

CITY OF WAYNE, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2006

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Wayne, Nebraska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary fund of the City of Wayne, Nebraska, as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Wayne Municipal Airport. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the discretely presented component units, insofar as it relates to the Wayne Municipal Airport, is based on the reports of the other auditors.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary fund of the City of Wayne, Nebraska, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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A PROFESSIONAL
CORPORATION

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2006, on our consideration of the City of Wayne'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and required supplementary information on pages 4 through 15 and 67 through 71 are not a required part of the basic financial statements but are 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying other supplementary information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

Augquist, Maltzman,
Galloway & Luth, P.C.

Grand Island, Nebraska
December 5, 2006

**CITY OF WAYNE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2006**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Wayne, we offer readers of the City of Wayne financial statements this narrative overview and analysis of the financial activities of the City of Wayne for the fiscal year ended September 30, 2006. For information on the Wayne Municipal Airport component unit included in these financial statements, please see the separate audit report for the Airport.

Financial Highlights

- The assets of the City of Wayne exceeded its liabilities at the close of the most recent fiscal year by \$28,545,809 (*net assets*). Of this amount, \$9,938,441 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Wayne governmental funds reported combined ending net assets of \$14,181,523. Approximately 12.8 percent of this total amount, \$1,709,281, is *unrestricted net assets*.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,184,876, or 48.4 percent of total General Fund expenditures.

Overview of the Financial Statements

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

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

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

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

CITY OF WAYNE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2006

Both of the government-wide financial statements distinguish functions of the City of Wayne that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Wayne include general government, public safety, highways and streets, economic development, and culture and recreation. The business-type activities of the City of Wayne include the Water, Sewer, Electric and Transfer Station Enterprise Funds.

The government-wide financial statements include not only the City of Wayne itself (known as the *primary government*), but also legally separate entities Municipal Airport Authority and Community Development Agency for which the City of Wayne is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 16 and 17 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 City of Wayne, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Wayne can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of Wayne maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Fund, the Sales Tax Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

**CITY OF WAYNE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2006**

The City of Wayne adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General, Capital Projects, Sales Tax, and Debt Service Funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds. The City of Wayne maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Wayne uses enterprise funds to account for its Water, Sewer, Electric and Transfer Station Funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Wayne's various functions. The City of Wayne uses an internal service fund to account for its employee health insurance. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, Electric and Transfer Station Funds, all of which are considered to be major funds of the City of Wayne.

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

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

The basic fiduciary fund financial statement can be found on page 26 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 27-66 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Wayne's budgetary comparison schedules. Required supplementary information can be found on pages 67-71 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and the component units are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 72-75 of this report.

**CITY OF WAYNE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2006**

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Wayne, assets exceeded liabilities by \$28,545,809 at the close of the most recent fiscal year.

Net Assets

	September 30, 2006			September 30, 2005		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 4,746,008	\$ 9,309,636	\$ 14,055,644	\$ 3,588,984	\$ 8,824,831	\$ 12,413,815
Capital Assets	14,036,808	8,375,734	22,412,542	14,224,890	8,586,578	22,811,468
Total Assets	<u>18,782,816</u>	<u>17,685,370</u>	<u>36,468,186</u>	<u>17,813,874</u>	<u>17,411,409</u>	<u>35,225,283</u>
Long-Term Liabilities	3,464,640	2,382,360	5,847,000	3,139,998	2,875,457	6,015,455
Other Liabilities	1,136,653	938,724	2,075,377	1,140,569	917,393	2,057,962
Total Liabilities	<u>4,601,293</u>	<u>3,321,084</u>	<u>7,922,377</u>	<u>4,280,567</u>	<u>3,792,850</u>	<u>8,073,417</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	10,388,913	5,604,463	15,993,376	10,118,704	5,356,578	15,475,282
Restricted	2,083,329	530,663	2,613,992	1,260,971	758,176	2,019,147
Unrestricted	1,709,281	8,229,160	9,938,441	2,153,632	7,503,805	9,657,437
Total Net Assets	<u>\$ 14,181,523</u>	<u>\$ 14,364,286</u>	<u>\$ 28,545,809</u>	<u>\$ 13,533,307</u>	<u>\$ 13,618,559</u>	<u>\$ 27,151,866</u>

By far the largest portion of the City of Wayne's net assets (56.0 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Wayne uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Wayne's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Wayne's net assets (9.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$9,938,441) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Wayne is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities.

CITY OF WAYNE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2006

Expenses and Program Revenues - Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2006</u>		<u>Year Ended September 30, 2005</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 50,298	\$ 127,909	\$ 512,405	\$ 271,108
Public Safety	143,033	694,193	149,994	827,842
Public Works	161,449	275,908	800,908	600,417
Public Buildings	14,585	144,228	11,940	134,084
Recreation	98,483	284,314	296,409	281,472
Community Activity Center	72,283	151,313	181,200	355,058
Library	9,535	113,034	10,144	127,987
Senior Citizens Services	145,874	174,574	119,809	160,232
Interest	-	153,964	-	-
Depreciation	-	630,931	-	-
Total	\$ 695,540	\$ 2,750,368	\$ 2,082,809	\$ 2,758,200

Revenues by Source – Governmental Activities

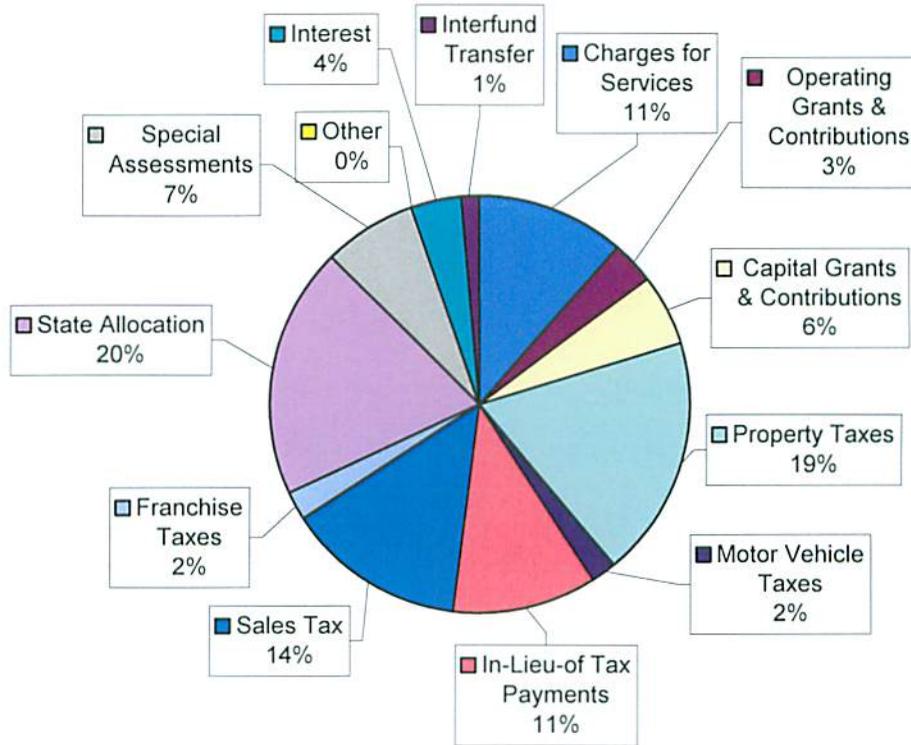
SOURCES OF REVENUE

	<u>Year Ended September 30, 2006</u>		<u>Year Ended September 30, 2005</u>	
Charges for Services	\$ 389,744	11.30 %	\$ 826,646	20.92 %
Operating Grants & Contributions	112,655	3.27	429,167	10.86
Capital Grants & Contributions	193,141	5.60	826,996	20.93
Property Taxes	645,795	18.72	654,110	16.55
Motor Vehicle Taxes	68,234	1.98	-	-
In-Lieu-of Tax Payments	381,687	11.06	-	-
Sales Tax	475,517	13.78	477,509	12.08
Franchise Taxes	75,181	2.18	-	-
State Allocation	677,131	19.63	477,114	12.07
Special Assessments	248,569	7.21	-	-
Other	515	0.01	64,562	1.63
Interest	129,014	3.74	106,020	2.68
Gain (Loss) on Sale of Assets	1,500	0.04	-	-
Unrealized Gain (Loss) on Investments	1,977	0.06	(28,464)	(0.72)
Interfund Transfer	48,862	1.42	118,472	3.00
Total	\$ 3,449,522	100.00 %	\$ 3,952,132	100.00 %

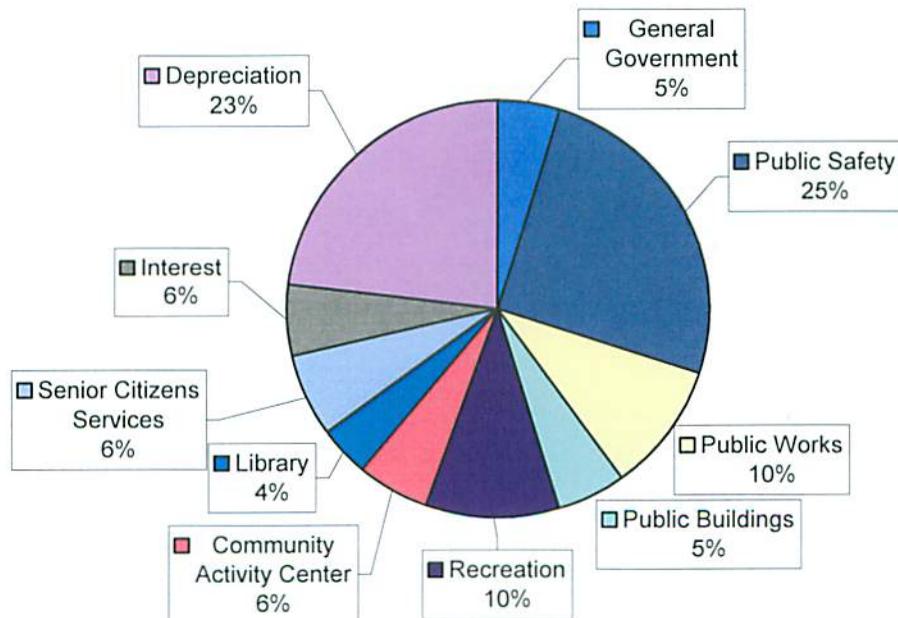
Net assets increased \$699,154 in the governmental funds during the year ended September 30, 2006.

