

CITY OF CRETE, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2014

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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, 2014, 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

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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, 2014, 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.

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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The management's discussion and analysis, budgetary comparison schedules, nonmajor governmental combining statements, component units combining statements, and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards are 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 January 7, 2015, 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, Malthalm,
Galloway & Luth, P.C.

Grand Island, Nebraska
January 7, 2015

**CITY OF CRETE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2014**

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 Crete for the fiscal year ended September 30, 2014. 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 \$22,902,139 (*net position*). Of this amount, \$9,928,732 (*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 \$4,165,293. Approximately 73.2 percent of this total amount, \$3,050,066, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,350,782, or 65.5 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, 2014

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, 2014

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 23-57 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 58-65 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 \$22,902,139 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, 2014

Government-wide Financial Analysis, continued

Summary Statements of Net Position

	Year Ended September 30, 2014			Year Ended September 30, 2013		
	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	\$ 4,230,809	\$ 12,608,909	\$ 16,839,718	\$ 3,786,778	\$ 13,658,855	\$ 17,445,633
Capital Assets	-	13,105,684	13,105,684	-	12,660,939	12,660,939
Total Assets	4,230,809	25,714,593	29,945,402	3,786,778	26,319,794	30,106,572
Long-term Liabilities:						
Outstanding	-	5,332,370	5,332,370	-	5,855,472	5,855,472
Other Liabilities	65,516	1,645,377	1,710,893	33,300	1,759,597	1,792,897
Total Liabilities	65,516	6,977,747	7,043,263	33,300	7,615,069	7,648,369
Net Position						
Net Investment in Capital						
Assets	-	10,860,887	10,860,887	-	11,197,990	11,197,990
Restricted	1,115,227	997,293	2,112,520	755,425	997,293	1,752,718
Unrestricted	3,050,066	6,878,666	9,928,732	2,998,053	6,509,442	9,507,495
Total Net Position	\$ 4,165,293	\$ 18,736,846	\$ 22,902,139	\$ 3,753,478	\$ 18,704,725	\$ 22,458,203

A large portion of the City of Crete's net position (47.4 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 (9.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$9,928,732) 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, 2014

	<u>September 30, 2014</u>			<u>September 30, 2013</u>		
	<u>Governmental</u>		<u>Business-type</u>	<u>Governmental</u>		<u>Business-type</u>
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 592,188	\$ 10,791,888	\$ 11,384,076	\$ 558,808	\$ 10,420,169	\$ 10,978,977
Operating Grants and Contributions	64,448	-	64,448	78,974	-	78,974
Capital Grants and Contributions	2,714,876	-	2,714,876	158,274	-	158,274
General Revenues:						
Property Taxes	1,374,389	-	1,374,389	1,347,602	-	1,347,602
Sales and Use Taxes	1,122,467	-	1,122,467	1,080,427	-	1,080,427
Other Taxes and Fees	463,213	-	463,213	396,608	-	396,608
State Allocation	1,134,657	-	1,134,657	1,047,564	-	1,047,564
Interest Income	6,385	59,066	65,451	5,850	31,138	36,988
Other	481,074	-	481,074	108,340	-	108,340
Total Revenues	<u>7,953,697</u>	<u>10,850,954</u>	<u>18,804,651</u>	<u>4,782,447</u>	<u>10,451,307</u>	<u>15,233,754</u>
Expenses						
General Government	843,903	-	843,903	602,182	-	602,182
Public Safety	2,209,172	-	2,209,172	1,869,854	-	1,869,854
Public Works	1,097,663	-	1,097,663	918,299	-	918,299
Environmental and Leisure	853,283	-	853,283	962,248	-	962,248
Economic Development	35,034	-	35,034	156,972	-	156,972
Debt Service	2,802,827	-	2,802,827	596,789	-	596,789
Electric	-	8,812,660	8,812,660	-	7,975,190	7,975,190
Water	-	929,424	929,424	-	903,296	903,296
Sewer	-	776,749	776,749	-	730,376	730,376
Total Expenses	<u>7,841,882</u>	<u>10,518,833</u>	<u>18,360,715</u>	<u>5,106,344</u>	<u>9,608,862</u>	<u>14,715,206</u>
Increase (Decrease) in Net Position Before Transfers	111,815	332,121	443,936	(323,897)	842,445	518,548
Net Transfers	<u>300,000</u>	<u>(300,000)</u>	<u>-</u>	<u>400,000</u>	<u>(400,000)</u>	<u>-</u>
Increase in Net Position	<u>\$ 411,815</u>	<u>\$ 32,121</u>	<u>\$ 443,936</u>	<u>\$ 76,103</u>	<u>\$ 442,445</u>	<u>\$ 518,548</u>

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, 2014

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 \$4,258,882. Approximately 49.8 percent of this total amount (\$2,121,175) 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 (\$170,392), 2) restricted to pay debt service (\$286,253), 3) restricted for federal programs (\$21), 4) endowed as nonspendable to fund perpetual care (\$117,499), 5) restricted for community betterment (\$77,727), 6) restricted to fund economic development projects (\$219,667), 7) restricted for cemetery maintenance (\$22,000), 8) restricted for library renovations (\$221,668), 9) committed for the STOP program (\$2,687), 10) assigned for budgetary stabilization (\$86,382), 11) assigned for capital outlay (\$681,081), 12) assigned for street projects (\$122,663), 13) assigned for cemetery projects (\$100,000), or 14) assigned for public safety (\$29,667).

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 \$2,350,782, while total fund balance reached \$2,901,018. 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 65.5 percent of General Fund total expenditures, while total fund balance represents 80.8 percent of General Fund total expenditures.

The fund balance of the City of Crete's General Fund increased by \$92,771 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 - \$4,944,803, Water Fund - \$284,520, and Sewer Fund - \$1,649,343. The growth (decrease) in net position for the proprietary funds was as follows: Electric Fund - decrease of \$(415,136), Water Fund - \$91,457, and Sewer Fund - \$355,800. 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, 2014

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, 2014, amounts to \$13,105,684 (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:

- Case back hoe for water - \$75,944
- 2014 water distribution system rebuilds - \$77,687
- Construction in progress on wastewater treatment plant - \$600,131
- Construction in progress on emergency generator - \$18,554
- Construction in progress on substation ground grid upgrade - \$21,089
- Electric generating unit - \$17,991
- 2014 electric line transformers - \$61,848
- 2014 SCADA switchboard - \$17,069
- 2014 electric distribution system overhead materials - \$18,249
- 2014 electric distribution system underground materials - \$27,325
- 2013 F550 truck for electric - \$119,976
- FX30 Ditch Witch for electric - \$52,258

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

	<u>Year Ended September 30, 2014</u>			<u>Year Ended September 30, 2013</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	-	1,166,218	1,166,218	-	526,444	526,444
Distribution Systems	-	8,265,777	8,265,777	-	8,478,433	8,478,433
Buildings and Improvements	-	2,841,110	2,841,110	-	2,952,167	2,952,167
Equipment	-	448,906	448,906	-	378,341	378,341
Vehicles	-	179,720	179,720	-	121,601	121,601
Total	<u>\$ -</u>	<u>\$ 13,105,684</u>	<u>\$ 13,105,684</u>	<u>\$ -</u>	<u>\$ 12,660,939</u>	<u>\$ 12,660,939</u>

Additional information on the City of Crete's capital assets can be found in Note C4 on pages 42-43 of this report.

