

**CITY OF WAYNE, NEBRASKA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**September 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary fund of the City of Wayne, Nebraska, as of and for the year ended September 30, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 19 and 75 through 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. 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. The other supplementary information and the schedule of expenditures of federal awards, as listed in the Table of Contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*August Matheson,  
Galloway & Lusk, P.C.*

Grand Island, Nebraska  
January 30, 2013

**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For The Year Ended September 30, 2012**

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**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, 2012. 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 \$36,002,929 (*net assets*). Of this amount, \$10,687,895 (*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's governmental funds reported combined ending net assets of \$16,755,932. Approximately 5.4 percent of this total amount, \$911,675, is *unrestricted net assets*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$616,269, or 19.6 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, 2012**

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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 20 and 21 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, 2012**

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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 22-25 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 26-29 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 30 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 31-74 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, 2012**

**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 \$36,002,929 at the close of the most recent fiscal year.

**Net Assets**

|                             | <u>September 30, 2012</u>                |   |                      | <u>September 30, 2011</u>                |   |                      |
|-----------------------------|--|---|----------------------|--|---|----------------------|
|                             | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u>         | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u>         |
| Current and Other Assets    | \$ 4,142,577                             | \$ 11,360,970                             | \$ 15,503,547        | \$ 4,375,392                             | \$ 10,428,770                             | \$ 14,804,162        |
| Capital Assets              | 15,340,144                               | 16,658,586                                | 31,998,730           | 14,947,849                               | 14,453,987                                | 29,401,836           |
| Total Assets                | <u>19,482,721</u>                        | <u>28,019,556</u>                         | <u>47,502,277</u>    | <u>19,323,241</u>                        | <u>24,882,757</u>                         | <u>44,205,998</u>    |
| Long-term Liabilities       | 2,122,677                                | 7,245,342                                 | 9,368,019            | 1,908,793                                | 5,039,687                                 | 6,948,480            |
| Other Liabilities           | 604,112                                  | 1,527,217                                 | 2,131,329            | 727,335                                  | 1,028,461                                 | 1,755,796            |
| Total Liabilities           | <u>2,726,789</u>                         | <u>8,772,559</u>                          | <u>11,499,348</u>    | <u>2,636,128</u>                         | <u>6,068,148</u>                          | <u>8,704,276</u>     |
| Net Assets:                 |  |   |                      |  |   |                      |
| Invested in Capital Assets, |  |   |                      |  |   |                      |
| Net of Related Debt         | 13,169,794                               | 8,896,959                                 | 22,066,753           | 12,942,097                               | 9,216,244                                 | 22,158,341           |
| Restricted                  | 2,674,463                                | 573,818                                   | 3,248,281            | 2,054,398                                | 353,246                                   | 2,407,644            |
| Unrestricted                | 911,675                                  | 9,776,220                                 | 10,687,895           | 1,690,618                                | 9,245,119                                 | 10,935,737           |
| Total Net Assets            | <u>\$ 16,755,932</u>                     | <u>\$ 19,246,997</u>                      | <u>\$ 36,002,929</u> | <u>\$ 16,687,113</u>                     | <u>\$ 18,814,609</u>                      | <u>\$ 35,501,722</u> |

By far the largest portion of the City of Wayne's net assets (61.3 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Wayne uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Wayne's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Wayne's net assets (9.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$10,687,895) 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, 2012**

**Expenses and Program Revenues - Governmental Activities**

| <u>Function</u>           | <u>Year Ended September 30, 2012</u> |                         | <u>Year Ended September 30, 2011</u> |                         |
|---------------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|
|                           | <u>Program Revenues</u>              | <u>Program Expenses</u> | <u>Program Revenues</u>              | <u>Program Expenses</u> |
| General Government        | \$ 102,150                           | \$ 549,562              | \$ 267,491                           | \$ 337,334              |
| Public Safety             | 169,737                              | 1,305,500               | 178,464                              | 1,186,409               |
| Public Works              | 148,142                              | 403,443                 | 2,219                                | 431,816                 |
| Public Buildings          | 26,835                               | 60,937                  | 41,270                               | 67,955                  |
| Recreation                | 57,545                               | 264,537                 | 59,865                               | 266,231                 |
| Community Activity Center | 108,827                              | 216,154                 | 130,116                              | 245,394                 |
| Library                   | 13,092                               | 224,623                 | 13,496                               | 228,390                 |
| Senior Citizens Services  | 180,584                              | 224,318                 | 165,612                              | 223,303                 |
| Interest                  | -                                    | 49,725                  | -                                    | 65,935                  |
| Depreciation              | -                                    | 810,358                 | -                                    | 741,867                 |
| <b>Total</b>              | <b>\$ 806,912</b>                    | <b>\$ 4,109,157</b>     | <b>\$ 858,533</b>                    | <b>\$ 3,794,634</b>     |

**Revenues by Source - Governmental Activities**

**SOURCES OF REVENUE**

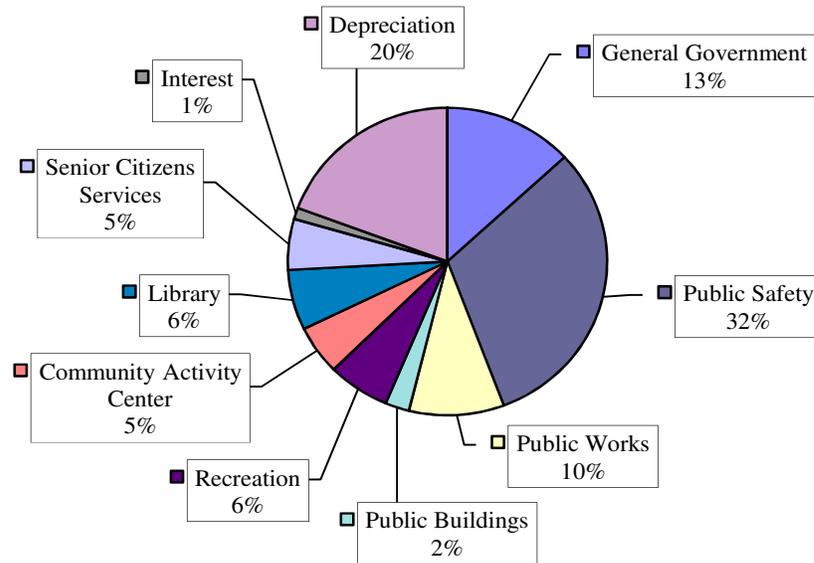
|                                    | <u>Year Ended September 30, 2012</u> |                 | <u>Year Ended September 30, 2011</u> |                 |
|------------------------------------|--------------------------------------|-----------------|--------------------------------------|-----------------|
| Charges for Services               | \$ 518,067                           | 12.40 %         | \$ 529,877                           | 14.10 %         |
| Operating Grants and Contributions | 143,063                              | 3.42            | 320,634                              | 8.53            |
| Capital Grants and Contributions   | 145,782                              | 3.49            | 8,022                                | 0.21            |
| Property Taxes                     | 722,579                              | 17.29           | 710,308                              | 18.90           |
| Motor Vehicle Taxes                | 70,484                               | 1.69            | 68,074                               | 1.81            |
| Payments in Lieu of Taxes          | 586,504                              | 14.04           | 552,285                              | 14.70           |
| Sales Tax                          | 604,617                              | 14.47           | 502,834                              | 13.38           |
| Franchise Taxes                    | 189,441                              | 4.53            | 192,374                              | 5.12            |
| State Allocation                   | 804,565                              | 19.26           | 808,694                              | 21.52           |
| Special Assessments                | 127,225                              | 3.05            | 87,575                               | 2.33            |
| Other                              | 25,824                               | 0.62            | 58,524                               | 1.56            |
| Interest                           | 130,084                              | 3.11            | 42,903                               | 1.14            |
| Gain on Sale of Assets             | 17,516                               | 0.42            | 501                                  | 0.01            |
| Unrealized Gain on Investments     | -                                    | -               | 270                                  | 0.01            |
| Interfund and CDA Transfers        | 92,225                               | 2.21            | (124,686)                            | (3.32)          |
| <b>Total</b>                       | <b>\$ 4,177,976</b>                  | <b>100.00 %</b> | <b>\$ 3,758,189</b>                  | <b>100.00 %</b> |

Net assets increased \$68,819 in the governmental funds during the year ended September 30, 2012.

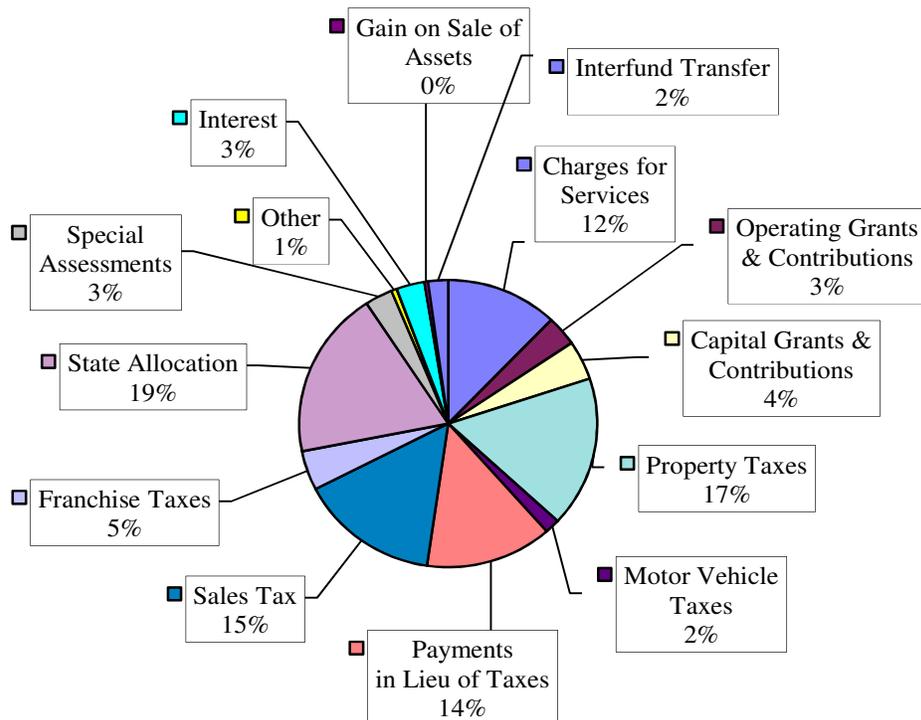
**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2012**

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Governmental Activities - 2012 Expenses



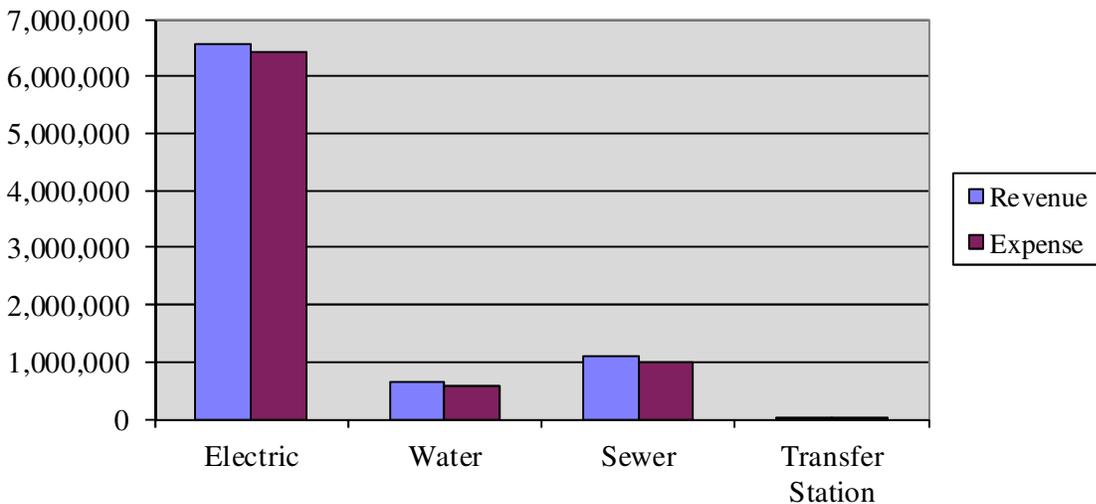
Governmental Activities - 2012 Revenue



**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2012**

**Business-type activities.** Business-type activities increased the City of Wayne's net assets by \$432,388, accounting for 86.3 percent of the total growth in the government's net assets for the year ended September 30, 2012. Key elements of this increase are as follows:

**2012 Expenses and Program Revenues - Business-type Activities**



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

| <u>Function</u>    | <u>Year Ended September 30, 2012</u> |                         | <u>Year Ended September 30, 2011</u> |                         |
|--------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|
|                    | <u>Program Revenues</u>              | <u>Program Expenses</u> | <u>Program Revenues</u>              | <u>Program Expenses</u> |
| Electric           | \$ 6,572,348                         | \$ 6,424,230            | \$ 6,055,483                         | \$ 6,073,942            |
| Water              | 654,635                              | 586,990                 | 692,815                              | 544,840                 |
| Sewer              | 1,098,634                            | 988,979                 | 1,701,167                            | 516,374                 |
| Transfer Station   | 11,800                               | 24,420                  | 58,516                               | 20,517                  |
| Total              | 8,337,417                            | 8,024,619               | 8,507,981                            | 7,155,673               |
| Interfund Transfer | 32,775                               | -                       | 24,686                               | -                       |
|                    | <u>\$ 8,370,192</u>                  | <u>\$ 8,024,619</u>     | <u>\$ 8,532,667</u>                  | <u>\$ 7,155,673</u>     |

**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2012**

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

**SOURCES OF REVENUE**

|                                       | <u>Year Ended September 30, 2012</u> |               |          | <u>Year Ended September 30, 2011</u> |               |          |
|---------------------------------------|--------------------------------------|---------------|----------|--------------------------------------|---------------|----------|
| Charges for Services                  | \$ 8,082,913                         | 95.58         | %        | \$ 7,571,792                         | 87.78         | %        |
| Capital Grants and Contributions      | 254,504                              | 3.01          |          | 936,189                              | 10.85         |          |
| Interest                              | 86,815                               | 1.03          |          | 96,489                               | 1.12          |          |
| Unrealized Gain (Loss) on Investments | -                                    | -             |          | (3,162)                              | (0.04)        |          |
| Interfund Transfers                   | 32,775                               | 0.39          |          | 24,686                               | 0.29          |          |
| Total                                 | <u>\$ 8,457,007</u>                  | <u>100.00</u> | <u>%</u> | <u>\$ 8,625,994</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 \$3,473,029. Approximately 17.7 percent of this total amount (\$616,269) 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 (\$680,240), 2) restricted for Federal loan programs (\$1,138,807), 3) restricted for park expenditures (\$27,262), 4) restricted for golf course expenditures (\$36,066), 5) restricted for Community Activity Center expenditures (\$230,102), 6) restricted for economic development (\$173,627), 7) restricted for capital projects (\$388,359), 8) assigned for capital projects (\$113,500), or 9) assigned for other purposes (\$68,797).

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 \$616,269, while total fund balance reached \$1,181,456. 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 19.6 percent of total General Fund expenditures, while total fund balance represents 37.6 percent of that same amount.

