

CITY OF WAYNE, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2010

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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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2011, 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 18 and 74 through 78 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.

Sungquist, Matthew
Galloway & Luth, P.C.

Grand Island, Nebraska
January 21, 2011

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2010

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, 2010. 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 \$34,067,846 (*net assets*). Of this amount, \$10,661,653 (*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 \$16,723,558. Approximately 8.7 percent of this total amount, \$1,447,977, is *unrestricted net assets*.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,615,769, or 74.1 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, 2010

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 19 and 20 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 Sales Tax Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other four 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, 2010

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

The basic governmental fund financial statements can be found on pages 21-24 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 25-28 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 29 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 30-73 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 74-78 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 79-82 of this report.

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

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 \$34,067,846 at the close of the most recent fiscal year.

Net Assets

	September 30, 2010			September 30, 2009		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 4,081,768	\$ 10,460,010	\$ 14,541,778	\$ 4,233,309	\$ 11,391,892	\$ 15,625,201
Capital Assets	14,651,313	9,821,295	24,472,608	14,283,374	8,556,870	22,840,244
Total Assets	<u>18,733,081</u>	<u>20,281,305</u>	<u>39,014,386</u>	<u>18,516,683</u>	<u>19,948,762</u>	<u>38,465,445</u>
Long-term Liabilities	1,121,165	1,696,032	2,817,197	1,332,860	2,399,140	3,732,000
Other Liabilities	888,358	1,240,985	2,129,343	791,421	874,041	1,665,462
Total Liabilities	<u>2,009,523</u>	<u>2,937,017</u>	<u>4,946,540</u>	<u>2,124,281</u>	<u>3,273,181</u>	<u>5,397,462</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	13,377,964	7,906,391	21,284,355	12,843,881	5,985,816	18,829,697
Restricted	1,897,617	224,221	2,121,838	1,512,172	221,382	1,733,554
Unrestricted	1,447,977	9,213,676	10,661,653	2,036,349	10,468,383	12,504,732
Total Net Assets	<u>\$ 16,723,558</u>	<u>\$ 17,344,288</u>	<u>\$ 34,067,846</u>	<u>\$ 16,392,402</u>	<u>\$ 16,675,581</u>	<u>\$ 33,067,983</u>

By far the largest portion of the City of Wayne's net assets (62.5 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Wayne uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Wayne's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Wayne's net assets (6.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net* assets (\$10,661,653) 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, 2010

Expenses and Program Revenues - Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2010</u>		<u>Year Ended September 30, 2009</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 205,145	\$ 562,227	\$ 639,958	\$ 540,257
Public Safety	135,973	962,118	134,344	904,110
Public Works	1,351	407,907	7,350	406,264
Public Buildings	46,774	89,289	30,070	94,578
Recreation	52,224	250,096	76,865	285,936
Community Activity Center	98,082	205,524	125,753	158,686
Library	11,641	214,617	11,116	196,404
Senior Citizens Services	159,375	142,894	151,781	201,201
Interest	-	69,305	-	108,490
Depreciation	-	684,627	-	694,687
Total	<u>\$ 710,565</u>	<u>\$ 3,588,604</u>	<u>\$ 1,177,237</u>	<u>\$ 3,590,613</u>

Revenues by Source - Governmental Activities

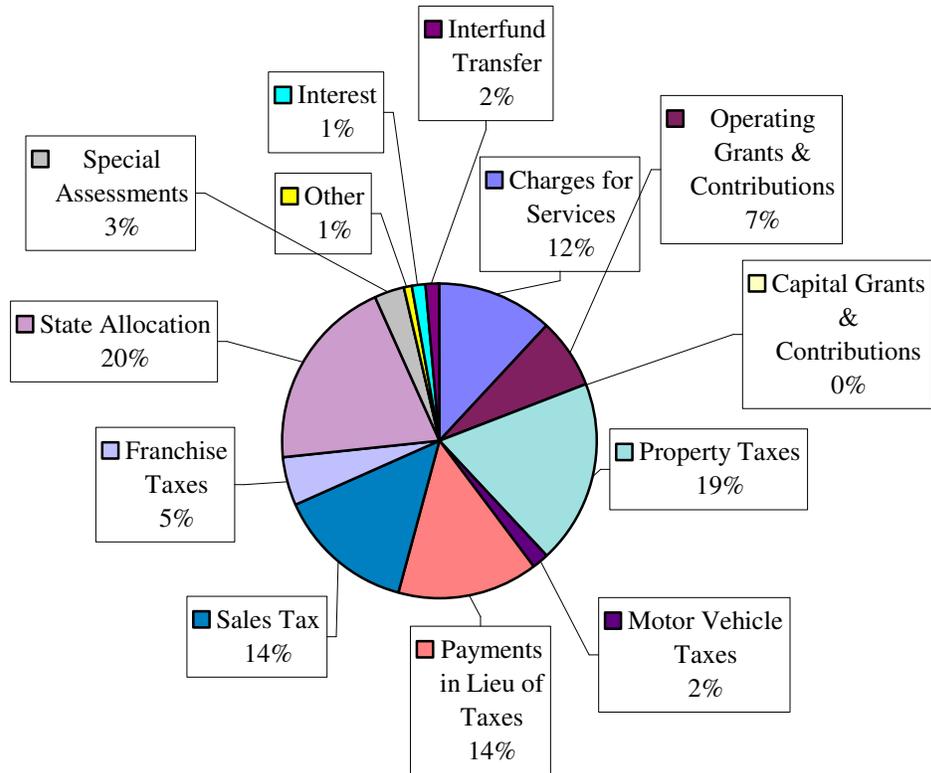
SOURCES OF REVENUE

	<u>Year Ended September 30, 2010</u>		<u>Year Ended September 30, 2009</u>	
Charges for Services	\$ 447,327	12.03 %	\$ 443,418	9.90 %
Operating Grants and Contributions	261,914	7.04	613,066	13.69
Capital Grants and Contributions	1,324	0.04	120,753	2.70
Property Taxes	700,244	18.82	691,086	15.44
Motor Vehicle Taxes	61,308	1.65	69,951	1.56
Payments in Lieu of Taxes	538,871	14.49	541,025	12.09
Sales Tax	526,396	14.15	501,318	11.20
Franchise Taxes	192,127	5.16	182,695	4.08
State Allocation	743,440	19.99	812,857	18.16
Special Assessments	105,857	2.85	128,553	2.87
Other	36,621	0.98	51,212	1.14
Interest	45,994	1.24	71,026	1.59
Gain on Sale of Assets	2,225	0.06	3,484	0.08
Unrealized Gain on Investments	149	0.00	3,457	0.08
Interfund and CDA Transfers	55,963	1.50	242,491	5.42
Total	<u>\$ 3,719,760</u>	<u>100.00 %</u>	<u>\$ 4,476,392</u>	<u>100.00 %</u>

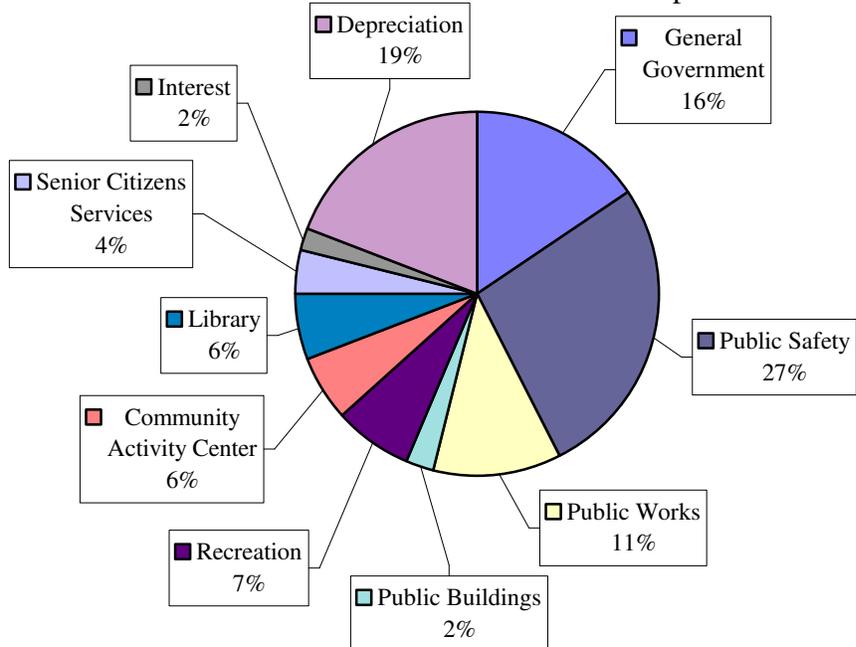
Net assets increased \$131,156 in the governmental funds during the year ended September 30, 2010.

