

CITY OF CRETE, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2015

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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, 2015, 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, 2015, 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 14, 2016, 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.

*Almquist, Malthalm,
Galloway & Luth, PC.*

Grand Island, Nebraska
January 14, 2016

CITY OF CRETE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2015

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, 2015. 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 \$22,986,608 (*net position*). Of this amount, \$7,611,956 (*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 \$4,516,001. Approximately 63.4 percent of this total amount, \$2,865,017, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,431,758, or 62.5 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, 2015

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 Community Development Agency) 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 ten 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 six 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, 2015

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 23-58 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 59-66 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 \$22,986,608 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, 2015

Government-wide Financial Analysis, continued

Summary Statements of Net Position

	Year Ended September 30, 2015			Year Ended September 30, 2014		
	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	\$ 4,520,855	\$ 13,728,320	\$ 18,249,175	\$ 4,230,809	\$ 12,608,909	\$ 16,839,718
Capital Assets	-	18,395,011	18,395,011	-	13,105,684	13,105,684
Total Assets	4,520,855	32,123,331	36,644,186	4,230,809	25,714,593	29,945,402
Long-term Liabilities:						
Outstanding	-	9,900,026	9,900,026	-	5,332,370	5,332,370
Other Liabilities	4,854	3,752,698	3,757,552	65,516	1,645,377	1,710,893
Total Liabilities	4,854	13,652,724	13,657,578	65,516	6,977,747	7,043,263
Net Position						
Net Investment in Capital						
Assets	-	12,726,375	12,726,375	-	10,860,887	10,860,887
Restricted	1,650,984	997,293	2,648,277	1,115,227	997,293	2,112,520
Unrestricted	2,865,017	4,746,939	7,611,956	3,050,066	6,878,666	9,928,732
Total Net Position	\$ 4,516,001	\$ 18,470,607	\$ 22,986,608	\$ 4,165,293	\$ 18,736,846	\$ 22,902,139

A large portion of the City of Crete's net position (55.4 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 (11.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$7,611,956) 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, 2015

	<u>September 30, 2015</u>			<u>September 30, 2014</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	\$ 590,894	\$ 11,322,831	\$ 11,913,725	\$ 592,188	\$ 10,791,888	\$ 11,384,076
Operating Grants and Contributions	149,403	-	149,403	64,448	-	64,448
Capital Grants and Contributions	1,112,339	5,985	1,118,324	2,714,876	-	2,714,876
General Revenues:						
Property Taxes	1,349,422	-	1,349,422	1,374,389	-	1,374,389
Sales and Use Taxes	1,191,357	-	1,191,357	1,122,467	-	1,122,467
Other Taxes and Fees	414,488	-	414,488	463,213	-	463,213
State Allocation	1,170,622	-	1,170,622	1,134,657	-	1,134,657
Interest Income	4,831	82,795	87,626	6,385	59,066	65,451
Other	148,289	-	148,289	481,074	-	481,074
Total Revenues	<u>6,131,645</u>	<u>11,411,611</u>	<u>17,543,256</u>	<u>7,953,697</u>	<u>10,850,954</u>	<u>18,804,651</u>
Expenses						
General Government	753,974	-	753,974	843,903	-	843,903
Public Safety	2,532,146	-	2,532,146	2,209,172	-	2,209,172
Public Works	1,404,874	-	1,404,874	1,097,663	-	1,097,663
Environmental and Leisure	942,223	-	942,223	853,283	-	853,283
Economic Development	9,271	-	9,271	35,034	-	35,034
Debt Service	413,449	-	413,449	2,802,827	-	2,802,827
Electric	-	9,706,644	9,706,644	-	8,812,660	8,812,660
Water	-	941,305	941,305	-	929,424	929,424
Sewer	-	754,901	754,901	-	776,749	776,749
Total Expenses	<u>6,055,937</u>	<u>11,402,850</u>	<u>17,458,787</u>	<u>7,841,882</u>	<u>10,518,833</u>	<u>18,360,715</u>
Increase in Net Position						
Before Transfers	75,708	8,761	84,469	111,815	332,121	443,936
Net Transfers	<u>275,000</u>	<u>(275,000)</u>	<u>-</u>	<u>300,000</u>	<u>(300,000)</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ 350,708</u>	<u>\$ (266,239)</u>	<u>\$ 84,469</u>	<u>\$ 411,815</u>	<u>\$ 32,121</u>	<u>\$ 443,936</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 information is useful in assessing the City of Crete's financing requirements. In particular,

