

**CITY OF CRETE, NEBRASKA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**September 30, 2013**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities - modified cash basis, the business-type activities - accrual basis, the aggregate discretely presented component units - accrual basis, each major fund - modified cash basis for the governmental funds and accrual basis for the proprietary funds, and the aggregate remaining fund information - modified cash basis for the governmental funds of the City of Crete, Nebraska, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's 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 the modified cash and accrual bases of accounting described in Note A; this includes determining that the modified cash and accrual bases of accounting are acceptable bases for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 auditors' judgment, including the assessment of the 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

#### SHAREHOLDERS

Robert D. Almquist  
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Michael E. Hoback

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 accounting 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 opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities – modified cash basis, the business-type activities – accrual basis, the aggregate discretely presented component units – accrual basis, each major fund – modified cash basis for the governmental funds and accrual basis for the proprietary funds, and the aggregate remaining fund information – modified cash basis for the governmental funds of the City of Crete, Nebraska, as of September 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with the basis of accounting as described in Note A.

## **Basis of Accounting**

We draw attention to Note A of the financial statements, which describes the basis of accounting for the governmental activities and governmental funds. The governmental financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## **Change in Accounting Principle**

As discussed in Note A4 to the financial statements effective October 1, 2012, the City of Crete, Nebraska adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crete, Nebraska's financial statements. The management's discussion and analysis and supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The management's discussion and analysis, budgetary comparison schedules, nonmajor governmental combining statements, and component units combining statements are the responsibility of management and were derived from and relate directly to the underlying

accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information described in the first sentence of this paragraph is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2014, on our consideration of the City of Crete, Nebraska'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 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 Crete, Nebraska's internal control over financial reporting and compliance.

*Amquist, Malbyahn,  
Galloway & Luth, P.C.*

Grand Island, Nebraska  
March 24, 2014

**CITY OF CRETE, NEBRASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended September 30, 2013**

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As management of the City of Crete, we offer readers of the City of Crete financial statements this narrative overview and analysis of the financial activities of the City of Imperial for the fiscal year ended September 30, 2013. For information on the Crete Airport Authority, please see the separate audit report for that entity.

**Financial Highlights**

- The assets of the City of Crete exceeded its liabilities at the close of the most recent fiscal year by \$22,458,203 (*net position*). Of this amount, \$9,507,495 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Crete's governmental funds reported combined ending net position of \$3,753,478. Approximately 79.9 percent of this total amount, \$2,998,053, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,291,847, or 39.7 percent of total General Fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Crete's financial statements. The City of Crete's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Crete's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Crete's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Crete is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**CITY OF CRETE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2013**

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Both of the government-wide financial statements distinguish functions of the City of Crete that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Crete include general government, public safety, highways and streets, community development, and culture and recreation. The business-type activities of the City of Crete include the Electric, Water, and Sewer Funds.

The government-wide financial statements include not only the City of Crete itself (known as the *primary government*), but also the two discretely presented component units (Crete Airport Authority and Crete Leasing Corporation) for which the City of Crete is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13 and 14 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Crete, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Crete can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Crete maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

**CITY OF CRETE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2013**

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The City of Crete adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General, Street, Debt Service, and Capital Projects Funds to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 15-18 of this report.

**Proprietary funds.** The City of Crete maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Crete uses enterprise funds to account for its Electric, Water, and Sewer Funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Crete's various functions. The City of Crete uses internal service funds to account for its self-insurance for employee health insurance. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water, and Sewer Funds, all of which are considered to be major funds of the City of Crete.

The proprietary fund financial statements can be found on pages 19-22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-59 of this report.

**Other information.** In addition to the financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the City of Crete's budgetary comparison schedules, and combining statements for nonmajor governmental funds and for the component units. Supplementary information can be found on pages 60-67 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Crete, assets exceeded liabilities by \$22,458,203 at the close of the most recent fiscal year.

**CITY OF CRETE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2013**

**Government-wide Financial Analysis**

**Summary Statements of Net Position**

	Year Ended September 30, 2013			Year Ended September 30, 2012		
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total
Current and Other Assets	\$ 3,786,778	\$ 13,658,855	\$ 17,445,633	\$ 3,710,896	\$ 8,878,600	\$ 12,589,496
Capital Assets	-	12,660,939	12,660,939	-	12,578,792	12,578,792
Total Assets	3,786,778	26,319,794	30,106,572	3,710,896	21,457,392	25,168,288
Long-term Liabilities:						
Outstanding	-	5,855,472	5,855,472	-	1,470,000	1,470,000
Other Liabilities	33,300	1,759,597	1,792,897	33,521	1,725,112	1,758,633
Total Liabilities	33,300	7,615,069	7,648,369	33,521	3,195,112	3,228,633
Net Position						
Net Investment in Capital						
Assets	-	11,197,990	11,197,990	-	10,559,692	10,559,692
Restricted	755,425	997,293	1,752,718	440,879	550,954	991,833
Unrestricted	2,998,053	6,509,442	9,507,495	3,236,496	7,151,634	10,388,130
Total Net Position	\$ 3,753,478	\$ 18,704,725	\$ 22,458,203	\$ 3,677,375	\$ 18,262,280	\$ 21,939,655

A large portion of the City of Crete's net position (49.9 percent) reflects its investment in capital assets (land, infrastructure, buildings, distribution systems, vehicles, and equipment), net of any related debt used to acquire those assets that is still outstanding. The City of Crete uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Crete's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Crete's net position (7.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$9,507,495) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Crete is able to report positive balances in all three categories of net position, for the government as a whole as well as for its separate governmental and business-type activities.

**Changes in Net Position**

The following table presents a summary of revenues and expenses of the governmental and business-type activities:

**CITY OF CRETE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2013**

	September 30, 2013			September 30, 2012		
	Governmental		Business-type	Governmental		Business-type
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 558,808	\$ 10,420,169	\$ 10,978,977	\$ 1,533,730	\$ 10,072,408	\$ 11,606,138
Operating Grants and Contributions	78,974	-	78,974	625,506	-	625,506
Capital Grants and Contributions	158,274	-	158,274	18,989	-	18,989
General Revenues:						
Property Taxes	1,347,602	-	1,347,602	1,329,623	-	1,329,623
Sales and Use Taxes	1,080,427	-	1,080,427	1,056,484	-	1,056,484
Other Taxes and Fees	396,608	-	396,608	394,954	-	394,954
State Allocation	1,047,564	-	1,047,564	397,951	-	397,951
Interest Income	5,850	31,138	36,988	14,123	97,459	111,582
Other	108,340	-	108,340	152,610	-	152,610
Total Revenues	4,782,447	10,451,307	15,233,754	5,523,970	10,169,867	15,693,837
<b>Expenses</b>						
General Government	602,182	-	602,182	1,076,085	-	1,076,085
Public Safety	1,869,854	-	1,869,854	1,461,313	-	1,461,313
Public Works	918,299	-	918,299	1,188,135	-	1,188,135
Environmental and Leisure	962,248	-	962,248	2,025,665	-	2,025,665
Economic Development	156,972	-	156,972	162,269	-	162,269
Debt Service	596,789	-	596,789	643,230	-	643,230
Electric	-	7,975,190	7,975,190	-	7,656,271	7,656,271
Water	-	903,296	903,296	-	868,157	868,157
Sewer	-	730,376	730,376	-	729,629	729,629
Total Expenses	5,106,344	9,608,862	14,715,206	6,556,697	9,254,057	15,810,754
Increase (Decrease) in Net Position Before Transfers	(323,897)	842,445	518,548	(1,032,727)	915,810	(116,917)
Net Transfers	400,000	(400,000)	-	300,000	(300,000)	-
Increase (Decrease) in Net Position	\$ 76,103	\$ 442,445	\$ 518,548	\$ (732,727)	\$ 615,810	\$ (116,917)

**Financial Analysis of the Government's Funds**

As noted earlier, the City of Crete used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Crete's *governmental* funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such

**CITY OF CRETE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2013**

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information is useful in assessing the City of Crete's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Crete's governmental funds reported combined ending fund balances of \$3,507,652. Approximately 29.6 percent of this total amount (\$1,038,101) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is not available for new spending because it has already been 1) restricted for street projects (\$154,096), 2) restricted to pay debt service (\$252,615), 3) restricted for federal programs (\$21), 4) endowed as nonspendable to fund perpetual care (\$115,127), 5) restricted for community betterment (\$45,446), 6) restricted to fund economic development projects (\$116,120), 7) restricted for cemetery maintenance (\$22,000), 8) restricted for library renovations (\$50,000), 9) committed for the STOP program (\$2,312), 10) assigned for budgetary stabilization (\$89,500), 11) assigned for capital outlay (\$1,141,579), 12) assigned for library projects (\$274,342), 13) assigned for cemetery projects (\$190,000), or 14) assigned for public safety (\$16,393).

The General Fund is the chief operating fund of the City of Crete. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,291,847, while total fund balance reached \$2,808,247. As a measure of the General Fund's liquidity, it may be useful to compare unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 39.7 percent of General Fund total expenditures, while total fund balance represents 86.4 percent of General Fund total expenditures.

The fund balance of the City of Crete's General Fund increased by \$164,283 during the current fiscal year.

***Proprietary funds.*** The City of Crete's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the year were as follows: Electric Fund - \$5,518,085, Water Fund - \$313,885, and Sewer Fund - \$677,472. The growth (decrease) in net position for the proprietary funds was as follows: Electric Fund - decrease of \$(674,274), Water Fund - \$750,454, and Sewer Fund - \$366,265. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of Crete's business-type activities.

### **Budgetary Highlights**

There was no difference between the original budget and the final adopted budget.

**CITY OF CRETE, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2013**

**Capital Asset and Debt Administration**

**Capital Assets.** The City of Crete's investment in capital assets for its business-type activities as of September 30, 2013, amounts to \$12,660,939 (net of accumulated depreciation). This investment in capital assets includes land, distribution systems, buildings and improvements, machinery and equipment, office furniture and equipment, and vehicles.

Major capital asset events during the current fiscal year included the following:

- Water meters - \$15,052
- 2013 water distribution main improvements - \$10,128
- 2013 water distribution system rebuilds - \$148,608
- Construction in progress on wastewater treatment plant - \$518,658
- East 13<sup>th</sup> Street sewer main - \$13,786
- RICE compliance equipment - \$159,156
- Security equipment for electric department - \$36,960

**City of Crete's Capital Assets**  
**(net of depreciation)**

	<u>Year Ended September 30, 2013</u>			<u>Year Ended September 30, 2012</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Land	\$ -	\$ 203,953	\$ 203,953	\$ -	\$ 203,953	\$ 203,953
Construction in Progress	-	526,444	526,444	-	7,786	7,786
Distribution Systems	-	8,478,433	8,478,433	-	8,706,896	8,706,896
Buildings and Improvements	-	2,952,167	2,952,167	-	2,920,159	2,920,159
Equipment	-	378,341	378,341	-	388,925	388,925
Vehicles	-	121,601	121,601	-	182,825	182,825
Total	<u>\$ -</u>	<u>\$ 12,660,939</u>	<u>\$ 12,660,939</u>	<u>\$ -</u>	<u>\$ 12,410,544</u>	<u>\$ 12,410,544</u>

Additional information on the City of Crete's capital assets can be found in Note C4 on pages 45-46 of this report.

