

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL
UTILITIES

Financial Statements

December 31, 2008 and 2007

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
December 31, 2008 and 2007
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211 South 84th Street
Suite 100
Lincoln, NE 68510

Phone: 402-483-7781
Fax: 402-483-5198
1-800-747-0081

Email:
info@BMGCPAs.com

www.BMGCPAs.com

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Independent Auditors' Report

The Honorable Mayor and City Council
City of Wahoo Combined Municipal Utilities
Wahoo, Nebraska

We have audited the accompanying financial statements of the City of Wahoo, Nebraska, Combined Municipal Utilities, a component unit of the City of Wahoo, Nebraska, as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Wahoo, Nebraska, Combined Municipal Utilities, as of December 31, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2009, on our consideration of the City of Wahoo, Nebraska, Combined Municipal Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

The City of Wahoo, Nebraska, Combined Municipal Utilities has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the City of Wahoo, Nebraska, Combined Municipal Utilities, taken as a whole. The optional supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the accompanying financial statements. This information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, and accordingly, we express no opinion on it.

BMG Certified Public Accountants, LLP

A handwritten signature in black ink, consisting of the letters 'B', 'M', and 'G' in a stylized, cursive font.

Lincoln, Nebraska
March 24, 2009

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
STATEMENTS OF NET ASSETS
December 31, 2008 and 2007**

	<u>Current Year</u>	<u>Prior Year</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Certificates of Deposit	\$ 4,337,163	\$ 4,173,427
Restricted Cash (see note 3)	102,338	313,911
Accounts Receivable	449,659	516,675
Energy Loans Receivable	205	919
Other Receivables	14,949	-
Unbilled Revenues	532,255	462,054
Prepaid Expenses	102,902	90,990
Inventories	528,018	504,369
Total Current Assets	6,067,489	6,062,345
<u>Fixed Assets:</u>		
Plant, Property & Equipment	21,352,493	21,015,304
Less: Accumulated Depreciation	(9,609,570)	(8,967,421)
Total Fixed Assets	11,742,923	12,047,883
<u>Other Assets:</u>		
Restricted Certificate of Deposit (see note 3)	135,000	135,000
Bond Issuance Costs, Net of Amortization	7,383	8,326
Goodwill, Net of Amortization	89,444	104,778
Total Other Assets	231,827	248,104
TOTAL ASSETS	\$ 18,042,239	\$ 18,358,332
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 568,563	\$ 532,958
Accrued Expenses	89,897	69,506
Customer Deposits	102,338	101,302
Customer Deposits for Ethanol Infrastructure	-	212,609
Current Maturities of Long-Term Liabilities	344,104	330,757
Total Current Liabilities	1,104,902	1,247,132
<u>Long-Term Liabilities:</u>		
Long-Term Debt	5,158,077	5,412,931
Compensated Absences	163,548	137,482
Less: Current Maturities	(344,104)	(330,757)
Total Long-Term Liabilities	4,977,521	5,219,656
Total Liabilities	6,082,423	6,466,788
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	6,584,846	6,634,952
Restricted (see note 3)	135,000	135,000
Unrestricted	5,239,970	5,121,592
Total Net Assets	11,959,816	11,891,544
TOTAL LIABILITIES AND NET ASSETS	\$ 18,042,239	\$ 18,358,332

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
STATEMENTS OF REVENUES AND EXPENSES
For the Years Ended December 31, 2008 and 2007

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues:</u>	\$ 7,137,744	\$ 6,786,117
Utility Sales	296,757	341,316
Merchandise, Service & Other Sales	7,434,501	7,127,433
Total Operating Revenues	<u>7,434,501</u>	<u>7,127,433</u>
<u>Operating Expenses:</u>		
Production:		
Purchased Power/Gas	4,457,121	4,092,219
Salaries, Wages, & Benefits	321,058	340,979
Maintenance & Supplies	59,767	53,385
Insurance	61,870	42,759
Utilities	116,950	116,833
Depreciation	156,377	154,388
Other	4,162	15,727
Total Production Expenses	<u>5,177,305</u>	<u>4,816,290</u>
Distribution/Collection:		
Salaries, Wages, & Benefits	762,722	667,882
Maintenance & Supplies	170,234	212,428
Insurance	23,220	22,834
Utilities	10,026	9,437
Depreciation	472,212	455,851
Other	32,771	26,304
Total Distribution/Collection Expenses	<u>1,471,185</u>	<u>1,394,736</u>
General & Administrative:		
Salaries, Wages, & Benefits	325,752	292,858
Maintenance & Supplies	46,184	43,969
Insurance	16,056	17,370
Utilities	3,609	3,682
Depreciation	29,836	29,410
Other	103,343	142,775
Total General & Administrative Expenses	<u>524,780</u>	<u>530,064</u>
Total Operating Expenses	<u>7,173,270</u>	<u>6,741,090</u>
Operating Income (Loss)	<u>261,231</u>	<u>386,343</u>
<u>Nonoperating Revenues (Expenses):</u>		
Reimbursement for Infrastructure Construction - Ethanol Plant	153,805	42,292
Reimbursement for Infrastructure Construction - Hospital	-	149,062
Ethanol Infrastructure Expense	(206,637)	-
Interest Income	110,453	127,502
Interest Expense	(218,827)	(225,980)
Total Nonoperating Revenues (Expenses)	<u>(61,186)</u>	<u>92,876</u>
Income (Loss) before Contributions and Transfers	100,025	479,219
Transfers to City	(31,753)	(29,212)
Change in Net Assets	<u>\$ 68,272</u>	<u>\$ 450,007</u>

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
STATEMENTS OF CHANGES IN NET ASSETS
For The Years Ended December 31, 2008 and 2007**

	<u>Net Assets</u>
Balance, January 1, 2007	\$ 11,441,537
Change in Net Assets	<u>450,007</u>
Balance December 31, 2007	11,891,544
Change in Net Assets	<u>68,272</u>
Balance, December 31, 2008	<u>\$ 11,959,816</u>

