

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
(A Component Unit of the City of Wayne, Nebraska)**

**FINANCIAL STATEMENTS**

**September 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

To the City of Wayne Municipal Airport Board  
Wayne, Nebraska

We have audited the accompanying financial statements of the governmental activities of the Wayne Municipal Airport, Wayne, Nebraska, a component unit of the City of Wayne, as of and for the year ended September 30, 2012, which comprise the Airport's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Airport's management. Our responsibility is to express an opinion 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 Airport'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 opinion.

The financial statements present only the Wayne Municipal Airport, a component unit of the City of Wayne, Nebraska, and do not purport to, and do not, present fairly the financial position and cash flows of the City of Wayne, Nebraska, as of September 30, 2012, and the change in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Wayne Municipal Airport, Wayne, Nebraska, a component unit of the City of Wayne, as of September 30, 2012, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### SHAREHOLDERS

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013, on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 4 through 9 and 34 and 35 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.

*Amquist, Malthalm.*  
*Galloway & Luth, PC.*

Grand Island, Nebraska  
January 30, 2013

**WAYNE MUNICIPAL AIRPORT, 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 Wayne Municipal Airport, we offer readers of the Wayne Municipal Airport financial statements this narrative overview and analysis of the financial activities of the Wayne Municipal Airport for the fiscal year ended September 30, 2012.

**Financial Highlights**

- The assets of the Wayne Municipal Airport exceeded its liabilities at the close of the most recent fiscal year by \$5,564,004 (*net assets*). Of this amount, \$253,783 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$253,783 or 49.1 percent of total General Fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Wayne Municipal Airport's basic financial statements. The Wayne Municipal Airport'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 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 Wayne Municipal Airport's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Wayne Municipal Airport'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 Wayne Municipal Airport 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.

Both of the government-wide financial statements distinguish functions of the Wayne Municipal Airport that are principally supported by taxes and intergovernmental revenues (*governmental activities*).

The government-wide financial statements can be found on pages 10 and 11 of this report.

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

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**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 Wayne Municipal Airport, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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 Wayne Municipal Airport maintains one individual governmental fund, the General Fund.

The Wayne Municipal Airport adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-15 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 16-33 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 Wayne Municipal Airport's budgetary comparison schedules. Required supplementary information can be found on pages 34-35 of this report.

### **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 Wayne Municipal Airport, assets exceeded liabilities by \$5,564,004 at the close of the most recent fiscal year.

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

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**Net Assets - Governmental Activities**

	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 278,007	\$ 598,389
Capital Assets	5,345,099	5,032,650
Total Assets	5,623,106	5,631,039
Long-term Liabilities	22,594	34,918
Other Liabilities	36,508	342,008
Total Liabilities	59,102	376,926
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,310,221	4,982,832
Unrestricted	253,783	271,281
Total Net Assets	\$ 5,564,004	\$ 5,254,113

By far, the largest portion of the Wayne Municipal Airport's net assets (95.4 percent) reflects its investment in capital assets (land, improvements, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. The Wayne Municipal Airport uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Wayne Municipal Airport'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.

The remaining balance of *unrestricted net assets* (\$253,783) may be used to meet the government's ongoing obligations to citizens and creditors.

**Expenses and Program Revenues – Governmental Activities**

<u>Function</u>	2012		2011	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Airport Operations	\$ 414,795	\$ 189,158	\$ 3,146,016	\$ 177,549

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

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**Revenues by Source – Governmental Activities**

<u>Sources of Revenue</u>	<u>2012</u>		<u>2011</u>	
Charges for Services	\$ 88,923	17.8 %	\$ 69,437	2.1 %
Capital Grants	325,872	65.3	3,076,579	92.7
Property Taxes	75,220	15.1	78,576	2.4
Interest	434	0.1	475	-
Loss on Equipment	8,600	1.7	(6,947)	(0.2)
Transfer from City of Wayne	-	-	100,000	3.0
Total	<u>\$ 499,049</u>	<u>100.0 %</u>	<u>\$ 3,318,120</u>	<u>100.0 %</u>

Net assets increased \$309,891 in the governmental fund during the year.