**CITY OF CRETE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2014**

Long-term Debt

Outstanding Long-term Debt

	<u>Year Ended September 30, 2014</u>			<u>Year Ended September 30, 2013</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	\$ -	\$ 1,105,000	\$ 1,105,000	\$ -	\$ 1,470,000	\$ 1,470,000
Bond Anticipation Notes	-	4,360,000	4,360,000	-	4,360,000	4,360,000
Total Long-term Outstanding Debt	\$ -	\$ 5,465,000	\$ 5,465,000	\$ -	\$ 5,830,000	\$ 5,830,000

The City's long-term debt decreased \$365,000 (6.3 percent) during the year ended September 30, 2014, due to scheduled principal payments.

Additional information on the City of Crete's long-term debt can be found in Note C5 on pages 44-46 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City plans to increase all electric rates in the 2015 fiscal year due to the increase in electric wholesale rates.
- At September 30, 2014, the City had contractual commitments of \$1,306,603 remaining to be paid for engineering and construction costs on the wastewater treatment plant. The City plans to complete this project by April 2016 and had \$3,220,203 of unspent bond anticipation note proceeds available for the project as of September 30, 2014.
- As of September 30, 2014, the City had contractual commitments of \$235,954 remaining to be paid for engineering and construction costs on the 2014 paving and street improvements. The City plans to complete these projects by December 2014.

All of these factors were considered in preparing the City of Crete's budget for the 2015 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, 2014

	Primary Government		Total	Component Units (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,378,472	\$ 1,864,909	\$ 5,243,381	\$ 67,796
Investments	150,001	3,934,322	4,084,323	-
County treasurer cash	63,654	-	63,654	1,019
Accounts receivable	-	1,189,144	1,189,144	8,864
Unbilled revenue	-	180,798	180,798	-
Accrued interest receivable	-	10,485	10,485	-
Current portion-special assessments receivable	-	25,480	25,480	-
Due (to) from other funds	(461,847)	461,847	-	-
Prepaid insurance	-	-	-	5,716
Inventory	-	315,254	315,254	31,325
Total current assets	<u>3,130,280</u>	<u>7,982,239</u>	<u>11,112,519</u>	<u>114,720</u>
Noncurrent assets:				
Restricted cash and cash equivalents	754,497	3,319,196	4,073,693	-
Restricted investments	346,032	1,104,669	1,450,701	-
Noncurrent special assessments receivable	-	202,805	202,805	-
Capital assets:				
Land	-	203,953	203,953	397,514
Construction in progress	-	1,166,218	1,166,218	-
Other capital assets, net of depreciation	-	11,735,513	11,735,513	2,900,984
Net capital assets	<u>-</u>	<u>13,105,684</u>	<u>13,105,684</u>	<u>3,298,498</u>
Total noncurrent assets	<u>1,100,529</u>	<u>17,732,354</u>	<u>18,832,883</u>	<u>3,298,498</u>
Total assets	<u>4,230,809</u>	<u>25,714,593</u>	<u>29,945,402</u>	<u>3,413,218</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	777,914	777,914	1,882
Accrued expenses	1,216	152,443	153,659	-
Customer deposits	-	206,369	206,369	-
Accrued interest	-	24,972	24,972	-
Unearned rent revenue	-	-	-	13,015
Claims incurred not paid	64,300	-	64,300	-
Current portion MEAN payable	-	118,679	118,679	-
Current portion of long-term obligations	-	365,000	365,000	49,924
Total current liabilities	<u>65,516</u>	<u>1,645,377</u>	<u>1,710,893</u>	<u>64,821</u>
Noncurrent liabilities:				
Noncurrent portion of MEAN payable	-	232,370	232,370	-
Noncurrent portion of long-term obligations	-	5,100,000	5,100,000	47,213
Total noncurrent liabilities	<u>-</u>	<u>5,332,370</u>	<u>5,332,370</u>	<u>47,213</u>
Total liabilities	<u>65,516</u>	<u>6,977,747</u>	<u>7,043,263</u>	<u>112,034</u>
NET POSITION				
Net investment in capital assets	-	10,860,887	10,860,887	3,201,361
Restricted for:				
Cemetery perpetual care	117,499	-	117,499	-
Street improvements	170,392	-	170,392	-
Debt service	286,253	997,293	1,283,546	-
Economic development	219,667	-	219,667	-
Federal projects	21	-	21	-
Community betterment	77,727	-	77,727	-
Cemetery maintenance	22,000	-	22,000	-
Library renovations	221,668	-	221,668	-
Unrestricted	<u>3,050,066</u>	<u>6,878,666</u>	<u>9,928,732</u>	<u>99,823</u>
Total net position	<u>\$ 4,165,293</u>	<u>\$ 18,736,846</u>	<u>\$ 22,902,139</u>	<u>\$ 3,301,184</u>

See notes to financial statements.

CITY OF CRETE, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary government:			
Governmental activities			
(modified cash basis):			
General government	\$ 843,903	\$ 79,124	
Public safety	2,209,172	368,950	55,923
Public works	1,097,663	57,153	65
Environment and leisure	853,283	86,961	1,709
Economic development	35,034	-	6,751
Principal payments	2,676,000	-	-
Interest and fees on long-term debt	126,827	-	-
Total governmental activities	7,841,882	592,188	64,448
Business-type activities			
(accrual basis):			
Electric	8,812,660	8,650,047	-
Water	929,424	1,018,881	-
Sewer	776,749	1,122,960	-
Total business-type activities	10,518,833	10,791,888	-
Total primary government	\$ 18,360,715	\$ 11,384,076	\$ 64,448
Component units (accrual basis):			
Community Development Agency	\$ 364,141	\$ 158,405	\$ -
Crete Leasing Corporation	374	-	-
Total component units	\$ 364,515	\$ 158,405	\$ -

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				
\$ -	\$ (764,779)		\$ (764,779)	
58,986	(1,725,313)		(1,725,313)	
55,747	(984,698)		(984,698)	
25,143	(739,470)		(739,470)	
-	(28,283)		(28,283)	
2,575,000	(101,000)		(101,000)	
-	(126,827)		(126,827)	
<u>2,714,876</u>	<u>(4,470,370)</u>	<u>\$ -</u>	<u>(4,470,370)</u>	
-	-	(162,613)	(162,613)	
-	-	89,457	89,457	
-	-	346,211	346,211	
<u>-</u>	<u>-</u>	<u>273,055</u>	<u>273,055</u>	
<u>\$ 2,714,876</u>	<u>(4,470,370)</u>	<u>273,055</u>	<u>(4,197,315)</u>	
\$ 542,820				\$ 337,084
-				(374)
<u>\$ 542,820</u>				<u>336,710</u>
General revenues:				
Taxes:				
Property	1,374,389	-	1,374,389	53,590
Motor vehicle	80,294	-	80,294	-
Occupation	138,491	-	138,491	-
Sales tax	1,122,467	-	1,122,467	-
Franchise	172,024	-	172,024	-
Special assessments	72,404	-	72,404	-
State allocation	1,134,657	-	1,134,657	-
Keno proceeds	59,512	-	59,512	-
Gain on sale of assets	391,781	-	391,781	-
Miscellaneous	29,781	-	29,781	3,757
Interest income	6,385	59,066	65,451	224
Net transfers	300,000	(300,000)	-	-
Total general revenues	<u>4,882,185</u>	<u>(240,934)</u>	<u>4,641,251</u>	<u>57,571</u>
Change in net position	411,815	32,121	443,936	394,281
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>
Net position - September 30, 2014	<u>\$ 4,165,293</u>	<u>\$ 18,736,846</u>	<u>\$ 22,902,139</u>	<u>\$ 3,301,184</u>