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2008 and 2007**

	<u>Current Year</u>	<u>Prior Year</u>
Cash flows from operating activities:		
Receipts from customers	\$ 7,402,519	\$ 7,306,674
Payments to suppliers	(5,105,269)	(4,815,987)
Payments to employees	(1,374,480)	(1,264,723)
Payment of in lieu of taxes	<u>(187,842)</u>	<u>(182,357)</u>
Net cash provided (used) by operating activities:	<u>734,928</u>	<u>1,043,607</u>
Cash flows from noncapital financing activities:		
Operating subsidies and transfers to other funds	<u>(31,753)</u>	<u>(29,212)</u>
Net cash provided (used) by noncapital financing activities:	<u>(31,753)</u>	<u>(29,212)</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(254,854)	(248,737)
Interest paid	(217,304)	(226,733)
Reimbursement for infrastructure construction	153,805	191,354
Ethanol infrastructure expenses	(206,637)	-
Capital expenditures	<u>(337,189)</u>	<u>(908,724)</u>
Net cash provided (used) by capital and related financing activities:	<u>(862,179)</u>	<u>(1,192,840)</u>
Cash flows from investing activities:		
Sale of temporary investments	-	393,920
Payment on energy loans receivable	714	5,591
Interest received	<u>110,453</u>	<u>127,502</u>
Net cash provided (used) by financing activities	<u>111,167</u>	<u>527,013</u>
Net increase (decrease) in cash and cash equivalents	(47,837)	348,568
Cash and cash equivalents at beginning of period	<u>4,622,338</u>	<u>4,273,770</u>
Cash and cash equivalents at end of period	<u>\$ 4,574,501</u>	<u>\$ 4,622,338</u>
Statement of Net Assets Classification of Cash and Cash Equivalents		
Current Assets:		
Cash and Certificates of Deposit	\$ 4,337,163	\$ 4,173,427
Restricted Cash	102,338	313,911
Other Assets:		
Restricted Certificate of Deposit	<u>135,000</u>	<u>135,000</u>
Total	<u>\$ 4,574,501</u>	<u>\$ 4,622,338</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES
 STATEMENTS OF CASH FLOWS (continued)
 For The Years Ended December 31, 2008 and 2007**

	<u>Current Year</u>	<u>Prior Year</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating Income (Loss)	\$ 261,231	\$ 386,343
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	658,425	639,646
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	67,016	21,547
(Increase) Decrease in unbilled revenues	(70,201)	(83,599)
(Increase) Decrease in other receivables	(14,949)	-
(Increase) Decrease in prepaid expenses	(11,912)	5,734
(Increase) Decrease in inventories	(23,649)	(92,747)
Increase (Decrease) in accounts payable	35,605	70,748
Increase (Decrease) in accrued expenses	44,935	31,103
Increase (Decrease) in customer deposits	(211,573)	64,832
Net cash provided (used) by operating activities	<u>\$ 734,928</u>	<u>\$ 1,043,607</u>

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 and 2007**

**NOTE 1:
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City's municipal utilities operate under the direction of the Mayor, the City Council, and the Board of Public Works. The revenues are predominately earned from sales and service of electricity, water, sewer and gas to residential and commercial customers within the City of Wahoo and other nearby communities. The City Council, as required by City Charter, reserves authority to set rates and charges, to adopt the annual budget, and to incur debt.

The Utilities' financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Utilities has the option to apply FASB pronouncements issued after that date to its business-type activities, the Utilities has chosen not to do so. The more significant accounting policies established by GAAP and used by the Utilities are discussed below.

This summary of significant accounting policies of the City of Wahoo is presented to assist in understanding the Utilities' financial statements. The financial statements and notes are representations of the Utilities' management, which is responsible for their integrity and objectivity. The following is a summary of the more significant policies:

Scope of Reporting Entity: In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The ability to exercise oversight responsibility includes, but is not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. The Utilities has determined it has no component units. The Utilities are a component unit of the City of Wahoo.

Basis of Accounting: The financial statements are prepared using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Unbilled utility service revenues are accrued in the period of consumption.

Investments: Investments, other than money market investments, are reported at fair value. Money market investments are reported at amortized cost. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. Statutes authorize the Utilities to invest in collateralized bank certificates of deposit, time deposits, obligations of the United States Government, and selected Federal Agency securities. The Utilities' has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: The Utilities have uncollateralized receivables from businesses and individuals in the City for charges for service provided.

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2008 and 2007**

Bad Debts: The Department of Utilities uses the reserve method in accounting for bad debts. The allowance for bad debts was \$9,586 at December 31, 2008 and 2007.

Inventories: Inventories are stated at lower of cost or market on a first-in, first-out basis.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets: Property and equipment is stated at historical cost or at estimated fair value at time of donation. The Utilities' policy is to capitalize interest on proprietary funds and construction projects until substantially completed. Major expenditures for property and those that substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed when incurred. When capital assets are retired, or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation and Amortization: Depreciation of all exhaustible fixed assets and amortization of debt expenses is charged as an expense against operations. Accumulated amortization has been provided over the length of the corresponding debt using the straight-line method. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Vehicles	5 - 12 years	Office equipment	5 - 7 years
Tools & work equipment	5 - 25 years	Communication equipment	5 - 10 years
Electric load management system	10 - 33 years	Electric distribution system	7 - 33 years
Water wells & transmission	7 - 50 years	Water storage system	50 years
Water distribution system	10 - 33 years	Goodwill	15 years
Lift station	25 years	Sewer collection lines	5 - 50 years
Buildings	10 - 50 years	Gas Distribution System	5 - 30 years
Water pollution control disposal plant	50 years		

Compensated Absences: City employees earn vacation at varying rates. All accumulated vacation time is paid to the employee upon termination. The amounts of unpaid vacation and compensatory time accumulated by City employees are accrued as expenses when incurred in proprietary funds, which use the accrual basis of accounting.