The fund balance of the City of Wayne's General Fund decreased by \$464,630 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, 2012**

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Unrestricted net assets of the proprietary funds at the end of the year were as follows: Electric Fund - \$7,046,720, Water Fund - \$1,393,478, Sewer Fund - \$1,322,487, and Transfer Station - \$13,535. The growth in net assets for the proprietary funds was as follows: Electric Fund - \$178,409, Water Fund - \$74,561, Sewer Fund - \$192,024, and Transfer Station – decrease of \$(12,606). 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, 2012, amounts to \$31,998,730 (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:

- Pheasant Run paving - \$218,604
- Pheasant Run sewer line - \$56,043
- Pheasant Run water line - \$44,497
- South Windom Street storm drain - \$36,942
- Western Ridge Phase III paving - \$153,565
- Aerial ladder fire truck - \$574,141
- Communication tower updates - \$139,345
- Benscoter infrastructure - \$266,214
- 2012 electrical improvements - \$332,569
- Updating cooling tower - \$1,170,870
- RICE compliance project - \$640,178
- Construction in progress on wastewater treatment plant - \$583,549
- 2012 water meters - \$27,912

**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2012**

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

|                | <u>Year Ended September 30, 2012</u> |                      |                      | <u>Year Ended September 30, 2011</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           | \$ 617,650                           | \$ 369,751           | \$ 987,401           |
| Spec Building  | -                                    | -                    | -                    | 252,297                              | -                    | 252,297              |
| Construction   |                                      |                      |                      |                                      |                      |                      |
| in Progress    | 552,896                              | 8,192,639            | 8,745,535            | 266,870                              | 5,789,947            | 6,056,817            |
| Infrastructure | 6,233,720                            | -                    | 6,233,720            | 6,190,423                            | -                    | 6,190,423            |
| Improvements   | 703,103                              | -                    | 703,103              | 598,634                              | -                    | 598,634              |
| Buildings      | 6,167,373                            | 2,572,478            | 8,739,851            | 6,389,961                            | 2,801,548            | 9,191,509            |
| Equipment      | 1,065,402                            | 232,362              | 1,297,764            | 632,014                              | 305,421              | 937,435              |
| Distribution   |                                      |                      |                      |                                      |                      |                      |
| Systems        | -                                    | 5,291,356            | 5,291,356            | -                                    | 5,187,320            | 5,187,320            |
| Total          | <u>\$ 15,340,144</u>                 | <u>\$ 16,658,586</u> | <u>\$ 31,998,730</u> | <u>\$ 14,947,849</u>                 | <u>\$ 14,453,987</u> | <u>\$ 29,401,836</u> |

Additional information on the City of Wayne's capital assets can be found in Note C4 on pages 55-58 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 \$10,012,456. Of this amount, \$2,215,000 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, 2012</u> |                      |                      | <u>Year Ended September 30, 2011</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              | \$ 510,000                           | \$ -                 | \$ 510,000           | \$ 655,000                           | \$ -                 | \$ 655,000          |
| Bond Anticipation  |                                      |                      |                      |                                      |                      |                     |
| Notes              | 935,000                              | -                    | 935,000              | 935,000                              | -                    | 935,000             |
| Public Safety      |                                      |                      |                      |                                      |                      |                     |
| Bonds              | 770,000                              | -                    | 770,000              | 455,000                              | -                    | 455,000             |
| DEQ Note           | -                                    | 5,322,456            | 5,322,456            | -                                    | 4,208,111            | 4,208,111           |
| Revenue Bonds      | -                                    | 2,475,000            | 2,475,000            | -                                    | 1,050,000            | 1,050,000           |
| Total              | <u>\$ 2,215,000</u>                  | <u>\$ 7,797,456</u>  | <u>\$ 10,012,456</u> | <u>\$ 2,045,000</u>                  | <u>\$ 5,258,111</u>  | <u>\$ 7,303,111</u> |

The City of Wayne's total debt increased by \$2,709,345 (37.1 percent) during the current fiscal year, as the City issued \$355,000 of public safety bonds and \$1,680,000 of Electric revenue bonds.

Additional information on the City of Wayne's long-term debt can be found in Note C6 on pages 59-63 of this report.

**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2012**

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**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 2012-2013 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 2012-2013, those priorities included:

1. Increase availability of affordable housing.
  - a. Develop multiple new construction incentive plans for all locations in Wayne.
  - b. Focus incentives on energy efficiency such as participating in a Five Star Energy Program.
  - c. Develop Western Ridge as a "Green Subdivision".
  - d. Develop two in-fill lots owned by the City that were cleared through code enforcement.
  - e. There is a strong market in Wayne for homes in the \$80,000 to \$150,000 range.
2. Pave the remaining sections of streets and cul-de-sacs in Western Ridge.
3. Enforcement of Property Maintenance Code.
4. Review of Police Dispatch to convert to 12 hour shifts.
5. Improve multi-cultural relations in the community.
6. Conduct an outside management review of City Departments.
7. Develop a future use plan for the existing sewer lagoon.
8. New Welcome Signs.
9. On-line bill paying and upgrade of website.
10. Budget alternatives for severe loss of state funding.

Several new businesses have opened on Main Street and in the community, which is a good indicator the economy is turning around and entrepreneurs are willing to take the risk of starting new ventures. The hospital and community schools have also undertaken major expansions within the last year. Industrial call centers and manufacturing businesses have been advertising employment positions. Companies in the surrounding area are also hiring. Northeast Nebraska has jobs available; however people are in need to fill the positions and so is affordable housing for those employees to live in.

The City continues to provide assistance to Wayne Area Economic Development for promotion of the City and assistance with any economic development projects. The City, along with Wayne Area Economic Development, are working together on recertifying Wayne as an Economic Development Certified Community. This involves strategic planning, target marketing, identifying potential speculative sites, etc. The ultimate goal is to let businesses interested in relocating know that the City is open for business and willing to work with them to fill their needs to grow their business and the City of Wayne's community.

One of the City of Wayne's City Council's goals has been to increase the affordable housing stock in Wayne. A housing loan incentive program has been created to assist in building houses. The loan can either be a construction loan or a set loan for a predetermined period of time, and loan amounts will vary depending on the applicant's needs. A \$3,000 one-time incentive has

**CITY OF WAYNE, NEBRASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued  
For The Year Ended September 30, 2012**

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been established for first time homebuyers to construct a new, single-family residence within the City of Wayne that qualifies for the Five Star Energy Plan.

The Community Development Agency purchased land for the Western Ridge housing subdivision in previous years. To date there are nineteen houses completed and there is a contractor that has offered to purchase five more lots with an additional first right of refusal on five more lots.

The Benscoter development was paved and utilities were added this year. Five new houses are under construction, the Cobblestone Hotel is open, and a new warehouse is also being constructed in the area.

There are several contractors working on multifamily dwelling units within the City. Some are using Tax Increment Financing (TIF) and some are building on their own. Conversations with developers indicate there will be several new TIF projects in the upcoming year.

The Community Development Agency purchased the Kardell Industrial Park in previous years. The speculative building was sold to Williams Form Engineering, a leader in anchoring technology. Their corporate headquarters is in Belmont, MI. They are operating multiple shifts from their Wayne, NE plant. There is also a company with an option on the remaining lot in the subdivision.

Due to recent federal regulation by Housing and Urban Development (HUD), the Department of Economic Development (DED) is also looking at all locally operated revolving loan programs. They will be monitoring all local funds, and the City is considering whether to continue operating the program or return the funds to the department. The option to turn the funds over to a State Regional Revolving Loan Fund to be used for eligible activities anywhere within the service region is in the DED's proposed annual action plan for 2013.

Concerns about the national and local economy will have an impact on the City's local revenues and rising costs. The State of Nebraska continues to have short falls in their revenue projects and undertake a variety of cost cutting measures. However, the City did not lose major equalization funds in the last year's state legislature session. The future of state equalization funds continues to be in jeopardy as the state is continually looking for ways to shorten up their budget. The state also considers highway allocation dollars a potential source of funds to implement state road projects.

New requirements from the Nebraska Department of Roads will cause approved grants to be delayed as the City waits for necessary approval before the next steps are taken. This process has added additional time to complete the projects.

The police department has hired three new officers and the Chief's position has been filled. Two of the officers were certified and the third will complete training in early December. The City also hired two dispatchers to fill the vacant positions and are currently undergoing training. With the current staff, the City should be able to reduce overtime expenditures.

**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2012**

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All other staffing levels are the same. Service levels remain the same, however, staff continually search for and explore cost cutting measures. The City also searches for new revenue streams and raise rates where appropriate to cover costs.

Construction projects completed last year were the completion of the Wastewater Treatment Plant, the installation of the cooling tower at the power plant, as well as the installation of the catalytic converters to comply with the Rice Regulation. Pheasant Run was paved and water and sewer lines were extended to the new Bomgaars location. The remaining streets in Western Ridge were also paved this year. A ladder truck was purchased for the Fire Department and renovation of all the paved areas at the airport were completed. Verizon leased space from the City in order to upgrade to 4G service, and their tower had to have major reinforcement work completed. The City of Wayne split the cost with Verizon, and paid \$69,716.

Revenues from the City Sales Tax have grown at a larger rate than estimated during the last year. The Citizens Advisory Committee has processed several requests for the LB840 plan projects. In order to fund the approved LB840 projects, the City Council has authorized a second 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. Electric rates are monitored annually and adjusted accordingly. Once the new treatment plant is operational, the City will be looking at sewer rates to see what rate adjustments will be needed. Water rates will also be looked at this next fiscal year. The water rates need to be sufficient to cover the debt service on the State Revolving Loan and the proposed transfer of \$150,000 to help cover the cost of the combined utility State Revolving Loan debt service.

Capital items for 2012-2013 include:

- Carpeting and painting the utility office area and office furniture for the clerk's office and the ceiling mounted proxima for council chambers.
- Radio upgrades due to FCC narrow banding requirements. All departments with radios will be upgrading radio equipment. These were in last year's budget but not ordered, so this will carry forward.
- Replacing chairs and miscellaneous equipment in the police dispatch office.
- Replacing one of the police cars and the radio and light equipment for all vehicles.
- Building a reserve to replace the air packs for the fire departments.
- Replacing the pagers to comply with the FCC narrow banding requirements.
- Various park equipment updates, including picnic tables, camping pad updates, rubber padding under playground equipment, etc.
- 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 feet be concrete and the budget of \$16,500 from the city sales tax dollars was carried forward. This project has received a grant of \$45,000 from 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

**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2012**

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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.

- Roof for the grand stand at Hank Overin Field.
- New scoreboard for the summer sports complex.
- The activity center has budgeted for replacing fitness equipment.
- Repairing the ADA ramp at City Hall.
- Updating the sound system for the council chambers.
- Replacing windows at the Senior Center.
- The Senior Center will be asking for a grant from the Department of Roads to replace the handivan.
- The FCC radio frequency changes will also require us to replace our civil defense sirens. A grant application to assist in the financing of the replacement has been submitted.
- Park improvements to meet ADA standards for the restrooms. The City of Wayne anticipates using sales tax dollars for this project (\$50,000). The City has begun to set aside money for the restrooms at Hank Overin Baseball Field (\$20,000).
- Second year of setting aside (\$75,000) per year for swimming pool replacement.
- On going street maintenance projects.
- Replacing playground equipment in various parks including new equipment for Western Ridge (\$35,000).
- Council has removed 10th Street from the state project and will be undertaking the project this fiscal year (\$555,000).
- Replacing the skid loader, street sanding unit and a snow box for a dump truck (\$50,000).
- Renovation of Windom Street has been taken over by the Department of Roads and construction is anticipated to be in 2013 (\$590,000). Windom Street water main (\$80,000).
- The department of roads has moved the underpass into the trail project and the City is hopeful that it will be finished in 2012-2013 (\$538,946).
- The power plant will need to modify part of the north truck garage to house new equipment for the cooling system heat exchangers (\$20,000).
- Parking lot and substation rock and new fencing for the cooling tower (\$8,000).
- Power plant pickup replacement.
- Annual equipment purchases for the distribution system (\$150,000).
- The next Electric Distribution Improvement Project will be undertaken in the next fiscal year including directional boring and trenching in areas where system reliability will be improved by replacing overhead lines with underground or replacing aged underground lines with new cable and equipment (\$150,000).
- The City will continue exploring Automated Meter Reading (AMR) systems to determine the best system for the City. The City has collected and has in reserve \$539,494 in the electric fund and \$531,322 in the water fund for this project.
- Replacement of the wood chipper used for trimming trees. (Cost for a new chipper is \$18,000; however, we will be looking for a used chipper in the \$5,000 range).
- Replacing a 1999 pickup that has had significant work in the last couple years (\$26,000).
- Replacing technology in various departments and new aerial photos (\$34,300).

**CITY OF WAYNE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2012**

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- New metal building to be constructed at the treatment plant to house materials and equipment for both the water and sewer department, \$50,000 for total project.
- The City will continue updating lift stations (\$10,000).
- The City will continue rehabbing manholes in the City sewer system (\$25,000).
- Sewer main cleaning and vacuuming, annual project (\$15,000).
- Replace a 1995 pickup for the sewer department as well as replacing a mower for the treatment plant (\$20,000).
- Replacing the sewer on East 10th Street in conjunction with the street project (\$22,000).
- Updating the Scada System for the sewer and water systems (\$20,000 for each department).
- Lagoon sludge removal project (\$200,000).
- Begin replacing 4 inch water mains in various sections of the City with 8 inch water lines to provide better water flow and fire protection (\$100,000).
- Replacing water main valves as some of the old valves will no longer operate, making it difficult to isolate an area of shut off water if there is a main break (\$20,000).
- Replacing Variable Frequency Drives (VFD) in the wells, this will improve power consumption as well as the life of the pumps and motors. NPPD provides a rebate for VFD's and the expected ROI is 3-5 years (\$20,000).
- The City of Wayne's Airport Authority has entered into a contract to build a new hangar/terminal building in 2012-2013. They have a Nebraska Department of Aeronautics loan for \$262,001 and FAA commitments of up to \$524,884. The local funding will be 10 percent of the project.
- The existing beacon needs to be relocated as it currently obstructs air space and is in the building site for the new hangar/terminal building. The authority has taken down the beacon and is in the process of renovating it and having it relocated.
- A water line from the City's water system to the airport is also in the budget as the current well is not sufficient to service the new building (\$100,000). This will provide the necessary water service, fire hydrants at the airport, and will aid in rural fire protection too.

