

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL
UTILITIES FUND

Financial Statements

December 31, 2016 and 2015

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
December 31, 2016 and 2015
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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 business type activities of the City of Wahoo, Nebraska, Combined Municipal Utilities Fund, as of and for the years ended December 31, 2016 and 2015, 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 the 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 respective financial position of the business type activities of the City of Wahoo, Nebraska, Combined Municipal Utilities Fund, as of December 31, 2016 and 2015, 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, 2016 and 2015, 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 basic financial statements. This information has not been subjected to the auditing procedures applied in the audits of the basic financial statements 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 2, 2017, 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

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

Lincoln, Nebraska
May 2, 2017

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
STATEMENTS OF NET POSITION
December 31, 2016 and 2015**

	<u>Current Year</u>	<u>Prior Year</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Certificates of Deposit	\$ 6,920,069	\$ 6,668,498
Restricted Cash and Certificates of Deposit (see note 3)	158,666	142,827
Investments	417	417
Accounts Receivable	457,297	399,216
Unbilled Revenues	539,487	496,457
Prepaid Expenses	85,870	81,852
Inventories	557,274	560,483
Total Current Assets	8,719,080	8,349,750
<u>Fixed Assets:</u>		
Plant, Property & Equipment	27,619,773	27,247,906
Less: Accumulated Depreciation	(15,294,856)	(14,681,033)
Total Fixed Assets	12,324,917	12,566,873
<u>Other Assets:</u>		
Non-Current Restricted Cash and Certificates of Deposit (see note 3)	426,000	438,069
Goodwill, Net of Amortization	64,165	64,165
Total Other Assets	490,165	502,234
TOTAL ASSETS	\$ 21,534,162	\$ 21,418,857
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 550,644	\$ 703,889
Accrued Expenses	88,225	82,941
Customer Deposits	143,604	133,408
Current Maturities of Long-Term Liabilities	609,491	469,612
Total Current Liabilities	1,391,964	1,389,850
<u>Long-Term Liabilities:</u>		
Long-Term Debt	4,465,475	4,773,076
Compensated Absences	267,890	265,430
Less: Current Maturities	(609,491)	(469,612)
Total Long-Term Liabilities	4,123,874	4,568,894
Total Liabilities	5,515,838	5,958,744
<u>NET POSITION</u>		
<u>Net Position:</u>		
Invested in Capital Assets, Net of Related Debt	8,349,607	8,296,031
Restricted (see note 3)	15,062	9,419
Unrestricted	7,653,655	7,154,663
Total Net Position	16,018,324	15,460,113
TOTAL LIABILITIES AND NET POSITION	\$ 21,534,162	\$ 21,418,857

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
STATEMENTS OF REVENUES AND EXPENSES
For the Years Ended December 31, 2016 and 2015

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues:</u>		
Utility Sales	\$ 8,351,581	\$ 8,306,384
Merchandise, Service & Other Sales	275,538	284,635
Total Operating Revenues	8,627,119	8,591,019
<u>Operating Expenses:</u>		
Production:		
Purchased Power/Gas	4,999,873	5,104,778
Salaries, Wages, & Benefits	289,422	301,075
Maintenance & Supplies	48,424	50,886
Insurance	49,681	46,495
Utilities	138,167	135,028
Depreciation & Amortization	227,115	226,233
Other	769	3,202
Total Production Expenses	5,753,451	5,867,697
Distribution/Collection:		
Salaries, Wages, & Benefits	874,626	790,761
Maintenance & Supplies	186,555	177,298
Insurance	33,432	28,066
Utilities	7,550	7,889
Depreciation & Amortization	561,238	536,633
Other	26,530	27,843
Total Distribution/Collection Expenses	1,689,931	1,568,490
General & Administrative:		
Salaries, Wages, & Benefits	363,924	352,507
Maintenance & Supplies	51,433	51,047
Insurance	1,199	1,177
Utilities	4,443	4,500
Depreciation & Amortization	16,239	16,409
Other	97,348	65,439
Total General & Administrative Expenses	534,586	491,079
Total Operating Expenses	7,977,968	7,927,266
Operating Income (Loss)	649,151	663,753
<u>Nonoperating Revenues (Expenses):</u>		
Interest Income	9,998	9,710
Interest Expense	(100,938)	(103,648)
Total Nonoperating Revenues (Expenses)	(90,940)	(93,938)
Income (Loss) before Contributions and Transfers	558,211	569,815
Transfers to City	-	(35,563)
Change in Net Position	\$ 558,211	\$ 534,252