Cash Equivalents: For purposes of the statement of cash flows, the City considers all highly liquid debt instruments (including restricted assets) purchased with a maturity date of three months or less to be cash equivalents.

Deferred Charges: Deferred charges are amortized primarily on the straight-line method during the repayment term of the related bond issue.

Contributions In Aid Of Construction: New water and sewage systems purchased by subcontractors, government grants, etc., that become property of the Department of Utilities are added to the utility plant accounts at cost. The offsetting amount is credited to contributions in aid of construction.

Unbilled Utility Revenues: Consumer usage is billed on a monthly cycle basis in the utility funds. Unbilled revenues, representing estimated consumer usage for the periods between the last billing dates and the balance sheet date, are accrued in the period of consumption.

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2008 and 2007**

Operating Revenues and Expenses: Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for electric, sewer, water, and gas utility services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund.

Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities.

Expenses by Identifiable Activities:

	<u>2008</u>	<u>2007</u>
Electric	\$4,081,036	\$3,691,021
Water	503,471	494,973
Sewer	750,475	754,701
Gas	<u>2,263,752</u>	<u>2,026,375</u>
Total expenses	<u>\$7,598,734</u>	<u>\$6,967,070</u>

Insurance: The City is a member of the League Association of Risk Management (LARM), which is an interlocal agency that pools together Nebraska municipalities for the ability to jointly self-insure or jointly purchase insurance coverage. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year.

Energy Loans Receivable: The Utilities have issued loans to utility customers for energy efficiency improvements to homes and businesses. The loans are secured by property liens with the terms and amounts of the loans varying according to the customer's qualifications.

Goodwill: Goodwill represents the excess of cost over net assets of the gas system that was acquired in 1999. The original goodwill in the amount of \$230,000 is being amortized over 15 years. Amortization expense for the years ended December 31, 2008 and 2007 was \$15,333 for each year.

Fund Equity: Restricted Net Assets — Certain enterprise funds, internal service funds, and component unit assets are restricted for construction that is being funded with long-term debt and therefore, there are no net restricted assets for these amounts. Assets restricted for the payment of debt service are included as restricted net assets.

Use of Restricted/Unrestricted Net Assets — When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

**NOTE 2:
 CASH AND INVESTMENTS**

Cash: The Utilities maintain a cash management pool that is available for use by all funds. The pool consists of bank deposits. Investments are held by the combined Utilities with income from the investments allocated to each individual fund.

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 and 2007**

At December 31, 2008 and 2007, the Utilities' cash balances consist of:

	2008		2007	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
Demand deposit	\$ 4,417,501	\$ 4,452,905	\$ 4,465,338	\$ 4,732,030
Certificates of deposit	<u>157,000</u>	<u>157,148</u>	<u>157,000</u>	<u>157,027</u>
	<u>\$ 4,574,501</u>	<u>\$ 4,610,053</u>	<u>\$ 4,622,338</u>	<u>\$ 4,889,057</u>

The above deposits and investments are displayed in the December 31, 2008 and 2007, financial statements as follows:

	2008	2007
Cash and Certificate of Deposits	\$ 4,337,163	\$ 4,173,427
Restricted Cash	102,338	313,911
Restricted Certificate of Deposit	<u>135,000</u>	<u>135,000</u>
	<u>\$ 4,574,501</u>	<u>\$ 4,622,338</u>

At December 31, 2008, the Utilities' deposits were fully insured or collateralized by U.S. Government securities subject to joint safeguarding receipts issued by the pledging financial institution. No attorney's opinion has been obtained regarding the enforceability of claims that might arise under the custodial agreement.

**NOTE 3:
RESTRICTED ASSETS**

The Department of Utilities requires customers to make deposits to insure against nonpayment of billings and/or property damage. Because the deposit remains the property of the customer, the City has established restricted accounts to distinguish these assets from current assets available for operations.

City ordinances authorizing the issuance of revenue bonds required the establishment of certain reserve accounts to provide for the payment of annual principal and interest, prevent default of principal and interest payments and provide for future replacements of property, plant and equipment.

Restricted balances as of December 31, 2008 and 2007 consisted of the following:

	2008	2007
<u>Restricted Assets:</u>		
Customer deposits	\$ 102,338	\$ 101,302
Customer deposit for infrastructure - Ethanol Plant	-	212,609
Debt reserve	<u>135,000</u>	<u>135,000</u>
	<u>237,338</u>	<u>448,911</u>
 <u>Restricted Liabilities:</u>		
Customer deposits	102,338	101,302
Customer deposit for infrastructure - Ethanol Plant	-	212,609
	<u>102,338</u>	<u>313,911</u>
 Restricted Net Assets	 <u>\$ 135,000</u>	 <u>\$ 135,000</u>

The composition of restricted assets is included in the disclosure at Note 2.

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 and 2007**

**NOTE 4:
CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2008 and 2007 were as follows:

<u>Business-Type Activities:</u>	<u>Balance</u> <u>1/1/08</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/08</u>
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 304,359	\$ -	\$ -	\$ 304,359
Construction in Progress	<u>138,036</u>	<u>86,952</u>	<u>(130,656)</u>	<u>94,332</u>
Total Capital Assets Not Being Depreciated	<u>442,395</u>	<u>86,952</u>	<u>(130,656)</u>	<u>398,691</u>
<u>Capital Assets Being Depreciated:</u>				
Buildings	692,770	58,760	-	751,530
Plant Equipment	6,039,667	40,222	-	6,079,889
Distribution Systems	12,508,167	260,419	-	12,768,586
Other Equipment	<u>1,332,305</u>	<u>21,492</u>	<u>-</u>	<u>1,353,797</u>
Total Capital Assets Being Depreciated	<u>20,572,909</u>	<u>380,893</u>	<u>-</u>	<u>20,953,802</u>
<u>Less: Accumulated Depreciation for:</u>				
Buildings	517,453	10,395	-	527,848
Plant Equipment	1,690,041	143,821	-	1,833,862
Distribution Systems	5,729,039	418,723	-	6,147,762
Other Equipment	<u>1,030,888</u>	<u>69,211</u>	<u>-</u>	<u>1,100,098</u>
Total Accumulated Depreciation	<u>8,967,421</u>	<u>642,149</u>	<u>-</u>	<u>9,609,570</u>
Total Capital Assets Being Depreciated, Net	<u>11,605,488</u>	<u>(261,256)</u>	<u>-</u>	<u>11,344,232</u>
Business-Type Activity Capital Assets, Net	<u>\$ 12,047,883</u>	<u>\$ (174,304)</u>	<u>\$ (130,657)</u>	<u>\$ 11,742,923</u>
<u>Depreciation expense was charged to function as follows:</u>				
Public Works				\$ 642,149

