

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL
UTILITIES

Financial Statements

December 31, 2012 and 2011

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
December 31, 2012 and 2011
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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Wahoo, Nebraska, Combined Municipal Utilities, a component unit of the City of Wahoo, Nebraska, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements which collectively comprise the Combined Municipal Utilities' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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, as of December 31, 2012 and 2011, 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.

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, 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 February 15, 2013, on our consideration of the City of Wahoo, Nebraska, Combined Municipal Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Wahoo, Nebraska, Combined Municipal Utilities' internal control over financial reporting and compliance.

BMG Certified Public Accountants, LLP



Lincoln, Nebraska
February 15, 2013

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
STATEMENTS OF NET POSITION
December 31, 2012 and 2011**

	<u>Current Year</u>	<u>Prior Year</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Certificates of Deposit	\$ 3,947,320	\$ 4,234,742
Restricted Cash (see note 3)	313,916	301,476
Investments	873,192	869,324
Accounts Receivable	463,937	537,177
Unbilled Revenues	438,973	430,036
Prepaid Expenses	73,267	78,339
Inventories	599,308	491,998
Total Current Assets	6,709,913	6,943,092
<u>Fixed Assets:</u>		
Plant, Property & Equipment	24,583,923	23,370,978
Less: Accumulated Depreciation	(12,370,047)	(11,662,729)
Total Fixed Assets	12,213,876	11,708,249
<u>Other Assets:</u>		
Bond Issuance Costs, Net of Amortization	15,246	18,304
Goodwill, Net of Amortization	92,276	107,609
Total Other Assets	107,522	125,913
TOTAL ASSETS	\$ 19,031,311	\$ 18,777,254
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 500,851	\$ 463,372
Accrued Expenses	122,487	97,556
Customer Deposits	107,338	94,733
Current Maturities of Long-Term Liabilities	443,866	429,876
Total Current Liabilities	1,174,542	1,085,537
<u>Long-Term Liabilities:</u>		
Long-Term Debt	4,552,650	4,891,759
Compensated Absences	262,538	182,015
Less: Current Maturities	(443,866)	(429,876)
Total Long-Term Liabilities	4,371,322	4,643,898
Total Liabilities	5,545,864	5,729,435
<u>NET POSITION</u>		
<u>Net Position:</u>		
Invested in Capital Assets, Net of Related Debt	7,753,502	6,924,109
Restricted (see note 3)	206,578	206,743
Unrestricted	5,525,367	5,916,967
Total Net Position	13,485,447	13,047,819
TOTAL LIABILITIES AND NET POSITION	\$ 19,031,311	\$ 18,777,254

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
STATEMENTS OF REVENUES AND EXPENSES
For the Years Ended December 31, 2012 and 2011

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues:</u>		
Utility Sales	\$ 7,554,556	\$ 7,773,248
Merchandise, Service & Other Sales	385,837	291,339
Total Operating Revenues	7,940,393	8,064,587
 <u>Operating Expenses:</u>		
Production:		
Purchased Power/Gas	4,543,909	4,570,957
Salaries, Wages, & Benefits	334,778	294,292
Maintenance & Supplies	50,774	44,977
Insurance	29,653	44,230
Utilities	133,071	139,330
Depreciation & Amortization	200,461	192,600
Other	2,330	12,795
Total Production Expenses	5,294,976	5,299,181
Distribution/Collection:		
Salaries, Wages, & Benefits	759,730	767,597
Maintenance & Supplies	166,104	142,323
Insurance	20,793	22,701
Utilities	7,655	8,890
Depreciation & Amortization	496,915	482,451
Other	11,910	9,309
Total Distribution/Collection Expenses	1,463,107	1,433,271
General & Administrative:		
Salaries, Wages, & Benefits	379,961	327,596
Maintenance & Supplies	42,612	44,389
Insurance	3,251	5,678
Utilities	4,357	5,057
Depreciation & Amortization	28,334	30,690
Other	119,608	93,119
Total General & Administrative Expenses	578,123	506,529
Total Operating Expenses	7,336,206	7,238,981
Operating Income (Loss)	604,187	825,606
<u>Nonoperating Revenues (Expenses):</u>		
Interest Income	23,634	36,269
Interest Expense	(154,630)	(156,406)
Total Nonoperating Revenues (Expenses)	(130,996)	(120,137)
Income (Loss) before Contributions and Transfers	473,191	705,469
Transfers to City	(35,563)	(35,563)
Change in Net Position	\$ 437,628	\$ 669,906

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended December 31, 2012 and 2011**

