

CITY OF WAYNE, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2009

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary fund of the City of Wayne, Nebraska, as of and for the year ended September 30, 2009, 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2010, 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 5 through 17 and 72 through 77 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, and the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, 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.

Grand Island, Nebraska
January 27, 2010

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2009

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, 2009. 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 \$33,067,983 (*net assets*). Of this amount, \$12,504,732 (*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 \$16,392,402. Approximately 12.4 percent of this total amount, \$2,036,349, is *unrestricted net assets*.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,471,237, or 70.0 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, 2009

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, the Municipal Airport Authority and the 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 18 and 19 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 eight 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 Street 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 three 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, 2009

The City of Wayne adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General, Street, 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 20-23 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, it has 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 24-27 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 28 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 29-71 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 72-77 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 78-81 of this report.

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2009

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 \$33,067,983 at the close of the most recent fiscal year.

Net Assets

	September 30, 2009			September 30, 2008		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 4,233,309	\$ 11,391,892	\$ 15,625,201	\$ 4,367,031	\$ 10,562,006	\$ 14,929,037
Capital Assets	14,283,374	8,556,870	22,840,244	14,287,755	8,103,665	22,391,420
Total Assets	<u>18,516,683</u>	<u>19,948,762</u>	<u>38,465,445</u>	<u>18,654,786</u>	<u>18,665,671</u>	<u>37,320,457</u>
Long-term Liabilities	1,332,860	2,399,140	3,732,000	2,108,125	1,684,375	3,792,500
Other Liabilities	791,421	874,041	1,665,462	1,040,038	878,761	1,918,799
Total Liabilities	<u>2,124,281</u>	<u>3,273,181</u>	<u>5,397,462</u>	<u>3,148,163</u>	<u>2,563,136</u>	<u>5,711,299</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	12,843,881	5,985,816	18,829,697	11,920,218	6,220,212	18,140,430
Restricted	1,512,172	221,382	1,733,554	2,395,778	420,155	2,815,933
Unrestricted	2,036,349	10,468,383	12,504,732	1,190,627	9,462,168	10,652,795
Total Net Assets	<u>\$ 16,392,402</u>	<u>\$ 16,675,581</u>	<u>\$ 33,067,983</u>	<u>\$ 15,506,623</u>	<u>\$ 16,102,535</u>	<u>\$ 31,609,158</u>

By far the largest portion of the City of Wayne's net assets (56.9 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 (5.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$12,504,732) 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, 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, 2009

Expenses and Program Revenues - Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2009</u>		<u>Year Ended September 30, 2008</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 639,958	\$ 540,257	\$ 229,002	\$ 235,521
Public Safety	134,344	904,110	134,152	945,795
Public Works	7,350	406,264	2,394	364,591
Public Buildings	30,070	94,578	115,347	133,301
Recreation	76,865	285,936	180,999	307,374
Community Activity Center	125,753	158,686	97,046	154,337
Library	11,116	196,404	11,426	197,239
Senior Citizens Services	151,781	201,201	143,421	193,604
Interest	-	108,490	-	108,739
Depreciation	-	694,687	-	642,924
Total	<u>\$ 1,177,237</u>	<u>\$ 3,590,613</u>	<u>\$ 913,787</u>	<u>\$ 3,283,425</u>

Revenues by Source - Governmental Activities

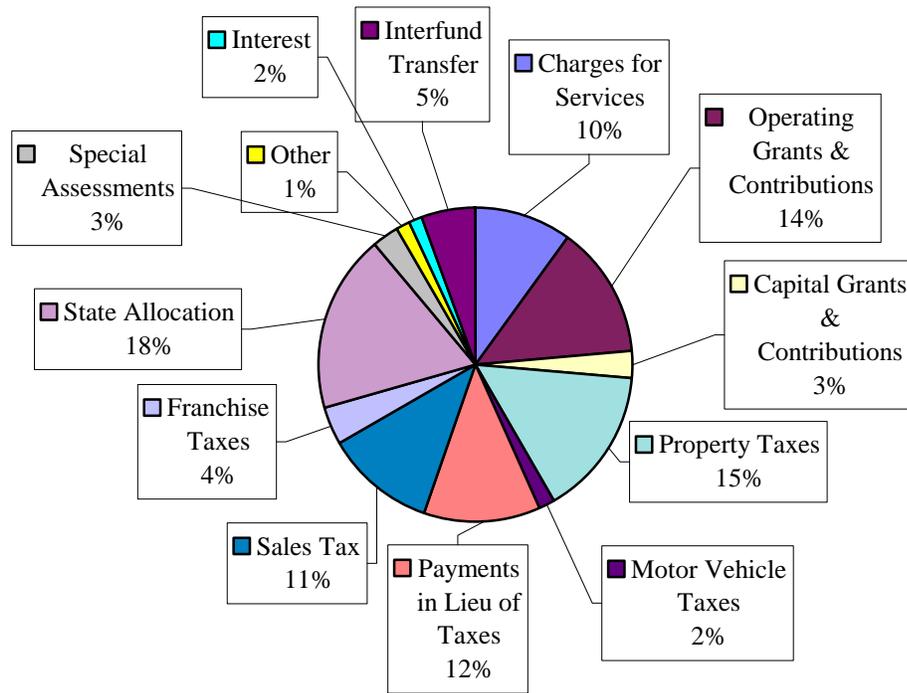
SOURCES OF REVENUE

	<u>Year Ended September 30, 2009</u>		<u>Year Ended September 30, 2008</u>	
Charges for Services	\$ 443,418	9.90 %	\$ 438,696	10.32 %
Operating Grants and Contributions	613,066	13.69	172,156	4.05
Capital Grants and Contributions	120,753	2.70	302,935	7.12
Property Taxes	691,086	15.44	731,075	17.19
Motor Vehicle Taxes	69,951	1.56	67,490	1.59
Payments in Lieu of Taxes	541,025	12.09	508,380	11.96
Sales Tax	501,318	11.20	491,999	11.57
Franchise Taxes	182,695	4.08	123,662	2.91
State Allocation	812,857	18.16	770,006	18.11
Special Assessments	128,553	2.87	105,503	2.48
Other	51,212	1.14	54,011	1.27
Interest	71,026	1.59	114,869	2.70
Gain on Sale of Assets	3,484	0.08	18,503	0.43
Unrealized Gain on Investments	3,457	0.08	9,224	0.22
Interfund and CDA Transfers	242,491	5.42	343,779	8.08
Total	<u>\$ 4,476,392</u>	<u>100.00 %</u>	<u>\$ 4,252,288</u>	<u>100.00 %</u>

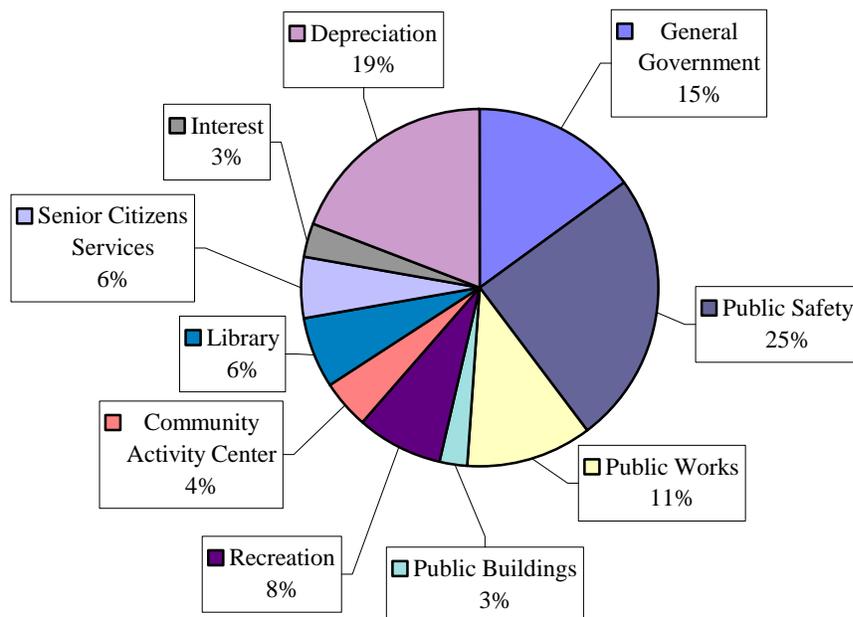
Net assets increased \$885,779 in the governmental funds during the year ended September 30, 2009.

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2009

Governmental Activities - 2009 Revenue



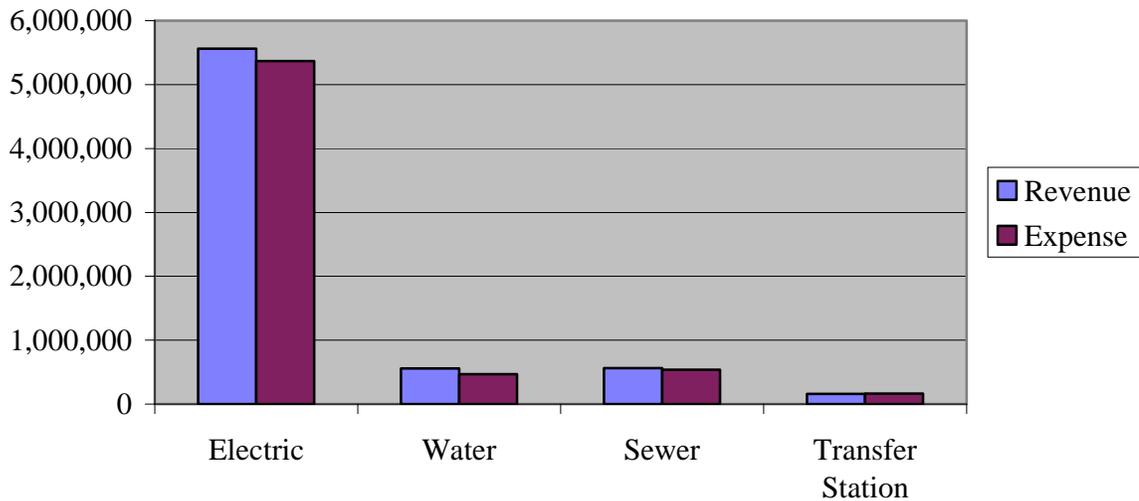
Governmental Activities - 2009 Expenses



CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2009

Business-type activities. Business-type activities increased the City of Wayne's net assets by \$573,046, accounting for 39.3 percent of the total growth in the government's net assets for the year ended September 30, 2009. Key elements of this increase are as follows:

2009 Expenses and Program Revenues - Business-type Activities



Expenses and Program Revenues - Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2009</u>		<u>Year Ended September 30, 2008</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 5,561,464	\$ 5,367,762	\$ 5,476,888	\$ 5,063,110
Water	558,290	469,397	540,746	436,155
Sewer	560,617	539,351	491,796	423,146
Transfer Station	157,759	161,939	157,747	173,755
Total	6,838,130	6,538,449	6,667,177	6,096,166
Interfund Transfer	51,231	-	-	343,779
	<u>\$ 6,889,361</u>	<u>\$ 6,538,449</u>	<u>\$ 6,667,177</u>	<u>\$ 6,439,945</u>

**CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2009**

Revenues by Source - Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2009</u>		<u>Year Ended September 30, 2008</u>	
Charges for Services	\$ 6,838,130	96.16 %	\$ 6,667,177	94.69 %
Interest	212,830	2.99	315,149	4.47
Unrealized Gain on Investment	7,854	0.11	56,387	0.80
Gain on Sale of Assets	1,450	0.02	2,575	0.04
Interfund Transfers	51,231	0.72	-	-
Total	<u>\$ 7,111,495</u>	<u>100.00 %</u>	<u>\$ 7,041,288</u>	<u>100.00 %</u>

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Wayne's governmental funds reported combined ending fund balances of \$3,476,414. Approximately 55.4 percent of this total amount (\$1,925,702) 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 (\$566,398), 2) for economic development (\$13,925), 3) for Federal loan programs (\$870,019), 4) for park expenditures (\$26,791), 5) for golf course expenditures (\$35,039), or 6) for capital projects (\$38,540).

