

CITY OF WAYNE, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2007

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, 2007, 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 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, 2007, 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.

1203 W 2nd Street
PO Box 1407
Grand Island, NE 68802
Ph. 308-381-1810
Fax 308-381-4824
Email: cpa@gicpas.com

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2008, 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 68 through 72 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.

*Angquist, Maltzahn,
Galloway: Luch, P.C.*

Grand Island, Nebraska
January 26, 2008

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2007

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, 2007. 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 \$30,038,952 (*net assets*). Of this amount, \$10,714,829 (*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 \$14,537,760. Approximately 11.4 percent of this total amount, \$1,660,635, is *unrestricted net assets*.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,038,670, or 42.3 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, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2007

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* is 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, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2007

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 27-67 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 68-72 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 73-76 of this report.

**CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2007**

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 \$30,038,952 at the close of the most recent fiscal year.

Net Assets

	September 30, 2007			September 30, 2006		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 4,895,199	\$ 10,129,313	\$ 15,024,512	\$ 4,746,008	\$ 9,309,636	\$ 14,055,644
Capital Assets	13,605,708	8,250,895	21,856,603	14,036,808	8,375,734	22,412,542
Total Assets	<u>18,500,907</u>	<u>18,380,208</u>	<u>36,881,115</u>	<u>18,782,816</u>	<u>17,685,370</u>	<u>36,468,186</u>
Long-term Liabilities	2,893,060	1,929,940	4,823,000	3,464,640	2,382,360	5,847,000
Other Liabilities	1,070,087	949,076	2,019,163	1,136,653	938,724	2,075,377
Total Liabilities	<u>3,963,147</u>	<u>2,879,016</u>	<u>6,842,163</u>	<u>4,601,293</u>	<u>3,321,084</u>	<u>7,922,377</u>
Net Assets						
Invested in Capital Assets:						
Net of Related Debt	10,465,492	5,916,033	16,381,525	10,388,913	5,604,463	15,993,376
Restricted	2,411,633	530,965	2,942,598	2,083,329	530,663	2,613,992
Unrestricted	1,660,635	9,054,194	10,714,829	1,709,281	8,229,160	9,938,441
Total Net Assets	<u>\$ 14,537,760</u>	<u>\$ 15,501,192</u>	<u>\$ 30,038,952</u>	<u>\$ 14,181,523</u>	<u>\$ 14,364,286</u>	<u>\$ 28,545,809</u>

By far the largest portion of the City of Wayne's net assets (54.5 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), less any related debt used to acquire those assets that is 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 (9.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$10,714,829) 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, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2007

Expenses and Program Revenues - Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2007</u>		<u>Year Ended September 30, 2006</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 67,265	\$ 147,114	\$ 50,298	\$ 127,909
Public Safety	137,764	826,498	143,033	694,193
Public Works	2,892	365,958	161,449	275,908
Public Buildings	26,082	156,621	14,585	144,228
Recreation	53,759	260,781	98,483	284,314
Community Activity Center	89,708	161,104	72,283	151,313
Library	10,479	147,428	9,535	113,034
Senior Citizens Services	146,326	166,852	145,874	174,574
Interest	-	138,036	-	153,964
Depreciation	-	654,505	-	630,931
Total	<u>\$ 534,275</u>	<u>\$ 3,024,897</u>	<u>\$ 695,540</u>	<u>\$ 2,750,368</u>

Revenues by Source - Governmental Activities

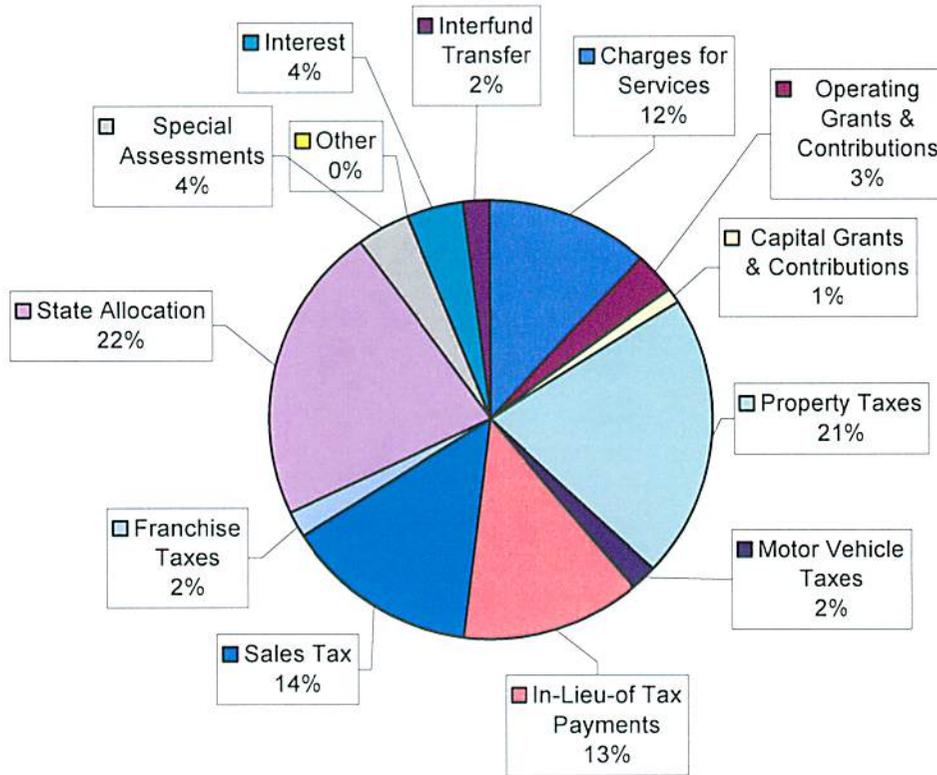
SOURCES OF REVENUE

	<u>Year Ended September 30, 2007</u>		<u>Year Ended September 30, 2006</u>	
Charges for Services	\$ 405,800	12.00 %	\$ 389,744	11.30 %
Operating Grants and Contributions	89,953	2.66	112,655	3.27
Capital Grants and Contributions	38,522	1.14	193,141	5.60
Property Taxes	693,964	20.52	645,795	18.72
Motor Vehicle Taxes	72,501	2.14	68,234	1.98
In-Lieu-of Tax Payments	443,949	13.13	381,687	11.06
Sales Tax	485,621	14.36	475,517	13.78
Franchise Taxes	75,495	2.23	75,181	2.18
State Allocation	736,611	21.79	677,131	19.63
Special Assessments	146,901	4.35	248,569	7.21
Other	1,585	0.05	515	0.01
Interest	141,288	4.18	129,014	3.74
(Loss) Gain on Sale of Assets	(13,763)	(0.41)	1,500	0.04
Unrealized Gain on Investments	8,704	0.26	1,977	0.06
Interfund Transfer	54,003	1.60	48,862	1.42
Total	<u>\$ 3,381,134</u>	<u>100.00 %</u>	<u>\$ 3,449,522</u>	<u>100.00 %</u>

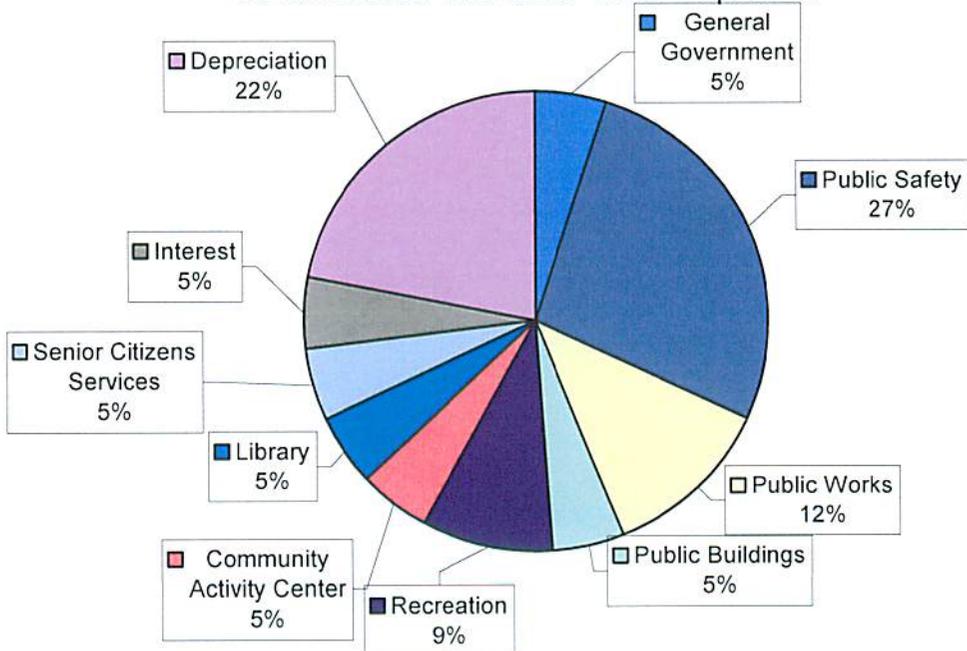
Net assets increased \$356,237 in the governmental funds during the year ended September 30, 2007.