The City has a slight increase in the total property tax levy requested for City support at \$0.452963 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, 2012**

|  | Primary Government         |                             |               | Component<br>Units |
|--|----------------------------|-----------------------------|---------------|--------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total         |                    |
| <b>ASSETS</b>                                    |                            |                             |               |                    |
| Current assets:                                  |                            |                             |               |                    |
| Cash and cash equivalents                        | \$ 1,270,771               | \$ 909,940                  | \$ 2,180,711  | \$ 348,446         |
| Investments                                      | 1,308,350                  | 7,280,792                   | 8,589,142     | -                  |
| County treasurer cash                            | 33,396                     | -                           | 33,396        | 2,848              |
| Receivables:                                     |                            |                             |               |                    |
| Property tax                                     | 26,225                     | -                           | 26,225        | 2,749              |
| Special assessments                              | 259,795                    | 78,330                      | 338,125       | -                  |
| Accounts, net of allowance for doubtful accounts | 3,518                      | 837,550                     | 841,068       | 886                |
| Unbilled revenue                                 | -                          | 288,876                     | 288,876       | -                  |
| Grants   | 15,061                     | 229,961                     | 245,022       | 100,949            |
| Interest   | 2,780                      | 18,277                      | 21,057        | -                  |
| Current portion of TIF receivable                | -                          | -                           | -             | 48,814             |
| Current portion of notes                         | 107,844                    | -                           | 107,844       | -                  |
| Due from other governments                       | 109,935                    | -                           | 109,935       | -                  |
| Due (to)/from other funds                        | (365,000)                  | 365,000                     | -             | -                  |
| Due from component units                         | 392                        | 363,455                     | 363,847       | -                  |
| Prepaid insurance                                | -                          | -                           | -             | 6,221              |
| Inventory  | -                          | 234,759                     | 234,759       | -                  |
| Total current assets                             | 2,773,067                  | 10,606,940                  | 13,380,007    | 510,913            |
| Noncurrent assets:                               |                            |                             |               |                    |
| Restricted cash and cash equivalents             | 88,059                     | 252,318                     | 340,377       | -                  |
| Restricted investments                           | 63,328                     | 465,883                     | 529,211       | -                  |
| Noncurrent TIF receivable                        | -                          | -                           | -             | 1,198,093          |
| Noncurrent notes receivable                      | 1,173,473                  | -                           | 1,173,473     | 40,000             |
| Unamortized bond costs                           | 44,650                     | 35,829                      | 80,479        | -                  |
| Capital assets:                                  |                            |                             |               |                    |
| Land and construction in progress                | 1,170,546                  | 8,562,390                   | 9,732,936     | 562,869            |
| Other capital assets, net of depreciation        | 14,169,598                 | 8,096,196                   | 22,265,794    | 4,986,667          |
| Net capital assets                               | 15,340,144                 | 16,658,586                  | 31,998,730    | 5,549,536          |
| Total noncurrent assets                          | 16,709,654                 | 17,412,616                  | 34,122,270    | 6,787,629          |
| <b>Total assets</b>                              | 19,482,721                 | 28,019,556                  | 47,502,277    | 7,298,542          |
| <b>LIABILITIES</b>                               |                            |                             |               |                    |
| Current liabilities:                             |                            |                             |               |                    |
| Accounts payable                                 | 117,756                    | 580,242                     | 697,998       | 21,952             |
| Accrued expenses                                 | 146,755                    | 171,737                     | 318,492       | 26,795             |
| Customer deposits                                | 16,100                     | 152,427                     | 168,527       | -                  |
| Due to the City of Wayne                         | -                          | -                           | -             | 363,847            |
| Deferred revenue                                 | 208,501                    | -                           | 208,501       | 1,896              |
| Current portion of long-term obligations         | 115,000                    | 622,811                     | 737,811       | 31,926             |
| Total current liabilities                        | 604,112                    | 1,527,217                   | 2,131,329     | 446,416            |
| Noncurrent liabilities:                          |                            |                             |               |                    |
| Compensated absences - noncurrent                | 22,677                     | 70,697                      | 93,374        | -                  |
| Noncurrent portion of long-term obligations      | 2,100,000                  | 7,174,645                   | 9,274,645     | 1,249,859          |
| Total noncurrent liabilities                     | 2,122,677                  | 7,245,342                   | 9,368,019     | 1,249,859          |
| <b>Total liabilities</b>                         | 2,726,789                  | 8,772,559                   | 11,499,348    | 1,696,275          |
| <b>NET ASSETS</b>                                |                            |                             |               |                    |
| Invested in capital assets, net of related debt  | 13,169,794                 | 8,896,959                   | 22,066,753    | 5,514,658          |
| Restricted for:                                  |                            |                             |               |                    |
| Debt service                                     | 680,240                    | 496,950                     | 1,177,190     | -                  |
| Economic development                             | 173,627                    | 76,868                      | 250,495       | -                  |
| Federal loan programs                            | 1,138,807                  | -                           | 1,138,807     | -                  |
| Capital projects                                 | 388,359                    | -                           | 388,359       | -                  |
| Community Activity Center                        | 230,102                    | -                           | 230,102       | -                  |
| Parks and golf course                            | 63,328                     | -                           | 63,328        | -                  |
| Unrestricted                                     | 911,675                    | 9,776,220                   | 10,687,895    | 87,609             |
| <b>Total net assets</b>                          | \$ 16,755,932              | \$ 19,246,997               | \$ 36,002,929 | \$ 5,602,267       |

See notes to financial statements.

**CITY OF WAYNE, NEBRASKA**

**STATEMENT OF ACTIVITIES**

**For the year ended September 30, 2012**

| <u>Functions/Programs</u>        | <u>Expenses</u>             | <u>Charges for<br/>Services</u> | <u>Program Revenues<br/>Operating<br/>Grants and<br/>Contributions</u> |
|----------------------------------|-----------------------------|---------------------------------|--|
| <b>Primary government:</b>       |                             |                                 |  |
| <b>Governmental activities:</b>  |                             |                                 |  |
| General government               | \$ 549,562                  | \$ 102,150                      | \$ -   |
| Public buildings                 | 60,937                      | 26,835                          | -  |
| Public safety                    | 1,305,500                   | 145,727                         | 24,010   |
| Public works                     | 403,443                     | 4,040                           | -  |
| Senior citizens services         | 224,318                     | 66,531                          | 114,053  |
| Library                          | 224,623                     | 8,092                           | 5,000  |
| Recreation                       | 264,537                     | 56,082                          | -  |
| Community Activity Center        | 216,154                     | 108,610                         | -  |
| Interest and related expenses    | 49,725                      | -                               | -  |
| Depreciation - unallocated       | 810,358                     | -                               | -  |
| Total governmental activities    | <u>4,109,157</u>            | <u>518,067</u>                  | <u>143,063</u>   |
| <b>Business-type activities:</b> |                             |                                 |  |
| Electric                         | 6,424,230                   | 6,349,938                       | -  |
| Water                            | 586,990                     | 648,561                         | -  |
| Sewer                            | 988,979                     | 1,072,614                       | -  |
| Transfer Station                 | 24,420                      | 11,800                          | -  |
| Total business-type activities   | <u>8,024,619</u>            | <u>8,082,913</u>                | <u>-</u>   |
| <b>Total primary government</b>  | <u><u>\$ 12,133,776</u></u> | <u><u>\$ 8,600,980</u></u>      | <u><u>\$ 143,063</u></u>   |
| <b>Component units:</b>          |                             |                                 |  |
| Wayne Municipal Airport          | \$ 189,159                  | \$ 88,923                       | \$ -   |
| Community Development Agency     | 765,628                     | 1,609                           | -  |
| <b>Total component units</b>     | <u><u>\$ 954,787</u></u>    | <u><u>\$ 90,532</u></u>         | <u><u>\$ -</u></u>   |

See notes to financial statements.

| Capital<br>Grants and<br>Contributions | Net (Expenses) Revenues and Changes in Net Assets |   |                      | Component<br>Unit   |
|--|---|---|----------------------|---------------------|
|  | Governmental<br>Activities                        | Primary Government<br>Business-type<br>Activities | Total                |                     |
| \$ -                                   | \$ (447,412)                                      |   | \$ (447,412)         |                     |
| -                                      | (34,102)  |   | (34,102)             |                     |
| -                                      | (1,135,763)                                       |   | (1,135,763)          |                     |
| 144,102                                | (255,301)   |   | (255,301)            |                     |
| -                                      | (43,734)  |   | (43,734)             |                     |
| -                                      | (211,531)   |   | (211,531)            |                     |
| 1,463                                  | (206,992)   |   | (206,992)            |                     |
| 217                                    | (107,327)   |   | (107,327)            |                     |
| -                                      | (49,725)  |   | (49,725)             |                     |
| -                                      | (810,358)   |   | (810,358)            |                     |
| <u>145,782</u>                         | <u>(3,302,245)</u>                                | \$ -  | <u>(3,302,245)</u>   |                     |
| 222,410                                | -   | 148,118   | 148,118              |                     |
| 6,074                                  | -   | 67,645  | 67,645               |                     |
| 26,020                                 | -   | 109,655   | 109,655              |                     |
| -                                      | -   | (12,620)  | (12,620)             |                     |
| <u>254,504</u>                         | <u>-</u>  | <u>312,798</u>                                    | <u>312,798</u>       |                     |
| <u>\$ 400,286</u>                      | <u>(3,302,245)</u>                                | <u>312,798</u>                                    | <u>(2,989,447)</u>   |                     |
| \$ 325,872                             |   |   |                      | \$ 225,636          |
| -                                      |   |   |                      | (764,019)           |
| <u>\$ 325,872</u>                      |   |   |                      | <u>(538,383)</u>    |
| General revenues:                      |   |   |                      |                     |
| Taxes:                                 |   |   |                      |                     |
| Property                               | 722,579   | -   | 722,579              | 75,220              |
| Motor vehicle                          | 70,484  | -   | 70,484               | -                   |
| Payments in lieu of taxes              | 586,504   | -   | 586,504              | -                   |
| Sales tax                              | 604,617   | -   | 604,617              | -                   |
| Franchise                              | 189,441   | -   | 189,441              | -                   |
| TIF proceeds                           | -   | -   | -                    | 828,845             |
| State allocation                       | 804,565   | -   | 804,565              | -                   |
| Special assessments                    | 127,225   | -   | 127,225              | -                   |
| Miscellaneous                          | 25,824  | -   | 25,824               | -                   |
| Interest income                        | 130,084   | 86,815  | 216,899              | 436                 |
| Gain on sale of assets                 | 17,516  | -   | 17,516               | 13,385              |
| Transfer from CDA                      | 125,000   | -   | 125,000              | (125,000)           |
| Interfund transfers                    | (32,775)  | 32,775  | -                    | -                   |
| Total general revenues                 | <u>3,371,064</u>                                  | <u>119,590</u>                                    | <u>3,490,654</u>     | <u>792,886</u>      |
| Change in net assets                   | 68,819  | 432,388   | 501,207              | 254,503             |
| 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>    |
| Net assets - September 30, 2012        | <u>\$ 16,755,932</u>                              | <u>\$ 19,246,997</u>                              | <u>\$ 36,002,929</u> | <u>\$ 5,602,267</u> |

**CITY OF WAYNE, NEBRASKA**

**BALANCE SHEET -  
GOVERNMENTAL FUNDS**

**September 30, 2012**

|   | <u>General</u>      | <u>Street</u>    | <u>Sales<br/>Tax</u> | <u>Debt<br/>Service</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|------------------|----------------------|-------------------------|---|---|
| <b>ASSETS</b>                                       |                     |                  |                      |                         |   |   |
| Cash and cash equivalents                           | \$ 215,532          | \$ 56,712        | \$ 151,308           | \$ 316,712              | \$ 474,195                              | \$ 1,214,459                            |
| Investments   | 834,877             | -                | 78,600               | 303,588                 | -                                       | 1,217,065                               |
| County treasurer cash                               | 24,389              | 5,940            | -                    | 3,067                   | -                                       | 33,396                                  |
| Receivables:  |                     |                  |                      |                         |   |   |
| Special assessments                                 | -                   | -                | -                    | 259,795                 | -                                       | 259,795                                 |
| Accounts, net of allowance<br>for doubtful accounts | 3,094               | 424              | -                    | -                       | -                                       | 3,518                                   |
| Grants  | 15,061              | -                | -                    | -                       | -                                       | 15,061                                  |
| Notes receivable                                    | -                   | -                | -                    | -                       | 1,272,186                               | 1,272,186                               |
| Interest  | 2,276               | -                | 194                  | 252                     | -                                       | 2,722                                   |
| Property tax  | 23,294              | -                | -                    | 2,931                   | -                                       | 26,225                                  |
| Due from other governments                          | 109,935             | -                | -                    | -                       | -                                       | 109,935                                 |
| Due from component units                            | 392                 | -                | -                    | -                       | -                                       | 392                                     |
| Restricted assets:                                  |                     |                  |                      |                         |   |   |
| Cash  | 88,059              | -                | -                    | -                       | -                                       | 88,059                                  |
| Investments   | 63,328              | -                | -                    | -                       | -                                       | 63,328                                  |
|   | <u>\$ 1,380,237</u> | <u>\$ 63,076</u> | <u>\$ 230,102</u>    | <u>\$ 886,345</u>       | <u>\$ 1,746,381</u>                     | <u>\$ 4,306,141</u>                     |
| <b>Total assets</b>                                 |                     |                  |                      |                         |   |   |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>            |                     |                  |                      |                         |   |   |
| Liabilities:  |                     |                  |                      |                         |   |   |
| Accounts payable                                    | \$ 54,933           | \$ 41,759        | \$ -                 | \$ -                    | \$ 64                                   | \$ 96,756                               |
| Accrued expenses                                    | 111,532             | 18,503           | -                    | 13,820                  | 2,900                                   | 146,755                                 |
| Customer deposits                                   | 16,100              | -                | -                    | -                       | -                                       | 16,100                                  |
| Due to other funds                                  | -                   | -                | -                    | -                       | 365,000                                 | 365,000                                 |
| Deferred revenue                                    | 16,216              | -                | -                    | 192,285                 | -                                       | 208,501                                 |
| Total liabilities                                   | <u>198,781</u>      | <u>60,262</u>    | <u>-</u>             | <u>206,105</u>          | <u>367,964</u>                          | <u>833,112</u>                          |
| Fund balances:                                      |                     |                  |                      |                         |   |   |
| Restricted for:                                     |                     |                  |                      |                         |   |   |
| Debt service  | -                   | -                | -                    | 680,240                 | -                                       | 680,240                                 |
| Capital projects                                    | 388,359             | -                | -                    | -                       | -                                       | 388,359                                 |
| Community Activity Center                           | -                   | -                | 230,102              | -                       | -                                       | 230,102                                 |
| Federal programs                                    | -                   | -                | -                    | -                       | 1,138,807                               | 1,138,807                               |
| Economic development                                | -                   | -                | -                    | -                       | 173,627                                 | 173,627                                 |
| Parks   | 27,262              | -                | -                    | -                       | -                                       | 27,262                                  |
| Golf course   | 36,066              | -                | -                    | -                       | -                                       | 36,066                                  |
| Assigned for:                                       |                     |                  |                      |                         |   |   |
| Capital projects                                    | 113,500             | -                | -                    | -                       | -                                       | 113,500                                 |
| Other purposes                                      | -                   | 2,814            | -                    | -                       | 65,983                                  | 68,797                                  |
| Unassigned  | 616,269             | -                | -                    | -                       | -                                       | 616,269                                 |
| Total fund balances                                 | <u>1,181,456</u>    | <u>2,814</u>     | <u>230,102</u>       | <u>680,240</u>          | <u>1,378,417</u>                        | <u>3,473,029</u>                        |
|   | <u>\$ 1,380,237</u> | <u>\$ 63,076</u> | <u>\$ 230,102</u>    | <u>\$ 886,345</u>       | <u>\$ 1,746,381</u>                     | <u>\$ 4,306,141</u>                     |
| <b>Total liabilities and<br/>fund balances</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, 2012**

|   |                    |                                    |
|---|--------------------|------------------------------------|
| <b>Total fund balances - governmental funds</b>   |                    | <b>\$ 3,473,029</b>                |
| <p>Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:</p>  |                    |                                    |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$28,821,315, and the accumulated depreciation is \$13,481,171.</p>                 |                    | 15,340,144                         |
| <p>Bond issuance costs for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The bond issuance costs are \$79,422 and the accumulated amortization is \$34,772.</p>                       |                    | 44,650                             |
| <p>Internal service funds are used by management to charge the costs of employee health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.</p> |                    | 135,786                            |
| <p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:</p>  |                    |                                    |
| Noncurrent compensated absences   | \$ (22,677)        |                                    |
| Bonds payable   | <u>(2,215,000)</u> | <u>(2,237,677)</u>                 |
| <b>Total net assets - governmental activities</b>   |                    | <b><u><u>\$ 16,755,932</u></u></b> |