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended December 31, 2016 and 2015**

	<u>Net Assets</u>
Balance, January 1, 2015	\$ 14,925,861
Change in Net Position	<u>534,252</u>
Balance December 31, 2015	15,460,113
Change in Net Position	<u>558,211</u>
Balance, December 31, 2016	<u>\$ 16,018,324</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES FUND
 STATEMENTS OF CASH FLOWS
 For The Years Ended December 31, 2016 and 2015**

	<u>Current Year</u>	<u>Prior Year</u>
Cash flows from operating activities:		
Receipts from customers	\$ 8,726,952	\$ 8,907,880
Payments to suppliers	(5,799,458)	(5,699,193)
Payments to employees	(1,521,875)	(1,490,263)
Payment of in lieu of taxes	<u>(189,519)</u>	<u>(188,836)</u>
Net cash provided (used) by operating activities:	<u>1,216,100</u>	<u>1,529,588</u>
Cash flows from noncapital financing activities:		
Operating subsidies and transfers to other funds	<u>-</u>	<u>(35,563)</u>
Net cash provided (used) by noncapital financing activities:	<u>-</u>	<u>(35,563)</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(307,601)	(320,617)
Proceeds on issuance of long-term debt	-	-
Interest paid	(100,938)	(103,648)
Capital expenditures	<u>(562,218)</u>	<u>(750,209)</u>
Net cash provided (used) by capital and related financing activities:	<u>(970,757)</u>	<u>(1,174,474)</u>
Cash flows from investing activities:		
Proceeds from temporary investments	-	-
Interest received	<u>9,998</u>	<u>9,710</u>
Net cash provided (used) by financing activities	<u>9,998</u>	<u>9,710</u>
Net increase (decrease) in cash and cash equivalents	255,341	329,261
Cash and cash equivalents at beginning of period	<u>7,249,394</u>	<u>6,920,133</u>
Cash and cash equivalents at end of period	<u>\$ 7,504,735</u>	<u>\$ 7,249,394</u>
 Statement of Net Assets Classification of Cash and Cash Equivalents		
Current Assets:		
Cash and Certificates of Deposit	\$ 6,920,069	\$ 6,668,498
Restricted Cash and Certificates of Deposit	158,666	142,827
Other Assets:		
Restricted Cash and Certificates of Deposit	<u>426,000</u>	<u>438,069</u>
Total	<u>\$ 7,504,735</u>	<u>\$ 7,249,394</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES FUND
 STATEMENTS OF CASH FLOWS
 For The Years Ended December 31, 2016 and 2015**

	<u>Current Year</u>	<u>Prior Year</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating Income (Loss)	\$ 649,151	\$ 663,753
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	804,592	779,275
Public power rebate reimbursement	2,042	7,146
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	(58,081)	106,728
(Increase) Decrease in unbilled revenues	(43,030)	17,130
(Increase) Decrease in prepaid expenses	(4,018)	(5,863)
(Increase) Decrease in inventories	3,209	(30,987)
Increase (Decrease) in accounts payable	(153,245)	41,306
Increase (Decrease) in accrued expenses	5,284	(60,550)
Increase (Decrease) in customer deposits	10,196	11,650
Net cash provided (used) by operating activities	<u>\$ 1,216,100</u>	<u>\$ 1,529,588</u>

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015**

**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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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, 2016 and 2015.

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 at the time of purchase 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 intangible asset 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 upon termination unless the employee meets certain age and years of

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service 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>2016</u>	<u>2015</u>
Electric	\$ 5,630,032	\$ 5,593,044
Water	537,256	476,834
Sewer	624,238	648,882
Gas	1,287,380	1,312,154
Total expenses	<u>\$ 8,078,906</u>	<u>\$ 8,030,914</u>

As of December 31, 2016 and 2015, the City served approximately 7,653 and 7,601 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 \$114,493 and is set to expire on September 30, 2017.