**CITY OF WAYNE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2006**

Governmental Activities - 2006 Revenue



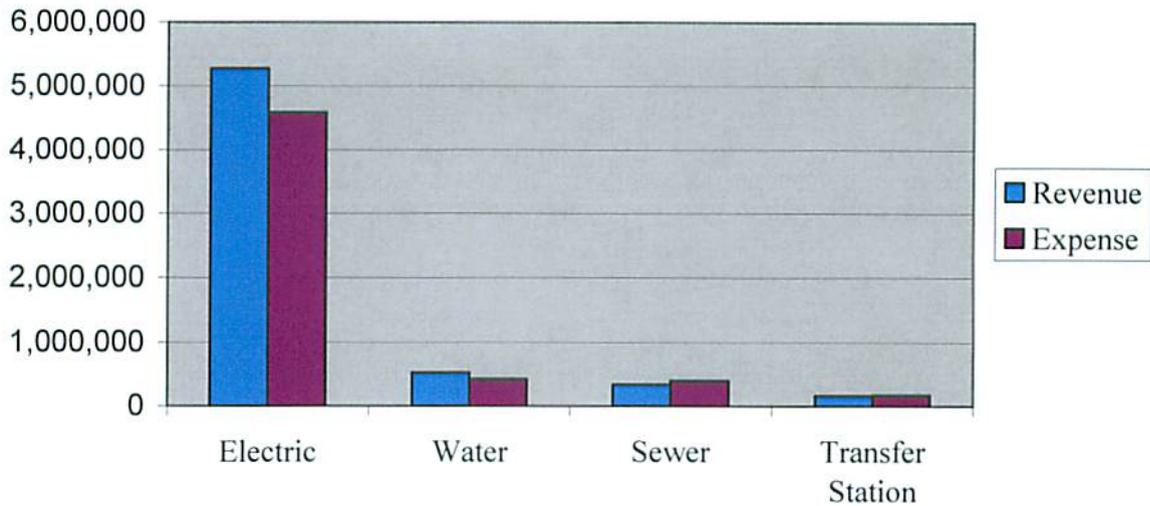
Governmental Activities - 2006 Expenses



**CITY OF WAYNE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2006**

Business-type activities. Business-type activities increased the City of Wayne's net assets by \$902,303, accounting for 56.3 percent of the total growth in the government's net assets for the year ended September 30, 2006. Key elements of this increase are as follows:

2006 Expenses and Program Revenues - Business-Type Activities



Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2006</u>		<u>Year Ended September 30, 2005</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 5,277,927	\$ 4,587,323	\$ 4,751,999	\$ 4,601,054
Water	523,233	425,772	504,305	448,336
Sewer	340,346	397,857	333,043	348,881
Transfer Station	162,943	174,150	207,061	174,885
Total	6,304,449	5,585,102	5,796,408	5,573,156
Interfund Transfer	-	48,862	-	118,472
	<u>\$ 6,304,449</u>	<u>\$ 5,633,964</u>	<u>\$ 5,796,408</u>	<u>\$ 5,691,628</u>

CITY OF WAYNE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2006

Revenues by Source – Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2006</u>		<u>Year Ended September 30, 2005</u>	
Charges for Services	\$ 6,283,774	96.13 %	\$ 5,755,587	95.03 %
Capital Grants & Contributions	20,675	0.32	40,824	0.67
Interest	316,163	4.84	294,604	4.87
Unrealized Loss on Investment	(40,650)	(0.62)	(89,472)	(1.48)
Gain (Loss) on Sale of Assets	(43,695)	(0.67)	-	-
Other	-	-	54,925	0.91
Total	<u>\$ 6,536,267</u>	<u>100.00 %</u>	<u>\$ 6,056,468</u>	<u>100.00 %</u>

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Wayne's governmental funds reported combined ending fund balances of \$3,745,208. Approximately 44.4 percent of this total amount (\$1,661,879) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$1,129,084), 2) for street improvements (\$106,759), 3) for Federal loan programs (\$822,889), or 4) for park expenditures (\$24,597).

The General Fund is the chief operating fund of the City of Wayne. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,184,876, while total fund balance reached \$1,316,232. 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 48.4 percent of total General Fund expenditures, while total fund balance represents 53.8 percent of that same amount.

The fund balance of the City of Wayne's General Fund increased by \$142,377 during the current fiscal year.

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

Unrestricted net assets of the proprietary funds at the end of the year were as follows: Electric Fund

**CITY OF WAYNE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2006**

Fund - \$6,261,858, Water Fund - \$1,035,544, Sewer Fund - \$860,843, and Transfer Station - \$70,915. The growth in net assets for the proprietary funds was as follows: Electric Fund - \$805,673 and Water Fund - \$136,117. The Sewer Fund net assets decreased \$29,427 and the Transfer Station net assets decreased \$10,060. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of Wayne's business-type activities.

Budgetary Highlights

There was no difference between the original budget and the final adopted budget for the City of Wayne.

Capital Asset and Debt Administration

Capital Assets. The City of Wayne's investment in capital assets for its governmental and business-type activities as of September 30, 2006, amounts to \$22,412,542 (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, highways and bridges.

Major capital asset events during the current fiscal year included the following:

- Construction payments on Golf Course Road - \$105,114. (This project was completed this year at a total cost of \$765,179.)
- Construction in progress on the historical lighting project - \$162,057.
- Construction in progress on the hiking trail (Phase II) - \$28,360.
- 2006 Expedition for police - \$25,964.
- 2006 Crown Victoria for police - \$25,883.
- Playground equipment - \$15,101.
- Land purchased by the Electric Fund - \$40,111.
- Chevy pickup for Electric Fund - \$18,756.
- Onelibrary Consortium computer and equipment and software - \$36,985.
- 2006 Electric distribution system improvements - \$201,839.
- Sewer manhole rehab - \$24,732.
- 2006 Downtown waterline - \$31,080.
- Relocate Highway 15 waterline - \$80,375.
- Water extension to new Public Power District - \$31,528.

**CITY OF WAYNE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2006**

	<u>Year Ended September 30, 2006</u>			<u>Year Ended September 30, 2005</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 563,046	\$ 336,420	\$ 899,466	\$ 563,047	\$ 340,555	\$ 903,602
Construction in Progress	219,037	-	219,037	687,685	22,760	710,445
Infrastructure	5,010,902	-	5,010,902	4,482,649	-	4,482,649
Improvements	749,386	-	749,386	770,748	-	770,748
Buildings	7,155,780	3,705,510	10,861,290	7,387,677	3,940,280	11,327,957
Equipment	338,657	3,844,182	4,182,839	333,084	550,523	883,607
Distribution Systems	-	489,622	489,622	-	3,732,460	3,732,460
Total	<u>\$ 14,036,808</u>	<u>\$ 8,375,734</u>	<u>\$ 22,412,542</u>	<u>\$ 14,224,890</u>	<u>\$ 8,586,578</u>	<u>\$ 22,811,468</u>

Additional information on the City of Wayne's capital assets can be found in Note C4 on pages 50-53 of this report.

Long-term debt. At the end of the current fiscal year, the City of Wayne had total long-term debt outstanding of \$6,520,000. Of this amount, \$1,910,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of Wayne's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Wayne's Outstanding Debt

	<u>Year Ended September 30, 2006</u>			<u>Year Ended September 30, 2005</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Obligation Bonds	\$ 1,305,000	\$ -	\$ 1,305,000	\$ 575,000	\$ -	\$ 575,000
Public Safety Bonds	605,000	-	605,000	630,000	-	630,000
Bond Anticipation Notes	-	-	-	640,000	-	640,000
Revenue Bonds	1,810,000	2,800,000	4,610,000	1,980,000	3,230,000	5,210,000
Capital Lease	-	-	-	281,186	-	281,186
Total	<u>\$ 3,720,000</u>	<u>\$ 2,800,000</u>	<u>\$ 6,520,000</u>	<u>\$ 4,106,186</u>	<u>\$ 3,230,000</u>	<u>\$ 7,336,186</u>

The City of Wayne's total debt decreased by \$816,186 (11.1 percent) during the current fiscal year.

The City of Wayne paid off \$660,000 in outstanding Bond Anticipation Notes and issued \$800,000 in Series 2006 Bonds during the last fiscal year. This covered the water, sewer and street project costs for Vintage Hills Phase II, Country Club Road and Fairway Estates. The City assessed a portion of these costs to the property owners over a ten year time frame.

Additional information on the City of Wayne's long-term debt can be found in Note C6 on pages 53-57 of this report.

**CITY OF WAYNE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2006**

Economic Factors and Next Year's Budgets and Rates

The City of Wayne is in a strong financial position. The budget adopted for 2006-07 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 2006-07, those priorities included: purchase land for Industrial Development, improve communications with public, affordable housing, accelerate City/County collaboration, parking ordinances, review all user fees, first right of refusal with Aquila for Wayne System, Jet A Fuel available at airport, develop large and small retail business plan of action, annual community clean-up week-end, completion and adoption of the comprehensive plan, and rental regulation ordinance

One major change that we have budgeted for the upcoming year is to shift a portion of the costs associated with the public works department to that department. This will help in the completion of the Roads and Street Financial Report that is prepared for the Nebraska Department of Roads and will assist in making sure we meet the new requirements regarding the expenditure of the highway allocation funds.

The City's sales tax revenue has remained approximately the same as it was last year indicating continued economic stability. This is a surprise to the City based on the Downtown Improvement project that took place in the current fiscal year that placed a hardship on our existing downtown businesses.

With the opening of one new bank building and the construction of another new bank building in the next year the economy of the City of Wayne appears to be strong. We have also had a new telemarketing business open their doors as well as a new drug store and there is a proposal for a new restaurant to be constructed in the next year.

Rates for the utility funds typically are set to cover operating costs and capital needs. Annually we have looked at the electric rates and adjust them accordingly. We also anticipate a rate study on the sewer rates to cover the cost of upgrading or replacing the current Treatment Plant. Internally we are also looking at adjusting the water rates.

We will address the Transfer Station rates too to cover the unanticipated costs associated with closed land fills. There are two land fill sites that we will need to address. One is on land owned by Virgil Kardell and we will be acquiring that property. The other land fill is on the city owned Airport property. The expenditures the city will have include the purchase of land, dirt to cover problem areas, seeding and also bank stabilization along the Logan Creek. We are looking into potential grants for the bank stabilization of the Logan Creek.

Capital items for 2006-07 include ongoing street maintenance projects, equipment purchases, open space purchases and improvements to the City's bike/hike trail system.

**CITY OF WAYNE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2006**

Due to EPA requirements the City has engaged Olson and Associates to do a study of the wastewater treatment plant for \$29,500. The preliminary estimates are for \$7,500,000 to \$13,000,000 depending on location and type of plant that is selected.

We are in the process of writing a grant for median income construction assistance thru the Department of Economic Development to be used in the area that we just purchased.

We were unsuccessful in obtaining a FEMA grant to assist in the purchase of a new pumper fire truck. The specifications have been written and the City will be advertising for bids on the truck. Funding will come from the current reserves in the General Fund.

One issue the City has been dealing with is one of the highest property tax rates in the State of Nebraska. The overall property tax levy for the City of Wayne was increased by \$0.006522 per \$100 of valuation for the upcoming year.

The new fund established this year is the Community Development Agency Fund. This will be the fund used to purchase industrial development land and also the land that the City is going to use for the affordable housing development.

Request for Information

This financial report is designed to provide a general overview of the City of Wayne's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, City of Wayne, 306 Pearl St., P.O. Box 8, Wayne, NE 68787.

CITY OF WAYNE, NEBRASKA

STATEMENT OF NET ASSETS

September 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,383,463	\$ 638,615	\$ 2,022,078	\$ 339,401
Investments	1,526,491	6,697,723	8,224,214	-
County treasurer cash	56,275	-	56,275	5,400
Receivables				
Property tax	30,307	-	30,307	1,000
Special assessments	682,335	-	682,335	-
Accounts, net of allowance for doubtful accounts	4,168	613,393	617,561	300
Unbilled revenue	-	212,230	212,230	-
Interest	14,749	36,755	51,504	-
Current portion of notes	56,796	-	56,796	-
TIF	-	-	-	16,169
Due from other governments	81,684	-	81,684	-
Due (to)/from other funds	(34,500)	34,500	-	-
Due from Community Development Agency	-	178,100	178,100	-
Inventory	-	188,490	188,490	-
Total current assets	3,801,768	8,599,806	12,401,574	362,270
Noncurrent assets:				
Restricted cash and cash equivalents	-	213,463	213,463	-
Restricted investments	128,967	467,638	596,605	-
Noncurrent notes receivable	743,168	-	743,168	-
Unamortized bond costs	72,105	28,729	100,834	-
Capital assets				
Land and construction in progress	782,083	336,420	1,118,503	254,347
Other capital assets, net of depreciation	13,254,725	8,039,314	21,294,039	894,419
Net capital assets	14,036,808	8,375,734	22,412,542	1,148,766
Total noncurrent assets	14,981,048	9,085,564	24,066,612	1,148,766
Total assets	18,782,816	17,685,370	36,468,186	1,511,036
LIABILITIES				
Current liabilities:				
Accounts payable	52,542	308,061	360,603	-
Accrued expenses	188,844	140,213	329,057	-
Customer deposits	-	50,450	50,450	-
Due to the City of Wayne	-	-	-	178,100
Deferred revenue	610,267	-	610,267	-
Current portion of long-term obligations	285,000	440,000	725,000	20,052
Total current liabilities	1,136,653	938,724	2,075,377	198,152
Noncurrent liabilities:				
Compensated absences - noncurrent	29,640	22,360	52,000	-
Noncurrent portion of long-term obligations	3,435,000	2,360,000	5,795,000	130,066
Total noncurrent liabilities	3,464,640	2,382,360	5,847,000	130,066
Total liabilities	4,601,293	3,321,084	7,922,377	328,218
NET ASSETS				
Invested in capital assets, net of related debt	10,388,913	5,604,463	15,993,376	998,648
Restricted for:				
Debt service	1,129,084	530,663	1,659,747	-
Federal loan programs	822,889	-	822,889	-
Street improvements	106,759	-	106,759	-
Parks	24,597	-	24,597	-
Unrestricted	1,709,281	8,229,160	9,938,441	184,170
Total net assets	\$ 14,181,523	\$ 14,364,286	\$ 28,545,809	\$ 1,182,818

See notes to financial statements.