	<u>Net Assets</u>
Balance, January 1, 2011	\$ 12,377,913
Change in Net Position	<u>669,906</u>
Balance December 31, 2011	13,047,819
Change in Net Position	<u>437,628</u>
Balance, December 31, 2012	<u><u>\$ 13,485,447</u></u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES
 STATEMENTS OF CASH FLOWS
 For The Years Ended December 31, 2012 and 2011**

	<u>Current Year</u>	<u>Prior Year</u>
Cash flows from operating activities:		
Receipts from customers	\$ 8,193,842	\$ 8,287,498
Payments to suppliers	(5,200,786)	(5,126,527)
Payments to employees	(1,369,105)	(1,375,281)
Payment of in lieu of taxes	<u>(175,866)</u>	<u>(186,362)</u>
Net cash provided (used) by operating activities:	<u>1,448,085</u>	<u>1,599,328</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	(339,109)	(326,666)
Bond issuance costs	-	(11,125)
Proceeds on issuance of long-term debt	-	710,000
Interest paid	(155,216)	(153,042)
Capital expenditures	<u>(1,212,945)</u>	<u>(593,197)</u>
Net cash provided (used) by capital and related financing activities:	<u>(1,707,270)</u>	<u>(374,030)</u>
Cash flows from investing activities:		
Purchase of temporary investments	-	(515)
Interest received	<u>19,766</u>	<u>27,212</u>
Net cash provided (used) by financing activities	<u>19,766</u>	<u>26,697</u>
Net increase (decrease) in cash and cash equivalents	(274,982)	1,216,432
Cash and cash equivalents at beginning of period	<u>4,536,218</u>	<u>3,319,786</u>
Cash and cash equivalents at end of period	<u>\$ 4,261,236</u>	<u>\$ 4,536,218</u>
 Statement of Net Assets Classification of Cash and Cash Equivalents		
Current Assets:		
Cash and Certificates of Deposit	\$ 3,947,320	\$ 4,234,742
Restricted Cash	313,916	301,476
Other Assets:		
Restricted Certificate of Deposit	-	-
Total	<u>\$ 4,261,236</u>	<u>\$ 4,536,218</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES
 STATEMENTS OF CASH FLOWS
 For The Years Ended December 31, 2012 and 2011**

	<u>Current Year</u>	<u>Prior Year</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating Income (Loss)	\$ 604,187	\$ 825,606
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	725,710	705,741
Write-off of bond issuance costs	-	-
Public power rebate reimbursement	6,110	1,485
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable	73,240	(24,704)
(Increase) Decrease in unbilled revenues	(8,937)	63,006
(Increase) Decrease in other receivables	-	-
(Increase) Decrease in prepaid expenses	5,072	18,883
(Increase) Decrease in inventories	(107,310)	6,783
Increase (Decrease) in accounts payable	37,479	(9,468)
Increase (Decrease) in accrued expenses	99,929	10,381
Increase (Decrease) in customer deposits	12,605	1,615
Net cash provided (used) by operating activities	<u>\$ 1,448,085</u>	<u>\$ 1,599,328</u>

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

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

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

The Utilities' financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). 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. The Utilities are a component unit of the City of Wahoo.

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

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 combined Utilities with income from the investments allocated to each individual fund.

Statutes authorize the Utilities to invest in certificates of deposit, in time deposits, 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 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

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

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, 2012 and 2011.

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

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

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

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

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

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

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

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

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

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 City, these revenues are charges for services for electric, sewer, water, and gas utility services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund.

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

Expenses by Identifiable Activities:

	<u>2012</u>	<u>2011</u>
Electric	\$ 4,991,744	\$ 4,800,383
Water	493,672	424,035
Sewer	746,671	705,607
Gas	<u>1,258,749</u>	<u>1,465,362</u>
Total expenses	<u>\$ 7,490,836</u>	<u>\$ 7,395,387</u>

As of December 31, 2012 and 2011, the City served 7,467 and 7,733 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 \$97,689 and is set to expire on September 30, 2013.

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, 2012 and 2011 was \$15,333 for each year. The 2010 acquisition is not required to be amortized.

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

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

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES
 NOTES TO THE FINANCIAL STATEMENTS
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Use of Restricted/Unrestricted Net Position: When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

Subsequent Events: Subsequent events have been evaluated through February 15, 2013, 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 funds.

