

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

NOTE D – OTHER NOTES, continued

5. Interlocal Agreements, continued

Parties to Agreement	Agreement Period	Descriptions
Nebraska Expressways for Economic Development	6/21/09	Nebraska State Highway Expressway System
Northeast Nebraska Economic Development District	7/01/08	Block grant administration – Downtown Revitalization Phase I
Wayne State College	7/15/08	Rugby field usage
Northeast Nebraska Economic Development District	11/18/08	Block grant administration – Sand Creek Post and Beam
Community Development Agency	02/17/09	Authorization for City to purchase TIF bonds
City of Norfolk	2/17/09	Interlocal agreement with City of Norfolk for building inspection services 2009
Northeast Nebraska Red Cross	4/17/09	Donating a vehicle in lieu of maintaining their office Wayne for 5 years.
Northeast Nebraska Economic Development District	4/21/09	Block grant administration – Downtown Revitalization Phase II
Village of Carroll	5/5/09	Interlocal agreement for municipal water system for Carroll, NE
Wayne Public Schools, Wayne County, Wayne Area Economic Development	5/19/09	Collaboration for the creation of a joint web site
Lower Elkhorn NRD	10/20/09	Multijurisdictional Hazard Mitigation Plan

6. Conduit Debt

In 1998, the Community Development Agency (CDA) issued tax increment revenue bonds in the original amount of \$150,000 for the Wayne East Project. These bonds constitute a limited obligation of the Agency payable exclusively from that portion of the ad valorem real estate taxes mentioned in subdivision (2) of Section 18-2147 R.R.S. Neb. 1943, as levied, collected, and apportioned from year to year with respect to certain real estate located within the “Project Areas.”

These bonds do not constitute an obligation of the City of Wayne, Nebraska, as the City is not liable for the payment thereof from any fund or source including but not limited to tax monies (except for such tax receipts as have been pledged pursuant to Section 18-2150 R.R.S. Neb. 1943). Accordingly, these bonds are not reported as liabilities in the accompanying financial statements.

CITY OF WAYNE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

NOTE D – OTHER NOTES, continued

6. Conduit Debt, continued

As of September 30, 2009, the aggregate amount of conduit debt principal outstanding for the Wayne East Project was \$40,344.

The City entered into two additional redevelopment agreements during the year ended September 30, 2008. Under the first, the developer agrees to create taxable real property with a valuation of \$480,000 no later than January 1, 2010. TIF proceeds on the project will be used to pay \$75,000 of bonds to be issued on October 1, 2008.

The second new redevelopment agreement states the developer will create taxable real property with a valuation of \$7,220,000 (54 homes). TIF proceeds will be used to pay principal on bonds expected to be issued for the project.

7. Union Contracts

The City is subject to the following union contract:

- Wayne Police Employees Fraternal Order of Police #54. This agreement commenced on October 1, 2006, and terminates on December 31, 2009.

8. Subsequent Events

Management has evaluated subsequent events through January 27, 2010, the date on which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

Year ended September 30, 2009

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 611,000	\$ 600,639	\$ (10,361)
Payments in lieu of taxes	690,809	540,898	(149,911)
Sales tax	-	116,343	116,343
Franchise	-	182,695	182,695
Intergovernmental	884,705	421,277	(463,428)
Charges for services	384,775	406,645	21,870
Interest income	24,000	30,262	6,262
Contributions	-	29,416	29,416
Sale of property	-	1	1
Other	24,200	48,712	24,512
	<hr/>	<hr/>	<hr/>
Total resources	2,619,489	2,376,888	(242,601)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	185,504	166,262	(19,242)
Public buildings	143,479	94,578	(48,901)
Public safety	941,962	954,398	12,436
Senior citizens services	219,459	201,201	(18,258)
Library	203,707	196,404	(7,303)
Recreation	296,141	285,936	(10,205)
Community Activity Center	172,511	158,686	(13,825)
Capital outlay	1,798,389	63,604	(1,734,785)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	3,961,152	2,121,069	(1,840,083)
Resources over (under) charges to appropriations	(1,341,663)	255,819	1,597,482
OTHER FINANCING SOURCES (USES)			
Transfers in	28,000	96,143	68,143
Transfers out	-	(205,054)	(205,054)
Net transfers	<hr/>	<hr/>	<hr/>
	28,000	(108,911)	(136,911)
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS			
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ (1,313,663)	\$ 146,908	\$ 1,460,571

