

CITY OF WAYNE, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2019

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INDEPENDENT AUDITOR'S 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, and the aggregate remaining fund information of the City of Wayne, Nebraska, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

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and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic 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, and the aggregate remaining fund information of the City of Wayne, Nebraska, as of September 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-21 and 86-90 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wayne, Nebraska's financial statements. The nonmajor fund combining statements and the component unit combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost*

Principles, and Audit Requirements for Federal Awards, and is also not a required part of the financial statements.

The nonmajor fund combining statements, the component unit combining statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information described in the first sentence of this paragraph and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2020, on our consideration of the City of Wayne, Nebraska'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 solely 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 effectiveness of the City of Wayne's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Wayne, Nebraska's internal control over financial reporting and compliance.

AMGL, P.C.

Grand Island, Nebraska
January 21, 2020

**CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2019**

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, 2019. 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 \$43,800,766 (*net position*). Of this amount, \$13,989,409 (*unrestricted net position*) 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 position of \$23,378,542. Approximately 15.8 percent of this total amount, \$3,685,994, is *unrestricted net position*.
- At the end of the current fiscal year, the General Fund had unassigned fund balance of \$1,069,924, while total fund balance was \$3,451,203.

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 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 position* presents information on all of the City of Wayne's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, Continued
For The Year Ended September 30, 2019

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 22 and 23 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 nine 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 LB840 Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other five 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, Continued
For The Year Ended September 30, 2019

The City of Wayne adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General, Street, LB840, and Debt Service Funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 24-27 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 28-31 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 32 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 33-85 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 86-90 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 91-94 of this report.

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

Government-wide Financial Analysis

As noted earlier, net position 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 \$43,800,766 at the close of the most recent fiscal year.

Summary Statements of Net Position

	September 30, 2019			September 30, 2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 8,697,477	\$ 11,826,754	\$ 20,524,231	\$ 8,036,417	\$ 10,712,085	\$ 18,748,502
Capital Assets	19,180,425	18,230,423	37,410,848	19,780,811	18,903,107	38,683,918
Total Assets	<u>27,877,902</u>	<u>30,057,177</u>	<u>57,935,079</u>	<u>27,817,228</u>	<u>29,615,192</u>	<u>57,432,420</u>
Long-term Liabilities	3,487,224	6,850,367	10,337,591	4,082,842	7,929,128	12,011,970
Other Liabilities	1,012,136	2,784,586	3,796,722	1,231,075	2,256,145	3,487,220
Total Liabilities	<u>4,499,360</u>	<u>9,634,953</u>	<u>14,134,313</u>	<u>5,313,917</u>	<u>10,185,273</u>	<u>15,499,190</u>
Net Position:						
Net Investment in						
Capital Assets	15,420,425	9,557,406	24,977,831	15,430,811	9,748,118	25,178,929
Restricted	4,272,123	561,403	4,833,526	3,951,379	547,438	4,498,817
Unrestricted	3,685,994	10,303,415	13,989,409	3,121,121	9,134,363	12,255,484
Total Net Position	<u>\$ 23,378,542</u>	<u>\$ 20,422,224</u>	<u>\$ 43,800,766</u>	<u>\$ 22,503,311</u>	<u>\$ 19,429,919</u>	<u>\$ 41,933,230</u>

By far the largest portion of the City of Wayne's net position (57.0 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), net of 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 position (11.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$13,989,409) 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 position, 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, Continued
For The Year Ended September 30, 2019

Expenses and Program Revenues - Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2019</u>		<u>Year Ended September 30, 2018</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 444,891	\$ 550,331	\$ 181,173	\$ 333,287
Public Safety	357,152	1,395,588	389,174	1,308,618
Public Works	36,339	595,200	48,192	525,720
Public Buildings	30,605	130,686	40,517	91,962
Recreation	241,936	715,437	571,124	654,872
Community Activity Center	151,808	296,301	168,611	288,332
Library	14,564	254,423	14,596	258,736
Senior Citizens Services	209,009	245,175	210,207	244,467
Interest	-	149,828	-	137,032
Depreciation	-	1,163,141	-	1,246,109
Total	<u>\$ 1,486,304</u>	<u>\$ 5,496,110</u>	<u>\$ 1,623,594</u>	<u>\$ 5,089,135</u>

Revenues by Source - Governmental Activities

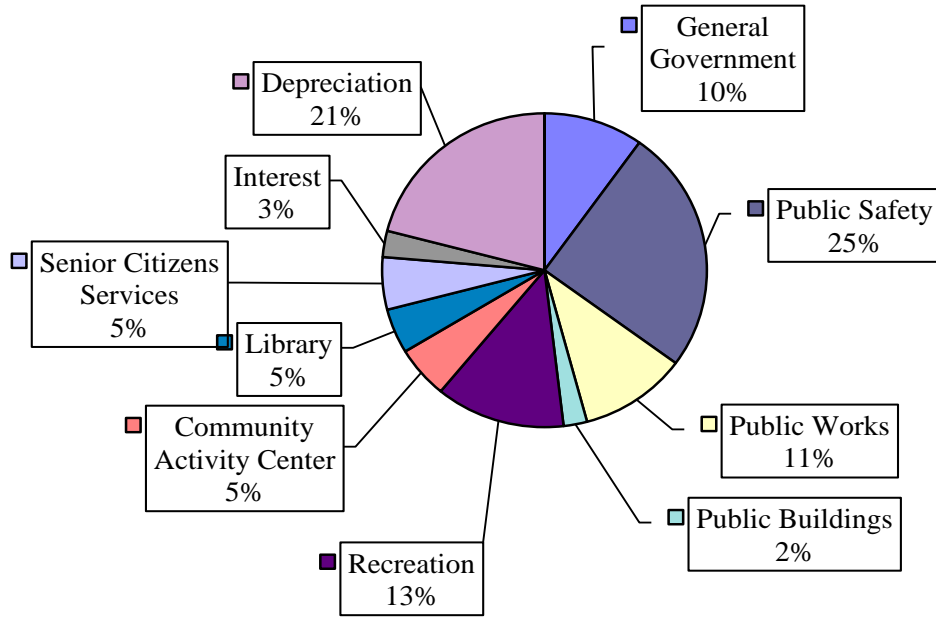
SOURCES OF REVENUE

	<u>Year Ended September 30, 2019</u>		<u>Year Ended September 30, 2018</u>	
Charges for Services	\$ 734,973	11.54 %	\$ 771,128	12.39 %
Operating Grants and Contributions	597,808	9.38	361,144	5.80
Capital Grants and Contributions	153,523	2.41	491,322	7.89
Property Taxes	941,175	14.77	881,367	14.16
Motor Vehicle Taxes	90,799	1.42	86,781	1.39
Payments in Lieu of Taxes	990,206	15.54	972,244	15.62
Sales Tax	1,139,556	17.89	1,148,955	18.46
Franchise Taxes	186,601	2.93	192,196	3.09
State Allocation	1,188,133	18.65	1,113,811	17.89
Special Assessments	109,522	1.72	73,100	1.17
Keno Proceeds	22,402	0.35	23,792	0.38
Other	52,775	0.83	37,515	0.60
Interest	124,790	1.96	81,348	1.31
Interfund Transfers	39,078	0.61	(9,647)	(0.15)
Total	<u>\$ 6,371,341</u>	<u>100.00 %</u>	<u>\$ 6,225,056</u>	<u>100.00 %</u>

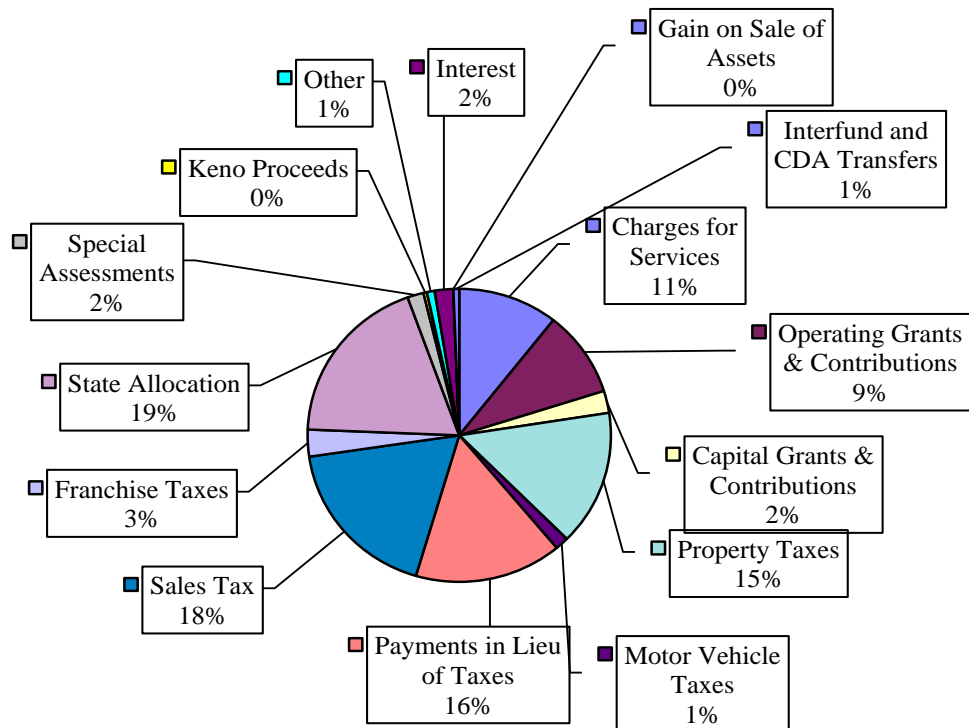
Net position increased \$875,231 in the governmental funds during the year ended September 30, 2019.