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, 2012**

|  | <u>General</u>      | <u>Street</u>    | <u>Sales<br/>Tax</u> | <u>Debt<br/>Service</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|------------------|----------------------|-------------------------|---|---|
| <b>REVENUES</b>  |                     |                  |                      |                         |   |   |
| Taxes:   |                     |                  |                      |                         |   |   |
| Property   | \$ 640,054          | \$ 1,564         | \$ -                 | \$ 80,962               | \$ -                                    | \$ 722,580                              |
| Motor vehicle  | -                   | 70,484           | -                    | -                       | -                                       | 70,484                                  |
| Payments in lieu of taxes  | 586,363             | -                | -                    | 142                     | -                                       | 586,505                                 |
| Sales tax  | 389,531             | -                | -                    | -                       | 215,086                                 | 604,617                                 |
| Franchise  | 189,441             | -                | -                    | -                       | -                                       | 189,441                                 |
| Intergovernmental  | 518,596             | 487,788          | -                    | -                       | -                                       | 1,006,384                               |
| Special assessments  | 90                  | -                | -                    | 127,135                 | -                                       | 127,225                                 |
| Charges for services   | 452,947             | 4,040            | -                    | -                       | 59,235                                  | 516,222                                 |
| Interest income  | 9,384               | 146              | 1,601                | 2,566                   | 117,063                                 | 130,760                                 |
| Contributions  | 1,681               | -                | -                    | -                       | -                                       | 1,681                                   |
| Bond/loan proceeds   | 355,000             | -                | -                    | 585,000                 | -                                       | 940,000                                 |
| Sale of property   | -                   | 17,516           | -                    | -                       | -                                       | 17,516                                  |
| Other income   | 24,565              | -                | -                    | -                       | -                                       | 24,565                                  |
| Total revenues   | <u>3,167,652</u>    | <u>581,538</u>   | <u>1,601</u>         | <u>795,805</u>          | <u>391,384</u>                          | <u>4,937,980</u>                        |
| <b>EXPENDITURES</b>  |                     |                  |                      |                         |   |   |
| General government   | 182,402             | -                | -                    | -                       | 148,505                                 | 330,907                                 |
| Public buildings   | 60,937              | -                | -                    | -                       | -                                       | 60,937                                  |
| Public safety  | 1,292,351           | -                | -                    | -                       | 13,149                                  | 1,305,500                               |
| Public works   | -                   | 403,365          | -                    | -                       | -                                       | 403,365                                 |
| Senior citizens services   | 224,318             | -                | -                    | -                       | -                                       | 224,318                                 |
| Library  | 224,580             | -                | -                    | -                       | -                                       | 224,580                                 |
| Recreation   | 264,537             | -                | -                    | -                       | -                                       | 264,537                                 |
| Community Activity Center  | 214,353             | -                | -                    | -                       | -                                       | 214,353                                 |
| Capital outlay   | 675,054             | 694,551          | -                    | -                       | -                                       | 1,369,605                               |
| Principal payments on debt                                       | -                   | -                | -                    | 770,000                 | -                                       | 770,000                                 |
| Interest on long-term debt                                       | -                   | -                | -                    | 32,525                  | 17,200                                  | 49,725                                  |
| Bond fees  | -                   | -                | -                    | 9,675                   | -                                       | 9,675                                   |
| Total expenditures   | <u>3,138,532</u>    | <u>1,097,916</u> | <u>-</u>             | <u>812,200</u>          | <u>178,854</u>                          | <u>5,227,502</u>                        |
| <b>Excess (deficiency) of<br/>    revenues over expenditures</b> | 29,120              | (516,378)        | 1,601                | (16,395)                | 212,530                                 | (289,522)                               |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>                        |                     |                  |                      |                         |   |   |
| Transfers in   | 13,247              | 393,197          | -                    | 81,025                  | -                                       | 487,469                                 |
| Transfer from CDA  | -                   | 125,000          | -                    | -                       | -                                       | 125,000                                 |
| Transfers out  | (506,997)           | -                | (1,247)              | -                       | (12,000)                                | (520,244)                               |
| Net transfers  | <u>(493,750)</u>    | <u>518,197</u>   | <u>(1,247)</u>       | <u>81,025</u>           | <u>(12,000)</u>                         | <u>92,225</u>                           |
| <b>Net change in fund balances</b>                               | (464,630)           | 1,819            | 354                  | 64,630                  | 200,530                                 | (197,297)                               |
| 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>                        |
| Fund balances - September 30, 2012                               | <u>\$ 1,181,456</u> | <u>\$ 2,814</u>  | <u>\$ 230,102</u>    | <u>\$ 680,240</u>       | <u>\$ 1,378,417</u>                     | <u>\$ 3,473,029</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, 2012**

**Total net change in fund balances - governmental funds** \$ (197,297)

Amounts reported for *governmental activities* 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 (\$1,454,950) exceeded depreciation expense (\$810,358) during the period. 644,592

The donation of a spec building does not impact the governmental funds. However, the donation is recorded as an economic development expense in the statement of activities. (252,297)

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 (\$14,604) exceeded amortization expense (\$9,202) during the period. 5,402

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. 42,303

The change in noncurrent compensated absences is reported as an expense in the statement of net assets. Noncurrent compensated absences are not reported in the governmental funds. (3,884)

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. (940,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 770,000

**Change in net assets of governmental activities** \$ 68,819

See notes to financial statements.

**CITY OF WAYNE, NEBRASKA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

**September 30, 2012**

|  | Enterprise Funds |               |
|--|------------------|---------------|
|  | Electric<br>Fund | Water<br>Fund |
| <b>ASSETS</b>                                    |                  |               |
| Current assets:                                  |                  |               |
| Cash and cash equivalents                        | \$ 418,459       | \$ 242,146    |
| Investments                                      | 5,310,089        | 982,635       |
| Receivables:                                     |                  |               |
| Accounts, net of allowance for doubtful accounts | 664,317          | 69,959        |
| Unbilled revenue                                 | 211,662          | 29,776        |
| Grant  | 229,961          | -             |
| Special assessments                              | -                | 78,330        |
| Interest   | 14,233           | 877           |
| Current portion of notes                         | -                | -             |
| Due from other funds                             | 365,000          | -             |
| Due from Community Development Agency            | 363,455          | -             |
| Inventory  | 201,309          | 33,450        |
| Total current assets                             | 7,778,485        | 1,437,173     |
| Noncurrent assets:                               |                  |               |
| Restricted cash and cash equivalents             | 252,318          | -             |
| Restricted investments                           | 465,883          | -             |
| Unamortized bond costs                           | 35,829           | -             |
| Capital assets:                                  |                  |               |
| Land   | 129,517          | 143,875       |
| Construction in progress                         | 1,906,590        | 34,908        |
| Distribution systems                             | 5,165,094        | 5,098,229     |
| Buildings  | 6,003,039        | 141,152       |
| Equipment  | 3,505,386        | 458,360       |
| Less accumulated depreciation                    | (10,160,583)     | (3,616,046)   |
| Net capital assets                               | 6,549,043        | 2,260,478     |
| Total noncurrent assets                          | 7,303,073        | 2,260,478     |
| Total assets                                     | 15,081,558       | 3,697,651     |
| <b>LIABILITIES</b>                               |                  |               |
| Current liabilities:                             |                  |               |
| Accounts payable                                 | 557,735          | 16,156        |
| Customer deposits                                | 152,427          | -             |
| Accrued interest payable                         | 16,341           | 4,264         |
| Other accrued expenses                           | 93,858           | 15,582        |
| Current portion of long-term obligations         | 260,000          | 31,981        |
| Total current liabilities                        | 1,080,361        | 67,983        |
| Noncurrent liabilities:                          |                  |               |
| Compensated absences - noncurrent                | 55,787           | 7,693         |
| Noncurrent portion of long-term obligations      | 2,215,000        | 698,911       |
| Total noncurrent liabilities                     | 2,270,787        | 706,604       |
| Total liabilities                                | 3,351,148        | 774,587       |
| <b>NET ASSETS</b>                                |                  |               |
| Invested in capital assets, net of related debt  | 4,109,872        | 1,529,586     |
| Restricted for:                                  |                  |               |
| Debt service                                     | 496,950          | -             |
| Economic development                             | 76,868           | -             |
| Unrestricted                                     | 7,046,720        | 1,393,478     |
| Total net assets                                 | \$ 11,730,410    | \$ 2,923,064  |

See notes to financial statements.

| Enterprise Funds    |                     |                      | Internal          |
|---------------------|---------------------|----------------------|-------------------|
| Sewer<br>Fund       | Transfer<br>Station | Total                | Service<br>Fund   |
| \$ 235,800          | \$ 13,535           | \$ 909,940           | \$ 56,312         |
| 988,068             | -                   | 7,280,792            | 91,285            |
| 103,274             | -                   | 837,550              | -                 |
| 47,438              | -                   | 288,876              | -                 |
| -                   | -                   | 229,961              | -                 |
| -                   | -                   | 78,330               | -                 |
| 3,167               | -                   | 18,277               | 58                |
| -                   | -                   | -                    | 9,131             |
| -                   | -                   | 365,000              | -                 |
| -                   | -                   | 363,455              | -                 |
| -                   | -                   | 234,759              | -                 |
| <u>1,377,747</u>    | <u>13,535</u>       | <u>10,606,940</u>    | <u>156,786</u>    |
| -                   | -                   | 252,318              | -                 |
| -                   | -                   | 465,883              | -                 |
| -                   | -                   | 35,829               | -                 |
| 55,178              | 41,181              | 369,751              | -                 |
| 6,251,141           | -                   | 8,192,639            | -                 |
| 2,970,582           | -                   | 13,233,905           | -                 |
| 1,277,161           | 606,685             | 8,028,037            | -                 |
| 859,673             | 37,919              | 4,861,338            | -                 |
| (3,882,325)         | (368,130)           | (18,027,084)         | -                 |
| <u>7,531,410</u>    | <u>317,655</u>      | <u>16,658,586</u>    | <u>-</u>          |
| <u>7,531,410</u>    | <u>317,655</u>      | <u>17,412,616</u>    | <u>-</u>          |
| <u>8,909,157</u>    | <u>331,190</u>      | <u>28,019,556</u>    | <u>156,786</u>    |
| 6,351               | -                   | 580,242              | 21,000            |
| -                   | -                   | 152,427              | -                 |
| 26,684              | -                   | 47,289               | -                 |
| 15,008              | -                   | 124,448              | -                 |
| 330,830             | -                   | 622,811              | -                 |
| <u>378,873</u>      | <u>-</u>            | <u>1,527,217</u>     | <u>21,000</u>     |
| 7,217               | -                   | 70,697               | -                 |
| 4,260,734           | -                   | 7,174,645            | -                 |
| <u>4,267,951</u>    | <u>-</u>            | <u>7,245,342</u>     | <u>-</u>          |
| <u>4,646,824</u>    | <u>-</u>            | <u>8,772,559</u>     | <u>21,000</u>     |
| 2,939,846           | 317,655             | 8,896,959            | -                 |
| -                   | -                   | 496,950              | -                 |
| -                   | -                   | 76,868               | -                 |
| 1,322,487           | 13,535              | 9,776,220            | 135,786           |
| <u>\$ 4,262,333</u> | <u>\$ 331,190</u>   | <u>\$ 19,246,997</u> | <u>\$ 135,786</u> |

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

**For the year ended September 30, 2012**

|  | Enterprise Funds     |                     |                     |                     | Total                | Internal<br>Service<br>Fund |
|--|----------------------|---------------------|---------------------|---------------------|----------------------|-----------------------------|
|  | Electric<br>Fund     | Water<br>Fund       | Sewer<br>Fund       | Transfer<br>Station |                      |                             |
| <b>Operating revenues:</b>               |                      |                     |                     |                     |                      |                             |
| User charges                             | \$ 6,300,539         | \$ 635,948          | \$ 1,062,774        | \$ 800              | \$ 8,000,061         | \$ -                        |
| Health insurance premiums                | -                    | -                   | -                   | -                   | -                    | 375,176                     |
| Other revenue                            | 49,399               | 12,613              | 9,840               | 11,000              | 82,852               | -                           |
| Total operating revenues                 | <u>6,349,938</u>     | <u>648,561</u>      | <u>1,072,614</u>    | <u>11,800</u>       | <u>8,082,913</u>     | <u>375,176</u>              |
| <b>Operating expenses:</b>               |                      |                     |                     |                     |                      |                             |
| Cost of power                            | 3,864,128            | -                   | -                   | -                   | 3,864,128            | -                           |
| Personnel                                | 1,000,458            | 157,743             | 155,210             | (642)               | 1,312,769            | -                           |
| Contract services                        | 26,956               | 87,104              | 226,464             | -                   | 340,524              | -                           |
| Commodities                              | 709,155              | 74,129              | 264,993             | 5,858               | 1,054,135            | -                           |
| Payments in lieu of taxes                | 436,118              | 38,983              | 51,986              | -                   | 527,087              | -                           |
| Insurance claims and health premiums     | -                    | -                   | -                   | -                   | -                    | 333,456                     |
| Depreciation                             | 336,342              | 206,544             | 161,060             | 19,204              | 723,150              | -                           |
| Amortization                             | 7,613                | -                   | -                   | -                   | 7,613                | -                           |
| Total operating expenses                 | <u>6,380,770</u>     | <u>564,503</u>      | <u>859,713</u>      | <u>24,420</u>       | <u>7,829,406</u>     | <u>333,456</u>              |
| Operating income (loss)                  | (30,832)             | 84,058              | 212,901             | (12,620)            | 253,507              | 41,720                      |
| <b>Nonoperating revenues (expenses):</b> |                      |                     |                     |                     |                      |                             |
| Interest income                          | 72,516               | 6,916               | 7,369               | 14                  | 86,815               | 583                         |
| Grant revenue                            | 222,410              | 3,081               | 26,020              | -                   | 251,511              | -                           |
| Special assessments                      | -                    | 2,993               | -                   | -                   | 2,993                | -                           |
| Interest expense                         | (43,460)             | (14,942)            | (86,378)            | -                   | (144,780)            | -                           |
| Loan administration fees                 | -                    | (7,545)             | (42,888)            | -                   | (50,433)             | -                           |
| Total nonoperating revenues (expenses)   | <u>251,466</u>       | <u>(9,497)</u>      | <u>(95,877)</u>     | <u>14</u>           | <u>146,106</u>       | <u>583</u>                  |
| Income (loss) before interfund transfers | 220,634              | 74,561              | 117,024             | (12,606)            | 399,613              | 42,303                      |
| <b>Interfund transfers:</b>              |                      |                     |                     |                     |                      |                             |
| Transfer from (to) other funds           | (42,225)             | -                   | 75,000              | -                   | 32,775               | -                           |
| <b>Change in net assets</b>              | 178,409              | 74,561              | 192,024             | (12,606)            | 432,388              | 42,303                      |
| 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>               |
| Net assets - September 30, 2012          | <u>\$ 11,730,410</u> | <u>\$ 2,923,064</u> | <u>\$ 4,262,333</u> | <u>\$ 331,190</u>   | <u>\$ 19,246,997</u> | <u>\$ 135,786</u>           |

See notes to financial statements.