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
STREET FUND**

Year ended September 30, 2009

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 2,200	\$ 2,071	\$ (129)
Motor vehicle	61,000	69,951	8,951
Sales tax	13,000	-	(13,000)
Intergovernmental	1,974,259	396,018	(1,578,241)
Charges for services	1,200	6,610	5,410
Interest income	300	67	(233)
Support from CDA	-	300,000	300,000
Sale of property	-	16,324	16,324
Bond proceeds	600,000	-	(600,000)
Other	-	2,500	2,500
	<hr/>	<hr/>	<hr/>
Total resources	2,651,959	793,541	(1,858,418)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	578,612	394,460	(184,152)
Capital projects	2,568,700	577,144	(1,991,556)
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Total charges to appropriations	3,147,312	971,604	(2,175,708)
Resources over (under) charges to appropriations	(495,353)	(178,063)	317,290
OTHER FINANCING SOURCES (USES)			
Transfers in	261,264	554,535	293,271
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (234,089)</u>	<u>\$ 376,472</u>	<u>\$ 610,561</u>

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
CAPITAL PROJECTS FUND**

Year ended September 30, 2009

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Interest income	\$ 3,000	\$ 1,103	\$ (1,897)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	<u>-</u>	<u>5,307</u>	<u>5,307</u>
Resources over (under) charges to appropriations	3,000	(4,204)	(7,204)
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(79,373)</u>	<u>(72,160)</u>	<u>7,213</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (76,373)</u>	<u>\$ (76,364)</u>	<u>\$ 9</u>

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
SALES TAX FUND**

Year ended September 30, 2009

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Sales tax	\$ 480,000	\$ 371,052	\$ (108,948)
Interest income	12,465	9,447	(3,018)
Contributions	-	29,741	29,741
	<hr/>	<hr/>	<hr/>
Total resources	492,465	410,240	(82,225)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments on debt	708,000	790,000	82,000
Interest on long-term debt	24,696	26,732	2,036
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Total charges to appropriations	732,696	816,732	84,036
Resources over (under) charges to appropriations	(240,231)	(406,492)	(166,261)
OTHER FINANCING SOURCES (USES)			
Transfers out	(527,441)	(202,578)	324,863
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RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (767,672)</u>	<u>\$ (609,070)</u>	<u>\$ 158,602</u>

CITY OF WAYNE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
DEBT SERVICE FUND**

Year ended September 30, 2009

	Budget (Original and (Final))	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Property tax	\$ 90,375	\$ 90,519	\$ 144
Payments in lieu of taxes	-	127	127
Special assessments	90,000	134,443	44,443
Interest income	<u>2,500</u>	<u>9,102</u>	<u>6,602</u>
Total resources	182,875	234,191	51,316
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments	552,188	165,000	(387,188)
Interest expense	<u>65,548</u>	<u>65,547</u>	<u>(1)</u>
Total charges to appropriations	<u>617,736</u>	<u>230,547</u>	<u>(387,189)</u>
Resources over (under) charges to appropriations	(434,861)	3,644	438,505
OTHER FINANCING SOURCES (USES)			
Transfer in	<u>-</u>	<u>52,023</u>	<u>52,023</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (434,861)</u>	<u>\$ 55,667</u>	<u>\$ 490,528</u>

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

Year ended September 30, 2009

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

	<u>General Fund</u>	<u>Street Fund</u>	<u>Capital Projects Fund</u>	<u>Sales Tax Fund</u>	<u>Debt Service Fund</u>
Sources/inflows of resources:					
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 2,376,888	\$ 793,541	\$ 1,103	\$ 410,240	\$ 234,191
Differences - budget to GAAP:					
Cash to accrual adjustments	<u>87,142</u>	<u>624</u>	<u>(256)</u>	<u>891</u>	<u>(7,142)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 2,464,030</u></u>	<u><u>\$ 794,165</u></u>	<u><u>\$ 847</u></u>	<u><u>\$ 411,131</u></u>	<u><u>\$ 227,049</u></u>
Uses/outflows of resources:					
Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedules	\$ 2,121,069	\$ 971,604	\$ 5,307	\$ 816,732	\$ 230,547
Differences - budget to GAAP:					
Cash to accrual adjustments	<u>(19,352)</u>	<u>6,497</u>	<u>-</u>	<u>(9,265)</u>	<u>(1,480)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 2,101,717</u></u>	<u><u>\$ 978,101</u></u>	<u><u>\$ 5,307</u></u>	<u><u>\$ 807,467</u></u>	<u><u>\$ 229,067</u></u>