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2007

Governmental Activities - 2007 Revenue



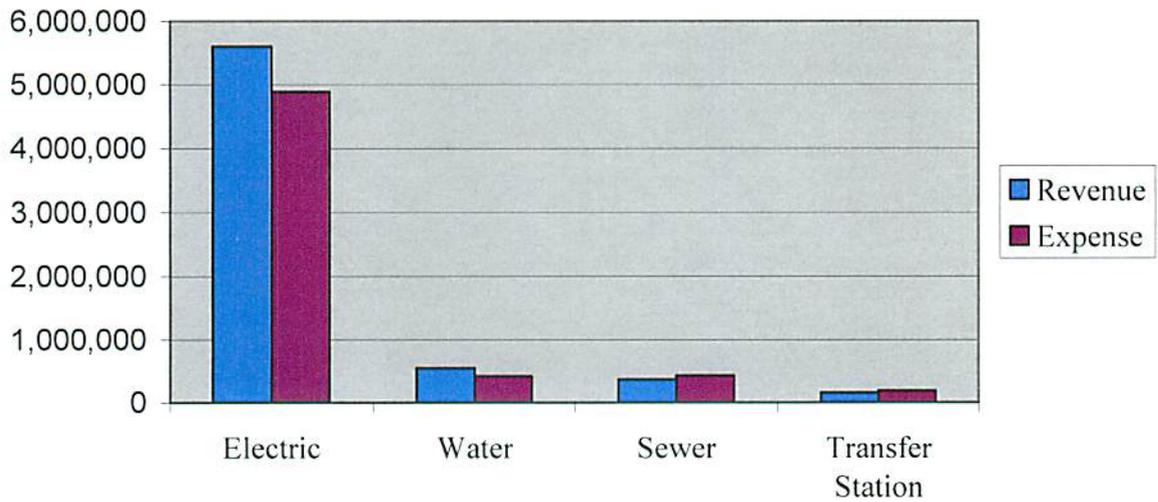
Governmental Activities - 2007 Expenses



CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2007

Business-type activities. Business-type activities increased the City of Wayne's net assets by \$1,136,906, accounting for 76.1 percent of the total growth in the government's net assets for the year ended September 30, 2007. Key elements of this increase are as follows:

2007 Expenses and Program Revenues - Business-type Activities



Expenses and Program Revenues - Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2007</u>		<u>Year Ended September 30, 2006</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 5,601,161	\$ 4,884,163	\$ 5,277,927	\$ 4,587,323
Water	546,207	413,774	523,233	425,772
Sewer	366,797	422,684	340,346	397,857
Transfer Station	153,011	183,397	162,943	174,150
Total	6,667,176	5,904,018	6,304,449	5,585,102
Interfund Transfer	-	54,003	-	48,862
	<u>\$ 6,667,176</u>	<u>\$ 5,958,021</u>	<u>\$ 6,304,449</u>	<u>\$ 5,633,964</u>

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2007

Revenues by Source - Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2007</u>		<u>Year Ended September 30, 2006</u>	
Charges for Services	\$ 6,667,176	93.97 %	\$ 6,283,774	96.13 %
Capital Grants and Contributions	-	-	20,675	0.32
Interest	345,839	4.87	316,163	4.84
Unrealized Gain (Loss) on Investment	81,912	1.16	(40,650)	(0.62)
Gain (Loss) on Sale of Assets	-	-	(43,695)	(0.67)
Total	<u>\$ 7,094,927</u>	<u>100.00 %</u>	<u>\$ 6,536,267</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 \$4,010,481. Approximately 38.2 percent of this total amount (\$1,533,803) 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 (\$1,309,158), 2) for street improvements (\$192,510), 3) for Federal loan programs (\$885,789), 4) for park expenditures (\$24,176), or 5) for golf course expenditures (\$65,045).

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 \$1,038,670, while total fund balance reached \$1,320,401. 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 42.3 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 \$4,169 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 - \$7,115,346, Water Fund - \$1,051,331, Sewer Fund - \$861,205, and Transfer Station -

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2007

\$26,312. The growth in net assets for the proprietary funds was as follows: Electric Fund - \$987,527 and Water Fund - \$191,288. The Sewer Fund net assets decreased \$(11,433) and the Transfer Station net assets decreased \$(30,476). 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, 2007, amounts to \$21,856,603 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, 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:

- Asphalt overlay on Sherman - \$59,360
- Ford police car - \$23,834
- Snowblower - \$52,044
- Landfill land - \$33,331
- Paint and renovate West Standpipe - \$86,754
- 2007 Ford pickup for Sewer Department - \$24,729
- 2007 Manhole rehab - \$20,561
- Heat exchanger - \$32,016
- 2007 Tech purchases - \$22,539
- 2007 Electric distribution system improvements - \$104,559

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2007

City of Wayne's Capital Assets
(net of depreciation)

	<u>Year Ended September 30, 2007</u>			<u>Year Ended September 30, 2006</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Land	\$ 563,046	\$ 369,751	\$ 932,797	\$ 563,046	\$ 336,420	\$ 899,466
Construction in Progress	247,367	162,237	409,604	219,037	-	219,037
Infrastructure Improvements	4,783,583	-	4,783,583	5,010,902	-	5,010,902
Buildings	693,000	-	693,000	749,386	-	749,386
Equipment	6,944,004	3,516,534	10,460,538	7,155,780	3,705,510	10,861,290
Distribution Systems	374,708	432,283	806,991	338,657	489,622	828,279
	-	3,770,090	3,770,090	-	3,844,182	3,844,182
Total	<u>\$ 13,605,708</u>	<u>\$ 8,250,895</u>	<u>\$ 21,856,603</u>	<u>\$ 14,036,808</u>	<u>\$ 8,375,734</u>	<u>\$ 22,412,542</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 \$5,565,000. Of this amount, \$1,800,000 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, 2007</u>			<u>Year Ended September 30, 2006</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
General Obligation Bonds	\$ 1,225,000	\$ -	\$ 1,225,000	\$ 1,305,000	\$ -	\$ 1,305,000
Public Safety Bonds	575,000	-	575,000	605,000	-	605,000
Revenue Bonds	1,405,000	2,360,000	3,765,000	1,810,000	2,800,000	4,610,000
Total	<u>\$ 3,205,000</u>	<u>\$ 2,360,000</u>	<u>\$ 5,565,000</u>	<u>\$ 3,720,000</u>	<u>\$ 2,800,000</u>	<u>\$ 6,520,000</u>

The City of Wayne's total debt decreased by \$955,000 (14.6 percent) during the current fiscal year.

The City of Wayne paid scheduled principal payments and did not issue any new long-term debt during the year.

Additional information on the City of Wayne's long-term debt can be found in Note C6 on pages 54-57 of this report.

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2007

Economic Factors and Next Year's Budgets and Rates

The City of Wayne is in a strong financial position. The budget adopted for 2007-2008 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 2007-2008, those priorities included: develop the land purchased for Industrial Development, improve communications with public, work toward a sustainable budget, increase availability of affordable housing by completing the development of an affordable housing subdivision, implement the new user fees rates, complete rate reviews for utilities and implement recommendations. Wayne Industries with work on consideration of LB840 for economic development and continuation of the city sales tax.

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 since the Downtown Improvement project that took place during the current fiscal year placed a hardship on our existing downtown businesses.

The construction of the two new banks within the last two years indicates that the economy of the City of Wayne appears to be strong. The telemarketing business which opened their doors last year is looking to expand 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 adjusted them accordingly. We are awaiting the rate study on the sewer rates to determine what we need to look at for a rate increase. One of the reasons for looking at the rates is to cover the cost of upgrading or replacing the current Treatment Plant.

We have addressed the Transfer Station rates so they cover the costs associated with the closed landfill. The city is working on bank stabilization on the land along the west side of Logan Creek. The engineer's estimates for that project are \$274,185.

Capital items for 2007 include ongoing street maintenance projects, equipment purchases, park improvement projects, including the summer sports complex project, improvements to the City's bike/hike trail system, replacement of the roof on the senior center/library, purchasing generators and equipping city facilities to be able to use the generators in case of emergencies, infrastructure for the Western Ridge subdivision and the Kardell Industrial subdivision, replacing the water line to the Muhs Acres subdivision currently being served with city water, bank stabilization of Logan Creek, roof repairs at the Power Plant, updating of the Power Plant monitoring system, and completion of the Pine Heights electrical project.

The city has conversed with EPA officials and ascertained that we have some time to determine what we are going to do with our treatment plant. Currently we plan to adjust the sewer rates to start accumulating funds for replacement of the treatment plant. We plan to do maintenance work to keep the current plant in good running condition and try to find a more economical

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2007

solution for replacing the plant. Newer methods of treating sewage that are being used in other countries may be more cost effective to consider.

The Community Development Agency Fund purchased industrial development land and land that is going to be used for an affordable housing development. Our goal is to install the initial infrastructure in both development areas, begin the construction of the 17 houses over the next three years, and construct a speculative building for the industrial site. Both of these will be grant-assisted projects.

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 decreased by \$0.003662 per \$100 of valuation for the upcoming fiscal year.