At December 31, 2012 and 2011, the Utilities' cash balances consist of:

	2012		2011	
	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Carrying Value</u>	<u>Bank Balance</u>
Demand Deposit	\$ 4,126,236	\$ 4,444,923	\$ 4,401,218	\$ 4,441,427
Nonnegotiable Certificates of Deposit	135,000	135,000	135,000	135,000
	<u>\$ 4,261,236</u>	<u>\$ 4,579,923</u>	<u>\$ 4,536,218</u>	<u>\$ 4,576,427</u>

The above deposits and certificates of deposit are displayed in the December 31, 2012 and 2011, financial statements as follows:

	2012	2011
Cash and Certificate of Deposits	\$ 3,947,320	\$ 4,234,742
Restricted Certificate of Deposit	313,916	301,476
	<u>\$ 4,261,236</u>	<u>\$ 4,536,218</u>

At December 31, 2012, 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
COMBINED MUNICIPAL UTILITIES
NOTES TO THE FINANCIAL STATEMENTS
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Investments:

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

December 31, 2012					
<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	\$ 596,962	\$ 596,962	\$ -	Not rated	Not rated
Negotiable Certificates of Deposit	276,230	276,230	-	Not rated	Not rated
Total	\$ 873,192	\$ 873,192	\$ -		

December 31, 2011					
<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	\$ 339,102	\$ 339,102	\$ -	Not rated	Not rated
Negotiable Certificates of Deposit	530,222	250,643	279,579	Not rated	Not rated
Total	\$ 869,324	\$ 589,745	\$ 279,579		

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.

Restricted balances as of December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
<u>Restricted Assets:</u>		
Customer deposits	\$ 107,338	\$ 94,733
Debt reserve	206,578	206,743
	313,916	301,476
<u>Restricted Liabilities:</u>		
Customer deposits	107,338	94,733
Restricted Net Position	\$ 206,578	\$ 206,743

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

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

**NOTE 4:
CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2012 and 2011 were as follows:

<u>Business-Type Activities:</u>	<u>Balance</u> <u>1/1/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2012</u>
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 304,359	\$ -	\$ -	\$ 304,359
Construction in Progress	261,668	206,124	(261,668)	206,124
Total Capital Assets Not Being Depreciated	<u>566,027</u>	<u>206,124</u>	<u>(261,668)</u>	<u>510,483</u>
<u>Capital Assets Being Depreciated:</u>				
Buildings	751,530	-	-	751,530
Plant Equipment	6,875,246	162,151	-	7,037,397
Distribution Systems	13,514,985	1,035,661	-	14,550,647
Other Equipment	1,663,190	70,677	-	1,733,866
Total Capital Assets Being Depreciated	<u>22,804,951</u>	<u>1,268,489</u>	<u>-</u>	<u>24,073,440</u>
<u>Less: Accumulated Depreciation for:</u>				
Buildings	573,257	12,601	-	585,859
Plant Equipment	2,324,341	183,184	-	2,507,524
Distribution Systems	7,447,849	449,246	-	7,897,095
Other Equipment	1,317,282	62,287	-	1,379,568
Total Accumulated Depreciation	<u>11,662,729</u>	<u>707,318</u>	<u>-</u>	<u>12,370,047</u>
Total Capital Assets Being Depreciated, Net	<u>11,142,222</u>	<u>561,171</u>	<u>-</u>	<u>11,703,393</u>
Business-Type Activity Capital Assets, Net	<u>\$ 11,708,249</u>	<u>\$ 767,295</u>	<u>\$ (261,668)</u>	<u>\$ 12,213,876</u>
<u>Depreciation expenses was charged to function as follows:</u>				
Public Works				\$ 707,319

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

<u>Business-Type Activities:</u>	<u>Balance 1/1/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2011</u>
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 304,359	\$ -	\$ -	\$ 304,359
Construction in Progress	-	261,668	-	261,668
Total Capital Assets Not Being Depreciated	<u>304,359</u>	<u>261,668</u>	<u>-</u>	<u>566,027</u>
<u>Capital Assets Being Depreciated:</u>				
Buildings	751,530	-	-	751,530
Plant Equipment	6,815,866	59,380	-	6,875,246
Distribution Systems	13,290,719	224,266	-	13,514,985
Other Equipment	1,615,307	47,883	-	1,663,190
Total Capital Assets Being Depreciated	<u>22,473,422</u>	<u>331,529</u>	<u>-</u>	<u>22,804,951</u>
<u>Less: Accumulated Depreciation for:</u>				
Buildings	560,616	12,641	-	573,257
Plant Equipment	2,149,057	175,284	-	2,324,341
Distribution Systems	7,014,512	433,337	-	7,447,849
Other Equipment	1,251,193	66,089	-	1,317,282
Total Accumulated Depreciation	<u>10,975,378</u>	<u>687,351</u>	<u>-</u>	<u>11,662,729</u>
Total Capital Assets Being Depreciated, Net	<u>11,498,044</u>	<u>(355,822)</u>	<u>-</u>	<u>11,142,222</u>
Business-Type Activity Capital Assets, Net	<u>\$ 11,802,403</u>	<u>\$ (94,154)</u>	<u>\$ -</u>	<u>\$ 11,708,249</u>