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 fully amortized. 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 2, 2017, 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, 2016 and 2015, the Utilities' cash balances consist of:

	2016		2015	
	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Carrying Value</u>	<u>Bank Balance</u>
Demand Deposit	\$ 7,369,735	\$ 7,401,086	\$ 7,114,394	\$ 7,486,430
Nonnegotiable Certificates of Deposit	135,000	135,000	135,000	135,000
	<u>\$ 7,504,735</u>	<u>\$ 7,536,087</u>	<u>\$ 7,249,394</u>	<u>\$ 7,621,430</u>

The above deposits and certificates of deposit are displayed in the December 31, 2016 and 2015, financial statements as follows:

	<u>2016</u>	<u>2015</u>
Cash and Certificates of Deposit	\$ 6,920,069	\$ 6,668,498
Current Restricted Cash and Certificates of Deposit	158,666	142,827
Non-current Restricted Cash and Certificates of Deposit	426,000	438,069
	<u>\$ 7,504,735</u>	<u>\$ 7,249,394</u>

At December 31, 2016, the Utilities' deposits were fully insured or collateralized by the FDIC, U.S. Government securities subject to joint safeguarding receipts issued by the pledging financial institution, and irrevocable letters of credit. No attorney's opinion has been obtained regarding the enforceability of claims that might arise under the custodial agreement.

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Investments:

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

December 31, 2016					
<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, 2015					
<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	\$ -		

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.

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Restricted balances as of December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
<u>Restricted Assets:</u>		
<u>Current</u>		
Customer deposits	\$ 143,604	\$ 133,408
Debt reserve	15,062	9,419
Total Current	<u>158,666</u>	<u>142,827</u>
<u>Non-current</u>		
Debt reserve	426,000	438,069
2013 Bond Restrictions	-	-
Total Non-current	<u>426,000</u>	<u>438,069</u>
Total Restricted Assets	584,666	580,896
 <u>Restricted Liabilities:</u>		
Customer deposits	143,604	133,408
Long-Term Debt	<u>426,000</u>	<u>438,069</u>
Total Restricted Liabilities	<u>569,604</u>	<u>571,477</u>
 Restricted Net Position	 <u>\$ 15,062</u>	 <u>\$ 9,419</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, 2016 and 2015 were as follows:

<u>Business-Type Activities:</u>	<u>Balance</u> <u>1/1/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2016</u>
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 304,359	\$ -	\$ -	\$ 304,359
Construction in Progress	585,999	20,898	(585,999)	20,898
Total Capital Assets Not Being Depreciated	<u>890,358</u>	<u>20,898</u>	<u>(585,999)</u>	<u>325,257</u>
 <u>Capital Assets Being Depreciated:</u>				
Buildings	1,081,585	-	-	1,081,585
Plant Equipment	7,250,427	8,033	(3,300)	7,255,160
Distribution Systems	16,071,232	1,043,020	-	17,114,252
Other Equipment	1,954,304	76,267	(187,052)	1,843,519
Total Capital Assets Being Depreciated	<u>26,357,548</u>	<u>1,127,320</u>	<u>(190,352)</u>	<u>27,294,516</u>
 <u>Less: Accumulated Depreciation for:</u>				
Buildings	663,544	29,104	-	692,648
Plant Equipment	3,088,040	198,010	(3,300)	3,282,750
Distribution Systems	9,366,545	513,645	-	9,880,190
Other Equipment	1,562,904	63,832	(187,468)	1,439,268
Total Accumulated Depreciation	<u>14,681,033</u>	<u>804,591</u>	<u>(190,768)</u>	<u>15,294,856</u>
Total Capital Assets Being Depreciated, Net	<u>11,676,515</u>	<u>322,729</u>	<u>416</u>	<u>11,999,660</u>
Business-Type Activity Capital Assets, Net	<u>\$ 12,566,873</u>	<u>\$ 343,627</u>	<u>\$ (585,583)</u>	<u>\$ 12,324,917</u>

Depreciation expenses was charges to function as follows:

Public Works	\$804,592
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**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015**