**Financial Analysis of the Government's Fund**

As noted earlier, the Wayne Municipal Airport uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund.** The focus of the Wayne Municipal Airport's *governmental* fund is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Wayne Municipal Airport'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 Wayne Municipal Airport's general fund reported an ending fund balance of \$253,783, all of which is *unassigned fund balance*, which is available for spending at the government's discretion.

The fund balance of the Wayne Municipal Airport's General Fund decreased by \$17,498 during the current fiscal year.

**General Fund Budgetary Highlights**

The Airport did not amend its budget during the year ended September 30, 2012.

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

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**Capital Assets and Debt Administration**

**Capital Assets.** The Wayne Municipal Airport's investment in capital assets for its governmental activities as of September 30, 2012, amounts to \$5,345,099 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, improvements, buildings, and equipment.

Significant capital asset additions during the current fiscal year were as follows:

- Construction costs and engineering on runway reconstruction project - \$286,448
- John Deere mower - \$16,350
- Construction in progress on hangar/terminal building - \$70,656

**Wayne Municipal Airport's Capital Assets  
(net of depreciation)**

	<u>2012</u>	<u>2011</u>
Land	\$ 287,776	\$ 287,776
Construction in progress	70,656	4,076,283
Buildings	303,452	316,450
Improvements	4,593,985	266,513
Equipment	89,230	85,628
Total	<u>\$ 5,345,099</u>	<u>\$ 5,032,650</u>

Additional information on the Wayne Municipal Airport's capital assets can be found in Note C2 on page 29 of this report.

**Long-term debt.** At the end of the current fiscal year, the Wayne Municipal Airport had the following long-term debt outstanding:

**Wayne Municipal Airport's Outstanding Debt**

	<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>Increase (Decrease)</u>
Notes Payable	<u>\$ 34,878</u>	<u>\$ 49,818</u>	<u>\$ (14,940)</u>

The Wayne Municipal Airport's total debt decreased by \$14,940 (30.0 percent) during the current fiscal year due to scheduled principal payments.

The Wayne Municipal Airport does not have a bond rating.

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

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**Long-term debt, continued**

Additional information on the Wayne Municipal Airport's long-term debt can be found in Note C3 on pages 30-31 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- Property tax asking for the year ending September 30, 2013, is \$74,764, which is \$2,136 (2.8 percent) less than the prior year.
- The Airport has contractual commitments totaling \$865,748 remaining for construction costs and engineering on the hangar/terminal building project. The Airport had incurred \$70,656 on the project as of September 30, 2012, and expects to pay the balance of the contractual commitments during the year ending September 30, 2013.

**Request for Information**

This financial report is designed to provide a general overview of the Wayne Municipal Airport'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 Street, P.O. Box 8, Wayne, NE 68787.

**WAYNE MUNICIPAL AIRPORT**  
**WAYNE, NEBRASKA**  
(A Component Unit of the City of Wayne)

**STATEMENT OF NET ASSETS**

**September 30, 2012**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 164,354
County treasurer cash	2,848
Accounts receivable	886
Grant receivable	100,949
Property taxes receivable	2,749
Prepaid insurance	6,221
Total current assets	278,007

Noncurrent assets:

Capital assets:

Land	287,776
Construction in progress	70,656
Other capital assets, net of depreciation	4,986,667
Net capital assets	5,345,099
<b>Total assets</b>	5,623,106

**LIABILITIES**

Current liabilities:

Accounts payable	21,952
Deferred revenue - property tax	1,896
Due to City of Wayne	376
Current portion of long-term debt	12,284
Total current liabilities	36,508

Noncurrent liabilities:

Noncurrent portion of long-term debt	22,594
<b>Total liabilities</b>	59,102

**NET ASSETS**

Invested in capital assets, net of related debt	5,310,221
Unrestricted	253,783
<b>Total net assets</b>	\$ 5,564,004

See notes to financial statements.