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

September 30, 2014

	<u>General</u> <u>Fund</u>	<u>Street</u> <u>Fund</u>
ASSETS		
Cash and cash equivalents	\$ 2,358,865	\$ 292,926
Investments	496,033	-
County treasurer cash	48,956	-
Due from other funds	-	283
	-	283
Total assets	\$ 2,903,854	\$ 293,209
LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to other funds	\$ 2,130	\$ -
Payroll withholdings	706	154
	2,836	154
Total liabilities	2,836	154
Fund balances:		
Nonspendable:		
Perpetual care	117,499	-
Restricted for:		
Street improvements	-	170,392
Debt service	-	-
Federal projects	-	-
Community betterment	-	-
Economic development	-	-
Cemetery maintenance	22,000	-
Library renovations	221,668	-
Committed for:		
STOP program	2,687	-
Assigned for:		
Budgetary stabilization	86,382	-
Capital outlay	-	-
Cemetery projects	100,000	-
Public safety	-	-
Street projects	-	122,663
Unassigned	2,350,782	-
	2,350,782	-
Total fund balances	2,901,018	293,055
Total liabilities and fund balances	\$ 2,903,854	\$ 293,209

See notes to financial statements.

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 271,555	\$ 170,393	\$ 1,008,163	\$ 4,101,902
-	-	-	496,033
14,698	-	-	63,654
-	-	-	283
<u>\$ 286,253</u>	<u>\$ 170,393</u>	<u>\$ 1,008,163</u>	<u>\$ 4,661,872</u>
\$ -	\$ 400,000	\$ -	\$ 402,130
-	-	-	860
-	400,000	-	402,990
-	-	-	117,499
-	-	-	170,392
286,253	-	-	286,253
-	-	21	21
-	-	77,727	77,727
-	-	219,667	219,667
-	-	-	22,000
-	-	-	221,668
-	-	-	2,687
-	-	-	86,382
-	-	681,081	681,081
-	-	-	100,000
-	-	29,667	29,667
-	-	-	122,663
-	(229,607)	-	2,121,175
<u>286,253</u>	<u>(229,607)</u>	<u>1,008,163</u>	<u>4,258,882</u>
<u>\$ 286,253</u>	<u>\$ 170,393</u>	<u>\$ 1,008,163</u>	<u>\$ 4,661,872</u>

CITY OF CRETE, NEBRASKA

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

September 30, 2014

Total fund balances - governmental funds	\$ 4,258,882
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>(93,589)</u>
Total net position - governmental activities	<u><u>\$ 4,165,293</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, 2014

	<u>General</u> <u>Fund</u>	<u>Street</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>
REVENUES			
Taxes:			
Property	\$ 1,018,028	\$ -	\$ 356,361
Motor vehicle	80,294	-	-
Occupation	138,491	-	-
Sales tax	783,174	-	-
Franchise	172,024	-	-
Special assessments	-	-	72,404
Intergovernmental	509,791	656,354	-
Grants	80,837	-	-
Keno proceeds	-	-	-
Charges for services	550,135	16,759	-
Contributions	29,501	-	-
Interest income	5,839	-	-
Bond/loan proceeds	-	-	2,250,000
Sales proceeds on capital assets	391,781	-	-
Other revenue	28,284	1,497	-
Total revenues	<u>3,788,179</u>	<u>674,610</u>	<u>2,678,765</u>
EXPENDITURES			
General government	774,861	-	-
Public safety	1,682,297	-	-
Public works	75,854	594,919	-
Environment and leisure	721,038	-	-
Economic development	-	-	-
Capital outlay	337,340	-	-
Principal payments on debt	-	-	2,545,000
Interest on long-term debt	-	-	72,667
Bond/loan fees	-	-	27,460
Total expenditures	<u>3,591,390</u>	<u>594,919</u>	<u>2,645,127</u>
Excess (deficiency) of revenues over expenditures	196,789	79,691	33,638
OTHER FINANCING SOURCES (USES)			
Transfers in	3,373,657	104,004	-
Transfers out	(3,477,675)	(44,736)	-
Net transfers	<u>(104,018)</u>	<u>59,268</u>	<u>-</u>
Net change in fund balances	92,771	138,959	33,638
Fund balances - September 30, 2013	<u>2,808,247</u>	<u>154,096</u>	<u>252,615</u>
Fund balances - September 30, 2014	<u>\$ 2,901,018</u>	<u>\$ 293,055</u>	<u>\$ 286,253</u>

See notes to financial statements.

Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ -	\$ -	\$ 1,374,389
-	-	80,294
-	-	138,491
-	339,293	1,122,467
-	-	172,024
-	-	72,404
-	-	1,166,145
45,747	-	126,584
-	59,512	59,512
4,051	21,243	592,188
10,000	6,751	46,252
-	233	6,072
325,000	-	2,575,000
-	-	391,781
-	-	29,781
<u>384,798</u>	<u>427,032</u>	<u>7,953,384</u>
-	16,423	791,284
-	22,734	1,705,031
12,182	-	682,955
-	11,497	732,535
-	35,034	35,034
348,461	66,687	752,488
-	131,000	2,676,000
-	26,684	99,351
16	-	27,476
<u>360,659</u>	<u>310,059</u>	<u>7,502,154</u>
24,139	116,973	451,230
-	394,754	3,872,415
-	(50,004)	(3,572,415)
<u>-</u>	<u>344,750</u>	<u>300,000</u>
24,139	461,723	751,230
<u>(253,746)</u>	<u>546,440</u>	<u>3,507,652</u>
<u>\$ (229,607)</u>	<u>\$ 1,008,163</u>	<u>\$ 4,258,882</u>

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, 2014

Total net change in fund balances - governmental funds	\$ 751,230
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>(339,415)</u>
Change in net position of governmental activities	<u><u>\$ 411,815</u></u>

See notes to financial statements.

CITY OF CRETE, NEBRASKA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
September 30, 2014

	Business-type Activities - Enterprise Funds	
	Electric Fund	Water Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 385,074	\$ 209,504
Investments	3,934,322	-
Accounts receivable	906,024	97,740
Unbilled revenue	146,765	14,570
Accrued interest receivable	9,955	347
Special assessments receivable	-	480
Due from other funds	460,335	1,294
Inventory	299,480	15,774
Total current assets	6,141,955	339,709
Noncurrent assets:		
Restricted cash and cash equivalents	98,993	-
Restricted investments	638,743	400,000
Noncurrent special assessments receivable	-	-
Capital assets:		
Land	103,232	-
Construction in progress	39,643	-
Distribution systems	6,360,278	5,916,850
Buildings and improvements	3,741,853	1,378,305
Equipment	706,545	182,157
Vehicles	1,021,120	31,448
Accumulated depreciation	(7,522,335)	(3,134,713)
Net capital assets	4,450,336	4,374,047
Total noncurrent assets	5,188,072	4,774,047
Total assets	11,330,027	5,113,756
LIABILITIES		
Current liabilities:		
Accounts payable	756,641	9,166
Sales tax payable	36,611	-
Claims incurred not paid	-	-
Accrued payroll	23,313	18,735
Accrued vacation	26,398	24,468
Other payroll liabilities	758	1,148
Customer deposits	206,369	-
Accrued interest	2,382	1,672
Due to other funds	-	-
Current portion of MEAN payable	118,679	-
Current portion of long-term obligations	171,550	120,450
Total current liabilities	1,342,701	175,639
Noncurrent liabilities:		
Noncurrent portion of MEAN payable	232,370	-
Noncurrent portion of long-term obligations	347,800	244,200
Total noncurrent liabilities	580,170	244,200
Total liabilities	1,922,871	419,839
NET POSITION		
Net investment in capital assets	3,930,986	4,009,397
Restricted for:		
Debt service	531,367	400,000
Unrestricted	4,944,803	284,520
Total net position	\$ 9,407,156	\$ 4,693,917

See notes to financial statements.