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 and 2007**

<u>Business-Type Activities:</u>	<u>Balance</u>			<u>Balance</u>
	<u>1/1/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/07</u>
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 304,359	\$ -	\$ -	\$ 304,359
Construction in Progress	<u>82,035</u>	<u>133,744</u>	<u>(77,743)</u>	<u>138,036</u>
Total Capital Assets Not Being Depreciated	<u>386,394</u>	<u>133,744</u>	<u>(77,743)</u>	<u>442,395</u>
<u>Capital Assets Being Depreciated:</u>				
Buildings	692,770	-	-	692,770
Plant Equipment	5,975,624	64,043	-	6,039,667
Distribution Systems	11,824,732	683,435	-	12,508,167
Other Equipment	<u>1,227,060</u>	<u>105,245</u>	<u>-</u>	<u>1,332,305</u>
Total Capital Assets Being Depreciated	<u>19,720,186</u>	<u>852,723</u>	<u>-</u>	<u>20,572,909</u>
<u>Less: Accumulated Depreciation for:</u>				
Buildings	505,694	11,759	-	517,453
Plant Equipment	1,550,310	139,731	-	1,690,041
Distribution Systems	5,324,398	404,641	-	5,729,039
Other Equipment	<u>963,649</u>	<u>67,239</u>	<u>-</u>	<u>1,030,888</u>
Total Accumulated Depreciation	<u>8,344,051</u>	<u>623,370</u>	<u>-</u>	<u>8,967,421</u>
Total Capital Assets Being Depreciated, Net	<u>11,376,135</u>	<u>229,353</u>	<u>-</u>	<u>11,605,488</u>
Business-Type Activity Capital Assets, Net	<u>\$ 11,762,529</u>	<u>\$ 363,097</u>	<u>\$ (77,743)</u>	<u>\$ 12,047,883</u>
<u>Depreciation expense was charged to function as follows:</u>				
Public Works				\$ 623,370

**NOTE 5:
LONG-TERM LIABILITIES**

Long-term liability activity for the years ended December 31, 2008 and 2007 were as follows:

<u>Business-Type Activities</u>	<u>Beginning</u>			<u>Ending Balance</u>	<u>Amounts Due</u>
	<u>Balance 1/1/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/08</u>	<u>within One Year</u>
<u>Bonds and notes payable:</u>					
Bonds payable	\$ 1,480,000	\$ -	\$ (75,000)	\$ 1,405,000	\$ 80,000
Notes payable	<u>3,932,931</u>	<u>-</u>	<u>(179,854)</u>	<u>3,753,077</u>	<u>186,186</u>
Total bonds and notes payable	5,412,931	-	(248,737)	5,158,077	266,186
<u>Other liabilities:</u>					
Compensated absences	<u>137,482</u>	<u>87,826</u>	<u>(61,760)</u>	<u>163,548</u>	<u>77,918</u>
Total Long-term liabilities	<u>\$ 5,550,413</u>	<u>\$ 87,826</u>	<u>\$ (316,614)</u>	<u>\$ 5,321,625</u>	<u>\$ 344,104</u>

<u>Business-Type Activities</u>	<u>Beginning</u>			<u>Ending Balance</u>	<u>Amounts Due</u>
	<u>Balance 1/1/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/07</u>	<u>within One Year</u>
<u>Bonds and notes payable:</u>					
Bonds payable	\$ 1,555,000	\$ -	\$ (75,000)	\$ 1,480,000	\$ 75,000
Notes payable	<u>4,106,668</u>	<u>-</u>	<u>(173,737)</u>	<u>3,932,931</u>	<u>179,854</u>
Total bonds and notes payable	5,661,668	-	(248,737)	5,412,931	254,854
<u>Other liabilities:</u>					
Compensated absences	<u>106,115</u>	<u>87,687</u>	<u>(56,320)</u>	<u>137,482</u>	<u>75,903</u>
Total Long-term liabilities	<u>\$ 5,767,783</u>	<u>\$ 87,687</u>	<u>\$ (305,057)</u>	<u>\$ 5,550,413</u>	<u>\$ 330,757</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2008 and 2007**

Bonds payable are comprised of the following individual issues as of December 31:

Revenue Bonds:

<u>Original Amount</u>		<u>2008</u>	<u>2007</u>
1,885,000	Gas System Refunding Bond issued November 1, 2001; 20 year level-pay with balloon in year 15. Interest rates 2.8% to 5.1%. Interest payments due May 1 and November 1, and principal payments due November 1.	<u>1,405,000</u>	<u>1,480,000</u>
	Less: Current Portion	1,405,000 <u>(80,000)</u>	1,480,000 <u>(75,000)</u>
		<u>\$ 1,325,000</u>	<u>\$ 1,405,000</u>

The annual requirements to amortize all bonded debt outstanding as of December 31, including interest are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2009	80,000	69,063
2010	85,000	65,622
2011	85,000	61,840
2012	90,000	57,930
2013	95,000	53,700
2014 - 2018	<u>970,000</u>	<u>131,140</u>
Total	<u>\$ 1,405,000</u>	<u>\$ 439,295</u>

The Utilities signed a loan contract with the Nebraska Department of Environmental Quality (NDEQ) on June 28, 2001 and Amendment One on June 27, 2002. The maximum amount of the loan was \$4,720,500 and the final loan amount was \$4,515,601. The interest rate on the loan is 3.49%. The administrative fee is 1% per annum of the loan amount. Principal, interest and administrative fee payments will be due semiannually on December 15 and June 15. The principal and interest payments are \$157,779 semi-annually and the administrative fee is based on the outstanding loan balance. The final payment is due June 15, 2024.