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 \$1,471,237, while total fund balance reached \$1,571,607. 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 70.0 percent of total General Fund expenditures, while total fund balance represents 74.8 percent of that same amount.

The fund balance of the City of Wayne's General Fund increased by \$253,402 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 - \$7,647,458, Water Fund - \$1,570,086, Sewer Fund - \$1,231,739, and Transfer Station -

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2009

\$19,100. The growth in net assets for the proprietary funds was as follows: Electric Fund - \$310,409, Water Fund - \$169,597, and Sewer Fund - \$97,162. The Transfer Station net assets decreased \$(4,122). 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, 2009, amounts to \$22,840,244 (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:

- Final costs on Library/Senior Center roof - \$21,928
- CAC sidewalks - \$17,394
- CAC weight room - \$20,721
- Construction in progress on Kardell Industrial paving - \$95,338
- Construction in progress on Western Ridge street project - \$466,600
- 1976 water wagon - \$10,004
- Booster pump - \$250,400
- Design well 11 - \$27,211
- Construction in progress on Western Ridge water line - \$131,754
- Construction in progress on loop water mains - \$20,600
- Ultraviolet disinfection system - \$233,424
- Manhole rehab - \$15,350
- Sewer jet lines - \$17,154
- Construction of sewer line for Kardell Industrial Park - \$19,329
- Construction in progress on Western Ridge sewer - \$173,026
- Wastewater treatment plant design - \$21,471
- Torque system - \$14,171
- Electric distribution system improvements - \$99,052
- Updating cooling tower - \$41,533

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2009

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

	<u>Year Ended September 30, 2009</u>			<u>Year Ended September 30, 2008</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	\$ 577,677	\$ 369,751	\$ 947,428	\$ 577,677	\$ 369,751	\$ 947,428
Spec Building Construction	252,297	-	252,297	189,898	-	189,898
in Progress	1,055,118	503,829	1,558,947	538,525	109,366	647,891
Infrastructure	4,390,547	-	4,390,547	4,670,234	-	4,670,234
Improvements	635,892	-	635,892	650,129	-	650,129
Buildings	6,844,237	3,109,590	9,953,827	7,001,344	3,340,027	10,341,371
Equipment	527,606	359,885	887,491	659,948	415,691	1,075,639
Distribution Systems	-	4,213,815	4,213,815	-	3,868,830	3,868,830
Total	<u>\$ 14,283,374</u>	<u>\$ 8,556,870</u>	<u>\$ 22,840,244</u>	<u>\$ 14,287,755</u>	<u>\$ 8,103,665</u>	<u>\$ 22,391,420</u>

Additional information on the City of Wayne's capital assets can be found in Note C4 on pages 52-55 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 \$4,075,000. Of this amount, \$1,470,000 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, 2009</u>			<u>Year Ended September 30, 2008</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	\$ 955,000	\$ -	\$ 955,000	\$ 1,090,000	\$ -	\$ 1,090,000
Public Safety Bonds	515,000	-	515,000	545,000	-	545,000
Revenue Bonds	-	2,605,000	2,605,000	790,000	1,905,000	2,695,000
Total	<u>\$ 1,470,000</u>	<u>\$ 2,605,000</u>	<u>\$ 4,075,000</u>	<u>\$ 2,425,000</u>	<u>\$ 1,905,000</u>	<u>\$ 4,330,000</u>

The City of Wayne's total debt decreased by \$255,000 (5.9 percent) during the current fiscal year.

The City of Wayne issued \$1,535,000 Electric Refunding Bonds and \$1,070,000 Combined Water and Sewer Bond Anticipation Notes.

Additional information on the City of Wayne's long-term debt can be found in Note C6 on pages 56-59 of this report.

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2009

Economic Factors and Next Year's Budgets and Rates

The City of Wayne has maintained a strong financial position again this year. The budget adopted for 2009-2010 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 2009-2010, those priorities included: work with Economic Development to retain and expand the employment base and retail, support and enhance community marketing efforts, ensure fiscal fitness through the adoption of a capital budget plan, expand housing opportunities of all kinds by working with Planning Commission and Comprehensive Plan, complete the Water/Wastewater Treatment Plant design and funding, promote energy awareness, enhance City Government/School/Wayne State College relations, and continue to improve communication efforts.

Concerns about the next fiscal year's budget arise from the city staff and also the Mayor and Council. We are maintaining our current staffing and service levels by continually searching for and exploring cost-cutting measures. We are also searching for new revenue streams.

With the slowing economy, we are concerned about flat or falling revenues and rising costs. Cost-cutting measures by the state legislature will reduce the amount received from the state in the next two years for the City. In this budget, we will see an approximate \$12,000 decline in equalization funds and an approximate \$22,000 decline in our highway allocation funds from the previous year. The large number of capital projects for the City is a major concern. The two largest projects will be the construction of the Wastewater Treatment Plant and the renovation of the paved runways at the airport. Even though most of the projects in the Water Fund are ARRA projects, the additional requirements necessary to meet the grant guidelines do increase the project costs and place an extra burden on staff to maintain grant compliance.

We have begun collecting the new city sales tax. The council will authorize or reject projects as they are brought before them and they will also consider projects at their annual retreat in January or February. The Citizens Advisory Committee has been busy with requests for the LB840 plan projects. Council is considering how to fund the projects prior to the receipt of the sales tax dollars.

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 will need to, once again, increase the sewer rates in anticipation of the State Revolving Loan for the construction of the treatment plant as required by the DEQ by the fall of 2011. The State Revolving Loan Fund requires the entity to have sufficient rates in place when the final loan is executed. We are also studying the water rates, as we will also have a State Revolving Loan for the American Recovery and Reinvestment Act (ARRA) approved projects. These projects are the new well, the booster pump station, the looping of mains project, and the Muhs Acres water line project. The water rates will also need to be sufficient to cover the debt service on the State Revolving Loan.

We need to address the transfer station rates in the upcoming year to cover operating costs and also to cover the capital project needed. The engineer's estimate for the bank stabilization on the

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2009

west side of Logan Creek is \$274,185. The bid for the project came in at a much lower rate and we do have a grant from the Environmental Trust Fund for a portion of the project.

Capital items for 2009-2010 include:

1. Ongoing street maintenance projects.
2. Park improvements to meet ADA standards for the restrooms. We anticipate using sales tax dollars for this project. (\$45,000)
3. Necessary equipment purchases
4. Phase II of the City's biking/hiking trail system. In the current design, there is a portion of the trail that is designed as crushed rock. The citizen's sales tax committee requested that the 2200 feet be concrete and we budgeted \$16,500 of sales tax dollars for this request. This project has received a grant of \$45,000 from the Game and Parks Commission. It also has been awarded \$342,056 in Transportation Enhancement Grants and \$27,000 from the Lower Elkhorn Natural Resource District.
5. If the transportation enhancement grant application is approved, design and construction of an underpass connecting the community activity center property to the Western Ridge Subdivision will begin with the design and construction scheduled for the following year. (\$350,000)
6. Finish the paving of Summerfeld Drive in the Kardell Industrial Park, as well as the other infrastructure needed the area. (\$400,000)
7. Renovation of 10th Street and the associated water lines from Main Street to Windom Street are scheduled to take place in 2009-10. (\$466,000 Streets, \$22,000 Sewer, and \$67,000 Water)
8. Design the improvements to Windom Street, with construction the following year. This is an STP project. (\$590,000)
9. Overlay some of the existing streets with asphalt. (\$157,900)
10. Begin the planning process for the improvements to one block of West First Street. Originally, this was going to be an STP project, but administration of the City decided that to replace the bricks would be too costly. (\$340,000)
11. The revitalization of downtown Phase II has started. There are nine businesses that will use the grant funds for building restoration and preservation. We also are beginning the design of the sidewalk improvement district with the ADA ramps as part of the grant funds. The approved grant is for \$250,000.
12. The bank stabilization for Logan Creek has been awarded to a contractor, and we hope to have the project completed in the next fiscal year. This project has a grant from the Environmental Trust Agency for \$84,450. The Lower Elkhorn Natural Resource District has also granted \$25,000 towards this project.
13. The design phase of the cooling system for six units at the power plant has begun. (\$600,000)
14. The next Electric Distribution Improvement Project will be undertaken in the next fiscal year. (\$250,000)
15. We will continue exploring Automated Meter Reading (AMR) systems to determine the best system for the City. The City has collected and has in reserve \$368,086 in the electric fund and \$380,482 in the water fund for this project.

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2009

16. We are working on an updated web site that will be implemented in mid-December 2009. This project is a joint project with Wayne County, Wayne Schools, Wayne Area Economic Development, and the City of Wayne. A portion of the design will be funded from a BECA grant.
17. The engineers are designing the new wastewater treatment plant. This will be an anaerobic digesters system. We will have a \$520,000 grant from the EPA for this project. The last engineering estimate for the project was approximately \$8 million.
18. The City will continue rehabbing manholes in the City sewer system. (\$20,000)
19. The City will continue updating our lift stations. (\$30,000)
20. The transmission line and replacement of the water lines that service Muhs Acres subdivision is an ARRA project and will be constructed in 2009-10. (\$250,000)
21. The construction of well 11 for our water system is underway and will be brought on line in 2010. This is also an ARRA project. (\$350,000)
22. Another ARRA project is the looping of mains within the City, and this project is in the design phase at this time. (\$150,00)
23. The City will be borrowing \$1,050,000 for the State Revolving Loan Fund at a 3% interest rate. Of this loan, \$250,000 will be forgiven as part of the stimulus program.
24. We have an FAA grant for the design engineering for the renovations to runways 4/22 and 17/35. It is anticipated that we will bid out this project in January or February. We anticipate FAA participation at the 95% level for this project and the State has approved a \$50,000 grant for the project.