**CITY OF CRETE, NEBRASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2013**

**Long-term Debt**

**Outstanding Long-term Debt**

	<u>Year Ended September 30, 2013</u>			<u>Year Ended September 30, 2012</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
Revenue Bonds	\$ -	\$ 1,470,000	\$ 1,470,000	\$ -	\$ 1,830,000	\$ 1,830,000
Bond Anticipation Notes	-	4,360,000	4,360,000	-	-	-
<b>Total Long-term Outstanding Debt</b>	<b>\$ -</b>	<b>\$ 5,830,000</b>	<b>\$ 5,830,000</b>	<b>\$ -</b>	<b>\$ 1,830,000</b>	<b>\$ 1,830,000</b>

The City's long-term debt increased \$4,000,000 (218.6 percent) during the year ended September 30, 2013, due to the issuance of Bond Anticipation Notes for the wastewater treatment plant project.

Additional information on the City of Crete's long-term debt can be found in Note C5 on pages 47-49 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- The City plans to increase all utility rates in the 2014 fiscal year.
- At September 30, 2013, the City had contractual commitments of \$368,644 remaining to be paid for engineering on the wastewater treatment plant. The City plans to complete this project by April 2015 and had \$4,367,051 of unspent bond anticipation note proceeds available for the project as of September 30, 2013.

All of these factors were considered in preparing the City of Crete's budget for the 2014 fiscal year.

**Financial Contact**

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Crete's finances and to demonstrate the City's accountability for the money with which the City is entrusted. If you have questions concerning any of the information presented in this report or requests for additional information, contact the City Clerk, City of Crete, PO Box 86, Crete, NE 68333.

**CITY OF CRETE, NEBRASKA**  
**STATEMENT OF NET POSITION**  
**September 30, 2013**

	Primary Government		Total	Component Units (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)		
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 2,671,906	\$ 2,115,178	\$ 4,787,084	\$ 136,966
Investments	291,148	3,901,109	4,192,257	-
County treasurer cash	110,464	-	110,464	1,510
Current portion of notes receivable	-	-	-	5,580
Accounts receivable	-	1,151,524	1,151,524	8,396
Unbilled revenue	-	162,678	162,678	-
Accrued interest receivable	-	9,913	9,913	-
Current portion-special assessments receivable	-	29,737	29,737	-
Due (to) from other funds	(4,628)	4,628	-	-
Due from City of Crete	-	-	-	878
Prepaid insurance	-	-	-	6,316
Inventory	-	355,820	355,820	39,938
Total current assets	<u>3,068,890</u>	<u>7,730,587</u>	<u>10,799,477</u>	<u>199,584</u>
Noncurrent assets:				
Restricted cash and cash equivalents	543,524	4,449,818	4,993,342	-
Restricted investments	174,364	1,102,426	1,276,790	-
Noncurrent special assessments receivable	-	376,024	376,024	-
Capital assets:				
Land	-	203,953	203,953	397,514
Construction in progress	-	526,444	526,444	61,761
Other capital assets, net of depreciation	-	11,930,542	11,930,542	2,441,181
Net capital assets	<u>-</u>	<u>12,660,939</u>	<u>12,660,939</u>	<u>2,900,456</u>
Total noncurrent assets	<u>717,888</u>	<u>18,589,207</u>	<u>19,307,095</u>	<u>2,900,456</u>
<b>Total assets</b>	<u>3,786,778</u>	<u>26,319,794</u>	<u>30,106,572</u>	<u>3,100,040</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	-	912,827	912,827	34,326
Accrued expenses	-	142,402	142,402	-
Customer deposits	-	187,900	187,900	-
Accrued interest	-	19,904	19,904	-
Unearned rent revenue	-	-	-	11,750
Claims incurred not paid	33,300	-	33,300	-
Current portion MEAN payable	-	131,564	131,564	-
Current portion of long-term obligations	-	365,000	365,000	49,924
Total current liabilities	<u>33,300</u>	<u>1,759,597</u>	<u>1,792,897</u>	<u>96,000</u>
Noncurrent liabilities:				
Noncurrent portion of MEAN payable	-	390,472	390,472	-
Noncurrent portion of long-term obligations	-	5,465,000	5,465,000	97,137
Total noncurrent liabilities	<u>-</u>	<u>5,855,472</u>	<u>5,855,472</u>	<u>97,137</u>
<b>Total liabilities</b>	<u>33,300</u>	<u>7,615,069</u>	<u>7,648,369</u>	<u>193,137</u>
<b>NET POSITION</b>				
Net investment in capital assets	-	11,197,990	11,197,990	2,753,395
Restricted for:				
Cemetery perpetual care	115,127	-	115,127	-
Street improvements	154,096	-	154,096	-
Debt service	252,615	997,293	1,249,908	-
Economic development	116,120	-	116,120	-
Federal projects	21	-	21	-
Community betterment	45,446	-	45,446	-
Cemetery maintenance	22,000	-	22,000	-
Library renovations	50,000	-	50,000	-
Unrestricted	<u>2,998,053</u>	<u>6,509,442</u>	<u>9,507,495</u>	<u>153,508</u>
<b>Total net position</b>	<u>\$ 3,753,478</u>	<u>\$ 18,704,725</u>	<u>\$ 22,458,203</u>	<u>\$ 2,906,903</u>

See notes to financial statements.

**CITY OF CRETE, NEBRASKA**

**STATEMENT OF ACTIVITIES**

**For the year ended September 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Primary government:</b>			
<b>Governmental activities</b>			
<b>(modified cash basis):</b>			
General government	\$ 602,182	\$ 55,026	\$ 19,000
Public safety	1,869,854	349,066	47,918
Public works	918,299	57,475	-
Environment and leisure	962,248	96,546	2,001
Economic development	156,972	695	10,055
Principal payments	480,000	-	-
Interest and fees on long-term debt	116,789	-	-
Total governmental activities	5,106,344	558,808	78,974
<b>Business-type activities</b>			
<b>(accrual basis):</b>			
Electric	7,975,190	8,351,857	-
Water	903,296	991,641	-
Sewer	730,376	1,076,671	-
Total business-type activities	9,608,862	10,420,169	-
<b>Total primary government</b>	\$ 14,715,206	\$ 10,978,977	\$ 78,974
<b>Component units (accrual basis):</b>			
Community Development Agency	\$ 352,427	\$ 150,699	\$ -
Municipal Facilities Corporation	66,973	66,960	-
<b>Total component units</b>	\$ 419,400	\$ 217,659	\$ -

See notes to financial statements.

	Net (Expenses) Revenues and Changes in Net Position			
	Primary Government			Component Units (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	
Capital Grants and Contributions				
\$ -	\$ (528,156)		\$ (528,156)	
62,380	(1,410,490)		(1,410,490)	
-	(860,824)		(860,824)	
95,894	(767,807)		(767,807)	
-	(146,222)		(146,222)	
-	(480,000)		(480,000)	
-	(116,789)		(116,789)	
<u>158,274</u>	<u>(4,310,288)</u>	\$ -	<u>(4,310,288)</u>	
-	-	376,667	376,667	
-	-	88,345	88,345	
-	-	346,295	346,295	
<u>-</u>	<u>-</u>	<u>811,307</u>	<u>811,307</u>	
\$ <u>158,274</u>	<u>(4,310,288)</u>	811,307	<u>(3,498,981)</u>	
\$ 41,462				\$ (160,266)
-				(13)
\$ <u>41,462</u>				<u>(160,279)</u>
General revenues:				
Taxes:				
Property	1,347,602	-	1,347,602	58,102
Motor vehicle	76,217	-	76,217	-
Occupation	67,987	-	67,987	-
Sales tax	1,080,427	-	1,080,427	-
Franchise	236,935	-	236,935	-
Special assessments	15,469	-	15,469	-
State allocation	1,047,564	-	1,047,564	-
Keno proceeds	53,896	-	53,896	-
Gain on sale of assets	15,000	-	15,000	-
Miscellaneous	39,444	-	39,444	225
Interest income	5,850	31,138	36,988	723
Net transfers	400,000	(400,000)	-	-
Total general revenues	<u>4,386,391</u>	<u>(368,862)</u>	<u>4,017,529</u>	<u>59,050</u>
Change in net position	76,103	442,445	518,548	(101,229)
Net position - September 30, 2012				
As previously reported	3,720,051	18,434,083	22,154,134	-
Restatement	(42,676)	(171,803)	(214,479)	3,008,132
As restated	<u>3,677,375</u>	<u>18,262,280</u>	<u>21,939,655</u>	<u>3,008,132</u>
Net position - September 30, 2013	\$ <u>3,753,478</u>	\$ <u>18,704,725</u>	\$ <u>22,458,203</u>	\$ <u>2,906,903</u>

**CITY OF CRETE, NEBRASKA**  
**BALANCE SHEET - MODIFIED CASH BASIS -**  
**GOVERNMENTAL FUNDS**

**September 30, 2013**

	<u>General</u> <u>Fund</u>	<u>Street</u> <u>Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,274,436	\$ 154,096
Investments	465,512	-
County treasurer cash	72,927	-
	<u>2,812,875</u>	<u>154,096</u>
<b>Total assets</b>	<b>\$ 2,812,875</b>	<b>\$ 154,096</b>
 <b>LIABILITIES AND</b>		
<b>FUND BALANCES</b>		
Liabilities:		
Due to other funds	\$ 4,628	\$ -
Fund balances:		
Nonspendable:		
Perpetual care	115,127	-
Restricted for:		
Street improvements	-	154,096
Debt service	-	-
Federal projects	-	-
Community betterment	-	-
Economic development	-	-
Cemetery maintenance	22,000	-
Library renovations	50,000	-
Committed for:		
STOP program	2,312	-
Assigned for:		
Budgetary stabilization	89,500	-
Capital outlay	773,119	-
Library projects	274,342	-
Cemetery projects	190,000	-
Public safety	-	-
Unassigned	1,291,847	-
	<u>2,808,247</u>	<u>154,096</u>
<b>Total fund balances</b>	<b>2,808,247</b>	<b>154,096</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,812,875</b>	<b>\$ 154,096</b>

See notes to financial statements.

Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ 215,078	\$ (253,746)	\$ 546,440	\$ 2,936,304
-	-	-	465,512
37,537	-	-	110,464
<u>\$ 252,615</u>	<u>\$ (253,746)</u>	<u>\$ 546,440</u>	<u>\$ 3,512,280</u>
\$ -	\$ -	\$ -	\$ 4,628
-	-	-	115,127
-	-	-	154,096
252,615	-	-	252,615
-	-	21	21
-	-	45,446	45,446
-	-	116,120	116,120
-	-	-	22,000
-	-	-	50,000
-	-	-	2,312
-	-	-	89,500
-	-	368,460	1,141,579
-	-	-	274,342
-	-	-	190,000
-	-	16,393	16,393
-	(253,746)	-	1,038,101
<u>252,615</u>	<u>(253,746)</u>	<u>546,440</u>	<u>3,507,652</u>
<u>\$ 252,615</u>	<u>\$ (253,746)</u>	<u>\$ 546,440</u>	<u>\$ 3,512,280</u>

**CITY OF CRETE, NEBRASKA**

**RECONCILIATION OF THE BALANCE SHEET - MODIFIED  
CASH BASIS - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

**September 30, 2013**

<b>Total fund balances - governmental funds</b>	\$ 3,507,652
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
The Internal Service Fund is included as a governmental activity in the statement of net position.	<u>245,826</u>
<b>Total net position - governmental activities</b>	<u><u>\$ 3,753,478</u></u>

See notes to financial statements.

**CITY OF CRETE, NEBRASKA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**

**For the year ended September 30, 2013**

	<u>General</u> <u>Fund</u>	<u>Street</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>
<b>REVENUES</b>			
Taxes:			
Property	\$ 862,160	\$ -	\$ 485,442
Motor vehicle	76,217	-	-
Occupation	67,987	-	-
Sales tax	720,275	-	-
Franchise	236,935	-	-
Special assessments	-	-	15,469
Intergovernmental	483,183	601,781	-
Grants	45,769	-	-
Keno proceeds	-	-	-
Charges for services	519,667	24,387	-
Contributions	144,024	-	-
Interest income	4,356	-	366
Loan collections	-	-	-
Sales proceeds on equipment	15,000	-	-
Other revenue	38,377	1,067	-
Total revenues	<u>3,213,950</u>	<u>627,235</u>	<u>501,277</u>
<b>EXPENDITURES</b>			
General government	541,481	-	523
Public safety	1,557,581	-	-
Public works	74,487	654,267	-
Environment and leisure	843,874	-	-
Economic development	-	-	-
Capital outlay	233,658	-	-
Principal payments on debt	-	-	350,000
Interest on long-term debt	-	-	87,240
Bond/loan fees	-	-	-
Total expenditures	<u>3,251,081</u>	<u>654,267</u>	<u>437,763</u>
<b>Excess (deficiency) of</b> <b>revenues over expenditures</b>	(37,131)	(27,032)	63,514
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,127,458	104,004	-
Transfers out	(1,926,044)	(25,488)	(22,050)
Net transfers	<u>201,414</u>	<u>78,516</u>	<u>(22,050)</u>
<b>Net change in fund balances</b>	164,283	51,484	41,464
Fund balances - September 30, 2012			
As previously reported	1,929,631	102,612	211,151
Restatement	714,333	-	-
As restated	<u>2,643,964</u>	<u>102,612</u>	<u>211,151</u>
Fund balances - September 30, 2013	<u>\$ 2,808,247</u>	<u>\$ 154,096</u>	<u>\$ 252,615</u>

See notes to financial statements.

Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ -	\$ -	\$ 1,347,602
-	-	76,217
-	-	67,987
-	360,152	1,080,427
-	-	236,935
-	-	15,469
-	-	1,084,964
-	55	45,824
-	53,896	53,896
-	14,059	558,113
-	10,000	154,024
-	231	4,953
-	695	695
-	-	15,000
-	-	39,444
<hr/>	<hr/>	<hr/>
-	439,088	4,781,550
-	17,675	559,679
-	14,085	1,571,666
5,000	-	733,754
-	44,346	888,220
-	156,972	156,972
163,559	94,697	491,914
-	130,000	480,000
2,754	25,295	115,289
1,500	-	1,500
<hr/>	<hr/>	<hr/>
172,813	483,070	4,998,994
(172,813)	(43,982)	(217,444)
22,050	219,240	2,472,752
-	(99,170)	(2,072,752)
<hr/>	<hr/>	<hr/>
22,050	120,070	400,000
(150,763)	76,088	182,556
(102,983)	1,579,640	3,720,051
-	(1,109,288)	(394,955)
<hr/>	<hr/>	<hr/>
(102,983)	470,352	3,325,096
<hr/>	<hr/>	<hr/>
\$ (253,746)	\$ 546,440	\$ 3,507,652

**CITY OF CRETE, NEBRASKA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For the year ended September 30, 2013**

<b>Total net change in fund balances - governmental funds</b>	\$ 182,556
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
The decrease in net position of the Internal Service Fund is included as a governmental activity in the government wide statements.	<u>(106,453)</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ 76,103</u></u>

See notes to financial statements.

**CITY OF CRETE, NEBRASKA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**September 30, 2013**

	Business-type Activities - Enterprise Funds	
	Electric Fund	Water Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,527,203	\$ 222,859
Investments	3,901,109	-
Accounts receivable	943,375	108,803
Unbilled revenue	128,581	14,233
Accrued interest receivable	9,394	346
Special assessments receivable	-	4,737
Due from other funds	4,676	-
Inventory	339,194	16,626
Total current assets	6,853,532	367,604
Noncurrent assets:		
Restricted cash and cash equivalents	82,767	-
Restricted investments	636,500	400,000
Noncurrent special assessments receivable	-	-
Capital assets:		
Land	103,232	-
Construction in progress	-	-
Distribution systems	6,234,979	5,826,012
Buildings and improvements	3,706,792	1,378,305
Equipment	645,414	95,783
Vehicles	901,144	31,448
Accumulated depreciation	(7,127,821)	(2,957,873)
Net capital assets	4,463,740	4,373,675
Total noncurrent assets	5,183,007	4,773,675
<b>Total assets</b>	12,036,539	5,141,279
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	730,941	12,634
Sales tax payable	35,258	-
Claims incurred not paid	-	-
Accrued payroll	19,515	16,033
Accrued vacation	26,526	24,085
Other payroll liabilities	1,171	967
Customer deposits	187,900	-
Accrued interest	-	-
Current portion of MEAN payable	131,564	-
Current portion of long-term obligations	171,550	120,450
Total current liabilities	1,304,425	174,169
Noncurrent liabilities:		
Noncurrent portion of MEAN payable	390,472	-
Noncurrent portion of long-term obligations	519,350	364,650
Total noncurrent liabilities	909,822	364,650
<b>Total liabilities</b>	2,214,247	538,819
<b>NET POSITION</b>		
Net investment in capital assets	3,772,840	3,888,575
Restricted for:		
Debt service	531,367	400,000
Unrestricted	5,518,085	313,885
<b>Total net position</b>	\$ 9,822,292	\$ 4,602,460

See notes to financial statements.

<u>Sewer Fund</u>	<u>Total</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 365,116	\$ 2,115,178	\$ 279,126
-	3,901,109	-
99,346	1,151,524	-
19,864	162,678	-
173	9,913	-
25,000	29,737	-
(48)	4,628	-
-	355,820	-
<u>509,451</u>	<u>7,730,587</u>	<u>279,126</u>
4,367,051	4,449,818	-
65,926	1,102,426	-
376,024	376,024	-
100,721	203,953	-
526,444	526,444	-
4,543,913	16,604,904	-
1,101,798	6,186,895	-
572,777	1,313,974	-
141,949	1,074,541	-
(3,164,078)	(13,249,772)	-
<u>3,823,524</u>	<u>12,660,939</u>	<u>-</u>
<u>8,632,525</u>	<u>18,589,207</u>	<u>-</u>
9,141,976	26,319,794	279,126
169,252	912,827	-
-	35,258	-
-	-	33,300
8,574	44,122	-
9,841	60,452	-
432	2,570	-
-	187,900	-
19,904	19,904	-
-	131,564	-
73,000	365,000	-
<u>281,003</u>	<u>1,759,597</u>	<u>33,300</u>
-	390,472	-
<u>4,581,000</u>	<u>5,465,000</u>	<u>-</u>
<u>4,581,000</u>	<u>5,855,472</u>	<u>-</u>
<u>4,862,003</u>	<u>7,615,069</u>	<u>33,300</u>
3,536,575	11,197,990	-
65,926	997,293	-
677,472	6,509,442	245,826
<u>\$ 4,279,973</u>	<u>\$ 18,704,725</u>	<u>\$ 245,826</u>

**CITY OF CRETE, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**

**For the year ended September 30, 2013**

	Business-type Activities - Enterprise Funds	
	Electric Fund	Water Fund
<b>Operating revenues:</b>		
Charges for services	\$ 7,638,923	\$ 974,864
Municipal sales	282,503	12,969
MEAN lease	410,274	-
Tap fees	-	600
Miscellaneous revenues	20,157	3,208
Total operating revenues	8,351,857	991,641
<b>Operating expenses:</b>		
Cost of power	6,551,443	-
Salaries and benefits	453,134	498,743
Insurance and bonds	64,172	29,390
Utilities and telephone	69,725	80,468
Repairs and maintenance	173,841	9,267
Contracted services	-	4,732
Supplies	17,590	24,405
Vehicle expense	10,712	16,513
Fuel and oil	61,409	-
Professional fees	21,965	58,935
Rent expense	6,576	4,944
Dues, memberships and training	12,495	3,390
Bad debts	9,326	2,092
Miscellaneous	14,279	3,256
Depreciation	381,417	162,271
Franchise fees	120,000	-
Insurance claims and health premiums	-	-
Total operating expenses	7,968,084	898,406
Operating income (loss)	383,773	93,235
<b>Nonoperating revenues (expenses):</b>		
Interest income	9,059	2,109
Interest expense	(7,106)	(4,890)
Total nonoperating revenues (expenses)	1,953	(2,781)
Income (loss) before transfers	385,726	90,454
<b>Interfund transfers:</b>		
Transfers in	-	660,000
Transfers out	(1,060,000)	-
Net transfers	(1,060,000)	660,000
<b>Change in net position</b>	(674,274)	750,454
Net position - September 30, 2012		
As previously reported	10,688,283	3,846,603
Restatement	(191,717)	5,403
As restated	10,496,566	3,852,006
Net position - September 30, 2013	\$ 9,822,292	\$ 4,602,460

See notes to financial statements.

