

**CITY OF WAYNE, NEBRASKA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**September 30, 2011**

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	19
Statement of Activities	20
Fund Financial Statements	
Balance Sheet - Governmental Funds	21
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	24
Statement of Net Assets - Proprietary Funds	25
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27
Statement of Net Assets - Fiduciary Fund	29
Notes to Financial Statements	30
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
General Fund	75
Street Fund	76
Sales Tax Fund	77
Debt Service Fund	78
Note to Required Supplementary Information	79
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	81
Combining Statement of Net Assets - Component Units	82
Combining Statement of Activities - Component Units	83

## TABLE OF CONTENTS, Continued

	Page
SINGLE AUDIT REPORTS	
Schedule of Expenditures of Federal Awards	84
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	85
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	87
Schedule of Findings and Questioned Costs	89
Summary Schedule of Prior Audit Findings	90



## 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, 2011, 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, 2011, 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.

### SHAREHOLDERS

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2012, 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 75 through 79 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.

*Amquist, Malthalm.*  
*Galloway & Luth, P.C.*

Grand Island, Nebraska  
January 6, 2012

**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For The Year Ended September 30, 2011**

---

**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, 2011. 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 \$35,501,722 (*net assets*). Of this amount, \$10,935,737 (*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 \$16,687,113. Approximately 10.1 percent of this total amount, \$1,690,618, is *unrestricted net assets*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$451,447, or 18.4 percent of total General Fund expenditures.

**Overview of the Financial Statements**

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

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

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

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

**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2011**

---

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, 2011**

---

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 30-74 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 75-79 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 80-83 of this report.

**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2011**

**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 \$35,501,722 at the close of the most recent fiscal year.

**Net Assets**

	September 30, 2011			September 30, 2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 4,375,392	\$ 10,428,770	\$ 14,804,162	\$ 4,081,768	\$ 10,460,010	\$ 14,541,778
Capital Assets	14,947,849	14,453,987	29,401,836	14,651,313	9,821,295	24,472,608
Total Assets	<u>19,323,241</u>	<u>24,882,757</u>	<u>44,205,998</u>	<u>18,733,081</u>	<u>20,281,305</u>	<u>39,014,386</u>
Long-term Liabilities	1,908,793	5,039,687	6,948,480	1,121,165	1,696,032	2,817,197
Other Liabilities	727,335	1,028,461	1,755,796	888,358	1,240,985	2,129,343
Total Liabilities	<u>2,636,128</u>	<u>6,068,148</u>	<u>8,704,276</u>	<u>2,009,523</u>	<u>2,937,017</u>	<u>4,946,540</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	12,942,097	9,216,244	22,158,341	13,377,964	7,906,391	21,284,355
Restricted	2,054,398	353,246	2,407,644	1,897,617	224,221	2,121,838
Unrestricted	1,690,618	9,245,119	10,935,737	1,447,977	9,213,676	10,661,653
Total Net Assets	<u>\$ 16,687,113</u>	<u>\$ 18,814,609</u>	<u>\$ 35,501,722</u>	<u>\$ 16,723,558</u>	<u>\$ 17,344,288</u>	<u>\$ 34,067,846</u>

By far the largest portion of the City of Wayne's net assets (62.4 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 (6.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net* assets (\$10,935,737) 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, 2011**

**Expenses and Program Revenues - Governmental Activities**

<u>Function</u>	<u>Year Ended September 30, 2011</u>		<u>Year Ended September 30, 2010</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 267,491	\$ 337,334	\$ 205,145	\$ 562,227
Public Safety	178,464	1,186,409	135,973	962,118
Public Works	2,219	431,816	1,351	407,907
Public Buildings	41,270	67,955	46,774	89,289
Recreation	59,865	266,231	52,224	250,096
Community Activity Center	130,116	245,394	98,082	205,524
Library	13,496	228,390	11,641	214,617
Senior Citizens Services	165,612	223,303	159,375	142,894
Interest	-	65,935	-	69,305
Depreciation	-	741,867	-	684,627
Total	<u>\$ 858,533</u>	<u>\$ 3,794,634</u>	<u>\$ 710,565</u>	<u>\$ 3,588,604</u>

**Revenues by Source - Governmental Activities**

**SOURCES OF REVENUE**

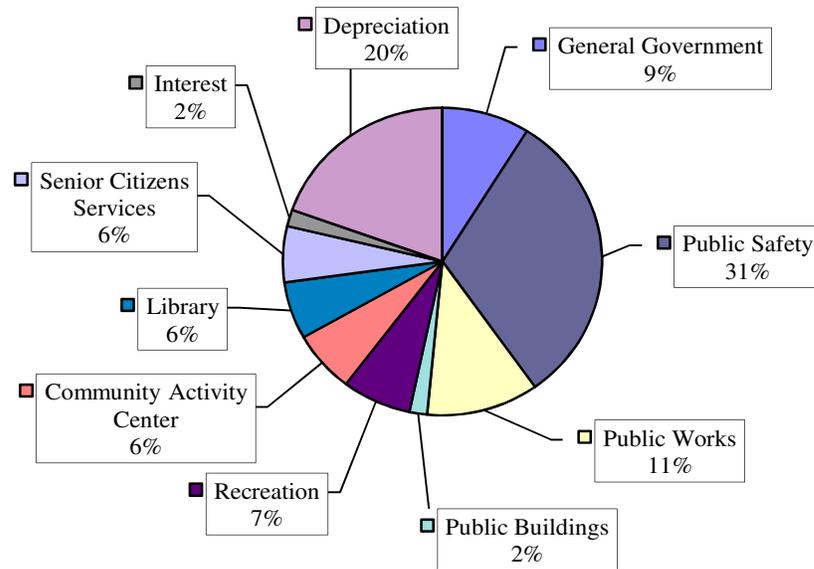
	<u>Year Ended September 30, 2011</u>		<u>Year Ended September 30, 2010</u>	
Charges for Services	\$ 529,877	14.10 %	\$ 447,327	12.03 %
Operating Grants and Contributions	320,634	8.53	261,914	7.04
Capital Grants and Contributions	8,022	0.21	1,324	0.04
Property Taxes	710,308	18.90	700,244	18.82
Motor Vehicle Taxes	68,074	1.81	61,308	1.65
Payments in Lieu of Taxes	552,285	14.70	538,871	14.49
Sales Tax	502,834	13.38	526,396	14.15
Franchise Taxes	192,374	5.12	192,127	5.16
State Allocation	808,694	21.52	743,440	19.99
Special Assessments	87,575	2.33	105,857	2.85
Other	58,524	1.56	36,621	0.98
Interest	42,903	1.14	45,994	1.24
Gain on Sale of Assets	501	0.01	2,225	0.06
Unrealized Gain on Investments	270	0.01	149	0.00
Interfund and CDA Transfers	(124,686)	(3.32)	55,963	1.50
Total	<u>\$ 3,758,189</u>	<u>100.00 %</u>	<u>\$ 3,719,760</u>	<u>100.00 %</u>

Net assets decreased \$36,445 in the governmental funds during the year ended September 30, 2011.

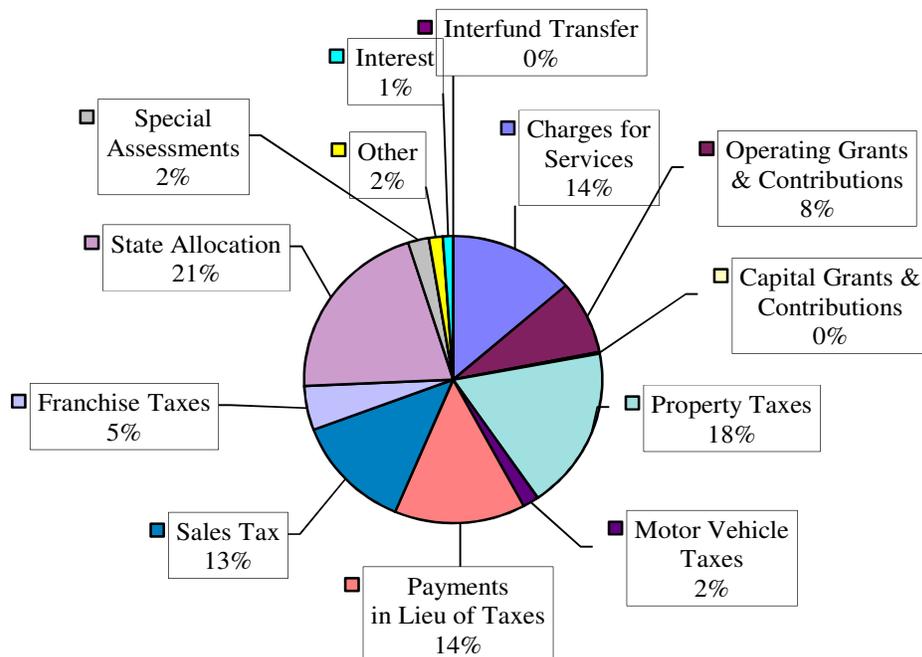
**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2011**

---

Governmental Activities - 2011 Expenses



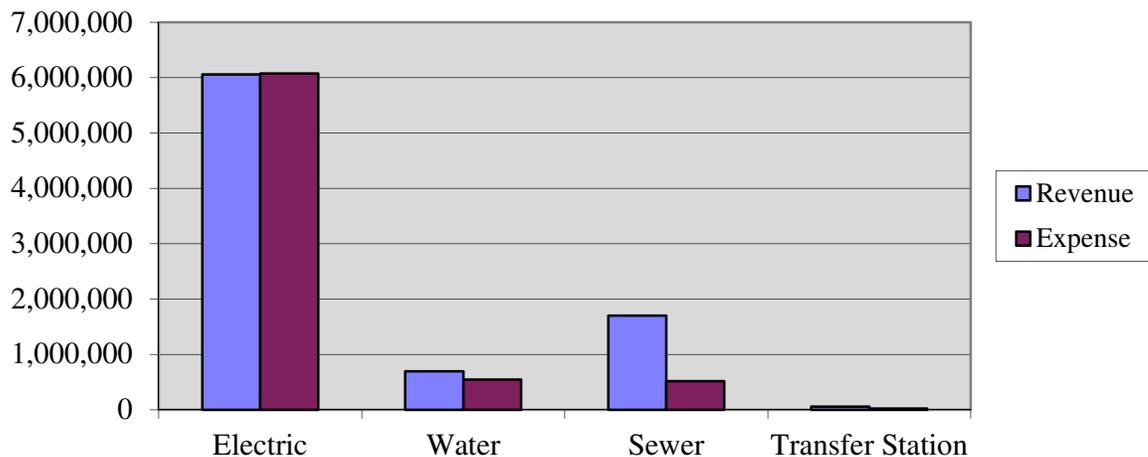
Governmental Activities - 2011 Revenue



**CITY OF WAYNE, NEBRASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued  
For The Year Ended September 30, 2011**

**Business-type activities.** Business-type activities increased the City of Wayne's net assets by \$1,470,321, accounting for all of the total growth in the government's net assets for the year ended September 30, 2011. Key elements of this increase are as follows:

**2011 Expenses and Program Revenues - Business-type Activities**



**Expenses and Program Revenues - Business-type Activities**

<u>Function</u>	<u>Year Ended September 30, 2011</u>		<u>Year Ended September 30, 2010</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 6,055,483	\$ 6,073,942	\$ 5,814,910	\$ 5,745,029
Water	692,815	544,840	780,917	508,227
Sewer	1,701,167	516,374	742,654	510,626
Transfer Station	58,516	20,517	193,486	165,194
Total	8,507,981	7,155,673	7,531,967	6,929,076
Interfund Transfer	24,686	-	-	55,963
	<u>\$ 8,532,667</u>	<u>\$ 7,155,673</u>	<u>\$ 7,531,967</u>	<u>\$ 6,985,039</u>

**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2011**

**Revenues by Source - Business-type Activities**

**SOURCES OF REVENUE**

	<u>Year Ended September 30, 2011</u>			<u>Year Ended September 30, 2010</u>		
Charges for Services	\$ 7,571,792	87.78	%	\$ 7,272,561	95.02	%
Capital Grants and Contributions	936,189	10.85		259,406	3.39	
Interest	96,489	1.12		126,872	1.66	
Unrealized Gain (Loss) on Investments	(3,162)	(0.04)		(5,093)	(0.07)	
Interfund Transfers	24,686	0.29		-	-	
Total	<u>\$ 8,625,994</u>	<u>100.00</u>	<u>%</u>	<u>\$ 7,653,746</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, *unassigned 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 \$3,670,326. Approximately 12.3 percent of this total amount (\$451,447) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is not available for new spending because it has already been 1) restricted to pay debt service (\$615,610), 2) restricted for Federal loan programs (\$1,123,324), 3) restricted for park expenditures (\$27,125), 4) restricted for golf course expenditures (\$35,842), 5) restricted for Community Activity Center expenditures (\$229,748), 6) restricted for economic development (\$22,749), 7) assigned for budgetary stabilization (\$1,019,167), 8) assigned for capital projects (\$113,500), or 9) assigned for other purposes (\$31,814).

The General Fund is the chief operating fund of the City of Wayne. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$451,447, while total fund balance reached \$1,646,086. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18.4 percent of total General Fund expenditures, while total fund balance represents 67.0 percent of that same amount.

The fund balance of the City of Wayne's General Fund decreased by \$119,207 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, 2011**

---

Unrestricted net assets of the proprietary funds at the end of the year were as follows: Electric Fund - \$7,500,715, Water Fund - \$1,209,548, Sewer Fund - \$527,919, and Transfer Station - \$6,937. The growth in net assets for the proprietary funds was as follows: Electric Fund - \$14,528, Water Fund - \$154,844, Sewer Fund - \$1,262,948, and Transfer Station - \$38,001. 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, 2011, amounts to \$29,401,836 (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:

- Northwest drainage silt pond - \$39,973
- Industrial site paving - \$66,615
- Downtown revitalization project - \$556,421
- Dodge Charger police car - \$20,040
- Tar kettle - \$37,461
- 2011 Freightliner truck - \$100,188
- Windom Street project - \$73,446
- Water meter project - \$22,155
- Well 11 - \$107,144
- Wellhead protection project - \$20,009
- Kardell Industrial sewer line - \$132,034
- Manhole rehab project - \$24,750
- Wastewater treatment plant design and construction - \$4,730,857
- 2011 electrical improvements - \$160,986
- Updating cooling tower - \$27,067

**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2011**

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

	<u>Year Ended September 30, 2011</u>			<u>Year Ended September 30, 2010</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
Land	\$ 617,650	\$ 369,751	\$ 987,401	\$ 577,677	\$ 369,751	\$ 947,428
Spec Building Construction	252,297	-	252,297	252,297	-	252,297
in Progress	266,870	5,789,947	6,056,817	880,692	1,953,689	2,834,381
Infrastructure	6,190,423	-	6,190,423	5,161,876	-	5,161,876
Improvements	598,634	-	598,634	613,378	-	613,378
Buildings	6,389,961	2,801,548	9,191,509	6,602,001	2,882,103	9,484,104
Equipment	632,014	305,421	937,435	563,392	322,063	885,455
Distribution Systems	-	5,187,320	5,187,320	-	4,293,689	4,293,689
Total	<u>\$ 14,947,849</u>	<u>\$ 14,453,987</u>	<u>\$ 29,401,836</u>	<u>\$ 14,651,313</u>	<u>\$ 9,821,295</u>	<u>\$ 24,472,608</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 \$7,303,111. Of this amount, \$2,045,000 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, 2011</u>			<u>Year Ended September 30, 2010</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
General Obligation Bonds	\$ 655,000	\$ -	\$ 655,000	\$ 820,000	\$ -	\$ 820,000
Bond Anticipation Notes	935,000	-	935,000	-	-	-
Public Safety Bonds	455,000	-	455,000	480,000	-	480,000
DEQ Note	-	4,208,111	4,208,111	-	642,061	642,061
Revenue Bonds	-	1,050,000	1,050,000	-	1,300,000	1,300,000
Total	<u>\$ 2,045,000</u>	<u>\$ 5,258,111</u>	<u>\$ 7,303,111</u>	<u>\$ 1,300,000</u>	<u>\$ 1,942,061</u>	<u>\$ 3,242,061</u>

The City of Wayne's total debt increased by \$4,061,050 (25.3 percent) during the current fiscal year.

The City of Wayne issued a \$3,566,050 of DEQ water and sewer notes payable and issued bond anticipation notes totaling \$935,000.

Additional information on the City of Wayne's long-term debt can be found in Note C6 on pages 58-62 of this report.

**CITY OF WAYNE, NEBRASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued  
For The Year Ended September 30, 2011**

---

**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 2011-2012 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 2011-2012, those priorities included:

1. Historic Main Street preservation and assistance to building owners
2. Continuation of the sale of lots in Western Ridge
3. Maintaining city's urban forest to enhance property values, neighborhood presence and energy reduction.
4. Improve campus/community relations through communication.
5. Develop an ABLE (Advocating Business, Labor and Education) Program in Wayne. Project to be led by mayor's office with council input.
6. Recruit WSC students to stay through close communication, job creation and housing opportunities.
7. Encourage Renewed Support and Encouragement of Wayne Problem Resolution Team (PRT).
8. Enhancement of City of Wayne Customer Service and incremental improvements in efficiency of delivery
9. Updating city's website to meet new market expectations of site selectors, firms looking for business expansion location and families that are town shopping for a place to raise their kids.
10. Support the Wayne business retention program to help facilitate profitable and orderly business climate and successful transfer of existing businesses to new owners.
11. Review and improve the LB 840 guidelines and approval process.
12. Update the guidelines of the Wayne Revolving Loan Fund to simplify rules for small businesses and create a set-aside for startup businesses.
13. Marketing of the CAC and enhancement of competitive and noncompetitive activities.

Concerns about the next fiscal year's budget arise from the city staff and the Mayor and Council. We are down three officers in our police department. The legal fees caused by the firing of two police officers have caused the general fund reserves to drop considerably. This will have a major impact for several years to come as we try to rebuild these reserves. One way we will recoup some of the reserve depletion is from operating the department with fewer officers.

All other staffing levels are the same. Service levels remain the same, however, staff continually search for and explore cost cutting measures. We also search for new revenue streams and raise 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 short falls in their revenue projections and undertake a variety of cost cutting measures. This year we will be impacted by the removal of state aid that has been received by local governments, school districts and counties. The impact

**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2011**

---

to the City of Wayne is approximately \$46,000. The next year's budget reflects this decrease, however; we will see increases in our projected equalization revenues of about \$49,000 dollars. We will see an approximate \$44,000 increase in our highway allocation funds from the previous year.

The large capital projects the city has taken on in the past couple years is of concern to staff. The three largest projects were 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 are working on finalizing the necessary paperwork for the ARRA projects to complete the loan. The final drawdown has been submitted. The Treatment Plant and the airport are nearing completion as of the end of the fiscal year. The ladder truck has been ordered, however it has not been received and will carry forward into the next fiscal year.

The power plant has two major projects that we are working on. One is the installation of a new cooling tower that should improve energy conservation. The second is the compliance with the EPA Rice regulations. This will be the replacement of all eight engine silencers with catalytic converters.

We are in the third year of the new city sales tax. Revenues from the City Sales Tax have remained stable with the exception of one refund due to overpayments in prior years. The Citizens Advisory committee has processed several requests for the LB 840 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. Once the new treatment plant is operational, we will be looking at our sewer rates to see what rate adjustments will be needed. We did switch the billing from the basis of monthly consumption to an average in the winter months for residential consumers; however commercial accounts are still calculated on their monthly water consumption. We will need to look at our water rates during this next fiscal year. The water rates need to be sufficient to cover the debt service on the State Revolving Loan.

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 2011-12 include:

1. Ceiling mount proxima for council chambers.
2. Radio upgrades due to FCC narrow banding requirements. All departments with radios will be upgrading radio equipment.
3. Replace the aerial ladder truck for the Fire Department. Delivery date is expected to be the fall of 2012.
4. Replacement of the washer and dryer at the fire department with equipment specifically designed for fire service.

**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2011**

---

5. 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. The Department of Roads has made some adjustments to Phase II of the trail and will take out a portion of the at-grade crossing and connect with the highway 35 underpass when it is constructed.
6. The Phase I trail has two projects. First, is a signage project partially funded by a grant, and the second is the slope stabilization in the area of the underpass of highway 15.
7. The activity center has budgeted for upgrading the non-commercial grade equipment with commercial grade equipment.
8. Necessary equipment purchases for the various departments.
9. Due to safety concerns, a new scissor lift has been budgeted.
10. Repair of the windows at city hall is included in this budget.
11. The Senior Center will be asking for a grant from the Department of Roads to replace the handivan.
12. The FCC radio frequency changes also will require us to replace our civil defense sirens. We are working on a grant application to assist in the financing of the replacement.
13. Park improvements to meet ADA standards for the restrooms. We anticipate using sales tax dollars for this project (\$55,000). We are also beginning to set aside dollars for the restrooms at Hank Overin Baseball field.
14. Finalization of the project to digitize the Wayne Herald for the public Library. (\$4,000)
15. We also began setting aside (\$75,000) per year for swimming pool replacement.
16. The project to repair the storm drain that empties into Logan Creek was budgeted from sales tax dollars. (\$250,000)
17. Ongoing street maintenance projects.
18. Renovation of Windom Street has been scheduled by the Department of Roads for construction in 2012 (\$659,000). Windom street water main. (\$80,000)
19. A portion Pheasant Run will be paved for access to a new business. (\$75,000)
20. The hotel project is moving forward which will allow the Benscoter project infrastructure to be installed in 2011-12. (\$545,000)
21. The installation of a new cooling tower with the assistance of a \$250,000 energy grant. (\$900,000)
22. EPA Rice regulations require the replacement of all eight engine silencers with catalytic converters. (750,000)
23. The next Electric Distribution Improvement Project will be undertaken in the next fiscal year. (\$150,000)
24. 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 \$482,206 in the electric fund and \$480,994 in the water fund for this project.
25. Replacement of the wood chipper used for trimming trees. (\$18,000)
26. New power quality recording device. Used to monitor customers with complaints of flickering light or brownouts. (\$5,000).