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

Governmental Activities - 2019 Expenses



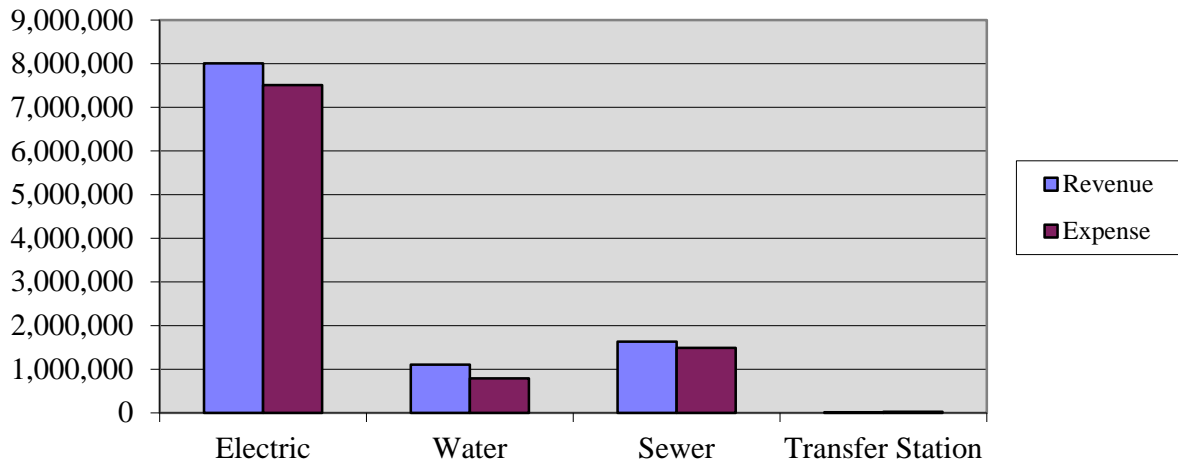
Governmental Activities - 2019 Revenue



**CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019**

Business-type activities. Business-type activities increased the City of Wayne's net position by \$992,305 for the year ended September 30, 2019. Key elements of this increase are as follows:

2019 Expenses and Program Revenues - Business-type Activities



Expenses and Program Revenues - Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2019</u>		<u>Year Ended September 30, 2018</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 8,006,735	\$ 7,509,388	\$ 8,343,101	\$ 8,656,816
Water	1,103,904	792,152	933,041	771,181
Sewer	1,632,773	1,489,464	1,315,299	1,389,346
Transfer Station	13,800	24,805	11,800	25,640
Total	<u>10,757,212</u>	<u>9,815,809</u>	<u>10,603,241</u>	<u>10,842,983</u>
Interfund & CDA Transfer	-	73,822	9,647	30,031
	<u>\$ 10,757,212</u>	<u>\$ 9,889,631</u>	<u>\$ 10,612,888</u>	<u>\$ 10,873,014</u>

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

Revenues by Source - Business-type Activities

<u>SOURCES OF REVENUE</u>	<u>Year Ended September 30, 2019</u>		<u>Year Ended September 30, 2018</u>	
Charges for Services	\$ 10,643,433	98.48 %	\$ 10,603,241	99.24 %
Capital Grants and Contributions	113,779	1.05	-	-
Interest	124,724	1.15	101,127	0.95
Interfund Transfers	(73,822)	(0.68)	(20,384)	(0.19)
Total	<u>\$ 10,808,114</u>	<u>100.00 %</u>	<u>\$ 10,683,984</u>	<u>100.00 %</u>

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City of Wayne's *governmental* funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Wayne's financing requirements. In particular, *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 \$7,354,309. Of this amount, \$1,069,924 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 (\$1,030,126), 2) restricted for Federal loan programs (\$333,943), 3) restricted for park expenditures (\$29,242), 4) restricted for Community Activity Center expenditures (\$163,817), 5) restricted for economic development (\$1,574,554), 6) restricted for capital projects (\$938,258), 7) restricted for the swimming pool (\$154,074), 8) restricted for community betterment (\$48,109), 9) assigned for budgetary stabilization (\$608,705), 10) committed for capital projects (\$451,000), 11) assigned for street expenditures (\$911,101), or 12) assigned for other purposes (\$41,456).

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 \$1,069,924, while total fund balance reached \$3,451,203. 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 28.1 percent of total General Fund expenditures, while total fund balance represents 90.6 percent of that same amount.

The fund balance of the City of Wayne's General Fund increased by \$356,585 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, Continued
For The Year Ended September 30, 2019

Unrestricted net position of the proprietary funds at the end of the year were as follows: Electric Fund - \$6,844,123, Water Fund - \$1,350,176, Sewer Fund - \$2,077,608, and Transfer Station – \$31,508. The change in net position for the proprietary funds was as follows: Electric Fund – increase of \$487,582, Water Fund – increase of \$173,231, Sewer Fund – increase of \$342,245, and Transfer Station – decrease of \$(10,753). 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, 2019, amounts to \$37,410,848 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, building and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Final construction costs on 2nd Street storm sewer - \$133,018
- Construction in progress on Nebraska Street (2nd to 7th) - \$70,389
- Freightliner dump truck for street department - \$57,775
- Construction in progress on electric inner East/West conversion - \$98,560
- Construction in progress on water transmission line - \$70,710
- Freightliner dump truck for sewer department - \$50,000
- SCADA system for water department - \$55,668

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

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

	<u>Year Ended September 30, 2019</u>			<u>Year Ended September 30, 2018</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Land	\$ 775,970	\$ 426,695	\$ 1,202,665	\$ 775,970	\$ 401,690	\$ 1,177,660
Construction						
in progress	497,676	1,614,347	2,112,023	1,531,906	1,631,328	3,163,234
Infrastructure	7,123,195	-	7,123,195	6,890,933	-	6,890,933
Improvements	4,491,094	-	4,491,094	3,924,640	-	3,924,640
Buildings	5,252,313	9,554,641	14,806,954	5,443,017	10,021,899	15,464,916
Equipment	1,040,177	340,238	1,380,415	1,214,345	383,593	1,597,938
Distribution						
Systems	-	6,294,502	6,294,502	-	6,464,597	6,464,597
Total	<u>\$ 19,180,425</u>	<u>\$ 18,230,423</u>	<u>\$ 37,410,848</u>	<u>\$ 19,780,811</u>	<u>\$ 18,903,107</u>	<u>\$ 38,683,918</u>

Additional information on the City of Wayne's capital assets can be found in Note C4 on pages 59-62 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 \$12,433,017. Of this amount, \$1,865,000 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., sales tax bonds, revenue bonds and DEQ note payable).

City of Wayne's Outstanding Debt

	<u>Year Ended September 30, 2019</u>			<u>Year Ended September 30, 2018</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
General Obligation						
Bonds	\$ 690,000	\$ -	\$ 690,000	\$ 750,000	\$ -	\$ 750,000
Sales Tax Revenue						
Bonds	1,895,000	-	1,895,000	2,315,000	-	2,315,000
Highway Allocation						
Bonds	720,000	-	720,000	780,000	-	780,000
Public Safety						
Bonds	455,000	-	455,000	505,000	-	505,000
DEQ Note	-	5,453,017	5,453,017	-	5,804,989	5,804,989
Bond Anticipation						
Notes	-	1,320,000	1,320,000	-	2,120,000	2,120,000
Revenue Bonds	-	1,900,000	1,900,000	-	1,230,000	1,230,000
Total	<u>\$ 3,760,000</u>	<u>\$ 8,673,017</u>	<u>\$ 12,433,017</u>	<u>\$ 4,350,000</u>	<u>\$ 9,154,989</u>	<u>\$ 13,504,989</u>

The City of Wayne's total debt decreased by \$1,071,972 (7.9 percent) during the current fiscal year, as the City made scheduled principal payments.

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

Additional information on the City of Wayne's long-term debt can be found in Note C6 on pages 63-71 of this report.

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 2019-2020 continues the City's practice of conservative financial planning.