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

Governmental Activities - 2010 Revenue



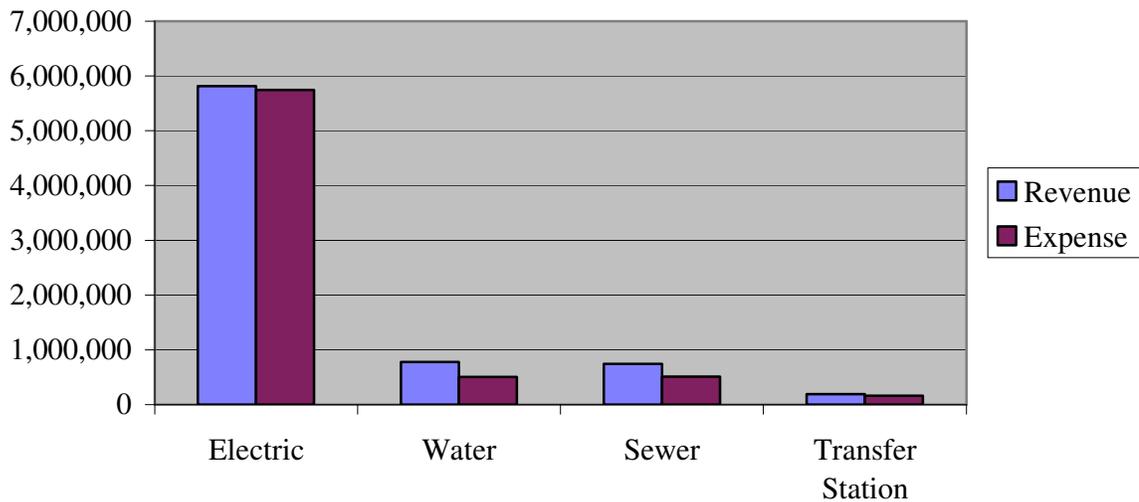
Governmental Activities - 2010 Expenses



CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

Business-type activities. Business-type activities increased the City of Wayne's net assets by \$668,707, accounting for 83.6 percent of the total growth in the government's net assets for the year ended September 30, 2010. Key elements of this increase are as follows:

2010 Expenses and Program Revenues - Business-type Activities



Expenses and Program Revenues - Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2010</u>		<u>Year Ended September 30, 2009</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 5,814,910	\$ 5,745,029	\$ 5,561,464	\$ 5,367,762
Water	780,917	508,227	558,290	469,397
Sewer	742,654	510,626	560,617	539,351
Transfer Station	193,486	165,194	157,759	161,939
Total	<u>7,531,967</u>	<u>6,929,076</u>	<u>6,838,130</u>	<u>6,538,449</u>
Interfund Transfer	-	55,963	51,231	-
	<u>\$ 7,531,967</u>	<u>\$ 6,985,039</u>	<u>\$ 6,889,361</u>	<u>\$ 6,538,449</u>

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

Revenues by Source - Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2010</u>			<u>Year Ended September 30, 2009</u>		
Charges for Services	\$ 7,272,561	95.02	%	\$ 6,838,130	96.16	%
Capital Grants and Contributions	259,406	3.39		-	-	
Interest	126,872	1.66		212,830	2.99	
Unrealized Gain (Loss) on Investments	(5,093)	(0.07)		7,854	0.11	
Gain on Sale of Assets	-	-		1,450	0.02	
Interfund Transfers	-	-		51,231	0.72	
Total	<u>\$ 7,653,746</u>	<u>100.00</u>	<u>%</u>	<u>\$ 7,111,495</u>	<u>100.00</u>	<u>%</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 \$3,234,408. Approximately 41.3 percent of this total amount (\$1,336,791) 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 (\$595,520), 2) for Federal loan programs (\$1,152,573), 3) for park expenditures (\$26,992), 4) for golf course expenditures (\$35,421), or 5) for capital projects (\$87,111).

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 \$1,615,769, while total fund balance reached \$1,765,293. 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 74.1 percent of total General Fund expenditures, while total fund balance represents 81.0 percent of that same amount.

The fund balance of the City of Wayne's General Fund increased by \$193,686 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.

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

Unrestricted net assets of the proprietary funds at the end of the year were as follows: Electric Fund - \$7,739,089, Water Fund - \$945,313, Sewer Fund - \$576,102, and Transfer Station - deficit of \$(46,828). The growth in net assets for the proprietary funds was as follows: Electric Fund - \$108,647, Water Fund - decrease of \$(211,245), Sewer Fund - \$742,996, and Transfer Station - \$28,309. 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, 2010, amounts to \$24,472,608 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, building and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Asphalt overlay project - \$234,415
- Kardell Industrial street paving - \$395,112
- Downtown revitalization project - \$192,029
- Bank stabilization project - \$113,406
- Water meter project - \$26,648
- Kardell Industrial water line - \$63,783
- Muhs Acres water line - \$157,302
- Water Well II - \$266,457
- Loop water mains - \$163,262
- Kardell Industrial sewer line - \$54,174
- Wastewater treatment plant design and construction - \$915,265
- 2010 electrical improvements - \$58,044

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

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

	<u>Year Ended September 30, 2010</u>			<u>Year Ended September 30, 2009</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	252,297	-	252,297
in Progress	880,692	1,953,689	2,834,381	1,055,118	503,829	1,558,947
Infrastructure	5,161,876	-	5,161,876	4,390,547	-	4,390,547
Improvements	613,378	-	613,378	635,892	-	635,892
Buildings	6,602,001	2,882,103	9,484,104	6,844,237	3,109,590	9,953,827
Equipment	563,392	322,063	885,455	527,606	359,885	887,491
Distribution Systems	-	4,293,689	4,293,689	-	4,213,815	4,213,815
Total	<u>\$ 14,651,313</u>	<u>\$ 9,821,295</u>	<u>\$ 24,472,608</u>	<u>\$ 14,283,374</u>	<u>\$ 8,556,870</u>	<u>\$ 22,840,244</u>

Additional information on the City of Wayne's capital assets can be found in Note C4 on pages 54-57 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 \$3,242,061. Of this amount, \$1,300,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of Wayne's debt represents bonds and notes secured solely by specified revenue sources (i.e., revenue bonds and DEQ note payable).

City of Wayne's Outstanding Debt

	<u>Year Ended September 30, 2010</u>			<u>Year Ended September 30, 2009</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	\$ 820,000	\$ -	\$ 820,000	\$ 955,000	\$ -	\$ 955,000
Public Safety Bonds	480,000	-	480,000	515,000	-	515,000
DEQ Note	-	642,061	642,061	-	-	-
Revenue Bonds	-	1,300,000	1,300,000	-	2,605,000	2,605,000
Total	<u>\$ 1,300,000</u>	<u>\$ 1,942,061</u>	<u>\$ 3,242,061</u>	<u>\$ 1,470,000</u>	<u>\$ 2,605,000</u>	<u>\$ 4,075,000</u>

The City of Wayne's total debt decreased by \$832,939 (20.4 percent) during the current fiscal year.

The City of Wayne issued a \$642,061 DEQ water note payable.

Additional information on the City of Wayne's long-term debt can be found in Note C6 on pages 58-61 of this report.

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

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 2010-2011 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 2010-2011, those priorities included: working with Economic Development to retain and expand the employment base and retail opportunities; create a leadership "Think Tank", support and enhance community marketing efforts, explore community needs through focus groups with Leadership Wayne Class and WSC staff and students; continue housing opportunity efforts; promote energy use awareness through educational efforts on the role of trees, recycling and energy savings incentives for housing; adopt storm water mitigation policies; complete well head protection plan; improve communication efforts through ward meeting; and research "Best Management Practices" through field trips and contacts at professional meetings.

Concerns about the fiscal year's budget arise from the City staff and 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 and raising rates where appropriate to cover costs.

Concerns about the national and local economy will have an impact on our local revenues and rising costs. The State of Nebraska continues to have shortfalls in their revenue projects and is undertaking a variety of cost cutting measures. This will eventually have an impact on the state aid that local governments, school districts and counties receive. The new budget has a decrease in state funding by about \$2,500 dollars, but at the same time, we saw an increase in our projected equalization funds by about \$20,000 dollars. We will see approximately a \$20,000 decline in our highway allocation funds from the previous year. The large capital projects the City has undertaken in the past couple years is of concern to staff. The three largest projects will be the construction of the Wastewater Treatment Plant, the purchase of a new ladder truck for the Fire Department and the renovation of all the paved areas at the airport. We continue working through the necessary paperwork for the ARRA projects, including the additional requirements necessary to meet the grant guidelines. These guidelines do increase the project costs and place an extra burden on staff to maintain grant compliance.

We are in the second year of the new city sales tax. Revenues from the city sales tax have remained stable and are growing at approximately two percent per year. The Citizens Advisory committee has processed several requests for the LB840 plan projects. In order to fund the approved LB840 projects Council has authorized an interest-bearing loan from the Electric Fund to pay for the projects. The proceeds of future sales tax dollars will pay the interest and principal of this loan.

Rates for the utility funds are set to cover operating costs and capital needs. Annually we have looked at the electric rates and adjusted them accordingly. We increased our sewer rates to allow

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

us to the option of using 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 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.

Effective September 1, 2010, the City contracted with Gill Hauling to rent the Transfer station for \$1,000 per month. The bank stabilization on the west side of Logan Creek has been completed at a much lower cost than originally anticipated. The grants from the Nebraska Environmental Trust Fund and the Lower Elkhorn Natural Resource District helped pay for the project.

New requirements from the Nebraska Department of Roads will cause approved grants to be delayed as we wait for their necessary approval before the next steps are taken. This process will add additional time to complete the process.

Capital items for 2010-11 include:

1. Build a reserve for the replacement of all air packs and pagers for the Fire Department.
2. Replace the aerial ladder truck for the Fire Department.
3. 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 2,200' be concrete and we carried forward the budget of \$16,500 from the city sales tax dollars. This project has received a grant of \$45,000 from the Game & Parks. It also has been awarded \$342,056 in Transportation Enhancement Grants and \$27,000 from the Lower Elkhorn Natural Resource District.
4. Necessary equipment purchases for the various department.
5. Install low maintenance landscaping at city hall.
6. Park improvements to meet ADA standards for the restrooms. We anticipate using sales tax dollars for this project. (\$55,000)
7. Continue with the project to digitize the Wayne Herald for the public library. (\$10,000)
8. Replace the bleachers owned by the City to meet the insurance standards for proper guards. (\$20,000)

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

9. Ongoing street maintenance projects.
10. Renovations of 10th Street and the associated water lines from Main Street to Windom Street are scheduled to take place in 2009-2010. (\$466,000 Streets, \$22,000 Sewer, and \$67,000 Water)
11. GIS conversion and update.
12. Design the improvements to Windom Street. This is a STP project. (\$590,000)
13. The transportation enhancement grant application was approved. The Department of Roads has been working on the environmental reviews and once that is complete we will need to select the engineers and design the project. Construction will likely take place sometime in 2012 or 2013. The project will connect the hiking biking trail at the Wayne Community Activity Center to the trail on the east edge of the Western Ridge Subdivision. (\$538,946)
14. Downtown revitalization including the necessary street, water, and street work for 1st Street and the sidewalks and ADA ramps as designed. (\$484,600). There are several businesses that will use the grant funds for building restoration and preservation. The approved grant for this project is \$250,000.
15. Benscoter addition water, sewer, and streets. (\$545,000)
16. The energy grant for replacing the cooling system for unit number six at the power plant has begun. (\$600,000) The grant was for \$250,000.
17. The set aside of funds for the EPA RICE regulations has begun.
18. The next Electric Distribution Improvement Project will be undertaken in the next fiscal year. (\$100,000)
19. 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 \$425,182 in the electric fund and \$430,858 in the water fund for this project.
20. Purchase of a new plotter and scanner for use in the building inspection department.
21. Update some of the computer system switches to be able to utilize the fiber installed by American Broadband connecting some of our facilities.
22. The City will continue updating our lift stations. (\$10,000)

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

23. The City will continue rehabbing manholes in the City sewer system. (\$20,000)
24. Installation of the sewer line in the industrial park. (\$200,000)
25. Construction has begun on the new wastewater treatment plant. This is an anaerobic digesters system. We will have a \$520,00 grant from the EPA for this project. (\$6,500,000) We have \$7,000,000 in State Revolving Loan Funds approved for this project at three percent interest.
26. Water well head protection project. (\$30,000)
27. We will continue the renovation project at the airport that includes the runways 4/22 and 17/35, taxi ways and apron area. We received an FAA grant for 95 percent of the project and the State has approved a \$50,000 grant also.