CITY OF WAYNE, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 127,909	\$ 34,002	\$ 16,296
Public buildings	144,228	14,585	-
Public safety	694,193	135,442	7,591
Public works	275,908	925	-
Senior citizens services	174,574	62,106	83,768
Library	113,034	4,535	5,000
Recreation	284,314	65,866	-
Community Activity Center	151,313	72,283	-
Interest and related expenses	153,964	-	-
Depreciation - unallocated	630,931	-	-
Total governmental activities	<u>2,750,368</u>	<u>389,744</u>	<u>112,655</u>
Business-type activities:			
Electric	4,587,323	5,257,252	-
Water	425,772	523,233	-
Sewer	397,857	340,346	-
Transfer Station	174,150	162,943	-
Total business-type activities	<u>5,585,102</u>	<u>6,283,774</u>	<u>-</u>
Total primary government	<u><u>\$ 8,335,470</u></u>	<u><u>\$ 6,673,518</u></u>	<u><u>\$ 112,655</u></u>
Component units:			
Wayne Municipal Airport	\$ 318,740	\$ 36,336	\$ 4,903
Community Development Agency	7,531	-	-
Total component units	<u><u>\$ 326,271</u></u>	<u><u>\$ 36,336</u></u>	<u><u>\$ 4,903</u></u>

See notes to financial statements.

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets			Component Unit
	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ (77,611)		\$ (77,611)	
-	(129,643)		(129,643)	
-	(551,160)		(551,160)	
160,524	(114,459)		(114,459)	
-	(28,700)		(28,700)	
-	(103,499)		(103,499)	
32,617	(185,831)		(185,831)	
-	(79,030)		(79,030)	
-	(153,964)		(153,964)	
-	(630,931)		(630,931)	
<u>193,141</u>	<u>(2,054,828)</u>	\$ -	<u>(2,054,828)</u>	
20,675	-	690,604	690,604	
-	-	97,461	97,461	
-	-	(57,511)	(57,511)	
-	-	(11,207)	(11,207)	
<u>20,675</u>	<u>-</u>	<u>719,347</u>	<u>719,347</u>	
<u>\$ 213,816</u>	<u>(2,054,828)</u>	<u>719,347</u>	<u>(1,335,481)</u>	
\$ -				\$ (277,501)
-				(7,531)
<u>\$ -</u>				<u>\$ (285,032)</u>
General revenues:				
Taxes:				
Property	645,795	-	645,795	74,113
Motor vehicle	68,234	-	68,234	-
In-lieu-of tax	381,687	-	381,687	-
Sales tax	475,517	-	475,517	-
Franchise	75,181	-	75,181	-
State allocation	677,131	-	677,131	5,394
Special assessments	248,569	-	248,569	-
Miscellaneous	515	-	515	254
Interest income	129,014	316,163	445,177	3,423
Gain (loss) on sale of assets	1,500	(43,695)	(42,195)	-
Unrealized gain (loss) on investments	1,977	(40,650)	(38,673)	-
Interfund transfers	48,862	(48,862)	-	-
Total general revenues	<u>2,753,982</u>	<u>182,956</u>	<u>2,936,938</u>	<u>83,184</u>
Change in net assets	699,154	902,303	1,601,457	(201,848)
Net assets - September 30, 2005	13,533,307	13,618,559	27,151,866	-
Restatement of beginning net assets	<u>(50,938)</u>	<u>(156,576)</u>	<u>(207,514)</u>	<u>1,384,666</u>
Net assets - September 30, 2005, as restated	<u>13,482,369</u>	<u>13,461,983</u>	<u>26,944,352</u>	<u>1,384,666</u>
Net assets - September 30, 2006	<u>\$ 14,181,523</u>	<u>\$ 14,364,286</u>	<u>\$ 28,545,809</u>	<u>\$ 1,182,818</u>

CITY OF WAYNE, NEBRASKA

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

September 30, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Sales Tax</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 340,490	\$ 17,338	\$ 777,071	\$ 151,878	\$ 67,860	\$ 1,354,637
Investments	953,343	258,602	-	114,546	100,000	1,426,491
County treasurer cash	48,491	-	-	7,784	-	56,275
Receivables						
Special assessments	-	-	-	682,335	-	682,335
Accounts, net of allowance for doubtful accounts	4,168	-	-	-	-	4,168
Notes receivable	86,474	-	-	2,286	687,023	775,783
Interest	10,213	255	794	95	2,421	13,778
Property tax	25,696	-	-	4,611	-	30,307
Due from other governments	-	-	81,684	-	-	81,684
Restricted assets:						
Investments	24,597	-	104,370	-	-	128,967
Total assets	\$ 1,493,472	\$ 276,195	\$ 963,919	\$ 963,535	\$ 857,304	\$ 4,554,425
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 52,294	\$ -	\$ -	\$ -	\$ 57	\$ 52,351
Accrued expenses	73,034	-	21,696	17,369	-	112,099
Due to other funds	34,500	-	-	-	-	34,500
Deferred revenue	17,412	-	-	592,855	-	610,267
Total liabilities	177,240	-	21,696	610,224	57	809,217
Fund balances (deficit):						
Reserved for:						
Debt service	-	-	775,773	353,311	-	1,129,084
Federal programs	-	-	-	-	822,889	822,889
Street improvements	106,759	-	-	-	-	106,759
Parks	24,597	-	-	-	-	24,597
Unreserved	1,184,876	276,195	166,450	-	34,358	1,661,879
Total fund balances	1,316,232	276,195	942,223	353,311	857,247	3,745,208
Total liabilities and fund balances	\$ 1,493,472	\$ 276,195	\$ 963,919	\$ 963,535	\$ 857,304	\$ 4,554,425

See notes to financial statements.

CITY OF WAYNE, NEBRASKA

**RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

September 30, 2006

Total fund balances - governmental funds **\$ 3,745,208**

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 are not reported as assets in governmental funds. The cost of the assets is \$23,888,576, and the accumulated depreciation is \$9,851,768. 14,036,808

Bond issuance costs for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The bond issuance costs are \$79,205 and the accumulated amortization is \$7,100. 72,105

Internal service funds are used by management to charge the costs of employee health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 77,042

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Noncurrent compensated absences	\$ (29,640)	
Bonds and notes payable	<u>(3,720,000)</u>	<u>(3,749,640)</u>

Total net assets - governmental activities **\$ 14,181,523**

See notes to financial statements.

CITY OF WAYNE, NEBRASKA

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

For the year ended September 30, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Sales Tax</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes:						
Property	\$ 546,140	\$ -	\$ -	\$ 99,655	\$ -	\$ 645,795
Motor vehicle	68,234	-	-	-	-	68,234
In-lieu-of tax	381,687	-	-	-	-	381,687
Sales tax	-	-	475,517	-	-	475,517
Franchise	75,181	-	-	-	-	75,181
Intergovernmental	801,030	160,524	-	5,077	16,296	982,927
Special assessments	-	168,325	-	80,244	-	248,569
Charges for services	358,858	-	-	-	30,886	389,744
Interest income	44,195	8,849	23,703	20,748	31,519	129,014
Sale of property	1,500	-	-	-	-	1,500
Unrealized gain (loss) on investments	(1,732)	5,260	(734)	(817)	-	1,977
Bond/loan proceeds	-	660,000	-	800,000	-	1,460,000
Other income	515	-	-	-	-	515
Total revenues	<u>2,275,608</u>	<u>1,002,958</u>	<u>498,486</u>	<u>1,004,907</u>	<u>78,701</u>	<u>4,860,660</u>
EXPENDITURES						
General government	138,505	-	-	-	1,924	140,429
Public buildings	144,228	-	-	-	-	144,228
Public safety	692,106	-	-	-	12,433	704,539
Public works	275,908	-	-	-	-	275,908
Senior citizens services	174,574	-	-	-	-	174,574
Library	113,034	-	-	-	-	113,034
Recreation	284,314	-	-	-	-	284,314
Community Activity Center	151,313	-	-	-	-	151,313
Capital outlay	175,678	267,172	-	-	-	442,850
Principal payments on debt	281,186	1,300,000	170,000	95,000	-	1,846,186
Interest on long-term debt	14,784	27,475	65,855	40,480	-	148,594
Bond fees	-	-	-	13,015	-	13,015
Total expenditures	<u>2,445,630</u>	<u>1,594,647</u>	<u>235,855</u>	<u>148,495</u>	<u>14,357</u>	<u>4,438,984</u>
Excess (deficiency) of revenues over expenditures	(170,022)	(591,689)	262,631	856,412	64,344	421,676
OTHER FINANCING SOURCES (USES)						
Transfers in	312,399	680,000	-	48,862	-	1,041,261
Transfers out	-	-	(302,399)	(680,000)	(10,000)	(992,399)
Net transfers	<u>312,399</u>	<u>680,000</u>	<u>(302,399)</u>	<u>(631,138)</u>	<u>(10,000)</u>	<u>48,862</u>
Net change in fund balances	142,377	88,311	(39,768)	225,274	54,344	470,538
Fund balances - September 30, 2005	1,183,337	187,884	1,008,126	148,969	802,903	3,331,219
Restatement of fund balances	<u>(9,482)</u>	<u>-</u>	<u>(26,135)</u>	<u>(20,932)</u>	<u>-</u>	<u>(56,549)</u>
Fund balances, as restated - September 30, 2005	<u>1,173,855</u>	<u>187,884</u>	<u>981,991</u>	<u>128,037</u>	<u>802,903</u>	<u>3,274,670</u>
Fund balances - September 30, 2006	<u>\$ 1,316,232</u>	<u>\$ 276,195</u>	<u>\$ 942,223</u>	<u>\$ 353,311</u>	<u>\$ 857,247</u>	<u>\$ 3,745,208</u>

See notes to financial statements.

CITY OF WAYNE, NEBRASKA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2006

Total net change in fund balances - governmental funds	\$ 470,538
Amounts reported for governmental <i>activities</i> in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$442,850) is exceeded by depreciation expense (\$630,931) during the period.	(188,081)
Bond fees are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these fees is allocated over the lives of the related bonds as amortization expense. This is the amount by which capitalized bond fees (\$25,535) exceed amortization expense (\$5,370) during the period.	20,165
Internal service funds are used by management to charge the costs of employee insurance and post-employment benefits to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities in the statement of activities.	36,353
The change in noncurrent compensated absences is reported as an expense in the statement of net assets. Noncurrent compensated absences are not reported in the governmental funds.	(26,007)
Issuance of bonds/notes payable are reported as revenues in the governmental funds, but the issuance increases long-term liabilities in the statement of net assets.	(1,460,000)
Repayment of bond/note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>1,846,186</u>
Change in net assets of governmental activities	<u>\$ 699,154</u>

See notes to financial statements.

