

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL
UTILITIES FUND

Financial Statements

December 31, 2014 and 2013

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
December 31, 2014 and 2013
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the City of Wahoo, Nebraska, Combined Municipal Utilities Fund, as of and for the years ended December 31, 2014 and 2013, and the related notes to the 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

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 our audits 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 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 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 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 opinion.

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 Fund, as of December 31, 2014 and 2013, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Combined Municipal Utilities Fund and do not purport to, and do not present fairly the financial position of the City of Wahoo, Nebraska, as of December 31, 2014 and 2013 the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.


Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the City of Wahoo, Nebraska, Combined Municipal Utilities Fund, taken as a whole. The other 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2015, on our consideration of the City of Wahoo, Nebraska, Combined Municipal Utilities Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Wahoo, Nebraska, Combined Municipal Utilities Fund's internal control over financial reporting and compliance.

BMG Certified Public Accountants, LLP



Lincoln, Nebraska
May 11, 2015

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
STATEMENTS OF NET POSITION
December 31, 2014 and 2013**

	<u>Current Year</u>	<u>Prior Year</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Certificates of Deposit	\$ 6,353,688	\$ 4,700,525
Restricted Cash and Certificates of Deposit (see note 3)	131,441	135,517
Investments	417	853,338
Accounts Receivable	505,944	507,271
Unbilled Revenues	513,587	530,865
Prepaid Expenses	75,989	68,455
Inventories	529,496	565,674
Total Current Assets	8,110,562	7,361,645
<u>Fixed Assets:</u>		
Plant, Property & Equipment	26,497,697	25,970,407
Less: Accumulated Depreciation	(13,901,758)	(13,123,557)
Total Fixed Assets	12,595,939	12,846,850
<u>Other Assets:</u>		
Non-Current Restricted Cash and Certificates of Deposit (see note 3)	435,004	912,329
Goodwill, Net of Amortization	64,165	76,943
Total Other Assets	499,169	989,272
TOTAL ASSETS	\$ 21,205,670	\$ 21,197,767
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 662,583	\$ 566,476
Accrued Expenses	140,178	113,371
Customer Deposits	121,758	114,193
Current Maturities of Long-Term Liabilities	459,272	577,157
Total Current Liabilities	1,383,791	1,371,197
<u>Long-Term Liabilities:</u>		
Long-Term Debt	5,093,693	5,876,762
Compensated Absences	261,597	252,922
Less: Current Maturities	(459,272)	(577,157)
Total Long-Term Liabilities	4,896,018	5,552,527
Total Liabilities	6,279,809	6,923,724
<u>NET POSITION</u>		
<u>Net Position:</u>		
Invested in Capital Assets, Net of Related Debt	8,001,415	7,959,360
Restricted (see note 3)	9,683	21,324
Unrestricted	6,914,763	6,293,359
Total Net Position	14,925,861	14,274,043
TOTAL LIABILITIES AND NET POSITION	\$ 21,205,670	\$ 21,197,767

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
STATEMENTS OF REVENUES AND EXPENSES
For the Years Ended December 31, 2014 and 2013

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues:</u>		
Utility Sales	\$ 8,857,604	\$ 8,186,716
Merchandise, Service & Other Sales	350,735	567,399
Total Operating Revenues	<u>9,208,339</u>	<u>8,754,115</u>
 <u>Operating Expenses:</u>		
Production:		
Purchased Power/Gas	5,595,934	4,984,289
Salaries, Wages, & Benefits	314,672	318,664
Maintenance & Supplies	59,589	144,338
Insurance	41,557	33,944
Utilities	145,877	142,347
Depreciation & Amortization	225,435	213,546
Other	2,921	2,224
Total Production Expenses	<u>6,385,985</u>	<u>5,839,352</u>
 Distribution/Collection:		
Salaries, Wages, & Benefits	774,788	657,422
Maintenance & Supplies	135,584	175,332
Insurance	25,993	22,766
Utilities	9,887	8,349
Depreciation & Amortization	539,227	528,647
Other	18,903	9,359
Total Distribution/Collection Expenses	<u>1,504,382</u>	<u>1,401,875</u>
 General & Administrative:		
Salaries, Wages, & Benefits	337,949	326,570
Maintenance & Supplies	51,741	46,126
Insurance	1,213	2,954
Utilities	4,375	4,361
Depreciation & Amortization	26,318	26,650
Other	108,950	154,487
Total General & Administrative Expenses	<u>530,546</u>	<u>561,148</u>
Total Operating Expenses	<u>8,420,913</u>	<u>7,802,375</u>
Operating Income (Loss)	<u>787,426</u>	<u>951,740</u>
 <u>Nonoperating Revenues (Expenses):</u>		
Interest Income	12,473	17,822
Interest Expense	(112,518)	(130,157)
Total Nonoperating Revenues (Expenses)	<u>(100,045)</u>	<u>(112,335)</u>
Income (Loss) before Contributions and Transfers	687,381	839,405
Transfers to City	(35,563)	(35,563)
Change in Net Position	<u>\$ 651,818</u>	<u>\$ 803,842</u>

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended December 31, 2014 and 2013**