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

**For the year ended September 30, 2012**

|  | Enterprise Funds |               |
|--|------------------|---------------|
|  | Electric<br>Fund | Water<br>Fund |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                         |                  |               |
| Receipts from customers  | \$ 6,313,600     | \$ 633,995    |
| Receipts from other funds  | -                | -             |
| Payments to suppliers  | (4,879,166)      | (209,100)     |
| Payments to employees  | (998,226)        | (157,667)     |
| Net cash provided by operating activities                            | 436,208          | 267,228       |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>              |                  |               |
| Transfers (to) from other funds                                      | (42,225)         | -             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>     |                  |               |
| Purchase of property and equipment                                   | (2,157,712)      | (87,308)      |
| Grant proceeds   | -                | 3,081         |
| Special assessments received   | -                | 9,206         |
| Increase in due to other funds                                       | -                | -             |
| Proceeds from issuance of capital debt                               | 1,680,000        | 21,655        |
| Payment of bond fees   | (23,075)         | -             |
| Principal payments on capital debt                                   | (255,000)        | (31,522)      |
| Interest paid on capital debt  | (35,252)         | (14,917)      |
| Loan administration fees   | -                | (7,545)       |
| Net cash provided (used) by capital and related financing activities | (791,039)        | (107,350)     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                         |                  |               |
| (Increase) decrease in investments                                   | 638,920          | (55,398)      |
| Increase in due from Community Development Agency                    | (160,000)        | -             |
| Increase in notes receivable   | -                | -             |
| (Increase) decrease in due from other funds                          | 35,000           | 6,993         |
| Interest received  | 70,830           | 6,846         |
| Net cash provided (used) by investing activities                     | 584,750          | (41,559)      |
| Increase in cash and cash equivalents                                | 187,694          | 118,319       |
| Cash and cash equivalents - beginning of the year                    | 483,083          | 123,827       |
| Cash and cash equivalents - end of the year                          | \$ 670,777       | \$ 242,146    |
| <b>Composition of cash and cash equivalents:</b>                     |                  |               |
| Cash and cash equivalents  | \$ 418,459       | \$ 242,146    |
| Restricted cash and cash equivalents                                 | 252,318          | -             |
| Total cash and cash equivalents                                      | \$ 670,777       | \$ 242,146    |

| Enterprise Funds  |                  |                     | Internal Service Fund |
|-------------------|------------------|---------------------|-----------------------|
| Sewer Fund        | Transfer Station | Total               |                       |
| \$ 1,060,270      | \$ 11,800        | \$ 8,019,665        | \$ -                  |
| -                 | -                | -                   | 375,176               |
| (588,185)         | (5,216)          | (5,681,667)         | (320,930)             |
| (155,747)         | -                | (1,311,640)         | -                     |
| <u>316,338</u>    | <u>6,584</u>     | <u>1,026,358</u>    | <u>54,246</u>         |
| 75,000            | -                | 32,775              | -                     |
| (682,728)         | -                | (2,927,748)         | -                     |
| 26,020            | -                | 29,101              | -                     |
| -                 | -                | 9,206               | -                     |
| (6,993)           | -                | (6,993)             | -                     |
| 1,219,212         | -                | 2,920,867           | -                     |
| -                 | -                | (23,075)            | -                     |
| (95,000)          | -                | (381,522)           | -                     |
| (75,323)          | -                | (125,492)           | -                     |
| (42,888)          | -                | (50,433)            | -                     |
| <u>342,300</u>    | <u>-</u>         | <u>(556,089)</u>    | <u>-</u>              |
| (556,972)         | -                | 26,550              | (503)                 |
| -                 | -                | (160,000)           | -                     |
| -                 | -                | -                   | (352)                 |
| -                 | -                | 41,993              | -                     |
| 4,538             | 14               | 82,228              | 585                   |
| <u>(552,434)</u>  | <u>14</u>        | <u>(9,229)</u>      | <u>(270)</u>          |
| 181,204           | 6,598            | 493,815             | 53,976                |
| <u>54,596</u>     | <u>6,937</u>     | <u>668,443</u>      | <u>2,336</u>          |
| <u>\$ 235,800</u> | <u>\$ 13,535</u> | <u>\$ 1,162,258</u> | <u>\$ 56,312</u>      |
| \$ 235,800        | \$ 13,535        | \$ 909,940          | \$ 56,312             |
| -                 | -                | 252,318             | -                     |
| <u>\$ 235,800</u> | <u>\$ 13,535</u> | <u>\$ 1,162,258</u> | <u>\$ 56,312</u>      |

**CITY OF WAYNE, NEBRASKA**

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

**For the year ended September 30, 2012**

|   | Enterprise Funds |               |
|---|------------------|---------------|
|   | Electric<br>Fund | Water<br>Fund |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |                  |               |
| Operating income (loss)   | \$ (30,832)      | \$ 84,058     |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities:        |                  |               |
| Depreciation expense  | 336,342          | 206,544       |
| Amortization expense  | 7,613            | -             |
| Change in assets and liabilities:   |                  |               |
| Accounts receivable   | (50,490)         | (14,566)      |
| Inventories   | (11,495)         | (14,795)      |
| Accounts payable  | 168,686          | 5,911         |
| Customer deposits   | 14,152           | -             |
| Accrued expenses  | 2,232            | 76            |
| Net cash provided by operating activities   | \$ 436,208       | \$ 267,228    |

See notes to financial statements.

| <u>Enterprise Funds</u> |                             |  |                     | <u>Internal<br/>Service<br/>Fund</u> |
|-------------------------|-----------------------------|--|---------------------|--------------------------------------|
| <u>Sewer<br/>Fund</u>   | <u>Transfer<br/>Station</u> |  | <u>Total</u>        |                                      |
| \$ 212,901              | \$ (12,620)                 |  | \$ 253,507          | \$ 41,720                            |
| 161,060                 | 19,204                      |  | 723,150             | -                                    |
| -                       | -                           |  | 7,613               | -                                    |
| (12,344)                | -                           |  | (77,400)            | -                                    |
| -                       | -                           |  | (26,290)            | -                                    |
| (44,742)                | -                           |  | 129,855             | 13,616                               |
| -                       | -                           |  | 14,152              | -                                    |
| (537)                   | -                           |  | 1,771               | (1,090)                              |
| <u>\$ 316,338</u>       | <u>\$ 6,584</u>             |  | <u>\$ 1,026,358</u> | <u>\$ 54,246</u>                     |

**CITY OF WAYNE, NEBRASKA**

**STATEMENT OF NET ASSETS - FIDUCIARY FUND**

**September 30, 2012**

|                      | <u>Agency<br/>Fund</u> |
|----------------------|------------------------|
| <b>ASSETS</b>        |                        |
| Cash                 | \$ 58,251              |
| Investments          | 130,530                |
| Sales tax receivable | 29,674                 |
| Other receivables    | 376                    |
| Total assets         | <u>\$ 218,831</u>      |
| <b>LIABILITIES</b>   |                        |
| Agency liabilities   | <u>\$ 218,831</u>      |

See notes to financial statements.

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

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

**September 30, 2012**

**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<br>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, 2012**

**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, 2012**

**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, 2012**

**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, 2012**

**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, 2012

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, 2012**

**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, 2012**

**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, 2012**

**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>109,935</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, 2012**

**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, 2012**

**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, 2012**

**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, 2012**

**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 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 22). 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, 2012**

**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, 2012**

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

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

**Property Taxes, continued**

Property taxes levied for 2011-2012 are recorded as revenue when expected to be collected within 60 days after September 30, 2012. 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, 2012**

**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, 2012**

**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, 2012**

**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, 2012. The categories of collateral are defined as follows:

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

**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<br/>Balance</u> | <u>Category<br/>1</u> | <u>Category<br/>2</u> | <u>Category<br/>3</u> | <u>Total<br/>Carrying<br/>Value</u> |
|---|-------------------------------|-----------------------|-----------------------|-----------------------|-------------------------------------|
| Demand deposits and<br>money market accounts                    | \$ 3,155,453                  | \$ 2,928,417          | \$ 227,036            | \$ -                  | <u>\$ 2,927,785</u>                 |
| Reconciliation to Government-wide Statement of Net Assets:      |                               |                       |                       |                       |                                     |
| Primary Government –  |                               |                       |                       |                       |                                     |
| Unrestricted cash and cash equivalents                          |                               |                       |                       |                       | \$ 2,180,711                        |
| Restricted cash and cash equivalents                            |                               |                       |                       |                       | 340,377                             |
| Component Unit –  |                               |                       |                       |                       |                                     |
| Unrestricted cash and cash equivalents                          |                               |                       |                       |                       | 348,446                             |
| Agency Fund Cash (not included in<br>government-wide statement) |                               |                       |                       |                       | <u>58,251</u>                       |
|   |                               |                       |                       |                       | <u>\$ 2,927,785</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, 2012. The categories of investments are defined as follows:

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

**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<br/>1</u> | <u>Category<br/>2</u> | <u>Category<br/>3</u> | <u>Carrying<br/>Amount</u> | <u>Fair<br/>Value</u> |
|---------------------------|-----------------------|-----------------------|-----------------------|----------------------------|-----------------------|
| Money Market              | \$ 813,278            | \$ -                  | \$ -                  | \$ 813,278                 | \$ 813,278            |
| Time Deposits             | 8,435,605             | -                     | -                     | <u>8,435,605</u>           | <u>8,435,605</u>      |
|                           |                       |                       |                       | <u>\$ 9,248,883</u>        | <u>\$ 9,248,883</u>   |

Reconciliation to Government-wide Statement of Net Assets:

|   |                     |
|---|---------------------|
| Primary Government –  |                     |
| Unrestricted investments                                    | \$ 8,589,142        |
| Restricted investments                                      | 529,211             |
| Component Unit –  |                     |
| Unrestricted investments                                    | -                   |
| Restricted investments                                      | -                   |
| Agency Funds (not included in<br>government-wide statement) | <u>130,530</u>      |
|   | <u>\$ 9,248,883</u> |

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

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

**2. Restricted Assets**

The restricted assets as of September 30, 2012, are as follows:

|                            | Governmental<br><u>Activities</u> | Business-<br>type<br><u>Activities</u> | Total<br>Primary<br><u>Government</u> | Component<br><u>Unit</u> |
|----------------------------|-----------------------------------|--|---------------------------------------|--------------------------|
| Type of Restricted Assets: |                                   |  |                                       |                          |
| Cash and cash equivalents  | \$ 88,059                         | \$ 252,318                             | \$ 340,377                            | \$ -                     |
| Investments                | <u>63,328</u>                     | <u>465,883</u>                         | <u>529,211</u>                        | <u>-</u>                 |
|                            | <u>\$ 151,387</u>                 | <u>\$ 718,201</u>                      | <u>\$ 869,588</u>                     | <u>\$ -</u>              |

Restricted cash for governmental activities consists of \$88,059 of General Fund cash restricted for capital projects. Restricted investments for governmental activities consist of \$27,262 of General Fund investments restricted to be used for parks and \$36,066 of General Fund investments restricted to be used for the golf course.

Restricted business-type assets consist of debt service reserves of \$496,950 for the Electric Fund. The Electric Fund also has \$144,383 restricted for customer deposits and \$76,868 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, 2012, is as follows:

|                                 | Governmental<br><u>Activities</u> | Business-<br>type<br><u>Activities</u> | Total<br>Primary<br><u>Government</u> | Component<br><u>Units</u> |
|---------------------------------|-----------------------------------|--|---------------------------------------|---------------------------|
| Accounts receivable             | \$ 4,092                          | \$ 850,731                             | \$ 854,823                            | \$ 886                    |
| Allowance for doubtful accounts | ( 574)                            | ( 13,181)                              | ( 13,755)                             | -                         |
| Net accounts receivable         | <u>\$ 3,518</u>                   | <u>\$ 837,550</u>                      | <u>\$ 841,068</u>                     | <u>\$ 886</u>             |

**CITY OF WAYNE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2012**

**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, 2012:

| <u>Note Held By</u>        | <u>Due From</u>          | <u>Note Balance at<br/>September 30,<br/>2012</u> | <u>Terms</u>  |
|----------------------------|--------------------------|---|---|
| Community Development Fund | Mines Jewelers           | \$ 17,856   | 4%; monthly payments due over 84 months; final balloon payment due 7/20/16        |
| Community Development Fund | Snakey Jakes             | 3,927   | 4.375%; monthly payments due over 84 months; matures 3/01/15                      |
| Community Development Fund | Wayne Child Care         | 49,214  | 4%; monthly payments due over 84 months; final balloon payment due 5/10/15        |
| Community Development Fund | Sand Creek Post and Beam | 146,667   | 0%; monthly payments due over 120 months; final balloon payment due 1/02/20       |
| Community Development Fund | Interactive Impact       | 91,413  | 4%; monthly payments due over 84 months; final balloon payment due 5/01/17        |
| Community Development Fund | Wayne Hospitality Group  | 125,000   | 3.125%; annual payments due over 15 years; final payment due 12/1/26              |
| Community Development Fund | Udder Delights           | 16,046  | 4.5%; monthly payments over 84 months; matures 5/16/14                            |
| Community Development Fund | The Max Again            | 82,437  | 4.95%; monthly payments due over 84 months; matures 5/25/14                       |
| Community Development Fund | Miss Molly's             | 49,371  | 2.75%; monthly payments due over 84 months; final balloon payment due May 1, 2019 |
| Community Development Fund | 9 housing loans          | 190,930   | 0%; housing loans; due when property is sold                                      |
| LB840 Fund                 | Miss Molly's             | 30,000  | 0%; forgivable at \$6,000 per year July 12, 2013, through July 12, 2017           |

**CITY OF WAYNE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2012**

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

**3. Accounts and Notes Receivable, continued**

| <u>Note Held By</u>    | <u>Due From</u>                   | <u>Note Balance at<br/>September 30,<br/>2012</u> | <u>Terms</u>   |
|------------------------|-----------------------------------|---|--|
| LB840 Fund             | RBDK, LLC                         | 70,000  | 0%; forgivable at \$14,000 per year<br>December 11, 2012, through<br>December 11, 2016 |
| LB840 Fund             | Interactive Impact, Inc.          | 12,000  | 0%; forgivable at \$500 per month<br>October 1, 2009, through<br>October 1, 2014       |
| LB840 Fund             | Digital Blue, Inc.                | 12,240  | 0%; forgivable at \$510 per month<br>October 1, 2009, through<br>October 1, 2014       |
| LB840 Fund             | Louis and Javanah<br>Benscoter    | 14,400  | 0%; forgivable at \$600 per month<br>October 1, 2009, through<br>October 1, 2014       |
| LB840 Fund             | Wayne Hospitality<br>Group        | 250,000   | 0%; forgivable when construction<br>of a 44-room hotel is complete                     |
| LB840 Fund             | DRJ LLC/INET Library              | 82,285  | 3%; annual payments of \$10,568<br>plus interest May 10, 2013,<br>through May 10, 2021 |
| LB840 Fund             | James Milliken                    | 28,400  | 0%; annual payments of \$3,550<br>January 1, 2011, through<br>January 1, 2020          |
| Internal Service Fund  | Employees of the City<br>of Wayne | 9,131   | 0%; payroll deduction for<br>computer/electronic purchases                             |
| Total notes receivable |                                   | <u>\$ 1,281,317</u>                               |  |
| Current portion        |                                   | \$ 107,844  |  |
| Noncurrent portion     |                                   | <u>1,173,473</u>                                  |  |
|                        |                                   | <u>\$ 1,281,317</u>                               |  |