At December 31, 2008, the annual requirements are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2009	186,186	129,372
2010	192,740	122,817
2011	199,525	116,032
2012	206,550	109,008
2013	213,821	101,736
2014 - 2018	1,187,459	390,328
2019 - 2023	1,411,723	166,064
2024 - 2028	<u>155,073</u>	<u>2,703</u>
Total	<u>\$ 3,753,077</u>	<u>\$ 1,138,060</u>

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 and 2007**

**NOTE 6:
RETIREMENT PLAN**

The Utilities provide retirement benefits for full-time employees through a contributory defined contribution plan. Employees are eligible to participate upon attaining certain age and service requirements. Participant contributions are limited by Internal Revenue regulations. The Utilities match employee contributions, up to a maximum of 6% of annual compensation. Participant contributions are fully vested, while Utilities' contributions vest over a period from two to six years of service. Any forfeitures which arise as a result of a participant's cessation of participation are utilized by the Utilities to reduce their future contributions.

Contributions to the plan were \$124,122 for the year ended December 31, 2008, and consisted of \$62,061 by the Utilities and \$62,061 by employees. Contributions to the plan were \$121,078 for the year ended December 31, 2007, and consisted of \$60,539 by the Utilities and \$60,539 by employees.

**NOTE 7:
CONTINGENCIES**

The City is involved in lawsuits arising in the ordinary course of business, including claims for property damage and personal injury. In the opinion of the City management, based on the advice of the City Attorney with respect to litigation, these matters are not expected to have a materially adverse effect on the Utilities' financial position at December 31, 2008.

**NOTE 8:
OTHER POST EMPLOYMENT BENEFITS**

The Utilities do not have a plan to provide other post employment benefits to past employees, beneficiaries or dependents.

**NOTE 9:
CONTRACTS**

Electric: The Utilities have two twenty-year power contracts dated January 1, 2002, with Nebraska Public Power District (NPPD) for the purchase of electricity from NPPD and the sale of electricity to NPPD. The contracts require the Utilities to produce and sell electricity to NPPD on an "as needed" basis, as well as allow the Utilities to purchase electricity from NPPD under specified rates and terms.

Gas: The Utilities have a three-year contract dated November 1, 2006, with Clayton Energy for assistance in gas transportation and commodity purchasing. The contract requires Clayton Energy to assist the Utilities with the quantities and calls for a monthly payment of \$1,500 to Clayton Energy for the services provided. In order to mitigate the effect of fluctuating gas prices, the Utilities forward and spot purchase natural gas. Forward purchased gas is subject to a take-or-pay contract. The commodity contract obligates the purchaser to take the product or pay for the contracted amount.

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 and 2007**

**NOTE 10:
OTHER COMMITMENTS**

Gas Purchase Agreement: On September 27, 2007, the Utilities entered into an inter-local agreement with a number of Iowa municipalities. The inter-local agreement created the Public Energy Financing Authority (PEFA). PEFA was created to give the participating municipalities access to large, long-term, natural gas contracts at reasonable rates. PEFA will enter into agreements with natural gas suppliers for long-term contracts for the purchase of natural gas. The contracts will be secured and paid with the proceeds of tax exempt bonds issued by PEFA. The participating and purchasing municipality will be required to "take or pay" for the gas under contract by PEFA. The "take or pay" provision will require the Utilities to take delivery of and pay for all the gas under the contract, regardless of whether or not the Utilities have the demand and use for the gas. As of December 31, 2008, PEFA has not entered into any long-term contracts to purchase gas.

**NOTE 11:
ETHANOL PLANT**

An ethanol plant was under construction outside the city limits of the City of Wahoo. The plant was expected to utilize the services of the Wahoo Utilities for its operations. As of December 31, 2008, the construction of the plan was stopped and is not expected to be finished.

The Utilities had planned on providing services to the plant once it began operation. During 2007, the Utilities received a deposit of \$250,000 from the plant to cover costs for engineering and other incidental expenses related to the ethanol plant. As the Utilities incurred costs related to the plant, it reduced the deposit amount and recorded a related non-operating revenue for the reimbursement from the plant. As of December 31, 2007, the Utilities had a remaining deposit on hand from the plant of \$212,609. As of December 31, 2008, the remaining deposit was \$0.

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
COMBINING SCHEDULE OF REVENUES AND EXPENSES
For the Year Ended December 31, 2008