	<u>Net Assets</u>
Balance, January 1, 2013	\$ 13,470,201
Change in Net Position	<u>803,842</u>
Balance December 31, 2013	14,274,043
Change in Net Position	<u>651,818</u>
Balance, December 31, 2014	<u>\$ 14,925,861</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES FUND
 STATEMENTS OF CASH FLOWS
 For The Years Ended December 31, 2014 and 2013**

	<u>Current Year</u>	<u>Prior Year</u>
Cash flows from operating activities:		
Receipts from customers	\$ 9,459,587	\$ 8,817,676
Payments to suppliers	(6,077,773)	(5,626,807)
Payments to employees	(1,410,156)	(1,322,846)
Payment of in lieu of taxes	<u>(199,064)</u>	<u>(190,473)</u>
Net cash provided (used) by operating activities:	<u>1,772,594</u>	<u>1,677,550</u>
Cash flows from noncapital financing activities:		
Operating subsidies and transfers to other funds	<u>(35,563)</u>	<u>(35,563)</u>
Net cash provided (used) by noncapital financing activities:	<u>(35,563)</u>	<u>(35,563)</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(783,069)	(3,375,888)
Proceeds on issuance of long-term debt	-	4,700,000
Interest paid	(120,304)	(130,157)
Capital expenditures	<u>(527,290)</u>	<u>(1,386,483)</u>
Net cash provided (used) by capital and related financing activities:	<u>(1,430,663)</u>	<u>(192,528)</u>
Cash flows from investing activities:		
Proceeds from temporary investments	852,921	22,515
Interest received	<u>12,473</u>	<u>15,161</u>
Net cash provided (used) by financing activities	<u>865,394</u>	<u>37,676</u>
Net increase (decrease) in cash and cash equivalents	1,171,762	1,487,135
Cash and cash equivalents at beginning of period	<u>5,748,371</u>	<u>4,261,236</u>
Cash and cash equivalents at end of period	<u>\$ 6,920,133</u>	<u>\$ 5,748,371</u>
 Statement of Net Assets Classification of Cash and Cash Equivalents		
Current Assets:		
Cash and Certificates of Deposit	\$ 6,353,688	\$ 4,700,525
Restricted Cash and Certificates of Deposit	131,441	135,517
Other Assets:		
Restricted Cash and Certificates of Deposit	<u>435,004</u>	<u>912,329</u>
Total	<u>\$ 6,920,133</u>	<u>\$ 5,748,371</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES FUND
 STATEMENTS OF CASH FLOWS
 For The Years Ended December 31, 2014 and 2013**

	<u>Current Year</u>	<u>Prior Year</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating Income (Loss)	\$ 787,426	\$ 951,740
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	790,980	768,843
Public power rebate reimbursement	-	1,726
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	1,327	(43,334)
(Increase) Decrease in unbilled revenues	17,278	(91,892)
(Increase) Decrease in prepaid expenses	(7,534)	4,812
(Increase) Decrease in inventories	36,178	33,634
Increase (Decrease) in accounts payable	96,107	65,625
Increase (Decrease) in accrued expenses	43,265	(20,459)
Increase (Decrease) in customer deposits	7,567	6,855
Net cash provided (used) by operating activities	<u>\$ 1,772,594</u>	<u>\$ 1,677,550</u>

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013**

**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 Combined Municipal Utilities Fund represents a major fund of the City of Wahoo. As such, the accompanying financial statements present only the Combined Municipal Utilities Fund and do not purport to, and do not present the financial position of the City of Wahoo, Nebraska, the changes in its financial position, or, where applicable, its cash flows in accordance with accounting principles generally accepted in the United States of America.

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). Additional 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.

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.

Cash and Investments: Investments are reported at fair value except for short-term investments, which are reported at amortized cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value, based on relevant market information of similar financial instruments. Investments are held by the Utilities with income from the investments allocated to each individual department.

Statutes authorize the Utilities to invest in certificates of deposit, in time deposits, in obligations of the United States Government, and in any securities in which the state investment officer is authorized to invest pursuant to the Nebraska State Funds Investment Act and as provided in the

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COMBINED MUNICIPAL UTILITIES FUND
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authorized investment guidelines of the Nebraska Investment Council in effect on the date the investment is made. The Utilities' has no investment policy that would further limit its investment choices.

For the security of the funds deposited, the Utilities shall require the financial institution to give security by furnishing securities or providing a deposit guaranty bond, provided that the sum of said bond or the sum of said pledge of assets shall be the value equal to or greater than the amount of the deposit in excess of that portion of said deposit insured by the Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC).

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

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, 2014 and 2013.

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. City employees also earn sick leave at varying rates. Unused sick leave is forfeited unless the employee meets certain age and years of service

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013**

requirements. Amounts of unpaid sick leave are accrued when an employee is within three years of meeting both requirements.

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.

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.

Operating Revenues and Expenses: Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Utilities, 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>2014</u>	<u>2013</u>
Electric	\$ 5,560,191	\$ 5,185,726
Water	474,289	485,072
Sewer	643,308	773,066
Gas	<u>1,855,643</u>	<u>1,488,668</u>
Total expenses	<u>\$ 8,533,431</u>	<u>\$ 7,932,532</u>

As of December 31, 2014 and 2013, the City served approximately 7,591 and 7,555 combined utility customers, respectively.