<u>Sewer Fund</u>	<u>Total</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 1,071,076	\$ 9,684,863	\$ 843,256
3,765	299,237	-
-	410,274	-
1,725	2,325	-
105	23,470	-
<u>1,076,671</u>	<u>10,420,169</u>	<u>843,256</u>
-	6,551,443	-
351,853	1,303,730	-
23,870	117,432	-
82,800	232,993	-
11,297	194,405	-
17,332	22,064	-
13,786	55,781	-
15,198	42,423	-
-	61,409	-
15,775	96,675	-
3,180	14,700	-
4,088	19,973	-
655	12,073	-
18,027	35,562	-
169,391	713,079	-
-	120,000	-
-	-	950,606
<u>727,252</u>	<u>9,593,742</u>	<u>950,606</u>
349,419	826,427	(107,350)
19,970	31,138	897
(3,124)	(15,120)	-
<u>16,846</u>	<u>16,018</u>	<u>897</u>
366,265	842,445	(106,453)
-	660,000	-
-	(1,060,000)	-
<u>-</u>	<u>(400,000)</u>	<u>-</u>
366,265	442,445	(106,453)
3,899,197	18,434,083	-
14,511	(171,803)	352,279
<u>3,913,708</u>	<u>18,262,280</u>	<u>352,279</u>
<u>\$ 4,279,973</u>	<u>\$ 18,704,725</u>	<u>\$ 245,826</u>

**CITY OF CRETE, NEBRASKA**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUNDS**

**For the year ended September 30, 2013**

	Electric Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 8,339,119
Receipts from other funds	-
Payments to suppliers	(6,934,053)
Payments to employees	(423,132)
Net cash provided (used) by operating activities	981,934
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Transfers from other funds	-
Transfers to other funds	(1,060,000)
Change in due from/to other funds	785,203
Net cash provided (used) by noncapital financing activities	(274,797)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of property and equipment	(222,397)
Decrease in special assessments receivable	-
Proceeds from issuance of bond anticipation notes	-
Principal payments on capital debt	(169,200)
Interest paid on capital debt	(6,735)
Net cash provided (used) by capital and related financing activities	(398,332)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Increase in investments	(13,891)
Interest received	11,486
Net cash provided (used) by investing activities	(2,405)
Increase (decrease) in cash and cash equivalents	306,400
Cash and cash equivalents - beginning of the year	1,303,570
Cash and cash equivalents - end of the year	\$ 1,609,970
<b>Composition of cash and cash equivalents:</b>	
Cash and cash equivalents	\$ 1,527,203
Restricted cash and cash equivalents	82,767
Total cash and cash equivalents	\$ 1,609,970

See notes to financial statements.

<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Activities -</u>
<u>Fund</u>	<u>Fund</u>		<u>Internal Service</u>
			<u>Fund</u>
\$ 993,679	\$ 1,079,644	\$ 10,412,442	\$ -
-	-	-	843,256
(227,869)	(197,169)	(7,359,091)	(949,090)
(503,390)	(361,660)	(1,288,182)	-
<u>262,420</u>	<u>520,815</u>	<u>1,765,169</u>	<u>(105,834)</u>
660,000	-	660,000	-
-	-	(1,060,000)	-
(660,644)	14,984	139,543	(43,249)
<u>(644)</u>	<u>14,984</u>	<u>(260,457)</u>	<u>(43,249)</u>
(193,803)	(371,273)	(787,473)	-
-	26,365	26,365	-
-	4,360,000	4,360,000	-
(118,800)	(72,000)	(360,000)	-
(4,629)	(2,966)	(14,330)	-
<u>(317,232)</u>	<u>3,940,126</u>	<u>3,224,562</u>	<u>-</u>
-	-	(13,891)	-
2,170	21,451	35,107	897
<u>2,170</u>	<u>21,451</u>	<u>21,216</u>	<u>897</u>
(53,286)	4,497,376	4,750,490	(148,186)
276,145	234,791	1,814,506	427,312
<u>\$ 222,859</u>	<u>\$ 4,732,167</u>	<u>\$ 6,564,996</u>	<u>\$ 279,126</u>
\$ 222,859	\$ 365,116	\$ 2,115,178	\$ 279,126
-	4,367,051	4,449,818	-
<u>\$ 222,859</u>	<u>\$ 4,732,167</u>	<u>\$ 6,564,996</u>	<u>\$ 279,126</u>

**CITY OF CRETE, NEBRASKA**

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS, Continued**

**For the year ended September 30, 2013**

	<u>Electric Fund</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 383,773
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	381,417
Change in assets and liabilities:	
Accounts receivable	(21,850)
Inventories	(3,848)
Customer deposits	9,112
Accounts payable	203,328
Accrued expenses	30,002
Net cash provided (used) by operating activities	<u>\$ 981,934</u>

See notes to financial statements.

<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Activities -</u>
<u>Fund</u>	<u>Fund</u>		<u>Internal Service</u>
			<u>Fund</u>
\$ 93,235	\$ 349,419	\$ 826,427	\$ (107,350)
162,271	169,391	713,079	-
2,038	2,973	(16,839)	-
2,396	-	(1,452)	-
-	-	9,112	-
7,127	8,839	219,294	-
(4,647)	(9,807)	15,548	1,516
<u>\$ 262,420</u>	<u>\$ 520,815</u>	<u>\$ 1,765,169</u>	<u>\$ (105,834)</u>

**CITY OF CRETE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**

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**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Crete, Nebraska (City) are prepared in accordance with the modified cash basis of accounting for governmental funds and the accrual basis for the proprietary funds and discretely presented component units. The City’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note.

**1. Financial Reporting Entity**

The City of Crete, Nebraska, was incorporated as a City of the first class in 1872. The City operates under a Mayor-Council form of government with an elected chief executive, Mayor, and an elected legislative body, Council, composed of six members. The Mayor is elected at large for a four-year term, and the six members of the City Council are elected on four-year terms. The administration of the City government is performed under the direction of the Mayor by the City Clerk. Services provided to residents include public safety, highways and streets, parks, recreation, electric, water and sanitary sewer systems, garbage collection, and general administrative services.

The City’s financial reporting entity comprises the following:

Primary Government:	City of Crete
Discretely Presented Component Units:	Crete Airport Authority Crete Leasing Corporation

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 61, and has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable, and, as such, should be included within the City’s financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading.

**CITY OF CRETE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**1. Financial Reporting Entity, continued**

**Blended Component Units**

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

**Discretely Presented Component Units**

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The following is the discretely presented component unit:

	<u>Brief Description of Activities and Relationship to the City</u>
Crete Airport Authority	Established to provide for the operation of the Crete Airport. The City Council appoints members of its board. Information included in this financial statement is from the entity's fiscal year ended July 31, 2013.
Crete Leasing Corporation	Established to construct and maintain recreational facilities and issue debt needed to construct the facilities.

**2. Basis of Presentation**

**Government-wide Financial Statements**

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**CITY OF CRETE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**2. Basis of Presentation, continued**

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

*Capital Project Funds*

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects.

**CITY OF CRETE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**2. Basis of Presentation, continued**

**Governmental Funds, continued**

*Debt Service Fund*

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City other than debt-service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the City's general obligation bonds.

**Proprietary Funds**

*Enterprise Funds*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

*Internal Service Fund*

The Internal Service Fund accounts for activities that provide goods and services to other funds, departments or agencies of the primary government and its component units on a cost-reimbursement basis.

**Major and Nonmajor Funds**

The funds are further classified as major or nonmajor as follows:

<b><u>Fund</u></b>	<b><u>Brief Description</u></b>
<i>Major:</i>	
Governmental:	
General Fund	See above for description.
Street Fund	The Street Fund is a Special Revenue Fund that accounts for the City's share of highway allocation from the State of Nebraska.
Debt Service Fund	See above for description.
Capital Projects Fund	See above for description.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Proprietary:

Enterprise:

Electric, Water, and  
Sewer

See above for description.

Nonmajor:

Governmental:

CDBG Fund

The CDBG Fund is a Special Revenue Fund that accounts for the City's share of the Community Development Block Grant Program.

Keno Fund

The Keno Fund is a Special Revenue Fund that accounts for Keno proceeds and community betterment expenditures.

Enhanced 911 Fund

The Enhanced 911 Fund is a Special Revenue Fund that accounts for the 911 surcharge.

Capital Outlay Fund

The Capital Outlay Fund is a Special Revenue Fund that accounts for equipment sinking funds.

Economic Development Fund

The Economic Development Fund is a Special Revenue Fund that accounts for sales tax proceeds to be used for LB840 economic development.

3. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b, below.

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**3. Measurement Focus and Basis of Accounting, continued**

**Measurement Focus, continued**

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. Under the modified cash basis of accounting, investments and county treasurer cash are reported as assets. Proceeds from issuance of long-term debt are recognized as revenue when received and payment of long-term debt principal is reported as an expenditure when paid. Capital asset purchases are recorded as expenditures and depreciation is not recognized.

**CITY OF CRETE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**3. Measurement Focus and Basis of Accounting, continued**

**Basis of Accounting, continued**

Business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified cash basis of accounting using a flow of current financial resources measurement focus. Proceeds from issuance of long-term debt are recognized as revenue when received and payment of long-term debt principal is reported as an expenditure when paid. Capital asset purchases are recorded as expenditures and depreciation is not recognized.

All proprietary funds and the discretely presented component unit utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

**4. Assets, Liabilities, and Equity**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Investments**

For the purpose of the Statement of Net Position, “cash and cash equivalents” include all demand accounts and savings accounts. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all cash on hand, demand accounts, savings accounts, and equity in pooled cash which has an original maturity of three months or less. The County Treasurer’s cash represents revenues collected not yet remitted to the City.

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Cash and Investments, continued**

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes B2, C1, and D2.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Business-type activities report utility billings as their major receivables.

In the fund financial statements, proprietary fund receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**Inventory**

All inventories are valued at cost using the first-in/first-out (FIFO) method.

**Restricted Assets**

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to debt service and proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

**Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**CITY OF CRETE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Capital Assets, continued**

*Government-wide Statements*

In the government-wide financial statements, property and equipment for business-type activities are accounted for as capital assets. For governmental activities, capital assets used in governmental operations are accounted for as capital outlay expenditures of the governmental activities upon acquisition. The City has a \$1,000 capitalization threshold. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation for capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

Utility System	25-40 years
Buildings and Improvements	25-40 years
Machinery and Equipment	5-10 years
Vehicles	5 years

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for the same as the government-wide statements. Capital assets used in proprietary fund operations are also accounted for the same as in the government-wide statements.

**Compensated Absences**

The City's policies regarding vacation time and sick leave permit employees to accumulate earned but unused leave. In the event of termination, an employee is paid for all unused accumulated vacation time. Accumulated leave is accrued in the accompanying proprietary funds financial statement but not in the governmental funds.

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Statements*

All long-term debt to be repaid from business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable. Long-term debt for governmental activities is not reported as liabilities in the government-wide financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

*Fund Financial Statements*

The accounting for governmental funds is the same in the fund financial statements as it is in the government-wide statements. The accounting for proprietary funds is also the same in the fund financial statements as it is in the government-wide statements.