CITY OF WAYNE, NEBRASKA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

September 30, 2006

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Transfer Station		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 516,421	\$ 18,694	\$ 91,351	\$ 12,149	\$ 638,615	\$ 28,826
Investments	5,071,687	935,141	640,895	50,000	6,697,723	100,000
Receivables						
Accounts, net of allowance for doubtful accounts	522,246	51,185	28,556	11,406	613,393	-
Unbilled revenue	177,733	20,734	13,763	-	212,230	-
Interest	30,770	4,328	1,171	486	36,755	971
Current portion of notes	-	-	-	-	-	14,750
Due from other funds	34,500	-	-	-	34,500	-
Due from Community Dev. Agency	178,100	-	-	-	178,100	-
Inventory	163,205	25,285	-	-	188,490	-
Total current assets	<u>6,694,662</u>	<u>1,055,367</u>	<u>775,736</u>	<u>74,041</u>	<u>8,599,806</u>	<u>144,547</u>
Noncurrent assets:						
Restricted cash and cash equivalents	112,630	30,173	70,660	-	213,463	-
Restricted investments	316,839	96,600	54,199	-	467,638	-
Noncurrent notes receivable	-	-	-	-	-	9,431
Unamortized bond costs	28,729	-	-	-	28,729	-
Capital assets						
Land	129,517	143,875	55,178	7,850	336,420	-
Distribution systems	4,064,993	3,595,728	2,079,569	-	9,740,290	-
Buildings	5,918,241	141,152	1,271,797	464,075	7,795,265	-
Equipment	3,517,190	399,229	756,126	37,919	4,710,464	-
Less accumulated depreciation	(8,159,679)	(2,686,037)	(3,108,049)	(252,940)	(14,206,705)	-
Net capital assets	<u>5,470,262</u>	<u>1,593,947</u>	<u>1,054,621</u>	<u>256,904</u>	<u>8,375,734</u>	<u>-</u>
Total noncurrent assets	<u>5,928,460</u>	<u>1,720,720</u>	<u>1,179,480</u>	<u>256,904</u>	<u>9,085,564</u>	<u>9,431</u>
Total assets	<u>12,623,122</u>	<u>2,776,087</u>	<u>1,955,216</u>	<u>330,945</u>	<u>17,685,370</u>	<u>153,978</u>
LIABILITIES						
Current liabilities:						
Accounts payable	303,819	1,751	2,287	204	308,061	191
Customer deposits	50,450	-	-	-	50,450	-
Accrued interest payable	25,372	2,716	511	-	28,599	-
Other accrued expenses	83,644	13,796	11,252	2,922	111,614	76,745
Current portion of long-term obligations	240,000	168,000	32,000	-	440,000	-
Total current liabilities	<u>703,285</u>	<u>186,263</u>	<u>46,050</u>	<u>3,126</u>	<u>938,724</u>	<u>76,936</u>
Noncurrent liabilities:						
Compensated absences - noncurrent	19,240	1,560	1,560	-	22,360	-
Noncurrent portion of long-term obligations	2,150,000	177,000	33,000	-	2,360,000	-
Total noncurrent liabilities	<u>2,169,240</u>	<u>178,560</u>	<u>34,560</u>	<u>-</u>	<u>2,382,360</u>	<u>-</u>
Total liabilities	<u>2,872,525</u>	<u>364,823</u>	<u>80,610</u>	<u>3,126</u>	<u>3,321,084</u>	<u>76,936</u>
NET ASSETS						
Invested in capital assets, net of related debt	3,108,991	1,248,947	989,621	256,904	5,604,463	-
Restricted for:						
Debt service	379,748	126,773	24,142	-	530,663	-
Unrestricted	6,261,858	1,035,544	860,843	70,915	8,229,160	77,042
Total net assets	<u>\$ 9,750,597</u>	<u>\$ 2,411,264</u>	<u>\$ 1,874,606</u>	<u>\$ 327,819</u>	<u>\$ 14,364,286</u>	<u>\$ 77,042</u>

See notes to financial statements.

CITY OF WAYNE, NEBRASKA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS**

For the year ended September 30, 2006

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Transfer Station		
Operating revenues:						
User charges	\$ 5,185,094	\$ 519,630	\$ 337,940	\$ 162,943	\$ 6,205,607	\$ -
Health insurance premiums	-	-	-	-	-	291,807
Other revenue	72,158	3,603	2,406	-	78,167	-
Total operating revenues	<u>5,257,252</u>	<u>523,233</u>	<u>340,346</u>	<u>162,943</u>	<u>6,283,774</u>	<u>291,807</u>
Operating expenses:						
Cost of power	2,574,221	-	-	-	2,574,221	-
Personnel	774,333	136,983	137,364	34,081	1,082,761	-
Contract services	30,065	49,807	50,453	110,107	240,432	-
Commodities	385,979	62,549	77,557	10,723	536,808	-
Payments in lieu of taxes	325,741	33,561	21,536	-	380,838	-
Insurance claims and health premiums	-	-	-	-	-	259,850
Depreciation	401,763	125,439	107,958	19,239	654,399	-
Amortization	3,591	-	-	-	3,591	-
Total operating expenses	<u>4,495,693</u>	<u>408,339</u>	<u>394,868</u>	<u>174,150</u>	<u>5,473,050</u>	<u>259,850</u>
Operating income (loss)	761,559	114,894	(54,522)	(11,207)	810,724	31,957
Nonoperating revenues (expenses):						
Interest income	241,743	43,295	29,978	1,147	316,163	4,331
Interest expense	(91,630)	(17,433)	(2,989)	-	(112,052)	-
Gain (loss) on sale of assets	(43,695)	-	-	-	(43,695)	-
Grant income	20,675	-	-	-	20,675	-
Unrealized gain (loss) on investments	(34,117)	(4,639)	(1,894)	-	(40,650)	65
Total nonoperating revenues (expenses)	<u>92,976</u>	<u>21,223</u>	<u>25,095</u>	<u>1,147</u>	<u>140,441</u>	<u>4,396</u>
Income (loss) before interfund transfers	854,535	136,117	(29,427)	(10,060)	951,165	36,353
Interfund transfers:						
Transfer to other funds	(48,862)	-	-	-	(48,862)	-
Change in net assets	805,673	136,117	(29,427)	(10,060)	902,303	36,353
Net assets - September 30, 2005, as previously reported	8,944,924	2,275,147	1,904,033	351,155	13,475,259	143,302
Restatement of net assets (note A2)	-	-	-	(13,276)	(13,276)	(102,613)
Net assets - September 30, 2005, as restated	<u>8,944,924</u>	<u>2,275,147</u>	<u>1,904,033</u>	<u>337,879</u>	<u>13,461,983</u>	<u>40,689</u>
Net assets - September 30, 2006	<u>\$ 9,750,597</u>	<u>\$ 2,411,264</u>	<u>\$ 1,874,606</u>	<u>\$ 327,819</u>	<u>\$ 14,364,286</u>	<u>\$ 77,042</u>

See notes to financial statements.

CITY OF WAYNE, NEBRASKA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

For the year ended September 30, 2006

	Enterprise Funds	
	Electric Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 5,755,900	\$ 528,166
Receipts from other funds	-	-
Payments to suppliers	(3,865,058)	(166,853)
Payments to employees	(742,069)	(134,139)
Net cash provided by operating activities	1,148,773	227,174
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to other funds	(48,862)	-
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(315,600)	(136,724)
Proceeds from sale of property and equipment	550	-
Grant proceeds	20,675	-
Principal payments on capital debt	(235,000)	(164,000)
Interest paid on capital debt	(91,690)	(18,611)
Net cash used by capital and related financing activities	(621,065)	(319,335)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in investments	(240,101)	(4,850)
Loan to Community Development Agency	(168,100)	-
Decrease in notes receivable	-	-
Decrease in due from other funds	17,000	-
Interest received	241,743	43,295
Net cash provided (used) by investing activities	(149,458)	38,445
Increase (decrease) in cash and cash equivalents	329,388	(53,716)
Cash and cash equivalents - beginning of the year	299,663	102,583
Cash and cash equivalents - end of the year	\$ 629,051	\$ 48,867
 Composition of cash and cash equivalents:		
Cash and cash equivalents	\$ 516,421	\$ 18,694
Restricted cash and cash equivalents	112,630	30,173
Total cash and cash equivalents	\$ 629,051	\$ 48,867

Enterprise Funds			Internal Service Fund
Sewer Fund	Transfer Station	Total	
\$ 347,360	\$ 171,951	\$ 6,803,377	\$ -
-	-	-	291,807
(151,149)	(131,483)	(4,314,543)	(285,625)
(128,686)	(33,112)	(1,038,006)	-
<u>67,525</u>	<u>7,356</u>	<u>1,450,828</u>	<u>6,182</u>
-	-	(48,862)	-
(35,476)	-	(487,800)	-
-	-	550	-
-	-	20,675	-
(31,000)	-	(430,000)	-
(3,510)	-	(113,811)	-
<u>(69,986)</u>	<u>-</u>	<u>(1,010,386)</u>	<u>-</u>
(10,080)	(50,000)	(305,031)	-
-	-	(168,100)	-
-	-	-	1,493
-	-	17,000	-
29,978	1,147	316,163	3,360
<u>19,898</u>	<u>(48,853)</u>	<u>(139,968)</u>	<u>4,853</u>
17,437	(41,497)	251,612	11,035
<u>144,574</u>	<u>53,646</u>	<u>600,466</u>	<u>17,791</u>
<u>\$ 162,011</u>	<u>\$ 12,149</u>	<u>\$ 852,078</u>	<u>\$ 28,826</u>
\$ 91,351	\$ 12,149	\$ 638,615	\$ 28,826
70,660	-	213,463	-
<u>\$ 162,011</u>	<u>\$ 12,149</u>	<u>\$ 852,078</u>	<u>\$ 28,826</u>

CITY OF WAYNE, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS, Continued**

For the year ended September 30, 2006

	Enterprise Funds	
	Electric Fund	Water Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 761,559	\$ 114,894
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	401,763	125,439
Amortization expense	3,591	-
Change in assets and liabilities:		
Accounts receivable	(7,052)	4,933
Inventories	19,248	(11,130)
Accounts payable	(68,300)	(9,806)
Customer deposits	5,700	-
Accrued expenses	32,264	2,844
Net cash provided by operating activities	\$ 1,148,773	\$ 227,174

See notes to financial statements.

<u>Enterprise Funds</u>				<u>Internal Service Fund</u>
<u>Sewer Fund</u>	<u>Transfer Station</u>		<u>Total</u>	
\$ (54,522)	\$ (11,207)		\$ 810,724	\$ 31,957
107,958	19,239		654,399	-
-	-		3,591	-
7,014	9,008		13,903	-
-	-		8,118	-
(1,603)	(10,653)		(90,362)	93
-	-		5,700	-
8,678	969		44,755	(25,868)
<u>\$ 67,525</u>	<u>\$ 7,356</u>		<u>\$ 1,450,828</u>	<u>\$ 6,182</u>

CITY OF WAYNE, NEBRASKA

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

September 30, 2006

	Agency Fund
ASSETS	
Cash	\$ 34,466
Investments	14,674
Sales tax receivable	19,944
Interest receivable	44
Other receivables	293
Total assets	<u>\$ 69,421</u>
LIABILITIES	
Agency liabilities	<u>\$ 69,421</u>
Total liabilities	<u>\$ 69,421</u>

See notes to financial statements.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

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CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Wayne, Nebraska (City) are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units 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 GASB pronouncements, in which case GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note.