<u>Sewer Fund</u>	<u>Total</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 1,270,331	\$ 1,864,909	\$ 31,067
-	3,934,322	-
185,380	1,189,144	-
19,463	180,798	-
183	10,485	-
25,000	25,480	-
218	461,847	-
-	315,254	-
<u>1,500,575</u>	<u>7,982,239</u>	<u>31,067</u>
3,220,203	3,319,196	-
65,926	1,104,669	-
202,805	202,805	-
100,721	203,953	-
1,126,575	1,166,218	-
4,552,013	16,829,141	-
1,101,798	6,221,956	-
574,883	1,463,585	-
141,949	1,194,517	-
(3,316,638)	(13,973,686)	-
<u>4,281,301</u>	<u>13,105,684</u>	<u>-</u>
<u>7,770,235</u>	<u>17,732,354</u>	<u>-</u>
9,270,810	25,714,593	31,067
12,107	777,914	-
-	36,611	-
-	-	64,300
10,091	52,139	-
10,575	61,441	-
346	2,252	356
-	206,369	-
20,918	24,972	-
-	-	60,000
-	118,679	-
73,000	365,000	-
<u>127,037</u>	<u>1,645,377</u>	<u>124,656</u>
-	232,370	-
4,508,000	5,100,000	-
<u>4,508,000</u>	<u>5,332,370</u>	<u>-</u>
<u>4,635,037</u>	<u>6,977,747</u>	<u>124,656</u>
2,920,504	10,860,887	-
65,926	997,293	-
1,649,343	6,878,666	(93,589)
<u>\$ 4,635,773</u>	<u>\$ 18,736,846</u>	<u>\$ (93,589)</u>

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

For the year ended September 30, 2014

	Business-type Activities - Enterprise Funds	
	Electric Fund	Water Fund
Operating revenues:		
Charges for services	\$ 8,150,974	\$ 1,014,084
Municipal sales	291,003	1,974
MEAN lease	195,600	-
Tap fees	-	1,831
Miscellaneous revenues	12,470	992
Total operating revenues	8,650,047	1,018,881
Operating expenses:		
Cost of power	7,233,230	-
Salaries and benefits	475,219	540,134
Insurance and bonds	66,411	22,473
Utilities and telephone	57,695	76,828
Repairs and maintenance	256,830	18,546
Contracted services	-	3,197
Supplies	19,534	24,522
Vehicle expense	23,930	20,810
Fuel and oil	81,328	-
Professional fees	27,004	24,124
Rent expense	6,576	4,944
Dues, memberships and training	15,759	4,519
Bad debts	12,248	3,043
Miscellaneous	16,844	3,676
Depreciation	394,514	176,840
Franchise fees	120,000	-
Insurance claims and health premiums	-	-
Total operating expenses	8,807,122	923,656
Operating income (loss)	(157,075)	95,225
Nonoperating revenues (expenses):		
Interest income	47,477	2,000
Special assessment adjustments	-	(1,880)
Interest expense	(5,538)	(3,888)
Total nonoperating revenues (expenses)	41,939	(3,768)
Income (loss) before transfers	(115,136)	91,457
Interfund transfers:		
Transfers out	(300,000)	-
Change in net position	(415,136)	91,457
Net position - September 30, 2013	9,822,292	4,602,460
Net position - September 30, 2014	\$ 9,407,156	\$ 4,693,917

See notes to financial statements.

<u>Sewer Fund</u>	<u>Total</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 1,118,934	\$ 10,283,992	\$ 869,378
3,426	296,403	-
-	195,600	-
600	2,431	-
-	13,462	-
<u>1,122,960</u>	<u>10,791,888</u>	<u>869,378</u>
-	7,233,230	-
334,645	1,349,998	-
31,310	120,194	-
80,105	214,628	-
18,408	293,784	-
8,096	11,293	-
13,773	57,829	-
11,501	56,241	-
-	81,328	-
11,891	63,019	-
3,180	14,700	-
2,294	22,572	-
1,334	16,625	-
6,727	27,247	-
152,559	723,913	-
-	120,000	-
-	-	1,209,106
<u>675,823</u>	<u>10,406,601</u>	<u>1,209,106</u>
447,137	385,287	(339,728)
9,589	59,066	313
(98,569)	(100,449)	-
(2,357)	(11,783)	-
<u>(91,337)</u>	<u>(53,166)</u>	<u>313</u>
355,800	332,121	(339,415)
-	(300,000)	-
<u>355,800</u>	<u>32,121</u>	<u>(339,415)</u>
4,279,973	18,704,725	245,826
<u>\$ 4,635,773</u>	<u>\$ 18,736,846</u>	<u>\$ (93,589)</u>

CITY OF CRETE, NEBRASKA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For the year ended September 30, 2014

	<u>Electric Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 8,687,683
Receipts from other funds	-
Payments to suppliers	(8,042,962)
Payments to employees	(470,609)
Net cash provided (used) by operating activities	174,112
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers to other funds	(300,000)
Change in due from/to other funds	(455,659)
Net cash provided (used) by noncapital financing activities	(755,659)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of property and equipment	(381,110)
Collection of special assessments	-
Principal payments on capital debt	(171,550)
Interest paid on capital debt	(3,156)
Net cash used by capital and related financing activities	(555,816)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in investments	(35,456)
Interest received	46,916
Net cash provided by investing activities	11,460
Decrease in cash and cash equivalents	(1,125,903)
Cash and cash equivalents - beginning of the year	1,609,970
Cash and cash equivalents - end of the year	\$ 484,067
Composition of cash and cash equivalents:	
Cash and cash equivalents	\$ 385,074
Restricted cash and cash equivalents	98,993
Total cash and cash equivalents	\$ 484,067

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>
\$ 1,029,607	\$ 1,037,327	\$ 10,754,617	\$ -
-	-	-	869,378
(209,298)	(189,665)	(8,441,925)	(1,177,750)
(536,868)	(332,479)	(1,339,956)	-
<u>283,441</u>	<u>515,183</u>	<u>972,736</u>	<u>(308,372)</u>
-	-	(300,000)	-
(1,294)	(266)	(457,219)	60,000
<u>(1,294)</u>	<u>(266)</u>	<u>(757,219)</u>	<u>60,000</u>
(177,212)	(766,436)	(1,324,758)	-
2,377	74,650	77,027	-
(120,450)	(73,000)	(365,000)	-
(2,216)	(1,343)	(6,715)	-
<u>(297,501)</u>	<u>(766,129)</u>	<u>(1,619,446)</u>	<u>-</u>
-	-	(35,456)	-
1,999	9,579	58,494	313
<u>1,999</u>	<u>9,579</u>	<u>23,038</u>	<u>313</u>
(13,355)	(241,633)	(1,380,891)	(248,059)
222,859	4,732,167	6,564,996	279,126
<u>\$ 209,504</u>	<u>\$ 4,490,534</u>	<u>\$ 5,184,105</u>	<u>\$ 31,067</u>
\$ 209,504	\$ 1,270,331	\$ 1,864,909	\$ 31,067
-	3,220,203	3,319,196	-
<u>\$ 209,504</u>	<u>\$ 4,490,534</u>	<u>\$ 5,184,105</u>	<u>\$ 31,067</u>