The Community Development Agency had purchased land for the Western Ridge housing subdivision in previous years. To date, there are 15 houses completed and the 16th is scheduled for completion in January 2011.

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 \$0.002352 per \$100 of valuation for the upcoming fiscal year. The total property tax levy for the City of Wayne including the airport and debt service is \$0.452198 per \$100 of valuation.

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 Director, City of Wayne, 306 Pearl St., P.O. Box 8, Wayne, NE 68787.

CITY OF WAYNE, NEBRASKA

STATEMENT OF NET ASSETS

September 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 330,167	\$ 939,970	\$ 1,270,137	\$ 302,439
Investments	2,466,182	7,117,491	9,583,673	-
County treasurer cash	52,474	-	52,474	5,145
Receivables:				
Property tax	13,514	-	13,514	1,499
Special assessments	354,469	-	354,469	-
Accounts, net of allowance for doubtful accounts	54,464	747,090	801,554	511,399
Unbilled revenue	-	270,979	270,979	-
Interest	4,045	19,649	23,694	-
Current portion of TIF receivable	-	-	-	27,500
Current portion of notes	239,550	-	239,550	-
Due from other governments	97,222	-	97,222	-
Due (to)/from other funds	(500,000)	500,000	-	-
Due from component units	538	243,428	243,966	-
Prepaid insurance	-	-	-	6,221
Inventory	-	205,030	205,030	-
Total current assets	<u>3,112,625</u>	<u>10,043,637</u>	<u>13,156,262</u>	<u>854,203</u>
Noncurrent assets:				
Restricted cash and cash equivalents	87,111	108,619	195,730	-
Restricted investments	62,413	280,597	343,010	-
Noncurrent TIF receivable	-	-	-	330,500
Noncurrent notes receivable	792,968	-	792,968	-
Unamortized bond costs	26,651	27,157	53,808	-
Capital assets:				
Land and construction in progress	1,710,666	2,323,440	4,034,106	1,456,499
Other capital assets, net of depreciation	12,940,647	7,497,855	20,438,502	783,955
Net capital assets	<u>14,651,313</u>	<u>9,821,295</u>	<u>24,472,608</u>	<u>2,240,454</u>
Total noncurrent assets	<u>15,620,456</u>	<u>10,237,668</u>	<u>25,858,124</u>	<u>2,570,954</u>
Total assets	<u>18,733,081</u>	<u>20,281,305</u>	<u>39,014,386</u>	<u>3,425,157</u>
LIABILITIES				
Current liabilities:				
Accounts payable	214,379	639,262	853,641	530,522
Accrued expenses	154,147	193,081	347,228	12,062
Customer deposits	30,900	142,278	173,178	-
Due to the City of Wayne	-	-	-	243,966
Deferred revenue	288,932	-	288,932	501
Current portion of long-term obligations	200,000	266,364	466,364	38,037
Total current liabilities	<u>888,358</u>	<u>1,240,985</u>	<u>2,129,343</u>	<u>825,088</u>
Noncurrent liabilities:				
Compensated absences - noncurrent	21,165	20,335	41,500	-
Noncurrent portion of long-term obligations	1,100,000	1,675,697	2,775,697	431,833
Total noncurrent liabilities	<u>1,121,165</u>	<u>1,696,032</u>	<u>2,817,197</u>	<u>431,833</u>
Total liabilities	<u>2,009,523</u>	<u>2,937,017</u>	<u>4,946,540</u>	<u>1,256,921</u>
NET ASSETS				
Invested in capital assets, net of related debt	13,377,964	7,906,391	21,284,355	2,170,584
Restricted for:				
Debt service	595,520	224,221	819,741	-
Federal loan programs	1,152,573	-	1,152,573	-
Capital projects	87,111	-	87,111	-
Parks and golf course	62,413	-	62,413	-
Unrestricted	1,447,977	9,213,676	10,661,653	(2,348)
Total net assets	<u>\$ 16,723,558</u>	<u>\$ 17,344,288</u>	<u>\$ 34,067,846</u>	<u>\$ 2,168,236</u>

See notes to financial statements.

CITY OF WAYNE, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2010

<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	\$ 562,227	\$ 44,565	\$ 160,580
Public buildings	89,289	46,774	-
Public safety	962,118	135,973	-
Public works	407,907	1,351	-
Senior citizens services	142,894	63,041	96,334
Library	214,617	6,641	5,000
Recreation	250,096	50,900	-
Community Activity Center	205,524	98,082	-
Interest and related expenses	69,305	-	-
Depreciation - unallocated	684,627	-	-
Total governmental activities	3,588,604	447,327	261,914
Business-type activities:			
Electric	5,745,029	5,814,910	-
Water	508,227	556,897	-
Sewer	510,626	742,654	-
Transfer Station	165,194	158,100	-
Total business-type activities	6,929,076	7,272,561	-
Total primary government	\$ 10,517,680	\$ 7,719,888	\$ 261,914
Component units:			
Wayne Municipal Airport	\$ 146,777	\$ 40,890	\$ -
Community Development Agency	128,622	753	-
Total component units	\$ 275,399	\$ 41,643	\$ -

See notes to financial statements.

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets			Component Unit
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (357,082)		\$ (357,082)	
-	(42,515)		(42,515)	
-	(826,145)		(826,145)	
-	(406,556)		(406,556)	
-	16,481		16,481	
-	(202,976)		(202,976)	
1,324	(197,872)		(197,872)	
-	(107,442)		(107,442)	
-	(69,305)		(69,305)	
-	(684,627)		(684,627)	
<u>1,324</u>	<u>(2,878,039)</u>	<u>\$ -</u>	<u>(2,878,039)</u>	
-	-	69,881	69,881	
224,020	-	272,690	272,690	
-	-	232,028	232,028	
<u>35,386</u>	<u>-</u>	<u>28,292</u>	<u>28,292</u>	
<u>259,406</u>	<u>-</u>	<u>602,891</u>	<u>602,891</u>	
<u>\$ 260,730</u>	<u>(2,878,039)</u>	<u>602,891</u>	<u>(2,275,148)</u>	
\$ 802,093				\$ 696,206
-				(127,869)
<u>\$ 802,093</u>				<u>568,337</u>
General revenues:				
Taxes:				
Property	700,244	-	700,244	79,999
Motor vehicle	61,308	-	61,308	-
Payments in lieu of taxes	538,871	-	538,871	-
Sales tax	526,396	-	526,396	-
Franchise	192,127	-	192,127	-
TIF proceeds	-	-	-	364,908
State allocation	743,440	-	743,440	-
Special assessments	105,857	-	105,857	-
Miscellaneous	36,621	-	36,621	-
Interest income	45,994	126,872	172,866	787
Gain on sale of assets	2,225	-	2,225	5,191
Unrealized gain (loss) on investments	149	(5,093)	(4,944)	-
Interfund transfers	55,963	(55,963)	-	-
Total general revenues	<u>3,009,195</u>	<u>65,816</u>	<u>3,075,011</u>	<u>450,885</u>
Change in net assets	131,156	668,707	799,863	1,019,222
Net assets - September 30, 2009				
As previously reported	16,392,402	16,675,581	33,067,983	1,149,014
Restatement	200,000	-	200,000	-
As restated	<u>16,592,402</u>	<u>16,675,581</u>	<u>33,267,983</u>	<u>1,149,014</u>
Net assets - September 30, 2010	<u>\$ 16,723,558</u>	<u>\$ 17,344,288</u>	<u>\$ 34,067,846</u>	<u>\$ 2,168,236</u>

CITY OF WAYNE, NEBRASKA

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

September 30, 2010

	<u>General</u>	<u>Street</u>	<u>Sales Tax</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Eliminations</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ (28,437)	\$ -	\$ 150,228	\$ 12,784	\$ 164,096	\$ -	\$ 298,671
Investments	1,406,946	-	78,600	510,636	370,000	-	2,366,182
County treasurer cash	40,809	5,821	-	5,844	-	-	52,474
Receivables:							
Special assessments	-	-	-	354,469	-	-	354,469
Accounts, net of allowance for doubtful accounts	48,890	848	-	-	3,957	-	53,695
Notes receivable	396	-	-	-	1,020,029	-	1,020,425
Interest	2,683	-	614	170	512	-	3,979
Property tax	11,821	-	-	1,693	-	-	13,514
Due from other governments	97,222	-	-	-	-	-	97,222
Due from other funds	265,337	-	-	6,677	7,132	(279,146)	-
Due from component units	538	-	-	-	-	-	538
Restricted assets:							
Cash	87,111	-	-	-	-	-	87,111
Investments	62,413	-	-	-	-	-	62,413
Total assets	\$ 1,995,729	\$ 6,669	\$ 229,442	\$ 892,273	\$ 1,565,726	\$ (279,146)	\$ 4,410,693
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 71,550	\$ 133,395	\$ -	\$ -	\$ 2,134	\$ -	\$ 207,079
Accrued expenses	117,714	16,494	-	11,416	3,750	-	149,374
Customer deposits	30,900	-	-	-	-	-	30,900
Due to other funds	6,677	265,337	-	-	507,132	(279,146)	500,000
Deferred revenue	3,595	-	-	285,337	-	-	288,932
Total liabilities	230,436	415,226	-	296,753	513,016	(279,146)	1,176,285
Fund balances:							
Reserved for:							
Debt service	-	-	-	595,520	-	-	595,520
Federal programs	-	-	-	-	1,152,573	-	1,152,573
Capital projects	87,111	-	-	-	-	-	87,111
Golf course	35,421	-	-	-	-	-	35,421
Parks	26,992	-	-	-	-	-	26,992
Unreserved	1,615,769	(408,557)	229,442	-	(99,863)	-	1,336,791
Total fund balances	1,765,293	(408,557)	229,442	595,520	1,052,710	-	3,234,408
Total liabilities and fund balances	\$ 1,995,729	\$ 6,669	\$ 229,442	\$ 892,273	\$ 1,565,726	\$ (279,146)	\$ 4,410,693

See notes to financial statements.