The Community Development Agency had purchased land for the Western Ridge housing subdivision in previous years. To date, there are 12 houses completed and the 13th is under construction. There are four of the CROWN homes occupied as of December 2009, and one of the other homes is occupied. We expect to see additional houses constructed in 2010.

The Community Development Agency also purchased the Kardell Industrial Park in previous years. The speculative building has been completed and we are marketing it to prospective business clients. The City did receive a Community Development Block Grant for this project. Wayne Industries is the subrecipient of the grant.

Once again the City has decreased the total property tax levy requested for city support by \$.003372 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 Finance Officer, City of Wayne, 306 Pearl St., P.O. Box 8, Wayne, NE 68787.

CITY OF WAYNE, NEBRASKA

STATEMENT OF NET ASSETS

September 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 676,687	\$ 455,368	\$ 1,132,055	\$ 292,909
Investments	1,727,503	9,098,886	10,826,389	-
County treasurer cash	30,334	-	30,334	2,428
Receivables:				
Property tax	22,915	-	22,915	1,709
Special assessments	469,333	-	469,333	-
Accounts, net of allowance for doubtful accounts	16,294	683,498	699,792	40,641
Unbilled revenue		228,215	228,215	-
Interest	6,675	42,949	49,624	-
Current portion of notes	302,126	-	302,126	-
Due from other governments	91,788	-	91,788	-
Due (to)/from other funds	(9,000)	9,000	-	-
Due from component units	1,404	253,428	254,832	-
Prepaid insurance	-	-	-	5,132
Inventory	-	210,019	210,019	-
Total current assets	3,336,059	10,981,363	14,317,422	342,819
Noncurrent assets:				
Restricted cash and cash equivalents	38,540	167,913	206,453	-
Restricted investments	177,281	208,670	385,951	-
Noncurrent notes receivable	650,922	-	650,922	-
Unamortized bond costs	30,507	33,946	64,453	-
Capital assets:				
Land and construction in progress	1,885,092	873,580	2,758,672	633,232
Other capital assets, net of depreciation	12,398,282	7,683,290	20,081,572	863,430
Net capital assets	14,283,374	8,556,870	22,840,244	1,496,662
Total noncurrent assets	15,180,624	8,967,399	24,148,023	1,496,662
Total assets	18,516,683	19,948,762	38,465,445	1,839,481
LIABILITIES				
Current liabilities:				
Accounts payable	45,661	351,338	396,999	19,238
Accrued expenses	148,035	164,218	312,253	-
Customer deposits	37,650	123,485	161,135	-
Due to the City of Wayne	-	-	-	254,832
Deferred revenue	390,075	-	390,075	1,475
Current portion of long-term obligations	170,000	235,000	405,000	20,052
Total current liabilities	791,421	874,041	1,665,462	295,597
Noncurrent liabilities:				
Compensated absences - noncurrent	32,860	29,140	62,000	-
Noncurrent portion of long-term obligations	1,300,000	2,370,000	3,670,000	394,870
Total noncurrent liabilities	1,332,860	2,399,140	3,732,000	394,870
Total liabilities	2,124,281	3,273,181	5,397,462	690,467
NET ASSETS				
Invested in capital assets, net of related debt	12,843,881	5,985,816	18,829,697	1,105,548
Restricted for:				
Debt service	566,398	221,382	787,780	-
Federal loan programs	870,019	-	870,019	-
Economic development	13,925	-	13,925	-
Parks and golf course	61,830	-	61,830	-
Unrestricted	2,036,349	10,468,383	12,504,732	43,466
Total net assets	\$ 16,392,402	\$ 16,675,581	\$ 33,067,983	\$ 1,149,014

See notes to financial statements.

CITY OF WAYNE, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2009

<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	\$ 540,257	\$ 61,522	\$ 516,840
Public buildings	94,578	30,070	-
Public safety	904,110	134,344	-
Public works	406,264	7,350	-
Senior citizens services	201,201	60,555	91,226
Library	196,404	6,116	5,000
Recreation	285,936	47,449	-
Community Activity Center	158,686	96,012	-
Interest and related expenses	108,490	-	-
Depreciation - unallocated	694,687	-	-
Total governmental activities	3,590,613	443,418	613,066
Business-type activities:			
Electric	5,367,762	5,561,464	-
Water	469,397	558,290	-
Sewer	539,351	560,617	-
Transfer Station	161,939	157,759	-
Total business-type activities	6,538,449	6,838,130	-
Total primary government	\$ 10,129,062	\$ 7,281,548	\$ 613,066
Component units:			
Wayne Municipal Airport	\$ 156,876	\$ 40,454	\$ -
Community Development Agency	38,454	753	-
Total component units	\$ 195,330	\$ 41,207	\$ -

See notes to financial statements.

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets			Component Unit
	Primary Government			
	Governmental Activities	Business-type Activities	Total	
\$ 61,596	\$ 99,701		\$ 99,701	
-	(64,508)		(64,508)	
-	(769,766)		(769,766)	
-	(398,914)		(398,914)	
-	(49,420)		(49,420)	
-	(185,288)		(185,288)	
29,416	(209,071)		(209,071)	
29,741	(32,933)		(32,933)	
-	(108,490)		(108,490)	
-	(694,687)		(694,687)	
<u>120,753</u>	<u>(2,413,376)</u>	\$ -	<u>(2,413,376)</u>	
-	-	193,702	193,702	
-	-	88,893	88,893	
-	-	21,266	21,266	
-	-	(4,180)	(4,180)	
<u>-</u>	<u>-</u>	<u>299,681</u>	<u>299,681</u>	
<u>\$ 120,753</u>	<u>(2,413,376)</u>	299,681	<u>(2,113,695)</u>	
\$ 89,866				\$ (26,556)
-				(37,701)
<u>\$ 89,866</u>				<u>(64,257)</u>
General revenues:				
Taxes:				
Property	691,086	-	691,086	70,778
Motor vehicle	69,951	-	69,951	-
Payments in lieu of taxes	541,025	-	541,025	-
Sales tax	501,318	-	501,318	-
Franchise	182,695	-	182,695	-
TIF proceeds	-	-	-	15,297
State allocation	812,857	-	812,857	-
Special assessments	128,553	-	128,553	-
Miscellaneous	51,212	-	51,212	-
Interest income	71,026	212,830	283,856	1,473
Gain on sale of assets	3,484	1,450	4,934	137,103
Unrealized gain on investments	3,457	7,854	11,311	-
Transfer to City from CDA	293,722	-	293,722	(293,722)
Interfund transfers	(51,231)	51,231	-	-
Total general revenues	<u>3,299,155</u>	<u>273,365</u>	<u>3,572,520</u>	<u>(69,071)</u>
Change in net assets	885,779	573,046	1,458,825	(133,328)
Net assets - September 30, 2008	<u>15,506,623</u>	<u>16,102,535</u>	<u>31,609,158</u>	<u>1,282,342</u>
Net assets - September 30, 2009	<u>\$ 16,392,402</u>	<u>\$ 16,675,581</u>	<u>\$ 33,067,983</u>	<u>\$ 1,149,014</u>

CITY OF WAYNE, NEBRASKA

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

September 30, 2009

	<u>General</u>	<u>Street</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	\$ 170,547	\$ 225,816	\$ -	\$ 131,535	\$ 44,046	\$ 52,260	\$ 624,204
Investments	1,234,566	-	-	-	442,625	-	1,677,191
County treasurer cash	21,398	5,872	-	-	3,064	-	30,334
Receivables:							
Special assessments	-	-	-	-	469,333	-	469,333
Accounts, net of allowance for doubtful accounts	10,952	1,385	-	-	-	3,957	16,294
Notes receivable	746	-	-	-	-	938,704	939,450
Interest	4,318	-	-	88	739	1,471	6,616
Property tax	14,908	5,872	-	-	2,135	-	22,915
Due from other governments	91,788	-	-	-	-	-	91,788
Due from other funds	96,600	-	-	-	-	-	96,600
Due from component units	1,404	-	-	-	-	-	1,404
Restricted assets:							
Cash	38,540	-	-	-	-	-	38,540
Investments	61,830	-	-	115,451	-	-	177,281
Total assets	\$ 1,747,597	\$ 238,945	\$ -	\$ 247,074	\$ 961,942	\$ 996,392	\$ 4,191,950
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 15,170	\$ 24,491	\$ -	\$ -	\$ -	\$ -	\$ 39,661
Accrued expenses	115,637	13,911	-	-	13,002	-	142,550
Customer deposits	37,650	-	-	-	-	-	37,650
Due to other funds	-	9,000	-	-	-	96,600	105,600
Deferred revenue	7,533	-	-	-	382,542	-	390,075
Total liabilities	175,990	47,402	-	-	395,544	96,600	715,536
Fund balances:							
Reserved for:							
Debt service	-	-	-	-	566,398	-	566,398
Federal programs	-	-	-	-	-	870,019	870,019
Economic development	-	-	-	-	-	13,925	13,925
Capital projects	38,540	-	-	-	-	-	38,540
Golf course	35,039	-	-	-	-	-	35,039
Parks	26,791	-	-	-	-	-	26,791
Unreserved	1,471,237	191,543	-	247,074	-	15,848	1,925,702
Total fund balances	1,571,607	191,543	-	247,074	566,398	899,792	3,476,414
Total liabilities and fund balances	\$ 1,747,597	\$ 238,945	\$ -	\$ 247,074	\$ 961,942	\$ 996,392	\$ 4,191,950

See notes to financial statements.