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. The City's insurance plan covers worker's compensation insurance, as well as property/casualty insurance. The plan costs \$101,222 and is set to expire on September 30, 2015.

Goodwill: Goodwill represents the excess of cost over net assets of the gas system that was acquired in 1999 and the cost of the acquisition in 2010 of the right to service an area in northern Wahoo. The original goodwill in the amount of \$230,000 is being amortized over 15 years. Amortization expense for the years ended December 31, 2014 and 2013 was \$12,778 and \$15,333, respectively. The 2010 acquisition is not required to be amortized.

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Interfund Transfers: During the course of normal operations the Utilities has numerous transactions between departments, including expenditures and transfers of resources to provide services, construct assets, and service debt.

Fund Equity: Restricted Net Position — Certain 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 non-current debt service are offset by long-term debt and therefore, there are no restricted assets for these amounts. Assets restricted for the payment of current debt service are included as restricted net position.

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

Subsequent Events: Subsequent events have been evaluated through May 11, 2015, which is the date the financial statements were available to be issued.

**NOTE 2:
CASH AND INVESTMENTS**

Cash:

The Utilities maintain a cash management pool that is available for use by all departments.

At December 31, 2014 and 2013, the Utilities' cash balances consist of:

	2014		2013	
	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Carrying Value</u>	<u>Bank Balance</u>
Demand Deposit	\$ 6,785,133	\$ 6,890,275	\$ 5,613,371	\$ 5,655,755
Nonnegotiable Certificates of Deposit	135,000	135,000	135,000	135,000
	\$ 6,920,133	\$ 7,025,275	\$ 5,748,371	\$ 5,790,775

The above deposits and certificates of deposit are displayed in the December 31, 2014 and 2013, financial statements as follows:

	<u>2014</u>	<u>2013</u>
Cash and Certificates of Deposit	\$ 6,353,688	\$ 4,700,525
Current Restricted Cash and Certificates of Deposit	131,441	135,517
Non-current Restricted Cash and Certificates of Deposit	435,004	912,329
	\$ 6,920,133	\$ 5,748,371

At December 31, 2014, the Utilities' deposits were fully insured by the FDIC 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.

**CITY OF WAHOO, NEBRASKA
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NOTES TO THE FINANCIAL STATEMENTS
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Investments:

The Utilities' had the following investments, maturities and credit ratings:

December 31, 2014					
<u>Type</u>	<u>Carrying Value</u>	<u>Maturities in Years</u>		<u>Credit Rating</u>	
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>Moody's</u>	<u>S & P</u>
Money Market Mutual Funds	\$ 417	\$ 417	\$ -	Not rated	Not rated
Negotiable Certificates of Deposit	-	-	-	Not rated	Not rated
Total	\$ 417	\$ 417	\$ -		

December 31, 2013					
<u>Type</u>	<u>Carrying Value</u>	<u>Maturities in Years</u>		<u>Credit Rating</u>	
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>Moody's</u>	<u>S & P</u>
Money Market Mutual Funds	\$ 853,338	\$ 853,338	\$ -	Not rated	Not rated
Negotiable Certificates of Deposit	-	-	-	Not rated	Not rated
Total	\$ 853,338	\$ 853,338	\$ -		

The Utilities' investments are fully insured by the SIPC and commercial insurance purchased by the brokerage company.

**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.

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
NOTES TO THE FINANCIAL STATEMENTS
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Restricted balances as of December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
<u>Restricted Assets:</u>		
<u>Current</u>		
Customer deposits	\$ 121,758	\$ 114,193
Debt reserve	9,683	21,324
Total Current	<u>131,441</u>	<u>135,517</u>
<u>Non-current</u>		
Debt reserve	435,004	531,034
2013 Bond Restrictions	-	381,295
Total Non-current	<u>435,004</u>	<u>912,329</u>
Total Restricted Assets	566,445	1,047,846
 <u>Restricted Liabilities:</u>		
Customer deposits	121,758	114,193
Long-Term Debt	435,004	912,329
Total Restricted Liabilities	<u>556,762</u>	<u>1,026,522</u>
 Restricted Net Position	 \$ <u>9,683</u>	 \$ <u>21,324</u>