CITY OF WAYNE, NEBRASKA

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

September 30, 2010

Total fund balances - governmental funds		\$ 3,234,408
<p>Amounts reported for governmental <i>activities</i> in the statement of net assets are different because:</p>		
<p>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 \$26,593,779, and the accumulated depreciation is \$11,942,466.</p>		14,651,313
<p>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 \$17,904.</p>		26,651
<p>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.</p>		132,351
<p>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:</p>		
Noncurrent compensated absences	\$ (21,165)	
Bonds payable	<u>(1,300,000)</u>	<u>(1,321,165)</u>
Total net assets - governmental activities		<u><u>\$ 16,723,558</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, 2010

	<u>General</u>	<u>Street</u>	<u>Sales Tax</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes:						
Property	\$ 607,624	\$ 1,660	\$ -	\$ 90,960	\$ -	\$ 700,244
Motor vehicle	-	61,308	-	-	-	61,308
Payments in lieu of taxes	538,739	-	-	132	-	538,871
Sales tax	337,682	-	-	-	188,714	526,396
Franchise	192,127	-	-	-	-	192,127
Intergovernmental	479,036	365,738	-	-	160,580	1,005,354
Special assessments	-	-	-	105,857	-	105,857
Charges for services	411,035	1,351	-	-	34,941	447,327
Interest income	13,918	6	3,669	4,294	23,562	45,449
Contributions	1,324	-	-	-	-	1,324
Sale of property	2,225	-	-	-	-	2,225
Unrealized gain on investments	-	-	149	-	-	149
Other income	36,278	343	-	-	-	36,621
Total revenues	<u>2,619,988</u>	<u>430,406</u>	<u>3,818</u>	<u>201,243</u>	<u>407,797</u>	<u>3,663,252</u>
EXPENDITURES						
General government	155,623	-	-	-	406,604	562,227
Public buildings	89,289	-	-	-	-	89,289
Public safety	990,627	-	-	-	10,025	1,000,652
Public works	-	407,907	-	-	-	407,907
Senior citizens services	142,894	-	-	-	-	142,894
Library	214,617	-	-	-	-	214,617
Recreation	250,096	-	-	-	-	250,096
Community Activity Center	205,524	-	-	-	-	205,524
Capital outlay	130,790	921,776	-	-	-	1,052,566
Principal payments on debt	-	-	-	170,000	-	170,000
Interest on long-term debt	-	-	(3,885)	58,084	11,250	65,449
Total expenditures	<u>2,179,460</u>	<u>1,329,683</u>	<u>(3,885)</u>	<u>228,084</u>	<u>427,879</u>	<u>4,161,221</u>
Excess (deficiency) of revenues over expenditures	440,528	(899,277)	7,703	(26,841)	(20,082)	(497,969)
OTHER FINANCING SOURCES (USES)						
Transfers in	52,335	299,177	-	55,963	-	407,475
Transfers out	(299,177)	-	(25,335)	-	(27,000)	(351,512)
Net transfers	<u>(246,842)</u>	<u>299,177</u>	<u>(25,335)</u>	<u>55,963</u>	<u>(27,000)</u>	<u>55,963</u>
Net change in fund balances	193,686	(600,100)	(17,632)	29,122	(47,082)	(442,006)
Fund balances - September 30, 2009,						
As previously reported	1,571,607	191,543	247,074	566,398	899,792	3,476,414
Restatement	-	-	-	-	200,000	200,000
As restated	<u>1,571,607</u>	<u>191,543</u>	<u>247,074</u>	<u>566,398</u>	<u>1,099,792</u>	<u>3,676,414</u>
Fund balances - September 30, 2010	<u>\$ 1,765,293</u>	<u>\$ (408,557)</u>	<u>\$ 229,442</u>	<u>\$ 595,520</u>	<u>\$ 1,052,710</u>	<u>\$ 3,234,408</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, 2010

Total net change in fund balances - governmental funds	\$ (442,006)
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 (\$1,052,566) exceeded depreciation expense (\$684,627) during the period.	367,939
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 (\$3,856) during the period.	(3,856)
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.	27,384
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.	11,695
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>170,000</u>
Change in net assets of governmental activities	<u><u>\$ 131,156</u></u>

See notes to financial statements.

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

September 30, 2010

	Enterprise Funds	
	Electric Fund	Water Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 347,490	\$ 171,088
Investments	6,158,870	720,167
Receivables:		
Accounts, net of allowance for doubtful accounts	600,308	59,036
Unbilled revenue	200,734	26,127
Interest	18,975	495
Current portion of notes	-	-
Due from other funds	500,000	-
Due from Community Development Agency	243,428	-
Inventory	185,740	19,290
Total current assets	8,255,545	996,203
Noncurrent assets:		
Restricted cash and cash equivalents	108,619	-
Restricted investments	280,597	-
Noncurrent notes receivable	-	-
Unamortized bond costs	27,157	-
Capital assets :		
Land	129,517	143,875
Construction in progress	62,523	740,609
Distribution systems	4,671,539	4,175,336
Buildings	6,003,039	141,152
Equipment	3,467,697	427,080
Less accumulated depreciation	(9,487,309)	(3,237,645)
Net capital assets	4,847,006	2,390,407
Total noncurrent assets	5,263,379	2,390,407
Total assets	13,518,924	3,386,610
LIABILITIES		
Current liabilities:		
Accounts payable	374,681	25,424
Customer deposits	142,278	-
Accrued interest payable	9,591	-
Other accrued expenses	139,961	22,561
Current portion of long-term obligations	250,000	16,364
Total current liabilities	916,511	64,349
Noncurrent liabilities:		
Compensated absences - noncurrent	14,940	2,905
Noncurrent portion of long-term obligations	1,050,000	625,697
Total noncurrent liabilities	1,064,940	628,602
Total liabilities	1,981,451	692,951
NET ASSETS		
Invested in capital assets, net of related debt	3,574,163	1,748,346
Restricted for:		
Debt service	224,221	-
Unrestricted	7,739,089	945,313
Total net assets	\$ 11,537,473	\$ 2,693,659

See notes to financial statements.

Enterprise Funds			Internal
<u>Sewer Fund</u>	<u>Transfer Station</u>	<u>Total</u>	<u>Service Fund</u>
\$ 457,591	\$ (36,199)	\$ 939,970	\$ 31,496
238,454	-	7,117,491	100,000
87,746	-	747,090	769
44,118	-	270,979	-
179	-	19,649	66
-	-	-	8,500
-	-	500,000	-
-	-	243,428	-
-	-	205,030	-
<u>828,088</u>	<u>(36,199)</u>	<u>10,043,637</u>	<u>140,831</u>
-	-	108,619	-
-	-	280,597	-
-	-	-	3,593
-	-	27,157	-
55,178	41,181	369,751	-
1,011,387	139,170	1,953,689	-
2,617,143	-	11,464,018	-
1,271,797	464,075	7,880,063	-
850,548	37,919	4,783,244	-
(3,574,794)	(329,722)	(16,629,470)	-
<u>2,231,259</u>	<u>352,623</u>	<u>9,821,295</u>	<u>-</u>
<u>2,231,259</u>	<u>352,623</u>	<u>10,237,668</u>	<u>3,593</u>
<u>3,059,347</u>	<u>316,424</u>	<u>20,281,305</u>	<u>144,424</u>
228,528	10,629	639,262	7,300
-	-	142,278	-
-	-	9,591	-
20,968	-	183,490	4,773
-	-	266,364	-
<u>249,496</u>	<u>10,629</u>	<u>1,240,985</u>	<u>12,073</u>
2,490	-	20,335	-
-	-	1,675,697	-
<u>2,490</u>	<u>-</u>	<u>1,696,032</u>	<u>-</u>
<u>251,986</u>	<u>10,629</u>	<u>2,937,017</u>	<u>12,073</u>
2,231,259	352,623	7,906,391	-
-	-	224,221	-
576,102	(46,828)	9,213,676	132,351
<u>\$ 2,807,361</u>	<u>\$ 305,795</u>	<u>\$ 17,344,288</u>	<u>\$ 132,351</u>

CITY OF WAYNE, NEBRASKA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS

For the year ended September 30, 2010

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Transfer Station		
Operating revenues:						
User charges	\$ 5,749,944	\$ 553,261	\$ 741,625	\$ 158,100	\$ 7,202,930	\$ -
Health insurance premiums	-	-	-	-	-	354,857
Other revenue	64,966	3,636	1,029	-	69,631	-
Total operating revenues	<u>5,814,910</u>	<u>556,897</u>	<u>742,654</u>	<u>158,100</u>	<u>7,272,561</u>	<u>354,857</u>
Operating expenses:						
Cost of power	3,233,567	-	-	-	3,233,567	-
Personnel	913,137	154,983	152,066	28,069	1,248,255	-
Contract services	26,819	52,739	86,730	102,238	268,526	-
Commodities	760,183	83,992	88,743	15,718	948,636	-
Payments in lieu of taxes	410,766	37,852	34,426	-	483,044	-
Insurance claims and health premiums	-	-	-	-	-	328,018
Depreciation	358,303	174,515	143,512	19,169	695,499	-
Amortization	6,789	-	-	-	6,789	-
Total operating expenses	<u>5,709,564</u>	<u>504,081</u>	<u>505,477</u>	<u>165,194</u>	<u>6,884,316</u>	<u>328,018</u>
Operating income (loss)	105,346	52,816	237,177	(7,094)	388,245	26,839
Nonoperating revenues (expenses):						
Interest income	100,104	15,810	10,941	17	126,872	545
Grant revenue	-	224,020	-	35,386	259,406	-
Interest expense	(35,465)	(4,146)	(5,149)	-	(44,760)	-
Unrealized (loss) gain on investments	(5,375)	255	27	-	(5,093)	-
Total nonoperating revenues (expenses)	<u>59,264</u>	<u>235,939</u>	<u>5,819</u>	<u>35,403</u>	<u>336,425</u>	<u>545</u>
Income (loss) before interfund transfers	164,610	288,755	242,996	28,309	724,670	27,384
Interfund transfers:						
Transfer to other funds	(55,963)	(500,000)	500,000	-	(55,963)	-
Change in net assets	108,647	(211,245)	742,996	28,309	668,707	27,384
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>
Net assets - September 30, 2010	<u>\$ 11,537,473</u>	<u>\$ 2,693,659</u>	<u>\$ 2,807,361</u>	<u>\$ 305,795</u>	<u>\$ 17,344,288</u>	<u>\$ 132,351</u>

See notes to financial statements.