**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2011**

---

27. Update GIS software to assist in utility locate within a few inches on GIS map.
28. Update some of the computer system switches and install fiber optics to the Public Works and Wastewater facilities.
29. The City will continue updating our lift stations. (\$10,000)
30. The City will continue rehabbing manholes in the city sewer system. (\$25,000)
31. Sewer main cleaning and vacuuming, annual project. (\$15,000)
32. Final payments for the wastewater treatment plant. This is an anaerobic digesters system. We will have a \$520,000 grant from the EPA for this project. (\$1,000,000) We have \$7,000,000 in State Revolving Loan Funds approved for this project at 3% interest. We will use a portion of this loan to also assist in the sludge removal project.
33. Lagoon sludge removal project. (\$500,000)
34. Pheasant run sewer main extension project. (\$60,000)
35. Water well head protection project. (\$15,000)
36. Pheasant run water main extension project. (\$60,000)
37. The airport has applied to the Nebraska Department of Aeronautics for a loan to assist in the replacement of the existing Quonset hangar. A portion of the funds will also come from the FAA allocation that the airport has (\$570,000). This will also require the existing beacon to be relocated as it currently obstructs air space. (\$83,700 estimate for new, however; the board is looking at renovating and moving the existing beacon.)

The Community Development Agency had purchased land for the Western Ridge housing subdivision in previous years. To date, there are sixteen houses completed and there are two spec houses to be completed before January 2013.

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.

The city maintained the total property tax levy requested for city support at \$0.452198 per \$100 of valuation for the upcoming fiscal year.

**Request for Information**

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

**CITY OF WAYNE, NEBRASKA**  
**STATEMENT OF NET ASSETS**

**September 30, 2011**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 952,685	\$ 468,697	\$ 1,421,382	\$ 234,509
Investments	2,057,724	7,477,066	9,534,790	-
County treasurer cash	30,617	-	30,617	2,808
Receivables:				
Property tax	17,778	-	17,778	2,908
Special assessments	327,083	84,543	411,626	-
Accounts, net of allowance for doubtful accounts	5,226	757,626	762,852	1,047
Unbilled revenue	-	291,400	291,400	-
Grants	-	7,551	7,551	399,314
Interest	3,098	13,690	16,788	-
Current portion of TIF receivable	-	-	-	42,022
Current portion of notes	130,505	-	130,505	-
Due from other governments	99,288	-	99,288	-
Due (to)/from other funds	(400,000)	400,000	-	-
Due from component units	581	203,455	204,036	-
Prepaid insurance	-	-	-	6,221
Inventory	-	208,469	208,469	-
Total current assets	<u>3,224,585</u>	<u>9,912,497</u>	<u>13,137,082</u>	<u>688,829</u>
Noncurrent assets:				
Restricted cash and cash equivalents	87,799	199,746	287,545	-
Restricted investments	62,968	296,159	359,127	-
Noncurrent TIF receivable	-	-	-	424,853
Noncurrent notes receivable	960,792	-	960,792	-
Unamortized bond costs	39,248	20,368	59,616	-
Capital assets:				
Land and construction in progress	1,136,817	6,159,698	7,296,515	4,620,469
Other capital assets, net of depreciation	13,811,032	8,294,289	22,105,321	668,591
Net capital assets	<u>14,947,849</u>	<u>14,453,987</u>	<u>29,401,836</u>	<u>5,289,060</u>
Total noncurrent assets	<u>16,098,656</u>	<u>14,970,260</u>	<u>31,068,916</u>	<u>5,713,913</u>
<b>Total assets</b>	<u>19,323,241</u>	<u>24,882,757</u>	<u>44,205,998</u>	<u>6,402,742</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	186,876	450,387	637,263	324,781
Accrued expenses	141,534	153,277	294,811	7,420
Customer deposits	17,750	138,275	156,025	-
Due to the City of Wayne	-	-	-	204,036
Deferred revenue	226,175	-	226,175	2,047
Current portion of long-term obligations	155,000	286,522	441,522	46,785
Total current liabilities	<u>727,335</u>	<u>1,028,461</u>	<u>1,755,796</u>	<u>585,069</u>
Noncurrent liabilities:				
Compensated absences - noncurrent	18,793	68,098	86,891	-
Noncurrent portion of long-term obligations	1,890,000	4,971,589	6,861,589	469,909
Total noncurrent liabilities	<u>1,908,793</u>	<u>5,039,687</u>	<u>6,948,480</u>	<u>469,909</u>
<b>Total liabilities</b>	<u>2,636,128</u>	<u>6,068,148</u>	<u>8,704,276</u>	<u>1,054,978</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	12,942,097	9,216,244	22,158,341	5,239,242
Restricted for:				
Debt service	615,610	301,064	916,674	-
Economic development	22,749	52,182	74,931	-
Federal loan programs	1,123,324	-	1,123,324	-
Community Activity Center	229,748	-	229,748	-
Parks and golf course	62,967	-	62,967	-
Unrestricted	1,690,618	9,245,119	10,935,737	108,522
<b>Total net assets</b>	<u>\$ 16,687,113</u>	<u>\$ 18,814,609</u>	<u>\$ 35,501,722</u>	<u>\$ 5,347,764</u>

See notes to financial statements.

**CITY OF WAYNE, NEBRASKA**

**STATEMENT OF ACTIVITIES**

**For the year ended September 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ 337,334	\$ 74,882	\$ 192,609
Public buildings	67,955	41,270	-
Public safety	1,186,409	152,162	26,302
Public works	431,816	1,460	-
Senior citizens services	223,303	68,889	96,723
Library	228,390	8,496	5,000
Recreation	266,231	56,426	-
Community Activity Center	245,394	126,292	-
Interest and related expenses	65,935	-	-
Depreciation - unallocated	741,867	-	-
Total governmental activities	<u>3,794,634</u>	<u>529,877</u>	<u>320,634</u>
<b>Business-type activities:</b>			
Electric	6,073,942	6,027,893	-
Water	544,840	571,474	-
Sewer	516,374	956,787	-
Transfer Station	20,517	15,638	-
Total business-type activities	<u>7,155,673</u>	<u>7,571,792</u>	<u>-</u>
<b>Total primary government</b>	<u><u>\$ 10,950,307</u></u>	<u><u>\$ 8,101,669</u></u>	<u><u>\$ 320,634</u></u>
<b>Component units:</b>			
Wayne Municipal Airport	\$ 177,549	\$ 69,437	\$ -
Community Development Agency	114,234	1,609	-
<b>Total component units</b>	<u><u>\$ 291,783</u></u>	<u><u>\$ 71,046</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets			Component Unit
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (69,843)		\$ (69,843)	
-	(26,685)		(26,685)	
-	(1,007,945)		(1,007,945)	
759	(429,597)		(429,597)	
-	(57,691)		(57,691)	
-	(214,894)		(214,894)	
3,439	(206,366)		(206,366)	
3,824	(115,278)		(115,278)	
-	(65,935)		(65,935)	
-	(741,867)		(741,867)	
<u>8,022</u>	<u>(2,936,101)</u>	<u>\$ -</u>	<u>(2,936,101)</u>	
27,590	-	(18,459)	(18,459)	
121,341	-	147,975	147,975	
744,380	-	1,184,793	1,184,793	
42,878	-	37,999	37,999	
<u>936,189</u>	<u>-</u>	<u>1,352,308</u>	<u>1,352,308</u>	
<u>\$ 944,211</u>	<u>(2,936,101)</u>	<u>1,352,308</u>	<u>(1,583,793)</u>	
\$ 3,076,579				\$ 2,968,467
-				(112,625)
<u>\$ 3,076,579</u>				<u>2,855,842</u>
General revenues:				
Taxes:				
Property	710,308	-	710,308	78,576
Motor vehicle	68,074	-	68,074	-
Payments in lieu of taxes	552,285	-	552,285	-
Sales tax	502,834	-	502,834	-
Franchise	192,374	-	192,374	-
TIF proceeds	-	-	-	151,381
State allocation	808,694	-	808,694	-
Special assessments	87,575	-	87,575	-
Miscellaneous	58,524	-	58,524	-
Interest income	42,903	96,489	139,392	476
Gain on sale of assets	501	-	501	(6,747)
Unrealized gain (loss) on investments	270	(3,162)	(2,892)	-
Transfer to Airport Authority	(100,000)	-	(100,000)	100,000
Interfund transfers	(24,686)	24,686	-	-
Total general revenues	<u>2,899,656</u>	<u>118,013</u>	<u>3,017,669</u>	<u>323,686</u>
Change in net assets	(36,445)	1,470,321	1,433,876	3,179,528
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>
Net assets - September 30, 2011	<u>\$ 16,687,113</u>	<u>\$ 18,814,609</u>	<u>\$ 35,501,722</u>	<u>\$ 5,347,764</u>

**CITY OF WAYNE, NEBRASKA**

**BALANCE SHEET -  
GOVERNMENTAL FUNDS**

**September 30, 2011**

	<u>General</u>	<u>Street</u>	<u>Sales Tax</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 374,097	\$ 119,846	\$ 150,954	\$ 58,034	\$ 247,418	\$ 950,349
Investments	1,184,475	-	78,600	453,085	250,782	1,966,942
County treasurer cash	22,186	5,156	-	3,275	-	30,617
Receivables:						
Special assessments	-	-	-	327,083	-	327,083
Accounts, net of allowance for doubtful accounts	4,969	257	-	-	-	5,226
Notes receivable	-	-	-	-	1,082,518	1,082,518
Interest	2,389	-	194	286	169	3,038
Property tax	16,224	-	-	1,554	-	17,778
Due from other governments	99,288	-	-	-	-	99,288
Due from other funds	-	-	-	-	-	-
Due from component units	581	-	-	-	-	581
Restricted assets:						
Cash	87,799	-	-	-	-	87,799
Investments	62,968	-	-	-	-	62,968
<b>Total assets</b>	<b>\$ 1,854,976</b>	<b>\$ 125,259</b>	<b>\$ 229,748</b>	<b>\$ 843,317</b>	<b>\$ 1,580,887</b>	<b>\$ 4,634,187</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 75,004	\$ 104,488	\$ -	\$ -	\$ -	\$ 179,492
Accrued expenses	106,661	19,776	-	11,007	3,000	140,444
Customer deposits	17,750	-	-	-	-	17,750
Due to other funds	-	-	-	-	400,000	400,000
Deferred revenue	9,475	-	-	216,700	-	226,175
<b>Total liabilities</b>	<b>208,890</b>	<b>124,264</b>	<b>-</b>	<b>227,707</b>	<b>403,000</b>	<b>963,861</b>
Fund balances:						
Restricted for:						
Debt service	-	-	-	615,610	-	615,610
Community Activity Center	-	-	229,748	-	-	229,748
Federal programs	-	-	-	-	1,123,324	1,123,324
Economic development	-	-	-	-	22,749	22,749
Parks	27,125	-	-	-	-	27,125
Golf course	35,842	-	-	-	-	35,842
Assigned for:						
Budgetary stabilization	1,018,172	995	-	-	-	1,019,167
Capital projects	113,500	-	-	-	-	113,500
Other purposes	-	-	-	-	31,814	31,814
Unassigned	451,447	-	-	-	-	451,447
<b>Total fund balances</b>	<b>1,646,086</b>	<b>995</b>	<b>229,748</b>	<b>615,610</b>	<b>1,177,887</b>	<b>3,670,326</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,854,976</b>	<b>\$ 125,259</b>	<b>\$ 229,748</b>	<b>\$ 843,317</b>	<b>\$ 1,580,887</b>	<b>\$ 4,634,187</b>

See notes to financial statements.