CITY OF WAYNE, NEBRASKA

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

September 30, 2009

Total fund balances - governmental funds		\$	3,476,414
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 \$25,541,213, and the accumulated depreciation is \$11,257,839.			14,283,374
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 \$44,555 and the accumulated amortization is \$14,048.			30,507
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.			104,967
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	\$	(32,860)	
Bonds payable		<u>(1,470,000)</u>	<u>(1,502,860)</u>
Total net assets - governmental activities		\$	<u><u>16,392,402</u></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, 2009

	<u>General</u>	<u>Street</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	\$ 599,906	\$ 1,955	\$ -	\$ -	\$ 89,225	\$ -	\$ 691,086
Motor vehicle	-	69,951	-	-	-	-	69,951
Payments in lieu of taxes	540,898	-	-	-	127	-	541,025
Sales tax	116,343	-	-	371,052	-	13,923	501,318
Franchise	182,695	-	-	-	-	-	182,695
Intergovernmental	513,065	396,018	-	-	-	578,436	1,487,519
Special assessments	-	-	-	-	128,553	-	128,553
Charges for services	405,355	7,350	-	-	-	30,713	443,418
Interest income	25,044	67	847	9,476	9,144	25,077	69,655
Contributions	29,416	-	-	29,741	-	-	59,157
Support from CDA	-	300,000	-	-	-	-	300,000
Sale of property	1	16,324	-	-	-	-	16,325
Unrealized gain on investments	2,595	-	-	862	-	-	3,457
Other income	48,712	2,500	-	-	-	-	51,212
Total revenues	<u>2,464,030</u>	<u>794,165</u>	<u>847</u>	<u>411,131</u>	<u>227,049</u>	<u>648,149</u>	<u>4,545,371</u>
EXPENDITURES							
General government	166,262	-	-	-	-	442,672	608,934
Public buildings	94,578	-	-	-	-	-	94,578
Public safety	935,046	-	-	-	-	8,880	943,926
Public works	-	400,957	5,307	-	-	-	406,264
Senior citizens services	201,201	-	-	-	-	-	201,201
Library	196,404	-	-	-	-	-	196,404
Recreation	285,936	-	-	-	-	-	285,936
Community Activity Center	158,686	-	-	-	-	-	158,686
Capital outlay	63,604	577,144	-	-	-	-	640,748
Principal payments on debt	-	-	-	790,000	165,000	-	955,000
Interest on long-term debt	-	-	-	17,467	64,067	-	81,534
Total expenditures	<u>2,101,717</u>	<u>978,101</u>	<u>5,307</u>	<u>807,467</u>	<u>229,067</u>	<u>451,552</u>	<u>4,573,211</u>
Excess (deficiency) of revenues over expenditures	362,313	(183,936)	(4,460)	(396,336)	(2,018)	196,597	(27,840)
OTHER FINANCING SOURCES (USES)							
Transfers in	96,143	554,535	-	-	52,023	-	702,701
Transfers out	<u>(205,054)</u>	-	<u>(72,160)</u>	<u>(202,578)</u>	-	<u>(274,140)</u>	<u>(753,932)</u>
Net transfers	<u>(108,911)</u>	<u>554,535</u>	<u>(72,160)</u>	<u>(202,578)</u>	<u>52,023</u>	<u>(274,140)</u>	<u>(51,231)</u>
Net change in fund balances	253,402	370,599	(76,620)	(598,914)	50,005	(77,543)	(79,071)
Fund balances - September 30, 2008	<u>1,318,205</u>	<u>(179,056)</u>	<u>76,620</u>	<u>845,988</u>	<u>516,393</u>	<u>977,335</u>	<u>3,555,485</u>
Fund balances - September 30, 2009	<u>\$ 1,571,607</u>	<u>\$ 191,543</u>	<u>\$ -</u>	<u>\$ 247,074</u>	<u>\$ 566,398</u>	<u>\$ 899,792</u>	<u>\$ 3,476,414</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, 2009

Total net change in fund balances - governmental funds	\$ (79,071)
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 (\$703,147) exceeded depreciation expense (\$694,687) during the period.	8,460
Remaining basis on the disposal of capital assets is not reported on the governmental fund statements. However, it is reported as a loss on the statement of activities.	(12,841)
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) was exceeded by amortization expense (\$26,956) during the period.	(26,956)
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.	40,922
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.	265
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>955,000</u>
Change in net assets of governmental activities	<u><u>\$ 885,779</u></u>

See notes to financial statements.

CITY OF WAYNE, NEBRASKA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2009

	Enterprise Funds	
	Electric Fund	Water Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 312,220	\$ 72,060
Investments	6,567,719	1,425,725
Receivables:		
Accounts, net of allowance for doubtful accounts	577,975	54,134
Unbilled revenue	186,704	22,741
Interest	36,647	3,138
Current portion of notes	-	-
Due from other funds	9,000	-
Due from Community Development Agency	253,428	-
Inventory	194,501	15,518
Total current assets	8,138,194	1,593,316
Noncurrent assets:		
Restricted cash and cash equivalents	167,913	-
Restricted investments	172,871	-
Noncurrent notes receivable	-	-
Unamortized bond costs	33,946	-
Capital assets :		
Land	129,517	143,875
Construction in progress	41,533	221,558
Distribution systems	4,597,031	3,999,283
Buildings	6,003,039	141,152
Equipment	3,418,926	427,080
Less accumulated depreciation	(9,129,006)	(3,063,130)
Net capital assets	5,061,040	1,869,818
Total noncurrent assets	5,435,770	1,869,818
Total assets	13,573,964	3,463,134
LIABILITIES		
Current liabilities:		
Accounts payable	338,000	2,628
Customer deposits	123,485	-
Accrued interest payable	10,654	1,505
Other accrued expenses	117,539	15,377
Current portion of long-term obligations	235,000	-
Total current liabilities	824,678	19,510
Noncurrent liabilities:		
Compensated absences - noncurrent	20,460	3,720
Noncurrent portion of long-term obligations	1,300,000	535,000
Total noncurrent liabilities	1,320,460	538,720
Total liabilities	2,145,138	558,230
NET ASSETS		
Invested in capital assets, net of related debt	3,559,986	1,334,818
Restricted for:		
Debt service	221,382	-
Unrestricted	7,647,458	1,570,086
Total net assets	\$ 11,428,826	\$ 2,904,904

See notes to financial statements.

Enterprise Funds			Internal
<u>Sewer</u> <u>Fund</u>	<u>Transfer</u> <u>Station</u>	<u>Total</u>	<u>Service</u> <u>Fund</u>
\$ 47,449	\$ 23,639	\$ 455,368	\$ 52,483
1,105,442	-	9,098,886	50,312
42,452	8,937	683,498	-
18,770	-	228,215	-
3,164	-	42,949	59
-	-	-	8,500
-	-	9,000	-
-	-	253,428	-
-	-	210,019	-
<u>1,217,277</u>	<u>32,576</u>	<u>10,981,363</u>	<u>111,354</u>
-	-	167,913	-
35,799	-	208,670	-
-	-	-	5,098
-	-	33,946	-
55,178	41,181	369,751	-
214,974	25,764	503,829	-
2,413,011	-	11,009,325	-
1,271,797	464,075	7,880,063	-
843,948	37,919	4,727,873	-
<u>(3,431,282)</u>	<u>(310,553)</u>	<u>(15,933,971)</u>	<u>-</u>
<u>1,367,626</u>	<u>258,386</u>	<u>8,556,870</u>	<u>-</u>
<u>1,403,425</u>	<u>258,386</u>	<u>8,967,399</u>	<u>5,098</u>
<u>2,620,702</u>	<u>290,962</u>	<u>19,948,762</u>	<u>116,452</u>
1,980	8,730	351,338	6,000
-	-	123,485	-
1,505	-	13,664	-
14,132	3,506	150,554	5,485
-	-	235,000	-
<u>17,617</u>	<u>12,236</u>	<u>874,041</u>	<u>11,485</u>
3,720	1,240	29,140	-
535,000	-	2,370,000	-
<u>538,720</u>	<u>1,240</u>	<u>2,399,140</u>	<u>-</u>
<u>556,337</u>	<u>13,476</u>	<u>3,273,181</u>	<u>11,485</u>
832,626	258,386	5,985,816	-
-	-	221,382	-
1,231,739	19,100	10,468,383	104,967
<u>\$ 2,064,365</u>	<u>\$ 277,486</u>	<u>\$ 16,675,581</u>	<u>\$ 104,967</u>

CITY OF WAYNE, NEBRASKA

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

For the year ended September 30, 2009

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Transfer Station		
Operating revenues:						
User charges	\$ 5,517,479	\$ 543,724	\$ 558,740	\$ 157,759	\$ 6,777,702	\$ -
Health insurance premiums	-	-	-	-	-	345,358
Other revenue	43,985	14,566	1,877	-	60,428	-
Total operating revenues	<u>5,561,464</u>	<u>558,290</u>	<u>560,617</u>	<u>157,759</u>	<u>6,838,130</u>	<u>345,358</u>
Operating expenses:						
Cost of power	2,927,544	-	-	-	2,927,544	-
Personnel	888,498	144,603	141,532	32,456	1,207,089	-
Contract services	33,719	49,999	72,920	97,135	253,773	-
Commodities	592,214	93,200	179,735	13,144	878,293	-
Payments in lieu of taxes	476,098	38,234	25,676	-	540,008	-
Insurance claims and health premiums	-	-	-	-	-	305,807
Depreciation	383,770	135,838	111,965	19,204	650,777	-
Amortization	6,789	-	-	-	6,789	-
Total operating expenses	<u>5,308,632</u>	<u>461,874</u>	<u>531,828</u>	<u>161,939</u>	<u>6,464,273</u>	<u>305,807</u>
Operating income (loss)	252,832	96,416	28,789	(4,180)	373,857	39,551
Nonoperating revenues (expenses):						
Interest income	161,923	26,521	24,328	58	212,830	1,371
Interest expense	(59,130)	(7,523)	(7,523)	-	(74,176)	-
Gain on sale of capital assets	-	1,450	-	-	1,450	-
Unrealized gain on investments	6,807	1,101	(54)	-	7,854	-
Total nonoperating revenues (expenses)	<u>109,600</u>	<u>21,549</u>	<u>16,751</u>	<u>58</u>	<u>147,958</u>	<u>1,371</u>
Income (loss) before interfund transfers	362,432	117,965	45,540	(4,122)	521,815	40,922
Interfund transfers:						
Transfer to other funds	<u>(52,023)</u>	<u>51,632</u>	<u>51,622</u>	<u>-</u>	<u>51,231</u>	<u>-</u>
Change in net assets	310,409	169,597	97,162	(4,122)	573,046	40,922
Net assets - September 30, 2008	<u>11,118,417</u>	<u>2,735,307</u>	<u>1,967,203</u>	<u>281,608</u>	<u>16,102,535</u>	<u>64,045</u>
Net assets - September 30, 2009	<u>\$ 11,428,826</u>	<u>\$ 2,904,904</u>	<u>\$ 2,064,365</u>	<u>\$ 277,486</u>	<u>\$ 16,675,581</u>	<u>\$ 104,967</u>

See notes to financial statements.