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

For the year ended September 30, 2010

	Enterprise Funds	
	Electric Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 5,797,340	\$ 548,609
Receipts from other funds	-	-
Payments to suppliers	(4,385,893)	(155,559)
Payments to employees	(896,235)	(148,614)
Net cash provided by operating activities	515,212	244,436
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers (to) from other funds	(55,963)	(500,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(144,269)	(695,104)
Grant proceeds	-	224,020
Proceeds from issuance of capital debt	-	642,061
Principal payments on capital debt	(235,000)	(535,000)
Interest paid on capital debt	(36,528)	(5,651)
Net cash used by capital and related financing activities	(415,797)	(369,674)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in investments	295,748	705,813
Decrease in due from Community Development Agency	10,000	-
Decrease in notes receivable	-	-
Increase in due from other funds	(491,000)	-
Interest received	117,776	18,453
Net cash provided (used) by investing activities	(67,476)	724,266
Increase (decrease) in cash and cash equivalents	(24,024)	99,028
Cash and cash equivalents - beginning of the year	480,133	72,060
Cash and cash equivalents - end of the year	\$ 456,109	\$ 171,088
Composition of cash and cash equivalents:		
Cash and cash equivalents	\$ 347,490	\$ 171,088
Restricted cash and cash equivalents	108,619	-
Total cash and cash equivalents	\$ 456,109	\$ 171,088

Enterprise Funds			Internal Service Fund
Sewer Fund	Transfer Station	Total	
\$ 672,012	\$ 167,037	\$ 7,184,998	\$ -
-	-	-	354,088
(207,799)	(116,057)	(4,865,308)	(327,430)
(146,460)	(32,815)	(1,224,124)	-
<u>317,753</u>	<u>18,165</u>	<u>1,095,566</u>	<u>26,658</u>
500,000	-	(55,963)	-
(782,697)	(113,406)	(1,735,476)	-
-	35,386	259,406	-
-	-	642,061	-
(535,000)	-	(1,305,000)	-
(6,654)	-	(48,833)	-
<u>(1,324,351)</u>	<u>(78,020)</u>	<u>(2,187,842)</u>	<u>-</u>
902,814	-	1,904,375	(49,688)
-	-	10,000	-
-	-	-	1,505
-	-	(491,000)	-
13,926	17	150,172	538
<u>916,740</u>	<u>17</u>	<u>1,573,547</u>	<u>(47,645)</u>
410,142	(59,838)	425,308	(20,987)
47,449	23,639	623,281	52,483
<u>\$ 457,591</u>	<u>\$ (36,199)</u>	<u>\$ 1,048,589</u>	<u>\$ 31,496</u>
\$ 457,591	\$ (36,199)	\$ 939,970	\$ 31,496
-	-	108,619	-
<u>\$ 457,591</u>	<u>\$ (36,199)</u>	<u>\$ 1,048,589</u>	<u>\$ 31,496</u>

CITY OF WAYNE, NEBRASKA

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

For the year ended September 30, 2010

	Enterprise Funds	
	Electric Fund	Water Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 105,346	\$ 52,816
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	358,303	174,515
Amortization expense	6,789	-
Change in assets and liabilities:		
Accounts receivable	(36,363)	(8,288)
Inventories	8,761	(3,772)
Accounts payable	36,681	22,796
Customer deposits	18,793	-
Accrued expenses	16,902	6,369
Net cash provided by operating activities	\$ 515,212	\$ 244,436

See notes to financial statements.

<u>Enterprise Funds</u>				<u>Internal Service Fund</u>
<u>Sewer Fund</u>	<u>Transfer Station</u>		<u>Total</u>	
\$ 237,177	\$ (7,094)		\$ 388,245	\$ 26,839
143,512	19,169		695,499	-
-	-		6,789	-
(70,642)	8,937		(106,356)	(769)
-	-		4,989	-
2,100	1,899		63,476	1,300
-	-		18,793	-
5,606	(4,746)		24,131	(712)
<u>\$ 317,753</u>	<u>\$ 18,165</u>		<u>\$ 1,095,566</u>	<u>\$ 26,658</u>

CITY OF WAYNE, NEBRASKA

STATEMENT OF NET ASSETS - FIDUCIARY FUND

September 30, 2010

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 31,458
Investments	123,146
Sales tax receivable	25,469
Interest receivable	3
Other receivables	1,036
Total assets	<u>\$ 181,112</u>
LIABILITIES	
Agency liabilities	<u>\$ 181,112</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, 2010

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, 2010

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, 2010

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 five 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, 2010

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.

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, 2010

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.
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 reserve funds raised for CAC Construction.
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, 2010

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.
Wireless 911	Accounts for the wireless 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 and business-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, 2010

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, 2010

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, 2010

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>97,222</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, 2010

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, 2010

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, 2010

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, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Restatement of Fund Balance/Net Assets

The September 30, 2009, fund balance for the Community Development Fund was increased \$200,000 to reclassify a note receivable that was previously expensed as a community development grant. This restatement also increased the net assets for the governmental activities as of September 30, 2009, increasing them \$200,000.

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 percent of the sales tax is recorded in the General Fund to be used for capital projects and 40 percent 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 six 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 percent interest.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Property Taxes, continued

Property taxes levied for 2010-2011 are recorded as revenue when expected to be collected within 60 days after September 30, 2010. 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 percent of gross revenues for electric and 7 percent 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.

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.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

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.

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.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

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.
- b. The budget is published with subsequent public hearings to obtain taxpayer comments.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data, continued

- 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, 2010. The categories of collateral are defined as follows:

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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	\$ 2,873,682	\$ 2,719,536	\$ 154,146	\$ -	\$ <u>1,799,764</u>
Reconciliation to Government-wide Statement of Net Assets:					
Primary Government –					
Unrestricted cash and cash equivalents					\$ 1,270,137
Restricted cash and cash equivalents					195,730
Component Unit –					
Unrestricted cash and cash equivalents					302,439
Agency Fund Cash (not included in government-wide statement)					<u>31,458</u>
					<u>\$ 1,799,764</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, 2010. The categories of investments are defined as follows:

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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

2. Restricted Assets

The restricted assets as of September 30, 2010, 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	\$ 87,111	\$ 108,619	\$ 195,730	\$ -
Investments	<u>62,413</u>	<u>280,597</u>	<u>343,010</u>	<u>-</u>
	<u>\$ 149,524</u>	<u>\$ 389,216</u>	<u>\$ 538,740</u>	<u>\$ -</u>

Restricted cash for governmental activities consists of \$87,111 of General Fund cash revenue for capital projects. Restricted investments for governmental activities consist of \$26,992 of General Fund investments restricted to be used for parks and \$35,421 of General Fund investments restricted to be used for the golf course.

Restricted business-type assets consist of debt service reserves of \$224,221 for the Electric Fund. The Electric Fund also has \$127,097 restricted for customer deposits and \$37,898 restricted for economic development.

3. Accounts and Notes Receivable

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of a \$37,902 receivable from the Wayne Country Club, Community Activity Center memberships, and other minor receivables. Accounts receivable for the component units consist of a \$510,823 airport grant receivable and other minor receivables. Receivables detail at September 30, 2010, is as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Accounts receivable	\$ 54,464	\$ 747,090	\$ 801,554	\$ 511,399
Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net accounts receivable	<u>\$ 54,464</u>	<u>\$ 747,090</u>	<u>\$ 801,554</u>	<u>\$ 511,399</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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, 2010:

<u>Note Held By</u>	<u>Due From</u>	Note Balance at September 30, <u>2010</u>	<u>Terms</u>
General Fund	Employees of the City of Wayne	\$ 396	0%; payroll deductions for firearms purchases
Community Development Fund	Mines Jewelers	19,277	4%; monthly payments due over 84 months; final balloon payment due 7/20/16
Community Development Fund	Snakey Jakes	6,774	4.375%; monthly payments due over 84 months; matures 3/01/15
Community Development Fund	Wayne Child Care	73,130	4%; monthly payments due over 84 months; final balloon payment due 5/10/15
Community Development Fund	Innovative Protectives	2,461	4%; monthly payments due over 84 months; final balloon payment due 7/01/11
Community Development Fund	Sand Creek Post 2nd Beam	186,667	0%; monthly payments due over 120 months; final balloon payment due 1/02/20
Community Development Fund	Interactive Impact	98,628	4%; monthly payments due over 84 months; final balloon payment due 5/01/17

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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>2010</u>	<u>Terms</u>
Community Development Fund	Claussen & Sons Irrigation	15,290	4%; monthly payments due over 84 months; final balloon payment due 4/29/11
Community Development Fund	Jeff and Debra Morlok	84,167	4%; monthly payments due over 84 months; final balloon payment due 9/01/11
Community Development Fund	Dianne’s Specialty Gifts	30,303	4%; monthly payments due over 84 months; final balloon payment due 3/15/11
Community Development Fund	Sand Creek Post and Beam	16,082	4.25%; monthly payments due over 84 months; final balloon payment due 5/01/12
Community Development Fund	Felix Industries	41,834	4.25%; monthly payments due over 84 months; matures 7/14/12
Community Development Fund	Udder Delights	17,637	4.5%; monthly payments over 84 months; matures 5/16/14
Community Development Fund	The Max Again	89,669	4.95%; monthly payments due over 84 months; matures 5/25/14