CITY OF WAYNE, NEBRASKA

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

September 30, 2011

<b>Total fund balances - governmental funds</b>		\$	3,670,326
Amounts reported for governmental <i>activities</i> in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$27,618,662, and the accumulated depreciation is \$12,670,813.			14,947,849
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 \$64,818 and the accumulated amortization is \$25,570.			39,248
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.			93,483
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Noncurrent compensated absences	\$	(18,793)	
Bonds payable		<u>(2,045,000)</u>	<u>(2,063,793)</u>
<b>Total net assets - governmental activities</b>		\$	<u><u>16,687,113</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, 2011**

	<u>General</u>	<u>Street</u>	<u>Sales Tax</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes:						
Property	\$ 617,509	\$ 1,639	\$ -	\$ 91,160	\$ -	\$ 710,308
Motor vehicle	-	68,074	-	-	-	68,074
Payments in lieu of taxes	552,126	-	-	159	-	552,285
Sales tax	323,220	-	-	-	179,615	502,835
Franchise	192,374	-	-	-	-	192,374
Intergovernmental	539,823	399,355	-	-	192,609	1,131,787
Special assessments	194	-	-	87,381	-	87,575
Charges for services	469,096	1,460	-	-	59,321	529,877
Interest income	15,777	266	1,970	4,036	20,048	42,097
Contributions	5,563	-	-	-	-	5,563
Bond/loan proceeds	-	935,000	-	490,000	-	1,425,000
Sale of property	-	501	-	-	-	501
Unrealized gain on investments	270	-	-	-	-	270
Other income	57,799	724	-	-	-	58,523
Total revenues	<u>2,773,751</u>	<u>1,407,019</u>	<u>1,970</u>	<u>672,736</u>	<u>451,593</u>	<u>5,307,069</u>
<b>EXPENDITURES</b>						
General government	127,738	-	-	-	163,249	290,987
Public buildings	67,955	-	-	-	-	67,955
Public safety	1,172,078	-	-	-	14,331	1,186,409
Public works	-	433,195	-	-	-	433,195
Senior citizens services	223,303	-	-	-	-	223,303
Library	228,390	-	-	-	-	228,390
Recreation	266,231	-	-	-	-	266,231
Community Activity Center	245,394	-	-	-	-	245,394
Capital outlay	125,001	913,402	-	-	-	1,038,403
Principal payments on debt	-	-	-	680,000	-	680,000
Interest on long-term debt	-	-	-	53,185	12,750	65,935
Bond fees	-	11,688	-	8,575	-	20,263
Total expenditures	<u>2,456,090</u>	<u>1,358,285</u>	<u>-</u>	<u>741,760</u>	<u>190,330</u>	<u>4,746,465</u>
<b>Excess (deficiency) of     revenues over expenditures</b>	317,661	48,734	1,970	(69,024)	261,263	560,604
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	28,664	360,818	-	89,114	-	478,596
Transfers out	(465,532)	-	(1,664)	-	(136,086)	(603,282)
Net transfers	<u>(436,868)</u>	<u>360,818</u>	<u>(1,664)</u>	<u>89,114</u>	<u>(136,086)</u>	<u>(124,686)</u>
<b>Net change in fund balances</b>	(119,207)	409,552	306	20,090	125,177	435,918
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>
Fund balances - September 30, 2011	<u>\$ 1,646,086</u>	<u>\$ 995</u>	<u>\$ 229,748</u>	<u>\$ 615,610</u>	<u>\$ 1,177,887</u>	<u>\$ 3,670,326</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, 2011**

<b>Total net change in fund balances - governmental funds</b>	\$ 435,918
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 (\$1,038,403) exceeded depreciation expense (\$741,867) during the period.	296,536
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 (\$20,263) exceeded amortization expense (\$7,666) during the period.	12,597
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.	(38,868)
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.	2,372
The issuance of bonds is reported as revenue in the governmental funds, but the issuance increases long-term liabilities in the statement of net assets.	(1,425,000)
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>680,000</u>
<b>Change in net assets of governmental activities</b>	<u><u>\$ (36,445)</u></u>

See notes to financial statements.

**CITY OF WAYNE, NEBRASKA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

**September 30, 2011**

	Enterprise Funds	
	Electric Fund	Water Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 283,337	\$ 123,827
Investments	6,118,733	927,237
Receivables:		
Accounts, net of allowance for doubtful accounts	607,544	57,952
Unbilled revenue	217,945	27,217
Grant	7,551	-
Special assessments	-	84,543
Interest	12,547	807
Current portion of notes	-	-
Due from other funds	400,000	6,993
Due from Community Development Agency	203,455	-
Inventory	189,814	18,655
Total current assets	8,040,926	1,247,231
Noncurrent assets:		
Restricted cash and cash equivalents	199,746	-
Restricted investments	296,159	-
Unamortized bond costs	20,368	-
Capital assets :		
Land	129,517	143,875
Construction in progress	95,541	20,009
Distribution systems	4,832,525	5,025,820
Buildings	6,003,039	141,152
Equipment	3,491,291	458,360
Less accumulated depreciation	(9,824,241)	(3,409,502)
Net capital assets	4,727,672	2,379,714
Total noncurrent assets	5,243,945	2,379,714
Total assets	13,284,871	3,626,945
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	389,049	10,245
Customer deposits	138,275	-
Accrued interest payable	8,133	4,239
Other accrued expenses	93,654	15,678
Due to other funds	-	-
Current portion of long-term obligations	255,000	31,522
Total current liabilities	884,111	61,684
Noncurrent liabilities:		
Compensated absences - noncurrent	53,759	7,521
Noncurrent portion of long-term obligations	795,000	709,237
Total noncurrent liabilities	848,759	716,758
Total liabilities	1,732,870	778,442
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,698,040	1,638,955
Restricted for:		
Debt service	301,064	-
Economic development	52,182	-
Unrestricted	7,500,715	1,209,548
Total net assets	\$ 11,552,001	\$ 2,848,503

See notes to financial statements.

Enterprise Funds				Internal
Sewer Fund	Transfer Station	Eliminations	Total	Service Fund
\$ 54,596	\$ 6,937	\$ -	\$ 468,697	\$ 2,336
431,096	-	-	7,477,066	90,782
92,130	-	-	757,626	-
46,238	-	-	291,400	-
-	-	-	7,551	-
-	-	-	84,543	-
336	-	-	13,690	60
-	-	-	-	8,779
-	-	(6,993)	400,000	-
-	-	-	203,455	-
-	-	-	208,469	-
<u>624,396</u>	<u>6,937</u>	<u>(6,993)</u>	<u>9,912,497</u>	<u>101,957</u>
-	-	-	199,746	-
-	-	-	296,159	-
-	-	-	20,368	-
55,178	41,181	-	369,751	-
5,674,397	-	-	5,789,947	-
2,864,598	-	-	12,722,943	-
1,277,161	606,685	-	8,028,037	-
859,673	37,919	-	4,847,243	-
<u>(3,721,265)</u>	<u>(348,926)</u>	<u>-</u>	<u>(17,303,934)</u>	<u>-</u>
<u>7,009,742</u>	<u>336,859</u>	<u>-</u>	<u>14,453,987</u>	<u>-</u>
<u>7,009,742</u>	<u>336,859</u>	<u>-</u>	<u>14,970,260</u>	<u>-</u>
<u>7,634,138</u>	<u>343,796</u>	<u>(6,993)</u>	<u>24,882,757</u>	<u>101,957</u>
51,093	-	-	450,387	7,384
-	-	-	138,275	-
15,629	-	-	28,001	-
15,944	-	-	125,276	1,090
6,993	-	(6,993)	-	-
-	-	-	286,522	-
<u>89,659</u>	<u>-</u>	<u>(6,993)</u>	<u>1,028,461</u>	<u>8,474</u>
6,818	-	-	68,098	-
<u>3,467,352</u>	<u>-</u>	<u>-</u>	<u>4,971,589</u>	<u>-</u>
<u>3,474,170</u>	<u>-</u>	<u>-</u>	<u>5,039,687</u>	<u>-</u>
<u>3,563,829</u>	<u>-</u>	<u>(6,993)</u>	<u>6,068,148</u>	<u>8,474</u>
3,542,390	336,859	-	9,216,244	-
-	-	-	301,064	-
-	-	-	52,182	-
<u>527,919</u>	<u>6,937</u>	<u>-</u>	<u>9,245,119</u>	<u>93,483</u>
<u>\$ 4,070,309</u>	<u>\$ 343,796</u>	<u>\$ -</u>	<u>\$ 18,814,609</u>	<u>\$ 93,483</u>

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

**For the year ended September 30, 2011**

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Transfer Station		
<b>Operating revenues:</b>						
User charges	\$ 5,982,171	\$ 554,694	\$ 955,352	\$ 1,638	\$ 7,493,855	\$ -
Health insurance premiums	-	-	-	-	-	333,624
Other revenue	45,722	16,780	1,435	14,000	77,937	-
Total operating revenues	<u>6,027,893</u>	<u>571,474</u>	<u>956,787</u>	<u>15,638</u>	<u>7,571,792</u>	<u>333,624</u>
<b>Operating expenses:</b>						
Cost of power	3,628,620	-	-	-	3,628,620	-
Personnel	936,615	146,045	145,138	(264)	1,227,534	-
Contract services	27,298	66,222	93,990	66	187,576	-
Commodities	679,131	102,269	68,910	1,511	851,821	-
Payments in lieu of taxes	417,110	39,080	39,243	-	495,433	-
Insurance claims and health premiums	-	-	-	-	-	373,298
Depreciation	346,952	171,857	146,471	19,204	684,484	-
Amortization	6,789	-	-	-	6,789	-
Total operating expenses	<u>6,042,515</u>	<u>525,473</u>	<u>493,752</u>	<u>20,517</u>	<u>7,082,257</u>	<u>373,298</u>
Operating income (loss)	(14,622)	46,001	463,035	(4,879)	489,535	(39,674)
<b>Nonoperating revenues (expenses):</b>						
Interest income	85,290	7,955	3,242	2	96,489	806
Grant revenue	27,590	22,899	744,380	42,878	837,747	-
Special assessments	-	98,442	-	-	98,442	-
Interest expense	(31,427)	(15,774)	(22,622)	-	(69,823)	-
Loan administration fees	-	(3,593)	-	-	(3,593)	-
Unrealized (loss) gain on investments	(1,989)	(1,086)	(87)	-	(3,162)	-
Total nonoperating revenues (expenses)	<u>79,464</u>	<u>108,843</u>	<u>724,913</u>	<u>42,880</u>	<u>956,100</u>	<u>806</u>
Income (loss) before interfund transfers	64,842	154,844	1,187,948	38,001	1,445,635	(38,868)
<b>Interfund transfers:</b>						
Transfer from (to) other funds	<u>(50,314)</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>24,686</u>	<u>-</u>
<b>Change in net assets</b>	14,528	154,844	1,262,948	38,001	1,470,321	(38,868)
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>
Net assets - September 30, 2011	<u>\$ 11,552,001</u>	<u>\$ 2,848,503</u>	<u>\$ 4,070,309</u>	<u>\$ 343,796</u>	<u>\$ 18,814,609</u>	<u>\$ 93,483</u>

See notes to financial statements.