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

**NOTE 4:
CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2014 and 2013 were as follows:

<u>Business-Type Activities:</u>	<u>Balance</u> <u>1/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2014</u>
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 304,359	\$ -	\$ -	\$ 304,359
Construction in Progress	186,191	168,448	(40,495)	314,144
Total Capital Assets Not Being Depreciated	<u>490,550</u>	<u>168,448</u>	<u>(40,495)</u>	<u>618,503</u>
 <u>Capital Assets Being Depreciated:</u>				
Buildings	1,081,585	-	-	1,081,585
Plant Equipment	7,098,622	121,844	-	7,220,465
Distribution Systems	15,550,322	225,143	-	15,775,466
Other Equipment	1,749,328	52,350	-	1,801,678
Total Capital Assets Being Depreciated	<u>25,479,857</u>	<u>399,337</u>	<u>-</u>	<u>25,879,194</u>
 <u>Less: Accumulated Depreciation for:</u>				
Buildings	605,336	29,104	-	634,440
Plant Equipment	2,696,918	193,993	-	2,890,911
Distribution Systems	8,376,742	497,680	-	8,874,422
Other Equipment	1,444,561	57,424	-	1,501,985
Total Accumulated Depreciation	<u>13,123,557</u>	<u>778,201</u>	<u>-</u>	<u>13,901,758</u>
Total Capital Assets Being Depreciated, Net	<u>12,356,300</u>	<u>(378,864)</u>	<u>-</u>	<u>11,977,436</u>
Business-Type Activity Capital Assets, Net	\$ <u>12,846,850</u>	\$ <u>(210,416)</u>	\$ <u>(40,495)</u>	\$ <u>12,595,939</u>

Depreciation expenses was charges to function as follows:

Public Works	\$778,201
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**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013**

<u>Business-Type Activities:</u>	<u>Balance</u> <u>1/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2013</u>
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 304,359	\$ -	\$ -	\$ 304,359
Construction in Progress	206,124	111,793	(131,726)	186,191
Total Capital Assets Not Being Depreciated	<u>510,483</u>	<u>111,793</u>	<u>(131,726)</u>	<u>490,550</u>
<u>Capital Assets Being Depreciated:</u>				
Buildings	751,530	330,055	-	1,081,585
Plant Equipment	7,037,397	61,225	-	7,098,622
Distribution Systems	14,550,647	999,675	-	15,550,322
Other Equipment	1,733,866	15,462	-	1,749,328
Total Capital Assets Being Depreciated	<u>24,073,440</u>	<u>1,406,417</u>	<u>-</u>	<u>25,479,857</u>
<u>Less: Accumulated Depreciation for:</u>				
Buildings	585,859	19,477	-	605,336
Plant Equipment	2,507,524	189,394	-	2,696,918
Distribution Systems	7,897,095	479,647	-	8,376,742
Other Equipment	1,379,568	64,992	-	1,444,560
Total Accumulated Depreciation	<u>12,370,047</u>	<u>753,510</u>	<u>-</u>	<u>13,123,557</u>
Total Capital Assets Being Depreciated, Net	<u>11,703,393</u>	<u>652,907</u>	<u>-</u>	<u>12,356,300</u>
Business-Type Activity Capital Assets, Net	<u>\$ 12,213,876</u>	<u>\$ 764,700</u>	<u>\$ (131,726)</u>	<u>\$ 12,846,850</u>
<u>Depreciation expenses was charged to function as follows:</u>				
Public Works				\$ 753,510

**NOTE 5:
LONG-TERM LIABILITIES**

Long-term liability activity for the years ended December 31, 2014 and 2013 were as follows:

<u>Business-Type Activities</u>	<u>Beginning</u> <u>Balance</u> <u>1/1/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u> <u>12/31/14</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
<u>Bonds and notes payable:</u>					
Combined Utility Bond 2009	\$ 480,000	\$ -	\$ (480,000)	\$ -	\$ -
Note Payable - NDEQ	261,762	-	(13,069)	248,693	13,331
Combined Utility Bonds, Series 2013A	3,165,000	-	(270,000)	2,895,000	275,000
Combined Utility Bonds, Series 2013B	1,260,000	-	(20,000)	1,240,000	15,000
Combined Utility Bond 2011	<u>710,000</u>	<u>-</u>	<u>-</u>	<u>710,000</u>	<u>-</u>
Total bonds and notes payable	\$ 5,876,762	\$ -	\$ (783,069)	\$ 5,093,693	\$ 303,331
<u>Other liabilities:</u>					
Compensated absences	<u>\$ 252,922</u>	<u>\$ 76,811</u>	<u>\$ (68,136)</u>	<u>\$ 261,597</u>	<u>\$ 155,941</u>
Total long-term liabilities	<u>\$ 6,129,684</u>	<u>\$ 76,811</u>	<u>\$ (851,205)</u>	<u>\$ 5,355,290</u>	<u>\$ 459,272</u>

**CITY OF WAHOO, NEBRASKA
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Bonds payable are comprised of the following individual issues as of December 31:

Revenue Bonds:

<u>Original Amount</u>		<u>2014</u>	<u>2013</u>
\$ 1,330,000	Combined Utility Revenue Refunding Bonds Series 2013B issued March 12, 2013; Interest rates 0.75% to 3.10%. Interest payments due June 15 and December 15, and principal payments due June 15.	\$ 1,240,000	\$ 1,260,000
3,370,000	Combined Utility Revenue Refunding Bonds Series 2013A issued March 12, 2013; Interest rates 0.30% to 2.55%. Interest payments due June 15 and December 15, and principal payments due December 15.	2,895,000	3,165,000
945,000	Combined Utility Revenue Refunding Bond issued December 31, 2009; Interest rates 1.5% to 3.45%. Bond called in December 2014.	-	480,000
710,000	Combined Utility Revenue Refunding Bond issued June 15, 2011; Interest rates 2.4% to 3.95%. Interest payments due May 1 and November 1, and principal payments due November 1.	<u>710,000</u>	<u>710,000</u>
		4,845,000	5,615,000
	Less: Current Portion	<u>(290,000)</u>	<u>(415,000)</u>
		<u>\$ 4,555,000</u>	<u>\$ 5,200,000</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>
2015	\$ 290,000	\$ 97,484
2016	295,000	95,549
2017	435,000	92,779
2018	440,000	87,308
2019	445,000	80,746
2020-2024	2,385,000	198,505
2023-2029	<u>555,000</u>	<u>29,423</u>
Total	<u>\$ 4,845,000</u>	<u>\$ 681,793</u>

Interest expense for the years ended December 31, 2014 and 2013 was \$112,518 and \$130,157.