**Equity Classifications**

*Government-wide Statements*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

*Government-wide Statements, continued*

- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Financial Statements*

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements. See Note C9 for additional disclosures.

Effective October 1, 2010, the City adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

**Nonspendable**—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted**—Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws or externally imposed conditions by grantors or creditors.

**Committed**—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.

**Assigned**—Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

**Unassigned**—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 15). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

**CITY OF CRETE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Equity Classifications, continued**

*Equity Restatement*

GASB 65 was adopted effective October 1, 2012, at which time unamortized bond issuance costs were written off, as bond issuance costs are considered period costs rather than assets under GASB 65. As a result, the Electric Fund net position was reduced \$12,577, the Water Fund net position was reduced \$8,830 and the Sewer Fund net position was reduced \$5,352. The net position of the Electric Fund was also reduced \$340,053 to accrue amounts due to Municipal Energy Association of Nebraska for the twenty-four month period ended January 2012. Since the period of billing was for prior years, equity was restated to reflect the liability.

In addition, several other corrections and reclassifications of September 30, 2012, equity were made as summarized below:

	<u>Equity Restatements</u>	
	<u>Government-</u>	<u>Fund</u>
	<u>Wide</u>	<u>Statements</u>
<b>Governmental activities -</b>		
<u>General Fund:</u>		
Reclassify self-insurance to an internal service fund	\$ -	\$ (385,579)
Reclassify Fire Funds from a Special Revenue Fund to a General Fund department	-	719,917
Reclassify Library Funds from a Special Revenue Fund to a General Fund department	-	379,998
Rounding variance	(3)	<u>(3)</u>
General Fund restatement		<u><u>\$ 714,333</u></u>
<u>Keno Fund:</u>		
Remove operating accounts from City keno cash	(8,986)	\$ (8,986)

**CITY OF CRETE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Equity Classifications, continued**

*Equity Restatement, continued*

	Equity Restatements	
	Government- Wide	Fund Statements
<b>Governmental activities -</b>		
<u>Fire Fund:</u>		
Reclassify from a Special Revenue Fund to a General Fund department	-	(719,917)
<u>Library Fund:</u>		
Reclassify from a Special Revenue Fund to a General Fund department	-	(379,998)
<u>Crete Leasing Corporation:</u>		
Reclassify from a Special Revenue Fund to a component unit	(387)	<u>(387)</u>
Special Revenue Funds restatement		<u>\$ (1,109,288)</u>
<u>Internal Service Fund:</u>		
Reclassify from General Fund to an Internal Service Fund	-	\$ 385,579
Record accrual for claims incurred but not paid	<u>(33,300)</u>	<u>(33,300)</u>
Internal Service Fund restatement		<u>\$ 352,279</u>
Total government-wide restatement for governmental activities	<u>\$ (42,676)</u>	

**CITY OF CRETE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Equity Classifications, continued**

*Equity Restatement, continued*

	Equity Restatements	
	Government- Wide	Fund Statements
<b>Business-type activities -</b>		
<u>Electric Fund:</u>		
Write off unamortized bond costs	\$ (12,577)	\$ (12,577)
Accrue prior year MEAN payable	(340,053)	(340,053)
Accrue unbilled revenue	128,582	128,582
Correct investment value	32,331	32,331
Electric Fund restatement	(191,717)	(191,717)
<u>Water Fund:</u>		
Write off unamortized bond costs	\$ (8,830)	\$ (8,830)
Accrue unbilled revenue	14,233	14,233
Water Fund restatement	5,403	5,403
<u>Sewer Fund:</u>		
Write off unamortized bond costs	\$ (5,352)	\$ (5,352)
Accrue unbilled revenue	19,863	19,863
Water Fund restatement	14,511	14,511
Total business-type activity/ proprietary fund restatement	\$ (171,803)	\$ (171,803)
<b>Component units -</b>		
<u>Crete Airport Authority:</u>		
Report component unit previously omitted from the City audit report	\$ 3,007,745	
<u>Crete Leasing Corporation:</u>		
Reclassify from a Special Revenue Fund to a component unit	387	
Total component unit restatement	\$ 3,008,132	

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**5. Revenues, Expenditures, and Expenses**

**Sales and Use Tax**

The City presently levies a 1.5 cent sales tax on taxable sales within the City. The sales tax is collected by the Nebraska Department of Revenue and remitted to the City in the month following receipt. The Nebraska Department of Revenue receives the sales tax approximately one month after collection by vendors. One cent of the sales tax is recorded in the General Fund and used for budgeted General Fund appropriations and 0.5 cents is recorded in the Economic Development Fund. Half of the Economic Development Fund sales tax is to be used to pay for the pool and the other half is to be used for economic development grants.

**Property Taxes**

The City has the power to levy taxes each year sufficient to pay any judgment existing against the City, the interest on bonded debt, and the principal on bonded debt maturing during the fiscal year or within six months thereafter, as well as taxes authorized by state law.

The tax levies for all political subdivisions in Saline County are certified by the County Board on or before October 15. Real estate taxes are due on December 31 and attach as an enforceable lien and become delinquent in two equal installments on May 1 and September 1. Personal property taxes are due in the same manner as real estate taxes. Delinquent taxes bear 14 percent interest.

Property taxes levied for 2012-2013 are recorded as revenue when received by the County.

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**5. Revenues, Expenditures, and Expenses, continued**

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – by Character and Function

Proprietary Funds – by Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity is classified as transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local government unit, the City and its component unit are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

**1. Fund Accounting Requirements**

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include Special Revenue, Debt Service, and Capital Projects Funds.

**2. Deposit Laws and Regulations**

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The City's demand deposits are insured up to \$250,000 and certificates of deposit/savings accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits or certificates of deposit in excess of the FDIC limits are insured by collateral held by the pledging institution in the City's name.

**3. Revenue Restrictions**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources are described in Note A2 for the various funds.

**4. Debt Restrictions and Covenants**

*Bonds Payable*

The various bond ordinances relating to the bonds payable contain some restrictions or covenants that are financial-related. These include covenants such as debt-service coverage requirements and required reserve account balances. The City is in compliance with the bond restrictions and covenants.

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued**

**5. Budgetary Data**

The City is required by state laws to adopt annual budgets for all fund types. Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act.

The Nebraska Budget Act provides the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditure and/or tax levy limitations.

The City follows these procedures in establishing the budgetary data reflected in the accompanying financial statements.

- a. On or before August 1, the City prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.
- b. The budget is published with subsequent public hearings to obtain taxpayer comments.
- c. Prior to September 20, the City Council adopts the budget, which is then filed with the appropriate state and county officials.
- d. Total expenditures may not legally exceed total appropriations. Appropriations lapse at year end and any revisions require board approval.
- e. Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.
- f. The County Clerk certifies a preliminary property tax levy for each fund of the City which levied property taxes in the county the previous year based on the combined valuation and amount required for the City the prior year. The preliminary levy becomes the final levy unless the governing board passes, by a majority vote, a resolution setting the levy at a different amount.

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued**

**5. Budgetary Data, continued**

- g. The property tax requirements resulting from the budget process are utilized by the County Assessor to establish the tax levy. Taxes are levied annually on or before October 15. Real property taxes and personal property taxes are due December 31 with the first half delinquent May 1 and the second half delinquent September 1.
- h. The City of Crete adopts a budget by ordinance for all funds.

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the financial statements for the City's various assets, liabilities, equity, revenues, and expenditures/ expenses.

**1. Cash and Investments**

**Cash**

The City's policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose how its deposits were insured or secured with collateral at September 30, 2013. The categories of collateral are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name; or collateralized with no written or approved collateral agreement.

**CITY OF CRETE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2013**

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued**

**1. Cash and Investments, continued**

**Cash, continued**

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits	\$ 10,682,917	\$ 550,494	\$ 10,132,423	\$ -	\$ <u>9,917,392</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –	
Unrestricted cash and cash equivalents	\$ 4,787,084
Restricted cash and cash equivalents	4,993,342
Component Unit –	
Unrestricted cash and cash equivalents	<u>136,966</u>
	<u>\$ 9,917,392</u>

**Investments**

The City’s policies and applicable laws regarding investments are discussed in Notes A4 and B2. The table presented below is designed to disclose whether the investments are insured or registered and who holds the security at September 30, 2013. The categories of investments are defined as follows:

Category 1 – Insured or registered with securities held by the entity or its agent in the entity’s name.

Category 2 – Uninsured and unregistered with securities held by counterparty’s trust department or agent in the entity’s name.

Category 3 – Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the City’s name.

<u>Type of Investment</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Money Market	\$ 209,718	\$ -	\$ -	\$ 209,718	\$ 209,718
Time Deposits	5,189,181	-	-	5,189,181	5,189,181
Nebraska Municipal Bonds	70,148	-	-	<u>70,148</u>	<u>70,148</u>
				<u>\$ 5,469,047</u>	<u>\$ 5,469,047</u>

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued**

**1. Cash and Investments, continued**

**Investments, continued**

Reconciliation to Government-wide Statement of Net Position:

Primary Government –	
Unrestricted investments	\$ 4,192,257
Restricted investments	<u>1,276,790</u>
	<u>\$ 5,469,047</u>

**2. Restricted Assets**

The restricted assets as of September 30, 2013, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 543,524	\$ 4,449,818	\$ 4,993,342
Investments	<u>174,364</u>	<u>1,102,426</u>	<u>1,276,790</u>
Total Restricted Assets	<u>\$ 717,888</u>	<u>\$ 5,552,244</u>	<u>\$ 6,270,132</u>

Restricted cash and investments for the governmental activities consists of \$115,127 of General Fund assets restricted for cemetery perpetual care, \$22,000 of General Fund assets restricted for cemetery maintenance, \$50,000 of General Fund assets restricted for library renovations, \$154,096 of Street Fund cash restricted for street improvements, \$215,078 of Debt Service cash restricted for debt service, \$21 of CDBG Fund cash restricted for Federal programs, \$45,446 of Keno Fund cash restricted for community betterment, and \$116,120 of Economic Development Fund cash restricted for economic development.

The Electric Fund restricted assets consist of \$531,367 restricted for debt service and \$187,900 restricted for customer deposits. The Water Fund has \$400,000 restricted for debt service. The Sewer Fund has \$65,926 restricted for debt service and \$4,367,051 of unused bond anticipation note proceeds restricted to be used for the wastewater treatment plant construction costs.