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

For the year ended September 30, 2009

	Enterprise Funds	
	Electric Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 5,591,161	\$ 563,834
Receipts from other funds	-	-
Payments to suppliers	(4,040,095)	(186,323)
Payments to employees	(868,607)	(146,137)
Net cash provided by operating activities	682,459	231,374
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers (to) from other funds	(52,023)	51,632
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(161,541)	(453,467)
Sales proceeds on equipment	-	1,450
Proceeds from issuance of capital debt	1,535,000	535,000
Payment of bond issuance costs	(19,188)	-
Principal payments on capital debt	(1,905,000)	-
Interest paid on capital debt	(70,132)	(6,018)
Net cash provided (used) by capital and related financing activities	(620,861)	76,965
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in investments	(495,467)	(504,465)
Decrease in due from Community Development Agency	145,127	-
Decrease in notes receivable	-	-
Decrease in due from other funds	8,500	-
Interest received	161,751	26,820
Net cash provided (used) by investing activities	(180,089)	(477,645)
Increase (decrease) in cash and cash equivalents	(170,514)	(117,674)
Cash and cash equivalents - beginning of the year	650,647	189,734
Cash and cash equivalents - end of the year	\$ 480,133	\$ 72,060
Composition of cash and cash equivalents:		
Cash and cash equivalents	\$ 312,220	\$ 72,060
Restricted cash and cash equivalents	167,913	-
Total cash and cash equivalents	\$ 480,133	\$ 72,060

Enterprise Funds			Internal Service Fund
Sewer Fund	Transfer Station	Total	
\$ 573,714	\$ 162,256	\$ 6,890,965	\$ -
-	-	-	347,687
(284,214)	(110,891)	(4,621,523)	(309,464)
(143,056)	(34,363)	(1,192,163)	-
<u>146,444</u>	<u>17,002</u>	<u>1,077,279</u>	<u>38,223</u>
51,622	-	51,231	-
(479,752)	(9,222)	(1,103,982)	-
-	-	1,450	-
535,000	-	2,605,000	-
-	-	(19,188)	-
-	-	(1,905,000)	-
(6,018)	-	(82,168)	-
<u>49,230</u>	<u>(9,222)</u>	<u>(503,888)</u>	<u>-</u>
(287,683)	-	(1,287,615)	9,732
-	-	145,127	-
-	-	-	1,192
-	-	8,500	-
24,117	58	212,746	1,312
<u>(263,566)</u>	<u>58</u>	<u>(921,242)</u>	<u>12,236</u>
(16,270)	7,838	(296,620)	50,459
63,719	15,801	919,901	2,024
<u>\$ 47,449</u>	<u>\$ 23,639</u>	<u>\$ 623,281</u>	<u>\$ 52,483</u>
\$ 47,449	\$ 23,639	\$ 455,368	\$ 52,483
-	-	167,913	-
<u>\$ 47,449</u>	<u>\$ 23,639</u>	<u>\$ 623,281</u>	<u>\$ 52,483</u>

CITY OF WAYNE, NEBRASKA

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

For the year ended September 30, 2009

	Enterprise Funds	
	Electric Fund	Water Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 252,832	\$ 96,416
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	383,770	135,838
Amortization expense	6,789	-
Change in assets and liabilities:		
Accounts receivable	(1,848)	5,544
Inventories	-	6,529
Accounts payable	(10,520)	(11,419)
Customer deposits	31,545	-
Accrued expenses	19,891	(1,534)
Net cash provided by operating activities	\$ 682,459	\$ 231,374

See notes to financial statements.

<u>Enterprise Funds</u>			<u>Total</u>	<u>Internal Service Fund</u>
<u>Sewer Fund</u>	<u>Transfer Station</u>			
\$ 28,789	\$ (4,180)	\$ 373,857	\$ 39,551	
111,965	19,204	650,777	-	
-	-	6,789	-	
13,097	4,497	21,290	2,329	
-	-	6,529	-	
(5,883)	(612)	(28,434)	-	
-	-	31,545	-	
(1,524)	(1,907)	14,926	(3,657)	
<u>\$ 146,444</u>	<u>\$ 17,002</u>	<u>\$ 1,077,279</u>	<u>\$ 38,223</u>	

CITY OF WAYNE, NEBRASKA

STATEMENT OF NET ASSETS - FIDUCIARY FUND

September 30, 2009

	Agency Fund
ASSETS	
Cash	\$ 56,282
Investments	120,356
Sales tax receivable	22,161
Interest receivable	239
Other receivables	1,061
Total assets	<u>\$ 200,099</u>
LIABILITIES	
Agency liabilities	<u>\$ 200,099</u>
Total liabilities	<u>\$ 200,099</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, 2009

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 and Statement No. 39, 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, 2009

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, 2009

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, 2009

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, 2009

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.
Street	The Street Fund is a special revenue fund that accounts for the City's share of highway allocation from the State of Nebraska.
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, 2009

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.
LB840	Accounts for sales tax to be used for economic development under LB840.
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, 2009

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 funds utilize 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, 2009

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, 2009

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>
General	\$ <u>91,788</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, 2009

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, 2009

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 governmental 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, 2009

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 is 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 their 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, 2009

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. Prior to July 1, 2009, the sales tax was recorded in the Sales Tax Fund and used for the Community Activity Center bond principal and interest. Effective July 1, 2009, 60% of the sales tax is recorded in the General Fund to be used for capital projects and 40% is recorded in the LB840 Fund to be used for economic development.

Sales taxes collected by the State in September (which represent 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 political 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 2009-2010 are recorded as revenue when expected to be collected within 60 days after September 30, 2009. 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 (8.5% 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. They also include 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, 2009

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 is 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, 2009

NOTE B – 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, including certificates of deposit, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing deposits and all non-interest-bearing deposits are insured. Any cash deposits or certificates of deposit in excess of the 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, 2009

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, 2009. The categories of collateral are defined as follows:

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

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.

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits and money market accounts	\$ 1,807,186	\$ 1,617,246	\$ 189,940	\$ -	\$ <u>1,687,699</u>
Reconciliation to Government-wide Statement of Net Assets:					
Primary Government –					
Unrestricted cash and cash equivalents					\$ 1,132,055
Restricted cash and cash equivalents					206,453
Component Unit –					
Unrestricted cash and cash equivalents					292,909
Agency Fund Cash (not included in government-wide statement)					<u>56,282</u>
					\$ <u>1,687,699</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 who holds the security at September 30, 2009. The categories of investments are defined as follows:

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

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.

<u>Type of Investment</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Money Market	\$ 384,027	\$ -	\$ -	\$ 384,027	\$ 384,027
Time Deposits	10,911,669	-	-	10,911,669	10,911,669
U.S. Governmental Securities	-	37,000	-	<u>37,000</u>	<u>37,000</u>
				<u>\$ 11,332,696</u>	<u>\$ 11,332,696</u>

Reconciliation to Government-wide Statement of Net Assets:

Primary Government –	
Unrestricted investments	\$ 10,826,389
Restricted investments	385,951
Component Unit –	
Unrestricted investments	-
Restricted investments	-
Agency Funds (not included in government-wide statement)	<u>120,356</u>
	<u>\$ 11,332,696</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

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

2. Restricted Assets

The restricted assets as of September 30, 2009, 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	\$ 38,540	\$ 167,913	\$ 206,453	\$ -
Investments	<u>177,281</u>	<u>208,670</u>	<u>385,951</u>	<u>-</u>
	<u>\$ 215,821</u>	<u>\$ 376,583</u>	<u>\$ 592,404</u>	<u>\$ -</u>

Restricted cash for governmental activities consists of \$38,540 of General Fund cash revenue for capital projects. Restricted investments for governmental activities consist of \$26,791 of General Fund investments restricted to be used for parks, \$35,039 of General Fund investments restricted to be used for the golf course, and \$115,451 of Sales Tax investments restricted for the Community Activity Center bond reserve.

Restricted business-type assets consist of debt service reserves of \$221,382 for the Electric Fund. The Electric Fund also has \$92,001 restricted for customer deposits and \$27,401 restricted for economic development. The Sewer Fund has \$35,799 restricted for equipment replacement.

3. Accounts and Notes Receivable

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of Community Activity Center memberships and other minor receivables. Accounts receivable for the component units consist of a \$40,218 airport grant receivable and other minor receivables. Receivables detail at September 30, 2009, is as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Accounts receivable	\$ 16,294	\$ 683,498	\$ 699,792	\$ 40,641
Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net accounts receivable	<u>\$ 16,294</u>	<u>\$ 683,498</u>	<u>\$ 699,792</u>	<u>\$ 40,641</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

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, 2009:

<u>Note Held By</u>	<u>Due From</u>	Note Balance at September 30, <u>2009</u>	<u>Terms</u>
General Fund	Employees of the City of Wayne	\$ 746	0%; payroll deductions for firearms purchases
Community Development Fund	Mines Jewelers	19,836	4%; monthly payments due over 84 months; final balloon payment due 7/20/16
Community Development Fund	Snakey Jakes	7,998	4.375%; monthly payments due over 84 months; matures 3/01/15
Community Development Fund	Wayne Child Care	76,066	4%; monthly payments due over 84 months; final balloon payment due 5/10/15
Community Development Fund	Innovative Protectives	2,689	4%; monthly payments due over 84 months; final balloon payment due 7/01/11
Community Development Fund	Sebade Construction	27,877	5%; monthly payments due over 84 months; final balloon payment due 10/25/09
Community Development Fund	Diamond Center Flowers and Wine	74,366	4%; monthly payments due over 84 months; final balloon payment due 7/13/10
Community Development Fund	Concord Components	110,928	3.625%; monthly payments due over 84 months; final balloon payment due 2/02/10

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2008

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>2009</u>	<u>Terms</u>
Community Development Fund	Farm to Market Ag Center	14,539	3.75%; monthly payments due over 84 months; final balloon payment due 2/15/09.
Community Development Fund	Claussen & Sons Irrigation	15,982	4%; monthly payments due over 84 months; final balloon payment due 4/29/11
Community Development Fund	Schulz Land Surveying	15,139	4%; monthly payments due over 84 months; final balloon payment due 5/14/11
Community Development Fund	Jeff and Debra Morlok	88,498	4%; monthly payments due over 84 months; final balloon payment due 9/01/11
Community Development Fund	Dianne's Specialty Gifts	31,964	4%; monthly payments due over 84 months; final balloon payment due 3/15/11
Community Development Fund	Sand Creek Post and Beam	16,133	4.25%; monthly payments due over 84 months; final balloon payment due 5/01/12
Community Development Fund	BBL Enterprises, Inc.	20,884	4.25%; monthly payments due over 84 months; final balloon payment due 5/01/12
Community Development Fund	Inspiration Christian Book & Gift	4,630	4%; monthly payments due over 84 months; matures 9/01/12

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

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>2009</u>	<u>Terms</u>
Community Development Fund	Felix Industries	43,259	4.25%; monthly payments due over 84 months; matures 7/14/12
Community Development Fund	Udder Delights	18,233	4.5%; monthly payments over 84 months; matures 5/16/14
Community Development Fund	The Max Again	92,753	4.95%; monthly payments due over 84 months; matures 5/25/14
Community Development Fund	9 housing loans	160,330	0%; housing loans; due when property is sold
LB840 Fund	Interactive Impact, Inc.	30,000	0%; forgivable at \$500 per month October 1, 2009, through October 1, 2014
LB840 Fund	Digital Blue, Inc.	30,600	0%; forgivable at \$510 per month October 1, 2009, through October 1, 2014
LB840 Fund	Louis and Javanah Bencoter	36,000	0%; forgivable at \$600 per month October 1, 2009, through October 1, 2014
Internal Service Fund	Employees of the City of Wayne	13,598	0%; payroll deduction for computer/electronic purchases
Total notes receivable		<u>\$ 953,048</u>	
Current portion		\$ 302,126	
Noncurrent portion		<u>650,922</u>	
		<u>\$ 953,048</u>	