Each year, the City Council has a retreat where they discuss short and long-term goals for the City. The budget adopted complies with the financial management policies approved by the City Council and is structured to meet the Council's priorities. Some of the goals below were completed in the 2018-2019 fiscal year and others are in the 2019-2020 budget year.

COUNCIL GOALS 2019
ONE-YEAR GOALS

- Engineer a new Water Transmission Main (loop)
 - Consider additional water source (well)
 - Obtain costs for updating/purchasing new well control system
- Community Activity Center:
 - Review parking issues
 - Review coaching positions and standards
 - Review CAC Fees - add a military discount
 - Install water bottle fountain at CAC
 - Continue to enhance CAC amenities (water bottle fountain)
- Continue to discuss options for City Hall/Council Chambers accessibility
 - Renovate existing vs. add-on to existing site vs. build new City Hall
- City Auditorium:
 - Make improvements and encourage utilization of the facility
- Amend Park Fee Ordinance (eliminate land donation option)
- Address garbage containers in right-of-way
- Review Investment Policy
- City Properties:
 - 4th Street (replat and develop)
 - 21st Street land
 - 10th & Main - dedicate a portion as right-of-way; sell or develop
- Protect Right-of-Way - visibility and safety
- ADA sidewalks at public places (e.g. Bressler Park)
 - Park Improvements- focus on East Park, Bressler, Sunnyview & Ashley
- Improvements at Bressler Park
 - Stage upgrades (canopy)
- Investigate the feasibility of apartments above businesses downtown
- Evaluate imposing a "Vacancy Tax"
- Discuss a half cent sales tax initiative on the ballot for projects
- Development strategies
 - Revisit the blight and substandard designations

**CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019**

- Rezoning - future land use (direct Planning Commission to review zoning map and future land use map)
- Continue discussion on Old Pool use
 - Keep bathhouse for possible trailhead
 - Retain parking lot
- Consider Annexation possibilities - Town Hall Meeting

FIVE-YEAR GOALS

- Continue plans to fully decommission lagoon and begin development
- Continue discussion on the future of electricity (2019 and beyond)
 - Power Plant future, including exploring options on fast start engine
 - Current substation status and discuss an additional substation
- Discuss replacing Hank Overin Lighting
- Explore opportunities for Community Activity Center use by other entities
- Put electric substation on hold - use those monies to evaluate and make repairs to downtown alleys and install underground powerlines on both sides of Main Street

PERSONNEL

The Police Department hired a new officer in February 2019. We have a ninth officer included in next year's budget. The Police Chief is optimistic to have this position filled this year.

The Public Works Department continues to be managed by Joel Hansen, Street & Planning Director. Lowell Heggemeyer is serving as the Parks and Recreation Director and has Amber Schwarte serving as the Recreation Services Coordinator. The Electric Distribution Department is managed by Tim Sutton, Electric Distribution Superintendent. The Senior Center continues to cook meals in-house and has moved the part-time cook to a full-time position.

Loss of institutional knowledge is a continued topic that is being addressed. The Power Plant Supervisor and Water/Sewer Supervisor both retired from their supervisor positions in June 2019 and were replaced by Jeff Triggs and Casey Junck respectively. We continue to cross train at the Electric Power Plant. This cross training is necessary as we may be required to start up the plant when the power provided to the City is interrupted. We are looking at cross training in most of our departments.

ECONOMY

A shortage of qualified employees and workforce housing continue to be a problem for Northeast Nebraska. In our area industrial businesses, call centers, manufacturing businesses, medical facilities, construction businesses, and many small businesses have been advertising employment positions. They are having problems attracting personnel to fill the positions.

The City continues to provide assistance to Wayne Area Economic Development for promotion of the City and assistance with any economic development projects.

The Wayne City Council and Community Redevelopment Authority continue to support the housing efforts in the community. The Housing Down Payment Loan Program continues to assist new

**CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019**

homeowners within the City of Wayne. We also continue with the development of houses in the City's Western Ridge Subdivision. There have been many new apartment buildings within the last few years. There are also new houses going up in the subdivisions within the City.

The City of Wayne made a contribution to the Wayne Community Housing Development Corporation's (WCHDC) Rural Workforce Housing Fund (RWHF) in August 2018. The purpose of this fund is to provide funding opportunities for housing developers/contractors and homebuyers to entice them to build, buy and/or rehabilitate workforce housing in the community of Wayne.

The City valuation had \$3,980,650 of growth in the last year. The Country Club recently completed an addition and major renovations to the clubhouse. State Nebraska Bank and Trust broke ground on May 1, 2019 for their new SNBuilding. This 14,000 square-foot facility plans to open in the summer of 2020, featuring a walk-in lobby, ATM, drive-thru lanes, State National Insurance Company, a basketball/pickleball court for community use, and multiple Class A space for lease, including shared-space options. Following the closure of the Shopko store, a group of investors has plans to open a Wayne Ace store in the former Shopko building. Their hope is to open the new store in the spring of 2020. Investors in this new store are gathering input on home goods, personal goods and other products that are most needed in town, and their plan is to offer far more products than traditional hardware or tools associated with the Ace Hardware brand.

Wayne State College continues with their Center for Applied Technology that is being constructed. This will be a \$15.2 million state-of-the-art facility. The goal is to continue to attract first-rate students and faculty and increase the number of industrial technology teachers, diversified manufacturing administrators, construction and safety managers, drafters and computer programmers. The Center for Applied Technology will also provide Northeast Nebraska with a facility to support management training for industry, encourage ongoing employee development, foster small business entrepreneurs interested in manufacturing and engage in applied research with industry.

Concerns about the national, state and local economies will have an impact on our local revenues and rising costs. We continue to see increases in our healthcare premiums.

GRANTS

Nebraska Department of Transportation has taken over the Trail and Underpass Grant Project and combined it into one project. The City was excited to receive notice that the State was moving forward with the Trail Phase II project. We are planning on spring 2020 construction.

The City of Wayne has received Community Development Block Grant planning grant funds that addressed ADA curb ramps in the City. We received an additional Community Development Block Grant (1 6CD208) up to the amount of \$475,000 that we are using towards Nebraska 2nd-7th Street Project.

The Senior Center continues with the Department of Transportation grant to operate the handivan and the Area Agency on Aging grant to operate the meal program.

**CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019**

CAPITAL PROJECTS

Major projects completed and/or in progress in the City this year include the water transmission line project, parallel taxiway and hangar approach construction at the airport, 2nd Street storm sewer project, inner east/west conversion, Nebraska 2nd-7th Street Project, and improvements at the old pool park, including removal of the old pool.

REVENUES

The City has a slight increase in the total property tax levy requested for city support at \$0.449131 per \$100 of valuation for the upcoming fiscal year. The 2019 combined tax rate for the City of Wayne is 1.868355 per \$100 of valuation.

Revenues from the City Sales Tax have continued to grow at a larger rate than estimated during the last year. The Citizens Advisory Committee has processed several requests for the LB 840 plan projects. At this time, they have allocated the majority of the \$3.2 million dollar maximum. Council has established the Loan Committee for the initial loan repayments.

Rates for the utility funds are set to cover operating costs and capital needs. We have received feedback from the Nebraska Municipal Power Pool on our electric rate study, and electric rates were updated effective with the billing statement received June 1, 2019 per Resolution 2018-72. We received feedback from the Nebraska Rural Water Association and water/sewer rates were updated effective with the billing statement received February 1, 2019 per Resolutions 2018-58 and 2018-59.

CAPITAL BUDGET 2019-2020

- Police department
 - Car Replacement
 - Carpet and ceiling repair/replacement in basement
 - Digital citations equipment
- Fire Department
 - Primary pumper truck set aside
 - Interior radio replacement
 - Paint meeting room at Fire Hall
- Parks Department
 - Removal of old pool
 - Park hiking trail phase II- entire budget now in Park budget
- Recreation/CAC/Pool
 - Annual maintenance to Hank Overin and Summer Sports Complex
 - Lighting at Hank Overin Field
 - Pool deck stabilization
 - CAC bathroom countertops
 - Remove CAC carpet in locker rooms
 - CAC track repair
- The Country Clubhouse project is a City project that allows individuals to make tax exempt donations for the renovation/enhancements of the Clubhouse.
- Public Buildings

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

- Improvements at City Hall
- Auditorium water line repairs
- Auditorium stage curtains
- In the Senior Center and Library budgets we also have funds set aside to paint and replace the carpet.
- Senior Center
 - Addition to Senior Center to allow room for walk-in cooler
- From City sales tax we have budgeted the following:
 - Upgrades to the Library/Senior Center (carpet, paint, etc.)
 - Police car replacement
 - Set aside for Fire Truck Replacement
 - Playground equipment
 - Phase II Trail
 - Public Art
- Street Fund
 - Air compressor
 - 1/2 ton pickup
 - Snow box
 - Street Projects are
 - Nebraska 2nd-7th Street
 - Downtown alleys
 - South Windom to Folk Street
 - Pine Heights Road
- Electric Production has budgeted for their normal capital items
 - Potential diesel fuel cost
 - Sync check
- Electric Distribution has budgeted their normal distribution system upgrades
 - Continued district improvements projects (inner east/west conversion)
- Technology
 - Sound and video systems for the Council Chambers, servers and various computers
- Water Fund
 - Water Transmission Line Project
 - Pickup with crane (split with Sewer dept)
 - Fire hydrants
 - Water meters
 - Scada system upgrades
 - Valve exerciser
- Sewer Fund
 - Pickup with crane (split with Water dept)
 - Scada system upgrade
 - Various lift stations, manhole rehab and cleaning of sewer lines
 - Sewer lagoon decommissioning

CITY OF WAYNE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

DEBT

We will bond the Nebraska 2nd-7th Street Project and are working with D.A. Davidson to refinance the 2013 Highway Allocation Bonds to obtain a better rate. We are utilizing the Nebraska Drinking Water State Revolving Loan Fund for our Water Transmission Line project.