Request for Information

This financial report is designed to provide a general overview of the City 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, 2007

	Primary Government			Component <u>Units</u>
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,308,828	\$ 345,245	\$ 1,654,073	\$ 273,317
Investments	1,709,878	7,466,500	9,176,378	-
County treasurer cash	48,166	-	48,166	4,201
Receivables				
Property tax	36,478	-	36,478	3,745
Special assessments	598,417	-	598,417	-
Accounts, net of allowance for doubtful accounts	14,310	689,049	703,359	74,892
Unbilled revenue	-	222,664	222,664	-
Interest	18,437	44,201	62,638	-
Current portion of notes	53,027	-	53,027	-
TIF	-	-	-	9,578
Due from other governments	85,678	-	85,678	-
Due (to)/from other funds	(27,107)	27,107	-	-
Due from component units	523	398,555	399,078	-
Prepaid insurance	-	-	-	3,144
Inventory	-	197,343	197,343	-
Total current assets	3,846,635	9,390,664	13,237,299	368,877
Noncurrent assets:				
Restricted cash and cash equivalents	-	245,592	245,592	-
Restricted investments	194,887	467,919	662,806	-
Noncurrent notes receivable	788,893	-	788,893	-
Unamortized bond costs	64,784	25,138	89,922	-
Capital assets				
Land and construction in progress	810,413	531,988	1,342,401	718,984
Other capital assets, net of depreciation	12,795,295	7,718,907	20,514,202	751,092
Net capital assets	13,605,708	8,250,895	21,856,603	1,470,076
Total noncurrent assets	14,654,272	8,989,544	23,643,816	1,470,076
Total assets	18,500,907	18,380,208	36,881,115	1,838,953
LIABILITIES				
Current liabilities:				
Accounts payable	36,321	302,317	338,638	79,210
Accrued expenses	171,620	140,750	312,370	-
Customer deposits	-	51,009	51,009	-
Due to the City of Wayne	-	-	-	399,078
Deferred revenue	517,146	-	517,146	2,801
Current portion of long-term obligations	345,000	455,000	800,000	20,052
Total current liabilities	1,070,087	949,076	2,019,163	501,141
Noncurrent liabilities:				
Compensated absences - noncurrent	33,060	24,940	58,000	-
Noncurrent portion of long-term obligations	2,860,000	1,905,000	4,765,000	109,974
Total noncurrent liabilities	2,893,060	1,929,940	4,823,000	109,974
Total liabilities	3,963,147	2,879,016	6,842,163	611,115
NET ASSETS				
Invested in capital assets, net of related debt	10,465,492	5,916,033	16,381,525	1,014,811
Restricted for:				
Debt service	1,309,158	530,965	1,840,123	-
Federal loan programs	885,789	-	885,789	-
Street improvements	192,510	-	192,510	-
Parks	24,176	-	24,176	-
Unrestricted	1,660,635	9,054,194	10,714,829	213,027
Total net assets	\$ 14,537,760	\$ 15,501,192	\$ 30,038,952	\$ 1,227,838

See notes to financial statements.

CITY OF WAYNE, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 147,114	\$ 28,743	\$ -
Public buildings	156,621	26,082	-
Public safety	826,498	135,208	2,556
Public works	365,958	2,892	-
Senior citizens services	166,852	63,929	82,397
Library	147,428	5,479	5,000
Recreation	260,781	53,759	-
Community Activity Center	161,104	89,708	-
Interest and related expenses	138,036	-	-
Depreciation - unallocated	654,505	-	-
Total governmental activities	3,024,897	405,800	89,953
Business-type activities:			
Electric	4,884,163	5,601,161	-
Water	413,774	546,207	-
Sewer	422,684	366,797	-
Transfer Station	183,397	153,011	-
Total business-type activities	5,904,018	6,667,176	-
Total primary government	\$ 8,928,915	\$ 7,072,976	\$ 89,953
Component units:			
Wayne Municipal Airport	\$ 235,584	\$ 36,741	\$ -
Community Development Agency	3,962	5,883	-
Total component units	\$ 239,546	\$ 42,624	\$ -

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	
\$ 38,522	\$ (79,849)		\$ (79,849)	
-	(130,539)		(130,539)	
-	(688,734)		(688,734)	
-	(363,066)		(363,066)	
-	(20,526)		(20,526)	
-	(136,949)		(136,949)	
-	(207,022)		(207,022)	
-	(71,396)		(71,396)	
-	(138,036)		(138,036)	
-	(654,505)		(654,505)	
<u>38,522</u>	<u>(2,490,622)</u>	<u>\$ -</u>	<u>(2,490,622)</u>	
-	-	716,998	716,998	
-	-	132,433	132,433	
-	-	(55,887)	(55,887)	
-	-	(30,386)	(30,386)	
<u>-</u>	<u>-</u>	<u>763,158</u>	<u>763,158</u>	
<u>\$ 38,522</u>	<u>(2,490,622)</u>	<u>763,158</u>	<u>(1,727,464)</u>	
\$ 145,303				\$ (53,540)
-				1,921
<u>\$ 145,303</u>				<u>(51,619)</u>
General revenues:				
Taxes:				
Property	693,964	-	693,964	70,565
Motor vehicle	72,501	-	72,501	3,678
In-lieu-of tax	443,949	-	443,949	-
Sales tax	485,621	-	485,621	-
Franchise	75,495	-	75,495	-
State allocation	736,611	-	736,611	1,961
Special assessments	146,901	-	146,901	-
Miscellaneous	1,585	-	1,585	250
Interest income	141,288	345,839	487,127	4,069
Gain (loss) on sale of assets	(13,763)	-	(13,763)	16,116
Unrealized gain (loss) on investments	8,704	81,912	90,616	-
Interfund transfers	54,003	(54,003)	-	-
Total general revenues	<u>2,846,859</u>	<u>373,748</u>	<u>3,220,607</u>	<u>96,639</u>
Change in net assets	356,237	1,136,906	1,493,143	45,020
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>
Net assets - September 30, 2007	<u>\$ 14,537,760</u>	<u>\$ 15,501,192</u>	<u>\$ 30,038,952</u>	<u>\$ 1,227,838</u>

CITY OF WAYNE, NEBRASKA

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

September 30, 2007

	<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	\$ 213,629	\$ 24,068	\$ 816,145	\$ 170,469	\$ 50,220	\$ 1,274,531
Investments	1,082,963	258,766	-	218,132	50,017	1,609,878
County treasurer cash	40,600	-	-	7,566	-	48,166
Receivables						
Special assessments	-	-	-	598,417	-	598,417
Accounts, net of allowance for doubtful accounts	9,077	-	-	-	-	9,077
Notes receivable	3,527	-	-	-	821,515	825,042
Interest	12,458	285	673	2,383	2,365	18,164
Property tax	30,889	-	-	5,589	-	36,478
Due from other governments	-	-	85,678	-	-	85,678
Due from component units	523	-	-	-	-	523
Restricted assets:						
Investments	90,374	-	104,513	-	-	194,887
Total assets	\$ 1,484,040	\$ 283,119	\$ 1,007,009	\$ 1,002,556	\$ 924,117	\$ 4,700,841
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 24,504	\$ -	\$ -	\$ -	\$ -	\$ 24,504
Accrued expenses	88,865	-	16,841	15,897	-	121,603
Due to other funds	27,107	-	-	-	-	27,107
Deferred revenue	23,163	-	-	493,983	-	517,146
Total liabilities	163,639	-	16,841	509,880	-	690,360
Fund balances (deficit):						
Reserved for:						
Debt service	-	-	816,482	492,676	-	1,309,158
Federal programs	-	-	-	-	885,789	885,789
Street improvements	192,510	-	-	-	-	192,510
Golf course	65,045	-	-	-	-	65,045
Parks	24,176	-	-	-	-	24,176
Unreserved	1,038,670	283,119	173,686	-	38,328	1,533,803
Total fund balances	1,320,401	283,119	990,168	492,676	924,117	4,010,481
Total liabilities and fund balances	\$ 1,484,040	\$ 283,119	\$ 1,007,009	\$ 1,002,556	\$ 924,117	\$ 4,700,841

See notes to financial statements.