<u>Business-Type Activities:</u>	<u>Balance</u>			<u>Balance</u>
	<u>1/1/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2015</u>
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 304,359	\$ -	\$ -	\$ 304,359
Construction in Progress	314,144	271,855		585,999
Total Capital Assets Not Being Depreciated	<u>618,503</u>	<u>271,855</u>		<u>890,358</u>
<u>Capital Assets Being Depreciated:</u>				
Buildings	1,081,585	-	-	1,081,585
Plant Equipment	7,220,466	29,962	-	7,250,427
Distribution Systems	15,775,465	295,766	-	16,071,232
Other Equipment	1,801,678	152,626	-	1,954,304
Total Capital Assets Being Depreciated	<u>25,879,194</u>	<u>478,354</u>	<u>-</u>	<u>26,357,548</u>
<u>Less: Accumulated Depreciation for:</u>				
Buildings	634,440	29,104	-	663,544
Plant Equipment	2,890,911	197,129	-	3,088,040
Distribution Systems	8,874,422	492,123	-	9,366,545
Other Equipment	1,501,985	60,919	-	1,562,904
Total Accumulated Depreciation	<u>13,901,758</u>	<u>779,275</u>	<u>-</u>	<u>14,681,033</u>
Total Capital Assets Being Depreciated, Net	<u>11,977,436</u>	<u>(300,921)</u>	<u>-</u>	<u>11,676,515</u>
Business-Type Activity Capital Assets, Net	<u>\$ 12,595,939</u>	<u>\$(29,066)</u>	<u>\$ -</u>	<u>\$ 12,566,873</u>

**NOTE 5:
LONG-TERM LIABILITIES**

Long-term liability activity for the years ended December 31, 2016 and 2015 were as follows:

<u>Business-Type Activities</u>	<u>Beginning</u>			<u>Ending</u>	<u>Amounts</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due within</u>
	<u>1/1/16</u>			<u>12/31/16</u>	<u>One Year</u>
<u>Bonds and notes payable:</u>					
Note Payable - NDEQ	\$ 218,076	\$ -	\$ (12,601)	\$ 205,475	\$ 12,855
Combined Utility Bonds, Series 2013A	2,620,000	-	(275,000)	2,345,000	275,000
Combined Utility Bonds, Series 2013B	1,225,000	-	(20,000)	1,205,000	90,000
Combined Utility Bond 2011	<u>710,000</u>	<u>-</u>	<u>-</u>	<u>710,000</u>	<u>70,000</u>
Total bonds and notes payable	\$ 4,773,076	\$ -	\$ (307,601)	\$ 4,465,475	\$ 447,855
<u>Other liabilities:</u>					
Compensated absences	<u>\$ 265,732</u>	<u>\$ 77,425</u>	<u>\$ (75,267)</u>	<u>\$ 267,890</u>	<u>\$ 161,636</u>
Total long-term liabilities	<u>\$ 5,038,808</u>	<u>\$ 77,425</u>	<u>\$ (382,868)</u>	<u>\$ 4,733,365</u>	<u>\$ 609,491</u>

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015**

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

Revenue Bonds:

<u>Original Amount</u>		<u>2016</u>	<u>2015</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.	\$ 1,205,000	\$ 1,225,000
\$ 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.	2,345,000	2,620,000
\$ 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.	710,000	710,000
		4,260,000	4,555,000
	Less: Current Portion	(435,000)	(295,000)
		<u>\$ 3,825,000</u>	<u>\$ 4,260,000</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>
2017	\$ 435,000	\$ 92,779
2018	440,000	87,308
2019	445,000	80,746
2020	455,000	72,821
2021	465,000	63,343
2022-2026	1,810,000	143,426
2027-2031	210,000	5,513
Total	<u>\$ 4,260,000</u>	<u>\$ 545,936</u>

Interest expense for the years ended December 31, 2016 and 2015 was \$100,938 and \$103,648.

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 balance as of December 31, 2016 was \$205,475. The interest rate on the loan is 2.00%. The administrative fee is 1% per annum of the loan amount. Principal, interest and administrative fee payments are 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.

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES FUND
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2016 and 2015**

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, 2016, the annual requirements for the loan with the NDEQ is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2017	12,855	4,046
2018	13,113	3,787
2019	13,376	3,524
2020	13,645	3,255
2021	13,920	2,980
2022 – 2026	73,909	10,591
2027 – 2031	<u>64,657</u>	<u>2,943</u>
Total	<u>\$ 205,475</u>	<u>\$ 31,126</u>

**NOTE 6:
 RETIREMENT PLAN**

The Utilities provides retirement benefits for full-time employees through a contributory defined contribution plan, the City of Wahoo, Nebraska 457(B) 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. Forfeitures may be made available to reinstate previously forfeited account balances of participants and any remaining forfeitures may be used to satisfy any contribution that may be required by the Utilities or to pay administrative expenses. Beginning in 2011, employees were able to make contributions to a 457 plan and Roth retirement plan. The Utilities is not required to match any amount to the 457 or Roth employee contributions.