The City of Wahoo signed a loan contract with the NDEQ on December 29, 2009. The maximum amount of the loan was \$407,190 and the final loan amount was \$261,762. The interest rate on the loan is 2.00%. The administrative fee is 1% per annum of the loan amount. Principal, interest and

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES FUND
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2014 and 2013**

administrative fee payments will be due semiannually on December 15 and June 15. The principal and interest payments are \$9,120 semi-annually and the administrative fee is based on the outstanding loan balance. The final payment is due December 15, 2030.

All payments of principal and interest due on the NDEQ loan shall be limited obligations of the City of Wahoo payable solely out of the Combined Utilities User Charge on a parity with revenue bonds issued pursuant to ordinances approved by the City of Wahoo's City Council.

At December 31, 2014, the annual requirements for the loan with the NDEQ is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 13,331	\$ 4,908
2016	13,600	4,640
2017	13,873	4,366
2018	14,152	4,087
2019	14,437	3,803
2020 – 2024	76,655	14,543
2025 – 2029	84,674	6,524
2030 – 2034	<u>17,971</u>	<u>270</u>
Total	<u>\$ 248,693</u>	<u>\$ 43,140</u>

**NOTE 6:
 RETIREMENT PLAN**

The Utilities provides 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. Beginning in 2011, employees were able to make contributions to a 457 retirement plan and Roth retirement plan. The Utilities does not match any amount to either of the new retirement plans.

Contributions to the plan were \$129,420 for the year ended December 31, 2014, and consisted of \$64,710 by the Utilities and \$64,710 by employees. Contributions to the plan were \$127,614 for the year ended December 31, 2013, and consisted of \$63,807 by the Utilities and \$63,807 by employees. Contributions by employees to the Roth retirement plan for the year ended December 31, 2014 and 2013 were \$8,073 and \$8,832 respectively. No contributions were made to the 457 plan.

**NOTE 7:
 OTHER POST EMPLOYMENT BENEFITS**

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

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014 and 2013**

**NOTE 8:
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 five-year contract dated December 18, 2013, 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 \$1,650 to Clayton Energy for the services provided. This contract is effective January 1, 2014 and is set to automatically renew annually after the initial five year period unless terminated by either party.

**NOTE 9:
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, 2014, PEFA has not entered into any long-term contracts to purchase gas.

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
COMBINING SCHEDULE OF REVENUES AND EXPENSES
For the Year Ended December 31, 2014

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Combined</u>
<u>Operating Revenues</u>					
Utility sales	\$ 5,641,944	\$ 471,269	\$ 834,162	\$ 1,910,229	\$ 8,857,604
Merchandise, Service, & Other Sales	<u>175,228</u>	<u>42,232</u>	<u>114,841</u>	<u>18,434</u>	<u>350,735</u>
Total Operating Revenues	<u>5,817,172</u>	<u>513,501</u>	<u>949,003</u>	<u>1,928,663</u>	<u>9,208,339</u>
<u>Operating Expenses</u>					
Production:					
Purchased Power/Gas	4,262,882	-	-	1,333,052	5,595,934
Salaries, Wages & Benefits	240,336	31,569	42,767	-	314,672
Maintenance & Supplies	13,838	2,519	42,637	595	59,589
Insurance	25,368	1,847	14,342	-	41,557
Utilities	39,296	23,699	82,882	-	145,877
Depreciation	59,929	26,786	130,868	7,852	225,435
Other	<u>1,731</u>	<u>-</u>	<u>1,190</u>	<u>-</u>	<u>2,921</u>
Total Production Expenses	<u>4,643,380</u>	<u>86,420</u>	<u>314,686</u>	<u>1,341,499</u>	<u>6,385,985</u>
Distribution/Collection:					
Salaries, Wages & Benefits	307,380	167,065	66,538	233,805	774,788
Maintenance & Supplies	65,560	34,594	16,766	18,664	135,584
Insurance	12,166	8,337	1,175	4,315	25,993
Utilities	7,456	828	217	1,386	9,887
Depreciation	279,624	63,313	81,725	114,565	539,227
Other	<u>9,806</u>	<u>2,065</u>	<u>3,300</u>	<u>3,732</u>	<u>18,903</u>
Total Distribution/Collection Expenses	<u>681,992</u>	<u>276,202</u>	<u>169,721</u>	<u>376,467</u>	<u>1,504,382</u>
General and Administrative:					
Salaries, Wages & Benefits	126,428	70,808	60,348	80,365	337,949
Maintenance & Supplies	17,806	12,326	11,363	10,246	51,741
Insurance	1,164	18	17	14	1,213
Utilities	1,496	895	1,006	978	4,375
Depreciation & Amortization	2,893	2,844	2,504	18,077	26,318
Other	<u>68,070</u>	<u>13,689</u>	<u>16,634</u>	<u>10,557</u>	<u>108,950</u>
Total General & Administrative Expenses	<u>217,857</u>	<u>100,580</u>	<u>91,872</u>	<u>120,237</u>	<u>530,546</u>
Total Operating Expenses	<u>5,543,229</u>	<u>463,202</u>	<u>576,279</u>	<u>1,838,203</u>	<u>8,420,913</u>
Operating Income (Loss)	<u>273,943</u>	<u>50,299</u>	<u>372,724</u>	<u>90,460</u>	<u>787,426</u>
<u>Nonoperating Revenues (Expenses):</u>					
Interest Income	3,625	2,172	1,696	4,980	12,473
Interest Expense	<u>(16,962)</u>	<u>(11,087)</u>	<u>(67,029)</u>	<u>(17,440)</u>	<u>(112,518)</u>
Total Nonoperating Revenues (Expenses)	<u>(13,337)</u>	<u>(8,915)</u>	<u>(65,333)</u>	<u>(12,460)</u>	<u>(100,045)</u>
Income Before Transfers	260,606	41,384	307,391	78,000	687,381
Transfers	<u>-</u>	<u>(20,042)</u>	<u>(15,521)</u>	<u>-</u>	<u>(35,563)</u>
Change in Net Position	<u>\$ 260,606</u>	<u>\$ 21,342</u>	<u>\$ 291,870</u>	<u>\$ 78,000</u>	<u>\$ 651,818</u>