CITY OF WAYNE, NEBRASKA

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

September 30, 2007

Total fund balances - governmental funds		\$	4,010,481
Amounts reported for governmental <i>activities</i> 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 \$24,103,160, and the accumulated depreciation is \$10,497,452.			
			13,605,708
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 \$14,421.			
			64,784
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.			
			94,847
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	\$	(33,060)	
Bonds payable		<u>(3,205,000)</u>	<u>(3,238,060)</u>
Total net assets - governmental activities			<u>\$ 14,537,760</u>

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, 2007

	<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	\$ 586,502	\$ -	\$ -	\$ 107,462	\$ -	\$ 693,964
Motor vehicle	67,271	-	-	5,230	-	72,501
In-lieu-of tax	443,949	-	-	-	-	443,949
Sales tax	-	-	485,621	-	-	485,621
Franchise	75,495	-	-	-	-	75,495
Intergovernmental	826,564	-	-	-	38,522	865,086
Special assessments	-	-	-	146,901	-	146,901
Charges for services	373,931	-	-	-	31,869	405,800
Interest income	57,421	11,363	27,039	9,535	32,015	137,373
Sale of property	100	-	-	-	-	100
Unrealized gain on investments	4,958	1,329	143	2,274	-	8,704
Other income	1,585	-	-	-	-	1,585
Total revenues	<u>2,437,776</u>	<u>12,692</u>	<u>512,803</u>	<u>271,402</u>	<u>102,406</u>	<u>3,337,079</u>
EXPENDITURES						
General government	140,650	-	-	-	7,200	147,850
Public buildings	157,260	-	-	-	-	157,260
Public safety	816,020	-	-	-	13,336	829,356
Public works	365,930	1,834	-	-	-	367,764
Senior citizens services	167,755	-	-	-	-	167,755
Library	148,706	-	-	-	-	148,706
Recreation	262,267	-	-	-	-	262,267
Community Activity Center	161,868	-	-	-	-	161,868
Capital outlay	233,334	3,934	-	-	-	237,268
Principal payments on debt	-	-	405,000	110,000	-	515,000
Interest on long-term debt	1,725	-	52,950	76,040	-	130,715
Total expenditures	<u>2,455,515</u>	<u>5,768</u>	<u>457,950</u>	<u>186,040</u>	<u>20,536</u>	<u>3,125,809</u>
Excess (deficiency) of revenues over expenditures	(17,739)	6,924	54,853	85,362	81,870	211,270
OTHER FINANCING SOURCES (USES)						
Transfers in	21,908	-	-	54,003	-	75,911
Transfers out	-	-	(6,908)	-	(15,000)	(21,908)
Net transfers	<u>21,908</u>	<u>-</u>	<u>(6,908)</u>	<u>54,003</u>	<u>(15,000)</u>	<u>54,003</u>
Net change in fund balances	4,169	6,924	47,945	139,365	66,870	265,273
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>
Fund balances - September 30, 2007	<u>\$ 1,320,401</u>	<u>\$ 283,119</u>	<u>\$ 990,168</u>	<u>\$ 492,676</u>	<u>\$ 924,117</u>	<u>\$ 4,010,481</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, 2007

Total net change in fund balances - governmental funds	\$ 265,273
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 (\$237,268) is exceeded by depreciation expense (\$654,505) during the period.	(417,237)
Losses on the disposal of capital assets are not recognized in the governmental fund statements. However, losses on disposal of capital assets are recognized in the statement of activities.	(13,863)
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 (\$0) is exceeded amortization expense (\$7,321) during the period.	(7,321)
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.	17,805
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.	(3,420)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>515,000</u>
Change in net assets of governmental activities	<u>\$ 356,237</u>

See notes to financial statements.

CITY OF WAYNE, NEBRASKA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2007

	Enterprise Funds	
	Electric Fund	Water Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 228,951	\$ 14,734
Investments	5,881,757	942,100
Receivables		
Accounts, net of allowance for doubtful accounts	586,081	55,112
Unbilled revenue	181,893	23,402
Interest	38,166	4,666
Current portion of notes	-	-
Due from other funds	27,107	1,851
Due from Community Development Agency	398,555	-
Inventory	168,219	29,124
Total current assets	7,510,729	1,070,989
Noncurrent assets:		
Restricted cash and cash equivalents	137,805	30,651
Restricted investments	317,120	96,600
Noncurrent notes receivable	-	-
Unamortized bond costs	25,138	-
Capital assets		
Land	129,517	143,875
Construction in progress	126,009	35,079
Distribution systems	4,169,552	3,692,056
Buildings	5,950,257	141,152
Equipment	3,539,730	399,229
Less accumulated depreciation	(8,547,025)	(2,810,421)
Net capital assets	5,368,040	1,600,970
Total noncurrent assets	5,848,103	1,728,221
Total assets	13,358,832	2,799,210
LIABILITIES		
Current liabilities:		
Accounts payable	291,614	444
Customer deposits	51,009	-
Accrued interest payable	23,657	1,438
Other accrued expenses	81,117	16,036
Due to other funds	1,851	-
Current portion of long-term obligations	245,000	177,000
Total current liabilities	694,248	194,918
Noncurrent liabilities:		
Compensated absences - noncurrent	21,460	1,740
Noncurrent portion of long-term obligations	1,905,000	-
Total noncurrent liabilities	1,926,460	1,740
Total liabilities	2,620,708	196,658
NET ASSETS		
Invested in capital assets, net of related debt	3,243,178	1,423,970
Restricted for:		
Debt service	379,600	127,251
Unrestricted	7,115,346	1,051,331
Total net assets	\$ 10,738,124	\$ 2,602,552

See notes to financial statements.

Enterprise Funds				Internal Service Fund
Sewer Fund	Transfer Station	Eliminations	Total	
\$ 74,734	\$ 26,826	\$ -	\$ 345,245	\$ 34,297
642,643	-	-	7,466,500	100,000
35,044	12,812	-	689,049	5,233
17,369	-	-	222,664	-
1,369	-	-	44,201	273
-	-	-	-	8,500
-	-	(1,851)	27,107	-
-	-	-	398,555	-
-	-	-	197,343	-
<u>771,159</u>	<u>39,638</u>	<u>(1,851)</u>	<u>9,390,664</u>	<u>148,303</u>
77,136	-	-	245,592	-
54,199	-	-	467,919	-
-	-	-	-	8,378
-	-	-	25,138	-
55,178	41,181	-	369,751	-
1,149	-	-	162,237	-
2,100,130	-	-	9,961,738	-
1,271,797	464,075	-	7,827,281	-
798,775	37,919	-	4,775,653	-
<u>(3,216,175)</u>	<u>(272,144)</u>	<u>-</u>	<u>(14,845,765)</u>	<u>-</u>
<u>1,010,854</u>	<u>271,031</u>	<u>-</u>	<u>8,250,895</u>	<u>-</u>
<u>1,142,189</u>	<u>271,031</u>	<u>-</u>	<u>8,989,544</u>	<u>8,378</u>
<u>1,913,348</u>	<u>310,669</u>	<u>(1,851)</u>	<u>18,380,208</u>	<u>156,681</u>
1,648	8,611	-	302,317	11,817
-	-	-	51,009	-
268	-	-	25,363	-
13,519	4,715	-	115,387	50,017
-	-	(1,851)	-	-
<u>33,000</u>	<u>-</u>	<u>-</u>	<u>455,000</u>	<u>-</u>
<u>48,435</u>	<u>13,326</u>	<u>(1,851)</u>	<u>949,076</u>	<u>61,834</u>
1,740	-	-	24,940	-
-	-	-	1,905,000	-
<u>1,740</u>	<u>-</u>	<u>-</u>	<u>1,929,940</u>	<u>-</u>
<u>50,175</u>	<u>13,326</u>	<u>(1,851)</u>	<u>2,879,016</u>	<u>61,834</u>
977,854	271,031	-	5,916,033	-
24,114	-	-	530,965	-
861,205	26,312	-	9,054,194	94,847
<u>\$ 1,863,173</u>	<u>\$ 297,343</u>	<u>\$ -</u>	<u>\$ 15,501,192</u>	<u>\$ 94,847</u>

CITY OF WAYNE, NEBRASKA

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

For the year ended September 30, 2007

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Transfer Station		
Operating revenues:						
User charges	\$ 5,372,898	\$ 531,830	\$ 353,954	\$ 153,011	\$ 6,411,693	\$ -
Health insurance premiums	-	-	-	-	-	273,349
Other revenue	228,263	14,377	12,843	-	255,483	-
Total operating revenues	5,601,161	546,207	366,797	153,011	6,667,176	273,349
Operating expenses:						
Cost of power	2,701,559	-	-	-	2,701,559	-
Personnel	798,985	134,331	134,834	38,587	1,106,737	-
Contract services	29,992	43,251	69,414	98,764	241,421	-
Commodities	541,761	64,414	84,290	26,842	717,307	-
Payments in lieu of taxes	335,654	35,635	23,809	-	395,098	-
Insurance claims and health premiums	-	-	-	-	-	259,459
Depreciation	387,346	124,385	108,125	19,204	639,060	-
Amortization	3,591	-	-	-	3,591	-
Total operating expenses	4,798,888	402,016	420,472	183,397	5,804,773	259,459
Operating income (loss)	802,273	144,191	(53,675)	(30,386)	862,403	13,890
Nonoperating revenues (expenses):						
Interest income	266,257	47,046	32,626	(90)	345,839	3,915
Interest expense	(85,275)	(11,758)	(2,212)	-	(99,245)	-
Unrealized gain on investments	58,275	11,809	11,828	-	81,912	-
Total nonoperating revenues (expenses)	239,257	47,097	42,242	(90)	328,506	3,915
Income (loss) before interfund transfers	1,041,530	191,288	(11,433)	(30,476)	1,190,909	17,805
Interfund transfers:						
Transfer to other funds	(54,003)	-	-	-	(54,003)	-
Change in net assets	987,527	191,288	(11,433)	(30,476)	1,136,906	17,805
Net assets - September 30, 2006	9,750,597	2,411,264	1,874,606	327,819	14,364,286	77,042
Net assets - September 30, 2007	<u>\$ 10,738,124</u>	<u>\$ 2,602,552</u>	<u>\$ 1,863,173</u>	<u>\$ 297,343</u>	<u>\$ 15,501,192</u>	<u>\$ 94,847</u>

See notes to financial statements.