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

**For the year ended September 30, 2011**

	Enterprise Funds	
	Electric Fund	Water Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 5,999,443	\$ 571,468
Receipts from other funds	-	-
Payments to suppliers	(4,741,865)	(222,115)
Payments to employees	(944,103)	(148,312)
Net cash provided (used) by operating activities	313,475	201,041
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers (to) from other funds	(50,314)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of property and equipment	(227,618)	(161,164)
Grant proceeds	20,039	22,899
Special assessments received	-	13,899
Increase in due to other funds	-	-
Proceeds from issuance of capital debt	-	98,698
Principal payments on capital debt	(250,000)	-
Interest paid on capital debt	(32,885)	(11,535)
Loan administration fees	-	(3,593)
Net cash provided (used) by capital and related financing activities	(490,464)	(40,796)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Increase) decrease in investments	22,586	(208,156)
Decrease in due from Community Development Agency	39,973	-
Decrease in notes receivable	-	-
(Increase) decrease in due from other funds	100,000	(6,993)
Interest received	91,718	7,643
Net cash provided (used) by investing activities	254,277	(207,506)
Increase (decrease) in cash and cash equivalents	26,974	(47,261)
Cash and cash equivalents - beginning of the year	456,109	171,088
Cash and cash equivalents - end of the year	\$ 483,083	\$ 123,827
<b>Composition of cash and cash equivalents:</b>		
Cash and cash equivalents	\$ 283,337	\$ 123,827
Restricted cash and cash equivalents	199,746	-
Total cash and cash equivalents	\$ 483,083	\$ 123,827

Enterprise Funds			Internal Service Fund
Sewer Fund	Transfer Station	Total	
\$ 950,283	\$ 15,638	\$ 7,536,832	\$ -
-		-	334,393
(379,578)	(11,942)	(5,355,500)	(376,897)
(145,834)	-	(1,238,249)	-
<u>424,871</u>	<u>3,696</u>	<u>943,083</u>	<u>(42,504)</u>
75,000	-	24,686	-
(4,924,954)	(3,440)	(5,317,176)	-
744,380	42,878	830,196	-
-	-	13,899	-
6,993	-	6,993	-
3,467,352	-	3,566,050	-
-	-	(250,000)	-
(6,993)	-	(51,413)	-
-	-	(3,593)	-
<u>(713,222)</u>	<u>39,438</u>	<u>(1,205,044)</u>	<u>-</u>
(192,729)	-	(378,299)	9,218
-	-	39,973	-
-	-	-	3,314
-	-	93,007	-
3,085	2	102,448	812
<u>(189,644)</u>	<u>2</u>	<u>(142,871)</u>	<u>13,344</u>
(402,995)	43,136	(380,146)	(29,160)
<u>457,591</u>	<u>(36,199)</u>	<u>1,048,589</u>	<u>31,496</u>
<u>\$ 54,596</u>	<u>\$ 6,937</u>	<u>\$ 668,443</u>	<u>\$ 2,336</u>
\$ 54,596	\$ 6,937	\$ 468,697	\$ 2,336
-	-	199,746	-
<u>\$ 54,596</u>	<u>\$ 6,937</u>	<u>\$ 668,443</u>	<u>\$ 2,336</u>

**CITY OF WAYNE, NEBRASKA**

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

**For the year ended September 30, 2011**

	Enterprise Funds	
	Electric Fund	Water Fund
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (14,622)	\$ 46,001
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	346,952	171,857
Amortization expense	6,789	-
Change in assets and liabilities:		
Accounts receivable	(24,447)	(6)
Inventories	(4,074)	635
Accounts payable	14,368	(15,179)
Customer deposits	(4,003)	-
Accrued expenses	(7,488)	(2,267)
Net cash provided (used) by operating activities	\$ 313,475	\$ 201,041

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>	
\$ 463,035	\$ (4,879)		\$ 489,535	\$ (39,674)
146,471	19,204		684,484	-
-	-		6,789	-
(6,504)	-		(30,957)	769
-	-		(3,439)	-
(177,435)	(10,629)		(188,875)	84
-	-		(4,003)	-
(696)	-		(10,451)	(3,683)
<u>\$ 424,871</u>	<u>\$ 3,696</u>		<u>\$ 943,083</u>	<u>\$ (42,504)</u>

**CITY OF WAYNE, NEBRASKA**

**STATEMENT OF NET ASSETS - FIDUCIARY FUND**

**September 30, 2011**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash	\$ 59,012
Investments	126,646
Sales tax receivable	27,782
Interest receivable	3
Other receivables	283
Total assets	<u>\$ 213,726</u>
<b>LIABILITIES</b>	
Agency liabilities	<u>\$ 213,726</u>

See notes to financial statements.

**CITY OF WAYNE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**

**INDEX**

	Page
<b>NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>	
1. Financial Reporting Entity	31
2. Basis of Presentation	33
3. Measurement Focus and Basis of Accounting	36
4. Assets, Liabilities, and Equity	38
5. Revenues, Expenditures, and Expenses	44
<b>NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY</b>	
1. Fund Accounting Requirements	46
2. Deposit Laws and Regulations	46
3. Revenue Restrictions	47
4. Debt Restrictions and Covenants	47
5. Budgetary Data	47
<b>NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS</b>	
1. Cash and Investments	48
2. Restricted Assets	51
3. Accounts and Notes Receivable	51
4. Capital Assets	54
5. Accounts Payable	57
6. Long-term Debt	58
7. Interfund Transactions and Balances	62
<b>NOTE D – OTHER NOTES</b>	
1. Employee Pension and Other Benefit Plans	64
2. Risk Management	65
3. Commitments and Contingencies	68
4. Related-Party Transactions	70
5. Interlocal Agreements	71
6. Conduit Debt	74
7. Union Contracts	74
8. Subsequent Events	74

**CITY OF WAYNE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

**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, 2011**

**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, 2011**

**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, 2011**

**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, 2011**

**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:

<b><u>Fund</u></b>	<b><u>Brief Description</u></b>
<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, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Non-major Funds, 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, 2011**

**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, 2011**

**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, 2011**

**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>99,288</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, 2011**

**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, 2011**

**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, 2011**

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

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Equity Classifications, continued**

*Fund Financial Statements, continued*

Effective October 1, 2010, the City has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

**Nonspendable**—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted**—Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws or externally imposed conditions by grantors or creditors.

**Committed**—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.

**Assigned**—Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

**Unassigned**—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 21). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**5. Revenues, Expenditures, and Expenses**

**Sales and Use Tax**

The City presently levies a one-cent sales tax on taxable sales within the City. The sales tax is collected by the Nebraska Department of Revenue and remitted to the City in the month following receipt. The Nebraska Department of Revenue receives the sales tax approximately one month after collection by vendors. Prior to July 1, 2009, the sales tax was recorded in the Sales Tax Fund and used for the Community Activity Center bond principal and interest. Effective July 1, 2009, 60 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, 2011**

**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, 2011. 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, 2011**

**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 demand deposits, up to \$250,000 for interest-bearing time deposits/savings, 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, 2011**

**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, 2011**

**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, 2011. The categories of collateral are defined as follows:

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

**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	\$ 2,135,592	\$ 774,715	\$ 1,307,324	\$ 53,553	\$ <u>2,002,448</u>

Reconciliation to Government-wide Statement of Net Assets:

Primary Government –	
Unrestricted cash and cash equivalents	\$ 1,421,382
Restricted cash and cash equivalents	287,545
Component Unit –	
Unrestricted cash and cash equivalents	234,509
Agency Fund Cash (not included in government-wide statement)	<u>59,012</u>
	<u>\$ 2,002,448</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, 2011. The categories of investments are defined as follows:

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

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

**1. Cash and Investments, continued**

**Investments, continued**

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

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

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

<u>Type of Investment</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Money Market	\$ 822,900	\$ -	\$ -	\$ 822,900	\$ 822,900
Time Deposits	9,197,663	-	-	<u>9,197,663</u>	<u>9,197,663</u>
				<u>\$ 10,020,563</u>	<u>\$ 10,020,563</u>

Reconciliation to Government-wide Statement of Net Assets:

Primary Government –

Unrestricted investments	\$ 9,534,790
Restricted investments	359,127

Component Unit –

Unrestricted investments	-
Restricted investments	-

Agency Funds (not included in government-wide statement)

<u>126,646</u>
<u>\$ 10,020,563</u>

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

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

**2. Restricted Assets**

The restricted assets as of September 30, 2011, 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	\$ 87,799	\$ 199,746	\$ 287,545	\$ -
Investments	<u>62,968</u>	<u>296,159</u>	<u>359,127</u>	<u>-</u>
	<u>\$ 150,767</u>	<u>\$ 495,905</u>	<u>\$ 646,672</u>	<u>\$ -</u>

Restricted cash for governmental activities consists of \$87,799 of General Fund cash revenue for capital projects. Restricted investments for governmental activities consist of \$27,126 of General Fund investments restricted to be used for parks and \$35,842 of General Fund investments restricted to be used for the golf course.