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
(A Component Unit of the City of Wayne)**

**STATEMENT OF ACTIVITIES**

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

**Program expenses:**

Airport operations	\$ 128,153
Depreciation	61,005
Total program expenses	189,158

**Program revenues:**

Charges for services	88,923
Capital grants	325,872
Total program revenues	414,795

Program revenues in excess of expenses	225,637
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**General revenues:**

Property taxes	75,220
Interest income	434
Gain on disposal of capital assets	8,600
Total general revenues	84,254

<b>Increase in net assets</b>	309,891
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Net assets - beginning of the year	5,254,113
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Net assets - end of the year	\$ 5,564,004
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See notes to financial statements.

**WAYNE MUNICIPAL AIRPORT**  
**WAYNE, NEBRASKA**  
**(A Component Unit of the City of Wayne)**

**BALANCE SHEET - GOVERNMENTAL FUND**  
**September 30, 2012**

**ASSETS**

Cash and cash equivalents	\$ 164,354
County treasurer cash	2,848
Accounts receivable	886
Grant receivable	100,949
Property taxes receivable	2,749
Prepaid insurance	<u>6,221</u>
<b>Total assets</b>	<b><u><u>\$ 278,007</u></u></b>

**LIABILITIES AND  
FUND BALANCES**

Liabilities:

Accounts payable	\$ 21,952
Deferred revenue - property tax	1,896
Due to City of Wayne	<u>376</u>
Total liabilities	24,224

Fund balances:

Unassigned	<u>253,783</u>
<b>Total liabilities and fund balances</b>	<b><u><u>\$ 278,007</u></u></b>

See notes to financial statements.

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
(A Component Unit of the City of Wayne)**

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

**September 30, 2012**

**Total fund balance - governmental fund** \$ 253,783

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund. The cost of the assets is \$6,088,072, and the accumulated depreciation is \$742,973. 5,345,099

Long-term debt is not due and payable in the current period, and therefore is not reported as liabilities in the fund.  
Long-term liabilities at year end consist of:

Notes payable (34,878)

**Total net assets - governmental activities** \$ 5,564,004

See notes to financial statements.

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
(A Component Unit of the City of Wayne)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUND**

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

**REVENUES**

Property taxes	\$ 75,220
Grant income	325,872
Fuel sales	35,598
Rent and use fees	22,741
Farm income	30,584
Interest income	434
Sale of assets	8,600
Total revenues	499,049

**EXPENDITURES**

Contract services	23,784
Fuel	35,027
Insurance	17,495
Postage, printing, and publishing	3,035
Professional services	3,800
Rent	8,719
Repairs and maintenance	23,965
Utilities	9,621
Vehicle expenses	1,930
Miscellaneous	777
Capital outlay	373,454
Principal payments on debt	14,940
Total expenditures	516,547

<b>Net change in fund balance</b>	(17,498)
Fund balance - September 30, 2011	271,281
Fund balance - September 30, 2012	\$ 253,783

See notes to financial statements.

**WAYNE MUNICIPAL AIRPORT**  
**WAYNE, NEBRASKA**  
**(A Component Unit of the City of Wayne)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES**

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

<b>Total net change in fund balance - governmental fund</b>	\$ (17,498)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Capital outlays are reported in the governmental fund 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 (\$373,454) exceeds depreciation expense (\$61,005) in the period.

312,449

Repayment of bond and note principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.

14,940

**Change in net assets of governmental activities**

\$ 309,891

See notes to financial statements.

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
(A Component Unit of the City of Wayne)**

**NOTES TO FINANCIAL STATEMENTS**

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**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
(A Component Unit of the City of Wayne)**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2012**

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

The financial statements of the Wayne Municipal Airport, Wayne, Nebraska (Airport) (a component unit of the City of Wayne, Nebraska) are prepared in accordance with generally accepted accounting principles (GAAP). The Airport's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and 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 Airport operates under a Board form of government with an elected legislative body composed of five members. The Airport is reported as a component unit of the City of Wayne.