Depreciation expenses was charged to function as follows:

Public Works	\$ 687,350
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**NOTE 5:
LONG-TERM LIABILITIES**

Long-term liability activity for the years ended December 31, 2012 and 2011 were as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance 1/1/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance 12/31/12</u>	<u>Amounts Due within One Year</u>
<u>Bonds and notes payable:</u>					
Combined Utility Bond 2009	\$ 720,000	\$ -	\$ (120,000)	\$ 600,000	\$ 120,000
Note Payable - NDEQ	3,174,626	-	(206,549)	2,968,077	213,821
Note Payable - NDEQ	287,133	-	(12,560)	274,573	12,812
Combined Utility Bond 2011	710,000	-	-	710,000	-
Total bonds and notes payable	<u>4,891,759</u>	<u>-</u>	<u>(339,109)</u>	<u>4,552,650</u>	<u>346,633</u>
<u>Other liabilities:</u>					
Compensated absences	182,015	141,406	(60,883)	262,538	97,233
Total long-term liabilities	<u>\$ 5,073,774</u>	<u>\$ 141,406</u>	<u>\$ (399,992)</u>	<u>\$ 4,815,188</u>	<u>\$ 443,866</u>

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

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

Revenue Bonds:

<u>Original Amount</u>		<u>2012</u>	<u>2011</u>
945,000	Combined Utility Revenue Refunding Bond issued December 31, 2009; Interest rates 1.5% to 3.45%. Interest payments due May 1 and November 1, and principal payments due November 1.	\$ 600,000	\$ 720,000
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>
		1,310,000	1,430,000
	Less: Current Portion	<u>(120,000)</u>	<u>(120,000)</u>
		<u>\$ 1,190,000</u>	<u>\$ 1,310,000</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>
2013	\$ 120,000	\$ 39,143
2014	125,000	36,743
2015	130,000	33,805
2016	225,000	30,230
2017	70,000	23,480
2018-2022	370,000	88,185
2023-2027	<u>270,000</u>	<u>21,413</u>
Total	<u>\$ 1,310,000</u>	<u>\$ 272,999</u>

The Utilities signed a loan contract with the Nebraska Department of Environmental Quality (NDEQ) on June 28, 2001 and Amendment One on June 27, 2002. The maximum amount of the loan was \$4,720,500 and the final loan amount was \$2,968,077. The interest rate on the loan is 3.49%. The administrative fee is 1% per annum of the loan amount. Principal, interest and administrative fee payments will be due semiannually on December 15 and June 15. The principal and interest payments are \$157,779 semi-annually and the administrative fee is based on the outstanding loan balance. The final payment is due June 15, 2024.

The Utilities 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 \$274,573. 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 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.

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

At December 31, 2012, the annual requirements for both loans with the NDEQ are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 226,633	\$ 107,164
2014	234,418	99,379
2015	242,473	91,324
2016	250,808	82,990
2017	259,432	74,365
2018 - 2022	1,437,378	231,608
2023 - 2027	538,655	25,876
2028 – 2032	<u>52,853</u>	<u>1,865</u>
Total	<u>\$ 3,242,650</u>	<u>\$ 714,571</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, employers 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 \$129,474 for the year ended December 31, 2012, and consisted of \$64,737 by the Utilities and \$64,737 by employees. Contributions to the plan were \$127,774 for the year ended December 31, 2011, and consisted of \$63,887 by the Utilities and \$63,887 by employees. Contributions by employees to the Roth retirement plan for the year ended December 31, 2012 and 2011 were \$10,096 and \$9,813 respectively. No contributions were made to the 457 plan.

**NOTE 7:
CONTINGENCIES**

The City is involved in lawsuits arising in the ordinary course of business, including claims for property damage and personal injury. In the opinion of the City management, based on the advice of the City Attorney with respect to litigation, these matters are not expected to have a materially adverse effect on the Utilities' financial position at December 31, 2012.

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

**NOTE 8:
OTHER POST EMPLOYMENT BENEFITS**

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

**NOTE 9:
CONTRACTS**

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

Gas: The Utilities have a three-year contract dated November 1, 2006, with Clayton Energy for assistance in gas transportation and commodity purchasing. The contract requires Clayton Energy to assist the Utilities with the quantities and calls for a monthly payment of \$1,500 to Clayton Energy for the services provided. In order to mitigate the effect of fluctuating gas prices, the Utilities forward and spot purchase natural gas. Forward purchased gas is subject to a take-or-pay contract. The commodity contract obligates the purchaser to take the product or pay for the contracted amount. This contract was renewed for an additional three-year term beginning November 1, 2012 after a previous renewal on November 1, 2009.