Restricted business-type assets consist of debt service reserves of \$301,064 for the Electric Fund. The Electric Fund also has \$142,659 restricted for customer deposits and \$52,182 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 Community Activity Center utilities and other minor receivables. Accounts receivable for the component units consist of minor receivables. Receivables detail at September 30, 2011, is as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Accounts receivable	\$ 6,648	\$ 770,807	\$ 777,455	\$ 1,047
Allowance for doubtful accounts	(1,422)	(13,181)	(14,603)	<u>-</u>
Net accounts receivable	<u>\$ 5,226</u>	<u>\$ 757,626</u>	<u>\$ 762,852</u>	<u>\$ 1,047</u>

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

**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, 2011:

<u>Note Held By</u>	<u>Due From</u>	<u>Note Balance at September 30, 2011</u>	<u>Terms</u>
Community Development Fund	Mines Jewelers	\$ 18,251	4%; monthly payments due over 84 months; final balloon payment due 7/20/16
Community Development Fund	Snakey Jakes	5,381	4.375%; monthly payments due over 84 months; matures 3/01/15
Community Development Fund	Wayne Child Care	61,967	4%; monthly payments due over 84 months; final balloon payment due 5/10/15
Community Development Fund	Sand Creek Post and Beam	166,667	0%; monthly payments due over 120 months; final balloon payment due 1/02/20
Community Development Fund	Interactive Impact	94,951	4%; monthly payments due over 84 months; final balloon payment due 5/01/17
Community Development Fund	Sand Creek Post and Beam	15,263	4.25%; monthly payments due over 84 months; final balloon payment due 5/01/12
Community Development Fund	Udder Delights	17,018	4.5%; monthly payments over 84 months; matures 5/16/14
Community Development Fund	The Max Again	86,142	4.95%; monthly payments due over 84 months; matures 5/25/14

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

**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>2011</u>	<u>Terms</u>
Community Development Fund	9 housing loans	190,930	0%; housing loans; due when property is sold
LB840 Fund	Interactive Impact, Inc.	18,000	0%; forgivable at \$500 per month October 1, 2009, through October 1, 2014
LB840 Fund	Digital Blue, Inc.	18,360	0%; forgivable at \$510 per month October 1, 2009, through October 1, 2014
LB840 Fund	Louis and Javanah Benscoter	21,600	0%; forgivable at \$600 per month October 1, 2009, through October 1, 2014
LB840 Fund	Wayne Hospitality Group	250,000	0%; forgivable when construction of a 44-room hotel is complete
LB840 Fund	DRJ LLC/INET Library	43,019	0%; forgivable at \$4,302 per year June 1, 2012 through June 1, 2021
LB840 Fund	DRJ LLC/INET Library	43,019	3%; annual payments of \$4,302 plus interest March 18, 2012, through March 18, 2021
LB840 Fund	James Milliken	31,950	0%; annual payments of \$3,550 January 1, 2011, through January 1, 2020
Internal Service Fund	Employees of the City of Wayne	8,779	0%; payroll deduction for computer/electronic purchases
Total notes receivable		<u>\$ 1,091,297</u>	
Current portion		\$ 130,505	
Noncurrent portion		<u>960,792</u>	
		<u>\$ 1,091,297</u>	

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

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

**4. Capital Assets**

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance at October 1, <u>2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2011</u>
<b><u>Governmental Activities:</u></b>					
Capital assets not being depreciated:					
Land	\$ 577,677	\$ 39,973	\$ -	\$ -	\$ 617,650
Spec building	252,297	-	-	-	252,297
Construction in progress	880,692	122,844	-	(736,666)	266,870
Total capital assets not being depreciated	<u>1,710,666</u>	<u>162,817</u>	<u>-</u>	<u>(736,666)</u>	<u>1,136,817</u>
Other capital assets being depreciated:					
Infrastructure	12,226,080	627,168	-	726,721	13,579,969
Improvements	954,427	8,000	-	9,945	972,372
Buildings	9,470,769	28,080	-	-	9,498,849
Machinery and equipment	2,231,837	212,338	(13,520)	-	2,430,655
Total other capital assets at historical cost	<u>24,883,113</u>	<u>875,586</u>	<u>(13,520)</u>	<u>736,666</u>	<u>26,481,845</u>
Less accumulated depreciation for:					
Infrastructure	(7,064,204)	(325,342)	-	-	(7,389,546)
Improvements	(341,049)	(32,689)	-	-	(373,738)
Buildings	(2,868,768)	(240,120)	-	-	(3,108,888)
Machinery and equipment	(1,668,445)	(143,716)	13,520	-	(1,798,641)
Total accumulated depreciation	<u>(11,942,466)</u>	<u>(741,867) *</u>	<u>13,520</u>	<u>-</u>	<u>(12,670,813)</u>
Other capital assets, net	<u>12,940,647</u>	<u>133,719</u>	<u>-</u>	<u>736,666</u>	<u>13,811,032</u>
Governmental activities capital assets, net	<u>\$ 14,651,313</u>	<u>\$ 296,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$14,947,849</u>

\* Depreciation expense was charged to governmental activities as follows:

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

4. Capital Assets, continued

Governmental Activities, continued:

General Fund:

Public buildings	\$ 56,042
Public safety:	
Fire	68,218
Civil Defense	658
Police	<u>14,747</u>
Total public safety	83,623
Public works:	
Street	383,155
Library	38,474
Recreation	69,591
Community Activity Center:	<u>110,982</u>
Total General Fund depreciation expense	\$ <u>741,867</u>

Construction in progress at September 30, 2011, consists of \$105,775 for the Hiking Trail – Phase II Project, \$33,632 for the 10th Street Project, \$2,039 for the Trail Signage – Phase I Project, \$14,100 for the Trail Slope Stabilization Project, \$73,446 for the Windom Street Project, \$11,100 for the Pheasant Run Paving Project, and \$26,778 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, 2011**

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

**4. Capital Assets, continued**

	Balance at October 1, <u>2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2011</u>
<b><u>Business-type Activities:</u></b>					
Capital assets not being depreciated:					
Land	\$ 369,751	\$ -	\$ -	\$ -	\$ 369,751
Construction in progress	1,953,689	4,790,689	-	(954,431)	5,789,947
Total capital assets not being depreciated	2,323,440	4,790,689	-	(954,431)	6,159,698
Other capital assets being depreciated:					
Buildings	7,880,063	8,804	-	139,170	8,028,037
Distribution systems	11,464,018	443,664	-	815,261	12,722,943
Equipment	4,783,244	74,019	(10,020)	-	4,847,243
Total other capital assets at historical cost	24,127,325	526,487	(10,020)	954,431	25,598,223
Less accumulated depreciation for:					
Buildings	(4,997,960)	(228,529)	-	-	(5,226,489)
Distribution systems	(7,170,329)	(365,294)	-	-	(7,535,623)
Equipment	(4,461,181)	(90,661)	10,020	-	(4,541,822)
Total accumulated depreciation	(16,629,470)	(684,484) *	10,020	-	(17,303,934)
Other capital assets, net	7,497,855	(157,997)	-	954,431	8,294,289
Business-type capital assets, net	<u>\$ 9,821,295</u>	<u>\$4,632,692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$14,453,987</u>

\* Depreciation expense was charged to functions as follows:

Electric	\$ 346,952
Water	171,857
Sewer	146,471
Transfer Station	<u>19,204</u>
Total business-type activities depreciation expense	<u>\$ 684,484</u>

Construction in progress at September 30, 2011, consists of \$89,590 of costs incurred for the Electric Fund Metering/Cooling Tower Project, \$5,951 of costs incurred for the Rice Data Collection Project, \$20,009 of costs on the Wellhead Protection Project, \$5,667,591 of costs incurred for the Wastewater Treatment Plant, and \$6,806 of costs on the Sludge Removal Project. See Note D3 for additional detail of the construction in progress at September 30, 2011.

**CITY OF WAYNE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2011**

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

**4. Capital Assets, continued**

	<u>Balance at</u> <u>September 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>September 30, 2011</u>
<b><u>Airport Authority:</u></b>				
Capital assets not being depreciated:				
Land	\$ 287,776	\$ -	\$ -	\$ 287,776
Construction in progress	872,340	3,203,943	-	4,076,283
	<u>1,160,116</u>	<u>3,203,943</u>	<u>-</u>	<u>4,364,059</u>
Other capital assets being depreciated:				
Buildings	545,412	-	-	545,412
Improvements	3,433,261	11,681	(707,256)	2,737,686
Equipment	213,530	3,800	(2,525)	214,805
Total other capital assets at historical cost	<u>4,192,203</u>	<u>15,481</u>	<u>(709,781)</u>	<u>3,497,903</u>
Less accumulated depreciation for:				
Buildings	(215,964)	(12,998)	-	(228,962)
Improvements	(3,080,136)	(46,397)	655,360	(2,471,173)
Equipment	(112,148)	(19,554)	2,525	(129,177)
Total accumulated depreciation	<u>(3,408,248)</u>	<u>(78,949)</u>	<u>657,885</u>	<u>(2,829,312)</u>
Other capital assets, net	<u>783,955</u>	<u>(63,468)</u>	<u>(51,896)</u>	<u>668,591</u>
Airport Authority capital assets, net	<u>\$ 1,944,071</u>	<u>\$ 3,140,475</u>	<u>\$ (51,896)</u>	<u>\$ 5,032,650</u>

Construction in progress of \$4,076,283 at September 30, 2011, 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, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>September 30, 2011</u>
<b><u>Community Development Agency:</u></b>				
Capital assets not being depreciated:				
Land	\$ 296,383	\$ -	\$ (39,973)	\$ 256,410

**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, 2011**

**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, 2011:

<u>Type of Debt</u>	Balance October 1, 2010	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2011	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds payable	\$ 1,300,000	\$ 1,425,000	\$ (680,000)	\$ 2,045,000	\$ 155,000
Business-type Activities:					
Bonds payable	\$ 1,942,061	\$ 3,566,050	\$ (250,000)	\$ 5,258,111	\$ 286,522
Component Units:					
Airport Authority	\$ 69,870	\$ -	\$ (20,052)	\$ 49,818	\$ 14,900
Community Develop- ment Authority	400,000	84,700	(17,824.00)	466,876	31,885
Total component unit	\$ 469,870	\$ 84,700	\$ (37,876)	\$ 516,694	\$ 46,785

**Governmental Activities**

As of September 30, 2011, the governmental long-term liabilities consisted of the following:

**Bonds payable:**

Public safety bonds - series 2010, with original issue amount of \$490,000. Interest ranges from 1.00 to 3.10 percent with final maturity May 1, 2021. \$ 455,000

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. 80,000

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

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

**6. Long-term Debt, continued**

**Governmental Activities, continued**

Bonds payable, continued:

Bond anticipation notes – series 2010, with original issue amount of \$935,000 issued to provide interim financing for Street Improvement District 2010-1. Interest is 1.10 percent with a maturity date of October 15, 2013. 935,000

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. 575,000

Total bonds payable \$ 2,045,000

Current portion \$ 155,000

Noncurrent portion 1,890,000

Total \$ 2,045,000

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

**Business-type Activities**

As of September 30, 2011, 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. \$ 1,050,000

**CITY OF WAYNE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2011**

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

**6. Long-term Debt, continued**

**Business-type Activities, continued**

\$3,467,352 of Sewer DEQ Notes Payable, with total loan commitment of \$7,000,000. The note will be due in semi-annual principal and interest payments of \$213,189 commencing December 15, 2012, through June 15, 2032. The note bears interest of 2.0 percent. A one percent administration fee will also be due semi-annually. 3,467,352

\$740,759 of Water DEQ Notes Payable, with total loan commitment of \$762,414. The note will be due in semi-annual principal and interest payments of \$23,220 commencing December 15, 2011, through June 30, 2031. The note bears interest of 2.0 percent. A one percent administration fee will also be due semi-annually. 740,759

Total business-type activity bonds and notes payable \$ 5,258,111

Current portion	\$ 286,522
Noncurrent portion	<u>4,971,589</u>
Total	\$ <u>5,258,111</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. \$ 47,242

Nebraska Department of Aeronautics series 2001 T-Hangar Airport loan, due in monthly installments through December 1, 2011, bearing no interest. 2,576

Total airport notes payable 49,818

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

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

**6. Long-term Debt, continued**

**Component Unit, continued**

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. 310,160

Tax increment revenue bond series 2011, with original amount of \$84,700. Interest of 6.75 percent is due semi-annually commencing July 1, 2013. 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. 84,700