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
COMBINING SCHEDULE OF REVENUES AND EXPENSES
For the Year Ended December 31, 2013

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Combined</u>
<u>Operating Revenues</u>					
Utility sales	\$ 5,228,289	\$ 507,304	\$ 841,843	\$ 1,609,280	\$ 8,186,716
Merchandise, Service, & Other Sales	<u>160,420</u>	<u>260,088</u>	<u>123,197</u>	<u>23,694</u>	<u>567,399</u>
Total Operating Revenues	<u>5,388,709</u>	<u>767,392</u>	<u>965,040</u>	<u>1,632,974</u>	<u>8,754,115</u>
<u>Operating Expenses</u>					
Production:					
Purchased Power/Gas	3,962,711	-	-	1,021,578	4,984,289
Salaries, Wages & Benefits	196,609	32,621	89,105	329	318,664
Maintenance & Supplies	65,675	31,966	45,066	1,631	144,338
Insurance	21,162	1,641	11,139	2	33,944
Utilities	37,427	24,894	80,026	-	142,347
Depreciation	48,014	25,870	133,205	6,457	213,546
Other	<u>1,356</u>	<u>-</u>	<u>868</u>	<u>-</u>	<u>2,224</u>
Total Production Expenses	<u>4,332,954</u>	<u>116,992</u>	<u>359,409</u>	<u>1,029,997</u>	<u>5,839,352</u>
Distribution/Collection:					
Salaries, Wages & Benefits	262,124	131,507	88,184	175,607	657,422
Maintenance & Supplies	91,191	51,984	9,620	22,537	175,332
Insurance	10,765	5,769	2,262	3,970	22,766
Utilities	6,008	836	161	1,344	8,349
Depreciation	273,281	59,396	83,577	112,393	528,647
Other	<u>3,962</u>	<u>1,914</u>	<u>546</u>	<u>2,937</u>	<u>9,359</u>
Total Distribution/Collection Expenses	<u>647,331</u>	<u>251,406</u>	<u>184,350</u>	<u>318,788</u>	<u>1,401,875</u>
General and Administrative:					
Salaries, Wages & Benefits	120,387	71,628	59,168	75,387	326,570
Maintenance & Supplies	14,841	12,777	9,414	9,094	46,126
Insurance	1,457	521	552	424	2,954
Utilities	1,350	1,081	1,004	926	4,361
Depreciation & Amortization	2,124	2,500	2,426	19,600	26,650
Other	<u>52,300</u>	<u>17,134</u>	<u>70,143</u>	<u>14,910</u>	<u>154,487</u>
Total General & Administrative Expenses	<u>192,459</u>	<u>105,641</u>	<u>142,707</u>	<u>120,341</u>	<u>561,148</u>
Total Operating Expenses	<u>5,172,744</u>	<u>474,039</u>	<u>686,466</u>	<u>1,469,126</u>	<u>7,802,375</u>
Operating Income (Loss)	<u>215,965</u>	<u>293,353</u>	<u>278,574</u>	<u>163,848</u>	<u>951,740</u>
<u>Nonoperating Revenues (Expenses):</u>					
Interest Income	7,807	2,510	1,840	5,665	17,822
Interest Expense	<u>(12,982)</u>	<u>(11,033)</u>	<u>(86,600)</u>	<u>(19,542)</u>	<u>(130,157)</u>
Total Nonoperating Revenues (Expenses)	<u>(5,175)</u>	<u>(8,523)</u>	<u>(84,760)</u>	<u>(13,877)</u>	<u>(112,335)</u>
Income Before Transfers	210,790	284,830	193,814	149,971	839,405
Transfers	<u>-</u>	<u>(20,042)</u>	<u>(15,521)</u>	<u>-</u>	<u>(35,563)</u>
Change in Net Position	<u>\$ 210,790</u>	<u>\$ 264,788</u>	<u>\$ 178,293</u>	<u>\$ 149,971</u>	<u>\$ 803,842</u>