AIRPORT

There are currently long term contracts in place for the farm ground, the Airport Manager and the Fixed Base Operator (FBO). There are annual leases on the hangars.

The current Airport Authority strives to promote general aviation so they set their avgas price at a rate to cover the equipment costs and maintenance. This rate has been lower than most of the airports in the area and has increased traffic at the airport. There seems to be a growing demand for jet fuel and the board is considering the cost and obligations of a fuel farm and how to accommodate those customers.

The first phase of the parallel taxiway project has recently been completed with Knife River as the contractor. Construction was delayed this year due to weather and conflicts with the contractor. The second phase of this project will involve the Corp of Engineers as there will be a need to move the creek.

COMMUNITY REDEVELOPMENT AUTHORITY

In 2013-14, the Council reorganized the Community Development Agency and appointed a Community Redevelopment Authority. The CRA has an offer on their property in the industrial park and are currently working through the closing details.

The Community Redevelopment Authority continues to support new housing construction with their \$10,000 down payment, 10-year, 0% interest assistance program.

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
NOTES TO FINANCIAL STATEMENTS

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CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

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.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note.

1. Financial Reporting Entity

The City of Wayne, Nebraska, was incorporated in 1884. The City operates under a Mayor-Council form of government with an elected Mayor, and an elected legislative body, Council, composed of eight members. The Mayor is elected at large for a four-year term, and the eight members of the City Council are elected, two from each of four wards, on alternating four-year terms. The administration of the City government is performed under the direction of the Mayor by the City Administrator. Services provided to residents include public safety, highways and streets, planning and zoning, parks, recreation, development, electric, water, and sanitary sewer systems, transfer station, and general administrative services.

The City’s financial reporting entity comprises the following:

Primary Government:	City of Wayne
Discretely Presented Component Units:	Wayne Municipal Airport Community Development Agency

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 61, and has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable, and, as such, should be included within the City’s financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

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:

	<u>Brief Description of Activities and Relationship to the City:</u>
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.

2. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position 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.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

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, 2019

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, 2019

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 Nonmajor Funds

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
Governmental:	
General	See page 36 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.
LB840	The LB840 Fund is a special revenue fund that accounts for sales tax to be used for economic development under LB840.
Debt Service	See page 37 for description.
Proprietary:	
Enterprise:	
Electric, Water, Sewer, and Transfer Station	See page 37 for description.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor 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.
Sales Tax	Accounts for reserve funds raised for CAC Construction.
Keno	Accounts for keno funds held for community betterment.
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 Position 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, 2019

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 position (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 position.
- 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 Position 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, 2019

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 Position, “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, 2019

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>206,174</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, 2019

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 Position. 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 Position. 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, 2019

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.

Unavailable Revenues

Unavailable 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, 2019

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 position and displayed in three components:

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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, 2019

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 24). 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, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses

Sales and Use Tax

The City presently levies a 1.5 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. One cent of the sales tax is allocated 60 percent to the General Fund to be used for capital projects and 40 percent to the LB840 Fund to be used for economic development. The other half cent of sales tax is to be used to pay the debt service on the \$2.9 million sales tax revenue bonds issued for the outdoor swimming pool construction. Sales tax collected on the sale of motor vehicles is restricted for street improvements as required by LB904.

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, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Property Taxes, continued

Property taxes levied for 2018-2019 are recorded as revenue when expected to be collected within 60 days after September 30, 2019. 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 (10.5 percent of gross revenues for electric, 9 percent of gross revenues for water, and 7 percent of gross revenues for 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, 2019

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 demand deposits are insured up to \$250,000 and certificates of deposit/savings accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). 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, 2019

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, 2019

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 October 15. 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, 2019. The categories of collateral are defined as follows:

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

1. Cash and Investments, continued

Deposits, continued

Category 1 – Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City’s name; or collateralized with no written or approved collateral agreement.

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits and money market accounts	\$ 8,393,389	\$ 750,000	\$ 7,643,389	\$ -	\$ <u>8,265,615</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –	
Unrestricted cash and cash equivalents	\$ 4,738,901
Restricted cash and cash equivalents	1,969,924
Component Unit –	
Unrestricted cash and cash equivalents	1,442,139
Agency Fund Cash (not included in government-wide statement)	<u>114,651</u>
	<u>\$ 8,265,615</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, 2019. The categories of investments are defined as follows:

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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 the 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>	Category <u>1</u>	Category <u>2</u>	Category <u>3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Money Market	\$ 438,019	\$ -	\$ -	\$ 438,019	\$ 438,019
Time Deposits	8,040,919	-	-	<u>8,040,919</u>	<u>8,040,919</u>
				<u>\$ 8,478,938</u>	<u>\$ 8,478,938</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –

Unrestricted investments

Restricted investments

\$ 6,946,732

1,532,206

\$ 8,478,938

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

2. Restricted Assets

The restricted assets as of September 30, 2019, are as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Type of Restricted Assets:				
Cash and cash equivalents	\$ 1,651,257	\$ 318,667	\$ 1,969,924	\$ -
Investments	<u>1,056,350</u>	<u>475,856</u>	<u>1,532,206</u>	<u>-</u>
	<u>\$ 2,707,607</u>	<u>\$ 794,523</u>	<u>\$ 3,502,130</u>	<u>\$ -</u>

Restricted cash and investments for governmental activities consists of \$200,000 of General Fund cash restricted for pool debt service, \$938,258 of General Fund cash restricted for capital projects, \$154,074 of General Fund cash and investments restricted for the swimming pool, \$163,550 of Sales Tax cash and investments restricted for Community Activity Center, \$764,273 of Debt Service cash and investments restricted for debt service, \$147,348 of Community Development cash restricted for Federal programs, \$261,462 of LB840 cash restricted for economic development, \$49,400 of Keno cash restricted for community betterment, and \$29,242 of General Fund investments restricted to be used for parks.

Restricted business-type assets consist of debt service reserves of \$561,403 for the Electric Fund. The Electric Fund also has \$233,120 restricted for customer deposits.

3. Accounts and Notes Receivable

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of Community Activity Center memberships and other minor receivables. Accounts receivable for the component units consist of minor receivables. Receivables detail at September 30, 2019, is as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Accounts receivable	\$ 4,547	\$ 990,060	\$ 994,607	\$ 24,421
Allowance for doubtful accounts	<u>(850)</u>	<u>(15,925)</u>	<u>(16,775)</u>	<u>-</u>
Net accounts receivable	<u>\$ 3,697</u>	<u>\$ 974,135</u>	<u>\$ 977,832</u>	<u>\$ 24,421</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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, 2019:

<u>Note Held By</u>	<u>Due From</u>	Note Balance at September 30, <u>2019</u>	<u>Terms</u>
Community Development Fund	Sand Creek Post and Beam	\$ 10,000	0%; monthly payments due over 120 months; final balloon payment due 1/02/20
Community Development Fund	9 housing loans	148,956	0%; housing loans; due when property is sold
LB840 Fund	Wayne Area Events Center	350,000	3%; annual payments of \$40,004 March 1, 2018, through March 1, 2027
LB840 Fund	RBDK, LLC	50,038	3%; annual payments of \$4,705 through November 30, 2021 when final balloon payment is due
LB840 Fund	Innovative Protectives	6,667	0%; annual payments of \$667 November 1, 2014, through November 1, 2028
LB840 Fund	Talon Capital	250,000	2.85%; annual payments of \$29,084 May 1, 2020, through May 1, 2029