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Combined</u>
<u>Operating Revenues</u>					
Utility sales	\$3,734,196	\$371,966	\$700,387	\$2,331,195	\$7,137,744
Merchandise, Service, & Other Sales	<u>147,333</u>	<u>31,723</u>	<u>79,598</u>	<u>38,103</u>	<u>296,757</u>
Total Operating Revenues	<u>3,881,529</u>	<u>403,689</u>	<u>779,985</u>	<u>2,369,298</u>	<u>7,434,501</u>
<u>Operating Expenses</u>					
Production:					
Purchased Power/Gas	2,742,400	-	-	1,714,721	4,457,121
Salaries, Wages & Benefits	214,624	19,654	85,596	1,184	321,058
Maintenance & Supplies	22,733	3,325	33,634	75	59,767
Insurance	50,824	2,084	8,916	46	61,870
Utilities	38,066	18,199	60,685	-	116,950
Depreciation	14,249	15,586	119,453	7,089	156,377
Other	<u>2,143</u>	<u>-</u>	<u>2,019</u>	<u>-</u>	<u>4,162</u>
Total Production Expenses	<u>3,085,039</u>	<u>58,848</u>	<u>310,303</u>	<u>1,723,115</u>	<u>5,177,305</u>
Distribution/Collection:					
Salaries, Wages & Benefits	326,855	166,185	83,950	185,732	762,722
Maintenance & Supplies	85,151	46,570	16,697	21,816	170,234
Insurance	11,279	5,839	2,320	3,782	23,220
Utilities	6,518	1,334	142	2,032	10,026
Depreciation	239,138	69,164	66,434	97,476	472,212
Other	<u>5,762</u>	<u>23,263</u>	<u>2,353</u>	<u>1,393</u>	<u>32,771</u>
Total Distribution/Collection Expenses	<u>674,703</u>	<u>312,355</u>	<u>171,896</u>	<u>312,231</u>	<u>1,471,185</u>
General and Administrative:					
Salaries, Wages & Benefits	116,466	70,170	59,408	79,708	325,752
Maintenance & Supplies	19,046	10,028	9,438	7,672	46,184
Insurance	5,750	4,214	1,412	4,680	16,056
Utilities	1,015	870	837	887	3,609
Depreciation & Amortization	4,373	3,943	1,350	20,170	29,836
Other	<u>26,506</u>	<u>10,634</u>	<u>53,882</u>	<u>12,321</u>	<u>103,343</u>
Total General & Administrative Expenses	<u>173,156</u>	<u>99,859</u>	<u>126,327</u>	<u>125,438</u>	<u>524,780</u>
Total Operating Expenses	<u>3,932,898</u>	<u>471,062</u>	<u>608,526</u>	<u>2,160,784</u>	<u>7,173,270</u>
Operating Income (Loss)	<u>(51,369)</u>	<u>(67,373)</u>	<u>171,459</u>	<u>208,514</u>	<u>261,231</u>
<u>Nonoperating Revenues (Expenses):</u>					
Reimbursement for Infrastructure Construction - Ethanol Plant	110,524	14,648	2,633	26,000	153,805
Ethanol Infrastructure Expense	(148,138)	(26,980)	(2,301)	(29,218)	(206,637)
Interest Income	53,265	14,621	12,661	29,906	110,453
Interest Expense	<u>-</u>	<u>(5,429)</u>	<u>(139,648)</u>	<u>(73,750)</u>	<u>(218,827)</u>
Total Nonoperating Revenues (Expenses)	<u>15,651</u>	<u>(3,140)</u>	<u>(126,655)</u>	<u>(47,062)</u>	<u>(161,206)</u>
Income Before Transfers	(35,718)	(70,513)	44,804	161,452	100,025
Transfers	<u>-</u>	<u>(17,895)</u>	<u>(13,858)</u>	<u>-</u>	<u>(31,753)</u>
Change in Net Assets	<u>\$ (35,718)</u>	<u>\$ (88,408)</u>	<u>\$ 30,946</u>	<u>\$ 161,452</u>	<u>\$ 68,272</u>

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
COMBINING SCHEDULE OF REVENUES AND EXPENSES
For the Year Ended December 31, 2007

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Combined</u>
<u>Operating Revenues</u>					
Utility sales	#####	\$ 361,849	\$ 649,503	#####	#####
Merchandise, Service, & Other Sales	159,388	79,196	69,230	33,502	341,316
Total Operating Revenues	<u>3,784,493</u>	<u>441,045</u>	<u>718,733</u>	<u>2,183,162</u>	<u>7,127,433</u>
<u>Operating Expenses</u>					
Production:					
Purchased Power/Gas	2,544,913	-	-	1,547,306	4,092,219
Salaries, Wages & Benefits	227,945	17,991	86,320	8,723	340,979
Maintenance & Supplies	31,762	3,008	18,530	85	53,385
Insurance	42,404	355	-	-	42,759
Utilities	32,750	16,919	67,164	-	116,833
Depreciation	12,600	15,586	118,981	7,221	154,388
Other	1,646	-	14,081	-	15,727
Total Production Expenses	<u>2,894,020</u>	<u>53,859</u>	<u>305,076</u>	<u>1,563,335</u>	<u>4,816,290</u>
Distribution/Collection:					
Salaries, Wages & Benefits	302,268	146,667	71,133	147,814	667,882
Maintenance & Supplies	70,016	105,914	20,265	16,233	212,428
Insurance	10,054	5,166	4,135	3,479	22,834
Utilities	6,212	1,129	139	1,957	9,437
Depreciation	232,546	71,319	58,070	93,916	455,851
Other	5,467	6,238	12,310	2,289	26,304
Total Distribution/Collection Expenses	<u>626,563</u>	<u>336,433</u>	<u>166,052</u>	<u>265,688</u>	<u>1,394,736</u>
General and Administrative:					
Salaries, Wages & Benefits	104,708	62,921	55,957	69,272	292,858
Maintenance & Supplies	17,277	10,507	9,180	7,005	43,969
Insurance	6,320	3,610	2,772	4,668	17,370
Utilities	1,010	884	794	994	3,682
Depreciation & Amortization	3,547	3,788	2,205	19,870	29,410
Other	37,576	17,102	66,553	21,544	142,775
Total General & Administrative Expenses	<u>170,438</u>	<u>98,812</u>	<u>137,461</u>	<u>123,353</u>	<u>530,064</u>
Total Operating Expenses	<u>3,691,021</u>	<u>489,104</u>	<u>608,589</u>	<u>1,952,376</u>	<u>6,741,090</u>
Operating Income (Loss)	<u>93,472</u>	<u>(48,059)</u>	<u>110,144</u>	<u>230,786</u>	<u>386,343</u>
<u>Nonoperating Revenues (Expenses):</u>					
Reimbursement for Infrastructure Construction - Ethanol Plant	28,699	10,947	1,646	1,000	42,292
Reimbursement for Infrastructure Construction - Hospital	-	-	149,062	-	149,062
Interest Income	69,192	14,470	17,180	26,660	127,502
Interest Expense	-	(5,869)	(146,112)	(73,999)	(225,980)
Total Nonoperating Revenues (Expenses)	<u>97,891</u>	<u>19,548</u>	<u>21,776</u>	<u>(46,339)</u>	<u>92,876</u>
Income Before Transfers	191,363	(28,511)	131,920	184,447	479,219
Transfers	-	57,959	(87,171)	-	(29,212)
Change in Net Assets	<u>\$ 191,363</u>	<u>\$ 29,448</u>	<u>\$ 44,749</u>	<u>\$ 184,447</u>	<u>\$ 450,007</u>