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

For the year ended September 30, 2007

	Enterprise Funds	
	Electric Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 5,533,725	\$ 539,612
Receipts from other funds	-	-
Payments to suppliers	(3,626,185)	(148,446)
Payments to employees	(799,292)	(131,911)
Net cash provided (used) by operating activities	1,108,248	259,255
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to other funds	(54,003)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(285,124)	(131,408)
Principal payments on capital debt	(240,000)	(168,000)
Interest paid on capital debt	(86,990)	(13,036)
Net cash used by capital and related financing activities	(612,114)	(312,444)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in investments	(752,076)	4,850
Loan to Community Development Agency	(220,455)	-
Decrease in notes receivable	-	-
(Increase) decrease in due from other funds	9,244	(1,851)
Interest received	258,861	46,708
Net cash provided (used) by investing activities	(704,426)	49,707
Increase (decrease) in cash and cash equivalents	(262,295)	(3,482)
Cash and cash equivalents - beginning of the year	629,051	48,867
Cash and cash equivalents - end of the year	\$ 366,756	\$ 45,385
Composition of cash and cash equivalents:		
Cash and cash equivalents	\$ 228,951	\$ 14,734
Restricted cash and cash equivalents	137,805	30,651
Total cash and cash equivalents	\$ 366,756	\$ 45,385

Enterprise Funds			Internal Service Fund
Sewer Fund	Transfer Station	Total	
\$ 356,703	\$ 151,605	\$ 6,581,645	\$ -
-	-	-	268,116
(178,152)	(117,199)	(4,069,982)	(274,561)
(132,387)	(36,794)	(1,100,384)	-
<u>46,164</u>	<u>(2,388)</u>	<u>1,411,279</u>	<u>(6,445)</u>
-	-	(54,003)	-
(64,358)	(33,331)	(514,221)	-
(32,000)	-	(440,000)	-
(2,455)	-	(102,481)	-
<u>(98,813)</u>	<u>(33,331)</u>	<u>(1,056,702)</u>	-
10,080	50,000	(687,146)	-
-	-	(220,455)	-
-	-	-	7,303
-	-	7,393	-
32,428	396	338,393	4,613
<u>42,508</u>	<u>50,396</u>	<u>(561,815)</u>	<u>11,916</u>
(10,141)	14,677	(261,241)	5,471
<u>162,011</u>	<u>12,149</u>	<u>852,078</u>	<u>28,826</u>
<u>\$ 151,870</u>	<u>\$ 26,826</u>	<u>\$ 590,837</u>	<u>\$ 34,297</u>
\$ 74,734	\$ 26,826	\$ 345,245	\$ 34,297
77,136	-	245,592	-
<u>\$ 151,870</u>	<u>\$ 26,826</u>	<u>\$ 590,837</u>	<u>\$ 34,297</u>

CITY OF WAYNE, NEBRASKA

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

For the year ended September 30, 2007

	Enterprise Funds	
	Electric Fund	Water Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 802,273	\$ 144,191
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	387,346	124,385
Amortization expense	3,591	-
Change in assets and liabilities:		
Accounts receivable	(67,995)	(6,595)
Inventories	(5,014)	(3,839)
Accounts payable	(12,205)	(1,307)
Customer deposits	559	-
Accrued expenses	(307)	2,420
Net cash provided (used) by operating activities	\$ 1,108,248	\$ 259,255

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>	
\$ (53,675)	\$ (30,386)	\$ 862,403	\$ 13,890
108,125	19,204	639,060	-
-	-	3,591	-
(10,094)	(1,406)	(86,090)	(5,233)
-	-	(8,853)	-
(639)	8,407	(5,744)	11,626
-	-	559	-
2,447	1,793	6,353	(26,728)
<u>\$ 46,164</u>	<u>\$ (2,388)</u>	<u>\$ 1,411,279</u>	<u>\$ (6,445)</u>

CITY OF WAYNE, NEBRASKA

STATEMENT OF NET ASSETS - FIDUCIARY FUND

September 30, 2007

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 44,290
Investments	14,804
Sales tax receivable	23,483
Interest receivable	22
Other receivables	435
Total assets	<u>\$ 83,034</u>
LIABILITIES	
Agency liabilities	<u>\$ 83,034</u>
Total liabilities	<u>\$ 83,034</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, 2007

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, 2007

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 organization's 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 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, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation

Government-wide Financial Statements

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. 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, 2007

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, 2007

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 Non-major Funds

The funds are further classified as major or non-major 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, 2007

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.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Measurement Focus, continued

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.
- 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 is incurred.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Basis of Accounting, continued

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.

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.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

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>
Sales Tax	\$ <u>85,678</u>	Sales Tax

Inventory

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

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.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Capital Assets

The accounting treatment over property, plant, and equipment (capital 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, capital assets that are purchased or acquired with an original cost of \$5,000 or more are capitalized and reported on the Statement of Net Assets. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital 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 capital assets and all proprietary capital 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 assets or materially extend the assets' lives are not capitalized.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital 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, 2007

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, 2007

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 15. Real estate taxes are due on December 31 and attach as an enforceable lien and become delinquent in two equal installments on May 1 and September 1. Personal property taxes are due in the same manner as real estate taxes. Delinquent taxes bear 14% interest.

Property taxes levied for 2006-2007 are recorded as revenue when expected to be collected within 60 days after September 30, 2007. 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 (8% of gross revenues for electric and 7% of gross revenues for water and sewer).

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, 2007

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, 2007

NOTE A – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, 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. agency 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, 2007

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 how its deposits were insured or secured with collateral at September 30, 2007. The categories of collateral are defined as follows:

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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	\$ 2,612,043	\$ 381,892	\$ 2,230,151	\$ -	\$ <u>2,217,272</u>
Reconciliation to Government-wide Statement of Net Assets:					
Primary Government –					
Unrestricted cash and cash equivalents					\$ 1,654,073
Restricted cash and cash equivalents					245,592
Component Unit –					
Unrestricted cash and cash equivalents					273,317
Agency Fund Cash (not included in government-wide statement)					<u>44,290</u>
					\$ <u>2,217,272</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 whether the investments are insured or registered and upon who holds the security at September 30, 2007. The categories of investments are defined as follows:

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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	\$ 5,092,990	\$ -	\$ -	\$ 5,092,990	\$ 5,092,990
U.S. Governmental Securities	-	4,760,998	-	<u>4,760,998</u>	<u>4,760,998</u>
				<u>\$ 9,853,988</u>	<u>\$ 9,853,988</u>

Reconciliation to Government-wide Statements of Net Assets:

Primary Government –	
Unrestricted investments	\$ 9,176,378
Restricted investments	662,806
Component Unit –	
Unrestricted investments	-
Restricted investments	-
Agency Funds (not included in government-wide statements)	<u>14,804</u>
	<u>\$ 9,853,988</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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

2. Restricted Assets

The restricted assets as of September 30, 2007, 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	\$ -	\$ 245,592	\$ 245,592	\$ -
Investments	<u>194,887</u>	<u>467,919</u>	<u>662,806</u>	<u>-</u>
	<u>\$ 194,887</u>	<u>\$ 713,511</u>	<u>\$ 908,398</u>	<u>\$ -</u>

Restricted investments for governmental activities consist of \$25,329 of General Fund investments restricted to be used for parks, \$65,045 of General Fund investments restricted to be used for the golf course, and \$104,513 of Sales Tax investments restricted for the Community Activity Center bond reserve.

Restricted business-type assets consist of debt service reserves of \$379,600 for the Electric Fund, \$127,251 for the Water Fund, and \$24,114 for the Sewer Fund. The Electric Fund also has \$50,003 restricted for customer deposits and \$25,322 restricted for economic development. The Sewer Fund has \$107,221 restricted for equipment replacement.

3. Accounts and Notes Receivable

Accounts receivable of the business-type activities consists of utilities receivable. Accounts receivable of the governmental activities consists of Community Activity Center memberships and other minor receivables. Accounts receivable for the component units consist of a \$74,492 airport grant receivable and other minor receivables. Receivables detail at September 30, 2007, is as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Accounts receivable	\$ 14,310	\$ 689,049	\$ 703,359	\$ 74,892
Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net accounts receivable	<u>\$ 14,310</u>	<u>\$ 689,049</u>	<u>\$ 703,359</u>	<u>\$ 74,892</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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, 2007:

<u>Note Held By</u>	<u>Due From</u>	<u>Note Balance at September 30, 2007</u>	<u>Terms</u>
General Fund	Employees of the City of Wayne	\$ 3,527	0%; payroll deductions for firearms purchases
Community Development Fund	Exhaust Pros	2,615	5%; monthly payments due over 96 months; matures 4/01/08
Community Development Fund	Lindner Construction	21,551	5%; monthly payments due over 180 months; final balloon payment due 2/01/09
Community Development Fund	Glen's Auto Body	31,585	5%; monthly payments due over 84 months; final balloon payment due 8/08/08
Community Development Fund	Wayne Area Chamber of Commerce	3,791	5%; monthly payments due over 84 months; matures 8/01/08
Community Development Fund	Renaissance Coffee House	10,742	5%; monthly payments due over 240 months; final balloon payment due 6/01/08
Community Development Fund	Innovative Protectives	17,541	5%; monthly payments due over 180 months; final balloon payment due 1/01/09
Community Development Fund	Innovative Protectives	3,119	4%; monthly payments due over 84 months; final balloon payment due 7/01/11
Community Development Fund	Sebade Construction	30,665	5%; monthly payments due over 84 months; final balloon payment due 10/25/09