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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 September 30, 2019</u>	<u>Terms</u>
LB840 Fund	OCC Builders, LLC	23,786	0%; annual payments of \$2,643 November 1, 2014, through November 1, 2028
LB840 Fund	Sand Creek Post & Beam, Inc.	129,267	0%; annual payments of \$12,927 November 1, 2014, through November 1, 2028
LB840 Fund	Wayne Hospitality Group	183,333	0%; annual payments of \$16,667 due for 15 years through 2030
LB840 Fund	DRJ LLC/INET Library	74,186	3%; annual payments of \$10,568 plus interest May 10, 2013, through May 10, 2021
LB840 Fund	Lutt Oil	26,844	3%; annual payments of \$5,862 January 1, 2015, through January 1, 2024
LB840 Fund	Kory Leseberg	25,778	0%; monthly payments of \$222 June 1, 2014, through May 1, 2029
LB840 Fund	Kory Leseberg	23,602	3%; monthly payments of \$242 June 1, 2014, through May 1, 2029
LB840 Fund	Ken Jorgensen	96,883	3%; annual payments of \$10,471 September 1, 2015, through September 1, 2029
LB840 Fund	Pat Garvin	26,667	0%; annual payments of \$2,667 May 1, 2015, through May 1, 2029

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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 September 30, 2019</u>	<u>Terms</u>
LB840 Fund	Hefti Trucking	33,333	0%; annual payments of \$3,333 September 1, 2015, through September 1, 2029
LB840 Fund	Ken Jorgensen	83,117	3%; forgivable at \$10,471 per year September 1, 2015, through September 1, 2029
LB840 Fund	Jen Claussen	17,600	3%; monthly payments of \$164 April 1, 2015, through March 1, 2030
LB840 Fund	Rainbow World	49,372	0%; monthly payments of \$313 over 120 months; 22 final balloon payment due November 17, 2022
LB840 Fund	Jen Claussen	4,753	0%; forgivable at \$4,753 per year April 1, 2016, through April 1, 2020
LB840 Fund	Wayne Country Club	196,000	0%; annual payments of \$14,000 August 15, 2019, through August 15, 2033
LB840 Fund	Julie Cull	14,873	3%; monthly payments of \$357 due over 120 months

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

3. Accounts and Notes Receivable, continued

<u>Note Held By</u>	<u>Due From</u>	Note Balance at September 30, <u>2019</u>	<u>Terms</u>
LB840 Fund	Crossroads-Atoll Productions, LLC	33,352	3%; annual payments of \$3,351 February 1, 2017, through February 1, 2031
LB840 Fund	Rustic Treasures, LLC	15,000	0%; monthly payments of \$917 October 1, 2016, through September 1, 2021
LB840 Fund	Winning Finish Enterprises, Inc.	15,876	3%; annual payments of \$2,897 October 1, 2016, through October 1, 2025
LB840 Fund	Winning Finish Enterprises, Inc.	15,000	0%; forgivable at \$2,500 per year October 1, 2016, through October 1, 2025
LB840 Fund	Allowance for Uncollectible Note	<u>(75,000)</u>	
Total notes receivable		\$ <u>1,829,283</u>	
Current portion		\$ 204,000	
Noncurrent portion		<u>1,625,283</u>	
		\$ <u>1,829,283</u>	

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	<u>Balance at</u> <u>October 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	<u>Balance at</u> <u>September 30, 2019</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 775,970	\$ -	\$ -	\$ -	\$ 775,970
Construction in progress	1,531,906	233,349	-	(1,267,579)	497,676
Total capital assets not being depreciated	2,307,876	233,349	-	(1,267,579)	1,273,646
Other capital assets being depreciated:					
Infrastructure	17,209,940	169,716	-	481,785	17,861,441
Improvements	5,030,711	5,008	-	785,794	5,821,513
Buildings	10,158,246	15,055	-	-	10,173,301
Machinery and equipment	4,034,058	139,627	-	-	4,173,685
Total other capital assets at historical cost	36,432,955	329,406	-	1,267,579	38,029,940
Less accumulated depreciation for:					
Infrastructure	(10,319,007)	(419,239)	-	-	(10,738,246)
Improvements	(1,106,071)	(224,348)	-	-	(1,330,419)
Buildings	(4,715,229)	(205,759)	-	-	(4,920,988)
Machinery and equipment	(2,819,713)	(313,795)	-	-	(3,133,508)
Total accumulated depreciation	(18,960,020)	(1,163,141) *	-	-	(20,123,161)
Other capital assets, net	17,472,935	(833,735)	-	1,267,579	17,906,779
Governmental activities capital assets, net	<u>\$ 19,780,811</u>	<u>\$ (600,386)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,180,425</u>

* Depreciation expense was charged to governmental activities as follows:

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

4. Capital Assets, continued

Governmental Activities, continued:

General government/public buildings	\$ 42,870
Public safety	211,215
Public works:	
Street	496,938
Library	4,460
Senior citizens services	13,525
Recreation	303,442
Community Activity Center:	<u>90,691</u>
Total governmental depreciation expense	\$ <u>1,163,141</u>

Construction in progress at September 30, 2019, consists of \$317,477 for the Hiking Trail – Phase II project, \$70,389 for the Nebraska Street project; and \$109,810 for the trail slope stabilization project. See Note D3 for additional details on these projects.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

4. Capital Assets, continued

	<u>Balance at</u> <u>October 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	<u>Balance at</u> <u>September 30, 2019</u>
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 401,690	\$ 25,005	\$ -	\$ -	\$ 426,695
Construction in progress	1,631,328	169,270	-	(186,251)	1,614,347
Total capital assets not being depreciated	2,033,018	194,275	-	(186,251)	2,041,042
Other capital assets being depreciated:					
Buildings	18,681,999	-	-	159,906	18,841,905
Distribution systems	16,817,316	199,416	-	26,345	17,043,077
Equipment	4,847,823	67,364	-	-	4,915,187
Total other capital assets at historical cost	40,347,138	266,780	-	186,251	40,800,169
Less accumulated depreciation for:					
Buildings	(8,660,100)	(627,164)	-	-	(9,287,264)
Distribution systems	(10,352,719)	(395,856)	-	-	(10,748,575)
Equipment	(4,464,230)	(110,719)	-	-	(4,574,949)
Total accumulated depreciation	(23,477,049)	(1,133,739) *	-	-	(24,610,788)
Other capital assets, net	16,870,089	(866,959)	-	186,251	16,189,381
Business-type capital assets, net	\$ 18,903,107	\$ (672,684)	\$ -	\$ -	\$ 18,230,423

* Depreciation expense was charged to functions as follows:

Electric	\$ 515,417
Water	174,441
Sewer	424,032
Transfer Station	19,849
Total business-type activities depreciation expense	\$ <u>1,133,739</u>

Construction in progress at September 30, 2019, consists of \$1,311,887 of costs on the electric inner East/West conversion project, \$70,710 of costs on the water transmission line project, and \$231,750 of costs on the sewer building. See Note D3 for additional detail of the construction in progress at September 30, 2019.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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

4. Capital Assets, continued

	Balance at <u>October 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at <u>September 30, 2019</u>
<u>Airport Authority:</u>					
Capital assets not being depreciated:					
Land	\$ 287,776	\$ -	\$ -	\$ -	\$ 287,776
Construction in progress	1,209,467	896,417	-	-	2,105,884
	<u>1,497,243</u>	<u>896,417</u>	<u>-</u>	<u>-</u>	<u>2,393,660</u>
Other capital assets being depreciated:					
Buildings	2,561,545	39,658	-	-	2,601,203
Improvements	5,167,914	215,845	-	-	5,383,759
Equipment	284,635	77,311	-	-	361,946
Total other capital assets at historical cost	8,014,094	332,814	-	-	8,346,908
Less accumulated depreciation for:					
Buildings	(412,108)	(71,419)	-	-	(483,527)
Improvements	(1,517,438)	(191,482)	(288)	-	(1,709,208)
Equipment	(200,547)	(49,276)	(38)	-	(249,861)
Total accumulated depreciation	<u>(2,130,093)</u>	<u>(312,177)</u>	<u>(326)</u>	<u>-</u>	<u>(2,442,596)</u>
Other capital assets, net	<u>5,884,001</u>	<u>20,637</u>	<u>(326)</u>	<u>-</u>	<u>5,904,312</u>
Airport Authority capital assets, net	<u>\$ 7,381,244</u>	<u>\$ 917,054</u>	<u>\$ (326)</u>	<u>\$ -</u>	<u>\$ 8,297,972</u>

Construction in progress at September 30, 2019 consists of \$2,096,606 of engineering and construction contractor costs for the parallel taxiway and a \$9,278 down payment on a flight simulator. See Note D3 for additional details of contractual commitments on these projects.