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
COMBINING SCHEDULE OF REVENUES AND EXPENSES - ELECTRIC DEPARTMENT
For the Years Ended December 31, 2008 and 2007**

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues</u>		
Utility sales	\$ 3,734,196	\$ 3,625,105
Merchandise, Service, & Other Sales	<u>147,333</u>	<u>159,388</u>
Total Operating Revenues	<u>3,881,529</u>	<u>3,784,493</u>
<u>Operating Expenses</u>		
Production:		
Purchased Power/Gas	2,742,400	2,544,913
Salaries, Wages & Benefits	214,624	227,945
Maintenance & Supplies	22,733	31,762
Insurance	50,824	42,404
Utilities	38,066	32,750
Depreciation	14,249	12,600
Other	<u>2,143</u>	<u>1,646</u>
Total Production Expenses	<u>3,085,039</u>	<u>2,894,020</u>
Distribution/Collection:		
Salaries, Wages & Benefits	326,855	302,268
Maintenance & Supplies	85,151	70,016
Insurance	11,279	10,054
Utilities	6,518	6,212
Depreciation	239,138	232,546
Other	<u>5,762</u>	<u>5,467</u>
Total Distribution/Collection Expenses	<u>674,703</u>	<u>626,563</u>
General and Administrative:		
Salaries, Wages & Benefits	116,466	104,708
Maintenance & Supplies	19,046	17,277
Insurance	5,750	6,320
Utilities	1,015	1,010
Depreciation & Amortization	4,373	3,547
Other	<u>26,506</u>	<u>37,576</u>
Total General & Administrative Expenses	<u>173,156</u>	<u>170,438</u>
Total Operating Expenses	<u>3,932,898</u>	<u>3,691,021</u>
Operating Income (Loss)	<u>(51,369)</u>	<u>93,472</u>
<u>Nonoperating Revenues (Expenses):</u>		
Reimbursement for Infrastructure Construction - Ethanol Plant	110,524	28,699
Ethanol Infrastructure Expense	(148,138)	-
Interest Income	53,265	69,192
Interest Expense	<u>-</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>15,651</u>	<u>97,891</u>
Income Before Transfers	(35,718)	191,363
Transfers	<u>-</u>	<u>-</u>
Change in Net Assets	<u>\$ (35,718)</u>	<u>\$ 191,363</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES
 COMBINING SCHEDULE OF REVENUES AND EXPENSES - WATER DEPARTMENT
 For the Years Ended December 31, 2008 and 2007**

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues</u>		
Utility sales	\$ 371,966	\$ 361,849
Merchandise, Service, & Other Sales	<u>31,723</u>	<u>79,196</u>
Total Operating Revenues	<u>403,689</u>	<u>441,045</u>
<u>Operating Expenses</u>		
Production:		
Salaries, Wages & Benefits	19,654	17,991
Maintenance & Supplies	3,325	3,008
Insurance	2,084	355
Utilities	18,199	16,919
Depreciation	15,586	15,586
Other	<u>-</u>	<u>-</u>
Total Production Expenses	<u>58,848</u>	<u>53,859</u>
Distribution/Collection:		
Salaries, Wages & Benefits	166,185	146,667
Maintenance & Supplies	46,570	105,914
Insurance	5,839	5,166
Utilities	1,334	1,129
Depreciation	69,164	71,319
Other	<u>23,263</u>	<u>6,238</u>
Total Distribution/Collection Expenses	<u>312,355</u>	<u>336,433</u>
General and Administrative:		
Salaries, Wages & Benefits	70,170	62,921
Maintenance & Supplies	10,028	10,507
Insurance	4,214	3,610
Utilities	870	884
Depreciation & Amortization	3,943	3,788
Other	<u>10,634</u>	<u>17,102</u>
Total General & Administrative Expenses	<u>99,859</u>	<u>98,812</u>
Total Operating Expenses	<u>471,062</u>	<u>489,104</u>
Operating Income (Loss)	<u>(67,373)</u>	<u>(48,059)</u>
<u>Nonoperating Revenues (Expenses):</u>		
Reimbursement for Infrastructure Construction - Ethanol Plant	14,648	10,947
Ethanol Infrastructure Expense	(26,980)	-
Interest Income	14,621	14,470
Interest Expense	<u>(5,429)</u>	<u>(5,869)</u>
Total Nonoperating Revenues (Expenses)	<u>(3,140)</u>	<u>19,548</u>
Income Before Transfers	(70,513)	(28,511)
Transfers	<u>(17,895)</u>	<u>57,959</u>
Change in Net Assets	<u>\$ (88,408)</u>	<u>\$ 29,448</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES
 COMBINING SCHEDULE OF REVENUES AND EXPENSES - SEWER DEPARTMENT
 For the Years Ended December 31, 2008 and 2007**