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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>2007</u>	<u>Terms</u>
Community Development Fund	Diamond Center Flowers and Wine	82,474	4%; monthly payments due over 84 months; final balloon payment due 7/13/10
Community Development Fund	Concord Components	123,516	3.625%; monthly payments due over 84 months; final balloon payment due 2/02/10
Community Development Fund	Farm to Market Ag Center	16,160	3.75%; monthly payments due over 84 months; final balloon payment due 2/15/09.
Community Development Fund	Ideal Interiors	3,799	4.25%; monthly payments due over 84 months; matures 5/15/10
Community Development Fund	Claussen & Sons Irrigation	17,546	4%; monthly payments due over 84 months; final balloon payment due 4/29/11
Community Development Fund	Schulz Land Surveying	16,609	4%; monthly payments due over 84 months; final balloon payment due 5/14/11
Community Development Fund	Jeff and Debra Morlok	96,659	4%; monthly payments due over 84 months; final balloon payment due 9/01/11
Community Development Fund	Dianne's Specialty Gifts	35,342	4%; monthly payments due over 84 months; final balloon payment due 3/15/11

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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>2007</u>	<u>Terms</u>
Community Development Fund	Sand Creek Post and Beam	18,384	4.25%; monthly payments due over 84 months; final balloon payment due 5/01/12
Community Development Fund	BBL Enterprises, Inc.	23,663	4.25%; monthly payments due over 84 months; final balloon payment due 5/01/12
Community Development Fund	Inspiration Christian Book & Gift	7,422	4%; monthly payments due over 84 months; matures 9/01/12
Community Development Fund	Felix Industries	69,813	4.25%; monthly payments due over 84 months; matures 7/14/12
Community Development Fund	Udder Delights	19,423	4.5%; monthly payments over 84 months; matures 5/16/14
Community Development Fund	The Max Again	99,263	4.95%; monthly payments due over 84 months; matures 5/25/14
Community Development Fund	4 housing loans	69,833	0%; housing loans; due when property is sold
Internal Service Fund	Employees of the City of Wayne	<u>16,878</u>	0%; payroll deduction for computer/electronic purchases
Total notes receivable		<u>\$ 841,920</u>	
Current portion		\$ 53,027	
Noncurrent portion		<u>788,893</u>	
		<u>\$ 841,920</u>	

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2007, was as follows:

	Balance at October 1, <u>2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2007</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 563,046	\$ -	\$ -	\$ -	\$ 563,046
Construction in progress	219,037	29,330	(1,000)	-	247,367
Total capital assets not being depreciated	782,083	29,330	(1,000)	-	810,413
Other capital assets being depreciated:					
Infrastructure	10,943,856	76,034	-	(5,396)	11,014,494
Improvements	1,395,985	-	(21,684)	5,396	1,379,697
Buildings	9,084,884	18,476	-	-	9,103,360
Machinery and equipment	1,681,768	113,428	-	-	1,795,196
Total other capital assets at historical cost	23,106,493	207,938	(21,684)	-	23,292,747
Less accumulated depreciation for:					
Infrastructure	(5,932,954)	(298,344)	-	387	(6,230,911)
Improvements	(646,599)	(48,532)	8,821	(387)	(686,697)
Buildings	(1,929,104)	(230,252)	-	-	(2,159,356)
Machinery and equipment	(1,343,111)	(77,377)	-	-	(1,420,488)
Total accumulated depreciation	(9,851,768)	(654,505) *	8,821	-	(10,497,452)
Other capital assets, net	13,254,725	(446,567)	(12,863)	-	12,795,295
Governmental activities capital assets, net	<u>\$ 14,036,808</u>	<u>\$ (417,237)</u>	<u>\$(13,863)</u>	<u>\$ -</u>	<u>\$13,605,708</u>

* Depreciation expense was charged to governmental activities as follows:

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

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

4. Capital Assets, continued

Governmental Activities, continued:

General Fund:

General government	\$ -
Public buildings	88,970
Public safety:	
Fire	34,729
Police	<u>36,448</u>
Total public safety	71,177
Public works:	
Street	323,659
Senior citizens services	2,273
Library	17,220
Recreation:	
Golf	3,730
Parks	33,641
Recreation	683
Pool	<u>20,052</u>
Total recreation	58,106
Community Activity Center:	<u>93,100</u>
Total General Fund depreciation expense	<u>\$ 654,505</u>

Construction in progress at September 30, 2007, consists of \$165,991 of costs incurred for the Historical Lighting Project, \$2,500 for the Northwest Drainage Project, \$73,737 for the Hiking Trail – Phase II Project, and \$5,139 for the Summer Sports Complex. See Note D3 for additional details on these projects.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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

4. Capital Assets, continued

	Balance at October 1, <u>2006</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2007</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 336,420	\$ 33,331	\$ -	\$ 369,751
Construction in progress	<u>-</u>	<u>162,237</u>	<u>-</u>	<u>162,237</u>
Total capital assets not being depreciated	336,420	195,568	-	531,988
Other capital assets being depreciated:				
Buildings	7,795,265	32,016	-	7,827,281
Distribution systems	9,740,290	221,448	-	9,961,738
Equipment	<u>4,710,464</u>	<u>65,189</u>	<u>-</u>	<u>4,775,653</u>
Total other capital assets at historical cost	22,246,019	318,653	-	22,564,672
Less accumulated depreciation for:				
Buildings	(4,089,755)	(220,992)	-	(4,310,747)
Distribution systems	(5,896,108)	(295,540)	-	(6,191,648)
Equipment	<u>(4,220,842)</u>	<u>(122,528)</u>	<u>-</u>	<u>(4,343,370)</u>
Total accumulated depreciation	<u>(14,206,705)</u>	<u>(639,060) *</u>	<u>-</u>	<u>(14,845,765)</u>
Other capital assets, net	<u>8,039,314</u>	<u>(320,407)</u>	<u>-</u>	<u>7,718,907</u>
Business-type capital assets, net	<u>\$ 8,375,734</u>	<u>\$(124,839)</u>	<u>\$ -</u>	<u>\$ 8,250,895</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 387,346
Water	124,385
Sewer	108,125
Transfer Station	<u>19,204</u>
Total business-type activities depreciation expense	\$ <u>639,060</u>

See Note D3 for detail of the construction in progress at September 30, 2007.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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

4. Capital Assets, continued

	Balance at October 1, <u>2006</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2007</u>
<u>Component Unit:</u>				
<u>Airport:</u>				
Capital assets not being depreciated:				
Land	\$ 254,347	\$ -	\$ -	\$ 254,347
Construction in progress	-	139,398	-	139,398
	<u>254,347</u>	<u>139,398</u>	<u>-</u>	<u>393,745</u>
Other capital assets being depreciated:				
Buildings	545,412	-	-	545,412
Improvements	3,276,272	13,657	-	3,289,929
Equipment	87,436	-	(16,567)	70,869
Total other capital assets at historical cost	3,909,120	13,657	(16,567)	3,906,210
Less accumulated depreciation for:				
Buildings	(163,243)	(13,379)	-	(176,622)
Improvements	(2,801,922)	(136,025)	-	(2,937,947)
Equipment	(49,536)	(23,696)	32,683	(40,549)
Total accumulated depreciation	<u>(3,014,701)</u>	<u>(173,100)</u>	<u>32,683</u>	<u>(3,155,118)</u>
Other capital assets, net	<u>894,419</u>	<u>(159,443)</u>	<u>16,116</u>	<u>751,092</u>
Airport capital assets, net	<u>\$ 1,148,766</u>	<u>\$ (20,045)</u>	<u>\$ 16,116</u>	<u>\$ 1,144,837</u>

Construction in progress of \$139,398 at September 30, 2007, represents costs incurred on the runway lighting project. See Note D3 for additional details on construction commitments.

5. Accounts Payable

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

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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

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.

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended September 30, 2007:

<u>Type of Debt</u>	Balance October 1, 2006	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2007	Amounts Due Within One Year
Governmental Activities:					
Bonds payable	\$ 3,720,000	\$ -	\$ (515,000)	\$ 3,205,000	\$ 345,000
Business-type Activities:					
Bonds payable	\$ 2,800,000	\$ -	\$ (440,000)	\$ 2,360,000	\$ 455,000
Component Unit:					
Notes payable	\$ 150,118	\$ -	\$ (20,092)	\$ 130,026	\$ 20,052

Governmental Activities:

As of September 30, 2007, the governmental long-term liabilities consisted of the following:

Bonds payable:

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. \$ 575,000

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. 425,000

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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

6. Long-term Debt, continued

Governmental Activities, continued:

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. 1,405,000

Total bonds payable \$ 3,205,000

Current portion \$ 345,000

Noncurrent portion 2,860,000

Total \$ 3,205,000

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.