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. 72,016

Total Community Development Agency bonds payable 466,876

Total component unit notes and bond payable \$ 516,694

Current portion \$ 46,785

Noncurrent portion 469,909

Total \$ 516,694

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

**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, 2011, 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>
2012	\$ 155,000	\$ 48,128	\$ 286,522	\$ 112,150	\$ 42,219	\$ 46,785	\$ 14,345
2013	155,000	43,210	579,791	175,047	76,513	35,741	24,697
2014	1,050,000	32,912	591,219	161,989	73,300	42,030	17,935
2015	120,000	24,060	602,776	148,277	70,021	40,232	16,671
2016	120,000	19,935	339,465	133,353	66,677	30,236	15,389
2017-2021	445,000	35,073	1,802,457	561,633	280,816	171,008	56,542
2022-2026	-	-	857,846	190,394	95,197	144,612	18,069
2027-2031	-	-	198,035	12,252	6,126	6,050	204
	<u>\$ 2,045,000</u>	<u>\$ 203,318</u>	<u>\$ 5,258,111</u>	<u>\$ 1,495,095</u>	<u>\$ 710,869</u>	<u>\$ 516,694</u>	<u>\$ 163,852</u>

**7. Interfund Transactions and Balances**

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Street Fund	\$ -	\$ 251,732
Debt Service Fund	-	38,800
Sewer Fund	-	75,000
Airport Authority	-	100,000
Sales Tax Fund	1,664	-
E911	<u>27,000</u>	-
Total General Fund	28,664	<u>465,532</u>
Street Fund:		
General Fund	251,732	-
Community Development Fund	<u>109,086</u>	-
Total Street Fund	360,818	-
Sales Tax Fund:		
General Fund	-	1,664

**CITY OF WAYNE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2011**

**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	50,314	-
General Fund	<u>38,800</u>	<u>-</u>
Total Debt Service Fund	89,114	-
Community Development Fund:		
Street Fund	-	109,086
E911 Fund:		
General Fund	-	27,000
Electric Fund:		
Debt Service Fund	-	50,314
Sewer Fund:		
General Fund	75,000	-
Airport Authority		
General Fund	<u>100,000</u>	<u>-</u>
Total Interfund Transfers	<u>\$ 653,596</u>	<u>\$ 653,596</u>

Interfund balances:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Terms</u>
Sewer	Water	\$ 6,993	Non-interest-bearing; will be repaid during year ending September 30, 2012.
LB840	Electric	400,000	Principal of \$100,000 plus interest at 3% is due annually through January 1, 2015.
		<u>\$ 406,993</u>	

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

**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>
Airport	General	\$ 280	Non-interest-bearing; will be repaid during year ending September 30, 2012.
Community Development	General	301	Non-interest-bearing; will be Agency repaid during year ending September 30, 2012.
Community Development Agency	Electric	<u>203,455</u>	0%; on demand or upon sale of real estate.
Total		\$ <u>204,036</u>	

**NOTE D – OTHER NOTES**

**1. Employee Pension and Other Benefit Plans**

Under Nebraska statutes, the City is to maintain a retirement plan for City policemen. This plan is funded through employee and employer contributions. The total contributions under this plan are deposited under a money purchase retirement plan with Ameritas Retirement. This plan requires that covered employees and the City contribute an amount equal to 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 \$390,512 for the year ended September 30, 2011. Both the City and the covered employees' required contribution of \$23,449 was made for the year ended September 30, 2011. The employees also contributed \$6,859 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 percent with an additional 10 percent every year thereafter until they are fully vested after year 10.

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

**NOTE D – OTHER NOTES**

**1. Employee Pension and Other Benefit Plans, continued**

The City maintains a defined contribution plan for the City employees in accordance with Internal Revenue Code Sections 457 and 401(a). The plan is available to all full-time City employees. This plan is funded through employee and employer contributions. The total contributions under this plan are deposited with the ICMA. This plan requires that covered employees contribute at least 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 \$1,716,825 and the covered payroll amounted to \$1,238,671 for the year ended September 30, 2011. The City and the employees contributed \$74,432 and \$71,791, respectively, for the year ended September 30, 2011.

**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 \$1,090 as of September 30, 2011.

**2. Risk Management**

**Insurance**

The City is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The City purchases commercial insurance and administers funds for its self-insured health insurance program. Insurance is maintained for the various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; dishonest employees; injuries to employees; and natural disasters. The City has not paid any amounts in excess of the coverage provided by insurance in the last three audit periods. The City is partially self-insured for health insurance claims up to \$5,000 of individual claims. The self-insurance program is administered within the Internal Service Fund. The City maintains outside insurance coverage through an insurance policy on claim amounts over \$5,000 per individual or \$10,000 per family. The maximum out-of-pocket costs would be \$2,400 for the employee and \$7,600 for the City (based on family coverage).

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

**NOTE D – OTHER NOTES, continued**

**2. Risk Management, continued**

**Insurance, continued**

Settled claims in the past three years have not exceeded the commercial coverages. The City has estimated unsubmitted claims on health insurance based on prior experience to be \$7,300; this amount represents two months of subsequent claims. This has been included as a current year expenditure. A reserve of \$93,118 is established in an internal service fund at September 30, 2011.

**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, 2011, 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, 2011

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

<u>Maturities by Month</u>	<u>Amount</u>
October 2011	\$ 600,913
December 2011	33,038
January 2012	1,111,189
February 2012	1,805,605
March 2012	534,374
April 2012	601,122
May 2012	1,078,459
June 2012	507,544
August 2012	1,757,823
September 2012	503,861
November 2012	78,600
March 2013	142,659
June 2014	97,000
September 2014	121,976
October 2014	70,000
March 2015	<u>153,500</u>
	\$ <u>9,197,663</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, 2011**

**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, 2011, the City’s investments in certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Bank First	\$ 121,976
Farmers and Merchants Bank	4,242,306
First National Bank	105,584
State National Bank	4,560,797
Edward Jones	<u>167,000</u>
	<u>\$ 9,197,663</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, 2011.

**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 9/30/11</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
City of Wayne Projects:				
Windom Street Engineering	\$ 95,985	\$ 73,446	\$ 22,539	Year ending 9/30/12
Pheasant Run Paving Design	8,950	100	8,850	Year ending 9/30/12
Wastewater Treatment Plant:				
Construction	5,162,694	4,747,129	415,565	Year ending 9/30/12
Engineering	1,101,397	937,264	164,133	Year ending 9/30/12
Wayne Municipal Airport:				
Runway Reconstruction:				
Engineering	833,537	713,602	119,935	Year ending 9/30/12
Construction	3,647,417	3,531,588	115,829	Year ending 9/30/12

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

**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	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 \$13,578 under these lease agreements during the year ended September 30, 2011.

Lease commitments as of September 30, 2011, are as follows:

<u>Year ending September 30,</u>	<u>Commitment</u>
2012	\$ 11,256
2013	11,256
2014	9,286
2015	1,786
2016	-
	<u>\$ 33,584</u>

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

**NOTE D – OTHER NOTES, continued**

**3. Commitments and Contingencies, continued**

**Electric Department**

The City has an agreement that expires in 2022 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 \$3,628,620 for the year ended September 30, 2011.

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 Fund remits 8.5 percent of gross revenues and the Water and Sewer Funds remit 7 percent of gross revenues to the General Fund annually as payments in lieu of taxes. The Electric Fund made payments in the amount of \$417,110, the Water Fund made payments of \$39,080, and the Sewer Fund made payments of \$39,243 for the year ended September 30, 2011.

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

**NOTE D – OTHER NOTES, continued**

**5. Interlocal Agreements**

The City has the following interlocal agreements in effect as of September 30, 2011:

<b>Parties to Agreement</b>	<b>Agreement Period</b>	<b>Descriptions</b>
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, 2011**

**NOTE D – OTHER NOTES, continued**

**5. Interlocal Agreements, continued**

<b>Parties to Agreement</b>	<b>Agreement Period</b>	<b>Descriptions</b>
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, 2011**

**NOTE D – OTHER NOTES, continued**

**5. Interlocal Agreements, continued**

<b>Parties to Agreement</b>	<b>Agreement Period</b>	<b>Descriptions</b>
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
Wayne County	10/5/10	Responsible Charge (RC) Services
League of Nebraska Municipalities	10/19/10	Federal Transportation Funding
Wayne Community Schools	3/15/11	Share Facilities & Equipment Hank Overin Field
Lower Elkhorn Natural Resource District	5/17/11	Special Operation & Maintenance Agreement for Bank Stabilization Project
Wayne State College	8/16/11	Share Law Enforcement Resources

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2011**

**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, 2011, the aggregate amount of conduit debt principal outstanding for the Wayne East Project was \$24,926.

**7. 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.

**8. Subsequent Events**

Management has evaluated subsequent events through January 6, 2012, the date on which the financial statements were available for issue.

On October 14, 2011, the City issued \$585,000 of Series 2011 Refunding Bonds to refinance the Series 2006 VP Bonds.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WAYNE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND**

**Year ended September 30, 2011**

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
<b>RESOURCES (INFLOWS)</b>			
Taxes:			
Property	\$ 611,000	\$ 619,006	\$ 8,006
Payments in lieu of taxes	751,848	552,126	(199,722)
Sales tax	500,000	321,154	(178,846)
Franchise	-	192,374	192,374
Intergovernmental	901,995	539,823	(362,172)
Special assessments	-	194	194
Charges for services	401,487	499,867	98,380
Interest income	17,000	16,071	(929)
Contributions	-	5,563	5,563
Other	26,300	58,195	31,895
	<hr/>	<hr/>	<hr/>
Total resources	3,209,630	2,804,373	(405,257)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
General government	184,813	127,738	(57,075)
Public buildings	87,462	67,955	(19,507)
Public safety	996,687	1,183,132	186,445
Senior citizens services	221,012	223,303	2,291
Library	224,955	228,390	3,435
Recreation	304,244	266,231	(38,013)
Community Activity Center	204,822	245,394	40,572
Capital outlay	2,648,040	125,000	(2,523,040)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	4,872,035	2,467,143	(2,404,892)
Resources over (under) charges to appropriations	(1,662,405)	337,230	1,999,635
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	601,500	28,664	(572,836)
Transfers out	(506,000)	(465,532)	40,468
Net transfers	95,500	(436,868)	(532,368)
	<hr/>	<hr/>	<hr/>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<b>\$ (1,566,905)</b>	<b>\$ (99,638)</b>	<b>\$ 1,467,267</b>
	<hr/>	<hr/>	<hr/>

**CITY OF WAYNE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
STREET FUND**

**Year ended September 30, 2011**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Taxes:			
Property	\$ -	\$ 1,639	\$ 1,639
Motor vehicle	-	68,074	68,074
Intergovernmental	1,570,689	399,355	(1,171,334)
Charges for services	1,800	2,051	251
Interest income	-	266	266
Bond proceeds	1,400,000	935,000	(465,000)
Sale of property	-	501	501
Other	-	724	724
	<hr/>	<hr/>	<hr/>
Total resources	2,972,489	1,407,610	(1,564,879)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Public works	419,584	470,508	50,924
Capital projects	2,819,200	913,402	(1,905,798)
Interest expense	9,375	-	(9,375)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	3,248,159	1,383,910	(1,864,249)
Resources over (under) charges to appropriations	(275,670)	23,700	299,370
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	555,000	360,818	(194,182)
	<hr/>	<hr/>	<hr/>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ 279,330</u>	<u>\$ 384,518</u>	<u>\$ 105,188</u>