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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>2010</u>	<u>Terms</u>
Community Development Fund	11 housing loans	225,330	0%; housing loans; due when property is sold
LB840 Fund	Interactive Impact, Inc.	24,000	0%; forgivable at \$500 per month October 1, 2009, through October 1, 2014
LB840 Fund	Digital Blue, Inc.	24,480	0%; forgivable at \$510 per month October 1, 2009, through October 1, 2014
LB840 Fund	Louis and Javanah Benscoter	28,800	0%; forgivable at \$600 per month October 1, 2009, through October 1, 2014
LB840 Fund	James Milliken	35,500	0%; annual payments of \$3,550 January 1, 2011, through January 1, 2020
Internal Service Fund	Employees of the City of Wayne	12,093	0%; payroll deduction for computer/electronic purchases
Total notes receivable		<u>\$ 1,032,518</u>	
Current portion		\$ 239,550	
Noncurrent portion		<u>792,968</u>	
		<u>\$ 1,032,518</u>	

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2010, was as follows:

	Balance at October 1, <u>2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2010</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 577,677	\$ -	\$ -	\$ -	\$ 577,677
Spec building	252,297	-	-	-	252,297
Construction in progress	1,055,118	615,165	-	(789,591)	880,692
Total capital assets not being depreciated	<u>1,885,092</u>	<u>615,165</u>	<u>-</u>	<u>(789,591)</u>	<u>1,710,666</u>
Other capital assets being depreciated:					
Infrastructure	11,180,485	256,004	-	789,591	12,226,080
Improvements	945,977	8,450	-	-	954,427
Buildings	9,470,769	-	-	-	9,470,769
Machinery and equipment	2,058,890	172,947	-	-	2,231,837
Total other capital assets at historical cost	<u>23,656,121</u>	<u>437,401</u>	<u>-</u>	<u>789,591</u>	<u>24,883,113</u>
Less accumulated depreciation for:					
Infrastructure	(6,789,938)	(274,266)	-	-	(7,064,204)
Improvements	(310,085)	(30,964)	-	-	(341,049)
Buildings	(2,626,532)	(242,236)	-	-	(2,868,768)
Machinery and equipment	(1,531,284)	(137,161)	-	-	(1,668,445)
Total accumulated depreciation	<u>(11,257,839)</u>	<u>(684,627) *</u>	<u>-</u>	<u>-</u>	<u>(11,942,466)</u>
Other capital assets, net	<u>12,398,282</u>	<u>(247,226)</u>	<u>-</u>	<u>789,591</u>	<u>12,940,647</u>
Governmental activities capital assets, net	<u>\$ 14,283,374</u>	<u>\$ 367,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$14,651,313</u>

* Depreciation expense was charged to governmental activities as follows:

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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

4. Capital Assets, continued

Governmental Activities, continued:

General Fund:

General government	\$ 5,657
Public buildings	80,310
Public safety:	
Fire	65,502
Police	<u>25,700</u>
Total public safety	91,202
Public works:	
Street	322,419
Senior citizens services	5,029
Library	2,946
Recreation	61,603
Community Activity Center:	<u>115,461</u>
Total General Fund depreciation expense	\$ <u>684,627</u>

Construction in progress at September 30, 2010, consists of \$2,500 for the Northwest Drainage Project, \$98,558 for the Hiking Trail – Phase II Project, \$33,632 for the 10th Street Project, \$534,080 for the Kardell Street Paving and Drainage Project, \$192,641 for the Downtown Revitalization Project, and \$19,281 for the Benscoter Street Project. See Note D3 for additional details on these projects.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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

4. Capital Assets, continued

	Balance at October 1, <u>2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2010</u>
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 369,751	\$ -	\$ -	\$ -	\$ 369,751
Construction in progress	503,829	1,754,640	-	(304,780)	1,953,689
Total capital assets not being depreciated	873,580	1,754,640	-	(304,780)	2,323,440
Other capital assets being depreciated:					
Buildings	7,880,063	-	-	-	7,880,063
Distribution systems	11,009,325	149,913	-	304,780	11,464,018
Equipment	4,727,873	55,371	-	-	4,783,244
Total other capital assets at historical cost	23,617,261	205,284	-	304,780	24,127,325
Less accumulated depreciation for:					
Buildings	(4,770,473)	(227,487)	-	-	(4,997,960)
Distribution systems	(6,795,510)	(374,819)	-	-	(7,170,329)
Equipment	(4,367,988)	(93,193)	-	-	(4,461,181)
Total accumulated depreciation	(15,933,971)	(695,499) *	-	-	(16,629,470)
Other capital assets, net	7,683,290	(490,215)	-	304,780	7,497,855
Business-type capital assets, net	<u>\$ 8,556,870</u>	<u>\$1,264,425</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,821,295</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 358,303
Water	174,515
Sewer	143,512
Transfer Station	<u>19,169</u>
Total business-type activities depreciation expense	<u>\$ 695,499</u>

Construction in progress at September 30, 2010, consists of \$62,523 of costs incurred for the Electric Fund Metering/Cooling Tower Project, \$183,862 of costs on the Water Fund Loop Water Main Project, \$293,668 of costs on the Water Fund Well 11, \$153,670 of costs on the Water and Sewer Funds Kardell Industrial Park Project, \$184,061 of costs incurred for the Muhs Acres Water District, \$936,735 of costs incurred for the Wastewater Treatment Plant, and \$139,170 of costs on the Transfer Station Fund Bank Stabilization Project. See Note D3 for additional detail of the construction in progress at September 30, 2010.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2010

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

4. Capital Assets, continued

	<u>Balance at</u> <u>September 30, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>September 30, 2010</u>
<u>Airport Authority:</u>				
Capital assets not being depreciated:				
Land	\$ 287,776	\$ -	\$ -	\$ 287,776
Construction in progress	44,264	828,076	-	872,340
	<u>332,040</u>	<u>828,076</u>	<u>-</u>	<u>1,160,116</u>
Other capital assets being depreciated:				
Buildings	545,412	-	-	545,412
Improvements	3,433,261	-	-	3,433,261
Equipment	219,880	-	(6,350)	213,530
Total other capital assets at historical cost	4,198,553	-	(6,350)	4,192,203
Less accumulated depreciation for:				
Buildings	(202,966)	(12,998)	-	(215,964)
Improvements	(3,033,741)	(46,395)	-	(3,080,136)
Equipment	(98,416)	(20,082)	6,350	(112,148)
Total accumulated depreciation	<u>(3,335,123)</u>	<u>(79,475)</u>	<u>6,350</u>	<u>(3,408,248)</u>
Other capital assets, net	<u>863,430</u>	<u>(79,475)</u>	<u>-</u>	<u>783,955</u>
Airport Authority capital assets, net	<u>\$ 1,195,470</u>	<u>\$ 748,601</u>	<u>\$ -</u>	<u>\$ 1,944,071</u>

Construction in progress of \$872,340 at September 30, 2010, 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, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>September 30, 2010</u>
<u>Community Development Agency:</u>				
Capital assets not being depreciated:				
Land	\$ <u>301,192</u>	\$ <u>-</u>	\$ <u>(4,809)</u>	\$ <u>296,383</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, 2010

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, 2010:

<u>Type of Debt</u>	Balance October 1, 2009	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2010	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds payable	\$ 1,470,000	\$ -	\$ (170,000)	\$ 1,300,000	\$ 200,000
Business-type Activities:					
Bonds payable	\$ 2,605,000	\$ 642,061	\$ (1,305,000)	\$ 1,942,061	\$ 266,364
Component Units:					
Airport Authority	\$ 89,922	\$ -	\$ (20,052)	\$ 69,870	\$ 20,052
Community Develop- ment Authority	325,000	75,000	-	400,000	17,985
Total component unit	\$ 414,922	\$ 75,000	\$ (20,052)	\$ 469,870	\$ 38,037

Governmental Activities

As of September 30, 2010, 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. \$ 480,000

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. 170,000

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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.

650,000

Total bonds payable

\$ 1,300,000

Current portion

\$ 200,000

Noncurrent portion

1,100,000

Total

\$ 1,300,000

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

Business-type Activities

As of September 30, 2010, 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.

\$ 1,300,000

\$642,061 of Water DEQ Notes Payable, with total loan commitment of \$800,000. The note will be due in semi-annual principal and interest payments of \$24,364 commencing June 15, 2011, through December 15, 2030. The note bears interest of 2.0 percent. A 1 percent administration fee will also be due semi-annually.