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. \$ 2,150,000

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2007

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

6. Long-term Debt, continued

Business-type Activities, continued:

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.	177,000
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>33,000</u>
Total business-type activity bonds payable	\$ <u>2,360,000</u>
Current portion	\$ 455,000
Noncurrent portion	<u>1,905,000</u>
Total	\$ <u>2,360,000</u>

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.	\$ 96,498
Nebraska Department of Aeronautics series 2001 T-Hanger Airport loan, due in monthly installments through December 1, 2011, bearing no interest.	<u>33,528</u>
Total component unit notes payable	\$ <u>130,026</u>
Current portion	\$ 20,052
Noncurrent portion	<u>109,974</u>
Total	\$ <u>130,026</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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

6. Long-term Debt, continued

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2007, are as follows:

Year Ending September 30,	<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>
2008	\$ 345,000	\$ 118,893	\$ 455,000	\$ 89,300	\$ 20,052
2009	350,000	107,211	250,000	74,250	20,052
2010	365,000	94,871	260,000	66,375	20,052
2011	400,000	81,765	265,000	57,275	20,052
2012	360,000	66,875	275,000	47,338	14,900
2013-2017	1,085,000	164,391	855,000	73,245	34,918
2018-2022	300,000	26,125	-	-	-
	<u>\$ 3,205,000</u>	<u>\$ 660,131</u>	<u>\$ 2,360,000</u>	<u>\$ 407,783</u>	<u>\$ 130,026</u>

7. Interfund Transactions and Balances

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Sales Tax Fund	\$ 6,908	\$ -
E911	<u>15,000</u>	<u>-</u>
Total General Fund	21,908	-
Sales Tax Fund:		
General Fund	-	6,908
Debt Service Fund:		
Electric Fund	54,003	-
E911 Fund:		
General Fund	-	15,000
Electric Fund:		
Debt Service Fund	<u>-</u>	<u>54,003</u>
Total Interfund Transfers	\$ <u>75,911</u>	\$ <u>75,911</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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

7. Interfund Transactions and Balances, continued

Interfund balances:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Terms</u>
General	Electric	\$ 1,107	Non-interest-bearing; a posting error; will be repaid in December 2007.
General	Electric	<u>26,000</u>	Principal of \$8,500 plus interest at 5% is due annually through October 1, 2009.
		<u>\$ 27,107</u>	
Airport	General	\$ 108	Non-interest bearing; will be repaid during year ending September 30, 2008.
Community Development Agency	General	415	Non-interest bearing; will be repaid during year ending September 30, 2008.
Community Development Agency	Electric	10,000	5%; due in five annual payments of \$2,310 through September 1, 2010.
Community Development Agency	Electric	185,100	0%; on demand or upon sale of real estate.
Community Development Agency	Electric	<u>203,455</u>	0%; on demand or upon sale of real estate.
		<u>\$ 399,078</u>	

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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 contributions shall cease. The covered payroll amounted to \$338,516 for the year ended September 30, 2007. Both the City and the covered employees' required contribution of \$20,311 was made for the year ended September 30, 2007. The employer contribution 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 that the City contribute 6% of the employee's monthly salary to the plan until such employee becomes eligible for regular retirement, at which time contributions shall cease. The covered payroll amounted to \$1,187,663 for the year ended September 30, 2007. The City and the employees contributed \$70,790 and \$61,065, respectively, for the year ended September 30, 2007.

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 \$50,017 as of September 30, 2007.

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. Insurance is maintained 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

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Insurance, continued

insurance in the last three audit periods. The City is partially self-insured for health insurance claims up to \$5,000 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 over \$10,000. The maximum out-of-pocket costs would be \$3,400 for the employee and \$26,600 for the City (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 \$11,817; this amount represents 2 months of subsequent claims. This has been included as a current year expenditure. A reserve of \$94,847 is established in an internal service fund at September 30, 2007.

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, 2007, 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, 2007

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

<u>Maturities by Month</u>	<u>Amount</u>
October 2007	\$ 381,259
November 2007	336,670
December 2007	388,829
January 2008	358,445
February 2008	392,667
March 2008	237,427
April 2008	481,722
May 2008	432,622
July 2008	100,000
August 2008	197,000
September 2008	574,251
December 2008	172,648
March 2009	679,366
September 2009	285,986
January 2010	95,363
February 2010	190,144
March 2010	493,555
May 2010	93,957
February 2011	95,352
March 2011	688,650
June 2011	191,277
September 2011	295,441
February 2012	249,533
September 2012	249,090
October 2012	95,084
December 2012	224,422
February 2013	248,160
March 2013	245,313
April 2013	298,500
March 2014	497,380
June 2014	92,788
October 2014	67,519

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>
November 2014	183,670
December 2014	108,705
November 2020	95,683
October 2023	<u>35,510</u>
	<u>\$ 9,853,988</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, 2007, the City's investments in certificates of deposit and U.S. Government securities consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Bank First	\$ 400,132
Farmers and Merchants Bank	453,600
First National Bank	585,088
State National Bank	1,400,529
Edward Jones	1,419,140
RBC Dain Rauscher	3,056,749
D.A. Davidson	<u>2,538,750</u>
	<u>\$ 9,853,988</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, 2007.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies

Construction

The City's governmental funds have numerous construction projects in progress. The City intends to fund the construction through operations or long-term financing.

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2007</u>	<u>Obligation Pending</u>	<u>Projected Total Cost</u>	<u>Expected Completion Date</u>
Governmental Fund Projects:					
Fire truck	\$ 289,057	\$ -	\$ 289,057	\$ 289,057	September 2008
Northwest Drainage	-	2,500	-	100,000	Summer 2008
Hiking Trail-Phase II	-	73,737	-	575,000	Summer 2008
Historical Lighting	-	165,991	-	170,000	February 2008
Summer Sports Complex	-	5,139	-	175,000	Summer 2008
	<u>\$ 289,057</u>	<u>\$ 247,367</u>	<u>\$ 289,057</u>		
Business-type Activities Projects:					
Electric Distribution Improvements	\$ 125,528	\$ 126,009	\$ 125,528	\$ 251,500	January 2008
Booster Pump - Western	-	9,595	-	100,000	December 2008
Kardell Industrial Park	-	2,298	-	13,000	Summer 2008
Water Line to Summer Sports Complex	-	24,335	-	27,000	Summer 2008
	<u>\$ 125,528</u>	<u>\$ 162,237</u>	<u>\$ 125,528</u>		
Wayne Municipal Airport:					
Runway light project					
Contractor	\$ 108,724	\$ 105,462	\$ 3,262	\$ 108,724	September 30, 2008
Engineer	30,500	29,809	691	30,500	September 30, 2008
Airport layout plan	19,760	13,657	6,103	19,760	September 30, 2007
	<u>\$ 158,984</u>	<u>\$ 148,928</u>	<u>\$ 10,056</u>		

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

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 \$13,380 under these lease agreements during the year ended September 30, 2007.

Lease commitments as of September 30, 2007, are as follows:

<u>Year ending September 30,</u>	<u>Commitment</u>
2008	\$ 13,380
2009	13,380
2010	10,986
2011	2,580
2012	-
	<u>\$ 40,326</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 \$2,701,559 for the year ended September 30, 2007.

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

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE D – OTHER NOTES, continued

4. Related-Party Transactions

The Electric, Water, and Sewer Funds remit 7% of gross revenues to the General Fund annually as payments in lieu of taxes. The Electric Fund made payments in the amount of \$335,654, the Water fund made payments of \$35,635, and the Sewer Fund made payments of \$23,809 for the year ended September 30, 2007.

5. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2007:

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	3/13/01	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	2007	Provide funds to defray a part of the cost of the operation of the ambulance
Rural Enterprise Assistance 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

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE D – OTHER NOTES, continued

5. Interlocal Agreements, continued

Parties to Agreement	Agreement Period	Descriptions
Nebraska Public Power District	8/30/05	A firm power contract for 20 years for purchase of wholesale power from NPPD
Wayne State College	7/28/03	Share wireless telecommunication resources
Lower Elkhorn Natural Resource District	5/10/05	Wayne Pcedestrian Trail – Phase II
Nebraska Emergency Management Agency	9/27/05	Training requirements for the national incident emergency management system
Northeast Nebraska Economic Development District	10/10/06	A means by which member entities work jointly and cooperatively for community and economic development
Nebraska Department of Roads	9/26/06	Engineering and construction services 10th Street
Wayne Community Housing Development Corporation	9/26/06	Use of the north meeting room – rental fee waiver
Nebraska Community Development	8/29/06	CDAA tax credits for summer sports complex
Wayne State College	5/8/07	Contribution to Wayne Volunteer Fire Department in lieu of fine assessment for false alarms
Northeast Nebraska Public Power District	10/26/04	Service area extensions
Wayne County and Golf Club of Wayne		Golf courses maintenance agreement
Northeast Nebraska Economic Development District	11/21/07	Block grant administration
Rural Fire Board		Sharing equipment and facilities

6. Conduit Debt

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

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE D – OTHER NOTES, continued

6. Conduit Debt, continued

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 have 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 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, 2007, the aggregate amount of conduit debt principal outstanding was \$611,687.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