**NOTE 10:
OTHER COMMITMENTS**

Gas Purchase Agreement: On September 27, 2007, the Utilities entered into an inter-local agreement with a number of Iowa municipalities. The inter-local agreement created the Public Energy Financing Authority (PEFA). PEFA was created to give the participating municipalities access to large, long-term, natural gas contracts at reasonable rates. PEFA will enter into agreements with natural gas suppliers for long-term contracts for the purchase of natural gas. The contracts will be secured and paid with the proceeds of tax exempt bonds issued by PEFA. The participating and purchasing municipality will be required to “take or pay” for the gas under contract by PEFA. The “take or pay” provision will require the Utilities to take delivery of and pay for all the gas under the contract, regardless of whether or not the Utilities have the demand and use for the gas. As of December 31, 2012, PEFA has not entered into any long-term contracts to purchase gas.

**NOTE 11:
SUBSEQUENT EVENTS**

On January 16, 2013, the board of directors approved issuing bonds to replace the 2004 NDEQ Sewer Loan as well as an additional bond for new capital projects. The total amount of the bonds approved for these purposes is \$4,700,000. As of February 15, 2013, the bonds have not been issued.

**CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

**NOTE 12:
RECENT ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows or deferred inflows of resources or as current period outflows or inflows of resources. Statement No. 65 is effective for the year ending December 31, 2013.

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
COMBINING SCHEDULE OF REVENUES AND EXPENSES
For the Year Ended December 31, 2012

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Combined</u>
<u>Operating Revenues</u>					
Utility sales	\$ 4,821,863	\$ 578,893	\$ 842,354	\$ 1,311,446	\$ 7,554,556
Merchandise, Service, & Other Sales	<u>154,973</u>	<u>58,361</u>	<u>157,921</u>	<u>14,582</u>	<u>385,837</u>
Total Operating Revenues	<u>4,976,836</u>	<u>637,254</u>	<u>1,000,275</u>	<u>1,326,028</u>	<u>7,940,393</u>
<u>Operating Expenses</u>					
Production:					
Purchased Power/Gas	3,784,757	-	-	759,152	4,543,909
Salaries, Wages & Benefits	244,755	29,188	60,225	610	334,778
Maintenance & Supplies	12,120	5,654	32,992	8	50,774
Insurance	19,381	1,549	8,720	3	29,653
Utilities	30,808	24,711	77,552	-	133,071
Depreciation	36,879	25,215	131,910	6,457	200,461
Other	<u>1,029</u>	<u>-</u>	<u>1,301</u>	<u>-</u>	<u>2,330</u>
Total Production Expenses	<u>4,129,729</u>	<u>86,317</u>	<u>312,700</u>	<u>766,230</u>	<u>5,294,976</u>
Distribution/Collection:					
Salaries, Wages & Benefits	309,562	182,155	70,743	197,270	759,730
Maintenance & Supplies	80,062	44,647	8,969	32,426	166,104
Insurance	10,086	5,124	1,417	4,166	20,793
Utilities	5,029	945	257	1,424	7,655
Depreciation	261,037	58,566	72,755	104,557	496,915
Other	<u>8,520</u>	<u>1,443</u>	<u>820</u>	<u>1,127</u>	<u>11,910</u>
Total Distribution/Collection Expenses	<u>674,296</u>	<u>292,880</u>	<u>154,961</u>	<u>340,970</u>	<u>1,463,107</u>
General and Administrative:					
Salaries, Wages & Benefits	136,164	80,988	73,647	89,162	379,961
Maintenance & Supplies	13,802	10,326	8,908	9,576	42,612
Insurance	1,576	577	621	477	3,251
Utilities	1,273	1,077	1,034	973	4,357
Depreciation & Amortization	1,675	1,579	3,788	21,292	28,334
Other	<u>33,235</u>	<u>14,587</u>	<u>59,038</u>	<u>12,748</u>	<u>119,608</u>
Total General & Administrative Expenses	<u>187,725</u>	<u>109,134</u>	<u>147,036</u>	<u>134,228</u>	<u>578,123</u>
Total Operating Expenses	<u>4,991,750</u>	<u>488,331</u>	<u>614,697</u>	<u>1,241,428</u>	<u>7,336,206</u>
Operating Income (Loss)	<u>(14,914)</u>	<u>148,923</u>	<u>385,578</u>	<u>84,600</u>	<u>604,187</u>
<u>Nonoperating Revenues (Expenses):</u>					
Interest Income	11,275	3,225	2,389	6,745	23,634
Interest Expense	<u>-</u>	<u>(5,344)</u>	<u>(131,973)</u>	<u>(17,313)</u>	<u>(154,630)</u>
Total Nonoperating Revenues (Expenses)	<u>11,275</u>	<u>(2,119)</u>	<u>(129,584)</u>	<u>(10,568)</u>	<u>(130,996)</u>
Income Before Transfers	(3,639)	146,804	255,994	74,032	473,191
Transfers	<u>-</u>	<u>(20,042)</u>	<u>(15,521)</u>	<u>-</u>	<u>(35,563)</u>
Change in Net Position	<u>\$ (3,639)</u>	<u>\$ 126,762</u>	<u>\$ 240,473</u>	<u>\$ 74,032</u>	<u>\$ 437,628</u>