OTHER SUPPLEMENTARY INFORMATION

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

September 30, 2009

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Community Development	LB840	E911	
ASSETS				
Cash and cash equivalents	\$ 22,487	\$ 13,925	\$ 15,848	\$ 52,260
Receivables:				
Accounts	3,957	-	-	3,957
Notes	842,104	96,600	-	938,704
Interest	1,471	-	-	1,471
	Total assets	\$ 110,525	\$ 15,848	\$ 996,392
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other fund	\$ -	\$ 96,600	\$ -	\$ 96,600
Fund balances:				
Reserved for:				
Federal programs	870,019	-	-	870,019
Economic development	-	13,925	-	13,925
Unreserved, reported in:				
Special Revenue Funds	-	-	15,848	15,848
	Total fund balances	13,925	15,848	899,792
	Total liabilities and fund balances	\$ 110,525	\$ 15,848	\$ 996,392

CITY OF WAYNE, NEBRASKA

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

For the year ended September 30, 2009

	Special Revenue Funds			Total Nonmajor
	Community Development	LB840	E911	Governmental Funds
REVENUES				
Sales tax	\$ -	\$ 13,923	\$ -	\$ 13,923
Intergovernmental	578,436	-	-	578,436
Charges for services	-	-	30,713	30,713
Interest income	24,985	2	90	25,077
Total revenues	603,421	13,925	30,803	648,149
EXPENDITURES				
General government	442,672	-	-	442,672
Public safety	-	-	8,880	8,880
Total expenditures	442,672	-	8,880	451,552
Excess of revenues over expenditures	160,749	13,925	21,923	196,597
OTHER FINANCING SOURCES (USES)				
Transfers out	(219,832)	-	(54,308)	(274,140)
Net change in fund balances	(59,083)	13,925	(32,385)	(77,543)
Fund balances - September 30, 2008	929,102	-	48,233	977,335
Fund balances - September 30, 2009	\$ 870,019	\$ 13,925	\$ 15,848	\$ 899,792

CITY OF WAYNE, NEBRASKA

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

September 30, 2008

	<u>Wayne Municipal Airport</u>	<u>Community Development Agency</u>	<u>Total Component Units</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 198,668	\$ 94,241	\$ 292,909
County treasurer cash	2,428	-	2,428
Receivables:			
Property tax	1,709	-	1,709
Grants receivable	40,218	-	40,218
Accounts receivable	423	-	423
Prepaid insurance	5,132	-	5,132
Total current assets	<u>248,578</u>	<u>94,241</u>	<u>342,819</u>
Noncurrent assets:			
Capital assets:			
Land	287,776	301,192	588,968
Construction in progress	44,264	-	44,264
Other capital assets, net of depreciation	863,430	-	863,430
Net capital assets	<u>1,195,470</u>	<u>301,192</u>	<u>1,496,662</u>
Total assets	1,444,048	395,433	1,839,481
LIABILITIES			
Current liabilities:			
Due to the City of Wayne	109	254,723	254,832
Accounts payable	15,975	3,263	19,238
Deferred revenue - property tax	872	-	872
Deferred rent revenue	603	-	603
Current portion of long-term debt	20,052	-	20,052
Total current liabilities	<u>37,611</u>	<u>257,986</u>	<u>295,597</u>
Noncurrent liabilities:			
Noncurrent portion of long-term debt	69,870	325,000	394,870
Total liabilities	<u>107,481</u>	<u>582,986</u>	<u>690,467</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,105,548	-	1,105,548
Unrestricted	231,019	(187,553)	43,466
Total net assets	<u>\$ 1,336,567</u>	<u>\$ (187,553)</u>	<u>\$ 1,149,014</u>

CITY OF WAYNE, NEBRASKA

**COMBINING STATEMENT OF ACTIVITIES -
COMPONENT UNITS**

For the year ended September 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Wayne Municipal Airport:			
Airport	\$ 156,876	\$ 40,454	\$ -
Community Development Agency:			
Economic development	38,454	753	-
Total component units	\$ 195,330	\$ 41,207	\$ -