Year ended September 30, 2007

	<u>Budget (Original and Final)</u>	<u>Actual</u>	<u>Variances - Actual Over (Under) Final Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 580,000	\$ 587,060	\$ 7,060
Motor vehicle	-	67,271	67,271
In-lieu-of tax	515,849	443,949	(71,900)
Franchise	-	75,495	75,495
Intergovernmental	1,049,982	826,564	(223,418)
Special assessments	420	-	(420)
Charges for services	667,501	451,969	(215,532)
Interest income	30,000	55,176	25,176
Sale of property	-	100	100
Other	23,899	1,585	(22,314)
	<hr/>	<hr/>	<hr/>
Total resources	2,867,651	2,509,169	(358,482)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	161,679	152,609	(9,070)
Public buildings	157,386	157,260	(126)
Public safety	850,900	816,020	(34,880)
Public works	343,855	365,930	22,075
Senior citizens services	172,911	167,755	(5,156)
Library	124,756	148,706	23,950
Recreation	260,541	262,267	1,726
Community Activity Center	174,195	161,868	(12,327)
Capital outlay	2,157,805	233,334	(1,924,471)
Principal payments on debt	8,500	-	(8,500)
Interest on long-term debt	1,725	1,725	-
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	4,414,253	2,467,474	(1,946,779)
Resources over (under) charges to appropriations	(1,546,602)	41,695	1,588,297
OTHER FINANCING SOURCES (USES)			
Transfers in	53,466	21,908	(31,558)
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES/(USES) OVER/(UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (1,493,136)</u>	<u>\$ 63,603</u>	<u>\$ 1,556,739</u>

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
CAPITAL PROJECTS FUND**

Year ended September 30, 2007

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Interest income	\$ 3,000	\$ 11,333	\$ 8,333
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	-	1,834	1,834
Capital projects	<u>83,890</u>	<u>3,934</u>	<u>(79,956)</u>
Total charges to appropriations	<u>83,890</u>	<u>5,768</u>	<u>(78,122)</u>
RESOURCES OVER/(UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (80,890)</u>	<u>\$ 5,565</u>	<u>\$ 86,455</u>

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
SALES TAX FUND**

Year ended September 30, 2007

	<u>Budget</u> (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 425,000	\$ 485,621	\$ 60,621
Interest income	<u>14,465</u>	<u>27,160</u>	<u>12,695</u>
Total resources	439,465	512,781	73,316
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments on debt	956,582	405,000	(551,582)
Interest on long-term debt	<u>62,463</u>	<u>57,805</u>	<u>(4,658)</u>
Total charges to appropriations	<u>1,019,045</u>	<u>462,805</u>	<u>(556,240)</u>
Resources over (under) charges to appropriations	(579,580)	49,976	629,556
OTHER FINANCING SOURCES			
Transfers out	<u>(53,465)</u>	<u>(6,908)</u>	<u>46,557</u>
RESOURCES AND OTHER FINANCING SOURCES OVER/(UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (633,045)</u>	<u>\$ 43,068</u>	<u>\$ 676,113</u>

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
DEBT SERVICE FUND**

Year ended September 30, 2007

	Budget (Original and (Final))	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Property tax	\$ 105,375	\$ 106,484	\$ 1,109
Motor vehicle tax	5,000	5,230	230
Intergovernmental		-	-
Special assessments	120,000	131,947	11,947
Interest income	2,500	7,247	4,747
Other income		2,286	2,286
	<hr/>	<hr/>	<hr/>
Total resources	232,875	253,194	20,319
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments	110,000	110,000	-
Interest expense	78,904	77,512	(1,392)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	188,904	187,512	(1,392)
Resources over (under) charges to appropriations	43,971	65,682	21,711
OTHER FINANCING SOURCES			
Transfer in	54,003	54,003	-
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES OVER/(UNDER) CHARGES TO APPROPRIATIONS	\$ 97,974	\$ 119,685	\$ 21,711
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Year ended September 30, 2007

**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	\$ 2,509,169	\$ 11,333	\$ 512,781	\$ 253,194
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>(71,393)</u>	<u>1,359</u>	<u>22</u>	<u>18,208</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,437,776</u>	<u>\$ 12,692</u>	<u>\$ 512,803</u>	<u>\$ 271,402</u>
Uses/outflows of resources:				
Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedules	\$ 2,467,474	\$ 5,768	\$ 462,805	\$ 187,512
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>(11,959)</u>	<u>-</u>	<u>(4,855)</u>	<u>(1,472)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,455,515</u>	<u>\$ 5,768</u>	<u>\$ 457,950</u>	<u>\$ 186,040</u>

OTHER SUPPLEMENTARY INFORMATION

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

September 30, 2007

	Special Revenue Funds		Total Nonmajor
	Community Development	E911	Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 11,892	\$ 38,328	\$ 50,220
Investments	50,017	-	50,017
Receivables			
Notes	821,515	-	821,515
Interest	2,365	-	2,365
	\$ 885,789	\$ 38,328	\$ 924,117
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Fund balances:			
Reserved for:			
Federal programs	885,789	-	885,789
Unreserved, reported in:			
Special Revenue Funds	-	38,328	38,328
Total fund balances	885,789	38,328	924,117
Total liabilities and fund	\$ 885,789	\$ 38,328	\$ 924,117
balances	\$ 885,789	\$ 38,328	\$ 924,117

CITY OF WAYNE, NEBRASKA

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

For the year ended September 30, 2007

	Special Revenue Funds		Total Nonmajor
	Community Development	E911	Governmental Funds
REVENUES			
Intergovernmental	\$ 38,522	\$ -	\$ 38,522
Charges for services	-	31,869	31,869
Interest income	31,578	437	32,015
Total revenues	70,100	32,306	102,406
EXPENDITURES			
General government	7,200	-	7,200
Public safety	-	13,336	13,336
Total expenditures	7,200	13,336	20,536
Excess of revenues over expenditures	62,900	18,970	81,870
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(15,000)	(15,000)
Net change in fund balances	62,900	3,970	66,870
Fund balances - September 30, 2006	822,889	34,358	857,247
Fund balances - September 30, 2007	\$ 885,789	\$ 38,328	\$ 924,117

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 Units</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 214,774	\$ 58,543	\$ 273,317
County treasurer cash	4,201	-	4,201
Receivables			
Property tax	3,745	-	3,745
TIF	-	9,578	9,578
Grants receivable	74,492	-	74,492
Accounts receivable	400	-	400
Prepaid insurance	3,144	-	3,144
Total current assets	<u>300,756</u>	<u>68,121</u>	<u>368,877</u>
Noncurrent assets:			
Capital assets:			
Land	254,347	325,239	579,586
Construction in progress	139,398	-	139,398
Other capital assets, net of depreciation	751,092	-	751,092
Net capital assets	<u>1,144,837</u>	<u>325,239</u>	<u>1,470,076</u>
Total assets	<u>1,445,593</u>	<u>393,360</u>	<u>1,838,953</u>
LIABILITIES			
Current liabilities:			
Due to the City of Wayne	108	398,970	399,078
Accounts payable	79,210	-	79,210
Deferred revenue - property tax	2,801	-	2,801
Current portion of long-term debt	20,052	-	20,052
Total current liabilities	<u>102,171</u>	<u>398,970</u>	<u>501,141</u>
Noncurrent liabilities:			
Noncurrent portion of long-term debt	109,974	-	109,974
Total liabilities	<u>212,145</u>	<u>398,970</u>	<u>611,115</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,014,811	-	1,014,811
Unrestricted	218,637	(5,610)	213,027
Total net assets	<u>\$ 1,233,448</u>	<u>\$ (5,610)</u>	<u>\$ 1,227,838</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>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Wayne Municipal Airport:			
Airport	\$ 235,584	\$ 36,741	\$ -
Community Development Agency:			
Economic development	<u>3,962</u>	<u>5,883</u>	<u>-</u>
Total component units	<u><u>\$ 239,546</u></u>	<u><u>\$ 42,624</u></u>	<u><u>\$ -</u></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>
\$ 145,303	\$ (53,540)	\$ -	\$ (53,540)
-	-	1,921	1,921
<u>\$ 145,303</u>	<u>(53,540)</u>	<u>1,921</u>	<u>(51,619)</u>
General revenues:			
Taxes:			
Property	70,565	-	70,565
Motor vehicle	3,678	-	3,678
State allocation	1,961	-	1,961
Interest income	4,069	-	4,069
Gain on disposal of fixed assets	16,116	-	16,116
Other income	250	-	250
Total general revenues	<u>96,639</u>	<u>-</u>	<u>96,639</u>
Change in net assets	43,099	1,921	45,020
Net assets - beginning of year	<u>1,190,349</u>	<u>(7,531)</u>	<u>1,182,818</u>
Net assets - end of year	<u>\$ 1,233,448</u>	<u>\$ (5,610)</u>	<u>\$ 1,227,838</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, 2007, which collectively comprise the City of Wayne, Nebraska's basic financial statements and have issued our report thereon dated January 26, 2008. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report

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1203 W 2nd Street
PO Box 1407
Grand Island, NE 68802
Ph. 308-381-1810
Fax 308-381-4824
Email: cpa@gicpas.com

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financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

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.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency 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*.

We noted certain matters that we reported to management of the City of Wayne in a separate letter dated January 26, 2008.

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.

Amquist, Maltzahn,
Galloway & Luth, P.C.

Grand Island, Nebraska
January 26, 2008