CITY OF CRETE, NEBRASKA

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

For the year ended September 30, 2014

	<u>Electric Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (157,075)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	394,514
Change in assets and liabilities:	
Accounts receivable	19,167
Inventories	39,714
Customer deposits	18,469
Accounts payable	(145,287)
Accrued expenses	4,610
Net cash provided (used) by operating activities	<u>\$ 174,112</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>
\$ 95,225	\$ 447,137	\$ 385,287	\$ (339,728)
176,840	152,559	723,913	-
10,726	(85,633)	(55,740)	-
852	-	40,566	-
-	-	18,469	-
(3,468)	(1,046)	(149,801)	-
3,266	2,166	10,042	31,356
<u>\$ 283,441</u>	<u>\$ 515,183</u>	<u>\$ 972,736</u>	<u>\$ (308,372)</u>

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

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CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

September 30, 2014

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, 2014

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, 2014.
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, 2014

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, 2014

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:

<u>Fund</u>	<u>Brief Description</u>
<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, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds, 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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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.

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, 2014

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 2013-2014 are recorded as revenue when received by the County.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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, 2014

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, 2014

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, 2014

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, 2014. 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, 2014

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	\$ 9,445,675	\$ 550,503	\$ 8,895,172	\$ -	\$ <u>9,384,870</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –					
Unrestricted cash and cash equivalents					\$ 5,243,381
Restricted cash and cash equivalents					4,073,693
Component Unit –					
Unrestricted cash and cash equivalents					<u>67,796</u>
					<u>\$ 9,384,870</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, 2014. 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	\$ 114,559	\$ -	\$ -	\$ 114,559	\$ 114,559
Time Deposits	5,399,797	-	-	5,399,797	5,399,797
Nebraska Municipal Bonds	20,668	-	-	<u>20,668</u>	<u>20,668</u>
				<u>\$ 5,535,024</u>	<u>\$ 5,535,024</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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	\$	4,084,323
Restricted investments		<u>1,450,701</u>
	\$	<u>5,535,024</u>

2. Restricted Assets

The restricted assets as of September 30, 2014, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 754,497	\$ 3,319,196	\$ 4,073,693
Investments	<u>346,032</u>	<u>1,104,669</u>	<u>1,450,701</u>
Total Restricted Assets	\$ <u>1,100,529</u>	\$ <u>4,423,865</u>	\$ <u>5,524,394</u>

Restricted cash and investments for the governmental activities consists of \$117,499 of General Fund assets restricted for cemetery perpetual care, \$22,000 of General Fund assets restricted for cemetery maintenance, \$221,668 of General Fund assets restricted for library renovations, \$170,392 of Street Fund cash restricted for street improvements, \$271,555 of Debt Service cash restricted for debt service, \$21 of CDBG Fund cash restricted for Federal programs, \$77,727 of Keno Fund cash restricted for community betterment, and \$219,667 of Economic Development Fund cash restricted for economic development.

The Electric Fund restricted assets consist of \$531,367 restricted for debt service and \$206,369 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 \$3,220,203 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, 2014

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, 2014, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 1,189,144
Allowance for uncollectible accounts	(43,000)
Total accounts receivable	<u>\$ 1,146,144</u>

4. Capital Assets

	<u>Balance at October 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at September 30, 2014</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 203,953	\$ -	\$ -	\$ 203,953
Construction in progress	<u>526,444</u>	<u>639,774</u>	<u>-</u>	<u>1,166,218</u>
Total capital assets not being depreciated	730,397	639,774	-	1,370,171
Other capital assets being depreciated:				
Distribution systems	16,604,904	224,237	-	16,829,141
Buildings and improvements	6,186,895	35,061	-	6,221,956
Equipment	1,313,974	149,611	-	1,463,585
Vehicles	<u>1,074,541</u>	<u>119,976</u>	<u>-</u>	<u>1,194,517</u>
Total other capital assets at historical cost	25,180,314	528,885	-	25,709,199
Less accumulated depreciation for:				
Distribution systems	(8,126,471)	(436,892)	(1)	(8,563,364)
Buildings and improvements	(3,234,728)	(146,118)	-	(3,380,846)
Equipment	(935,633)	(79,046)	-	(1,014,679)
Vehicles	<u>(952,940)</u>	<u>(61,857)</u>	<u>-</u>	<u>(1,014,797)</u>
Total accumulated depreciation	<u>(13,249,772)</u>	<u>(723,913) *</u>	<u>(1)</u>	<u>(13,973,686)</u>
Other capital assets, net	<u>11,930,542</u>	<u>(195,028)</u>	<u>(1)</u>	<u>11,735,513</u>
Business-type capital assets, net	<u>\$ 12,660,939</u>	<u>\$ 444,746</u>	<u>\$ (1)</u>	<u>\$ 13,105,684</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 394,514
Water	176,840
Sewer	<u>152,559</u>
Total Business-type Activities depreciation expense	<u>\$ 723,913</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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

4. Capital Assets, continued

Construction in progress at September 30, 2014 consists of \$910,471 of engineering costs and capitalized interest of \$216,104 on the wastewater treatment plant, \$18,554 of engineering costs on the emergency generator, and \$21,089 of engineering costs on the substation ground grid update. See Note D3 for additional details on contractual commitments on these projects.

Component Units:

	Balance at July 31, <u>2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at July 31, <u>2014</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	459,275	-	-	(61,761)	397,514
Other capital assets being depreciated:					
Buildings and improvements	4,647,429	420,686	-	50,511	5,118,626
Equipment	740,881	169,877	(13,908)	11,250	908,100
Total other capital assets at historical cost	5,388,310	590,563	(13,908)	61,761	6,026,726
Less accumulated depreciation for:					
Buildings and improvements	(2,690,889)	(150,090)	-	-	(2,840,979)
Equipment	(256,240)	(42,431)	13,908	-	(284,763)
Total accumulated depreciation	(2,947,129)	(192,521)	13,908	-	(3,125,742)
Other capital assets, net	2,441,181	398,042	-	61,761	2,900,984
Governmental activities capital assets, net	\$ 2,900,456	\$ 398,042	\$ -	\$ -	\$ 3,298,498

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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, 2014:

<u>Type of Debt</u>	Balance October 1, 2013	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2014	Amounts Due Within <u>One Year</u>
Business-type Activities:					
Bonds payable	\$ 1,470,000	\$ -	\$ (365,000)	\$ 1,105,000	\$ 365,000
Bond anticipation notes	4,360,000	-	-	4,360,000	-
Total Business-type Activities	<u>\$ 5,830,000</u>	<u>\$ -</u>	<u>\$ (365,000)</u>	<u>\$ 5,465,000</u>	<u>\$ 365,000</u>
	Balance August 1, 2013	<u>Additions</u>	<u>Deductions</u>	Balance July 31, 2014	Amounts Due Within <u>One Year</u>
Component unit:					
Crete Airport Authority					
Notes payable	\$ 27,061	\$ -	\$ (12,924)	\$ 14,137	\$ 12,924
Bonds payable	120,000	-	(37,000)	83,000	37,000
Total component unit	<u>\$ 147,061</u>	<u>\$ -</u>	<u>\$ (49,924)</u>	<u>\$ 97,137</u>	<u>\$ 49,924</u>

Business-type Activities

As of September 30, 2014, 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.