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

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

**4. Capital Assets**

Capital asset activity for the year ended September 30, 2012, was as follows:

|   | <u>Balance at</u><br><u>October 1, 2011</u> | <u>Additions</u>  | <u>Disposals</u>    | <u>Reclass</u> | <u>Balance at</u><br><u>September 30, 2012</u> |
|---|---|-------------------|---------------------|----------------|--|
| <b><u>Governmental Activities:</u></b>        |   |                   |                     |                |  |
| Capital assets not being depreciated:         |   |                   |                     |                |  |
| Land  | \$ 617,650                                  | \$ -              | \$ -                | \$ -           | \$ 617,650                                     |
| Spec building                                 | 252,297                                     | -                 | (252,297)           | -              | -  |
| Construction in progress                      | 266,870                                     | 298,757           | -                   | (12,731)       | 552,896  |
| Total capital assets not being depreciated    | 1,136,817                                   | 298,757           | (252,297)           | (12,731)       | 1,170,546                                      |
| Other capital assets being depreciated:       |   |                   |                     |                |  |
| Infrastructure                                | 13,579,969                                  | 413,240           | -                   | 12,731         | 14,005,940                                     |
| Improvements                                  | 972,372                                     | 139,345           | -                   | -              | 1,111,717                                      |
| Buildings                                     | 9,498,849                                   | 13,788            | -                   | -              | 9,512,637                                      |
| Machinery and equipment                       | 2,430,655                                   | 589,820           | -                   | -              | 3,020,475                                      |
| Total other capital assets at historical cost | 26,481,845                                  | 1,156,193         | -                   | 12,731         | 27,650,769                                     |
| Less accumulated depreciation for:            |   |                   |                     |                |  |
| Infrastructure                                | (7,389,546)                                 | (382,674)         | -                   | -              | (7,772,220)                                    |
| Improvements                                  | (373,738)                                   | (34,876)          | -                   | -              | (408,614)                                      |
| Buildings                                     | (3,108,888)                                 | (236,376)         | -                   | -              | (3,345,264)                                    |
| Machinery and equipment                       | (1,798,641)                                 | (156,432)         | -                   | -              | (1,955,073)                                    |
| Total accumulated depreciation                | (12,670,813)                                | (810,358) *       | -                   | -              | (13,481,171)                                   |
| Other capital assets, net                     | 13,811,032                                  | 345,835           | -                   | 12,731         | 14,169,598                                     |
| Governmental activities capital assets, net   | <u>\$ 14,947,849</u>                        | <u>\$ 644,592</u> | <u>\$ (252,297)</u> | <u>\$ -</u>    | <u>\$ 15,340,144</u>                           |

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

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

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

4. Capital Assets, continued

Governmental Activities, continued:

General Fund:

|   |                   |
|---|-------------------|
| General government/public buildings     | \$ 86,902         |
| Public safety                           | 76,235            |
| Public works:                           |                   |
| Street                                  | 456,795           |
| Library                                 | 2,746             |
| Senior citizens services                | 2,746             |
| Recreation                              | 68,302            |
| Community Activity Center:              | <u>116,632</u>    |
| Total General Fund depreciation expense | \$ <u>810,358</u> |

Construction in progress at September 30, 2012, consists of \$107,145 for the Hiking Trail – Phase II Project, \$39,303 for the 10th Street Project, \$13,239 for the Trail Signage – Phase I Project, \$14,100 for the Trail Slope Stabilization Project, \$86,117 for the Windom Street Project, and \$292,992 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, 2012**

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

**4. Capital Assets, continued**

|   | Balance at<br><u>October 1, 2011</u> | <u>Additions</u>    | <u>Disposals</u> | <u>Reclass</u> | Balance at<br><u>September 30, 2012</u> |
|---|--------------------------------------|---------------------|------------------|----------------|---|
| <b><u>Business-type Activities:</u></b>       |                                      |                     |                  |                |   |
| Capital assets not being depreciated:         |                                      |                     |                  |                |   |
| Land  | \$ 369,751                           | \$ -                | \$ -             | \$ -           | \$ 369,751                              |
| Construction in progress                      | <u>5,789,947</u>                     | <u>2,402,692</u>    | <u>-</u>         | <u>-</u>       | <u>8,192,639</u>                        |
| Total capital assets not being depreciated    | 6,159,698                            | 2,402,692           | -                | -              | 8,562,390                               |
| Other capital assets being depreciated:       |                                      |                     |                  |                |   |
| Buildings                                     | 8,028,037                            | -                   | -                | -              | 8,028,037                               |
| Distribution systems                          | 12,722,943                           | 510,962             | -                | -              | 13,233,905                              |
| Equipment                                     | <u>4,847,243</u>                     | <u>14,095</u>       | <u>-</u>         | <u>-</u>       | <u>4,861,338</u>                        |
| Total other capital assets at historical cost | 25,598,223                           | 525,057             | -                | -              | 26,123,280                              |
| Less accumulated depreciation for:            |                                      |                     |                  |                |   |
| Buildings                                     | (5,226,489)                          | (229,070)           | -                | -              | (5,455,559)                             |
| Distribution systems                          | (7,535,623)                          | (406,926)           | -                | -              | (7,942,549)                             |
| Equipment                                     | <u>(4,541,822)</u>                   | <u>(87,154)</u>     | <u>-</u>         | <u>-</u>       | <u>(4,628,976)</u>                      |
| Total accumulated depreciation                | <u>(17,303,934)</u>                  | <u>(723,150)</u> *  | <u>-</u>         | <u>-</u>       | <u>(18,027,084)</u>                     |
| Other capital assets, net                     | <u>8,294,289</u>                     | <u>(198,093)</u>    | <u>-</u>         | <u>-</u>       | <u>8,096,196</u>                        |
| Business-type capital assets, net             | <u>\$ 14,453,987</u>                 | <u>\$ 2,204,599</u> | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ 16,658,586</u>                    |

\* Depreciation expense was charged to functions as follows:

|   |                   |
|---|-------------------|
| Electric  | \$ 336,342        |
| Water   | 206,544           |
| Sewer   | 161,060           |
| Transfer Station                                    | <u>19,204</u>     |
| Total business-type activities depreciation expense | \$ <u>723,150</u> |

Construction in progress at September 30, 2012, consists of \$1,260,461 of costs incurred for the Electric Fund Cooling Tower Project, \$646,129 of costs incurred for the Rice Data Collection Project, \$34,908 of costs on the Wellhead Protection Project, and \$6,251,141 of costs incurred for the Wastewater Treatment Plant. See Note D3 for additional detail of the construction in progress at September 30, 2012.

**CITY OF WAYNE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2012**

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

**4. Capital Assets, continued**

|   | <u>Balance at</u><br><u>September 30, 2011</u> | <u>Additions</u>  | <u>Disposals</u> | <u>Reclass</u>     | <u>Balance at</u><br><u>September 30, 2012</u> |
|---|--|-------------------|------------------|--------------------|--|
| <b><u>Airport Authority:</u></b>              |  |                   |                  |                    |  |
| Capital assets not being depreciated:         |  |                   |                  |                    |  |
| Land  | \$ 287,776                                     | \$ -              | \$ -             | \$ -               | \$ 287,776                                     |
| Construction in progress                      | 4,076,283                                      | 70,656            | -                | (4,076,283)        | 70,656   |
|   | <u>4,364,059</u>                               | <u>70,656</u>     | <u>-</u>         | <u>(4,076,283)</u> | <u>358,432</u>                                 |
| Other capital assets being depreciated:       |  |                   |                  |                    |  |
| Buildings                                     | 545,412  | -                 | -                | -                  | 545,412  |
| Improvements                                  | 2,737,686                                      | 286,448           | (2,123,249)      | 4,076,283          | 4,977,168                                      |
| Equipment                                     | 214,805  | 16,350            | (24,094)         | -                  | 207,061  |
| Total other capital assets at historical cost | 3,497,903                                      | 302,798           | (2,147,343)      | 4,076,283          | 5,729,641                                      |
| Less accumulated depreciation for:            |  |                   |                  |                    |  |
| Buildings                                     | (228,962)                                      | (12,998)          | -                | -                  | (241,960)                                      |
| Improvements                                  | (2,471,173)                                    | (35,259)          | 2,123,249        | -                  | (383,183)                                      |
| Equipment                                     | (129,177)                                      | (12,748)          | 24,094           | -                  | (117,831)                                      |
| Total accumulated depreciation                | <u>(2,829,312)</u>                             | <u>(61,005)</u>   | <u>2,147,343</u> | <u>-</u>           | <u>(742,974)</u>                               |
| Other capital assets, net                     | <u>668,591</u>                                 | <u>241,793</u>    | <u>-</u>         | <u>4,076,283</u>   | <u>4,986,667</u>                               |
| Airport Authority capital assets, net         | <u>\$ 5,032,650</u>                            | <u>\$ 312,449</u> | <u>\$ -</u>      | <u>\$ -</u>        | <u>\$ 5,345,099</u>                            |

Construction in progress of \$70,656 at September 30, 2012, represents costs incurred on the hangar/terminal building project. See Note D3 for additional details on commitments.

|   | <u>Balance at</u><br><u>September 30, 2011</u> | <u>Additions</u> | <u>Disposals</u>   | <u>Balance at</u><br><u>September 30, 2012</u> |
|---|--|------------------|--------------------|--|
| <b><u>Community Development Agency:</u></b> |  |                  |                    |  |
| Capital assets not being depreciated:       |  |                  |                    |  |
| Land  | \$ <u>256,410</u>                              | \$ <u>-</u>      | \$ <u>(51,973)</u> | \$ <u>204,437</u>                              |

**5. Accounts Payable**

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

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

**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, 2012:

| <u>Type of Debt</u>                  | Balance<br>October 1,<br>2011 | <u>Additions</u> | <u>Deductions</u> | Balance<br>September 30,<br>2012 | Amounts Due<br>Within<br>One Year |
|--------------------------------------|-------------------------------|------------------|-------------------|----------------------------------|-----------------------------------|
| Governmental Activities:             |                               |                  |                   |                                  |                                   |
| Bonds payable                        | \$ 2,045,000                  | \$ 940,000       | \$ (770,000)      | \$ 2,215,000                     | \$ 115,000                        |
| Business-type Activities:            |                               |                  |                   |                                  |                                   |
| Bonds payable                        | \$ 5,258,111                  | \$ 2,920,867     | \$ (381,522)      | \$ 7,797,456                     | \$ 622,811                        |
| Component Units:                     |                               |                  |                   |                                  |                                   |
| Airport Authority                    | \$ 49,818                     | \$ -             | \$ (14,940)       | \$ 34,878                        | \$ 12,284                         |
| Community Develop-<br>ment Authority | 466,876                       | 792,000          | (11,969)          | 1,246,907                        | 19,642                            |
| Total component unit                 | \$ 516,694                    | \$ 792,000       | \$ (26,909)       | \$ 1,281,785                     | \$ 31,926                         |

**Governmental Activities**

As of September 30, 2012, 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. \$ 415,000

Public safety bonds - series 2012, with original issue amount of \$355,000. Interest ranges from 2.20 to 3.05 percent with final maturity May 1, 2028. 355,000

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

**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 refunding bonds - series 2011, with original issue amount of \$585,000 issued to refinance the series 2006 various purpose bonds. Interest ranges from 0.50 to 1.85 percent with final maturity September 15, 2018. 510,000

Total bonds payable \$ 2,215,000

Current portion \$ 115,000

Noncurrent portion 2,100,000

Total \$ 2,215,000

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

**Business-type Activities**

As of September 30, 2012, 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. \$ 795,000

**CITY OF WAYNE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2012**

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

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

**Business-type Activities, continued**

Electric revenue bonds - series 2012, with original issue amount of \$1,680,000. Interest ranges from 0.85 to 3.00 percent with final maturity June 15, 2026. 1,680,000

\$4,686,564 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. 4,591,564

\$762,414 of Water DEQ Notes Payable. 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. 730,892

Total business-type activity bonds and notes payable \$ 7,797,456

Current portion \$ 622,811

Noncurrent portion 7,174,645

Total \$ 7,797,456

**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. \$ 34,878

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. 301,385

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

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

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

**Component Unit, continued**

Community Development Agency Bond Payable, continued:

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. 68,822

Tax increment revenue bond series 2012, with original amount of \$135,000. Interest of 6 percent is due semi-annually commencing December 1, 2013. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 135,000

Tax increment revenue bond series 2012, with original amount of \$467,000. Interest of 6 percent is due semi-annually commencing June 30, 2013. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 467,000

Tax increment revenue bond series 2012, with original amount of \$190,000 principal and interest of 6 percent is due semi-annually commencing June 30, 2013. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 190,000

Total Community Development Agency bonds payable 1,246,907

Total component unit notes and bond payable \$ 1,281,785

Current portion \$ 31,926

Noncurrent portion 1,249,859

Total \$ 1,281,785

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

**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, 2012, are as follows:

| Year Ending<br>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>   |
| 2013                         | \$ 115,000                     | \$ 36,862        | \$ 622,811                      | \$ 166,032         | \$ 55,003        | \$ 31,926             | \$ 70,701         |
| 2014                         | 1,055,000                      | 29,768           | 635,104                         | 152,109            | 51,357           | 91,130                | 73,085            |
| 2015                         | 125,000                        | 23,425           | 647,543                         | 137,515            | 47,638           | 94,332                | 60,918            |
| 2016                         | 120,000                        | 21,725           | 535,131                         | 121,691            | 43,843           | 85,336                | 56,360            |
| 2017                         | 145,000                        | 19,850           | 542,873                         | 112,675            | 39,973           | 85,629                | 51,753            |
| 2018-2022                    | 340,000                        | 64,588           | 2,836,037                       | 409,903            | 139,026          | 466,811               | 186,359           |
| 2023-2027                    | 255,000                        | 31,102           | 1,800,522                       | 118,024            | 36,342           | 426,621               | 55,992            |
| 2028-2032                    | 60,000                         | 1,830            | 177,435                         | 8,068              | 4,034            | -                     | -                 |
|                              | <u>\$2,215,000</u>             | <u>\$229,150</u> | <u>\$ 7,797,456</u>             | <u>\$1,226,017</u> | <u>\$417,216</u> | <u>\$ 1,281,785</u>   | <u>\$ 555,168</u> |

**7. Interfund Transactions and Balances**

Operating transfers:

|                    | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------|---------------------|----------------------|
| General Fund:      |                     |                      |
| Street Fund        | \$ -                | \$ 393,197           |
| Debt Service Fund  | -                   | 38,800               |
| Sewer Fund         | -                   | 75,000               |
| Sales Tax Fund     | 1,247               | -                    |
| E911               | <u>12,000</u>       | <u>-</u>             |
| Total General Fund | 13,247              | 506,997              |
| Street Fund:       |                     |                      |
| General Fund       | 393,197             | -                    |
| Sales Tax Fund:    |                     |                      |
| General Fund       | -                   | 1,247                |

**CITY OF WAYNE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2012**

**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             | 42,225              | -                    |
| General Fund              | <u>38,800</u>       | <u>-</u>             |
| Total Debt Service Fund   | 81,025              | -                    |
| E911 Fund:                |                     |                      |
| General Fund              | -                   | 12,000               |
| Electric Fund:            |                     |                      |
| Debt Service Fund         | -                   | 42,225               |
| Sewer Fund:               |                     |                      |
| General Fund              | <u>75,000</u>       | <u>-</u>             |
| Total Interfund Transfers | <u>\$ 562,469</u>   | <u>\$ 562,469</u>    |

Interfund balances:

| <u>Due From</u> | <u>Due To</u> | <u>Amount</u>     | <u>Terms</u>   |
|-----------------|---------------|-------------------|--|
| LB840           | Electric      | \$ 65,000         | Principal of \$5,000, plus interest at 3% is due semi-annually through December 1, 2018. |
| LB840           | Electric      | 300,000           | Principal of \$100,000, plus interest at 3% is due annually through January 1, 2015.     |
|                 |               | <u>\$ 365,000</u> |  |

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

**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       | \$ 376            | Non-interest-bearing; will be repaid during year ending September 30, 2013. |
| Community Development Agency | General       | 16                | Non-interest-bearing; will be repaid during year ending September 30, 2013. |
| Community Development Agency | Electric      | 160,000           | 0%; on demand or upon sale of real estate.                                  |
| Community Development Agency | Electric      | <u>203,455</u>    | 0%; on demand or upon sale of real estate.                                  |
| Total                        |               | \$ <u>363,847</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 \$353,601 for the year ended September 30, 2012. Both the City and the covered employees’ required contribution of \$21,216 was made for the year ended September 30, 2012. The employees also contributed \$5,946 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, 2012**

**NOTE D – OTHER NOTES, continued**

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

The City maintains a defined contribution plan for the City employees in accordance with Internal Revenue Code Sections 457 and 401(a). The plan is available to all full-time City employees. This plan is funded through employee and employer contributions. The total contributions under this plan are deposited with the ICMA. This plan requires that covered employees contribute at least 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 \$1,895,508 and the covered payroll amounted to \$1,322,849 for the year ended September 30, 2012. The City and the employees contributed \$79,958 and \$66,278, respectively, for the year ended September 30, 2012.