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
COMBINING SCHEDULES OF REVENUES AND EXPENSES - ELECTRIC DEPARTMENT
For the Years Ended December 31, 2014 and 2013

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues</u>		
Utility sales	\$ 5,641,944	\$ 5,228,289
Merchandise, Service, & Other Sales	<u>175,228</u>	<u>160,420</u>
Total Operating Revenues	<u>5,817,172</u>	<u>5,388,709</u>
<u>Operating Expenses</u>		
Production:		
Purchased Power/Gas	4,262,882	3,962,711
Salaries, Wages & Benefits	240,336	196,609
Maintenance & Supplies	13,838	65,675
Insurance	25,368	21,162
Utilities	39,296	37,427
Depreciation	59,929	48,014
Other	<u>1,731</u>	<u>1,356</u>
Total Production Expenses	<u>4,643,380</u>	<u>4,332,954</u>
Distribution/Collection:		
Salaries, Wages & Benefits	307,380	262,124
Maintenance & Supplies	65,560	91,191
Insurance	12,166	10,765
Utilities	7,456	6,008
Depreciation	279,624	273,281
Other	<u>9,806</u>	<u>3,962</u>
Total Distribution/Collection Expenses	<u>681,992</u>	<u>647,331</u>
General and Administrative:		
Salaries, Wages & Benefits	126,428	120,387
Maintenance & Supplies	17,806	14,841
Insurance	1,164	1,457
Utilities	1,496	1,350
Depreciation & Amortization	2,893	2,124
Other	<u>68,070</u>	<u>52,300</u>
Total General & Administrative Expenses	<u>217,857</u>	<u>192,459</u>
Total Operating Expenses	<u>5,543,229</u>	<u>5,172,744</u>
Operating Income (Loss)	<u>273,943</u>	<u>215,965</u>
<u>Nonoperating Revenues (Expenses):</u>		
Interest Income	3,625	7,807
Interest Expense	<u>(16,962)</u>	<u>(12,982)</u>
Total Nonoperating Revenues (Expenses)	<u>(13,337)</u>	<u>(5,175)</u>
Income Before Transfers	260,606	210,790
Transfers	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ 260,606</u>	<u>\$ 210,790</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES FUND
 COMBINING SCHEDULES OF REVENUES AND EXPENSES - WATER DEPARTMENT
 For the Years Ended December 31, 2014 and 2013**

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues</u>		
Utility sales	\$ 471,269	\$ 507,304
Merchandise, Service, & Other Sales	<u>42,232</u>	<u>260,088</u>
Total Operating Revenues	<u>513,501</u>	<u>767,392</u>
<u>Operating Expenses</u>		
Production:		
Salaries, Wages & Benefits	31,569	32,621
Maintenance & Supplies	2,519	31,966
Insurance	1,847	1,641
Utilities	23,699	24,894
Depreciation	26,786	25,870
Other	-	-
Total Production Expenses	<u>86,420</u>	<u>116,992</u>
Distribution/Collection:		
Salaries, Wages & Benefits	167,065	131,507
Maintenance & Supplies	34,594	51,984
Insurance	8,337	5,769
Utilities	828	836
Depreciation	63,313	59,396
Other	2,065	1,914
Total Distribution/Collection Expenses	<u>276,202</u>	<u>251,406</u>
General and Administrative:		
Salaries, Wages & Benefits	70,808	71,628
Maintenance & Supplies	12,326	12,777
Insurance	18	521
Utilities	895	1,081
Depreciation & Amortization	2,844	2,500
Other	13,689	17,134
Total General & Administrative Expenses	<u>100,580</u>	<u>105,641</u>
Total Operating Expenses	<u>463,202</u>	<u>474,039</u>
Operating Income (Loss)	<u>50,299</u>	<u>293,353</u>
<u>Nonoperating Revenues (Expenses):</u>		
Interest Income	2,172	2,510
Interest Expense	<u>(11,087)</u>	<u>(11,033)</u>
Total Nonoperating Revenues (Expenses)	<u>(8,915)</u>	<u>(8,523)</u>
Income Before Transfers	41,384	284,830
Transfers	<u>(20,042)</u>	<u>(20,042)</u>
Change in Net Position	<u>\$ 21,342</u>	<u>\$ 264,788</u>

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
COMBINING SCHEDULES OF REVENUES AND EXPENSES - SEWER DEPARTMENT
For the Years Ended December 31, 2014 and 2013