Contributions to the 457(B) plan were \$133,334 for the year ended December 31, 2016, and consisted of \$66,667 by the Utilities and \$66,667 by employees. Contributions to the 457(B) plan were \$139,268 for the year ended December 31, 2015, and consisted of \$69,634 by the Utilities and \$69,634 by employees. Contributions by employees to the Roth retirement plan for the year ended December 31, 2016 and 2015 were \$9,498 and \$8,817 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, 2016 and 2015**

**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.

In December 2015, the Utilities signed two new twenty-year power contracts with NPPD each effective January 1, 2016. These contracts replace the power contracts noted above.

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, 2016, 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, 2016

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Combined</u>
<u>Operating Revenues</u>					
Utility sales	\$ 5,631,903	\$ 499,784	\$ 833,659	\$ 1,386,235	\$ 8,351,581
Merchandise, Service, & Other Sales	144,483	34,399	84,279	12,377	275,538
Total Operating Revenues	<u>5,776,386</u>	<u>534,183</u>	<u>917,938</u>	<u>1,398,612</u>	<u>8,627,119</u>
<u>Operating Expenses</u>					
Production:					
Purchased Power/Gas	4,234,503	-	-	765,370	4,999,873
Salaries, Wages & Benefits	238,732	24,614	25,461	615	289,422
Maintenance & Supplies	14,187	6,430	25,365	2,442	48,424
Insurance	32,768	2,754	14,159	-	49,681
Utilities	34,730	24,174	79,263	-	138,167
Depreciation	61,667	24,840	128,530	12,078	227,115
Other	690	-	79	-	769
Total Production Expenses	<u>4,617,277</u>	<u>82,812</u>	<u>272,857</u>	<u>780,505</u>	<u>5,753,451</u>
Distribution/Collection:					
Salaries, Wages & Benefits	354,530	198,643	77,937	243,516	874,626
Maintenance & Supplies	106,454	51,132	7,725	21,244	186,555
Insurance	16,136	10,186	2,623	4,487	33,432
Utilities	5,386	787	170	1,207	7,550
Depreciation	299,145	61,768	89,203	111,122	561,238
Other	13,432	6,345	2,173	4,580	26,530
Total Distribution/Collection Expenses	<u>795,083</u>	<u>328,861</u>	<u>179,831</u>	<u>386,156</u>	<u>1,689,931</u>
General and Administrative:					
Salaries, Wages & Benefits	137,492	75,037	66,996	84,399	363,924
Maintenance & Supplies	18,284	13,153	10,764	9,232	51,433
Insurance	1,199	-	-	-	1,199
Utilities	1,527	1,009	979	928	4,443
Depreciation & Amortization	4,318	3,105	2,780	6,036	16,239
Other	38,054	16,396	27,794	15,104	97,348
Total General & Administrative Expenses	<u>200,874</u>	<u>108,700</u>	<u>109,313</u>	<u>115,699</u>	<u>534,586</u>
Total Operating Expenses	<u>5,613,234</u>	<u>520,373</u>	<u>562,001</u>	<u>1,282,360</u>	<u>7,977,968</u>
Operating Income (Loss)	<u>163,152</u>	<u>13,810</u>	<u>355,937</u>	<u>116,252</u>	<u>649,151</u>
<u>Nonoperating Revenues (Expenses):</u>					
Interest Income	2,932	1,516	1,513	4,037	9,998
Interest Expense	(16,798)	(16,883)	(62,237)	(5,020)	(100,938)
Total Nonoperating Revenues (Expenses)	<u>(13,866)</u>	<u>(15,367)</u>	<u>(60,724)</u>	<u>(983)</u>	<u>(90,940)</u>
Income Before Transfers	149,286	(1,557)	295,213	115,269	558,211
Transfers	-	-	-	-	-
Change in Net Position	<u>\$ 149,286</u>	<u>\$ (1,557)</u>	<u>\$ 295,213</u>	<u>\$ 115,269</u>	<u>\$ 558,211</u>