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2009, was as follows:

	Balance at October 1, <u>2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2009</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 577,677	\$ -	\$ -	\$ -	\$ 577,677
Spec building	189,898	62,399	-	-	252,297
Construction in progress	538,525	571,484	-	(54,891)	1,055,118
Total capital assets not being depreciated	1,306,100	633,883	-	(54,891)	1,885,092
Other capital assets being depreciated:					
Infrastructure	11,180,485	-	-	-	11,180,485
Improvements	1,379,697	38,116	(471,836)	-	945,977
Buildings	9,390,390	25,488	-	54,891	9,470,769
Machinery and equipment	2,171,459	5,660	(118,229)	-	2,058,890
Total other capital assets at historical cost	24,122,031	69,264	(590,065)	54,891	23,656,121
Less accumulated depreciation for:					
Infrastructure	(6,510,251)	(279,687)	-	-	(6,789,938)
Improvements	(729,568)	(39,512)	458,995	-	(310,085)
Buildings	(2,389,046)	(237,486)	-	-	(2,626,532)
Machinery and equipment	(1,511,511)	(138,002)	118,229	-	(1,531,284)
Total accumulated depreciation	(11,140,376)	(694,687) *	577,224	-	(11,257,839)
Other capital assets, net	12,981,655	(625,423)	(12,841)	54,891	12,398,282
Governmental activities capital assets, net	\$ 14,287,755	\$ 8,460	\$(12,841)	\$ -	\$14,283,374

* Depreciation expense was charged to governmental activities as follows:

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

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

4. Capital Assets, continued

Governmental Activities, continued:

General Fund:

General government	\$ 1,206
Public buildings	51,939
Public safety:	
Fire	68,229
Police	<u>30,519</u>
Total public safety	98,748
Public works:	
Street	322,822
Senior citizens services	2,273
Library	40,681
Recreation:	
Golf	6,937
Parks	39,160
Pool	<u>19,201</u>
Total recreation	65,298
Community Activity Center:	<u>111,720</u>
Total General Fund depreciation expense	\$ <u>694,687</u>

Construction in progress at September 30, 2009, consists of \$2,500 for the Northwest Drainage Project, \$87,674 for the Hiking Trail – Phase II Project, \$36,385 for the 10th Street Project, \$138,968 for the Kardell Street Paving and Drainage Project, and \$789,591 for the Western Ridge Project. See Note D3 for additional details on these projects.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

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

4. Capital Assets, continued

	Balance at October 1, <u>2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2009</u>
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 369,751	\$ -	\$ -	\$ -	\$ 369,751
Construction in progress	109,366	419,533	-	(25,070)	503,829
Total capital assets not being depreciated	479,117	419,533	-	(25,070)	873,580
Other capital assets being depreciated:					
Buildings	7,880,063	-	-	-	7,880,063
Distribution systems	10,362,348	621,907	-	25,070	11,009,325
Equipment	4,878,483	62,543	(213,153)	-	4,727,873
Total other capital assets at historical cost	23,120,894	684,450	(213,153)	25,070	23,617,261
Less accumulated depreciation for:					
Buildings	(4,540,036)	(230,437)	-	-	(4,770,473)
Distribution systems	(6,493,518)	(301,992)	-	-	(6,795,510)
Equipment	(4,462,792)	(118,348)	213,152	-	(4,367,988)
Total accumulated depreciation	(15,496,346)	(650,777) *	213,152	-	(15,933,971)
Other capital assets, net	7,624,548	33,673	(1)	25,070	7,683,290
Business-type capital assets, net	<u>\$ 8,103,665</u>	<u>\$ 453,206</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 8,556,870</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 383,770
Water	135,838
Sewer	111,965
Transfer Station	19,204
Total business-type activities depreciation expense	<u>\$ 650,777</u>

Construction in progress at September 30, 2009, consists of \$41,533 of costs incurred for the Electric Fund Metering Project, \$20,600 of costs on the Water Fund Loop Water Main Project, \$27,211 of costs on the Water Fund Well 11, \$35,712 of costs on the Water and Sewer Funds Kardell Industrial Park Project, \$26,759 of costs incurred for the Muhs Acres Water District, \$304,779 of costs on the Water and Sewer Funds Western Ridge Water Line Project, \$21,471 of costs incurred for the Wastewater Treatment Plant, and \$25,764 of costs on the Transfer Station Fund Bank Stabilization Project. See Note D3 for additional detail of the construction in progress at September 30, 2009.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

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

4. Capital Assets, continued

	<u>Balance at</u> <u>September 30, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	<u>Balance at</u> <u>September 30, 2009</u>
<u>Airport Authority:</u>					
Capital assets not being depreciated:					
Land	\$ 254,347	\$ 27,940	\$ -	\$ 5,489	\$ 287,776
Construction in progress	<u>5,489</u>	<u>44,264</u>	<u>-</u>	<u>(5,489)</u>	<u>44,264</u>
	259,836	72,204	-	-	332,040
Other capital assets being depreciated:					
Buildings	545,412	-	-	-	545,412
Improvements	3,433,281	-	(20)	-	3,433,261
Equipment	<u>169,089</u>	<u>18,073</u>	<u>-</u>	<u>32,719</u>	<u>219,881</u>
Total other capital assets at historical cost	4,147,782	18,073	(20)	32,719	4,198,554
Less accumulated depreciation for:					
Buildings	(189,968)	(12,998)	-	-	(202,966)
Improvements	(2,979,204)	(54,537)	-	-	(3,033,741)
Equipment	<u>(48,129)</u>	<u>(17,569)</u>	<u>-</u>	<u>(32,719)</u>	<u>(98,417)</u>
Total accumulated depreciation	<u>(3,217,301)</u>	<u>(85,104)</u>	<u>-</u>	<u>(32,719)</u>	<u>(3,335,124)</u>
Other capital assets, net	<u>930,481</u>	<u>(67,031)</u>	<u>(20)</u>	<u>-</u>	<u>863,430</u>
Airport Authority capital assets, net	<u>\$ 1,190,317</u>	<u>\$ 5,173</u>	<u>\$ (20)</u>	<u>\$ -</u>	<u>\$ 1,195,470</u>

Construction in progress of \$44,264 at September 30, 2009, represents costs incurred on the runway 4/22 reconstruction project. See Note D3 for additional details on commitments.

	<u>Balance at</u> <u>September 30, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>September 30, 2009</u>
<u>Community Development Agency:</u>				
Capital assets not being depreciated:				
Land	\$ <u>325,239</u>	\$ <u>-</u>	\$(<u>24,047</u>)	\$ <u>301,192</u>

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, 2009

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, 2009:

<u>Type of Debt</u>	Balance October 1, 2008	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2009	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds payable	\$ 2,425,000	\$ -	\$ (955,000)	\$ 1,470,000	\$ 170,000
Business-type Activities:					
Bonds payable	\$ 1,905,000	\$ 2,605,000	\$ (1,905,000)	\$ 2,605,000	\$ 235,000
Component Units:					
Airport Authority	\$ 109,974	\$ -	\$ (20,052)	\$ 89,922	\$ 20,052
Community Develop- ment Authority	-	325,000	-	325,000	-
Total component unit	\$ 109,974	\$ 325,000	\$ (20,052)	\$ 414,922	\$ 20,052

Governmental Activities

As of September 30, 2009, 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. \$ 515,000

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. 255,000

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

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.

700,000

Total bonds payable

\$ 1,470,000

Current portion

\$ 170,000

Noncurrent portion

1,300,000

Total

\$ 1,470,000

The Debt Service Fund is making the bond payments on all outstanding governmental activities debt.

Business-type Activities

As of September 30, 2009, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds and notes payable:

Electric revenue refunding bonds - series 2009, with original issue amount of \$1,535,000. Interest ranges from 1.55 to 3.05 percent with final maturity June 15, 2015.

\$ 1,535,000

Combined water and sewer revenue bond anticipation notes - series 2009, with original issue amount of \$1,070,000. Interest of 2.25 percent is due semiannually with principal due on February 15, 2012.

1,070,000

Total business-type activity bonds and notes payable

\$ 2,605,000

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2009

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

6. Long-term Debt, continued

Business-type Activities, continued

Current portion	\$ 235,000
Noncurrent portion	<u>2,370,000</u>
Total	<u>\$ 2,605,000</u>

Component Unit

Airport notes payable:

Nebraska Department of Aeronautics series 2000 Shop Hangar Airport loan, due in monthly installments through June 1, 2015, bearing no interest. \$ 71,850

Nebraska Department of Aeronautics series 2001 T-Hangar Airport loan, due in monthly installments through December 1, 2011, bearing no interest. 18,072

Total airport notes payable 89,922

Community Development Agency Bond Payable:

Tax increment revenue bond series 2009, with original amount of \$325,000. Interest of 3% is due semiannually commencing June 1, 2011. The bond is held by the City of Wayne’s Electric Fund. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 325,000

Total component unit notes and bond payable \$ 414,922

Current portion	\$ 20,052
Noncurrent portion	<u>394,870</u>
Total	<u>\$ 414,922</u>

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2009

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, 2009, 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>	<u>Interest</u>
2010	\$ 170,000	\$ 59,670	\$ 235,000	\$ 60,603	\$ 20,052	\$ -
2011	200,000	53,478	250,000	56,960	52,552	19,500
2012	150,000	46,022	1,325,000	39,922	47,400	8,775
2013	155,000	40,158	260,000	22,020	44,824	7,800
2014	115,000	34,022	265,000	15,390	44,824	6,825
2015-2019	580,000	92,588	270,000	8,235	172,770	19,500
2020-2024	100,000	6,575	-	-	32,500	975
	<u>\$ 1,470,000</u>	<u>\$ 332,513</u>	<u>\$ 2,605,000</u>	<u>\$ 203,130</u>	<u>\$ 414,922</u>	<u>\$ 63,375</u>

7. Interfund Transactions and Balances

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Street Fund	\$ -	\$ 203,670
Community Development Fund	-	1,384
Sales Tax Fund	41,835	-
E911	<u>54,308</u>	<u>-</u>
Total General Fund	96,143	205,054
Street Fund:		
General Fund	203,670	-
Capital Projects Fund	72,160	-
Sales Tax Fund	160,743	-
Community Development	<u>117,962</u>	<u>-</u>
Total Street Fund	554,535	-
Capital Projects Fund:		
Street Fund	-	72,160
Sales Tax Fund:		
General Fund	-	41,835
Street Fund	<u>-</u>	<u>160,743</u>
Total Sales Tax Fund	-	202,578

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2009

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

7. Interfund Transactions and Balances, continued

Operating transfers, continued:

	<u>Transfers In</u>	<u>Transfers Out</u>
Debt Service Fund:		
Electric Fund	52,023	-
Community Development Fund:		
General Fund	1,384	-
Street Fund	-	117,962
Water Fund	-	51,632
Sewer Fund	-	<u>51,622</u>
	1,384	221,216
E911 Fund:		
General Fund	-	54,308
Electric Fund:		
Debt Service Fund	-	52,023
Water Fund:		
Community Development Fund	51,632	-
Sewer Fund:		
Community Development Fund	<u>51,622</u>	<u>-</u>
Total Interfund Transfers	<u>\$ 807,339</u>	<u>\$ 807,339</u>

Interfund balances:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Terms</u>
Street	Electric	\$ <u>9,000</u>	Principal of \$8,500 plus interest at 5% is due annually through October 1, 2010.
Airport	General	\$ 109	Non-interest-bearing; will be repaid during year ending September 30, 2010.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2009

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

7. Interfund Transactions and Balances, continued

Interfund balances, continued:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Terms</u>
Community Development Agency	General	1,295	Non-interest-bearing; will be repaid during year ending September 30, 2010.
Community Development Agency	Electric	10,000	5%; due in five annual payments of \$2,310 through September 1, 2010.
Community Development Agency	Electric	39,973	0%; on demand or upon sale of real estate.
Community Development Agency	Electric	203,455	0%; on demand or upon sale of real estate.
Total		\$ <u>254,832</u>	

NOTE D – OTHER NOTES

1. Employee Pension and Other Benefit Plans

Under Nebraska statutes, the City is to maintain a retirement plan for City policemen. This plan is funded through employee and employer contributions. The total contributions under this plan are deposited under a money purchase retirement plan with Ameritas Retirement. This plan requires that covered employees and the 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 eligible and covered payroll amounted to \$395,926 for the year ended September 30, 2009. Both the City and the covered employees' required contribution of \$23,803 was made for the year ended September 30, 2009. The employees also contributed \$6,004 to a deferred compensation plan in accordance with Internal Revenue Code Section 457. The employer contributions 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.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2009

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

The City maintains a defined contribution plan for the City employees in accordance with Internal Revenue Code Sections 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 salary to the plan until such employee becomes eligible for regular retirement, at which time contributions shall cease. The total payroll amounted to \$1,647,807 and the covered payroll amounted to \$1,193,896 for the year ended September 30, 2009. The City and the employees contributed \$70,211 and \$66,163, respectively, for the year ended September 30, 2009.

Other Post-Employment Benefits

The City will provide post-employment health insurance for one employee in accordance with the early retirement agreement. The post-retirement health insurance liability was \$5,485 as of September 30, 2009.

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 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 \$5,000 per individual or \$10,000 per family. The maximum out-of-pocket costs would be \$2,400 for the employee and \$7,600 for the City (based on family coverage).

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Insurance, continued

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 \$6,000; this amount represents two months of subsequent claims. This has been included as a current year expenditure. A reserve of \$102,795 is established in an internal service fund at September 30, 2009.

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, 2009, 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, 2009

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

<u>Maturities by Month</u>	<u>Amount</u>
November 2009	\$ 78,600
December 2009	778,579
January 2010	2,063,775
February 2010	1,451,686
March 2010	1,626,247
April 2010	501,671
May 2010	600,000
June 2010	1,001,071
July 2010	578,459
August 2010	1,100,000
September 2010	500,000
June 2011	196,000
June 2014	97,000
September 2014	115,081
October 2014	70,000
March 2015	153,500
October 2023	<u>37,000</u>
	\$ <u>10,948,669</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.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

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, 2009, 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	\$ 1,318,064
Farmers and Merchants Bank	3,635,906
First National Bank	105,250
State National Bank	4,140,449
Edward Jones	594,000
Ameriprise	155,000
Nebraska Public Agency Investment Trust	<u>1,000,000</u>
	<u>\$ 10,948,669</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 the City held no investments denominated in foreign currency at September 30, 2009.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

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 9/30/2009</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
Governmental Fund Projects:				
10 th Street Project - Engineering	\$ 37,965	\$ 36,385	\$ 1,580	Fall 2010
Business-type Activities Projects:				
Loop Water Mains	133,609	20,600	113,009	Spring 2010
Bank Stabilization - Engineering	22,900	9,223	13,677	Spring 2010
Kardell Industrial Park - Sewer Line	180,858	20,159	160,699	Fall 2009
Kardell Industrial Park - Water	358,563	27,211	331,352	Fall 2009
Muhs Acres Water Line	128,442	6,142	122,300	Summer 2010
Wayne Municipal Airport:				
Runway Reconstruction - Engineering	193,800	44,264	149,536	Summer 2010

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	\$ 394/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	\$ 73/month

The City paid rent of \$14,174 under these lease agreements during the year ended September 30, 2009.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2009

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Lease Commitments, continued

Lease commitments as of September 30, 2009, are as follows:

<u>Year ending September 30,</u>	<u>Commitment</u>
2010	\$ 11,755
2011	2,580
2012	-
2013	-
2014	-
	<u>\$ 14,335</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 purchases from NPPD. Power purchased under this agreement totaled \$2,927,544 for the year ended September 30, 2009.

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, 2009

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 \$476,098, the Water Fund made payments of \$38,234, and the Sewer Fund made payments of \$25,676 for the year ended September 30, 2009.

5. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2009:

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
Northeast 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 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, 2009

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 Pedestrian 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
Wayne Combined Softball Association	7/16/08	Loan agreement for purchase of equipment
Wayne Community Housing	4/15/08	Energy Saver Program for cost sharing set aside
Wayne Community Housing	5/15/07	Subrecipient contract for downpayment assistance
Wayne Community Housing	4/01/08	Service/consultant agreement for housing administration

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

NOTE D – OTHER NOTES, continued

5. Interlocal Agreements, continued

Parties to Agreement	Agreement Period	Descriptions
Nebraska Expressways for Economic Development	6/21/09	Nebraska State Highway Expressway System
Northeast Nebraska Economic Development District	7/01/08	Block grant administration – Downtown Revitalization Phase I
Wayne State College	7/15/08	Rugby field usage
Northeast Nebraska Economic Development District	11/18/08	Block grant administration – Sand Creek Post and Beam
Community Development Agency	02/17/09	Authorization for City to purchase TIF bonds
City of Norfolk	2/17/09	Interlocal agreement with City of Norfolk for building inspection services 2009
Northeast Nebraska Red Cross	4/17/09	Donating a vehicle in lieu of maintaining their office Wayne for 5 years.
Northeast Nebraska Economic Development District	4/21/09	Block grant administration – Downtown Revitalization Phase II
Village of Carroll	5/5/09	Interlocal agreement for municipal water system for Carroll, NE
Wayne Public Schools, Wayne County, Wayne Area Economic Development	5/19/09	Collaboration for the creation of a joint web site
Lower Elkhorn NRD	10/20/09	Multijurisdictional Hazard Mitigation Plan

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.”

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.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2009

NOTE D – OTHER NOTES, continued

6. Conduit Debt, continued

As of September 30, 2009, the aggregate amount of conduit debt principal outstanding for the Wayne East Project was \$40,344.

The City entered into two additional redevelopment agreements during the year ended September 30, 2008. Under the first, the developer agrees to create taxable real property with a valuation of \$480,000 no later than January 1, 2010. TIF proceeds on the project will be used to pay \$75,000 of bonds to be issued on October 1, 2008.

The second new redevelopment agreement states the developer will create taxable real property with a valuation of \$7,220,000 (54 homes). TIF proceeds will be used to pay principal on bonds expected to be issued for the project.

7. Union Contracts

The City is subject to the following union contract:

- Wayne Police Employees Fraternal Order of Police #54. This agreement commenced on October 1, 2006, and terminates on December 31, 2009.

8. Subsequent Events

Management has evaluated subsequent events through January 27, 2010, the date on which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

Year ended September 30, 2009

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 611,000	\$ 600,639	\$ (10,361)
Payments in lieu of taxes	690,809	540,898	(149,911)
Sales tax	-	116,343	116,343
Franchise	-	182,695	182,695
Intergovernmental	884,705	421,277	(463,428)
Charges for services	384,775	406,645	21,870
Interest income	24,000	30,262	6,262
Contributions	-	29,416	29,416
Sale of property	-	1	1
Other	24,200	48,712	24,512
	<hr/>	<hr/>	<hr/>
Total resources	2,619,489	2,376,888	(242,601)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	185,504	166,262	(19,242)
Public buildings	143,479	94,578	(48,901)
Public safety	941,962	954,398	12,436
Senior citizens services	219,459	201,201	(18,258)
Library	203,707	196,404	(7,303)
Recreation	296,141	285,936	(10,205)
Community Activity Center	172,511	158,686	(13,825)
Capital outlay	1,798,389	63,604	(1,734,785)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	3,961,152	2,121,069	(1,840,083)
Resources over (under) charges to appropriations	(1,341,663)	255,819	1,597,482
OTHER FINANCING SOURCES (USES)			
Transfers in	28,000	96,143	68,143
Transfers out	-	(205,054)	(205,054)
Net transfers	<hr/>	<hr/>	<hr/>
	28,000	(108,911)	(136,911)
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS			
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ (1,313,663)	\$ 146,908	\$ 1,460,571

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
STREET FUND**

Year ended September 30, 2009

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 2,200	\$ 2,071	\$ (129)
Motor vehicle	61,000	69,951	8,951
Sales tax	13,000	-	(13,000)
Intergovernmental	1,974,259	396,018	(1,578,241)
Charges for services	1,200	6,610	5,410
Interest income	300	67	(233)
Support from CDA	-	300,000	300,000
Sale of property	-	16,324	16,324
Bond proceeds	600,000	-	(600,000)
Other	-	2,500	2,500
	<hr/>	<hr/>	<hr/>
Total resources	2,651,959	793,541	(1,858,418)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	578,612	394,460	(184,152)
Capital projects	2,568,700	577,144	(1,991,556)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	3,147,312	971,604	(2,175,708)
Resources over (under) charges to appropriations	(495,353)	(178,063)	317,290
OTHER FINANCING SOURCES (USES)			
Transfers in	261,264	554,535	293,271
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (234,089)</u>	<u>\$ 376,472</u>	<u>\$ 610,561</u>

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
CAPITAL PROJECTS FUND**

Year ended September 30, 2009

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Interest income	\$ 3,000	\$ 1,103	\$ (1,897)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	<u>-</u>	<u>5,307</u>	<u>5,307</u>
Resources over (under) charges to appropriations	3,000	(4,204)	(7,204)
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(79,373)</u>	<u>(72,160)</u>	<u>7,213</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (76,373)</u>	<u>\$ (76,364)</u>	<u>\$ 9</u>