\$ 1,105,000

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2014

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 \$ 5,465,000

Current portion \$ 365,000

Noncurrent portion 5,100,000

Total \$ 5,465,000

Component Units:

Crete Airport Authority

As of July 31, 2014, 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. \$ 14,137

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. 83,000

\$ 97,137

Current portion \$ 49,924

Noncurrent portion 47,213

Total long-term debt \$ 97,137

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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, 2014, are as follows:

Year Ending <u>September 30,</u>	<u>Business-type Activities</u>		<u>Crete Airport Authority</u>	
	<u>Bonds Payable & BANs</u>		<u>Notes & Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	-	-	-	-
2019	-	-	-	-
	<u>\$ 5,465,000</u>	<u>\$ 219,468</u>	<u>\$ 97,137</u>	<u>\$ 3,635</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 \$232,370 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, \$50,668 is due to be repaid during the year ending September 30, 2015.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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	\$ 300,000	\$ -
Street	-	(104,004)
Intrafund General	3,073,657	(3,073,657)
Nonmajor Governmental Funds	-	(300,014)
Total General Fund	3,373,657	(3,477,675)
Street Fund:		
General	104,004	-
Nonmajor Governmental Funds	-	(44,736)
Total Street Fund	104,004	(44,736)
Nonmajor Governmental Funds:	394,754	(50,004)
Electric Fund:		
General	-	(300,000)
Total Operating Transfers	\$ 3,872,415	\$ (3,872,415)

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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

6. Interfund Transactions and Balances, continued

Interfund Balances

At September 30, 2014, the General Fund owed \$283 to the Street Fund, \$335 to the Electric Fund, \$1,294 to the Water Fund, and \$218 to the Sewer Fund. The Capital Projects Fund owed \$400,000 to the Electric Fund, and the Internal Service Fund owed \$60,000 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 6.5 percent of all earnings deferred. 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 employer contribution amounted to \$117,091 for the year ended September 30, 2014, and the employee contributions also totaled \$117,091 for the year ended September 30, 2014, on \$1,951,520 of covered payroll (with total payroll of \$2,485,055).

The City's police contribution amounted to \$40,156 for the year ended September 30, 2014, and the police employee contributions also totaled \$40,156 for the year ended September 30, 2014, on \$617,783 of covered payroll (with total payroll of \$635,554).

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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, 2014 were \$6,260.

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, 2014, 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, 2014

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 2014	\$ 492,272
November 2014	10,000
December 2014	151,495
January 2015	46,018
February 2015	1,210,027
March 2015	310,184
April 2015	128,000
May 2015	189,988
June 2015	100,000
July 2015	217,184
August 2015	100,000
September 2015	279,250
November 2015	1,000
December 2015	121,082
March 2016	326,607
May 2016	90,000
June 2016	102,315
August 2016	98,410
October 2016	112,866
March 2017	97,651
August 2017	291,377
May 2018	199,501
July 2018	103,499
April 2019	97,840
January 2020	50,123
December 2021	97,578
February 2022	96,033
May 2023	182,814
June 2024	10,589
October 2026	5,061
March 2027	<u>101,701</u>
	\$ <u>5,420,465</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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, 2014, the City’s investments consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Pinnacle Bank	\$ 791,364
City Bank & Trust	1,407,000
Edward Jones	20,668
Wells Fargo Advisors	<u>3,201,433</u>
	<u>\$ 5,420,465</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, 2014.

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, 2014, will not be significant to the City’s financial statements.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Construction and Commitments

As of September 30, 2014, the City had the following construction obligations:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/14</u>	<u>Remaining Commitment</u>	<u>Expected Date of Completion</u>
2014 Paving improvements:				
Engineering	\$ 33,767	\$ 27,707	\$ 6,060	December 2014
Contractor	<u>323,515</u>	<u>109,370</u>	<u>214,145</u>	December 2014
Total 2014 paving	357,282	137,077	220,205	
2014 Street improvements:				
Engineering	45,000	29,250	15,750	December 2014
Wastewater treatment plant:				
Engineering	743,772	549,184	194,588	April 2016
SBR & aerobic digester equipment	440,165	-	440,165	April 2016
Grit removal equipment	121,000	-	121,000	April 2016
Sludge dewatering equipment	323,850	-	323,850	April 2016
UV equipment	<u>227,000</u>	-	<u>227,000</u>	April 2016
Total wastewater treatment plant	1,855,787	549,184	1,306,603	
Electric substation ground grid:				
Engineering	28,240	12,908	15,332	June 2015
Electric emergency generator:				
Engineering	<u>20,000</u>	<u>18,554</u>	<u>1,446</u>	December 2014
	<u>\$ 2,306,309</u>	<u>\$ 746,973</u>	<u>\$ 1,559,336</u>	

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.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

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.

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 \$5,967,633 for the year ended September 30, 2014. 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 \$195,600 for the year ended September 30, 2014. 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, 2014, future lease obligations are as follows:

<u>Year Ended September 30,</u>	<u>Lease Commitments</u>
2015	\$ 5,872
2016	5,872
2017	<u>4,114</u>
	\$ <u>15,858</u>

Total rent expense was \$5,872 for the year ended September 30, 2014.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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, 2014:

<u>Type of Debt</u>	Balance October 1, 2013	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2014	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds payable	\$ 2,295,000	\$ 2,250,000	\$ (2,295,000)	\$ 2,250,000	\$ 195,000
Bond anticipation notes	250,000	325,000	(250,000)	325,000	-
Capital lease obligations	<u>1,122,000</u>	<u>-</u>	<u>(131,000)</u>	<u>991,000</u>	<u>133,000</u>
Total Governmental-type Activities	<u>\$ 3,667,000</u>	<u>\$ 2,575,000</u>	<u>\$ (2,676,000)</u>	<u>\$ 3,566,000</u>	<u>\$ 328,000</u>

Governmental Activities:

As of September 30, 2014, the governmental long-term liabilities consisted of the following:

Bonds payable:

During April 2014, the City issued General Obligation Refunding Bonds totaling \$2,250,000 to refinance the Series 2009 GO Refunding Bonds. The bonds bear interest at rates ranging from 0.25 percent to 2.85 percent with annual principal payments beginning November 15, 2014, through November 15, 2024.

\$ 2,250,000

Bonds anticipation notes:

During July 2014, the City issued Series 2014 Bond Anticipation Notes (BAN's) totaling \$325,000 to provide interim financing for capital projects and to refinance \$250,000 of Series 2012 BAN's. The BAN's bear interest of 3.0 percent and mature July 18, 2017.