The Airport's financial reporting entity comprises the following:

Primary Government:	Wayne Municipal Airport
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In determining the financial reporting entity, the Airport complies with the provisions of GASB Statement No. 14 and Statement No. 39, and has included all organizations that make up the Airport's legal entity and all component units. Consistent with applicable guidance, the criteria used by the Airport to include component units within its reporting entity are financial accountability and the nature and significance of the relationship. The Airport includes organizations as component units under the following financial accountability criteria:

- (1) Organizations for which the Airport Board appoints a voting majority of the organization's governing body and for which (a) the Airport 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 Airport.

**WAYNE MUNICIPAL AIRPORT  
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**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

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

**1. Financial Reporting Entity, continued**

- (2) Organizations which are fiscally dependent on the Airport. 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 Airport.

**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 Airport Board or the component unit provides services entirely to the Airport. These component units' funds are blended into those of the Airport by appropriate activity type to compose the primary government presentation. Currently, the Airport 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 Airport has no discretely presented component units currently.

**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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

**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. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the Airport or meets the following criteria:

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
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**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

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

**2. Basis of Presentation, continued**

**Fund Financial Statements, continued**

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental 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 are at least five percent of the corresponding total for all governmental 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 Airport and is 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.

**Major and Nonmajor Funds**

The funds are further classified as major or nonmajor as follows:

<b><u>Fund</u></b>	<b><u>Brief Description</u></b>
<i>Major:</i>	
Governmental:	
General	See above for description.

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
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**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

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

**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, the governmental activities are presented using the 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.

In the fund financial statements, the “current financial resources” measurement focus is used. 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. This fund uses fund balance as its measure of available spendable financial resources at the end of the period.

**Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, activities 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, the governmental fund is 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.

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**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

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

**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 Cash Equivalents**

For the purpose of the Statement of Net Assets, “cash and cash equivalents” include all demand accounts and savings accounts. The County Treasurer’s cash represents revenues collected not yet remitted to the Airport.

Certificates of deposit are carried at cost, which approximates fair market value. Additional cash and cash equivalent disclosures are presented in Notes B2, C1, and D1.

When both restricted and unrestricted resources are available for use, it is the Airport’s policy to use restricted resources first, then unrestricted resources as they are needed.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. The Airport has not recorded an allowance for uncollectible accounts receivable.

**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.

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
(A Component Unit of the City of Wayne)**

**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**

*Government-wide Statements*

In the government-wide financial statements, capital assets are capitalized and reported on the Statement of Net Assets. The Airport has a \$3,000 capitalization threshold. All 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 Airport has elected the depreciation approach for reporting infrastructure.

Depreciation of governmental capital assets is recorded as an 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	40 years
Improvements	10-30 years
Equipment	5 years

Prior to July 1, 1980, 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.

*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.

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
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**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**

The accounting treatment of long-term debt depends on whether the assets are reported in the government-wide or fund financial statements.

*Government-wide Statements*

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists of bonds payable.

*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.

**Equity Classifications**

*Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
(A Component Unit of the City of Wayne)**

**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*

Governmental fund equity is classified as fund balance.

Effective October 1, 2010, the Airport 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 Airport Charter, 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 Airport Board ordinance or resolution.

**Assigned**—Amounts that are designated by management for a specific purpose but are not spendable until a budget ordinance is passed by the Airport Board.

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

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 12). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the Airport Board or the Assignment has been changed by management. 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.

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
(A Component Unit of the City of Wayne)**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

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

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

**Property Taxes**

The Airport has the power to levy taxes each year sufficient to pay any judgment existing against the Airport, 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.

Property taxes levied for 2011-2012 are recorded as revenue when received by the County.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by character and function for governmental activities.