**2. Risk Management**

**Insurance**

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

Settled claims in the past three years have not exceeded the commercial coverages. The City has estimated unsubmitted claims on health insurance based on prior experience to be \$21,000; this amount represents two months of subsequent claims. This has been included as a current year expenditure. A reserve of \$147,597 is established in an internal service fund at September 30, 2012.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

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, 2012, 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:

| <u>Maturities by Month</u> | <u>Amount</u>       |
|----------------------------|---------------------|
| October 2012               | \$ 1,722,508        |
| November 2012              | 78,600              |
| December 2012              | 33,211              |
| February 2013              | 1,034,911           |
| March 2013                 | 2,159,636           |
| April 2013                 | 683,891             |
| August 2013                | 1,767,557           |
| September 2013             | 508,933             |
| June 2014                  | 97,000              |
| September 2014             | 125,858             |
| October 2014               | 70,000              |
| March 2015                 | <u>153,500</u>      |
|                            | <u>\$ 8,435,605</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, 2012**

**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, 2012, the City’s investments in certificates of deposit consisted of the following:

| <u>Financial Institution</u> | <u>Amount</u>       |
|------------------------------|---------------------|
| Bank First                   | \$ 125,858          |
| Farmers and Merchants Bank   | 2,955,625           |
| First National Bank          | 105,721             |
| State National Bank          | 5,081,401           |
| Edward Jones                 | <u>167,000</u>      |
|                              | <u>\$ 8,435,605</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, 2012.

**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<br/>Amount</u> | <u>Paid<br/>Through<br/>9/30/12</u> | <u>Obligation<br/>Pending</u> | <u>Expected<br/>Completion<br/>Date</u> |
|--|----------------------------|-------------------------------------|-------------------------------|---|
| City of Wayne Projects:                |                            |                                     |                               |   |
| Benscoter Addition-Phase I Utility     | \$ 132,822                 | \$ 79,595                           | \$ 53,227                     | Winter 2012-2013                        |
| Benscoter Addition-Phase I Paving      | 309,162                    | 135,616                             | 173,546                       | Winter 2012-2013                        |
| Lagoon Sludge Removal                  | 27,500                     | 7,103                               | 20,397                        | Fall 2012                               |
| Wastewater Treatment Plant-Engineering | 1,101,397                  | 1,071,968                           | 29,429                        | Winter 2012-2013                        |
| Rice Data Collection:                  |                            |                                     |                               |   |
| Engineering                            | 45,000                     | 3,773                               | 41,227                        | Year ending 9/30/13                     |
| Construction                           | 278,114                    | 236,433                             | 41,681                        | Year ending 9/30/13                     |

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

**NOTE D – OTHER NOTES, continued**

**3. Commitments and Contingencies, continued**

**Construction, continued**

| <u>Project</u>  | <u>Contract<br/>Amount</u> | <u>Paid<br/>Through<br/>9/30/12</u> | <u>Obligation<br/>Pending</u> | <u>Expected<br/>Completion<br/>Date</u> |
|---|----------------------------|-------------------------------------|-------------------------------|---|
| Wayne Municipal Airport:<br>Hangar/terminal building: |                            |                                     |                               |   |
| Engineering   | 140,710                    | 70,656                              | 70,054                        | Spring 2013                             |
| Construction  | 795,694                    | -                                   | 795,694                       | Spring 2013                             |

**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 \$11,256 under these lease agreements during the year ended September 30, 2012.

Lease commitments as of September 30, 2012, are as follows:

| <u>Year ending September 30,</u> | <u>Commitment</u> |
|----------------------------------|-------------------|
| 2013                             | \$ 11,256         |
| 2014                             | 9,286             |
| 2015                             | 1,786             |
| 2016                             | -                 |
| 2017                             | -                 |
|                                  | <u>\$ 22,328</u>  |

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

**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 \$3,864,128 for the year ended September 30, 2012.

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 seven percent of gross revenues to the General Fund annually as payments in lieu of taxes. The Electric Fund made payments in the amount of \$436,118, the Water Fund made payments of \$38,983, and the Sewer Fund made payments of \$51,986, for the year ended September 30, 2012.

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

**NOTE D – OTHER NOTES, continued**

**5. Interlocal Agreements**

The City has the following interlocal agreements in effect as of September 30, 2012:

| <b>Parties to Agreement</b>   | <b>Agreement Period</b> | <b>Descriptions</b>  |
|---|-------------------------|--|
| Wayne State College,<br>Village of Carroll, and<br>Village of Winside | 12/15/98                | Dispatch services/911<br>Service Center  |
| Wayne County Agricultural<br>Society                                  | 3/13/01                 | Agreement to waive water/sewer and<br>electrical charges incurred during the fair  |
| Wayne Community Schools   | 7/9/02                  | Use of softball fields, associated parking and<br>restroom facilities, and program equipment   |
| Northeast Nebraska Public Power<br>District                           | 10/26/04                | Commitment to provide assistance to restore<br>power after storm damage  |
| Wayne County  | 5/11/04                 | Jointly provide dispatch service for public<br>safety in Wayne County  |
| Wayne State College   | 12/3/02                 | Campus Security and law enforcement<br>services  |
| Wayne County and Wayne County<br>Library Association                  | 2/22/05                 | Provide all library services and materials<br>currently available through the public<br>libraries to all residents of the county   |
| Providence Medical Center   | 2007                    | Provide funds to defray a part of the cost of<br>the operation of the ambulance  |
| Rural Enterprise Assistance Project                                   | 5/10/05                 | Use of the services of REAP to be available<br>for start-up and existing entrepreneurs   |
| ONELibrary Consortium   | 5/10/05                 | The mission of the consortium of public<br>funded libraries in the northeastern part of<br>the State of Nebraska is to enrich the<br>collections, share the resources, enhance the<br>services, and strengthen the support for its<br>member libraries |
| Northeast Nebraska Mutual Aid Assn.<br>and Elkhorn Valley             | 8/30/05                 | Insuring the safety of the lives and property<br>of our citizens from fire loss, medical<br>emergencies, and natural disasters   |

**CITY OF WAYNE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

**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, 2012**

**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     |
| 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  | 8/21/12                 | Share Law Enforcement Resources   |
| Northeast Nebraska Economic Development District                             | 9/18/12                 | Conduct blight study  |

**CITY OF WAYNE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2012**

**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, 2012, the aggregate amount of conduit debt principal outstanding for the Wayne East Project was \$0, as the debt was paid off during September 2012.

**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, 2012, and terminates on June 30, 2014.

**8. Subsequent Events**

Management has evaluated subsequent events through January 30, 2013, the date on which the financial statements were available for issue.

On November 8, 2012, the City Council approved a redevelopment contract with Progressive Property Inspections, LLC whereby the CDA will issue \$38,000 of TIF bond proceeds to the redeveloper. The redeveloper is to create a taxable real property base attributable to the project of \$200,000 no later than January 1, 2014.

On November 6, 2012, the City approved a \$75,000 Economic Development loan to Wayne Child Care. The loan is to be repaid in monthly payments of \$312.50 for 10 years at 0 percent with a final balloon payment due November 17, 2022.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WAYNE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND**

**Year ended September 30, 2012**

|  | Budget<br>(Original and<br>Final) | Actual                          | Variances -<br>Actual Over<br>(Under) Final<br>Budget |
|--|-----------------------------------|---------------------------------|---|
| <b>RESOURCES (INFLOWS)</b>   |                                   |                                 |   |
| Taxes:   |                                   |                                 |   |
| Property   | \$ 636,059                        | \$ 639,725                      | \$ 3,666  |
| Payments in lieu of taxes  | 777,136                           | 586,363                         | (190,773)   |
| Sales tax  | 500,000                           | 389,531                         | (110,469)   |
| Franchise  | -                                 | 189,441                         | 189,441   |
| Intergovernmental  | 948,199                           | 503,535                         | (444,664)   |
| Special assessments  | -                                 | 90                              | 90  |
| Charges for services   | 413,086                           | 453,172                         | 40,086  |
| Interest income  | 10,000                            | 9,497                           | (503)   |
| Contributions  | -                                 | 1,681                           | 1,681   |
| Bond proceeds  | -                                 | 355,000                         | 355,000   |
| Other  | 29,566                            | 24,565                          | (5,001)   |
|  | <hr/>                             | <hr/>                           | <hr/>   |
| Total resources  | 3,314,046                         | 3,152,600                       | (161,446)   |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>  |                                   |                                 |   |
| General government   | 189,649                           | 202,473                         | 12,824  |
| Public buildings   | 73,331                            | 60,937                          | (12,394)  |
| Public safety  | 910,363                           | 1,287,480                       | 377,117   |
| Senior citizens services   | 227,932                           | 224,318                         | (3,614)   |
| Library  | 234,926                           | 224,580                         | (10,346)  |
| Recreation   | 286,248                           | 264,537                         | (21,711)  |
| Community Activity Center  | 222,905                           | 214,353                         | (8,552)   |
| Capital outlay   | 2,506,002                         | 675,054                         | (1,830,948)   |
|  | <hr/>                             | <hr/>                           | <hr/>   |
| Total charges to appropriations  | 4,651,356                         | 3,153,732                       | (1,497,624)   |
| Resources over (under) charges<br>to appropriations  | (1,337,310)                       | (1,132)                         | 1,336,178   |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                                   |                                 |   |
| Transfers in   | 580,700                           | 13,247                          | (567,453)   |
| Transfers out  | (794,241)                         | (506,997)                       | 287,244   |
| Net transfers  | (213,541)                         | (493,750)                       | (280,209)   |
|  | <hr/>                             | <hr/>                           | <hr/>   |
| <b>RESOURCES AND OTHER FINANCING<br/>SOURCES (USES) OVER (UNDER)<br/>CHARGES TO APPROPRIATIONS</b> | <hr/> <b>\$ (1,550,851)</b> <hr/> | <hr/> <b>\$ (494,882)</b> <hr/> | <hr/> <b>\$ 1,055,969</b> <hr/>                       |

**CITY OF WAYNE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
STREET FUND**

**Year ended September 30, 2012**

|  | Budget<br>(Original and<br><u>Final</u> ) | <u>Actual</u>      | Variances -<br>Actual Over<br>(Under) Final<br><u>Budget</u> |
|--|---|--------------------|--|
| <b>RESOURCES (INFLOWS)</b>   |   |                    |  |
| Taxes:   |   |                    |  |
| Property   | \$ -                                      | \$ 1,564           | \$ 1,564   |
| Motor vehicle  | -   | 70,484             | 70,484   |
| Intergovernmental  | 953,786                                   | 487,788            | (465,998)  |
| Charges for services   | 1,800                                     | 3,873              | 2,073  |
| Interest income  | 100                                       | 146                | 46   |
| Bond proceeds  | 193,000                                   | -                  | (193,000)  |
| Sale of property   | -   | 17,516             | 17,516   |
|  | <hr/>                                     | <hr/>              | <hr/>  |
| Total resources  | 1,148,686                                 | 581,371            | (567,315)  |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>  |   |                    |  |
| Public works   | 468,093                                   | 467,367            | (726)  |
| Capital projects   | 1,265,427                                 | 694,551            | (570,876)  |
|  | <hr/>                                     | <hr/>              | <hr/>  |
| Total charges to appropriations  | 1,733,520                                 | 1,161,918          | (571,602)  |
| Resources over (under) charges<br>to appropriations  | (584,834)                                 | (580,547)          | 4,287  |
| <b>OTHER FINANCING SOURCES (USES)</b>  |   |                    |  |
| Transfers in   | 480,000                                   | 518,197            | 38,197   |
|  | <hr/>                                     | <hr/>              | <hr/>  |
| <b>RESOURCES AND OTHER FINANCING<br/>SOURCES (USES) OVER (UNDER)<br/>CHARGES TO APPROPRIATIONS</b> | <u>\$ (104,834)</u>                       | <u>\$ (62,350)</u> | <u>\$ 42,484</u>   |

**CITY OF WAYNE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
SALES TAX FUND**

**Year ended September 30, 2012**

|  | Budget<br>(Original and<br><u>Final</u> ) | <u>Actual</u>  | Variances -<br>Actual Over<br>(Under) Final<br><u>Budget</u> |
|--|---|----------------|--|
| <b>RESOURCES (INFLOWS)</b>   |   |                |  |
| Interest income  | \$ 2,000                                  | \$ 1,601       | \$ (399)   |
| <b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>  |   |                |  |
| Capital outlay   | <u>231,558</u>                            | <u>-</u>       | <u>(231,558)</u>   |
| Resources over (under) charges to<br>appropriations  | (229,558)                                 | 1,601          | 231,159  |
| <b>OTHER FINANCING SOURCES (USES)</b>  |   |                |  |
| Transfers out  | <u>-</u>                                  | <u>(1,247)</u> | <u>(1,247)</u>   |
| <b>RESOURCES AND OTHER FINANCING<br/>SOURCES (USES) OVER (UNDER)<br/>CHARGES TO APPROPRIATIONS</b> | <u>\$ (229,558)</u>                       | <u>\$ 354</u>  | <u>\$ 229,912</u>  |

**CITY OF WAYNE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
DEBT SERVICE FUND**

**Year ended September 30, 2012**

|  | Budget<br>(Original and<br>(Final)) | <u>Actual</u>     | Variances -<br>Actual Over<br>(Under) Final<br><u>Budget</u> |
|--|-------------------------------------|-------------------|--|
| <b>RESOURCES (INFLOWS)</b>   |                                     |                   |  |
| Property tax   | \$ 80,250                           | \$ 55,170         | \$ (25,080)  |
| Payments in lieu of taxes  | 100                                 | 142               | 42   |
| Special assessments  | 78,970                              | 194,423           | 115,453  |
| Bond/loan proceeds   | -                                   | 585,000           | 585,000  |
| Interest income  | 4,000                               | 2,600             | (1,400)  |
|  | <hr/>                               | <hr/>             | <hr/>  |
| Total resources  | 163,320                             | 837,335           | 674,015  |
| <b>CHARGES TO APPROPRIATIONS<br/>(OUTFLOWS)</b>  |                                     |                   |  |
| Principal payments   | 155,000                             | 770,000           | 615,000  |
| Interest expense   | 48,128                              | 29,712            | (18,416)   |
| Bond fees  | -                                   | 9,675             | 9,675  |
| Contingency  | 586,715                             | -                 | (586,715)  |
|  | <hr/>                               | <hr/>             | <hr/>  |
| Total charges to appropriations  | 789,843                             | 809,387           | 19,544   |
| Resources over (under) charges to<br>appropriations  | (626,523)                           | 27,948            | 654,471  |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                                     |                   |  |
| Transfer in  | 89,043                              | 81,025            | (8,018)  |
|  | <hr/>                               | <hr/>             | <hr/>  |
| <b>RESOURCES AND OTHER FINANCING<br/>SOURCES (USES) OVER (UNDER)<br/>CHARGES TO APPROPRIATIONS</b> | <u>\$ (537,480)</u>                 | <u>\$ 108,973</u> | <u>\$ 646,453</u>  |