CITY OF WAHOO, NEBRASKA
COMBINED MUNICIPAL UTILITIES
COMBINING SCHEDULE OF REVENUES AND EXPENSES
For the Year Ended December 31, 2011

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Combined</u>
<u>Operating Revenues</u>					
Utility sales	\$ 4,842,661	\$ 462,099	\$ 820,116	\$ 1,648,372	\$ 7,773,248
Merchandise, Service, & Other Sales	157,579	36,676	78,643	18,441	291,339
Total Operating Revenues	<u>5,000,240</u>	<u>498,775</u>	<u>898,759</u>	<u>1,666,813</u>	<u>8,064,587</u>
<u>Operating Expenses</u>					
Production:					
Purchased Power/Gas	3,580,637	-	-	990,320	4,570,957
Salaries, Wages & Benefits	222,292	30,068	41,447	485	294,292
Maintenance & Supplies	23,252	3,348	18,377	-	44,977
Insurance	33,289	2,068	8,841	32	44,230
Utilities	43,254	20,995	75,081	-	139,330
Depreciation	30,912	26,063	129,168	6,457	192,600
Other	11,840	-	955	-	12,795
Total Production Expenses	<u>3,945,476</u>	<u>82,542</u>	<u>273,869</u>	<u>997,294</u>	<u>5,299,181</u>
Distribution/Collection:					
Salaries, Wages & Benefits	345,255	133,938	99,128	189,276	767,597
Maintenance & Supplies	74,111	32,453	9,143	26,616	142,323
Insurance	10,728	5,926	1,450	4,597	22,701
Utilities	5,709	1,131	503	1,547	8,890
Depreciation	256,715	59,528	66,359	99,849	482,451
Other	6,273	1,336	490	1,210	9,309
Total Distribution/Collection Expenses	<u>698,791</u>	<u>234,312</u>	<u>177,073</u>	<u>323,095</u>	<u>1,433,271</u>
General and Administrative:					
Salaries, Wages & Benefits	110,592	70,759	64,283	81,962	327,596
Maintenance & Supplies	12,468	15,048	8,925	7,948	44,389
Insurance	1,811	1,458	889	1,520	5,678
Utilities	2,183	916	897	1,061	5,057
Depreciation & Amortization	2,623	2,064	3,975	22,028	30,690
Other	26,439	9,528	45,634	11,518	93,119
Total General & Administrative Expenses	<u>156,116</u>	<u>99,773</u>	<u>124,603</u>	<u>126,037</u>	<u>506,529</u>
Total Operating Expenses	<u>4,800,383</u>	<u>416,627</u>	<u>575,545</u>	<u>1,446,426</u>	<u>7,238,981</u>
Operating Income (Loss)	<u>199,857</u>	<u>82,148</u>	<u>323,214</u>	<u>220,387</u>	<u>825,606</u>
<u>Nonoperating Revenues (Expenses):</u>					
Interest Income	17,073	3,822	3,667	11,707	36,269
Interest Expense	-	(7,408)	(130,062)	(18,936)	(156,406)
Total Nonoperating Revenues (Expenses)	<u>17,073</u>	<u>(3,586)</u>	<u>(126,395)</u>	<u>(7,229)</u>	<u>(120,137)</u>
Income Before Transfers	216,930	78,562	196,819	213,158	705,469
Transfers	-	(20,042)	(15,521)	-	(35,563)
Change in Net Position	<u>\$ 216,930</u>	<u>\$ 58,520</u>	<u>\$ 181,298</u>	<u>\$ 213,158</u>	<u>\$ 669,906</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES
 COMBINING SCHEDULES OF REVENUES AND EXPENSES - ELECTRIC DEPARTMENT
 For the Years Ended December 31, 2012 and 2011**