**CITY OF CRETE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2013**

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued**

**3. Accounts and Notes Receivable**

Accounts receivable of the business-type activities consist of utilities receivables. Receivables detail at September 30, 2013, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 1,172,524
Allowance for uncollectible accounts	( 21,000)
Total accounts receivable	<u>\$ 1,151,524</u>

**4. Capital Assets**

	<u>Balance at October 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at September 30, 2013</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 203,953	\$ -	\$ -	\$ 203,953
Construction in progress	7,786	518,658	-	526,444
Total capital assets not being depreciated	211,739	518,658	-	730,397
Other capital assets being depreciated:				
Distribution systems	16,399,739	205,165	-	16,604,904
Buildings and improvements	6,019,021	167,874	-	6,186,895
Equipment	1,251,997	61,977	-	1,313,974
Vehicles	1,064,741	9,800	-	1,074,541
Total other capital assets at historical cost	24,735,498	444,816	-	25,180,314
Less accumulated depreciation for:				
Distribution systems	(7,692,843)	(433,628)	-	(8,126,471)
Buildings and improvements	(3,098,862)	(135,866)	-	(3,234,728)
Equipment	(863,072)	(72,561)	-	(935,633)
Vehicles	(881,916)	(71,024)	-	(952,940)
Total accumulated depreciation	<u>(12,536,693)</u>	<u>(713,079) *</u>	<u>-</u>	<u>(13,249,772)</u>
Other capital assets, net	<u>12,198,805</u>	<u>(268,263)</u>	<u>-</u>	<u>11,930,542</u>
Business-type capital assets, net	<u>\$ 12,410,544</u>	<u>\$ 250,395</u>	<u>\$ -</u>	<u>\$ 12,660,939</u>

\* Depreciation expense was charged to functions as follows:

Electric	\$ 381,417
Water	162,271
Sewer	<u>169,391</u>
Total Business-type Activities depreciation expense	<u>\$ 713,079</u>

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued**

**4. Capital Assets, continued**

Construction in progress at September 30, 2013 consists of \$441,140 of engineering costs and capitalized interest of \$85,304 on the wastewater treatment plant. See note D3 for additional details on contractual commitments on this project.

Component Units:

	Balance at July 31, <u>2012</u>	<u>Additions</u>	<u>Disposals</u>	Balance at July 31, <u>2013</u>
<u>Crete Airport Authority:</u>				
Capital assets not being depreciated:				
Land	\$ 397,514	\$ -	\$ -	\$ 397,514
Construction in progress	-	61,761	-	61,761
Total capital assets not being depreciated	397,514	61,761	-	459,275
Other capital assets being depreciated:				
Buildings and improvements	4,647,429	-	-	4,647,429
Equipment	740,881	-	-	740,881
Total other capital assets at historical cost	5,388,310	-	-	5,388,310
Less accumulated depreciation for:				
Buildings and improvements	(2,544,940)	(145,949)	-	(2,690,889)
Equipment	(223,097)	(33,143)	-	(256,240)
Total accumulated depreciation	(2,768,037)	(179,092)	-	(2,947,129)
Other capital assets, net	2,620,273	(179,092)	-	2,441,181
Governmental activities capital assets, net	<u>\$ 3,017,787</u>	<u>\$ (117,331)</u>	<u>\$ -</u>	<u>\$ 2,900,456</u>

Construction in progress at July 31, 2013, consists of \$50,511 of engineering fees paid on the runway project and \$11,250 of engineering fees paid on the snow removal equipment project. See note D3 for additional commitments on this project.

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued**

**5. Long-term Debt**

**Changes in Long-term Debt**

The following is a summary of changes in long-term debt for the year ended September 30, 2013:

<u>Type of Debt</u>	Balance October 1, 2012	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2013	Amounts Due Within <u>One Year</u>
<b>Business-type Activities:</b>					
Bonds payable	\$ 1,830,000	\$ -	\$ (360,000)	\$ 1,470,000	\$ 365,000
Bond anticipation notes	<u>-</u>	<u>4,360,000</u>	<u>-</u>	<u>4,360,000</u>	<u>-</u>
Total Business-type Activities	<u>\$ 1,830,000</u>	<u>\$ 4,360,000</u>	<u>\$ (360,000)</u>	<u>\$ 5,830,000</u>	<u>\$ 365,000</u>
	Balance August 1, 2012	<u>Additions</u>	<u>Deductions</u>	Balance July 31, 2013	Amounts Due Within <u>One Year</u>
<b>Component unit:</b>					
Crete Airport Authority					
Notes payable	\$ 42,726	\$ -	\$ (15,665)	\$ 27,061	\$ 12,924
Bonds payable	<u>75,000</u>	<u>158,000</u>	<u>(113,000)</u>	<u>120,000</u>	<u>37,000</u>
Total component unit	<u>\$ 117,726</u>	<u>\$ 158,000</u>	<u>\$ (128,665)</u>	<u>\$ 147,061</u>	<u>\$ 49,924</u>

**Business-type Activities**

As of September 30, 2013, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds payable:

During March 2012, the City issued \$1,830,000 of Series 2012 Combined Revenue Refunding Bonds to refinance the Series 2007 bonds. Interest ranges from 0.5 to 1.15 percent with final maturity April 15, 2017. The bonds are allocated 47 percent to the Electric Fund, 33 percent to the Water Fund and 20 percent to the Sewer Fund.

\$ 1,470,000

**CITY OF CRETE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2013**

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued**

**5. Long-term Debt, continued**

**Business-type Activities, continued**

Sewer Bond Anticipation Notes:

On February 5, 2013, the Sewer Fund issued \$4,360,000 of Wastewater Plant Bond Anticipation Notes (BANs) to finance the wastewater treatment plant project. The BANs bear interest of 3.0 percent and are due February 5, 2016.

4,360,000

Total business-type activity long-term debt

\$ 5,830,000

Current portion

\$ 365,000

Noncurrent portion

5,465,000

Total

\$ 5,830,000

**Component Units:**

Crete Airport Authority

As of July 31, 2013, the governmental long-term liabilities consisted of the following:

Notes payable:

Nebraska Department of Aeronautics construction loan with monthly principal payments of \$1,077 through September 2015. The loan is non-interest bearing.

\$ 27,061

Bonds payable:

Combined revenue and refunding bonds dated March 29, 2013, with original issue amount of \$158,000. Interest ranges from 1.65 percent to 3.05 percent with final maturity July 20, 2017.

120,000

\$ 147,061

Current portion

\$ 49,924

Noncurrent portion

97,137

Total long-term debt

\$ 147,061

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued**

**5. Long-term Debt, continued**

**Component Units, continued:**

Crete Airport Authority, continued

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2013, are as follows:

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>		<u>Crete Airport Authority</u>	
	<u>Bonds Payable &amp; BANs</u>		<u>Notes &amp; Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 365,000	\$ 137,515	\$ 49,924	\$ 2,824
2015	365,000	141,858	49,924	2,121
2016	4,730,000	73,355	39,213	1,270
2017	370,000	4,255	8,000	244
2018	-	-	-	-
	<u>\$ 5,830,000</u>	<u>\$ 356,983</u>	<u>\$ 147,061</u>	<u>\$ 6,459</u>

**Municipal Energy Association of Nebraska Payable**

During the year ended September 30, 2013, Municipal Energy Association of Nebraska (MEAN) billed the City \$340,053 for a Regulatory ISO Transmission Adjustment (RITA) for the 24 month period ended January 2012. This balance will be paid to MEAN over five years (\$68,011 current portion and \$272,042 noncurrent portion). MEAN also billed the City \$181,983 for a Pooled Energy Adjustment (PEA) for the period April 1, 2013 through September 30, 2013. Of this balance, \$63,553 is due to be repaid during the year ending September 30, 2014 and \$118,430 is due the following year.

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued**

**6. Interfund Transactions and Balances**

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Electric	\$ 400,000	\$ -
Street Fund	-	( 104,004)
Intrafund General	1,727,458	(1,727,458)
Nonmajor Governmental Funds	-	( 94,582)
Total General Fund	2,127,458	(1,926,044)
Street Fund:		
General	104,004	-
Capital Projects	-	( 25,488)
Total Street Fund	104,004	( 25,488)
Debt Service Fund:		
Capital Projects	-	( 22,050)
Capital Projects Fund:		
Debt Service	22,050	-
Nonmajor Governmental Funds:	219,240	( 99,170)
Electric Fund:		
Water	-	( 660,000)
General	-	( 400,000)
Total Electric Fund	-	(1,060,000)

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued**

**6. Interfund Transactions and Balances, continued**

Operating transfers, continued:

	<u>Transfers In</u>	<u>Transfers Out</u>
Water Fund:		
Electric	<u>660,000</u>	<u>-</u>
Total Operating Transfers	<u>\$ 3,132,752</u>	<u>\$ (3,132,752)</u>

**Interfund Balances**

At September 30, 2013, the General Fund owed \$4,628 to the Electric Fund, and the Sewer Fund owed \$48 to the Electric Fund. These interfund loans are expected to be repaid during the next fiscal year.

**NOTE D – OTHER NOTES**

**1. Employee Pension and Other Benefit Plans**

The City sponsors a defined contribution plan with Principal Mutual Life Insurance Company. It covers all full-time employees who have reached age 19 and who have put in one year of service except firemen personnel. The plan was established and is amended by Board resolution. Enrollment in the plan is mandatory. Each participant shall have six percent of their regular earnings deferred. Employees in the police department shall have six percent of all earnings deferred. (Effective October 1, 2013, the police pension contribution increased to 6.5 percent.) In addition, employees over age 50 are eligible to make catch up contributions. The City matches 100 percent of the deferred contribution, excluding the over 50 catch-up contributions. Employer contributions vest at a rate of 20 percent per year. These requirements were established and may be amended by Board Resolution.

The City's regular employee contribution amounted to \$111,714 for the year ended September 30, 2013. The employee contributions also totaled \$111,714 for the year ended September 30, 2013. The City's police contribution amounted to \$33,832 for the year ended September 30, 2013. The police employee contributions also totaled \$33,832 for the year ended September 30, 2013.

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE D – OTHER NOTES, continued**

**1. Employee Pension and Other Benefit Plans, continued**

The City also sponsors a non-qualified deferred compensation 457 plan with Principal and Hartford. The plan was established and is amended by Board Resolution. Enrollment in the plan is voluntary and no participation is required. The City does not match any portion of this plan. These requirements were established and may be amended by Board Resolution. The total accumulative pension contributions transferred to the plan's trustees for the year ended September 30, 2013 were \$8,561.

**2. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to minimize the effect of possible exposure to these risks. There have been no significant reductions in insurance coverage from coverage in the prior year. During the past three fiscal years, there have been no settlements exceeding the amount of the City's insurance coverage.

**Deposits and Investments**

***Custodial Credit Risk.*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the City's investments at September 30, 2013, are held by the banks in the name of the City. The City's investments consist of certificates of deposit and Nebraska municipal bonds.