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
COMBINING SCHEDULE OF REVENUES AND EXPENSES
For the Year Ended December 31, 2015

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Combined</u>
<u>Operating Revenues</u>					
Utility sales	\$ 5,520,721	\$ 464,211	\$ 833,321	\$ 1,488,131	\$ 8,306,384
Merchandise, Service, & Other Sales	<u>108,675</u>	<u>57,639</u>	<u>98,599</u>	<u>19,722</u>	<u>284,635</u>
Total Operating Revenues	<u>5,629,396</u>	<u>521,850</u>	<u>931,920</u>	<u>1,507,853</u>	<u>8,591,019</u>
<u>Operating Expenses</u>					
Production:					
Purchased Power/Gas	4,242,885	-	-	861,893	5,104,778
Salaries, Wages & Benefits	246,858	22,805	31,412	-	301,075
Maintenance & Supplies	20,685	5,473	24,712	16	50,886
Insurance	29,211	2,245	15,039	-	46,495
Utilities	37,131	20,726	77,171	-	135,028
Depreciation	61,436	26,084	128,530	10,183	226,233
Other	<u>2,200</u>	<u>-</u>	<u>1,002</u>	<u>-</u>	<u>3,202</u>
Total Production Expenses	<u>4,640,406</u>	<u>77,333</u>	<u>277,866</u>	<u>872,092</u>	<u>5,867,697</u>
Distribution/Collection:					
Salaries, Wages & Benefits	359,690	156,050	91,428	183,593	790,761
Maintenance & Supplies	74,095	59,069	15,451	28,683	177,298
Insurance	13,436	9,222	893	4,515	28,066
Utilities	5,494	823	181	1,391	7,889
Depreciation	279,120	62,901	86,058	108,554	536,633
Other	<u>10,827</u>	<u>2,638</u>	<u>11,040</u>	<u>3,338</u>	<u>27,843</u>
Total Distribution/Collection Expenses	<u>742,662</u>	<u>290,703</u>	<u>205,051</u>	<u>330,074</u>	<u>1,568,490</u>
General and Administrative:					
Salaries, Wages & Benefits	138,282	70,388	63,757	80,080	352,507
Maintenance & Supplies	17,254	13,747	10,501	9,545	51,047
Insurance	1,177	-	-	-	1,177
Utilities	1,459	1,043	1,014	984	4,500
Depreciation & Amortization	4,232	3,611	2,606	5,960	16,409
Other	<u>29,475</u>	<u>9,987</u>	<u>17,603</u>	<u>8,374</u>	<u>65,439</u>
Total General & Administrative Expenses	<u>191,879</u>	<u>98,776</u>	<u>95,481</u>	<u>104,943</u>	<u>491,079</u>
Total Operating Expenses	<u>5,574,947</u>	<u>466,812</u>	<u>578,398</u>	<u>1,307,109</u>	<u>7,927,266</u>
Operating Income (Loss)	<u>54,449</u>	<u>55,038</u>	<u>353,522</u>	<u>200,744</u>	<u>663,753</u>
<u>Nonoperating Revenues (Expenses):</u>					
Interest Income	2,921	1,469	1,333	3,987	9,710
Interest Expense	<u>(18,097)</u>	<u>(10,022)</u>	<u>(70,484)</u>	<u>(5,045)</u>	<u>(103,648)</u>
Total Nonoperating Revenues (Expenses)	<u>(15,176)</u>	<u>(8,553)</u>	<u>(69,151)</u>	<u>(1,058)</u>	<u>(93,938)</u>
Income Before Transfers	39,273	46,485	284,371	199,686	569,815
Transfers	<u>-</u>	<u>(20,042)</u>	<u>(15,521)</u>	<u>-</u>	<u>(35,563)</u>
Change in Net Position	<u>\$ 39,273</u>	<u>\$ 26,443</u>	<u>\$ 268,850</u>	<u>\$ 199,686</u>	<u>\$ 534,252</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES FUND
 COMBINING SCHEDULES OF REVENUES AND EXPENSES - ELECTRIC DEPARTMENT
 For the Years Ended December 31, 2016 and 2015**

