarized as follows:

Receipts over (under) disbursements and other financing sources (uses) on a budgetary basis	1,241,680
Adjustments increase (decrease) for accruals:	
Revenues	(137,529)
Expenditures	<u>(490,425)</u>
Revenues over (under) expenditures and other financing sources (uses) on a GAAP basis	<u>613,727</u>

ADDITIONAL INFORMATION

## CITY OF WAYNE, NEBRASKA

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2005

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE:	<u>Federal CFDA Number</u>	<u>Grant or Identifying Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>			
Passed through Nebraska Department of Roads:			
Federal Transit-Capital Improvement Grants	20.509	RPT-M901	16,091
Highway Planning & Construction	20.205	STPAA 6713(2)	475,621
Highway Planning & Construction	20.205	STPB-90(3)	250,732
<b>U.S. DEPARTMENT OF JUSTICE:</b>			
COPS Grant	16.710	2002UM/WX0216	38,173
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>			
Passed through Department of Economic Development:			
Community Development Block Grants/ State's Program	14.228	04-PP-023	6,600
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>			
Passed through Northeast Nebraska Area Agency on Aging:			
Nutrition Program for the Elderly	10.570	1405	9,961
<b>U.S. HEALTH AND HUMAN SERVICES:</b>			
Passed through Nebraska Department of Roads:			
Special Programs for the Aging-Title III Part B-Grants for Supportive Services and Senior Centers	93.044	1405	5,898
Passed through Northeast Nebraska Area Agency on Aging:			
Special Programs for the Aging-Title III Part C-Nutrition Services	93.045	1405	<u>21,597</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u><b>824,673</b></u>

*See accompanying notes to schedule of expenditures of federal awards.*

## CITY OF WAYNE, NEBRASKA

### NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Years Ended September 30, 2005

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these Schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: REPORTING ENTITY

The City, for purposes of the Schedule of Expenditures of Federal Awards, includes all funds for which the City is financially accountable.

NOTE 3: PASS THROUGH AWARDS

The City receives certain federal awards in the form of pass-through awards from the State of Nebraska and other various agencies. Such amounts received as pass-through awards are specifically identified on the Schedule of Expenditures of Federal Awards.

NOTE 4: CONTINGENCIES

The City receives funds under various federal grant programs, and such assistance is to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of noncompliance. Management believes that they have complied with all material aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impacts.

ADDITIONAL REPORTS REQUIRED BY  
OMB CIRCULAR A-133

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

To the City Council  
Wayne, Nebraska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wayne, Nebraska, as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 18, 2005. 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.

Compliance:

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

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the City of Wayne'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements and amounts that would be material in relation to the 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the audit committee, management, others within the Organization, and state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Contoyman Associates P.C.  
Certified Public Accountants  
Grand Island, Nebraska

November 18, 2005

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Council  
Wayne, Nebraska

Compliance

We have audited the compliance of the City of Wayne, Nebraska, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2005. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Wayne, Nebraska, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2005.

Internal Control Over Compliance

The management of the City of Wayne, Nebraska, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be a material weakness.

This report is intended solely for the information of the city council, management, and state and federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Continuum Associates PC*  
Certified Public Accountants  
Grand Island, Nebraska

November 18, 2005

**CITY OF WAYNE, NEBRASKA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Years Ended September 30, 2005

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of auditor's report issued: **Unqualified**

**Internal control over financial reporting:**

Material weakness(es) identified? **No**

Reportable condition(s) identified that are not considered  
to be material weaknesses? **No**

Noncompliance material to financial statements noted? **No**

**Federal Awards:**

**Internal control over programs:**

Material weakness(es) identified? **No**

Reportable conditions(s) identified that are not considered  
To be material weaknesses? **No**

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported  
in accordance with Circular A-133, Section 510(a)? **No**

**Identification of major programs:**

<b>CFDA Number:</b>	<b><u>Name of Federal Program</u></b>
20.205	Highway Planning & Construction

Dollar threshold used to distinguish between  
type A and type B programs: **\$300,000**

Auditee qualified as low risk auditee? **No**

*(Continued on next page)*

**CITY OF WAYNE, NEBRASKA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Years Ended September 30, 2005

**SECTION II – SUMMARY OF AUDITORS' RESULTS**

Findings Required to be Reported by *Government Auditing Standards*

None

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Years Ended September 30, 2004

**SECTION III – SUMMARY OF AUDITORS' RESULTS**

Findings Required to be Reported by *Government Auditing Standards*

None