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues</u>		
Utility sales	\$ 700,387	\$ 649,503
Merchandise, Service, & Other Sales	<u>79,598</u>	<u>69,230</u>
Total Operating Revenues	<u>779,985</u>	<u>718,733</u>
<u>Operating Expenses</u>		
Production:		
Salaries, Wages & Benefits	85,596	86,320
Maintenance & Supplies	33,634	18,530
Insurance	8,916	-
Utilities	60,685	67,164
Depreciation	119,453	118,981
Other	<u>2,019</u>	<u>14,081</u>
Total Production Expenses	<u>310,303</u>	<u>305,076</u>
Distribution/Collection:		
Salaries, Wages & Benefits	83,950	71,133
Maintenance & Supplies	16,697	20,265
Insurance	2,320	4,135
Utilities	142	139
Depreciation	66,434	58,070
Other	<u>2,353</u>	<u>12,310</u>
Total Distribution/Collection Expenses	<u>171,896</u>	<u>166,052</u>
General and Administrative:		
Salaries, Wages & Benefits	59,408	55,957
Maintenance & Supplies	9,438	9,180
Insurance	1,412	2,772
Utilities	837	794
Depreciation & Amortization	1,350	2,205
Other	<u>53,882</u>	<u>66,553</u>
Total General & Administrative Expenses	<u>126,327</u>	<u>137,461</u>
Total Operating Expenses	<u>608,526</u>	<u>608,589</u>
Operating Income (Loss)	<u>171,459</u>	<u>110,144</u>
<u>Nonoperating Revenues (Expenses):</u>		
Reimbursement for Infrastructure Construction - Ethanol Plant	2,633	1,646
Reimbursement for Infrastructure Construction - Hospital	-	149,062
Ethanol Infrastructure Expense	(2,301)	-
Interest Income	12,661	17,180
Interest Expense	<u>(139,648)</u>	<u>(146,112)</u>
Total Nonoperating Revenues (Expenses)	<u>(126,655)</u>	<u>21,776</u>
Income Before Transfers	44,804	131,920
Transfers	<u>(13,858)</u>	<u>(87,171)</u>
Change in Net Assets	<u>\$ 30,946</u>	<u>\$ 44,749</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES
 COMBINING SCHEDULE OF REVENUES AND EXPENSES - GAS DEPARTMENT
 For the Years Ended December 31, 2008 and 2007**

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues</u>		
Utility sales	\$ 2,331,195	\$ 2,149,660
Merchandise, Service, & Other Sales	<u>38,103</u>	<u>33,502</u>
Total Operating Revenues	<u>2,369,298</u>	<u>2,183,162</u>
<u>Operating Expenses</u>		
Production:		
Purchased Power/Gas	1,714,721	1,547,306
Salaries, Wages & Benefits	1,184	8,723
Maintenance & Supplies	75	85
Insurance	46	-
Utilities	-	-
Depreciation	7,089	7,221
Other	<u>-</u>	<u>-</u>
Total Production Expenses	<u>1,723,115</u>	<u>1,563,335</u>
Distribution/Collection:		
Salaries, Wages & Benefits	185,732	147,814
Maintenance & Supplies	21,816	16,233
Insurance	3,782	3,479
Utilities	2,032	1,957
Depreciation	97,476	93,916
Other	<u>1,393</u>	<u>2,289</u>
Total Distribution/Collection Expenses	<u>312,231</u>	<u>265,688</u>
General and Administrative:		
Salaries, Wages & Benefits	79,708	69,272
Maintenance & Supplies	7,672	7,005
Insurance	4,680	4,668
Utilities	887	994
Depreciation & Amortization	20,170	19,870
Other	<u>12,321</u>	<u>21,544</u>
Total General & Administrative Expenses	<u>125,438</u>	<u>123,353</u>
Total Operating Expenses	<u>2,160,784</u>	<u>1,952,376</u>
Operating Income (Loss)	<u>208,514</u>	<u>230,786</u>
<u>Nonoperating Revenues (Expenses):</u>		
Reimbursement for Infrastructure Construction - Ethanol Plant	26,000	1,000
Ethanol Infrastructure Expense	(29,218)	-
Interest Income	29,906	26,660
Interest Expense	<u>(73,750)</u>	<u>(73,999)</u>
Total Nonoperating Revenues (Expenses)	<u>(47,062)</u>	<u>(46,339)</u>
Income Before Transfers	161,452	184,447
Transfers	<u>-</u>	<u>-</u>
Change in Net Assets	<u>\$ 161,452</u>	<u>\$ 184,447</u>

211 South 84th Street
Suite 100
Lincoln, NE 68510

Phone: 402-483-7781
Fax: 402-483-5198
1-800-747-0081

Email:
info@BMGCPAs.com

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Honorable Mayor and City Council
City of Wahoo, Nebraska
Wahoo, Nebraska

We have audited the financial statements of the City of Wahoo, Nebraska, Combined Municipal Utilities, as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated March 24, 2009. We conducted our audits 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. Our report disclosed that the City of Wahoo, Nebraska, Combined Municipal Utilities has not presented Management's Discussion and Analysis, which is required supplementary information.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Wahoo, Nebraska, Combined Municipal Utilities' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Wahoo, Nebraska, Combined Municipal Utilities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Wahoo, Nebraska, Combined Municipal Utilities' 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 and 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 of Wahoo, Nebraska, Combined Municipal Utilities' 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 City of Wahoo, Nebraska, Combined Municipal Utilities' financial statements that is more than inconsequential will not be prevented or detected by the City of Wahoo, Nebraska, Combined Municipal Utilities' internal

control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting:

Significant Deficiency: The City of Wahoo, Nebraska, Combined Municipal Utilities does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnote disclosures) in conformity with accounting principles generally accepted in the United States of America; therefore, it relies on its auditors to prepare such statements.

Management Response: Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

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 Wahoo, Nebraska, Combined Municipal Utilities' 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 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 consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wahoo, Nebraska, Combined Municipal Utilities' 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*.

The City of Wahoo, Nebraska, Combined Municipal Utilities response to the finding identified in our audit is described above. We did not audit The City of Wahoo, Nebraska, Combined Municipal Utilities' response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing body and management and is not intended to be and should not be used by anyone other than these specified parties.

BMG Certified Public Accountants, LLP



Lincoln, Nebraska
March 24, 2009