642,061

Total business-type activity bonds and notes payable

\$ 1,942,061

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2010

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

6. Long-term Debt, continued

Business-type Activities, continued

Current portion	\$ 266,364
Noncurrent portion	<u>1,675,697</u>
Total	<u>\$ 1,942,061</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. \$ 59,526

Nebraska Department of Aeronautics series 2001 T-Hangar Airport loan, due in monthly installments through December 1, 2011, bearing no interest. 10,344

Total airport notes payable 69,870

Community Development Agency Bond Payable:

Tax increment revenue bond series 2009, with original amount of \$325,000. Interest of 3 percent is due semi-annually 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

Tax increment revenue bond series 2009, with original amount of \$75,000 principal and interest of 7 percent is due annually commencing December 31, 2010. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 75,000

Total Community Development Agency bonds payable 400,000

Total component unit notes and bond payable \$ 469,870

Current portion	\$ 38,037
Noncurrent portion	<u>431,833</u>
Total	<u>\$ 469,870</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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, 2010, 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>Fees</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 200,000	\$ 53,478	\$ 266,364	\$ 40,885	\$ 4,000	\$ 38,037	\$ 15,000
2012	150,000	46,022	288,222	43,392	7,754	33,094	14,341
2013	155,000	40,158	293,889	36,860	7,420	35,741	13,668
2014	115,000	34,022	299,570	29,549	7,079	35,980	12,828
2015	115,000	29,273	305,265	21,699	6,732	34,720	11,972
2016-2020	515,000	67,690	185,394	56,396	28,198	134,073	46,200
2021-2025	50,000	2,200	204,791	36,806	18,403	158,225	18,660
2026-2030	-	-	98,566	10,424	5,212	-	-
	<u>\$ 1,300,000</u>	<u>\$ 272,843</u>	<u>\$ 1,942,061</u>	<u>\$ 276,011</u>	<u>\$ 84,798</u>	<u>\$ 469,870</u>	<u>\$132,669</u>

7. Interfund Transactions and Balances

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Street Fund	\$ -	\$ 299,177
Sales Tax Fund	25,335	-
E911	<u>27,000</u>	<u>-</u>
Total General Fund	52,335	299,177
Street Fund:		
General Fund	299,177	-
Sales Tax Fund:		
General Fund	-	25,335

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2010

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	55,963	-
E911 Fund:		
General Fund	-	27,000
Electric Fund:		
Debt Service Fund	-	55,963
Water Fund:		
Sewer Fund	-	500,000
Sewer Fund:		
Water Fund	<u>500,000</u>	<u>-</u>
Total Interfund Transfers	<u>\$ 907,475</u>	<u>\$ 907,475</u>

Interfund balances:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Terms</u>
Street	General	\$ 265,337	Negative pooled cash; non-interest-bearing; will be repaid during year ending September 30, 2011.
General	Debt Service	6,677	Non-interest-bearing; will be repaid during year ending September 30, 2011.
Community Development	LB840	7,132	Non-interest-bearing; will be repaid during year ending September 30, 2011.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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>
LB840	Electric	500,000	Principal of \$100,000 plus interest at 3% is due annually through January 1, 2015.
		<u>\$ 779,146</u>	
Airport	General	\$ 50	Non-interest-bearing; will be repaid during year ending September 30, 2011.
Community Development Agency	General	488	Non-interest-bearing; will be repaid during year ending September 30, 2011.
Community Development Agency	Electric	39,973	0%; on demand or upon sale of real estate.
Community Development Agency	Electric	<u>203,455</u>	0%; on demand or upon sale of real estate.
Total		<u>\$ 243,966</u>	

At September 30, 2010, the Street Fund had a deficit fund balance of \$408,557. The City expects this deficit to be eliminated during the year ending September 30, 2011. When financing is obtained for capital outlay incurred during the year ended September 30, 2010.

The City expects the \$113,649 deficit fund balance in the LB840 Fund to be eliminated by sales tax receipts during the year ending September 30, 2010.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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 six percent 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 \$409,578 for the year ended September 30, 2010. Both the City and the covered employees' required contribution of \$24,525 was made for the year ended September 30, 2010. The employees also contributed \$8,241 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.

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 one percent to the deferred compensation savings plan and that the City contribute six percent 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 \$1,722,608 and the covered payroll amounted to \$1,232,477 for the year ended September 30, 2010. The City and the employees contributed \$74,105 and \$69,959, respectively, for the year ended September 30, 2010.

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 \$4,773 as of September 30, 2010.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

NOTE D – OTHER NOTES, continued

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).

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 \$7,300; this amount represents two months of subsequent claims. This has been included as a current year expenditure. A reserve of \$131,496 is established in an internal service fund at September 30, 2010.

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, 2010, 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, 2010

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

<u>Maturities by Month</u>	<u>Amount</u>
October 2010	\$ 255,383
November 2010	1,127,097
December 2010	2,185,608
February 2011	800,000
March 2011	529,560
April 2011	1,515,993
May 2011	1,078,600
June 2011	274,459
July 2011	500,000
September 2011	500,000
June 2014	97,000
September 2014	118,478
October 2014	70,000
March 2015	<u>153,500</u>
	<u>\$ 9,205,678</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 and money market funds, minimizing credit risk associated with the City's investment portfolio.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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, 2010, the City’s investments in certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Bank First	\$ 118,478
Farmers and Merchants Bank	2,787,483
First National Bank	105,451
State National Bank	5,831,266
Edward Jones	<u>363,000</u>
	\$ <u>9,205,678</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, 2010.

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 9/30/2010</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
City of Wayne Projects:				
Downtown Revitalization	\$ 624,617	\$ 288,261	\$ 366,356	Year ending 9/30/11
Wastewater Treatment Plant	6,186,496	1,157,711	5,028,785	Year ending 9/30/11
Bank Stabilization	184,758	182,091	2,667	Fall 2010
Muhs Acres Water Line	275,042	166,393	108,649	Year ending 9/30/11
Well #11	363,651	300,727	62,924	Fall 2010
Wayne Municipal Airport:				
Runway Reconstruction:				
Engineering	508,137	414,679	93,458	Year ending 9/30/11
Construction	3,647,417	457,661	3,189,756	Year ending 9/30/11

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Lease Commitments

<u>Lessor</u>	<u>Leased Property</u>	<u>Term</u>	<u>Amount</u>
Pitney Bowes	Postage Meter	07/11/06 – 07/11/11	\$ 258/month
Pitney Bowes	Envelope Stuffer	12/19/09 – 12/19/14	\$ 390/month
De Lage Landen	Copier	04/24/09 – 04/23/14	\$ 394/month
De Lage Landen	Copier-Senior Center	01/20/10 – 01/20/15	\$ 77/month
Dakota Business Systems	Copier-Library	02/04/10 – 02/04/15	\$ 77/month

The City paid rent of \$12,667 under these lease agreements during the year ended September 30, 2010.

Lease commitments as of September 30, 2010, are as follows:

<u>Year ending September 30,</u>	<u>Commitment</u>
2011	\$ 13,578
2012	11,256
2013	11,256
2014	9,286
2015	<u>1,786</u>
	\$ <u>47,162</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

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 \$3,233,567 for the year ended September 30, 2010.

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

4. Related-Party Transactions

The Electric, Water, and Sewer Funds remit 8.5 percent of gross revenues to the General Fund annually as payments in lieu of taxes. The Electric Fund made payments in the amount of \$410,766, the Water Fund made payments of \$37,852, and the Sewer Fund made payments of \$34,426 for the year ended September 30, 2010.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

NOTE D – OTHER NOTES, continued

5. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2010:

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, 2010

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, 2010

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 in 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
City of Laurel	2/16/10	Responsible Charge (RC) Services
City of Wisner, Village of Winside, City of Ponca, Ponca Rural Fire District	6/15/10	Mutual Fire Organization

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2010

NOTE D – OTHER NOTES, continued

6. Conduit Debt

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

As of September 30, 2010, the aggregate amount of conduit debt principal outstanding for the Wayne East Project was \$47,585.

7. Redevelopment Agreements

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, 2011. TIF proceeds on the project will be used to pay \$75,000 of bonds issued during the year ended September 30, 2010. These bonds are held by Benscoter Development, the private developer.

The second new redevelopment agreement states the developer will create taxable real property with a valuation of \$7,220,000 (54 homes in Western Ridge). TIF proceeds will be used to pay principal on \$325,000 of bonds issued for the project during the year ended September 30, 2009.

8. Union Contracts

The City is subject to the following union contract:

- Wayne Police Employees Fraternal Order of Police #54. This agreement commenced on January 1, 2010, and terminates on June 30, 2012.

9. Subsequent Events

Management has evaluated subsequent events through January 21, 2011, 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, 2010

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 611,000	\$ 606,773	\$ (4,227)
Payments in lieu of taxes	688,613	538,739	(149,874)
Sales tax	300,000	332,248	32,248
Franchise	-	192,127	192,127
Intergovernmental	861,479	479,036	(382,443)
Charges for services	416,215	366,347	(49,868)
Interest income	24,000	15,553	(8,447)
Contributions	-	1,324	1,324
Sale of property	-	2,225	2,225
Other	26,200	36,628	10,428
	<u>2,927,507</u>	<u>2,571,000</u>	<u>(356,507)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	275,929	155,623	(120,306)
Public buildings	115,181	89,289	(25,892)
Public safety	991,916	988,550	(3,366)
Senior citizens services	228,721	142,894	(85,827)
Library	212,149	214,617	2,468
Recreation	303,234	193,716	(109,518)
Community Activity Center	169,944	205,524	35,580
Capital outlay	1,926,394	130,790	(1,795,604)
	<u>4,223,468</u>	<u>2,121,003</u>	<u>(2,102,465)</u>
Resources over (under) charges to appropriations	(1,295,961)	449,997	1,745,958
OTHER FINANCING SOURCES (USES)			
Transfers in	3,000	52,335	49,335
Transfers out	(200,000)	(299,177)	(99,177)
Net transfers	<u>(197,000)</u>	<u>(246,842)</u>	<u>(49,842)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS			
	<u>\$ (1,492,961)</u>	<u>\$ 203,155</u>	<u>\$ 1,696,116</u>

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
STREET FUND**

Year ended September 30, 2010

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ -	\$ 7,532	\$ 7,532
Motor vehicle	-	61,308	61,308
Intergovernmental	1,733,595	365,738	(1,367,857)
Charges for services	2,805	1,888	(917)
Interest income	-	6	6
Bond proceeds	600,000	-	(600,000)
Other	-	343	343
	<hr/>	<hr/>	<hr/>
Total resources	2,336,400	436,815	(1,899,585)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	434,720	405,324	(29,396)
Capital projects	2,921,685	812,872	(2,108,813)
Interest expense	9,375	-	(9,375)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	3,365,780	1,218,196	(2,147,584)
Resources over (under) charges to appropriations	(1,029,380)	(781,381)	247,999
OTHER FINANCING SOURCES (USES)			
Transfers in	710,000	299,177	(410,823)
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (319,380)</u>	<u>\$ (482,204)</u>	<u>\$ (162,824)</u>