***Interest Rate Risk.*** As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires that market conditions and investment securities be analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates. The investment maturities are as follows:

**CITY OF CRETE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2013**

**NOTE D – OTHER NOTES, continued**

**2. Risk Management, continued**

**Deposits and Investments, continued**

*Interest Rate Risk, continued*

<u>Maturities by Month</u>	<u>Amount</u>
October 2013	\$ 355,000
November 2013	19,925
December 2013	199,981
February 2014	1,590,220
March 2014	110,000
April 2014	218,000
May 2014	61,000
June 2014	98,400
July 2014	104,999
August 2014	187,666
September 2014	30,000
October 2014	101,143
November 2014	10,003
December 2014	142,030
January 2015	51,214
February 2015	99,960
March 2015	200,446
July 2015	116,667
September 2015	120,799
December 2015	126,868
March 2016	102,699
June 2016	102,787
October 2016	113,702
November 2016	5,002
August 2017	90,675
May 2018	195,314
July 2018	104,684
November 2018	9,989
April 2019	97,862
December 2021	100,252
February 2022	97,340
May 2023	179,678
September 2023	99,970
June 2024	10,071
October 2026	4,983
	<u>\$ 5,259,329</u>

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE D – OTHER NOTES, continued**

**2. Risk Management, continued**

***Credit Risk.*** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City’s investments consist of certificates of deposit, money market funds, and other securities backed by U.S. Government obligations, minimizing credit risk associated with the City’s investment portfolio.

***Concentration of Credit Risk.*** The City’s investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2013, the City’s investments consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Pinnacle Bank	\$ 711,365
City Bank & Trust	1,407,000
Edward Jones	70,148
Wells Fargo Advisors	<u>3,280,534</u>
	<u>\$ 5,469,047</u>

***Foreign Currency Risk.*** This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City’s investments had no exposure to foreign currency risk and the City held no investments denominated in foreign currency at September 30, 2013.

**3. Commitments and Contingencies**

**Claims and Lawsuits**

The City is subject to claims and other actions arising in the ordinary course of business. Some of these claims and actions have resulted in lawsuits where the City is a defendant. In the opinion of City management, the potential loss on all claims and lawsuits as of September 30, 2013, will not be significant to the City’s financial statements.

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE D – OTHER NOTES, continued**

**3. Commitments and Contingencies, continued**

**Construction and Commitments**

As of September 30, 2013, the City had the following construction obligations:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/13</u>	<u>Remaining Commitment</u>	<u>Expected Date of Completion</u>
Lift Station:				
Engineering	\$ 16,200	\$ 8,100	\$ 8,100	January 2014
Waste water treatment plant:				
Engineering	<u>743,762</u>	<u>375,118</u>	<u>368,644</u>	April 2015
	<u>\$ 759,962</u>	<u>\$ 383,218</u>	<u>\$ 376,744</u>	

At July 31, 2013, the Crete Airport Authority had the following contractual commitments:

<u>Description</u>	<u>Contract Amount</u>	<u>Incurred as of July 31, 2013</u>	<u>Remaining Obligation</u>	<u>Expected Date of Completion</u>
Snow Removal Project:				
Engineering Bid Phase	\$ <u>3,400</u>	\$ <u>850</u>	\$ <u>2,550</u>	December 2013

**Self-Insurance Fund**

The City provides medical insurance for eligible employees using a self-insurance fund. The fund is reported in the Internal Service Fund and is financed by operating transfers from the Proprietary and General Funds of an average amount per employee, which is based on management's previous experience. The Self-Insurance Fund covers up to \$30,000 in costs per employee. Any expenses over that amount are covered by an insurance carrier. The City also uses a claims service to handle the insurance claims.

**Sale of Hospital**

On May 8, 2007, the City sold to Tabitha, Inc. several parcels of real estate including all structural components for \$1,355,000 due on September 27, 2017, with no interest accrual. For each year that Tabitha, Inc. uses the real estate for any health care related services, the City shall forgive one-tenth of the principal. If the real estate is used for such purposes for the entire ten year term of the note, the entire note shall be forgiven.

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE D – OTHER NOTES, continued**

**3. Commitments and Contingencies, continued**

**Purchase Power Contract**

On May 29, 1986 the City entered into a contract with Municipal Energy Agency of Nebraska (MEAN) for total power requirement. This agreement states that the City will purchase its power needs in excess of the power supplied by the United States Department of Energy, Western Area Power Administration directly from MEAN. To ensure that MEAN had adequate power to supply their municipal customers, MEAN participated in the building of certain power plants. The City committed to purchase power directly from MEAN for the longer of ten years or when the bonds to build the power plant had been paid in full. The power plant bonds are scheduled to be paid in full in the year 2041. The dollar amount of power purchased from MEAN was \$5,256,231 for the year ended September 30, 2013. As part of this agreement, the City has agreed to maintain its facility in working order so that if additional power is needed by MEAN it can use the City's facility to generate such power. MEAN has agreed to pay the City a fee for maintaining its power plant in working condition. The amount paid to the City was \$410,274 for the year ended September 30, 2013. The City has the option to assign its rights and commitments in this contract if the entity to which it is assigning such rights and commitments is acceptable to MEAN. The capacity compensation rate is scheduled to decrease over the next four fiscal years.

**Operating Leases**

The City is party to four operating leases for five copiers, a fax machine and a postage machine. As of September 30, 2013, future lease obligations are as follows:

<u>Year Ended September 30,</u>	<u>Lease Commitments</u>
2014	\$ 5,872
2015	5,872
2016	5,872
2017	<u>4,114</u>
	\$ <u>21,730</u>

Total rent expense was \$5,872 for the year ended September 30, 2013.

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE D – OTHER NOTES, continued**

**4. Governmental Long-Term Debt**

The following is a summary of changes in governmental long-term debt for the year ended September 30, 2013:

<u>Type of Debt</u>	Balance October 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2013</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds payable	\$ 2,645,000	\$ -	\$ (350,000)	\$ 2,295,000	\$ 350,000
Bond anticipation notes	250,000	-	-	250,000	250,000
Capital lease obligations	<u>1,252,000</u>	<u>-</u>	<u>(130,000)</u>	<u>1,122,000</u>	<u>131,000</u>
Total Governmental-type Activities	<u>\$ 4,147,000</u>	<u>\$ -</u>	<u>\$ (480,000)</u>	<u>\$ 3,667,000</u>	<u>\$ 731,000</u>

**Governmental Activities:**

As of September 30, 2013, the governmental long-term liabilities consisted of the following:

Bonds payable:

During April 2009, the City issued General Obligation Refunding Bonds totaling \$3,645,000 to refinance the Series 2001 and 2004 GO Bonds. The bonds bear interest at rates ranging from 1.0 percent to 4.125 percent with annual principal payments beginning November 15, 2009, through November 15, 2021.

\$ 2,295,000

Bonds anticipation notes:

On September 7, 2012, the City issued Bond Anticipation Notes (BAN's) totaling \$250,000 to provide interim financing for capital projects. The BAN's bear interest of 3.0 percent and mature September 7, 2014.

250,000

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE D – OTHER NOTES, continued**

**4. Governmental Long-Term Debt, continued**

**Governmental Activities, continued:**

Capital lease obligation:

On June 28, 2011, the City entered into a \$1,200,000 capital lease obligation. The lease bears interest ranging from 0.60 percent to 3.35 percent with annual principal payments beginning September 15, 2012, through September 15, 2021. 980,000

During June 2012, the City entered into a \$157,000 capital lease obligation. The capital lease bears interest of 2.2 percent with annual principal payments commencing September 15, 2013, through September 15, 2021. 142,000

Total long-term debt \$ 3,667,000

Current portion \$ 731,000

Noncurrent portion 2,936,000

Total long-term debt \$ 3,667,000

Annual debt service requirements to maturity, including principal and interest, for governmental long-term debt as of September 30, 2013, are as follows:

Year Ending <u>September 30.</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 731,000	\$ 105,612
2015	498,000	86,928
2016	365,000	76,224
2017	372,000	66,405
2018	386,000	55,224
2019-2023	1,315,000	87,609
	<u>\$3,667,000</u>	<u>\$478,002</u>

**CITY OF CRETE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2013**

**NOTE D – OTHER NOTES, continued**

**5. Interlocal Agreements**

The City has the following interlocal agreements in effect as of September 30, 2013:

<u>Parties to Agreement</u>	<u>Term</u>	<u>Description</u>
Seward/Saline County Waste Area Management Agency	9/1/13 to 11/9/36	Solid Waste disposal
Saline County Mutual Finance Organization	7/1/13 to 6/30/14	Fire and Rescue equipment
Saline County Rural Fire District	7/1/13 to 6/30/14	Fire and Rescue services
Southeast Nebraska Development District	7/1/13 to 6/30/14	Economic and Community Development services
League Association of Risk management	10/1/12 to 9/30/16	Risk Management services and coverage
NMPP Energy MEAN	4/1/81 to 3/31/38	Wholesale electricity and related services

**6. Subsequent Events**

Management has evaluated subsequent events through March 24, 2014, the date on which the financial statements were available for issue.

## **SUPPLEMENTARY INFORMATION**

**CITY OF CRETE, NEBRASKA**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -**  
**GENERAL FUND**

**Year ended September 30, 2013**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Taxes:			
Property	\$ 866,050	\$ 862,160	\$ (3,890)
Motor vehicle	72,000	76,217	4,217
Occupation	75,000	67,987	(7,013)
Franchise	258,000	236,935	(21,065)
Sales	700,000	720,275	20,275
Intergovernmental	462,000	483,183	21,183
Grants	35,000	45,769	10,769
Charges for services	592,080	519,667	(72,413)
Interest income	6,300	4,356	(1,944)
Contributions	86,500	144,024	57,524
Sales proceeds on equipment	15,000	15,000	-
Other	27,900	38,377	10,477
Total resources	<u>3,195,830</u>	<u>3,213,950</u>	<u>18,120</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
General government	560,600	541,481	(19,119)
Public safety	1,802,348	1,557,581	(244,767)
Public works	89,300	74,487	(14,813)
Environment and leisure	891,697	843,874	(47,823)
Capital outlay	292,410	233,658	(58,752)
Total charges to appropriations	<u>3,636,355</u>	<u>3,251,081</u>	<u>(385,274)</u>
Resources over (under) charges to appropriations	(440,525)	(37,131)	403,394
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,000,303	2,127,458	127,155
Transfers out	<u>(3,132,106)</u>	<u>(1,926,044)</u>	<u>1,206,062</u>
Net transfers	<u>(1,131,803)</u>	<u>201,414</u>	<u>1,333,217</u>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>			
	<u>\$ (1,572,328)</u>	<u>\$ 164,283</u>	<u>\$ 1,736,611</u>