In the fund financial statements, the governmental fund reports expenditures of financial resources, classified by character and function.

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local government unit, the Airport is subject to various federal, state, and local laws and contractual regulations. An analysis of the Airport's compliance with significant laws and regulations and demonstration of its stewardship over Airport resources follows:

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
(A Component Unit of the City of Wayne)**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued**

**1. Fund Accounting Requirements**

The Airport complies with all state and local laws and regulations requiring the use of separate 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 Airport'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 Airport'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 Airport's name.

**3. Revenue Restrictions**

The Airport has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources are described in Note A2.

**4. Budgetary Data**

The Airport 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 Airport follows these procedures in establishing the budgetary data reflected in the accompanying financial statements.

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
(A Component Unit of the City of Wayne)**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued**

**4. Budgetary Data, continued**

- a. On or before August 1, the Airport 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.
- c. Prior to September 20, the Board 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 Airport, which levied property taxes in the county the previous year based on the combined valuation and amount required for the Airport 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 Wayne Municipal Airport adopts a budget by resolution for all funds.

For the year ended September 30, 2012, actual cash disbursements for the Wayne Municipal Airport exceeded budgeted appropriations by \$146,062.

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
(A Component Unit of the City of Wayne)**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

**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 the Airport’s various assets, liabilities, equity, revenues, and expenditures/expenses.

**1. Cash and Cash Equivalents**

**Deposits**

The Airport’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:

Category 1 – Insured by FDIC or collateralized with securities held by the Airport (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 Airport’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 Airport’s name; or collateralized with no written or approved collateral agreement.

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits	\$ 259,001	\$ 250,000	\$ 9,001	\$ -	\$ <u>164,354</u>

Reconciliation to Government-wide Statement of Net Assets:

Primary Government –

Unrestricted cash and cash equivalents \$ 164,354

**WAYNE MUNICIPAL AIRPORT  
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**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

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

**2. Capital Assets**

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

	<u>Balance at September 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	<u>Balance at September 30, 2012</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 287,776	\$ -	\$ -	\$ -	\$ 287,776
Construction in progress	<u>4,076,283</u>	<u>70,656</u>	<u>-</u>	<u>(4,076,283)</u>	<u>70,656</u>
	4,364,059	70,656	-	(4,076,283)	358,432
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	<u>214,805</u>	<u>16,350</u>	<u>(24,094)</u>	<u>-</u>	<u>207,061</u>
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	<u>(129,177)</u>	<u>(12,748)</u>	<u>24,094</u>	<u>-</u>	<u>(117,831)</u>
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>
Governmental activities 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 engineering and construction costs incurred on the hangar/terminal building project. The Airport expects to pay an additional \$865,748 during the year ending September 30, 2013. See Note D2 for additional details on commitments.

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
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**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

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

**3. Long-term Debt**

**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 at September 30, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance at September 30, <u>2012</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Notes payable	\$ 49,818	\$ -	\$ (14,940)	\$ 34,878	\$ 12,284

**Governmental Activities**

As of September 30, 2012, the governmental long-term liabilities consisted of the following:

Notes payable:

Non-interest-bearing note payable to the Nebraska Department of Aeronautics, due in monthly installments of \$1,027, through June 1, 2015. \$ 34,878

Current portion	\$ 12,284
Noncurrent portion	<u>22,594</u>
Total	\$ <u>34,878</u>

**WAYNE MUNICIPAL AIRPORT  
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**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

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

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

**Governmental Activities, continued**

Annual debt service requirements to maturity, for long-term debt as of September 30, 2012, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>
2013	12,284
2014	12,324
2015	10,270
2016	-
2017	-
	\$ 34,878

**NOTE D – OTHER NOTES**

**1. Risk Management**

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport has purchased commercial insurance to offset these certain risks. Settled claims have not significantly exceeded this commercial coverage in any of the past three years.