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues</u>		
Utility sales	\$ 5,631,903	\$ 5,520,721
Merchandise, Service, & Other Sales	144,483	108,675
Total Operating Revenues	<u>5,776,386</u>	<u>5,629,396</u>
<u>Operating Expenses</u>		
Production:		
Purchased Power/Gas	4,234,503	4,242,885
Salaries, Wages & Benefits	238,732	246,858
Maintenance & Supplies	14,187	20,685
Insurance	32,768	29,211
Utilities	34,730	37,131
Depreciation	61,667	61,436
Other	690	2,200
Total Production Expenses	<u>4,617,277</u>	<u>4,640,406</u>
Distribution/Collection:		
Salaries, Wages & Benefits	354,530	359,690
Maintenance & Supplies	106,454	74,095
Insurance	16,136	13,436
Utilities	5,386	5,494
Depreciation	299,145	279,120
Other	13,432	10,827
Total Distribution/Collection Expenses	<u>795,083</u>	<u>742,662</u>
General and Administrative:		
Salaries, Wages & Benefits	137,492	138,282
Maintenance & Supplies	18,284	17,254
Insurance	1,199	1,177
Utilities	1,527	1,459
Depreciation & Amortization	4,318	4,232
Other	38,054	29,475
Total General & Administrative Expenses	<u>200,874</u>	<u>191,879</u>
Total Operating Expenses	<u>5,613,234</u>	<u>5,574,947</u>
Operating Income (Loss)	<u>163,152</u>	<u>54,449</u>
<u>Nonoperating Revenues (Expenses):</u>		
Interest Income	2,932	2,921
Interest Expense	(16,798)	(18,097)
Total Nonoperating Revenues (Expenses)	<u>(13,866)</u>	<u>(15,176)</u>
Income Before Transfers	149,286	39,273
Transfers	-	-
Change in Net Position	<u>\$ 149,286</u>	<u>\$ 39,273</u>

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
COMBINING SCHEDULES OF REVENUES AND EXPENSES - WATER DEPARTMENT
For the Years Ended December 31, 2016 and 2015

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues</u>		
Utility sales	\$ 499,784	\$ 464,211
Merchandise, Service, & Other Sales	<u>34,399</u>	<u>57,639</u>
Total Operating Revenues	<u>534,183</u>	<u>521,850</u>
<u>Operating Expenses</u>		
Production:		
Salaries, Wages & Benefits	24,614	22,805
Maintenance & Supplies	6,430	5,473
Insurance	2,754	2,245
Utilities	24,174	20,726
Depreciation	24,840	26,084
Other	<u>-</u>	<u>-</u>
Total Production Expenses	<u>82,812</u>	<u>77,333</u>
Distribution/Collection:		
Salaries, Wages & Benefits	198,643	156,050
Maintenance & Supplies	51,132	59,069
Insurance	10,186	9,222
Utilities	787	823
Depreciation	61,768	62,901
Other	<u>6,345</u>	<u>2,638</u>
Total Distribution/Collection Expenses	<u>328,861</u>	<u>290,703</u>
General and Administrative:		
Salaries, Wages & Benefits	75,037	70,388
Maintenance & Supplies	13,153	13,747
Insurance	-	-
Utilities	1,009	1,043
Depreciation & Amortization	3,105	3,611
Other	<u>16,396</u>	<u>9,987</u>
Total General & Administrative Expenses	<u>108,700</u>	<u>98,776</u>
Total Operating Expenses	<u>520,373</u>	<u>466,812</u>
Operating Income (Loss)	<u>13,810</u>	<u>55,038</u>
<u>Nonoperating Revenues (Expenses):</u>		
Interest Income	1,516	1,469
Interest Expense	<u>(16,883)</u>	<u>(10,022)</u>
Total Nonoperating Revenues (Expenses)	<u>(15,367)</u>	<u>(8,553)</u>
Income Before Transfers	(1,557)	46,485
Transfers	<u>-</u>	<u>(20,042)</u>
Change in Net Position	<u>\$ (1,557)</u>	<u>\$ 26,443</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES FUND
 COMBINING SCHEDULES OF REVENUES AND EXPENSES - SEWER DEPARTMENT
 For the Years Ended December 31, 2016 and 2015**