325,000

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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. 865,000

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. 126,000

Total long-term debt \$ 3,566,000

Current portion \$ 328,000

Noncurrent portion 3,238,000

Total long-term debt \$ 3,566,000

Annual debt service requirements to maturity, including principal and interest, for governmental long-term debt as of September 30, 2014, are as follows:

Year Ending <u>September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 328,000	\$ 69,416
2016	330,000	66,546
2017	657,000	63,070
2018	336,000	48,930
2019	344,000	43,467
2020-2024	1,346,000	110,184
2025-2029	<u>225,000</u>	<u>3,206</u>
	<u>\$3,566,000</u>	<u>\$404,819</u>

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2014

NOTE D – OTHER NOTES, continued

5. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2014:

<u>Parties to Agreement</u>	<u>Term</u>	<u>Description</u>
Seward/Saline County Waste Area Management Agency	7/1/93 to 8/31/15	Solid Waste disposal
Saline County Mutual Finance Organization	7/1/14 to 6/30/15	Fire and Rescue equipment
Saline County Rural Fire District	7/1/14 to 6/30/15	Fire and Rescue services
Southeast Nebraska Development District	7/1/14 to 6/30/15	Economic and Community Development services
League Association of Risk management	10/1/13 to 9/30/16	Risk Management services and coverage
Saline County School District #2	1/1/14 to 12/31/17	School resource officer
NMPP Energy MEAN	4/1/81 to 3/31/38	Wholesale electricity and related services

6. TIF Agreements

On April 23, 2014, the Community Development Agency of the City of Crete (CDA) entered into a redevelopment contract with Kamake, Inc. (Redeveloper). The Redeveloper intends to create additional taxable real property valuation on the project of \$332,590 no later than December 31, 2014. The Redeveloper shall pay all projects costs related to the construction of the improvements. Under terms of the agreements, the CDA will issue \$81,000 of Redeveloper TIF indebtedness.

On April 3, 2014, the Community Development Agency of the City of Crete entered into a redevelopment contract with Union Bank and Trust Company (Redeveloper). The Redeveloper intends to create additional taxable real property valuation on the project of \$1,100,000 no later than December 31, 2014. The Redeveloper shall pay all project costs related to the construction of the improvements. Under terms of the agreement, the CDA will issue \$250,000 of Redeveloper TIF indebtedness.

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2014

NOTE D – OTHER NOTES, continued

7. Subsequent Events

Management has evaluated subsequent events through January 7, 2015, the date on which the financial statements were available for issue.

During December 2014, the City and the Fraternal Order of Police Lodge 74 settled a case being heard by the Nebraska Commission of Industrial Relations regarding wages and benefits for the contract periods ended September 30, 2013 and 2014. Under terms of the settlement, on December 25, 2014, the City paid a total of \$22,258 for retroactive wages, vacation pay, payroll taxes and retirement contributions for the year ended September 30, 2013, and paid \$63,223 for the year ended September 30, 2014.

SUPPLEMENTARY INFORMATION

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

Year ended September 30, 2014

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 1,057,000	\$ 1,018,028	\$ (38,972)
Motor vehicle	75,000	80,294	5,294
Occupation	70,000	138,491	68,491
Franchise	255,000	172,024	(82,976)
Sales	700,000	783,174	83,174
Intergovernmental	503,500	509,791	6,291
Grants	93,525	80,837	(12,688)
Charges for services	524,250	550,135	25,885
Interest income	5,750	5,839	89
Contributions	265,000	29,501	(235,499)
Sales proceeds on equipment	-	391,781	391,781
Other	1,400	28,284	26,884
Total resources	3,550,425	3,788,179	237,754
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	642,075	774,861	132,786
Public safety	1,747,805	1,682,297	(65,508)
Public works	90,220	75,854	(14,366)
Environment and leisure	915,027	721,038	(193,989)
Capital outlay	742,175	337,340	(404,835)
Total charges to appropriations	4,137,302	3,591,390	(545,912)
Resources over (under) charges to appropriations	(586,877)	196,789	783,666
OTHER FINANCING SOURCES (USES)			
Transfers in	3,390,287	3,373,657	(16,630)
Transfers out	(3,519,560)	(3,477,675)	41,885
Net transfers	(129,273)	(104,018)	25,255
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS			
	\$ (716,150)	\$ 92,771	\$ 808,921

CITY OF CRETE, NEBRASKA

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

Year ended September 30, 2014

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Intergovernmental	\$ 615,000	\$ 656,354	\$ 41,354
Charges for services	17,500	16,759	(741)
Other revenue	<u>100</u>	<u>1,497</u>	<u>1,397</u>
Total resources	632,600	674,610	42,010
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	669,950	594,919	(75,031)
Capital outlay	<u>23,500</u>	<u>-</u>	<u>(23,500)</u>
Total charges to appropriations	<u>693,450</u>	<u>594,919</u>	<u>(98,531)</u>
Resources over (under) charges to appropriations	(60,850)	79,691	140,541
OTHER FINANCING SOURCES (USES)			
Transfers in	104,000	104,004	4
Transfers out	<u>(43,150)</u>	<u>(44,736)</u>	<u>(1,586)</u>
Net transfers	<u>60,850</u>	<u>59,268</u>	<u>(1,582)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ -</u>	<u>\$ 138,959</u>	<u>\$ 138,959</u>

CITY OF CRETE, NEBRASKA

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

Year ended September 30, 2014

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Property tax	\$ 364,500	\$ 356,361	\$ (8,139)
Special assessments	30,000	72,404	42,404
Interest income	500	-	(500)
Bond proceeds	-	2,250,000	2,250,000
Total resources	<u>395,000</u>	<u>2,678,765</u>	<u>2,283,765</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments	350,000	2,545,000	2,195,000
Interest expense	79,000	72,667	(6,333)
Bond fees	1,000	27,460	26,460
Total charges to appropriations	<u>430,000</u>	<u>2,645,127</u>	<u>2,215,127</u>
Resources over (under) charges to appropriations	(35,000)	33,638	68,638
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>35,000</u>	<u>-</u>	<u>(35,000)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ -</u>	<u>\$ 33,638</u>	<u>\$ 33,638</u>

CITY OF CRETE, NEBRASKA

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

Year ended September 30, 2014

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Grants	\$ -	\$ 45,747	\$ 45,747
Charges for services	-	4,051	4,051
Contributions	-	10,000	10,000
Loan proceeds	5,550,000	325,000	(5,225,000)
Total resources	<u>5,550,000</u>	<u>384,798</u>	<u>(5,165,202)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	-	12,182	12,182
Capital projects	2,290,000	348,461	(1,941,539)
Bond fees	-	16	16
Total charges to appropriations	<u>2,290,000</u>	<u>360,659</u>	<u>(1,929,341)</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS			
	<u>\$ 3,260,000</u>	<u>\$ 24,139</u>	<u>\$ (3,235,861)</u>

CITY OF CRETE, NEBRASKA

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

September 30, 2014

	Special Revenue Funds		
	CDBG <u>Fund</u>	Keno <u>Fund</u>	Enhanced 911 <u>Fund</u>
ASSETS			
Cash and cash equivalents	\$ 21	\$ 77,727	\$ 29,667
LIABILITIES AND FUND BALANCES			
Fund balances:			
Restricted for:			
Federal programs	\$ 21	\$ -	\$ -
Community betterment	-	77,727	-
Economic development	-	-	-
Assigned for:			
Capital outlay	-	-	-
Public safety	-	-	29,667
Total fund balances	\$ 21	\$ 77,727	\$ 29,667