	Balance at <u>September 30, 2018</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>September 30, 2019</u>
<u>Community Development Agency:</u>				
Capital assets not being depreciated:				
Land	\$ <u>195,784</u>	\$ <u>-</u>	\$ <u>(3,526)</u>	\$ <u>192,258</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, 2019

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, 2019:

<u>Type of Debt</u>	Balance October 1, 2018	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2019	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds payable	\$ 4,350,000	\$ 690,000	\$ (1,280,000)	\$ 3,760,000	\$ 320,000
Business-type Activities:					
Bonds payable	\$ 9,154,989	\$ 820,000	\$ (1,301,972)	\$ 8,673,017	\$ 1,888,625
Component Units:					
Airport Authority	\$ 93,378	\$ 135,982	\$ (14,184)	\$ 215,176	\$ 27,464
Community Develop- ment Authority	2,170,719	495,258	(128,757)	2,537,220	389,608
Total component units	<u>\$ 2,264,097</u>	<u>\$ 631,240</u>	<u>\$ (142,941)</u>	<u>\$ 2,752,396</u>	<u>\$ 417,072</u>

Governmental Activities

As of September 30, 2019, 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. \$ 100,000

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, 2019

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

6. Long-term Debt, continued

Governmental Activities, continued

Bonds payable, continued:

Highway allocation bonds – series 2013B, with original issue amount of \$380,000 issued to provide funds for street construction. Interest ranges from 2.25 to 3.65 percent with final maturity June 15, 2026. 300,000

Highway allocation bonds – series 2013, with original issue amount of \$620,000 issued to provide funds for street construction. Interest ranges from 0.65 to 3.00 percent with final maturity June 15, 2028. 420,000

Sales tax revenue bonds - series 2015, with original issue amount of \$2,900,000 issued to finance the swimming pool construction costs. Interest ranges from 2.00 to 3.55 percent with final maturity September 15, 2030. 1,895,000

General obligation refunding bonds - series 2019, with original issue amount of \$690,000 issued to refinance the series 2013 various purpose bonds. Interest ranges from 1.90 to 2.60 percent with final maturity June 15, 2028. 690,000

Total bonds payable \$ 3,760,000

Current portion \$ 320,000

Noncurrent portion 3,440,000

Total \$ 3,760,000

The General Fund is making the bond payments on the sales tax revenue bonds. The Debt Service Fund is making the bond payments on all other outstanding governmental activities debt.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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

6. Long-term Debt, continued

Business-type Activities

As of September 30, 2019, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds and notes payable:

Electric revenue refunding 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.	\$ 1,080,000
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Electric revenue bond anticipation notes – series 2017, with original issue amount of \$1,320,000. Interest of 1.65 percent due semi-annually with final maturity September 15, 2020.	1,320,000
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Water revenue bonds - series 2019, with original issue amount of \$810,000. Interest ranges from 1.95 to 3.00 percent with final maturity June 1, 2031.	820,000
---	---------

\$4,949,020 of Sewer DEQ Notes Payable. The note will be due in semi-annual principal and interest payments of \$213,189 commencing December 15, 2012, through June 15, 2032. The note bears interest of 2.0 percent. A one percent administration fee will also be due semi-annually.	3,328,426
--	-----------

\$1,838,650 of Sewer DEQ Notes Payable. This note is not finalized, as \$1,651,749 was advanced during the year ended September 30, 2016. The note will be due in semi-annual principal and interest payments of \$53,376 commencing June 15, 2017, through December 15, 2036. The note bears interest of 1.5 percent. A one percent administration fee will also be due semi-annually.	1,631,525
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CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

6. Long-term Debt, continued

Business-type Activities, continued

Bonds and notes payable, continued:

\$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.

493,066

Total business-type activity bonds and notes payable

\$ 8,673,017

Current portion

\$ 1,888,625

Noncurrent portion

6,784,392

Total

\$ 8,673,017

Component Unit

Airport notes payable:

Nebraska Department of Aeronautics series 2013 Hangar/Terminal loan, advanced \$95,747 of the \$262,001 maximum during the year ended September 30, 2014, due in 120 monthly installments of \$1,986, bearing no interest.

\$ 79,194

Nebraska Department of Aeronautics series 2019 hangar approach loan, advanced \$135,982 of the \$182,000 maximum during the year ended September 30, 2019, due in 120 monthly installments of \$1,520, bearing no interest.

135,982

Total airport notes payable

215,176

Community Development Agency Bond Payable:

Tax increment revenue bond series 2018, with original amount of \$375,000. Principal and interest of 6 percent is due semi-annually commencing December 31, 2018. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds.

375,000

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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 a limited obligation of the CDA payable exclusively from TIF proceeds. 54,450

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. 47,036

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. 109,796

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. 348,912

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. 105,601

Tax increment revenue bond series 2013, with original amount of \$210,000. Interest of 6 percent is due semi-annually commencing June 1, 2015. Semi-annual principal payments commence December 30, 2016 through December 30, 2029. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 206,885

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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 2013, with original amount of \$50,000. Interest of 6.75 percent is due semi-annually commencing June 30, 2014. Semi-annual principal payments commence June 30, 2015 through December 30, 2028. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 38,833

Tax increment revenue bond series 2012, with original amount of \$38,000. Interest of 6 percent is due semi-annually commencing December 1, 2013. Semi-annual principal payments commence July 31, 2014 through December 31, 2027. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 33,267

Tax increment revenue bond series 2013, with original amount of \$130,000. Interest of 5 percent is due semi-annually commencing June 30, 2015. Semi-annual principal payments commence December 30, 2016 through December 30, 2028. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 122,137

Tax increment revenue bond series 2013, with original amount of \$150,000. Interest of 6 percent is due semi-annually commencing June 1, 2015. Semi-annual principal payments commence December 1, 2016 through June 1, 2026. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 150,000

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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 2013, with original amount of \$93,000. Interest of 5 percent is due semi-annually commencing June 30, 2015. Semi-annual principal payments commence June 30, 2015 through December 30, 2028. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 37,668

Tax increment revenue bond series 2013, with original amount of \$40,000. Principal and interest of 5 percent is due annually commencing June 30, 2015. Semi-annual principal payments commence December 30, 2015 through December 30, 2028. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 34,217

Tax increment revenue bond series 2013, with original amount of \$108,646. Interest of 5 percent is due semi-annually commencing December 31, 2015. Semi-annual principal payments commence June 30, 2015 through December 31, 2028. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 107,338

Tax increment revenue bond series 2015, with original amount of \$200,000. Interest of 5 percent is due semi-annually commencing June 30, 2017. Semi-annual principal payments commence June 30, 2019 through June 30, 2029. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 198,500

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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 2014, with original amount of \$250,000. Interest of 6 percent is due semi-annually commencing June 1, 2016. Semi-annual principal payments commence December 31, 2017 through December 31, 2028. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 242,500

Tax increment revenue bond series 2019, with original amount of \$120,258. Interest of 6 percent is due semi-annually commencing July 1, 2019. Semi-annual principal payments commence July 1, 2019 through December 31, 2033. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 118,000

Tax increment revenue bond series 2016, with original amount of \$50,000. Interest of 6 percent is due semi-annually commencing June 30, 2017. Semi-annual principal payments commence December 31, 2017 through December 31, 2029. The bond is a limited obligation of the CDA payable exclusively from TIF proceeds. 207,080

Total Community Development Agency bonds payable 2,537,220

Total component unit notes and bond payable \$ 2,752,396

Current portion \$ 417,072

Noncurrent portion 2,335,324

Total \$ 2,752,396

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2019, are as follows:

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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

6. Long-term Debt, continued

Year Ending September 30.	Governmental Activities		Business-type Activities				
	Other Debt Issues		Direct Placement Debt			Other Debt Issues	
	Principal	Interest	Principal	Interest	Fees	Principal	Interest
2020	\$ 320,000	\$ 108,304	\$ 358,625	\$ 99,224	\$ 53,638	\$ 1,530,000	\$ 70,585
2021	320,000	100,069	365,404	92,444	50,035	210,000	43,480
2022	345,000	92,383	372,314	85,534	46,363	215,000	39,235
2023	345,000	84,005	379,356	78,492	42,623	215,000	34,570
2024	360,000	75,205	386,533	71,315	38,811	225,000	29,305
2025-2029	1,570,000	221,577	2,045,228	244,014	134,313	670,000	67,433
2030-2034	500,000	17,750	1,331,685	61,634	37,024	155,000	7,050
2035-2039	-	-	213,872	4,022	2,681	-	-
	<u>\$ 3,760,000</u>	<u>\$ 699,293</u>	<u>\$ 5,453,017</u>	<u>\$ 736,679</u>	<u>\$ 405,488</u>	<u>\$ 3,220,000</u>	<u>\$ 291,658</u>

Year Ending September 30.	Component Units			
	Airport Direct Placement		CDA Direct Placement	
	Principal	Interest	Principal	Interest
2020	\$ 27,464	\$ -	\$ 389,608	\$ 282,392
2021	32,424	-	197,198	122,622
2022	32,424	-	207,195	110,948
2023	32,424	-	217,524	98,698
2024	32,424	-	232,150	85,778
2025-2029	58,016	-	1,053,732	226,005
2030-2034	-	-	239,813	34,940
	<u>\$ 215,176</u>	<u>\$ -</u>	<u>\$ 2,537,220</u>	<u>\$ 961,383</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