1. Financial Reporting Entity

The City of Wayne, Nebraska, was incorporated in 1884. The City operates under a Mayor-Council form of government with an elected Mayor, and an elected legislative body, Council, composed of eight members. The Mayor is elected at large for a four-year term, and the eight members of the City Council are elected, two from each of four wards, on alternating four-year terms. The administration of the City government is performed under the direction of the Mayor by the City Administrator. Services provided to residents include public safety, highways and streets, planning and zoning, parks, recreation, development, electric, water and sanitary sewer systems, transfer station and general administrative services.

The City's financial reporting entity comprises the following:

Primary Government:	City of Wayne
Discretely Presented Component Units:	Wayne Municipal Airport Community Development Agency

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and has included all organizations that make up the City's legal entity and all component units. Consistent with applicable guidance, the criteria used by the City to include component units within its reporting entity are financial accountability and the nature and significance of the relationship. The City includes organizations as component units under the following financial accountability criteria:

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

- (1) Organizations for which the City Council appoints a voting majority of the organizations' governing body and for which (a) the City is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.
- (2) Organizations which are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the City.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The following are the discretely presented component units:

**Brief Description of Activities and Relationship
To The City:**

Wayne Municipal Airport

Established to provide for the operation of the Wayne Airport. The five-member board is elected by the general public. The component unit information was obtained from financial statements which can be obtained by contacting the Wayne Municipal Airport.

Community Development Agency

Established to promote economic development in the City of Wayne. The City Council comprises the board of the CDA.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation

Restatement of Net Assets/Fund Balances

	<u>Governmental</u>	<u>Business-Type</u>
Beginning net assets, September 30, 2005	\$ 13,533,307	\$ 13,618,559
Transfer Station – write-off accounts receivable	-	(13,276)
Internal Service Fund –		
Reclass to governmental activities	143,302	(143,300)
Accrue post-employment benefits	(102,613)	-
General Fund - Adjust Flex Plan liability to actual	(9,482)	-
Sales Tax Fund - Accrued interest payable	(26,135)	-
Debt Service Fund - Accrued interest payable	(20,932)	-
Remove bond defeasement costs from governmental activities	(41,600)	-
Variance in prior year government-wide reconciling items	<u>6,522</u>	<u>-</u>
Total restatements	<u>(50,938)</u>	<u>(156,576)</u>
Restated net assets, September 30, 2005	\$ <u>13,482,369</u>	\$ <u>13,461,983</u>

Component Unit:

	<u>Net Assets</u>
Beginning Net Assets, September 30, 2005	
Wayne Municipal Airport	\$ -
Net asset restatements:	
Add Component Unit	<u>1,384,666</u>
Component Unit net assets, September 30, 2005	\$ <u>1,384,666</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Government-Wide Financial Statement

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 or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Governmental Funds, continued

Special Revenue Funds

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

Capital Project Funds

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects. The reporting entity includes one Capital Project Fund to account for the acquisition of capital assets with transfers made from Governmental Funds and another to account for the special assessments.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the City's general obligation bonds.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Internal Service Funds

The Internal Service Funds account for activities that provide goods and services to other funds, departments or agencies of the primary government and its component units on a cost-reimbursement basis.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
Governmental:	
General	See above for description.
Capital Projects	See above for description.
Sales Tax	The Sales Tax Fund is a special revenue fund that accounts for local sales tax collected.
Debt Service	See above for description.
Proprietary:	
Enterprise	
Electric, water, sewer and transfer station	See above for description.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

<u>Fund</u>	<u>Brief Description</u>
<i>Nonmajor:</i>	
Special Revenue:	
Community Development	Accounts for Federal Block Grant and Housing Loans.
Enhanced 911	Accounts for the per-line telephone surcharge for the Emergency Communications System.
Internal Service	
Insurance	Accounts for the health insurance for all governmental fund type City operations.

3. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Measurement Focus, continued

- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Fiduciary funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental and business-like activities and the discretely presented component units are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and fiduciary funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability as incurred.

All proprietary funds and discretely presented component units utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

4. Assets, Liabilities, and Equity

Estimates

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

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Cash and Investments

For the purpose of the Statement of Net Assets, “cash and cash equivalents” include all demand accounts and savings accounts. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all cash on hand, demand accounts, savings accounts, and equity in pooled cash which has an original maturity of three months or less. The County Treasurer’s cash represents revenues collected not yet remitted to the City.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes B2, C1, and D2.

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

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include special assessments and property taxes. Business-type activities report utility billings and unbilled revenue as their major receivables.

In the fund financial statements, receivables in governmental funds include revenue accruals such as special assessments and property taxes since they are usually both measurable and available. Proprietary fund receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable and unbilled revenue compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Due from Other Governments

The total due from other governments consists of the following:

<u>Fund</u>	<u>Amount</u>	<u>Service</u>
General	\$ <u>81,684</u>	Sales Tax

Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to debt service and proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets that are purchased or acquired with an original cost of \$5,000 or more are accounted for as capital assets. Fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The City has elected the depreciation approach for reporting infrastructure.

Depreciation of general fixed assets and all proprietary fixed assets is recorded as an allocated 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 ranges of estimated useful lives by type of asset are as follows:

Buildings	25-50 years
Improvements	5-25 years
Machinery and Equipment	5-20 years
Utility System	10-30 years
Infrastructure	30-50 years

Prior to July 1, 1980, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost. The cost of normal maintenance, preservation and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Capital Assets, continued

Fund Financial Statements

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

Unamortized Bond Costs

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 bonds using the straight-line method. 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 using the straight-line method.

Deferred Revenues

Deferred revenues consist of property taxes and special assessments expected to be collected after 60 days.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. A portion of the liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this obligation is estimated based on historical trends. In the fund financial statements, governmental funds report only the current compensated absence liability payable from expendable available financial resources, while the proprietary funds report the total liability.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Long-term Debt, continued

Government-wide Statements

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and accrued compensated absences.

Fund Financial Statements

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

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

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

Fund Financial 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. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses

Sales and Use Tax

The City presently levies a one cent sales tax on taxable sales within the City. The sales tax is collected by the Nebraska Department of Revenue and remitted to the City in the month following receipt. The Nebraska Department of Revenue receives the sales tax approximately one month after collection by vendors. The sales tax is recorded in the Sales Tax Fund and used for the Community Activity Center bond principal and interest.

Sales taxes collected by the State in September (which represents sales for August) and received by the City in October have been accrued and are included under the caption "Due from other governments."

Property Taxes

The City has the power to levy taxes each year sufficient to pay any judgment existing against the City, the interest on bonded debt, and the principal on bonded debt maturing during the fiscal year or within 6 months thereafter, as well as taxes authorized by state law.

The tax levies for all potential subdivisions in Wayne County are certified by the County Board on or before October 15th. Real estate taxes are due on December 31st and attach as an enforceable lien and become delinquent in two equal installments on May 1st and September 1st. Personal property taxes are due in the same manner as real estate taxes. Delinquent taxes bear 14% interest.

Property taxes levied for 2005-2006 are recorded as revenue when expected to be collected within 60 days after September 30, 2006. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as deferred revenue on the fund balance sheets.

The City-owned electric, water and sewer utilities make payments in lieu of taxes (7% of gross revenues).

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character and Function

Proprietary Fund – By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

1. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include: Special Revenue, Capital Projects, Debt Service, and Agency Funds.

2. Deposit Laws and Regulations

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Deposit Laws and Regulations, continued

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agencies securities having an aggregate value at least equal to the amount of the deposits. The City's cash deposits are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC). Interest-bearing deposits, including certificates of deposit, are also insured up to \$100,000. Any cash deposits or certificates of deposit in excess of the \$100,000 FDIC limits are insured by collateral held by the pledging institution in the City's name.

3. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources are described in Note A2 for the various funds.

4. Debt Restrictions and Covenants

Bonds Payable

The various bond ordinances relating to the bonds payable contain some restrictions or covenants that are financial-related. These include covenants such as debt service coverage requirements and required reserve account balances. The City is in compliance with the bond restrictions and covenants.

5. Budgetary Data

The City is required by state laws to adopt annual budgets for all fund types. Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act.

The Nebraska Budget Act provides the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditure and/or tax levy limitations.

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

- a. On or before August 1, the City prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data, continued

- b. The budget is published with subsequent public hearings to obtain taxpayer comments.
- c. Prior to September 20, the City Council adopts the budget, which is then filed with the appropriate state and county officials.
- d. Total expenditures may not legally exceed total appropriations. Appropriations lapse at year end and any revisions require board approval.
- e. The County Clerk certifies a preliminary property tax levy for each fund of the City which levied property taxes in the county the previous year based on the combined valuation and amount required for the City the prior year. The preliminary levy becomes the final levy unless the governing board passes, by a majority vote, a resolution setting the levy at a different amount.
- f. The property tax requirements resulting from the budget process are utilized by the County Assessor to establish the tax levy. Taxes are levied annually on or before November 1. Real property taxes and personal property taxes are due December 31 with the first half delinquent May 1 and the second half delinquent September 1.
- g. Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.
- h. The City of Wayne adopts a budget by resolution for all fund types.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

1. Cash and Investments

Deposits

The City's policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose the level of custodial credit risk assumed by the City based upon how its deposits were insured or secured with collateral at September 30, 2006. The categories of credit risk are defined as follows:

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

1. Cash and Investments, continued

Deposits, continued

Category 1 – Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name; or collateralized with no written or approved collateral agreement.

Types of Deposits	Total Bank Balance	Category 1	Category 2	Category 3	Total Carrying Value
Demand deposits and money market accounts	\$ 2,922,186	\$ 425,405	\$ 2,496,781	\$ -	\$ <u>2,609,408</u>

Reconciliation to Government-wide Statement of Net Assets:

Primary Government –	
Unrestricted cash and cash equivalents	\$ 2,022,078
Restricted cash and cash equivalents	213,463
Component Unit –	
Unrestricted cash and cash equivalents	339,401
Agency Fund Cash (not included in government-wide statement)	<u>34,466</u>
	\$ <u>2,609,408</u>

Investments

The City’s policies and applicable laws regarding investments are discussed in Notes A4 and B2. The table presented below is designed to disclose the level of market risk and custodial credit risk assumed by the City (or public trust) based upon whether the investments are insured or registered and upon who holds the security at September 30, 2006. The categories of credit risk are defined as follows:

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

1. Cash and Investments, continued

Investments, continued

Category 1 – Insured or registered with securities held by the entity or its agent in the entity’s name.

Category 2 – Uninsured and unregistered with securities held by counterparty’s trust department or agent in the entity’s name.

Category 3 – Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the City’s name.

Type of Investment	Category 1	Category 2	Category 3	Carrying Amount	Fair Value
Time Deposits	\$ 4,657,032	\$ -	\$ -	\$ 4,657,032	\$ 4,657,032
U.S. Governmental Securities	-	4,178,461	-	<u>4,178,461</u>	<u>4,178,461</u>
				<u>\$ 8,835,493</u>	<u>\$ 8,835,493</u>

Reconciliation to Government-wide Statements of Net Assets:

Primary Government –	
Unrestricted investments	\$ 8,224,214
Restricted investments	596,605
Component Unit –	
Unrestricted investments	-
Restricted investments	-
Agency Funds (not included in government-wide statements)	<u>14,674</u>
	<u>\$ 8,835,493</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

2. Restricted Assets

The restricted assets as of September 30, 2006 are as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Type of Restricted Assets:				
Cash and cash equivalents	\$ -	\$ 213,463	\$ 213,463	\$ -
Investments	<u>128,967</u>	<u>467,638</u>	<u>596,605</u>	<u>-</u>
	<u>\$ 128,967</u>	<u>\$ 681,101</u>	<u>\$ 810,068</u>	<u>\$ -</u>

Restricted investments for governmental activities consists of \$24,597 of General Fund investments restricted to be used for parks and \$104,370 of Sales Tax investments restricted for the Community Activity Center bond reserve.