**CITY OF CRETE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -  
STREET FUND**

**Year ended September 30, 2013**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Intergovernmental	\$ 559,000	\$ 601,781	\$ 42,781
Charges for services	16,000	24,387	8,387
Other revenue	<u>100</u>	<u>1,067</u>	<u>967</u>
Total resources	575,100	627,235	52,135
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Public works	639,400	654,267	14,867
Capital outlay	<u>23,500</u>	<u>-</u>	<u>(23,500)</u>
Total charges to appropriations	<u>662,900</u>	<u>654,267</u>	<u>(8,633)</u>
Resources over (under) charges to appropriations	(87,800)	(27,032)	60,768
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	104,000	104,004	4
Transfers out	<u>-</u>	<u>(25,488)</u>	<u>(25,488)</u>
Net transfers	<u>104,000</u>	<u>78,516</u>	<u>(25,484)</u>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ 16,200</u>	<u>\$ 51,484</u>	<u>\$ 35,284</u>

**CITY OF CRETE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -  
DEBT SERVICE FUND**

**Year ended September 30, 2013**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Property tax	\$ 497,000	\$ 485,442	\$ (11,558)
Special assessments	40,000	15,469	(24,531)
Interest income	1,000	366	(634)
Total resources	<u>538,000</u>	<u>501,277</u>	<u>(36,723)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
General government	1,000	523	(477)
Principal payments	350,000	350,000	-
Interest expense	110,000	87,240	(22,760)
Total charges to appropriations	<u>461,000</u>	<u>437,763</u>	<u>(23,237)</u>
Resources over (under) charges to appropriations	77,000	63,514	(13,486)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	35,000	-	(35,000)
Transfers out	-	(22,050)	(22,050)
Net transfers	<u>35,000</u>	<u>(22,050)</u>	<u>(57,050)</u>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ 112,000</u>	<u>\$ 41,464</u>	<u>\$ (70,536)</u>

**CITY OF CRETE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -  
CAPITAL PROJECTS FUND**

**Year ended September 30, 2013**

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
<b>RESOURCES (INFLOWS)</b>			
Loan proceeds	\$ 800,000	\$ -	\$ (800,000)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Public works	-	5,000	5,000
Capital projects	800,000	163,559	(636,441)
Interest on long-term debt	-	2,754	2,754
Bond fees	-	1,500	1,500
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	800,000	172,813	(627,187)
	<hr/>	<hr/>	<hr/>
Resources over (under) charges to appropriations	-	(172,813)	(172,813)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	-	22,050	22,050
	<hr/>	<hr/>	<hr/>
<b>RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<hr/> \$ -	<hr/> \$ (150,763)	<hr/> \$ (150,763)

**CITY OF CRETE, NEBRASKA**

**COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
NONMAJOR GOVERNMENTAL FUNDS**

**September 30, 2013**

	Special Revenue Funds		
	CDBG <u>Fund</u>	Keno <u>Fund</u>	Enhanced 911 <u>Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 21	\$ 45,446	\$ 16,393
<b>LIABILITIES AND FUND BALANCES</b>			
Fund balances:			
Restricted for:			
Federal programs	\$ 21	\$ -	\$ -
Community betterment	-	45,446	-
Economic development	-	-	-
Assigned for:			
Capital outlay	-	-	-
Public safety	-	-	16,393
Total fund balances	\$ 21	\$ 45,446	\$ 16,393

<u>Special Revenue Funds</u>		<u>Total Other Governmental Funds</u>
<u>Capital Outlay Fund</u>	<u>Economic Development Fund</u>	
<u>\$ 368,460</u>	<u>\$ 116,120</u>	<u>\$ 546,440</u>
\$ -	\$ -	\$ 21
-	-	45,446
-	116,120	116,120
368,460	-	368,460
-	-	16,393
<u>\$ 368,460</u>	<u>\$ 116,120</u>	<u>\$ 546,440</u>

**CITY OF CRETE, NEBRASKA**

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

**Year ended September 30, 2013**

	Special Revenue Funds		
	CDBG Fund	Keno Fund	Enhanced 911 Fund
<b>REVENUES</b>			
Sales tax	\$ -	\$ -	\$ -
Charges for services	-	-	14,059
Grants	55	-	-
Keno proceeds	-	53,896	-
Contributions	-	-	-
Loan collections	695	-	-
Interest income	-	17	-
Total revenues	750	53,913	14,059
<b>EXPENDITURES</b>			
General government	733	14,938	-
Public safety	-	-	135
Environment and leisure	-	39,191	-
Economic development	-	-	-
Capital outlay	-	-	4,276
Principal payments	-	-	-
Interest on long-term debt	-	-	-
Total expenditures	733	54,129	4,411
Excess (deficiency) of revenues over expenditures before transfers	17	(216)	9,648
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	-	(90,000)
Net change in fund balances	17	(216)	(80,352)
Fund balances - September 30, 2012			
As previously reported	4	54,648	96,745
Restatement	-	(8,986)	-
As restated	4	45,662	96,745
Fund balances - September 30, 2013	\$ 21	\$ 45,446	\$ 16,393

<u>Special Revenue Funds</u>			
<u>Capital Outlay Fund</u>	<u>Economic Development Fund</u>	<u>Other Funds Previously in Special Revenue</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ 360,152	\$ -	\$ 360,152
-	-	-	14,059
-	-	-	55
-	-	-	53,896
-	10,000	-	10,000
-	-	-	695
-	214	-	231
<u>-</u>	<u>370,366</u>	<u>-</u>	<u>439,088</u>
2,004	-	-	17,675
13,950	-	-	14,085
5,155	-	-	44,346
-	156,972	-	156,972
90,421	-	-	94,697
-	130,000	-	130,000
-	25,295	-	25,295
<u>111,530</u>	<u>312,267</u>	<u>-</u>	<u>483,070</u>
(111,530)	58,099	-	(43,982)
<u>219,240</u>	<u>(9,170)</u>	<u>-</u>	<u>120,070</u>
107,710	48,929	-	76,088
260,750	67,191	1,100,302	1,579,640
-	-	(1,100,302)	(1,109,288)
<u>260,750</u>	<u>67,191</u>	<u>-</u>	<u>470,352</u>
<u>\$ 368,460</u>	<u>\$ 116,120</u>	<u>\$ -</u>	<u>\$ 546,440</u>

**CITY OF CRETE, NEBRASKA**  
**COMBINING STATEMENT OF NET POSITION -**  
**COMPONENT UNITS**

**July 31, 2013 and September 30, 2013**

	<u>Crete Airport Authority (July 31, 2013)</u>	<u>Crete Leasing Corporation (September 30, 2013)</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 136,592	\$ 374	\$ 136,966
County treasurer cash	1,510	-	1,510
Accounts receivable	8,396	-	8,396
Due from City of Crete	878	-	878
Fuel inventory	39,938	-	39,938
Prepaid insurance	6,316	-	6,316
Current portion of note receivable	5,580	-	5,580
Total current assets	<u>199,210</u>	<u>374</u>	<u>199,584</u>
Noncurrent assets:			
Capital assets:			
Land	397,514	-	397,514
Construction in progress	61,761	-	61,761
Other capital assets, net of depreciation	2,441,181	-	2,441,181
Net capital assets	<u>2,900,456</u>	<u>-</u>	<u>2,900,456</u>
<b>Total assets</b>	<b>3,099,666</b>	<b>374</b>	<b>3,100,040</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	34,326	-	34,326
Unearned rent revenue	11,750	-	11,750
Current portion of long-term obligation	49,924	-	49,924
Total current liabilities	<u>96,000</u>	<u>-</u>	<u>96,000</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	<u>97,137</u>	<u>-</u>	<u>97,137</u>
<b>Total liabilities</b>	<b>193,137</b>	<b>-</b>	<b>193,137</b>
<b>NET POSITION</b>			
Net investment in capital assets	2,753,395	-	2,753,395
Unrestricted	<u>153,134</u>	<u>374</u>	<u>153,508</u>
<b>Total net position</b>	<b><u>\$ 2,906,529</u></b>	<b><u>\$ 374</u></b>	<b><u>\$ 2,906,903</u></b>

See notes to financial statements.

**CITY OF CRETE, NEBRASKA**

**COMBINING STATEMENT OF ACTIVITIES-  
COMPONENT UNITS**

**For the year ended July 31, and September 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Component units:</b>			
Crete Airport Authority (7/31/13)	\$ 352,427	\$ 150,699	\$ -
Crete Leasing Corporation (9/30/13)	66,973	66,960	-
<b>Total component units</b>	<b>\$ 419,400</b>	<b>\$ 217,659</b>	<b>\$ -</b>

See notes to financial statements.

	Net (Expenses) Revenues and Changes in Net Position		
	Primary Government		
<u>Capital Grants and Contributions</u>	<u>Crete Airport Authority</u>	<u>Crete Leasing Corporation</u>	<u>Total</u>
\$ 41,462	\$ (160,266)	\$ -	\$ (160,266)
-	-	(13)	(13)
<u>\$ 41,462</u>	<u>(160,266)</u>	<u>(13)</u>	<u>(160,279)</u>
General revenues:			
Property taxes	58,102	-	58,102
Interest income	723	-	723
Other income	225	-	225
Total general revenues	<u>59,050</u>	<u>-</u>	<u>59,050</u>
Change in net position	(101,216)	(13)	(101,229)
Net position - September 30, 2012			
As previously reported	-	-	-
Restatement	<u>3,007,745</u>	<u>387</u>	<u>3,008,132</u>
As restated	<u>3,007,745</u>	<u>387</u>	<u>3,008,132</u>
Net position - September 30, 2013	<u>\$ 2,906,529</u>	<u>\$ 374</u>	<u>\$ 2,906,903</u>



**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**

SHAREHOLDERS

Robert D. Almquist  
Phillip D. Maltzahn  
Terry T. Galloway  
Marcy J. Luth  
Heidi A. Ashby  
Christine R. Shenk  
Michael E. Hoback

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

We have audited, 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, the financial statements of the governmental activities - modified cash basis, the business-type activities - accrual basis, the aggregate discretely presented component units - accrual basis, each major fund - modified cash basis for the governmental funds and accrual basis for the proprietary funds, and the aggregate remaining fund information - modified cash basis for the governmental funds of the City of Crete, Nebraska, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 24, 2014. Our report on the financial statements disclosed that, as described in Note A to the financial statements, the City of Crete, Nebraska, prepares its financial statements for the governmental funds on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Crete's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a 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

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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 over financial reporting 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, and therefore material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

Segregation of Duties

Due to limited number of personnel, there is not adequate segregation of duties to ensure internal control over cash receipts, disbursements, and recording of transactions.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Crete'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*.

**City of Crete's Response to Findings**

The City of Crete's response to the findings identified in our audit is that due to the small size of the City, it is impractical to further segregate duties. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.

Amquist, Malthalm.  
Galloway & Luthi, P.C.

Grand Island, Nebraska  
March 24, 2014