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues</u>		
Utility sales	\$ 4,821,863	\$ 4,842,661
Merchandise, Service, & Other Sales	<u>154,973</u>	<u>157,579</u>
Total Operating Revenues	<u>4,976,836</u>	<u>5,000,240</u>
<u>Operating Expenses</u>		
Production:		
Purchased Power/Gas	3,784,757	3,580,637
Salaries, Wages & Benefits	244,755	222,292
Maintenance & Supplies	12,120	23,252
Insurance	19,381	33,289
Utilities	30,808	43,254
Depreciation	36,879	30,912
Other	<u>1,029</u>	<u>11,840</u>
Total Production Expenses	<u>4,129,729</u>	<u>3,945,476</u>
Distribution/Collection:		
Salaries, Wages & Benefits	309,562	345,255
Maintenance & Supplies	80,062	74,111
Insurance	10,086	10,728
Utilities	5,029	5,709
Depreciation	261,037	256,715
Other	<u>8,520</u>	<u>6,273</u>
Total Distribution/Collection Expenses	<u>674,296</u>	<u>698,791</u>
General and Administrative:		
Salaries, Wages & Benefits	136,164	110,592
Maintenance & Supplies	13,802	12,468
Insurance	1,576	1,811
Utilities	1,273	2,183
Depreciation & Amortization	1,675	2,623
Other	<u>33,235</u>	<u>26,439</u>
Total General & Administrative Expenses	<u>187,725</u>	<u>156,116</u>
Total Operating Expenses	<u>4,991,750</u>	<u>4,800,383</u>
Operating Income (Loss)	<u>(14,914)</u>	<u>199,857</u>
<u>Nonoperating Revenues (Expenses):</u>		
Interest Income	11,275	17,073
Interest Expense	<u>-</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>11,275</u>	<u>17,073</u>
Income Before Transfers	(3,639)	216,930
Transfers	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ (3,639)</u>	<u>\$ 216,930</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES
 COMBINING SCHEDULES OF REVENUES AND EXPENSES - WATER DEPARTMENT
 For the Years Ended December 31, 2012 and 2011**

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues</u>		
Utility sales	\$ 578,893	\$ 462,099
Merchandise, Service, & Other Sales	<u>58,361</u>	<u>36,676</u>
Total Operating Revenues	<u>637,254</u>	<u>498,775</u>
<u>Operating Expenses</u>		
Production:		
Salaries, Wages & Benefits	29,188	-
Maintenance & Supplies	5,654	30,068
Insurance	1,549	3,348
Utilities	24,711	2,068
Depreciation	25,215	20,995
Other	<u>-</u>	<u>26,063</u>
Total Production Expenses	<u>86,317</u>	<u>82,542</u>
Distribution/Collection:		
Salaries, Wages & Benefits	182,155	133,938
Maintenance & Supplies	44,647	32,453
Insurance	5,124	5,926
Utilities	945	1,131
Depreciation	58,566	59,528
Other	<u>1,443</u>	<u>1,336</u>
Total Distribution/Collection Expenses	<u>292,880</u>	<u>234,312</u>
General and Administrative:		
Salaries, Wages & Benefits	80,988	70,759
Maintenance & Supplies	10,326	15,048
Insurance	577	1,458
Utilities	1,077	916
Depreciation & Amortization	1,579	2,064
Other	<u>14,587</u>	<u>9,528</u>
Total General & Administrative Expenses	<u>109,134</u>	<u>99,773</u>
Total Operating Expenses	<u>488,331</u>	<u>416,627</u>
Operating Income (Loss)	<u>148,923</u>	<u>82,148</u>
<u>Nonoperating Revenues (Expenses):</u>		
Interest Income	3,225	3,822
Interest Expense	<u>(5,344)</u>	<u>(7,408)</u>
Total Nonoperating Revenues (Expenses)	<u>(2,119)</u>	<u>(3,586)</u>
Income Before Transfers	146,804	78,562
Transfers	<u>(20,042)</u>	<u>(20,042)</u>
Change in Net Position	<u>\$ 126,762</u>	<u>\$ 58,520</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES
 COMBINING SCHEDULES OF REVENUES AND EXPENSES - SEWER DEPARTMENT
 For the Years Ended December 31, 2012 and 2011**