Restricted business-type assets consist of debt service reserves of \$379,748 for the Electric Fund, \$126,773 for the Water Fund, and \$24,143 for the Sewer Fund. The Electric Fund also has \$49,721 restricted for customer deposits. The Sewer Fund has \$100,717 restricted for equipment replacement.

3. Accounts and Notes Receivable

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of Community Activity Center memberships and other minor receivables. Receivables detail at September 30, 2006 is as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Accounts receivable	\$ 17,668	\$ 613,393	\$ 631,061	\$ 300
Allowance for doubtful accounts	<u>(13,500)</u>	<u>-</u>	<u>(13,500)</u>	<u>-</u>
Net accounts receivable	<u>\$ 4,168</u>	<u>\$ 613,393</u>	<u>\$ 617,561</u>	<u>\$ 300</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Accounts and Notes Receivable, continued

Notes receivable for the governmental funds consist of the following at September 30, 2006:

<u>Note Held By</u>	<u>Due From</u>	<u>Note Balance at September 30 2006</u>	<u>Terms</u>
General Fund	Wayne Country Club	\$ 85,723	6%; monthly payments due over 67 months; matures 5/15/12
General Fund	Employees of the City of Wayne	751	0%; payroll deductions for firearms purchases
Debt Service Fund	Wayne Child Care	2,286	5%; monthly payments due over 84 months; matures 5/01/08
Community Development Fund	Exhaust Pros	6,925	5%; monthly payments due over 96 months; matures 4/01/08
Community Development Fund	Lindner Construction	23,320	5%; monthly payments due over 180 months; matures 1/01/17
Community Development Fund	Glen's Auto Body	33,132	5%; monthly payments due over 84 months; with a final balloon payment due 7/18/08
Community Development Fund	Wayne Area Chamber of Commerce	7,734	5%; monthly payments due over 84 months; matures 8/01/08
Community Development Fund	Renaissance Coffee House	11,659	5%; monthly payments due over 240 months; matures 5/01/21
Community Development Fund	Innovative Protectives	18,996	5%; monthly payments due over 180 months; matures 12/01/16
Community Development Fund	Innovative Protectives	3,321	4%; monthly payments due over 84 months; with a final balloon payment due 8/11/11

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Accounts and Notes Receivable, continued

<u>Note Held By</u>	<u>Due From</u>	Note Balance at September 30 <u>2006</u>	<u>Terms</u>
Community Development Fund	Sebade Construction	32,235	5%; monthly payments due over 84 months; with a final balloon payment due 6/01/09
Community Development Fund	Diamond Center Flowers and Wine	86,292	4%; monthly payments due over 84 months; with a final balloon payment due 6/13/10
Community Development Fund	Concord Components	129,476	3.625%; monthly payments due over 84 months; with a final balloon payment due 2/02/10
Community Development Fund	Farm to Market Ag Center	16,925	3.75%; monthly payments due over 84 months; with a final balloon payment due 1/15/10.
Community Development Fund	Ideal Interiors	5,116	4.25%; monthly payments due over 84 months; matures 5/15/10
Community Development Fund	Claussen & Sons Irrigation	18,282	4%; monthly payments due over 84 months; with a final balloon payment due 3/24/11
Community Development Fund	Schulz Land Surveying	17,302	4%; monthly payments due over 84 months; with a final balloon payment due 4/07/11
Community Development Fund	Jeff and Debra Morlok	100,501	4%; monthly payments due over 84 months; with a final balloon payment due 9/01/11
Community Development Fund	Dianne's Specialty Gifts	36,685	4%; monthly payments due over 84 months; with a final balloon payment due 5/15/11

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Accounts and Notes Receivable, continued

<u>Note Held By</u>	<u>Due From</u>	Note Balance at September 30 <u>2006</u>	<u>Terms</u>
Community Development Fund	Sand Creek Post and Beam	19,073	4.25%; monthly payments due over 84 months; with a final balloon payment due 4/11/12
Community Development Fund	BBL Enterprises, Inc.	24,868	4.25%; monthly payments due over 84 months; with a final balloon payment due 5/04/12
Community Development Fund	Inspiration Christian Book & Gift	8,629	4%; monthly payments due over 84 months; matures 9/01/12
Community Development Fund	Felix Industries	72,152	4.25%; monthly payments due over 84 months; matures 7/14/12
Community Development Fund	DAP loan #2006-02	14,400	0% housing loan, due when property is sold
Internal Service Fund	Employees of the City of Wayne	<u>24,181</u>	0%; payroll deduction for computer/electronic purchases
Total notes receivable		<u>\$ 799,964</u>	
Current portion		\$ 56,796	
Noncurrent portion		<u>743,168</u>	
		<u>\$ 799,964</u>	

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Capital Assets

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

	Balance at October 1, <u>2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2006</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 563,047	\$ -	\$ (1)	\$ -	\$ 563,046
Construction in progress	687,685	296,531	-	(765,179)	219,037
Total capital assets not being depreciated	1,250,732	296,531	(1)	(765,179)	782,083
Other capital assets being depreciated:					
Infrastructure	10,142,915	35,762	-	765,179	10,943,856
Improvements	1,357,001	38,984	-	-	1,395,985
Buildings	9,084,884	-	-	-	9,084,884
Machinery and equipment	1,653,718	71,573	(43,523)	-	1,681,768
Total other capital assets at historical cost	22,238,518	146,319	(43,523)	765,179	23,106,493
Less accumulated depreciation for:					
Infrastructure	(5,660,266)	(272,688)	-	-	(5,932,954)
Improvements	(586,253)	(60,346)	-	-	(646,599)
Buildings	(1,697,207)	(231,897)	-	-	(1,929,104)
Machinery and equipment	(1,320,634)	(66,000)	43,523	-	(1,343,111)
Total accumulated depreciation	(9,264,360)	(630,931) *	43,523	-	(9,851,768)
Other capital assets, net	12,974,158	(484,612)	-	765,179	13,254,725
Governmental activities capital assets, net	<u>\$ 14,224,890</u>	<u>\$ (188,081)</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$14,036,808</u>

* Depreciation expense was charged to governmental activities as follows:

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Capital Assets, continued

Governmental Activities, continued:

<u>General Fund:</u>	
General government	\$ 1,012
Public buildings	90,744
Public safety:	
Fire	35,760
Police	<u>28,860</u>
Total public safety	64,620
Public works:	
Street	299,079
Senior citizens services	2,273
Library	22,126
Recreation:	
Golf	3,730
Parks	34,733
Recreation	683
Pool	<u>20,283</u>
Total recreation	59,429
Community Activity Center:	<u>91,648</u>
Total General Fund depreciation expense	<u>\$ 630,931</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE C -- DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Capital Assets, continued

	Balance at October 1, <u>2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2006</u>
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 340,555	\$ 40,111	\$(44,246)	\$ -	\$ 336,420
Construction in progress	22,760	-	-	(22,760)	-
Total capital assets not being depreciated	363,315	40,111	(44,246)	(22,760)	336,420
Other capital assets being depreciated:					
Buildings	7,795,265	-	-	-	7,795,265
Distribution systems	9,343,060	374,470	-	22,760	9,740,290
Equipment	4,647,833	73,220	(10,589)	-	4,710,464
Total other capital assets at historical cost	21,786,158	447,690	(10,589)	22,760	22,246,019
Less accumulated depreciation for:					
Buildings	(3,854,986)	(234,769)	-	-	(4,089,755)
Distribution systems	(5,610,600)	(285,508)	-	-	(5,896,108)
Equipment	(4,097,309)	(134,122)	10,589	-	(4,220,842)
Total accumulated depreciatio	(13,562,895)	(654,399) *	10,589	-	(14,206,705)
Other capital assets, net	8,223,263	(206,709)	-	22,760	8,039,314
Business-type capital assets, net	<u>\$ 8,586,578</u>	<u>\$(166,598)</u>	<u>\$(44,246)</u>	<u>\$ -</u>	<u>\$ 8,375,734</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 401,763
Water	125,439
Sewer	107,958
Transfer Station	<u>19,239</u>
Total business-type activities depreciation expense	<u>\$ 654,399</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Capital Assets, continued

	Balance at October 1, <u>2005</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2006</u>
<u>Component Unit:</u>				
<u>Airport:</u>				
Capital assets not being depreciated:				
Land	\$ 254,347	\$ -	\$ -	\$ 254,347
Other capital assets being depreciated:				
Improvements	3,276,272	-	-	3,276,272
Buildings	545,412	-	-	545,412
Machinery and equipment	49,536	37,900	-	87,436
Total other capital assets at historical cost	3,871,220	37,900	-	3,909,120
Less accumulated depreciation for:				
Improvements	(2,562,134)	(239,788)	-	(2,801,922)
Buildings	(149,801)	(13,442)	-	(163,243)
Machinery and equipment	(49,536)	-	-	(49,536)
Total accumulated depreciation	(2,761,471)	(253,230)	-	(3,014,701)
Other capital assets, net	1,109,749	(215,330)	-	894,419
Airport capital assets, net	\$ 1,364,096	\$ (215,330)	\$ -	\$ 1,148,766

5. Accounts Payable

Payables in the general, capital projects, other governmental and proprietary funds are primarily composed of payables to vendors.

6. Long-Term Debt

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-Term Debt, continued

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended September 30, 2006:

<u>Type of Debt</u>	Balance October 1, 2005	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2006	Amounts Due Within One Year
Governmental Activities:					
Notes and bonds payable	\$ 3,825,000	\$ 1,460,000	\$ (1,565,000)	\$ 3,720,000	\$ 285,000
Capital lease	281,186	-	(281,186)	-	-
	<u>\$ 4,106,186</u>	<u>\$ 1,460,000</u>	<u>\$ (1,846,186)</u>	<u>\$ 3,720,000</u>	<u>\$ 285,000</u>
Business-Type Activities:					
Bonds payable	<u>\$ 3,230,000</u>	<u>\$ -</u>	<u>\$ (430,000)</u>	<u>\$ 2,800,000</u>	<u>\$ 440,000</u>
Component Unit:					
Notes payable	<u>\$ 172,570</u>	<u>\$ -</u>	<u>\$ (22,452)</u>	<u>\$ 150,118</u>	<u>\$ 20,052</u>

Governmental Activities:

As of September 30, 2006, the governmental long-term liabilities consisted of the following:

Note and bonds payable:

Bond anticipation note-series 2003, with original issue amount of \$660,000. Interest at 3.15 percent with final maturity September 15, 2006.	\$ -
Public safety bonds-series 2005, with original issue amount of \$630,000. Interest ranges from 3.30 to 4.40 percent with final maturity May 1, 2021. Callable after May 1, 2010.	605,000
General obligation refunding bonds-series 2005, with original issue amount of \$575,000. Interest ranges from 2.90 to 3.80 percent with final maturity June 1, 2013. Callable after May 15, 2010.	505,000

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-Term Debt, continued

Governmental Activities, continued:

Note and bonds payable, continued:

Various purpose bonds-series 2006, with original issue amount of \$800,000 issued to finance the Country Club Road, Fairway Estates and Vintage Hills Street projects. Interest ranges from 3.90 to 4.45 percent with final maturity September 15, 2018. Callable after August 15, 2011. 800,000

Sales tax revenue refunding bonds-series 2005, with original issue amount of \$1,980,000. Interest ranges from 2.50 to 4.05 percent with final maturity December 1, 2014. Callable after June 1, 2010. 1,810,000

Total note and bonds payable 3,720,000

Capital Lease:

Capital lease obligation due for a heat pump system in the Community Building dated May 1, 2002, with original issue amount of \$429,000. Interest at 5.36% with final maturity May 2009. This capital lease obligation was paid off during the year ended September 30, 2006. -

Total governmental activities long-term obligations \$ 3,720,000

Current portion \$ 285,000

Noncurrent portion 3,435,000

Total \$ 3,720,000

The Sales Tax Fund is making the principal and interest payments on the sales tax refunding bonds. The Debt Service Fund is making the other bond payments. The Capital Projects Fund makes the bond anticipation note payments. The General Fund paid the capital lease obligation.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-Term Debt, continued

Business-Type Activities:

As of September 30, 2006, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds payable:

Electric revenue refunding bonds-series 2003, with original issue amount of \$2,980,000. Interest ranges from 1.25 to 4.35 percent; with final maturity June 15, 2015.	\$ 2,390,000
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Water revenue refunding bonds-series 2002, with original issue amount of \$966,000. Interest ranges from 2.20 to 3.90 percent with final maturity on July 15, 2008.	345,000
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Sewer revenue refunding bonds-series 2002, with original issue amount of \$184,000. Interest ranges from 2.20 to 3.90 percent; with final maturity July 15, 2008.	<u>65,000</u>
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Total business-type activity bonds payable	\$ <u>2,800,000</u>
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Current portion	\$ 440,000
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Noncurrent portion	<u>2,360,000</u>
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Total	\$ <u>2,800,000</u>
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Component Unit:

Airport notes payable:

Nebraska Department of Aeronautics series 2000 Shop Hanger Airport loan, due in monthly installments through June 1, 2015, bearing no interest.	\$ 108,862
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Nebraska Department of Aeronautics series 2001 T-Hanger Airport loan, due in monthly installments through December 1, 2011, bearing no interest.	<u>41,256</u>
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Total component unit notes payable	\$ <u>150,118</u>
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Current portion	\$ 20,052
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Noncurrent portion	<u>130,066</u>
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Total	\$ <u>150,118</u>
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CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-Term Debt, continued

Component Unit, continued:

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2006, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Component Unit</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2007	\$ 285,000	\$ 139,974	\$ 440,000	\$ 102,480	\$ 20,052
2008	345,000	128,208	455,000	89,300	20,052
2009	350,000	116,526	250,000	74,250	20,052
2010	365,000	104,186	260,000	66,375	20,052
2011	400,000	91,080	265,000	57,275	20,052
2012-2016	1,530,000	244,551	1,130,000	120,583	49,858
2017-2021	445,000	45,443	-	-	-
	<u>\$ 3,720,000</u>	<u>\$ 869,968</u>	<u>\$ 2,800,000</u>	<u>\$ 510,263</u>	<u>\$ 150,118</u>

7. Interfund Transactions and Balances

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Sales Tax Fund	\$ 302,399	\$ -
E911	10,000	-
Total General Fund	312,399	-
Capital Projects Fund:		
Debt Service Fund	680,000	-
Sales Tax Fund:		
General Fund	-	302,399
Debt Service Fund:		
Electric Fund	48,862	-
Capital Projects Fund	-	680,000
Total Debt Service Fund	48,862	680,000

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

7. Interfund Transactions and Balances, continued

	<u>Transfers In</u>	<u>Transfers Out</u>
E911 Fund:		
General Fund	-	10,000
Electric Fund:		
Debt Service Fund	-	<u>48,862</u>
Total Interfund Transfers	<u>\$ 1,041,261</u>	<u>\$ 1,041,261</u>

Interfund balances:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Terms</u>
General	Electric	<u>\$ 34,500</u>	Principal of \$8,500 plus interest at 5% is due annually through October 1, 2009.
Community Development Agency	Electric	\$ 168,100	5%; due in 5 annual payments of \$38,827 through June 16, 2011
Community Development Agency	Electric	<u>10,000</u>	5%; due in 5 annual payments of \$2,310 through September 1, 2010
		<u>\$ 178,100</u>	

NOTE D – OTHER NOTES

1. Employee Pension and Other Benefit 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

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

contributions shall cease. The covered payroll amounted to \$289,576 for the year ended September 30, 2006. Both the City and the covered employees required contribution of \$17,374 was made for the year ended September 30, 2006. The employer contributes vest at the following rate: after 4 years of service 40% with an additional 10% every year thereafter until they are fully vested after year 10.

The City maintains a defined contribution plan for the City employees in accordance with Internal Revenue Code Section 457 and 401(a). 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% to the deferred compensation savings plan and City will contribute 6% of the employee's monthly salary purchase plan until such employee becomes eligible for regular retirement at which time contributions shall cease. The covered payroll amounted to \$1,113,214 for the year ended September 30, 2006. The City and the employees contributed \$66,183 and \$62,815, respectively, for the year ended September 30, 2006.

Other Post-Employment Benefits

The City will provide post-employment health insurance for three employees until they reach age 65 in accordance with the early retirement agreement. The post-retirement health insurance liability was \$76,745 as of September 30, 2006.

2. Risk Management

Insurance

The City is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The City purchases commercial insurance and administers funds for its self-insured health insurance program. 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. The City is partially self-insured for health insurance claims up to \$10,000 of individual claims. The self-insurance program is administered within the Internal Service Fund. The City maintains outside insurance coverage through an insurance policy on claim amounts

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Insurance, continued

over \$10,000. The maximum out of pocket costs would be \$3,400 for the employee and \$26,600 for the City (this is based on an employee with 2 dependents).

Settled claims in the past three years have not exceeded the commercial coverages. The City has estimated unsubmitted claims on health insurance based on prior experience to be \$191; this amount represents 2 months of subsequent claims. This has been included as a current year expenditure. A reserve of \$77,042 is established in an internal service fund at September 30, 2006.

Deposits and Investments

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the City's investments at September 30, 2006 are held by the counterparties not in the name of the City. The underlying securities consist of cash, direct obligations of or guaranteed by the full faith and credit of the U.S. Government, and other similar obligations of the U.S. Government or its agencies.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires that market conditions and investment securities be analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates. The investment maturities are as follows:

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

<u>Maturities by Month</u>	<u>Amount</u>
October, 2006	\$ 12,700
November, 2006	254,829
December, 2006	416,187
January, 2007	462,590
February, 2007	494,705
March, 2007	286,400
April, 2007	134,000
May, 2007	25,000
July, 2007	400,000
October, 2007	78,125
March, 2008	93,995
May, 2008	97,733
July, 2008	100,000
September, 2008	98,050
December, 2008	199,148
March, 2009	667,233
September, 2009	283,017
January, 2010	93,857
February, 2010	188,476
March, 2010	486,507
May, 2010	92,673
February, 2011	94,333
March, 2011	675,513
June, 2011	189,379
September, 2011	292,020
February, 2012	246,328
September, 2012	244,150
October, 2012	94,644
December, 2012	221,824
February, 2013	244,593
March, 2013	241,015
April, 2013	294,375
March, 2014	487,950

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

<u>Maturities by Month</u>	<u>Amount</u>
June, 2014	\$ 92,575
October, 2014	67,394
November, 2014	181,705
December, 2014	107,277
November, 2020	<u>95,193</u>
	<u>\$ 8,835,493</u>

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's investments consist of certificates of deposit, money market funds, and other securities backed by U.S. Government obligations minimizing credit risk associated with the City's investment portfolio.

Concentration of Credit Risk. The City's investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2006, the City's investments in certificates of deposit and U.S. Government Securities consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Farmers and Merchants Bank	\$ 453,600
First National Bank	584,356
State National Bank	1,070,760
Edward Jones	1,476,004
RBC Dain Rauscher	3,218,829
D.A. Davidson	<u>2,031,944</u>
	<u>\$ 8,835,493</u>

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City's investments had no exposure to foreign currency risk and held no investments denominated in foreign currency at September 30, 2006.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies

Construction

The City is in process on numerous construction projects of the governmental funds. The City intends to fund the construction through operations or long-term financing.

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2006</u>	<u>Obligation Pending</u>	<u>Projected Total Cost</u>	<u>Expected Completion Date</u>
Governmental Fund Projects:					
Northwest Drainage	\$ -	\$ 2,500	\$ -	unknown	Summer, 2007
Hiking Trail-Phase II	-	53,479	-	\$ 510,000	Fall, 2007
Historical Lighting	-	162,057	-	165,000	Fall, 2007
	<u>\$ -</u>	<u>\$ 218,036</u>	<u>\$ -</u>		
Community Development Agency:					
Subdivision land	<u>\$ 168,000</u>	<u>\$ 1,000</u>	<u>\$ 167,000</u>	<u>\$ 168,000</u>	October, 2006
Wayne Municipal Airport:					
Airport Layout Plan	<u>\$ 19,760</u>	<u>\$ -</u>	<u>\$ 19,760</u>	<u>\$ 19,760</u>	Year ending September 30, 2007

Lease Commitments

<u>Lessor</u>	<u>Leased Property</u>	<u>Term</u>	<u>Amount</u>
Pitney Bowes	Postage Meter	7/11/06 – 7/11/11	\$ 258/month
Pitney Bowes	Envelope Stuffer	5/01/05 – 5/01/10	\$ 379/month
De Lage Landen	Copier	10/11/05 – 10/11/10	\$ 334/month
De Lage Landen	Copier-Senior center	7/06/05 – 7/06/10	\$ 77/month
Dakota Business Systems	Copier-Library	6/10/05 – 6/10/10	\$ 67/month

The City paid rent of \$11,058 under these lease agreements during the year ended September 30, 2006.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Lease Commitments, continued

Lease commitments as of September 30, 2006 are as follows:

<u>Year ending September 30,</u>	<u>Commitment</u>
2007	\$ 13,380
2008	13,380
2009	13,380
2010	10,986
2011	<u>2,580</u>
	\$ <u>53,706</u>

Electric Department

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 \$2,574,221 for the year ended September 30, 2006.

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

4. Related Party Transactions

The Electric, Water and Sewer Funds remits 7% of gross revenues to the General Fund annually as payments in lieu of taxes. The Electric Fund made payments in the amount of \$325,741, the Water fund made payments of \$33,561, and the Sewer Fund made payments of \$21,536 for the year ended September 30, 2006.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE D – OTHER NOTES, continued

5. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2006:

Parties to Agreement	Agreement Period	Descriptions
Wayne State College, Village of Carroll and Village of Winside	12/15/98	Dispatch services/911 Service center
Wayne County Agricultural Society	3/31/01	Agreement to waive water/sewer and electrical charges incurred during the fair
Wayne Community Schools	7/9/02	Use of softball fields, associated parking and restroom facilities and program equipment
Northwest Nebraska Public Power District	10/26/04	Commitment to provide assistance to restore power after storm damage
Wayne County	5/11/04	Jointly provide dispatch service for public safety in Wayne County
Wayne State College	12/3/02	Campus Security and law enforcement services
Wayne County and Wayne County County Library Association	2/22/05	Provide all library services and materials currently available through the public libraries to all residents of the county
Providence Medical Center	6/30/03 – 7/1/06	Provide funds to defray a part of the cost of the operation of the ambulance
Rural Enterprise Assistant Project	5/10/05	Use of the services of REAP to be available for start-up and existing entrepreneurs
Onelibrary Consortium	5/10/05	The mission of the consortium of public funded libraries in the northeastern part of the State of Nebraska is to enrich the collections, share the resources, enhance the services and strengthen the support for its member libraries
Northeast Nebraska Mutual Aid Assn and Elkhorn Valley	8/30/05	Insuring the safety of the lives and property of our citizens from fire loss, medical emergencies and natural disasters
Nebraska Public Power District	8/30/05	A firm power contract for 20 years for purchase of whole sale power from NPPD
Wayne State College	7/28/03	Share wireless telecommunication resources
Lower Elkhorn Natural Resource District	5/10/05	To organize, plan and develop public recreational areas

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2006

NOTE D – OTHER NOTES, continued

6. Conduit Debt

In 1998, the Community Development Agency (CDA) issued tax increment revenue bonds in the original amount of \$150,000 for the Wane East 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.