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues</u>		
Utility sales	\$ 833,659	\$ 833,321
Merchandise, Service, & Other Sales	<u>84,279</u>	<u>98,599</u>
Total Operating Revenues	<u>917,938</u>	<u>931,920</u>
<u>Operating Expenses</u>		
Production:		
Salaries, Wages & Benefits	25,461	31,412
Maintenance & Supplies	25,365	24,712
Insurance	14,159	15,039
Utilities	79,263	77,171
Depreciation	128,530	128,530
Other	<u>79</u>	<u>1,002</u>
Total Production Expenses	<u>272,857</u>	<u>277,866</u>
Distribution/Collection:		
Salaries, Wages & Benefits	77,937	91,428
Maintenance & Supplies	7,725	15,451
Insurance	2,623	893
Utilities	170	181
Depreciation	89,203	86,058
Other	<u>2,173</u>	<u>11,040</u>
Total Distribution/Collection Expenses	<u>179,831</u>	<u>205,051</u>
General and Administrative:		
Salaries, Wages & Benefits	66,996	63,757
Maintenance & Supplies	10,764	10,501
Insurance	-	-
Utilities	979	1,014
Depreciation & Amortization	2,780	2,606
Other	<u>27,794</u>	<u>17,603</u>
Total General & Administrative Expenses	<u>109,313</u>	<u>95,481</u>
Total Operating Expenses	<u>562,001</u>	<u>578,398</u>
Operating Income (Loss)	<u>355,937</u>	<u>353,522</u>
<u>Nonoperating Revenues (Expenses):</u>		
Interest Income	1,513	1,333
Interest Expense	<u>(62,237)</u>	<u>(70,484)</u>
Total Nonoperating Revenues (Expenses)	<u>(60,724)</u>	<u>(69,151)</u>
Income Before Transfers	295,213	284,371
Transfers	<u>-</u>	<u>(15,521)</u>
Change in Net Position	<u>\$ 295,213</u>	<u>\$ 268,850</u>

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES FUND
COMBINING SCHEDULES OF REVENUES AND EXPENSES - GAS DEPARTMENT
For the Years Ended December 31, 2016 and 2015

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues</u>		
Utility sales	\$ 1,386,235	\$ 1,488,131
Merchandise, Service, & Other Sales	<u>12,377</u>	<u>19,722</u>
Total Operating Revenues	<u>1,398,612</u>	<u>1,507,853</u>
<u>Operating Expenses</u>		
Production:		
Purchased Power/Gas	765,370	861,893
Salaries, Wages & Benefits	615	-
Maintenance & Supplies	2,442	16
Insurance	-	-
Utilities	-	-
Depreciation	12,078	10,183
Other	<u>-</u>	<u>-</u>
Total Production Expenses	<u>780,505</u>	<u>872,092</u>
Distribution/Collection:		
Salaries, Wages & Benefits	243,516	183,593
Maintenance & Supplies	21,244	28,683
Insurance	4,487	4,515
Utilities	1,207	1,391
Depreciation	111,122	108,554
Other	<u>4,580</u>	<u>3,338</u>
Total Distribution/Collection Expenses	<u>386,156</u>	<u>330,074</u>
General and Administrative:		
Salaries, Wages & Benefits	84,399	80,080
Maintenance & Supplies	9,232	9,545
Insurance	-	-
Utilities	928	984
Depreciation & Amortization	6,036	5,960
Other	<u>15,104</u>	<u>8,374</u>
Total General & Administrative Expenses	<u>115,699</u>	<u>104,943</u>
Total Operating Expenses	<u>1,282,360</u>	<u>1,307,109</u>
Operating Income (Loss)	<u>116,252</u>	<u>200,744</u>
<u>Nonoperating Revenues (Expenses):</u>		
Interest Income	4,037	3,987
Interest Expense	<u>(5,020)</u>	<u>(5,045)</u>
Total Nonoperating Revenues (Expenses)	<u>(983)</u>	<u>(1,058)</u>
Income Before Transfers	115,269	199,686
Transfers	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ 115,269</u>	<u>\$ 199,686</u>



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, 2016 and 2015 and the related notes to the financial statements, and have issued our report thereon dated May 2, 2017. 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 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 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 2, 2017.

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 2, 2017