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
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**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

**NOTE D – OTHER NOTES, continued**

**1. 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 Airport 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 Airport's investments at September 30, 2012, are held by banks in the name of the Airport. The Airport has only demand deposits.

***Interest Rate Risk.*** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Airport'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 Airport holds no certificates of deposit with maturities at September 30, 2012.

***Credit Risk.*** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Airport does not have any investments.

***Concentration of Credit Risk.*** The Airport's investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2012, the Airport's bank deposits consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
First National Bank	\$ <u>164,354</u>

***Foreign Currency Risk.*** This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Airport's investments had no exposure to foreign currency risk and the Airport held no investments denominated in foreign currency at September 30, 2012.

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
(A Component Unit of the City of Wayne)**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2012**

**NOTE D – OTHER NOTES, continued**

**2. Commitments**

The Airport had the following construction commitments as of September 30, 2012:

<u>Description</u>	<u>Contract Amount</u>	<u>Paid or Incurred Through 9/30/12</u>	<u>Remaining Obligation</u>	<u>Expected Completion Date</u>
Runway Reconstruction:				
Engineering	\$ 140,710	\$ 70,656	\$ 70,054	Year ending Sept. 30, 2013
Construction	<u>795,694</u>	<u>-</u>	<u>795,694</u>	Year ending Sept. 30, 2013
	<u>\$ 936,404</u>	<u>\$ 70,656</u>	<u>\$ 865,748</u>	

**3. Subsequent Events**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
(A Component Unit of the City of Wayne)**

**BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND**

**Year ended September 30, 2012**

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
<b>RESOURCES (INFLOWS)</b>			
Property taxes	\$ 77,050	\$ 75,228	\$ (1,822)
Grant income	457,150	624,237	167,087
Fuel sales	23,000	35,759	12,759
Rent and use fees	24,012	22,741	(1,271)
Farm income	28,864	30,584	1,720
Interest income	2,500	434	(2,066)
Sale of assets	-	8,600	8,600
Bond proceeds	35,500	-	(35,500)
Other income	100	-	(100)
	648,176	797,583	149,407
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Airport operations	108,914	128,153	19,239
Capital outlay	549,500	676,283	126,783
Principal payments	14,900	14,940	40
	673,314	819,376	146,062
<b>RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS</b>			
	\$ (25,138)	\$ (21,793)	\$ 3,345

**WAYNE MUNICIPAL AIRPORT  
WAYNE, NEBRASKA  
(A Component Unit of the City of Wayne)**

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

**Year ended September 30, 2012**

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

	<u>General Fund</u>
<b>Sources/inflows of resources:</b>	
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 797,583
Differences - budget to accrual:	
Cash to accrual adjustments	<u>(298,534)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - governmental fund	<u><u>\$ 499,049</u></u>
<b>Uses/outflows of resources:</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 819,376
Differences - budget to accrual:	
Cash to accrual adjustments	<u>(302,829)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental fund	<u><u>\$ 516,547</u></u>

**ADDITIONAL INFORMATION REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS***



**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 Wayne Municipal Airport Board  
Wayne, Nebraska

We have audited the financial statements of the governmental activities of the Wayne Municipal Airport, Wayne, Nebraska, a component unit of the City of Wayne, as of and for the year ended September 30, 2012, which comprise the Wayne Municipal Airport'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 Wayne Municipal Airport is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Wayne Municipal Airport'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 Airport's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Airport'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.

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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 a certain deficiency in internal control over financial reporting, described below that we consider to be a significant deficiency 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.

#### Segregation of Duties

Due to limited number of personnel, there is not adequate segregation of duties to ensure internal control over cash receipts, disbursements, and recording of transactions.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport'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 the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

- Actual disbursements exceeded budgeted appropriations by \$146,062 for the year ended September 30, 2012.

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

Almgvist, Malthe  
Galloway ÷ Luth, A.C.

Grand Island, Nebraska  
January 30, 2013