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
	<u>Airport Authority</u>	<u>Community Development Agency</u>	<u>Total Component Units</u>
\$ 89,866	\$ (26,556)	\$ -	\$ (26,556)
-	-	(37,701)	(37,701)
<u>\$ 89,866</u>	(26,556)	(37,701)	(64,257)
General revenues:			
Taxes:			
Property	70,778	-	70,778
TIF proceeds	-	15,297	15,297
Interest income	1,473	-	1,473
Gain (loss) on disposal of assets	(20)	137,123	137,103
Transfer to the City of Wayne	-	(293,722)	(293,722)
Total general revenues	<u>72,231</u>	<u>(141,302)</u>	<u>(69,071)</u>
Change in net assets	45,675	(179,003)	(133,328)
Net assets - beginning of year	<u>1,290,892</u>	<u>(8,550)</u>	<u>1,282,342</u>
Net assets - end of year	<u>\$ 1,336,567</u>	<u>\$ (187,553)</u>	<u>\$ 1,149,014</u>

SINGLE AUDIT REPORTS

CITY OF WAYNE, NEBRASKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2009

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Transportation</u>		
Passed Through Nebraska Department of Roads		
Highway Planning and Construction	20.205	\$ 6,895
Federal Transit Capital Investment Grants	20.500	23,066
Passed Through Nebraska Department of Aeronautics		
Aviation Research Grants	20.108	<u>64,438</u>
Total Department of Transportation		94,399
<u>Environmental Protection Agency</u>		
Passed Through Nebraska Department of Environmental Quality		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	243,483 *
<u>Department of Health and Human Services</u>		
Passed Through Northeast Nebraska Area Agency on Aging		
Title III, Part C - Nutrition Services	93.045	37,751
<u>Department of Housing and Urban Development</u>		
Passed Through Nebraska Department of Economic Development		
Community Development Block Grants	14.228	<u>295,063 *</u>
Total Federal Awards		<u><u>\$ 670,696</u></u>

* Major Program

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Wayne, Nebraska, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary fund of the City of Wayne, Nebraska, as of and for the year ended September 30, 2009, which collectively comprise the City of Wayne, Nebraska's basic financial statements and have issued our report thereon dated January 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report

financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2009-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Wayne's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wayne's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Wayne in a separate letter dated January 27, 2010.

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

Grand Island, Nebraska
January 27, 2010

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

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

Compliance

We have audited the compliance of the City of Wayne, Nebraska, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The City of Wayne, Nebraska's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Wayne, Nebraska's management. Our responsibility is to express an opinion on the City of Wayne, Nebraska's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Wayne, Nebraska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Wayne, Nebraska's compliance with those requirements.

In our opinion, the City of Wayne, Nebraska, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Grand Island, Nebraska
January 27, 2010

CITY OF WAYNE, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2009

1. A summary of auditors' results:

- (i) An unqualified opinion was issued on the financial statements of the City of Wayne, Nebraska, as of September 30, 2009.
- (ii) One significant deficiency disclosed during the audit of the financial statements is reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*." The significant deficiency is not reported as a material weakness.
- (iii) The audit disclosed no instances of noncompliance which are material to the financial statements of the City of Wayne, Nebraska.
- (iv) The audit did not disclose any significant deficiencies in the internal control over major programs for the City of Wayne.
- (v) An unqualified opinion was issued on compliance for major programs.
- (vi) The audit did not disclose any audit findings which we are required to report under §____.510(a).
- (vii) Major Programs: CFDA #14.228 – Community Development Block Grants and #66.468 – Capitalization Grants for Drinking Water State Revolving Funds.
- (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (ix) The City of Wayne, Nebraska, did not qualify as a low-risk auditee under §____.530.

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

Significant Deficiency

2009-1 Incompatible segregation of accounting duties consistent with appropriate control objectives due to the limited number of employees.

3. Findings and questioned costs for Federal awards which shall include audit findings as defined in §____.510(a):

None

CITY OF WAYNE, NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended September 30, 2009

Program

Findings for the year ended September 2008

N/A – No Single Audit during year ended September 30, 2008.