As of September 30, 2006, the aggregate amount of conduit debt principal outstanding was \$1,059,499.

7. Subsequent Event

On October 20, 2006, the City entered into an \$85,723 lease/purchase agreement with Wells Fargo to finance mowing equipment for the Wayne Country Club. The equipment was purchased during the year ended September 30, 2006 and is shown in note C3 as a note receivable from Wayne Country Club. Under terms of the Wells Fargo lease/purchase agreement, the City will make 67 monthly payments, with interest of 6%. The agreement matures May 15, 2012. Payments received from Wayne Country Club on due note receivable will fund the payments due to Wells Fargo.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

Year ended September 30, 2006

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 557,000	\$ 588,856	\$ 31,856
Motor vehicle	-	68,234	68,234
In-lieu of tax	386,338	381,687	(4,651)
Sales tax	-	-	-
Franchise	75,000	75,181	181
Intergovernmental	1,123,221	801,030	(322,191)
Charges for services	634,736	363,674	(271,062)
Interest income	20,000	33,982	13,982
Sale of property	-	1,500	1,500
Other	20,780	515	(20,265)
	<hr/>	<hr/>	<hr/>
Total resources	2,817,075	2,314,659	(502,416)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	156,907	138,505	(18,402)
Public buildings	154,819	144,228	(10,591)
Public safety	761,803	680,270	(81,533)
Public works	294,339	275,908	(18,431)
Senior citizens services	168,424	174,574	6,150
Library	115,802	113,034	(2,768)
Recreation	380,500	284,314	(96,186)
Community Activity Center	147,116	151,313	4,197
Capital outlay	1,908,139	175,678	(1,732,461)
Principal payments on debt	299,685	281,186	(18,499)
Interest on long-term debt	14,786	14,784	(2)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	4,402,320	2,433,794	(1,968,526)
Resources over (under) charges to appropriations	(1,585,245)	(119,135)	1,466,110
OTHER FINANCING SOURCES (USES)			
Transfers in	298,821	312,399	13,578
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES/(USES) OVER/(UNDER) CHARGES TO APPROPRIATIONS	\$ (1,286,424)	\$ 193,264	\$ 1,479,688

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
CAPITAL PROJECTS FUND**

Year ended September 30, 2006

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Intergovernmental	\$ -	\$ 160,524	\$ 160,524
Special assessments	-	168,325	168,325
Interest income	4,000	8,761	4,761
Loan proceeds	<u>100,000</u>	<u>660,000</u>	<u>560,000</u>
Total resources	104,000	997,610	893,610
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Capital projects	360,381	269,448	(90,933)
Principal payments on debt	640,000	1,300,000	660,000
Interest on long-term debt	<u>5,440</u>	<u>27,475</u>	<u>22,035</u>
Total charges to appropriations	<u>1,005,821</u>	<u>1,596,923</u>	<u>591,102</u>
Resources over (under) charges to appropriations	(901,821)	(599,313)	302,508
OTHER FINANCING SOURCES			
Transfers in	<u>650,000</u>	<u>680,000</u>	<u>30,000</u>
RESOURCES AND OTHER FINANCING SOURCES OVER/(UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (251,821)</u>	<u>\$ 80,687</u>	<u>\$ 332,508</u>

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
SALES TAX FUND**

Year ended September 30, 2006

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Sales tax	\$ 405,000	\$ 483,650	\$ 78,650
Interest income	11,500	22,909	11,409
	<hr/>	<hr/>	<hr/>
Total resources	416,500	506,559	90,059
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments on debt	725,340	170,000	(555,340)
Interest on long-term debt	70,294	70,294	-
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	795,634	240,294	(555,340)
Resources over (under) charges to appropriations	(379,134)	266,265	645,399
OTHER FINANCING SOURCES			
Transfers out	(293,321)	(302,399)	(9,078)
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES OVER/(UNDER) CHARGES TO APPROPRIATIONS	\$ (672,455)	\$ (36,134)	\$ 636,321
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
DEBT SERVICE FUND**

Year ended September 30, 2006

	Budget (Original and (Final))	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Property tax	\$ 100,375	\$ 102,544	\$ 2,169
Intergovernmental	4,600	5,077	477
Special assessments	120,000	80,244	(39,756)
Interest income	2,500	20,653	18,153
Bond proceeds	<u>700,000</u>	<u>800,000</u>	<u>100,000</u>
Total resources	927,475	1,008,518	81,043
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments	120,000	95,000	(25,000)
Interest expense	67,827	44,043	(23,784)
Other expenses	<u>230,842</u>	<u>13,015</u>	<u>(217,827)</u>
Total charges to appropriations	<u>418,669</u>	<u>152,058</u>	<u>(266,611)</u>
Resources over (under) charges to appropriations	508,806	856,460	347,654
OTHER FINANCING SOURCES			
Transfer in	48,862	48,862	-
Transfer out	<u>(650,000)</u>	<u>(680,000)</u>	<u>(30,000)</u>
Net transfers	<u>(601,138)</u>	<u>(631,138)</u>	<u>(30,000)</u>
RESOURCES AND OTHER FINANCING SOURCES OVER/(UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (92,332)</u>	<u>\$ 225,322</u>	<u>\$ 317,654</u>

**BUDGETARY COMPARISON SCHEDULE -
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

Year ended September 30, 2006

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenue and Expenditures**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Sales Tax Fund</u>	<u>Debt Service Fund</u>
Sources/inflows of resources:				
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 2,314,659	\$ 997,610	\$ 506,559	\$ 1,008,518
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>(39,051)</u>	<u>5,348</u>	<u>(8,073)</u>	<u>(3,611)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,275,608</u>	<u>\$ 1,002,958</u>	<u>\$ 498,486</u>	<u>\$ 1,004,907</u>
Uses/outflows of resources:				
Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedules	\$ 2,433,794	\$ 1,596,923	\$ 240,294	\$ 152,058
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>11,836</u>	<u>(2,276)</u>	<u>(4,439)</u>	<u>(3,563)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,445,630</u>	<u>\$ 1,594,647</u>	<u>\$ 235,855</u>	<u>\$ 148,495</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF WAYNE, NEBRASKA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2006

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Community Development	E911	
ASSETS			
Cash and cash equivalents	\$ 33,445	\$ 34,415	\$ 67,860
Investments	100,000	-	100,000
Receivables			
Notes	687,023	-	687,023
Interest	2,421	-	2,421
	\$ 822,889	\$ 34,415	\$ 857,304
	\$ 822,889	\$ 34,415	\$ 857,304
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 57	\$ 57
Fund balances:			
Reserved for:			
Federal programs	822,889	-	822,889
Unreserved, reported in:			
Special Revenue Funds	-	34,358	34,358
Total fund balances	822,889	34,358	857,247
Total liabilities and fund balances	\$ 822,889	\$ 34,415	\$ 857,304
	\$ 822,889	\$ 34,415	\$ 857,304

CITY OF WAYNE, NEBRASKA

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

For the year ended September 30, 2006

	Special Revenue Funds		Total Nonmajor Governmental Funds
	<u>Community Development</u>	<u>E911</u>	<u>Funds</u>
REVENUES			
Intergovernmental	\$ 16,296	\$ -	\$ 16,296
Charges for services	-	30,886	30,886
Interest income	31,179	340	31,519
Total revenues	47,475	31,226	78,701
EXPENDITURES			
General government	1,924	-	1,924
Public safety	-	12,433	12,433
Total expenditures	1,924	12,433	14,357
Excess of revenues over expenditures	45,551	18,793	64,344
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(10,000)	(10,000)
Net change in fund balances	45,551	8,793	54,344
Fund balances - September 30, 2005	777,338	25,565	802,903
Fund balances - September 30, 2006	\$ 822,889	\$ 34,358	\$ 857,247

CITY OF WAYNE, NEBRASKA

**COMBINING STATEMENTS OF NET ASSETS -
COMPONENT UNITS**

September 30, 2006

	<u>Wayne Municipal Airport</u>	<u>Community Development Agency</u>	<u>Total Component</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 185,001	\$ 154,400	\$ 339,401
County treasurer cash	5,400	-	5,400
Receivables			
Property tax	1,000	-	1,000
TIF	-	16,169	16,169
Accounts receivable	300	-	300
Total current assets	<u>191,701</u>	<u>170,569</u>	<u>362,270</u>
Noncurrent assets:			
Capital assets:			
Land	254,347	-	254,347
Land improvements	3,276,272	-	3,276,272
Buildings	545,412	-	545,412
Equipment	87,436	-	87,436
Accumulated depreciation	<u>(3,014,701)</u>	<u>-</u>	<u>(3,014,701)</u>
Net capital assets	<u>1,148,766</u>	<u>-</u>	<u>1,148,766</u>
Total assets	1,340,467	170,569	1,511,036
LIABILITIES			
Current liabilities:			
Due to the City of Wayne	-	178,100	178,100
Current portion of long-term debt	20,052	-	20,052
Total current liabilities	<u>20,052</u>	<u>178,100</u>	<u>198,152</u>
Noncurrent liabilities:			
Noncurrent portion of long-term debt	<u>130,066</u>	<u>-</u>	<u>130,066</u>
Total liabilities	150,118	178,100	328,218
NET ASSETS			
Invested in capital assets, net of related debt	998,648	-	998,648
Unrestricted	191,701	(7,531)	184,170
Total net assets	<u>\$ 1,190,349</u>	<u>\$ (7,531)</u>	<u>\$ 1,182,818</u>

CITY OF WAYNE, NEBRASKA

**COMBINING STATEMENT OF ACTIVITIES -
COMPONENT UNITS**

For the year ended September 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Wayne Municipal Airport:			
Airport	\$ 318,740	\$ 36,336	\$ 4,903
Community Development Agency:			
Economic development	<u>7,531</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 326,271</u>	<u>\$ 36,336</u>	<u>\$ 4,903</u>

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
	<u>Airport Authority</u>	<u>Community Development Agency</u>	<u>Total Component Units</u>
\$ -	\$ (277,501)	\$ -	\$ (277,501)
-	-	(7,531)	(7,531)
<u>\$ -</u>	<u>(277,501)</u>	<u>(7,531)</u>	<u>(285,032)</u>
General revenues:			
Taxes:			
Property	74,113	-	74,113
State allocation	5,394	-	5,394
Interest income	3,423	-	3,423
Other income	254	-	254
Total general revenues	<u>83,184</u>	<u>-</u>	<u>83,184</u>
Change in net assets	(194,317)	(7,531)	(201,848)
Net assets - beginning of year	<u>1,384,666</u>	<u>-</u>	<u>1,384,666</u>
Net assets - end of year	<u>\$ 1,190,349</u>	<u>\$ (7,531)</u>	<u>\$ 1,182,818</u>

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

To the Honorable Mayor and Members of the City Council
City of Wayne, Nebraska

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary fund of the City of Wayne, Nebraska as of and for the year ended September 30, 2006, which collectively comprise the City of Wayne, Nebraska's basic financial statements and have issued our report thereon dated December 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Wayne 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 an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition noted is as follows:

Segregation of Duties

Due to limited number of personnel, there is not adequate segregation of duties to ensure internal control over cash receipts, disbursements, and recording of transactions.

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A PROFESSIONAL
CORPORATION

A material weakness is a reportable 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 caused by error or fraud in 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the State of Nebraska Auditor of Public Accounts and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anguist, Maltzahn,
Galloway & Luth, P.C.*

Grand Island, Nebraska
December 5, 2006