**CITY OF WAYNE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
SALES TAX FUND**

**Year ended September 30, 2011**

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Interest income	\$ 2,000	\$ 2,390	\$ 390
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Capital outlay	<u>233,815</u>	<u>-</u>	<u>(233,815)</u>
Resources over (under) charges to appropriations	(231,815)	2,390	234,205
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>-</u>	<u>(1,664)</u>	<u>(1,664)</u>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ (231,815)</u>	<u>\$ 726</u>	<u>\$ 232,541</u>

**CITY OF WAYNE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
DEBT SERVICE FUND**

**Year ended September 30, 2011**

	Budget (Original and (Final))	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Property tax	\$ 90,375	\$ 22,662	\$ (67,713)
Payments in lieu of taxes	-	159	159
Special assessments	82,500	114,767	32,267
Bond/loan proceeds	1,600,000	490,000	(1,110,000)
Interest income	-	3,920	3,920
	<hr/>	<hr/>	<hr/>
Total resources	1,772,875	631,508	(1,141,367)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Principal payments	200,000	680,000	480,000
Interest expense	53,478	53,594	116
Bond fees	-	8,575	8,575
Contingency	507,391	-	(507,391)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	760,869	742,169	(18,700)
Resources over (under) charges to appropriations	1,012,006	(110,661)	(1,122,667)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	54,683	89,114	34,431
Transfer out	(1,600,000)	-	1,600,000
	<hr/>	<hr/>	<hr/>
Net transfers	(1,545,317)	89,114	1,634,431
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>			
	<u>\$ (533,311)</u>	<u>\$ (21,547)</u>	<u>\$ 511,764</u>

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

**Year ended September 30, 2011**

**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>
<b>Sources/inflows of resources:</b>				
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 2,804,373	\$ 1,407,610	\$ 2,390	\$ 631,508
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>(30,622)</u>	<u>(591)</u>	<u>(420)</u>	<u>41,228</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,773,751</u>	<u>\$ 1,407,019</u>	<u>\$ 1,970</u>	<u>\$ 672,736</u>
<b>Uses/outflows of resources:</b>				
Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedules	\$ 2,467,143	\$ 1,383,910	\$ -	\$ 742,169
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>(11,053)</u>	<u>(25,625)</u>	<u>-</u>	<u>(409)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,456,090</u>	<u>\$ 1,358,285</u>	<u>\$ -</u>	<u>\$ 741,760</u>

**OTHER SUPPLEMENTARY INFORMATION**

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

**September 30, 2011**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	<u>Community Development</u>	<u>LB840</u>	<u>Wireless 911</u>	<u>E911</u>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 215,803	\$ (199)	\$ 24,077	\$ 7,737	\$ 247,418
Investments	250,782	-	-	-	250,782
Receivables:					
Notes	656,570	425,948	-	-	1,082,518
Interest	169	-	-	-	169
<b>Total assets</b>	<u>\$ 1,123,324</u>	<u>\$ 425,749</u>	<u>\$ 24,077</u>	<u>\$ 7,737</u>	<u>\$ 1,580,887</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Due to other fund	\$ -	\$ 400,000	\$ -	\$ -	\$ 400,000
Accrued interest payable	-	3,000	-	-	3,000
Total liabilities	-	403,000	-	-	403,000
Fund balances:					
Restricted for:					
Federal programs	1,123,324	-	-	-	1,123,324
Economic development		22,749	-	-	22,749
Assigned for:					
Other purposes	-	-	24,077	7,737	31,814
Total fund balances	<u>1,123,324</u>	<u>22,749</u>	<u>24,077</u>	<u>7,737</u>	<u>1,177,887</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,123,324</u>	<u>\$ 425,749</u>	<u>\$ 24,077</u>	<u>\$ 7,737</u>	<u>\$ 1,580,887</u>

**CITY OF WAYNE, NEBRASKA**

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

**For the year ended September 30, 2011**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Community Development	LB840	Wireless 911	E911	
<b>REVENUES</b>					
Sales tax	\$ -	\$ 179,615	\$ -	\$ -	\$ 179,615
Intergovernmental	192,609	-	-	-	192,609
Charges for services	-	-	29,324	29,997	59,321
Interest income	19,648	362	29	9	20,048
Total revenues	<u>212,257</u>	<u>179,977</u>	<u>29,353</u>	<u>30,006</u>	<u>451,593</u>
<b>EXPENDITURES</b>					
General government	132,420	30,829	-	-	163,249
Public safety	-	-	10,070	4,261	14,331
Interest on long-term debt	-	12,750	-	-	12,750
Total expenditures	<u>132,420</u>	<u>43,579</u>	<u>10,070</u>	<u>4,261</u>	<u>190,330</u>
<b>Excess of revenues over expenditures</b>	79,837	136,398	19,283	25,745	261,263
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>(109,086)</u>	<u>-</u>	<u>-</u>	<u>(27,000)</u>	<u>(136,086)</u>
<b>Net change in fund balances</b>	(29,249)	136,398	19,283	(1,255)	125,177
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>
Fund balances - September 30, 2011	<u>\$ 1,123,324</u>	<u>\$ 22,749</u>	<u>\$ 24,077</u>	<u>\$ 7,737</u>	<u>\$ 1,177,887</u>

**CITY OF WAYNE, NEBRASKA**

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

**September 30, 2011**

	<u>Wayne Municipal Airport</u>	<u>Community Development Agency</u>	<u>Total Component Units</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 186,091	\$ 48,418	\$ 234,509
County treasurer cash	2,808	-	2,808
Receivables:			
Property tax	2,908	-	2,908
Grants receivable	399,314	-	399,314
Accounts receivable	1,047	-	1,047
TIF receivable-current portion	-	42,022	42,022
Prepaid insurance	6,221	-	6,221
<b>Total current assets</b>	<u>598,389</u>	<u>90,440</u>	<u>688,829</u>
Noncurrent assets:			
TIF receivable-noncurrent portion	-	424,853	424,853
Capital assets:			
Land	287,776	256,410	544,186
Construction in progress	4,076,283	-	4,076,283
Other capital assets, net of depreciation	668,591	-	668,591
Net capital assets	<u>5,032,650</u>	<u>256,410</u>	<u>5,289,060</u>
<b>Total noncurrent assets</b>	<u>5,032,650</u>	<u>681,263</u>	<u>5,713,913</u>
<b>Total assets</b>	5,631,039	771,703	6,402,742
<b>LIABILITIES</b>			
Current liabilities:			
Due to the City of Wayne	280	203,756	204,036
Accounts payable	324,781	-	324,781
Accrued interest payable	-	7,420	7,420
Deferred revenue - property tax	2,047	-	2,047
Current portion of long-term debt	14,900	31,885	46,785
<b>Total current liabilities</b>	<u>342,008</u>	<u>243,061</u>	<u>585,069</u>
Noncurrent liabilities:			
Noncurrent portion of long-term debt	34,918	434,991	469,909
<b>Total liabilities</b>	<u>376,926</u>	<u>678,052</u>	<u>1,054,978</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,982,832	256,410	5,239,242
Unrestricted	271,281	(162,759)	108,522
<b>Total net assets</b>	<u>\$ 5,254,113</u>	<u>\$ 93,651</u>	<u>\$ 5,347,764</u>

**CITY OF WAYNE, NEBRASKA**

**COMBINING STATEMENT OF ACTIVITIES -  
COMPONENT UNITS**

**For the year ended September 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Wayne Municipal Airport:</b>			
Airport	\$ 177,549	\$ 69,437	\$ -
<b>Community Development Agency:</b>			
Economic development	114,234	1,609	-
<b>Total component units</b>	<b>\$ 291,783</b>	<b>\$ 71,046</b>	<b>\$ -</b>

<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>
\$ 3,076,579	\$ 2,968,467	\$ -	\$ 2,968,467
-	-	(112,625)	(112,625)
<u>\$ 3,076,579</u>	<u>2,968,467</u>	<u>(112,625)</u>	<u>2,855,842</u>
General revenues:			
Taxes:			
Property	78,576	-	78,576
TIF proceeds	-	151,381	151,381
Interest income	475	1	476
Gain (loss) on disposal of assets	(6,947)	200	(6,747)
Transfer from City of Wayne	100,000	-	100,000
Total general revenues	<u>172,104</u>	<u>151,582</u>	<u>323,686</u>
Change in net assets	3,140,571	38,957	3,179,528
Net assets - beginning of year	<u>2,113,542</u>	<u>54,694</u>	<u>2,168,236</u>
Net assets - end of year	<u>\$ 5,254,113</u>	<u>\$ 93,651</u>	<u>\$ 5,347,764</u>

**SINGLE AUDIT REPORTS**

**CITY OF WAYNE, NEBRASKA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year ended September 30, 2011**

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b><u>Department of Transportation:</u></b>		
Passed Through Nebraska Department of Roads		
Formula Grants for Other than Urbanized Areas	20.509	\$ 25,745
Highway Planning and Construction	20.205	2,572
Passed Through Nebraska Department of Aeronautics		
Airport Improvement Program	20.106	<u>3,036,489</u>
Total Department of Transportation		3,064,806
<b><u>Environmental Protection Agency:</u></b>		
Passed Through Nebraska Department of Environmental Quality:		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	22,899
Capitalization Grants for Clean Water State Revolving Funds	66.458	1,192,107 *
Direct award:		
Congressionally Mandated Projects	66.202	<u>494,380 *</u>
Total Environmental Protection Agency		1,709,386
<b><u>Department of Health and Human Services:</u></b>		
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	9,996
Nutrition Services Incentive Programs	93.053	11,643
Title III, Part C - Nutrition Services	93.045	<u>36,315</u>
Total Department of Health and Human Services		57,954
<b><u>Department of Housing and Urban Development:</u></b>		
Passed Through Nebraska Department of Economic Development:		
Community Development Block Grants	14.228	190,476
<b><u>Department of Energy:</u></b>		
Passed Through Nebraska Department of Energy		
Energy Efficiency & Conservation Block Grant Program	81.128	<u>13,071</u>
Total Federal Awards		<u><u>\$ 5,035,693</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, 2011, which collectively comprise the City of Wayne, Nebraska's basic financial statements and have issued our report thereon dated January 6, 2012. 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.

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

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 2011-1 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 6, 2012.

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.

August. Malthalm.  
Galloway ÷ Luth. A.C.

Grand Island, Nebraska  
January 6, 2012



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON 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, 2011. 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, 2011.

## 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.

*Sungist Maltham,  
Galloway & Luth, P.C.*

Grand Island, Nebraska  
January 6, 2012

**CITY OF WAYNE, NEBRASKA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended September 30, 2011**

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, 2011.
- (ii) One significant deficiency disclosed during the audit of the financial statements is reported in the "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*." 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 #66.458 – Capitalization Grants for Clean Water State Revolving Funds and #66.202 – Congressionally Mandated Projects.
- (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (ix) The City of Wayne, Nebraska, did 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

2011-1 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, 2011**

Program

Findings for the year ended September 2010

None noted.