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues</u>		
Utility sales	\$ 842,354	\$ 820,116
Merchandise, Service, & Other Sales	<u>157,921</u>	<u>78,643</u>
Total Operating Revenues	<u>1,000,275</u>	<u>898,759</u>
<u>Operating Expenses</u>		
Production:		
Salaries, Wages & Benefits	60,225	41,447
Maintenance & Supplies	32,992	18,377
Insurance	8,720	8,841
Utilities	77,552	75,081
Depreciation	131,910	129,168
Other	<u>1,301</u>	<u>955</u>
Total Production Expenses	<u>312,700</u>	<u>273,869</u>
Distribution/Collection:		
Salaries, Wages & Benefits	70,743	99,128
Maintenance & Supplies	8,969	9,143
Insurance	1,417	1,450
Utilities	257	503
Depreciation	72,755	66,359
Other	<u>820</u>	<u>490</u>
Total Distribution/Collection Expenses	<u>154,961</u>	<u>177,073</u>
General and Administrative:		
Salaries, Wages & Benefits	73,647	64,283
Maintenance & Supplies	8,908	8,925
Insurance	621	889
Utilities	1,034	897
Depreciation & Amortization	3,788	3,975
Other	<u>59,038</u>	<u>45,634</u>
Total General & Administrative Expenses	<u>147,036</u>	<u>124,603</u>
Total Operating Expenses	<u>614,697</u>	<u>575,545</u>
Operating Income (Loss)	<u>385,578</u>	<u>323,214</u>
<u>Nonoperating Revenues (Expenses):</u>		
Interest Income	2,389	3,667
Interest Expense	<u>(131,973)</u>	<u>(130,062)</u>
Total Nonoperating Revenues (Expenses)	<u>(129,584)</u>	<u>(126,395)</u>
Income Before Transfers	255,994	196,819
Transfers	<u>(15,521)</u>	<u>(15,521)</u>
Change in Net Position	<u>\$ 240,473</u>	<u>\$ 181,298</u>

**CITY OF WAHOO, NEBRASKA
 COMBINED MUNICIPAL UTILITIES
 COMBINING SCHEDULES OF REVENUES AND EXPENSES - GAS DEPARTMENT
 For the Years Ended December 31, 2012 and 2011**

	<u>Current Year</u>	<u>Prior Year</u>
<u>Operating Revenues</u>		
Utility sales	\$ 1,311,446	\$ 1,648,372
Merchandise, Service, & Other Sales	<u>14,582</u>	<u>18,441</u>
Total Operating Revenues	<u>1,326,028</u>	<u>1,666,813</u>
<u>Operating Expenses</u>		
Production:		
Purchased Power/Gas	759,152	990,320
Salaries, Wages & Benefits	610	485
Maintenance & Supplies	8	-
Insurance	3	32
Utilities	-	-
Depreciation	6,457	6,457
Other	<u>-</u>	<u>-</u>
Total Production Expenses	<u>766,230</u>	<u>997,294</u>
Distribution/Collection:		
Salaries, Wages & Benefits	197,270	189,276
Maintenance & Supplies	32,426	26,616
Insurance	4,166	4,597
Utilities	1,424	1,547
Depreciation	104,557	99,849
Other	<u>1,127</u>	<u>1,210</u>
Total Distribution/Collection Expenses	<u>340,970</u>	<u>323,095</u>
General and Administrative:		
Salaries, Wages & Benefits	89,162	81,962
Maintenance & Supplies	9,576	7,948
Insurance	477	1,520
Utilities	973	1,061
Depreciation & Amortization	21,292	22,028
Other	<u>12,748</u>	<u>11,518</u>
Total General & Administrative Expenses	<u>134,228</u>	<u>126,037</u>
Total Operating Expenses	<u>1,241,428</u>	<u>1,446,426</u>
Operating Income (Loss)	<u>84,600</u>	<u>220,387</u>
<u>Nonoperating Revenues (Expenses):</u>		
Interest Income	6,745	11,707
Interest Expense	<u>(17,313)</u>	<u>(18,936)</u>
Total Nonoperating Revenues (Expenses)	<u>(10,568)</u>	<u>(7,229)</u>
Income Before Transfers	74,032	213,158
Transfers	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ 74,032</u>	<u>\$ 213,158</u>

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

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

We have audited, 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 City of Wahoo, Nebraska, Combined Municipal Utilities, as of and for the years ended December 31, 2012 and 2011 and the related notes to the financial statements, which collectively comprise the City of Wahoo, Nebraska, Combined Municipal Utilities basic financial statements, and have issued our report thereon dated February 15, 2013. Our report disclosed that the City of Wahoo, Nebraska, Combined Municipal Utilities has not presented Management's Discussion and Analysis, which is required supplementary information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Wahoo, Nebraska, Combined Municipal Utilities' 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' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Wahoo, Nebraska, Combined Municipal Utilities' 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' 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', in a separate letter dated February 15, 2013.

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 'B', 'M', and 'G' in a stylized, cursive font.

Lincoln, Nebraska
February 15, 2013