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues</u>		
Utility sales	\$ 834,162	\$ 841,843
Merchandise, Service, & Other Sales	<u>114,841</u>	<u>123,197</u>
Total Operating Revenues	<u>949,003</u>	<u>965,040</u>
<u>Operating Expenses</u>		
Production:		
Salaries, Wages & Benefits	42,767	89,105
Maintenance & Supplies	42,637	45,066
Insurance	14,342	11,139
Utilities	82,882	80,026
Depreciation	130,868	133,205
Other	<u>1,190</u>	<u>868</u>
Total Production Expenses	<u>314,686</u>	<u>359,409</u>
Distribution/Collection:		
Salaries, Wages & Benefits	66,538	88,184
Maintenance & Supplies	16,766	9,620
Insurance	1,175	2,262
Utilities	217	161
Depreciation	81,725	83,577
Other	<u>3,300</u>	<u>546</u>
Total Distribution/Collection Expenses	<u>169,721</u>	<u>184,350</u>
General and Administrative:		
Salaries, Wages & Benefits	60,348	59,168
Maintenance & Supplies	11,363	9,414
Insurance	17	552
Utilities	1,006	1,004
Depreciation & Amortization	2,504	2,426
Other	<u>16,634</u>	<u>70,143</u>
Total General & Administrative Expenses	<u>91,872</u>	<u>142,707</u>
Total Operating Expenses	<u>576,279</u>	<u>686,466</u>
Operating Income (Loss)	<u>372,724</u>	<u>278,574</u>
<u>Nonoperating Revenues (Expenses):</u>		
Interest Income	1,696	1,840
Interest Expense	<u>(67,029)</u>	<u>(86,600)</u>
Total Nonoperating Revenues (Expenses)	<u>(65,333)</u>	<u>(84,760)</u>
Income Before Transfers	307,391	193,814
Transfers	<u>(15,521)</u>	<u>(15,521)</u>
Change in Net Position	<u>\$ 291,870</u>	<u>\$ 178,293</u>

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
COMBINING SCHEDULES OF REVENUES AND EXPENSES - GAS DEPARTMENT
For the Years Ended December 31, 2014 and 2013

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues</u>		
Utility sales	\$ 1,910,229	\$ 1,609,280
Merchandise, Service, & Other Sales	<u>18,434</u>	<u>23,694</u>
Total Operating Revenues	<u>1,928,663</u>	<u>1,632,974</u>
<u>Operating Expenses</u>		
Production:		
Purchased Power/Gas	1,333,052	1,021,578
Salaries, Wages & Benefits	-	329
Maintenance & Supplies	595	1,631
Insurance	-	2
Utilities	-	-
Depreciation	7,852	6,457
Other	-	-
Total Production Expenses	<u>1,341,499</u>	<u>1,029,997</u>
Distribution/Collection:		
Salaries, Wages & Benefits	233,805	175,607
Maintenance & Supplies	18,664	22,537
Insurance	4,315	3,970
Utilities	1,386	1,344
Depreciation	114,565	112,393
Other	<u>3,732</u>	<u>2,937</u>
Total Distribution/Collection Expenses	<u>376,467</u>	<u>318,788</u>
General and Administrative:		
Salaries, Wages & Benefits	80,365	75,387
Maintenance & Supplies	10,246	9,094
Insurance	14	424
Utilities	978	926
Depreciation & Amortization	18,077	19,600
Other	<u>10,557</u>	<u>14,910</u>
Total General & Administrative Expenses	<u>120,237</u>	<u>120,341</u>
Total Operating Expenses	<u>1,838,203</u>	<u>1,469,126</u>
Operating Income (Loss)	<u>90,460</u>	<u>163,848</u>
<u>Nonoperating Revenues (Expenses):</u>		
Interest Income	4,980	5,665
Interest Expense	<u>(17,440)</u>	<u>(19,542)</u>
Total Nonoperating Revenues (Expenses)	<u>(12,460)</u>	<u>(13,877)</u>
Income Before Transfers	78,000	149,971
Transfers	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ 78,000</u>	<u>\$ 149,971</u>

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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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the City of Wahoo, Nebraska, Combined Municipal Utilities Fund, as of and for the years ended December 31, 2014 and 2013 and the related notes to the financial statements, and have issued our report thereon dated May 11, 2015. Our report disclosed that the City of Wahoo, Nebraska, Combined Municipal Utilities Fund has not presented Management's Discussion and Analysis, which is required supplementary information. Our report also disclosed that the financial statements present only the Combined Municipal Utilities Fund and do not present the financial statements of the City of Wahoo, Nebraska.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Wahoo, Nebraska, Combined Municipal Utilities Fund'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 of Wahoo, Nebraska, Combined Municipal Utilities Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Wahoo, Nebraska, Combined Municipal Utilities Fund'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 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.

Our consideration of internal control 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wahoo, Nebraska, Combined Municipal Utilities Fund'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 Wahoo, Nebraska, Combined Municipal Utilities Fund, in a separate letter dated May 11, 2015.

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.

BMG Certified Public Accountants, LLP

A handwritten signature in black ink, consisting of the letters 'BMG' in a stylized, cursive font.

Lincoln, Nebraska
May 11, 2015