<u>Special Revenue Funds</u>		Total
<u>Capital</u>	<u>Economic</u>	<u>Other</u>
<u>Outlay</u>	<u>Development</u>	<u>Governmental</u>
<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
\$ 681,081	\$ 219,667	\$ 1,008,163
\$ -	\$ -	\$ 21
-	-	77,727
-	219,667	219,667
681,081	-	681,081
-	-	29,667
<u>\$ 681,081</u>	<u>\$ 219,667</u>	<u>\$ 1,008,163</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, 2014

	Special Revenue Funds		
	CDBG Fund	Keno Fund	Enhanced 911 Fund
REVENUES			
Sales tax	\$ -	\$ -	\$ -
Charges for services	-	-	21,243
Keno proceeds	-	59,512	-
Contributions	-	-	-
Interest income	-	8	-
Total revenues	-	59,520	21,243
EXPENDITURES			
General government	-	15,742	-
Public safety	-	-	7,969
Environment and leisure	-	11,497	-
Economic development	-	-	-
Capital outlay	-	-	-
Principal payments	-	-	-
Interest on long-term debt	-	-	-
Total expenditures	-	27,239	7,969
Excess (deficiency) of revenues over expenditures before transfers	-	32,281	13,274
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	-
Net change in fund balances	-	32,281	13,274
Fund balances - September 30, 2013	21	45,446	16,393
Fund balances - September 30, 2014	\$ 21	\$ 77,727	\$ 29,667

<u>Special Revenue Funds</u>		
<u>Capital Outlay Fund</u>	<u>Economic Development Fund</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ 339,293	\$ 339,293
-	-	21,243
-	-	59,512
-	6,751	6,751
-	225	233
<hr/>	<hr/>	<hr/>
-	346,269	427,032
681	-	16,423
14,765	-	22,734
-	-	11,497
-	35,034	35,034
66,687	-	66,687
-	131,000	131,000
-	26,684	26,684
<hr/>	<hr/>	<hr/>
82,133	192,718	310,059
(82,133)	153,551	116,973
<hr/>	<hr/>	<hr/>
394,754	(50,004)	344,750
312,621	103,547	461,723
<hr/>	<hr/>	<hr/>
368,460	116,120	546,440
<hr/>	<hr/>	<hr/>
<u>\$ 681,081</u>	<u>\$ 219,667</u>	<u>\$ 1,008,163</u>

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

July 31, 2014 and September 30, 2014

	<u>Crete Airport Authority (July 31, 2014)</u>	<u>Crete Leasing Corporation (September 30, 2014)</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 67,796	\$ -	\$ 67,796
County treasurer cash	1,019	-	1,019
Accounts receivable	8,864	-	8,864
Fuel inventory	31,325	-	31,325
Prepaid insurance	5,716	-	5,716
Total current assets	<u>114,720</u>	<u>-</u>	<u>114,720</u>
Noncurrent assets:			
Capital assets:			
Land	397,514	-	397,514
Other capital assets, net of depreciation	2,900,984	-	2,900,984
Net capital assets	<u>3,298,498</u>	<u>-</u>	<u>3,298,498</u>
Total assets	3,413,218	-	3,413,218
LIABILITIES			
Current liabilities:			
Accounts payable	1,882	-	1,882
Unearned rent revenue	13,015	-	13,015
Current portion of long-term obligation	49,924	-	49,924
Total current liabilities	<u>64,821</u>	<u>-</u>	<u>64,821</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	47,213	-	47,213
Total liabilities	<u>112,034</u>	<u>-</u>	<u>112,034</u>
NET POSITION			
Net investment in capital assets	3,201,361	-	3,201,361
Unrestricted	99,823	-	99,823
Total net position	<u>\$ 3,301,184</u>	<u>\$ -</u>	<u>\$ 3,301,184</u>

See notes to financial statements.

CITY OF CRETE, NEBRASKA

**COMBINING STATEMENT OF ACTIVITIES -
COMPONENT UNITS**

For the year ended July 31, and September 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Component units:			
Crete Airport Authority (7/31/14)	\$ 364,141	\$ 158,405	\$ -
Crete Leasing Corporation (9/30/14)	374	-	-
Total component units	\$ 364,515	\$ 158,405	\$ -

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>
\$ 542,820	\$ 337,084	\$ -	\$ 337,084
-	-	(374)	(374)
<u>\$ 542,820</u>	<u>337,084</u>	<u>(374)</u>	<u>336,710</u>
General revenues:			
Property taxes	53,590	-	53,590
Interest income	224	-	224
Other income	3,757	-	3,757
Total general revenues	<u>57,571</u>	<u>-</u>	<u>57,571</u>
Change in net position	394,655	(374)	394,281
Net position - September 30, 2013	<u>2,906,529</u>	<u>374</u>	<u>2,906,903</u>
Net position - September 30, 2014	<u>\$ 3,301,184</u>	<u>\$ -</u>	<u>\$ 3,301,184</u>

SINGLE AUDIT REPORTS

CITY OF CRETE, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended September 30, 2014

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Transportation</u>		
Passed Through Nebraska Department of Roads: Federal-Aid Highway Program	20.205	\$ 40,808
Passed Through Nebraska Office of Highway Safety Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	11,808
Passed Through Nebraska Department of Aeronautics: Airport Improvement Program	20.106	<u>542,820</u> *
Total Department of Transportation		<u>595,436</u>
<u>Department of Justice</u>		
COPS Hiring Program	16.710	<u>16,234</u>
Total Federal Awards		<u><u>\$ 611,670</u></u>

*Major Program

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Crete, Nebraska, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



**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***

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, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 7, 2015. 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

SHAREHOLDERS

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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 in the accompanying schedule of findings and questioned costs as 2014-001 that we consider to be significant deficiencies.

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 described in the accompanying schedule of findings and questioned costs. 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 & Luth, P.C.*
Grand Island, Nebraska
January 7, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

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Report on Compliance for Each Major Federal Program

We have audited the City of Crete, Nebraska's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2014. The City of Crete, Nebraska's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Crete, Nebraska's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Crete, Nebraska's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Crete, Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control over Compliance

Management of the City of Crete, Nebraska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Amquist, Malzah
Galloway & Luth, P.C.

Grand Island, Nebraska
January 7, 2015

CITY OF CRETE, NEBRASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2014

1. A summary of auditors' results:
 - (i) An unmodified opinion was issued on the financial statements of the City of Crete, Nebraska, as of September 30, 2014.
 - (ii) One significant deficiency disclosed during the audit of the financial statements is reported in the "Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*." The deficiency is not reported as a material weakness.
 - (iii) The audit disclosed no instances of noncompliance which are material to the financial statements of the City of Crete, Nebraska.
 - (iv) The audit did not disclose any significant deficiencies in the internal control over major programs for the City of Crete, Nebraska.
 - (v) An unmodified opinion was issued on compliance for major programs.
 - (vi) The audit did not disclose any audit findings which we are required to report under §____.510(a).
 - (vii) Major Program: CFDA #20.106 – Airport Improvement Program.
 - (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
 - (ix) The City of Crete, Nebraska, did not qualify as a low-risk auditee under §____.530.
2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS.

2014-001 Due to a limited number of personnel, there is not adequate segregation of duties to ensure internal control over cash receipts, disbursements, and recording of transactions.

Management's Response – It is impractical to further segregate duties due to the limited number of accounting personnel.
3. Findings and questioned costs for Federal awards which shall include audit findings as defined in §____.510(a).

None

CITY OF CRETE, NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended September 30, 2014

There were no prior audit findings for the year ended September 30, 2013.