7. Interfund Transactions and Balances

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Street Fund	\$ -	\$ 200,000
Debt Service Fund	-	38,800
Sewer Fund	-	25,000
Wireless 911	25,000	-
E911	<u>12,500</u>	<u>-</u>
Total General Fund	37,500	263,800
Street Fund:		
General Fund	200,000	-
Debt Service Fund:		
Electric Fund	64,078	-
General Fund	<u>38,800</u>	<u>-</u>
Total Debt Service Fund	102,878	-
Nonmajor Governmental Funds:		
General Fund	-	37,500
Electric Fund:		
Debt Service Fund	-	64,078
Water Fund:		
Sewer Fund	-	150,000
Sewer Fund:		
General Fund	25,000	-
Water Fund	<u>150,000</u>	<u>-</u>
Total Sewer Fund	<u>175,000</u>	<u>-</u>
Total Interfund Transfers	\$ <u>515,378</u>	\$ <u>515,378</u>

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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

7. Interfund Transactions and Balances, continued

Interfund balances:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Terms</u>
LB840-Tornado Relief	Electric	\$ 200,000	Principal of \$50,000 to \$100,000 is due annually, plus interest at 3% due semi-annually through March 30, 2021.
LB840-Tornado Relief	Electric	37,000	Principal of \$50,000 is due annually, plus interest at 3% due semi-annually through July 31, 2020.
LB840-Tornado Relief	Electric	120,000	Principal of \$40,000 is due annually, plus interest at 0.5% due semi-annually through March 1, 2022.
		<u>\$ 357,000</u>	
Airport	General	\$ 29	0%; will be repaid during year ending September 30, 2020.
CDA	General	38	0%; will be repaid during year ending September 30, 2020.
CDA	Electric	300,000	0%; on demand or upon sale of real estate.
Total		<u>\$ 300,067</u>	

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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 seven 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 \$495,705 for the year ended September 30, 2019. Both the City and the covered employees' required contributions of \$34,699 were made for the year ended September 30, 2019. The employees also contributed \$6,377 to a deferred compensation plan in accordance with Internal Revenue Code Section 457. The employer contributions vest at the following rate: 0 to 2 years - 0 percent, 2 to 3 years - 40 percent, 4 years - 60 percent, 5 to 6 years - 80 percent, 7 years - fully vested.

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 \$2,408,606 and the covered payroll amounted to \$1,585,604 for the year ended September 30, 2019. The City and the employees contributed \$101,796 and \$138,639, respectively, for the year ended September 30, 2019.

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

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Insurance, continued

claims up to \$4,280 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 \$6,350 per individual or \$12,700 per family. The maximum out-of-pocket costs would be \$2,470 for the employee and \$3,880 for the City (based on individual coverage). The maximum out of pocket costs would be double the maximums shown above for family coverage.

Settled claims in the past three years have not exceeded the commercial coverages. The City has estimated unsubmitted claims on health insurance based on prior experience to be \$7,500; this amount represents two months of subsequent claims. This has been included as a current year expenditure. A reserve of \$651,032 is established in an internal service fund at September 30, 2019.

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, 2019, 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.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

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 certificate of deposit maturities are as follows:

<u>Maturities by Month</u>	<u>Amount</u>
February 2020	\$ 1,060,033
March 2020	24,727
April 2020	632,234
May 2020	2,296,573
June 2020	63,069
July 2020	640,250
August 2020	792,045
September 2020	2,102,185
January 2021	112,467
March 2021	<u>317,336</u>
	\$ <u>8,040,919</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.

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, 2019, the City’s investments in certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Elkhorn Valley Bank	\$ 2,629,522
Farmers & Merchants Bank	3,611,031
Bank First	<u>1,800,366</u>
	\$ <u>8,040,919</u>

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

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, 2019.

3. Commitments and Contingencies

Construction/Contractual Commitments

The City has numerous construction projects and other contracts in progress. The City intends to fund the construction through operations or long-term financing.

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/19</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
Governmental Fund Projects:				
Nebraska Street project:				
Construction	\$ 1,236,665	\$ 11,424	\$ 1,225,241	September 2020
Engineering	117,430	57,466	59,964	September 2020
Baseball field lighting	321,665	-	321,665	March 2020
Business-type Funds Projects:				
Water transmission line:				
Construction	1,934,231	-	1,934,231	September 2020
Engineering	129,075	69,710	59,365	September 2020
SCADA improvements	113,398	56,699	56,699	October 2019
Wayne Municipal Airport:				
Parallel taxiway:				
Engineering	475,319	459,219	16,100	December 2019
Construction	1,973,964	1,431,066	542,898	December 2019
North partial taxiway:				
Engineering	152,100	55,480	96,620	December 2019
Flight simulator	92,779	9,278	83,501	October 2019

Tradewind Energy Agreement

On November 14, 2016, the Wayne Municipal Airport entered into an agreement with Rattlesnake Creek Wind Project, LLC to remove certain ground-based non-directional beacon equipment. The Airport received a \$300,000 initial payment from Rattlesnake Creek Wind Project, LLC during the year ended September 30, 2017 to provide training and equipment to various third parties in preparation of the removal of the equipment. During the year ended September 30, 2019, after the Project began commercially generating power, the Project made an additional payment of \$1,200,000 to the Airport.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Lease Commitments

<u>Lessor</u>	<u>Leased Property</u>	<u>Term</u>	<u>Amount</u>
MailFinance, Inc.	Folding Machine	9/30/19 – 9/30/24	\$ 897/month
Pitney Bowes	Envelope Stuffer	7/23/15 – 7/23/20	254/month
Eakes Office Plus	Copier-Recreation	6/8/15 – 6/8/20	79/month
Eakes Office Plus	Copier-Police	3/14/18 – 3/14/23	70/month
Eakes Office Plus	Copier-Administration	3/21/19 – 3/21/24	284/month

The City paid rent of \$10,848 under these lease agreements during the year ended September 30, 2019.

Lease commitments as of September 30, 2019, are as follows:

<u>Year ending September 30,</u>	<u>Commitment</u>
2020	\$ 7,961
2021	4,820
2022	842
2023	842
2024	<u>140</u>
	<u>\$ 14,605</u>

Airport Management Contract

On January 1, 2013, the Airport entered into a five year management contract for \$3,000 per month.

Future commitments under this contract as of September 30, 2019, are as follows:

<u>Year ending September 30,</u>	<u>Commitment</u>
2020	\$ 36,000
2021	36,000
2022	36,000
2023	36,000
2024	<u>9,000</u>
	<u>\$ 153,000</u>

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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 \$1,160,744 for the year ended September 30, 2019.

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

In December 2013, the City gave NPPD the required five year notice of 90 percent reduction of its contract power purchases to begin on January 1, 2019. The City then entered into an eight year full requirements wholesale power contract with Big Rivers Electric Coop in Henderson, Kentucky. That contract will allow the City to continue to purchase 10 percent of the monthly average of its last three years energy and capacity from NPPD until December 31, 2022. After that date, the City will purchase about 17 percent of its wholesale energy and capacity from the federal Western Area Power Administration and the remainder through the Big Rivers contract until December 31, 2026. The City is considering the purchase of renewable power during that time, but no decisions have been made at this time. Big Rivers is offering \$1.50 per kW per month to the City for 19 MW of generation capacity at the City's power plant during the contract period. Starting in November 2017, the City has a 25 year contract with Nextera to purchase 2.38 MW of electricity generated with wind energy for \$15.60 per MWh.

4. Related-Party Transactions

The Electric Fund remits 10.5 percent of gross revenues, the Water Fund remits nine percent of gross revenues, 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 \$747,169, the Water Fund made payments of \$75,285, and the Sewer Fund made payments of \$88,912, for the year ended September 30, 2019.