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
SALES TAX FUND**

Year ended September 30, 2009

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Sales tax	\$ 480,000	\$ 371,052	\$ (108,948)
Interest income	12,465	9,447	(3,018)
Contributions	-	29,741	29,741
	<hr/>	<hr/>	<hr/>
Total resources	492,465	410,240	(82,225)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments on debt	708,000	790,000	82,000
Interest on long-term debt	24,696	26,732	2,036
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	732,696	816,732	84,036
Resources over (under) charges to appropriations	(240,231)	(406,492)	(166,261)
OTHER FINANCING SOURCES (USES)			
Transfers out	(527,441)	(202,578)	324,863
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (767,672)</u>	<u>\$ (609,070)</u>	<u>\$ 158,602</u>

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
DEBT SERVICE FUND**

Year ended September 30, 2009

	Budget (Original and (Final))	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Property tax	\$ 90,375	\$ 90,519	\$ 144
Payments in lieu of taxes	-	127	127
Special assessments	90,000	134,443	44,443
Interest income	<u>2,500</u>	<u>9,102</u>	<u>6,602</u>
Total resources	182,875	234,191	51,316
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments	552,188	165,000	(387,188)
Interest expense	<u>65,548</u>	<u>65,547</u>	<u>(1)</u>
Total charges to appropriations	<u>617,736</u>	<u>230,547</u>	<u>(387,189)</u>
Resources over (under) charges to appropriations	(434,861)	3,644	438,505
OTHER FINANCING SOURCES (USES)			
Transfer in	<u>-</u>	<u>52,023</u>	<u>52,023</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (434,861)</u>	<u>\$ 55,667</u>	<u>\$ 490,528</u>

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

Year ended September 30, 2009

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

	<u>General Fund</u>	<u>Street 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	\$ 2,376,888	\$ 793,541	\$ 1,103	\$ 410,240	\$ 234,191
Differences - budget to GAAP:					
Cash to accrual adjustments	<u>87,142</u>	<u>624</u>	<u>(256)</u>	<u>891</u>	<u>(7,142)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 2,464,030</u></u>	<u><u>\$ 794,165</u></u>	<u><u>\$ 847</u></u>	<u><u>\$ 411,131</u></u>	<u><u>\$ 227,049</u></u>
Uses/outflows of resources:					
Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedules	\$ 2,121,069	\$ 971,604	\$ 5,307	\$ 816,732	\$ 230,547
Differences - budget to GAAP:					
Cash to accrual adjustments	<u>(19,352)</u>	<u>6,497</u>	<u>-</u>	<u>(9,265)</u>	<u>(1,480)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 2,101,717</u></u>	<u><u>\$ 978,101</u></u>	<u><u>\$ 5,307</u></u>	<u><u>\$ 807,467</u></u>	<u><u>\$ 229,067</u></u>

OTHER SUPPLEMENTARY INFORMATION

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

September 30, 2009

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Community Development	LB840	E911	
ASSETS				
Cash and cash equivalents	\$ 22,487	\$ 13,925	\$ 15,848	\$ 52,260
Receivables:				
Accounts	3,957	-	-	3,957
Notes	842,104	96,600	-	938,704
Interest	1,471	-	-	1,471
	<u>\$ 870,019</u>	<u>\$ 110,525</u>	<u>\$ 15,848</u>	<u>\$ 996,392</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other fund	\$ -	\$ 96,600	\$ -	\$ 96,600
Fund balances:				
Reserved for:				
Federal programs	870,019	-	-	870,019
Economic development	-	13,925	-	13,925
Unreserved, reported in:				
Special Revenue Funds	-	-	15,848	15,848
Total fund balances	<u>870,019</u>	<u>13,925</u>	<u>15,848</u>	<u>899,792</u>
Total liabilities and fund balances	<u>\$ 870,019</u>	<u>\$ 110,525</u>	<u>\$ 15,848</u>	<u>\$ 996,392</u>

CITY OF WAYNE, NEBRASKA

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

For the year ended September 30, 2009

	Special Revenue Funds			Total Nonmajor
	Community Development	LB840	E911	Governmental Funds
REVENUES				
Sales tax	\$ -	\$ 13,923	\$ -	\$ 13,923
Intergovernmental	578,436	-	-	578,436
Charges for services	-	-	30,713	30,713
Interest income	24,985	2	90	25,077
Total revenues	603,421	13,925	30,803	648,149
EXPENDITURES				
General government	442,672	-	-	442,672
Public safety	-	-	8,880	8,880
Total expenditures	442,672	-	8,880	451,552
Excess of revenues over expenditures	160,749	13,925	21,923	196,597
OTHER FINANCING SOURCES (USES)				
Transfers out	(219,832)	-	(54,308)	(274,140)
Net change in fund balances	(59,083)	13,925	(32,385)	(77,543)
Fund balances - September 30, 2008	929,102	-	48,233	977,335
Fund balances - September 30, 2009	\$ 870,019	\$ 13,925	\$ 15,848	\$ 899,792

CITY OF WAYNE, NEBRASKA

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

September 30, 2008

	<u>Wayne Municipal Airport</u>	<u>Community Development Agency</u>	<u>Total Component Units</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 198,668	\$ 94,241	\$ 292,909
County treasurer cash	2,428	-	2,428
Receivables:			
Property tax	1,709	-	1,709
Grants receivable	40,218	-	40,218
Accounts receivable	423	-	423
Prepaid insurance	5,132	-	5,132
Total current assets	<u>248,578</u>	<u>94,241</u>	<u>342,819</u>
Noncurrent assets:			
Capital assets:			
Land	287,776	301,192	588,968
Construction in progress	44,264	-	44,264
Other capital assets, net of depreciation	863,430	-	863,430
Net capital assets	<u>1,195,470</u>	<u>301,192</u>	<u>1,496,662</u>
Total assets	1,444,048	395,433	1,839,481
LIABILITIES			
Current liabilities:			
Due to the City of Wayne	109	254,723	254,832
Accounts payable	15,975	3,263	19,238
Deferred revenue - property tax	872	-	872
Deferred rent revenue	603	-	603
Current portion of long-term debt	20,052	-	20,052
Total current liabilities	<u>37,611</u>	<u>257,986</u>	<u>295,597</u>
Noncurrent liabilities:			
Noncurrent portion of long-term debt	69,870	325,000	394,870
Total liabilities	<u>107,481</u>	<u>582,986</u>	<u>690,467</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,105,548	-	1,105,548
Unrestricted	231,019	(187,553)	43,466
Total net assets	<u>\$ 1,336,567</u>	<u>\$ (187,553)</u>	<u>\$ 1,149,014</u>

CITY OF WAYNE, NEBRASKA

**COMBINING STATEMENT OF ACTIVITIES -
COMPONENT UNITS**

For the year ended September 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Wayne Municipal Airport:			
Airport	\$ 156,876	\$ 40,454	\$ -
Community Development Agency:			
Economic development	<u>38,454</u>	<u>753</u>	<u>-</u>
Total component units	<u><u>\$ 195,330</u></u>	<u><u>\$ 41,207</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>
\$ 89,866	\$ (26,556)	\$ -	\$ (26,556)
-	-	(37,701)	(37,701)
<u>\$ 89,866</u>	(26,556)	(37,701)	(64,257)
General revenues:			
Taxes:			
Property	70,778	-	70,778
TIF proceeds	-	15,297	15,297
Interest income	1,473	-	1,473
Gain (loss) on disposal of assets	(20)	137,123	137,103
Transfer to the City of Wayne	-	(293,722)	(293,722)
Total general revenues	<u>72,231</u>	<u>(141,302)</u>	<u>(69,071)</u>
Change in net assets	45,675	(179,003)	(133,328)
Net assets - beginning of year	<u>1,290,892</u>	<u>(8,550)</u>	<u>1,282,342</u>
Net assets - end of year	<u>\$ 1,336,567</u>	<u>\$ (187,553)</u>	<u>\$ 1,149,014</u>

SINGLE AUDIT REPORTS

CITY OF WAYNE, NEBRASKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2009

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Transportation</u>		
Passed Through Nebraska Department of Roads		
Highway Planning and Construction	20.205	\$ 6,895
Federal Transit Capital Investment Grants	20.500	23,066
Passed Through Nebraska Department of Aeronautics		
Aviation Research Grants	20.108	<u>64,438</u>
Total Department of Transportation		94,399
<u>Environmental Protection Agency</u>		
Passed Through Nebraska Department of Environmental Quality		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	243,483 *
<u>Department of Health and Human Services</u>		
Passed Through Northeast Nebraska Area Agency on Aging		
Title III, Part C - Nutrition Services	93.045	37,751
<u>Department of Housing and Urban Development</u>		
Passed Through Nebraska Department of Economic Development		
Community Development Block Grants	14.228	<u>295,063 *</u>
Total Federal Awards		<u><u>\$ 670,696</u></u>

* Major Program

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Wayne, Nebraska, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

**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, 2009, which collectively comprise the City of Wayne, Nebraska's basic financial statements and have issued our report thereon dated January 27, 2010. 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

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 in the accompanying schedule of findings and questioned costs as 2009-1 to be a significant deficiency in internal control over financial reporting.

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 27, 2010.

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.

Grand Island, Nebraska
January 27, 2010

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

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

Compliance

We have audited the compliance of the City of Wayne, Nebraska, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The City of Wayne, Nebraska's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Wayne, Nebraska's management. Our responsibility is to express an opinion on the City of Wayne, Nebraska's compliance based on our audit.

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

In our opinion, the City of Wayne, Nebraska, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of the City of Wayne, Nebraska, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Wayne, Nebraska's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor and City Council, 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.

Grand Island, Nebraska
January 27, 2010

CITY OF WAYNE, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2009

1. A summary of auditors' results:

- (i) An unqualified opinion was issued on the financial statements of the City of Wayne, Nebraska, as of September 30, 2009.
- (ii) One significant deficiency disclosed during the audit of the financial statements is reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*." The significant deficiency is not reported as a material weakness.
- (iii) The audit disclosed no instances of noncompliance which are material to the financial statements of the City of Wayne, Nebraska.
- (iv) The audit did not disclose any significant deficiencies in the internal control over major programs for the City of Wayne.
- (v) An unqualified opinion was issued on compliance for major programs.
- (vi) The audit did not disclose any audit findings which we are required to report under §____.510(a).
- (vii) Major Programs: CFDA #14.228 – Community Development Block Grants and #66.468 – Capitalization Grants for Drinking Water State Revolving Funds.
- (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (ix) The City of Wayne, Nebraska, did not qualify as a low-risk auditee under §____.530.

2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS:

Significant Deficiency

2009-1 Incompatible segregation of accounting duties consistent with appropriate control objectives due to the limited number of employees.

3. Findings and questioned costs for Federal awards which shall include audit findings as defined in §____.510(a):

None

CITY OF WAYNE, NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended September 30, 2009

Program

Findings for the year ended September 2008

N/A – No Single Audit during year ended September 30, 2008.