**CITY OF WAYNE, NEBRASKA**

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

**Year ended September 30, 2012**

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

|   | <u>General<br/>Fund</u>    | <u>Street<br/>Fund</u>     | <u>Sales Tax<br/>Fund</u> | <u>Debt Service<br/>Fund</u> |
|---|----------------------------|----------------------------|---------------------------|------------------------------|
| <b>Sources/inflows of resources:</b>  |                            |                            |                           |                              |
| Actual amounts of resources<br>(budgetary basis) from the<br>budgetary comparison schedules   | \$ 3,152,600               | \$ 581,371                 | \$ 1,601                  | \$ 837,335                   |
| Differences - budget to GAAP:   |                            |                            |                           |                              |
| Cash to accrual adjustments   | <u>15,052</u>              | <u>167</u>                 | <u>-</u>                  | <u>(41,530)</u>              |
| Total revenues as reported on the<br>statement of revenues, expenditures,<br>and changes in fund balances -<br>governmental funds     | <u><u>\$ 3,167,652</u></u> | <u><u>\$ 581,538</u></u>   | <u><u>\$ 1,601</u></u>    | <u><u>\$ 795,805</u></u>     |
| <b>Uses/outflows of resources:</b>  |                            |                            |                           |                              |
| Actual amounts (budgetary basis)<br>total charges to appropriations<br>from the budgetary comparison<br>schedules                     | \$ 3,153,732               | \$ 1,161,918               | \$ -                      | \$ 809,387                   |
| Differences - budget to GAAP:   |                            |                            |                           |                              |
| Cash to accrual adjustments   | <u>(15,200)</u>            | <u>(64,002)</u>            | <u>-</u>                  | <u>2,813</u>                 |
| Total expenditures as reported on<br>the statement of revenues,<br>expenditures, and changes in<br>fund balances - governmental funds | <u><u>\$ 3,138,532</u></u> | <u><u>\$ 1,097,916</u></u> | <u><u>\$ -</u></u>        | <u><u>\$ 812,200</u></u>     |

**OTHER SUPPLEMENTARY INFORMATION**

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

**September 30, 2012**

|  | Special Revenue Funds    |                   |                  |                  | Total Nonmajor<br>Governmental<br>Funds |
|--|--------------------------|-------------------|------------------|------------------|---|
|  | Community<br>Development | LB840             | Wireless<br>911  | E911             |   |
| <b>ASSETS</b>                                  |                          |                   |                  |                  |   |
| Cash and cash equivalents                      | \$ 365,946               | \$ 42,202         | \$ 46,174        | \$ 19,873        | \$ 474,195                              |
| Notes receivable                               | 772,861                  | 499,325           | -                | -                | 1,272,186                               |
| <b>Total assets</b>                            | <b>\$ 1,138,807</b>      | <b>\$ 541,527</b> | <b>\$ 46,174</b> | <b>\$ 19,873</b> | <b>\$ 1,746,381</b>                     |
| <b>LIABILITIES AND FUND BALANCES</b>           |                          |                   |                  |                  |   |
| Liabilities:                                   |                          |                   |                  |                  |   |
| Accounts payable                               | \$ -                     | \$ -              | \$ -             | \$ 64            | \$ 64                                   |
| Due to other fund                              | -                        | 365,000           | -                | -                | 365,000                                 |
| Accrued interest payable                       | -                        | 2,900             | -                | -                | 2,900                                   |
| <b>Total liabilities</b>                       | <b>-</b>                 | <b>367,900</b>    | <b>-</b>         | <b>64</b>        | <b>367,964</b>                          |
| Fund balances:                                 |                          |                   |                  |                  |   |
| Restricted for:                                |                          |                   |                  |                  |   |
| Federal programs                               | 1,138,807                | -                 | -                | -                | 1,138,807                               |
| Economic development                           | -                        | 173,627           | -                | -                | 173,627                                 |
| Assigned for:                                  |                          |                   |                  |                  |   |
| Other purposes                                 | -                        | -                 | 46,174           | 19,809           | 65,983                                  |
| <b>Total fund balances</b>                     | <b>1,138,807</b>         | <b>173,627</b>    | <b>46,174</b>    | <b>19,809</b>    | <b>1,378,417</b>                        |
| <b>Total liabilities and fund<br/>balances</b> | <b>\$ 1,138,807</b>      | <b>\$ 541,527</b> | <b>\$ 46,174</b> | <b>\$ 19,873</b> | <b>\$ 1,746,381</b>                     |

**CITY OF WAYNE, NEBRASKA**

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

**For the year ended September 30, 2012**

|   | Special Revenue Funds    |            |                 |           | Total Nonmajor<br>Governmental<br>Funds |
|---|--------------------------|------------|-----------------|-----------|---|
|   | Community<br>Development | LB840      | Wireless<br>911 | E911      |   |
| <b>REVENUES</b>                                 |                          |            |                 |           |   |
| Sales tax                                       | \$ -                     | \$ 215,086 | \$ -            | \$ -      | \$ 215,086                              |
| Charges for services                            | -                        | -          | 30,820          | 28,415    | 59,235                                  |
| Interest income                                 | 115,665                  | 1,315      | 60              | 23        | 117,063                                 |
| Total revenues                                  | 115,665                  | 216,401    | 30,880          | 28,438    | 391,384                                 |
| <b>EXPENDITURES</b>                             |                          |            |                 |           |   |
| General government                              | 100,182                  | 48,323     | -               | -         | 148,505                                 |
| Public safety                                   | -                        | -          | 8,783           | 4,366     | 13,149                                  |
| Interest on long-term debt                      | -                        | 17,200     | -               | -         | 17,200                                  |
| Total expenditures                              | 100,182                  | 65,523     | 8,783           | 4,366     | 178,854                                 |
| <b>Excess of revenues over<br/>expenditures</b> | 15,483                   | 150,878    | 22,097          | 24,072    | 212,530                                 |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                          |            |                 |           |   |
| Transfers out                                   | -                        | -          | -               | (12,000)  | (12,000)                                |
| <b>Net change in fund balance</b>               | 15,483                   | 150,878    | 22,097          | 12,072    | 200,530                                 |
| Fund balances - September 30, 2011              | 1,123,324                | 22,749     | 24,077          | 7,737     | 1,177,887                               |
| Fund balances - September 30, 2012              | \$ 1,138,807             | \$ 173,627 | \$ 46,174       | \$ 19,809 | \$ 1,378,417                            |

**CITY OF WAYNE, NEBRASKA**

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

**September 30, 2012**

|  | <u>Wayne<br/>Municipal<br/>Airport</u> | <u>Community<br/>Development<br/>Agency</u> | <u>Total<br/>Component<br/>Units</u> |
|--|--|---|--------------------------------------|
| <b>ASSETS</b>                                      |  |   |                                      |
| Current assets:                                    |  |   |                                      |
| Cash and cash equivalents                          | \$ 164,354                             | \$ 184,092                                  | \$ 348,446                           |
| County treasurer cash                              | 2,848                                  | -   | 2,848                                |
| Receivables:                                       |  |   |                                      |
| Property tax                                       | 2,749                                  | -   | 2,749                                |
| Grants receivable                                  | 100,949                                | -   | 100,949                              |
| Accounts receivable                                | 886                                    | -   | 886                                  |
| TIF receivable-current portion                     | -                                      | 48,814                                      | 48,814                               |
| Prepaid insurance                                  | 6,221                                  | -   | 6,221                                |
| <b>Total current assets</b>                        | <u>278,007</u>                         | <u>232,906</u>                              | <u>510,913</u>                       |
| Noncurrent assets:                                 |  |   |                                      |
| TIF receivable-noncurrent portion                  | -                                      | 1,198,093                                   | 1,198,093                            |
| Note receivable-noncurrent portion                 | -                                      | 40,000                                      | 40,000                               |
| Capital assets:                                    |  |   |                                      |
| Land   | 287,776                                | 204,437                                     | 492,213                              |
| Construction in progress                           | 70,656                                 | -   | 70,656                               |
| Other capital assets, net<br>of depreciation       | 4,986,667                              | -   | 4,986,667                            |
| Net capital assets                                 | <u>5,345,099</u>                       | <u>204,437</u>                              | <u>5,549,536</u>                     |
| <b>Total noncurrent assets</b>                     | <u>5,345,099</u>                       | <u>1,442,530</u>                            | <u>6,787,629</u>                     |
| <b>Total assets</b>                                | 5,623,106                              | 1,675,436                                   | 7,298,542                            |
| <b>LIABILITIES</b>                                 |  |   |                                      |
| Current liabilities:                               |  |   |                                      |
| Due to the City of Wayne                           | 376                                    | 363,471                                     | 363,847                              |
| Accounts payable                                   | 21,952                                 | -   | 21,952                               |
| Accrued interest payable                           | -                                      | 26,795                                      | 26,795                               |
| Deferred revenue - property tax                    | 1,896                                  | -   | 1,896                                |
| Current portion of long-term debt                  | 12,284                                 | 19,642                                      | 31,926                               |
| <b>Total current liabilities</b>                   | <u>36,508</u>                          | <u>409,908</u>                              | <u>446,416</u>                       |
| Noncurrent liabilities:                            |  |   |                                      |
| Noncurrent portion of long-term debt               | 22,594                                 | 1,227,265                                   | 1,249,859                            |
| <b>Total liabilities</b>                           | <u>59,102</u>                          | <u>1,637,173</u>                            | <u>1,696,275</u>                     |
| <b>NET ASSETS</b>                                  |  |   |                                      |
| Invested in capital assets,<br>net of related debt | 5,310,221                              | 204,437                                     | 5,514,658                            |
| Unrestricted                                       | 253,783                                | (166,174)                                   | 87,609                               |
| <b>Total net assets</b>                            | <u>\$ 5,564,004</u>                    | <u>\$ 38,263</u>                            | <u>\$ 5,602,267</u>                  |

**CITY OF WAYNE, NEBRASKA**

**COMBINING STATEMENT OF ACTIVITIES -  
COMPONENT UNITS**

**For the year ended September 30, 2012**

| <u>Functions/Programs</u>            | <u>Expenses</u>          | <u>Charges for<br/>Services</u> | <u>Program Revenues<br/>Operating<br/>Grants and<br/>Contributions</u> |
|--------------------------------------|--------------------------|---------------------------------|--|
| <b>Wayne Municipal Airport:</b>      |                          |                                 |  |
| Airport                              | \$ 189,159               | \$ 88,923                       | \$ -   |
| <b>Community Development Agency:</b> |                          |                                 |  |
| Economic development                 | <u>765,628</u>           | <u>1,609</u>                    | <u>-</u>   |
| <b>Total component units</b>         | <u><u>\$ 954,787</u></u> | <u><u>\$ 90,532</u></u>         | <u><u>\$ -</u></u>   |

| <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Net (Expenses) Revenues and Changes in Net Assets</u> |   |                                      |
|---|--|---|--------------------------------------|
|   | <u>Airport<br/>Authority</u>                             | <u>Community<br/>Development<br/>Agency</u> | <u>Total<br/>Component<br/>Units</u> |
| \$ 325,872                                      | \$ 225,636   | \$ -  | \$ 225,636                           |
| -   | -  | (764,019)                                   | (764,019)                            |
| <u>\$ 325,872</u>                               | <u>225,636</u>   | <u>(764,019)</u>                            | <u>(538,383)</u>                     |
| General revenues:                               |  |   |                                      |
| Taxes:  |  |   |                                      |
| Property  | 75,220   | -   | 75,220                               |
| TIF proceeds                                    | -  | 828,845                                     | 828,845                              |
| Interest income                                 | 435  | 1   | 436                                  |
| Gain (loss) on disposal of assets               | 8,600  | 4,785                                       | 13,385                               |
| Transfer to City of Wayne                       | -  | (125,000)                                   | (125,000)                            |
| Total general revenues                          | <u>84,255</u>  | <u>708,631</u>                              | <u>792,886</u>                       |
| Change in net assets                            | 309,891  | (55,388)                                    | 254,503                              |
| Net assets - beginning of year                  | <u>5,254,113</u>   | <u>93,651</u>                               | <u>5,347,764</u>                     |
| Net assets - end of year                        | <u>\$ 5,564,004</u>                                      | <u>\$ 38,263</u>                            | <u>\$ 5,602,267</u>                  |

**SINGLE AUDIT REPORTS**

**CITY OF WAYNE, NEBRASKA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended September 30, 2012**

| <u>Federal Grantor<br/>and Program Title</u>   | <u>Federal<br/>CFDA<br/>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                             | \$ 29,429                |
| Highway Planning and Construction  | 20.205                             | 58,757                   |
| Passed Through Nebraska Department of Aeronautics  |                                    |                          |
| Airport Improvement Program  | 20.106                             | <u>329,984</u>           |
| Total Department of Transportation   |                                    | 418,170                  |
| <b><u>Environmental Protection Agency:</u></b>   |                                    |                          |
| Passed Through Nebraska Department of<br>Environmental Quality:  |                                    |                          |
| Capitalization Grants for Clean Water<br>State Revolving Funds   | 66.458                             | 3,081                    |
| Direct award:  |                                    |                          |
| Congressionally Mandated Projects  | 66.202                             | <u>26,020</u>            |
| Total Environmental Protection Agency  |                                    | 29,101                   |
| <b><u>Department of Health and Human Services:</u></b>   |                                    |                          |
| Passed Through Northeast Nebraska Area Agency<br>on Aging:   |                                    |                          |
| Programs for the Aging Cluster:  |                                    |                          |
| Special Programs for the Aging Title III,<br>Part B - Grants for Supportive Services<br>and Senior Centers | 93.044                             | 9,827                    |
| Nutrition Services Incentive Programs  | 93.053                             | 13,232                   |
| Title III, Part C - Nutrition Services   | 93.045                             | <u>31,514</u>            |
| Total Department of Health and Human Services  |                                    | 54,573                   |
| <b><u>Department of Energy:</u></b>  |                                    |                          |
| Passed Through Nebraska Department of Energy   |                                    |                          |
| Energy Efficiency & Conservation Block Grant Program   | 81.128                             | <u>222,410</u>           |
| Total Federal Awards   |                                    | <u><u>\$ 724,254</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, 2012, which collectively comprise the City of Wayne, Nebraska's basic financial statements and have issued our report thereon dated January 30, 2013. 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

Management of the City of Wayne is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Wayne's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2012-1 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 30, 2013.

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

Grand Island, Nebraska  
January 30, 2013



**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, 2012. 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, 2012.

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## **Internal Control Over Compliance**

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

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

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

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City of Wayne's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City's compliance but not to provide an opinion on the effectiveness of the City of Wayne's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

August M. Malthorn  
Galloway & Luth, P.C.

Grand Island, Nebraska  
January 30, 2013

**CITY OF WAYNE, NEBRASKA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended September 30, 2012**

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, 2012.
  - (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 #20.106 – Airport Improvement Program.
  - (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
  - (ix) The City of Wayne, Nebraska, did 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

2012-1 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, 2012**

Program

Findings for the year ended September 2011

None noted.