During the year ended September 30, 2019, the City paid \$153,246 to Robert Woehler & Sons, for construction services. This company is owned by a council member.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

5. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2019:

Parties to Agreement	Agreement Period	Descriptions
Village of Carroll and Village of Winside	12/15/98	Dispatch services/911 Service Center
Wayne County Agricultural Society	3/13/01	Agreement to waive water/sewer and electrical charges incurred during the fair
Wayne Community Schools	7/09/02	Use of softball fields, associated parking and restroom facilities, and program equipment
Northeast Nebraska Public Power District	11/9/04	Commitment to provide assistance to restore power after storm damage
Wayne County	8/19/14	Jointly provide dispatch service for public safety in Wayne County
Wayne State College	5/16/17	Share law enforcement resources
Wayne County and Wayne County Library Association	8/3/10	Provide all library services and materials currently available through the public libraries to all residents of the county
Providence Medical Center	6/20/17	Provide funds to defray a part of the cost of the operation of the ambulance
Rural Enterprise Assistance Project	5/10/05	Use of the services of REAP to be available for start-up and existing entrepreneurs
ONELibrary Consortium	10/04/16	The mission of the consortium of public funded libraries in the northeastern part of the State of Nebraska is to enrich the collections, share the resources, enhance the services, and strengthen the support for its member libraries

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

5. Interlocal Agreements, continued

Parties to Agreement	Agreement Period	Descriptions
Elkhorn Valley Mutual Aid Association	9/19/14	Insuring the safety of the lives and property of our citizens from fire loss, medical emergencies, and natural disasters
Nebraska Public Power District	9/27/05	A firm power contract for 20 years for purchase of wholesale power from NPPD
Lower Elkhorn Natural Resource District	5/10/05	Wayne Pedestrian Trail – Phase II
Northeast Nebraska Economic Development District	10/10/06	Services for planning, grant writing, grant management, etc.
Wayne State College	5/08/07	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	11/1/94	Golf courses maintenance agreement
Rural Fire Board	9/12/50	Sharing equipment and facilities
Nebraska Expressways for Economic Development	6/21/09	Nebraska State Highway Expressway System
Wayne State College	7/15/08	Rugby field usage
Wayne State College	6/20/17	Advance payment for classroom use/facility & field use, tuition waivers, athletic events, real estate, athletic staff assistance, and internet services
Wayne Community Housing	5/8/08	Establish the energy saver program & provide for cost sharing set aside
LNRD and multiple jurisdictions	6/16/15	Hazard mitigation planning

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

5. Interlocal Agreements, continued

Parties to Agreement	Agreement Period	Descriptions
City of Norfolk	2/17/09	Interlocal agreement with City of Norfolk for building inspection services 2009
Northeast Nebraska Red Cross	6/18/13	Red Cross to provide physical facilities to support personnel who are providing services to individuals affected by disasters
Village of Carroll	5/05/09	Interlocal agreement for municipal water system for Carroll, NE
Wayne Public Schools, Wayne County, Wayne Area Economic Development	5/16/09	Collaboration for the creation of a joint web site
City of Wisner, Village of Winside, City of Ponca, Ponca Rural Fire District, and City of West Point	6/15/10	Mutual Fire Organization
Wayne Community Schools	3/15/11	Share Facilities & Equipment Hank Overin Field
Electric Transportation Partners - Nebraska	8/20/13	Participation in advancement of compressed natural gas and electric vehicle infrastructure
Wayne Area Economic Development	3/18/14	Fulfill mission of enhancing the economic wellbeing and quality of life in the Wayne area.
Nebraska Community Energy Alliance	6/17/14	Advancement of Compressed Natural Gas and Electric Vehicle Infrastructure.
Northeast NE Economic Development District	1/06/15	Administration of the City's Revolving Loan Program.
NE Game & Parks	1/20/15	Agreement to maintain signs for 10 years from start date of Project 5/17/11.
Western Area Power Admin	3/03/15	Assign specific rights, duties and obligations of City to NPPD for delivery of City's Federal Power and Energy.
Western Area Power Admin	3/03/15	Making full transmission service arrangements directly with NPPD.

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

5. Interlocal Agreements, continued

Parties to Agreement	Agreement Period	Descriptions
Western Area Power Admin	3/03/15	Update City’s transmission arrangements and the transmission path and delivery measurement conditions.
LNRD and multiple jurisdictions	6/16/15	Hazard mitigation planning.
Northeast NE Public Power District	7/07/15	Potential litigation partnership with wholesale customers of NPPD.
Nebraska Regional Interoperability Network	12/15/2015	Enable separate political subdivision of NE to cooperate on the basis of mutual advantage to provide for joint undertakings, services & facilities.
Office of the Chief Information Officer, State of Nebraska	06/07/2016	Network Nebraska – Education and Network Nebraska-Education “Participants for the purpose of outlining the service and responsibility of the participants.
Nebraska Department of Roads	09/20/2016	LPA supplemental Program Agreement – Federal-Aid Funds which will out the various duties and funding responsibilities for the Federal Aid projects.
LNRD	05/17/2011	Logan Creek bank stabilization project.
NE Red Cross	04/07/2009	Local Emergency planning process.
Village of Concord	12/04/2018	Provide building inspections
Village of Carroll	12/04/2018	Provide building inspections

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

6. Tax Abatements

The Community Development Agency (CDA), who is authorized by Nebraska statutes to enter into property tax abatement agreements for the purpose of developing properties in blighted areas, has entered into tax increment financing (TIF) agreements with various redevelopers. The TIF program has the stated purpose of increasing valuation, business activity and employment in the community.

Under the TIF program, redevelopers can apply for TIF financing whereby the property tax they pay on the increased valuation of property under a TIF agreement is returned to the redeveloper by the CDA to finance the project for a period of up to 15 years.

Information relevant to the abatements granted by the CDA for the year ended September 30, 2019 is as follows:

<u>TIF Project:</u>	<u>Years Remaining on TIF Agreements</u>	<u>2019 TIF Valuation</u>	<u>TIF Proceeds Received during the year 9-30-2019</u>
Angel Acres	10	\$ 1,398,195	\$ 18,745
MZRB, LLC	10	351,005	5,787
Progressive Properties – First Street	9	149,700	3,717
Western Ridge – Pick/Meyer	10	1,068,230	22,951
Sebade	10	226,035	3,878
Progressive Properties – 6 th Street	11	415,715	10,291
Wayne Rentals	10	1,264,400	21,513
Mid Plains Grain	11	693,360	12,900
Bomgaars	6	1,493,480	26,498
Western Ridge	-	-	17,122
Benscoter Development	5	1,353,115	24,753
Wayne Hospitality	6	2,179,230	40,543
Progressive Properties – Nebraska Street	10	479,640	11,810
Windom Ridge	5	556,490	9,761
Grainland Estates	14	1,415,825	8,130
Sebade Valley Drive	14	813,535	8,466
Jorgensen – The Jug Store	12	1,380,465	<u>24,975</u>
			<u>\$ 271,840</u>

CITY OF WAYNE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

7. Subsequent Events

Management has evaluated subsequent events through January 21, 2020, the date on which the financial statements were available for issue.

On October 1, 2019, Council approved a \$200,000 LB840 loan to Retail Reclaimers, LLC. The loan is non-interest bearing with a term of 15 years. On November 5, 2019, Council also approved a \$145,000 CDBG loan for this project. The CDBG loan also has a term of 15 years and is non-interest bearing.

On November 5, 2019, Council approved a \$2,166,878 bid from Rutjen's Construction on the 2019 water transmission main project.

On December 17, 2019, Council approved a \$40,000 LB840 loan to Johnnie Byrd Brewing Co.

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

SINGLE AUDIT REPORTS



**INDEPENDENT AUDITOR'S 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
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump
Kyle R. Overturf
Tracy A. Cannon

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wayne, Nebraska, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Wayne's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. *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.

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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 that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2019-001 that we consider to be significant deficiencies.

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*.

City of Wayne's Response to Findings

The City of Wayne's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AMGL, P.C.

Grand Island, Nebraska
January 21, 2020



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Wayne, Nebraska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2019. The City of Wayne, Nebraska's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Wayne, Nebraska's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Wayne, Nebraska's compliance.

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Opinion on Each Major Federal Program

In our opinion, the City of Wayne, Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the City of Wayne, Nebraska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

AMGL, PC -

Grand Island, Nebraska
January 21, 2020

CITY OF WAYNE, NEBRASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2019

1. A summary of auditor's results:
 - (i) Unmodified opinions were issued on all opinion units of the City of Wayne, Nebraska, as of September 30, 2019.
 - (ii) One significant deficiency disclosed during the audit of the financial statements is reported in the "Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*." The 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, Nebraska.
 - (v) An unmodified opinion was issued on compliance for major programs.
 - (vi) The audit did not disclose any audit findings which are required to be reported under 2 CFR section 200.516(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 \$750,000.
 - (ix) The City of Wayne, Nebraska, did not qualify as a low-risk auditee.

CITY OF WAYNE, NEBRASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2019

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

2019-001

Condition: There is not adequate segregation of duties.

Criteria: Adequate segregation of duties should be in place to ensure internal control over cash receipts, disbursements, and recording of transactions.

Cause: There are a limited number of accounting personnel.

Effect: Because of the lack of segregation, the same employees may participate in multiple facets of a transaction.

Recommendation: Management should remain aware of this lack of segregation and continue diligence in oversight and review of transactions.

Views of Responsible Officials and Planned Corrective Actions: It is impractical to further segregate duties due to the limited number of accounting personnel. However, management will continue to review/oversight of transactions.

3. Findings and questioned costs for Federal awards which shall include audit findings as defined in 2 CFR section 200.516(a).

None

CITY OF WAYNE, NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended September 30, 2019

There were no prior audit findings for the year ended September 30, 2018.