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
SALES TAX FUND**

Year ended September 30, 2010

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Sales tax	\$ -	\$ -	\$ -
Interest income	12,465	3,143	(9,322)
Contributions	-	149	149
	<hr/>	<hr/>	<hr/>
Total resources	12,465	3,292	(9,173)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Capital outlay	274,600	-	(274,600)
Interest on long-term debt	-	(3,885)	(3,885)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	274,600	(3,885)	(278,485)
Resources over (under) charges to appropriations	(262,135)	7,177	269,312
OTHER FINANCING SOURCES (USES)			
Transfers out	(3,465)	(25,335)	(21,870)
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (265,600)</u>	<u>\$ (18,158)</u>	<u>\$ 247,442</u>

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
DEBT SERVICE FUND**

Year ended September 30, 2010

	Budget (Original and (Final))	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Property tax	\$ 90,000	\$ 91,402	\$ 1,402
Payments in lieu of taxes	375	132	(243)
Special assessments	90,000	123,516	33,516
Interest income	2,500	4,863	2,363
	<hr/>	<hr/>	<hr/>
Total resources	182,875	219,913	37,038
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments	170,000	170,000	-
Interest expense	59,671	59,670	(1)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	229,671	229,670	(1)
Resources over (under) charges to appropriations	(46,796)	(9,757)	37,039
OTHER FINANCING SOURCES (USES)			
Transfer in	-	55,963	55,963
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	\$ (46,796)	\$ 46,206	\$ 93,002
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Year ended September 30, 2010

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

	<u>General Fund</u>	<u>Street 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	\$ 2,571,000	\$ 436,815	\$ 3,292	\$ 219,913
Differences - budget to GAAP:				
Cash to accrual adjustments	48,988	(6,409)	526	(18,670)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,619,988</u>	<u>\$ 430,406</u>	<u>\$ 3,818</u>	<u>\$ 201,243</u>
Uses/outflows of resources:				
Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedules	\$ 2,121,003	\$ 1,218,196	\$ (3,885)	\$ 229,670
Differences - budget to GAAP:				
Cash to accrual adjustments	58,457	111,487	-	(1,586)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,179,460</u>	<u>\$ 1,329,683</u>	<u>\$ (3,885)</u>	<u>\$ 228,084</u>

OTHER SUPPLEMENTARY INFORMATION

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

September 30, 2010

	Special Revenue Funds				Total Nonmajor Governmental Funds
	<u>Community Development</u>	<u>LB840</u>	<u>Wireless 911</u>	<u>E911</u>	
ASSETS					
Cash and cash equivalents	\$ 80,451	\$ 69,859	\$ 4,794	\$ 8,992	\$ 164,096
Investments	170,000	200,000	-	-	370,000
Receivables:					
Accounts	3,957	-	-	-	3,957
Notes	907,249	112,780	-	-	1,020,029
Interest	182	330	-	-	512
Due from other funds	-	7,132	-	-	7,132
Total assets	<u>\$ 1,161,839</u>	<u>\$ 390,101</u>	<u>\$ 4,794</u>	<u>\$ 8,992</u>	<u>\$ 1,565,726</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other fund	\$ 7,132	\$ 500,000	\$ -	\$ -	\$ 507,132
Accounts payable	2,134	-	-	-	2,134
Accrued interest payable	-	3,750	-	-	3,750
Total liabilities	<u>9,266</u>	<u>503,750</u>	<u>-</u>	<u>-</u>	<u>513,016</u>
Fund balances:					
Reserved for:					
Federal programs	1,152,573	-	-	-	1,152,573
Economic development	-	-	-	-	-
Unreserved, reported in:					
Special Revenue Funds	-	(113,649)	4,794	8,992	(99,863)
Total fund balances	<u>1,152,573</u>	<u>(113,649)</u>	<u>4,794</u>	<u>8,992</u>	<u>1,052,710</u>
Total liabilities and fund balances	<u>\$ 1,161,839</u>	<u>\$ 390,101</u>	<u>\$ 4,794</u>	<u>\$ 8,992</u>	<u>\$ 1,565,726</u>

CITY OF WAYNE, NEBRASKA

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

For the year ended September 30, 2010

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Community Development	LB840	Wireless 911	E911	
REVENUES					
Sales tax	\$ -	\$ 188,714	\$ -	\$ -	\$ 188,714
Intergovernmental	160,580	-	-	-	160,580
Charges for services	-	-	4,793	30,148	34,941
Interest income	22,831	709	1	21	23,562
Total revenues	<u>183,411</u>	<u>189,423</u>	<u>4,794</u>	<u>30,169</u>	<u>407,797</u>
EXPENDITURES					
General government	100,857	305,747	-	-	406,604
Public safety	-	-	-	10,025	10,025
Interest on long-term debt	-	11,250	-	-	11,250
Total expenditures	<u>100,857</u>	<u>316,997</u>	<u>-</u>	<u>10,025</u>	<u>427,879</u>
Excess of revenues over expenditures	82,554	(127,574)	4,794	20,144	(20,082)
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,000)</u>	<u>(27,000)</u>
Net change in fund balance	82,554	(127,574)	4,794	(6,856)	(47,082)
Fund balances - September 30, 2009,					
As previously reported	870,019	13,925	-	15,848	899,792
Restatement	200,000	-	-	-	200,000
As restated	<u>1,070,019</u>	<u>13,925</u>	<u>-</u>	<u>15,848</u>	<u>1,099,792</u>
Fund balances - September 30, 2010	<u>\$ 1,152,573</u>	<u>\$ (113,649)</u>	<u>\$ 4,794</u>	<u>\$ 8,992</u>	<u>\$ 1,052,710</u>

CITY OF WAYNE, NEBRASKA

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

September 30, 2010

	<u>Wayne Municipal Airport</u>	<u>Community Development Agency</u>	<u>Total Component Units</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 246,150	\$ 56,289	\$ 302,439
County treasurer cash	5,145	-	5,145
Receivables:			
Property tax	1,499	-	1,499
Grants receivable	510,823	-	510,823
Accounts receivable	576	-	576
TIF receivable-current portion	-	27,500	27,500
Prepaid insurance	6,221	-	6,221
Total current assets	<u>770,414</u>	<u>83,789</u>	<u>854,203</u>
Noncurrent assets:			
TIF receivable-noncurrent portion	-	330,500	330,500
Capital assets:			
Land	287,776	296,383	584,159
Construction in progress	872,340	-	872,340
Other capital assets, net of depreciation	783,955	-	783,955
Net capital assets	<u>1,944,071</u>	<u>296,383</u>	<u>2,240,454</u>
Total noncurrent assets	<u>1,944,071</u>	<u>626,883</u>	<u>2,570,954</u>
Total assets	2,714,485	710,672	3,425,157
LIABILITIES			
Current liabilities:			
Due to the City of Wayne	50	243,916	243,966
Accounts payable	530,522	-	530,522
Accrued interest payable	-	12,062	12,062
Deferred revenue - property tax	501	-	501
Current portion of long-term debt	20,052	17,985	38,037
Total current liabilities	<u>551,125</u>	<u>273,963</u>	<u>825,088</u>
Noncurrent liabilities:			
Noncurrent portion of long-term debt	49,818	382,015	431,833
Total liabilities	<u>600,943</u>	<u>655,978</u>	<u>1,256,921</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,874,201	296,383	2,170,584
Unrestricted	239,341	(241,689)	(2,348)
Total net assets	<u>\$ 2,113,542</u>	<u>\$ 54,694</u>	<u>\$ 2,168,236</u>

CITY OF WAYNE, NEBRASKA

**COMBINING STATEMENT OF ACTIVITIES -
COMPONENT UNITS**

For the year ended September 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Wayne Municipal Airport:			
Airport	\$ 146,777	\$ 40,890	\$ -
Community Development Agency:			
Economic development	<u>128,622</u>	<u>753</u>	<u>-</u>
Total component units	<u><u>\$ 275,399</u></u>	<u><u>\$ 41,643</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>
\$ 802,093	\$ 696,206	\$ -	\$ 696,206
-	-	(127,869)	(127,869)
<u>\$ 802,093</u>	696,206	(127,869)	568,337
General revenues:			
Taxes:			
Property	79,999	-	79,999
TIF proceeds	-	364,908	364,908
Interest income	770	17	787
Gain (loss) on disposal of assets	-	5,191	5,191
Total general revenues	<u>80,769</u>	<u>370,116</u>	<u>450,885</u>
Change in net assets	776,975	242,247	1,019,222
Net assets - beginning of year	<u>1,336,567</u>	<u>(187,553)</u>	<u>1,149,014</u>
Net assets - end of year	<u>\$ 2,113,542</u>	<u>\$ 54,694</u>	<u>\$ 2,168,236</u>

SINGLE AUDIT REPORTS

CITY OF WAYNE, NEBRASKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2010

<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 Formula Grants for Other than Urbanized Areas	20.509	\$ 23,443
Passed Through Nebraska Department of Aeronautics Airport Improvement Program	20.106	<u>840,546</u> *
Total Department of Transportation		863,989
<u>Environmental Protection Agency:</u>		
Passed Through Nebraska Department of Environmental Quality: ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468	659,292
<u>Department of Health and Human Services:</u>		
Passed Through Northeast Nebraska Area Agency on Aging: Special Programs for the Aging Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	5,185
Nutrition Services Incentive Programs	93.053	11,222
Title III, Part C - Nutrition Services	93.045	<u>24,878</u>
Total Department of Health and Human Services		41,285
<u>Department of Housing and Urban Development:</u>		
Passed Through Nebraska Department of Economic Development: Community Development Block Grants	14.228	97,422
<u>Department of Energy:</u>		
Passed Through Nebraska Department of Energy Energy Efficiency & Conservation Block Grant Program	81.128	<u>9,434</u>
Total Federal Awards		<u><u>\$ 1,671,422</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 accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.



**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**

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk

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, 2010, which collectively comprise the City of Wayne, Nebraska's basic financial statements and have issued our report thereon dated January 21, 2011. 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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2010-1 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 21, 2011.

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

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

Grand Island, Nebraska
January 21, 2011

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

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk

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, 2010. 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, 2010.

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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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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.

Almquist, Malthahn,
Galloway & Luth, P.C.

Grand Island, Nebraska
January 21, 2011

CITY OF WAYNE, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2010

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, 2010.
 - (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 Program: CFDA #20.106 – Airport Improvement Program.
 - (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

2010-1 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, 2010

Program

Findings for the year ended September 2009

None noted.