CITY OF CRETE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2015

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 \$4,540,240. Approximately 53.0 percent of this total amount (\$2,405,238) 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 (\$440,201), 2) restricted to pay debt service (\$294,802), 3) restricted for federal programs (\$20), 4) endowed as nonspendable to fund perpetual care (\$118,464), 5) restricted for community betterment (\$74,014), 6) restricted to fund economic development projects (\$455,065), 7) restricted for cemetery maintenance (\$22,000), 8) restricted for library renovations (\$246,418), 9) committed for the STOP program (\$2,787), 10) assigned for capital outlay (\$350,391), 11) assigned for cemetery projects (\$100,000), or 12) assigned for public safety (\$30,840).

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 \$2,431,758, while total fund balance reached \$2,921,427. 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 62.5 percent of General Fund total expenditures, while total fund balance represents 75.0 percent of General Fund total expenditures.

The fund balance of the City of Crete's General Fund increased by \$20,409 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 - \$3,404,068, Water Fund - \$280,914, and Sewer Fund - \$1,061,957. The growth (decrease) in net position for the proprietary funds was as follows: Electric Fund - decrease of \$(1,092,666), Water Fund - \$148,772, and Sewer Fund - \$677,655. Other factors concerning the finances of these three 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, 2015

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, 2015, amounts to \$18,395,011 (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:

- Electric substation rebuild - \$66,054
- 2015 electric structure improvements - \$62,498
- Electric generators - \$136,970
- Substation grid updates - \$223,966
- LTC control upgrades - \$33,844
- Transformers - \$59,872
- 2015 Ford pickup for electric department - \$30,977
- Construction in progress on wastewater treatment plant - \$4,563,177
- Land for wastewater treatment plant - \$440,607
- 2015 Ford pickup for sewer department - \$29,405
- Sewer camera system - \$73,417
- Water distribution system rebuilds - \$154,694

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

	<u>Year Ended September 30, 2015</u>			<u>Year Ended September 30, 2014</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	\$ -	\$ 644,560	\$ 644,560	\$ -	\$ 203,953	\$ 203,953
Construction in Progress	-	5,697,852	5,697,852	-	1,166,218	1,166,218
Distribution Systems	-	8,424,918	8,424,918	-	8,265,777	8,265,777
Buildings and Improvements	-	2,918,982	2,918,982	-	2,841,110	2,841,110
Equipment	-	524,443	524,443	-	448,906	448,906
Vehicles	-	184,256	184,256	-	179,720	179,720
Total	<u>\$ -</u>	<u>\$ 18,395,011</u>	<u>\$ 18,395,011</u>	<u>\$ -</u>	<u>\$ 13,105,684</u>	<u>\$ 13,105,684</u>

Additional information on the City of Crete's capital assets can be found in Note C4 on pages 43-44 of this report.

**CITY OF CRETE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2015**

Long-term Debt

Outstanding Long-term Debt

	Year Ended September 30, 2015			Year Ended September 30, 2014		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
Revenue Bonds	\$ -	\$ 740,000	\$ 740,000	\$ -	\$ 1,105,000	\$ 1,105,000
Bond Anticipation Notes	-	9,360,000	9,360,000	-	4,360,000	4,360,000
Total Long-term Outstanding Debt	\$ -	\$ 10,100,000	\$ 10,100,000	\$ -	\$ 5,465,000	\$ 5,465,000

The City's long-term debt increased \$4,635,000 (84.8 percent) during the year ended September 30, 2015, due to the issuance of an additional \$5 million of bond anticipation notes for the wastewater treatment plant construction.

Additional information on the City of Crete's long-term debt can be found in Note C5 on pages 45-47 of this report.

Economic Factors and Next Year's Budgets and Rates

- At September 30, 2015, the City had contractual commitments of \$7,455,098 remaining to be paid for engineering and construction costs on the wastewater treatment plant. The City plans to complete this project by July 2016 and had \$4,431,364 of unspent bond anticipation note proceeds available for the project as of September 30, 2015.
- As of September 30, 2015, the City had contractual commitments of \$134,777 remaining to be paid for engineering and construction costs on the substation ground grid project. The City plans to complete this project during October 2015.
- As of September 30, 2015, the City had contractual commitments of \$3,580,545 on the West 13th Street bridge project, which the City plans to complete by November 2016.

All of these factors were considered in preparing the City of Crete's budget for the 2016 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, 2015

	Primary Government		Total	Component Units (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,243,711	\$ 1,757,934	\$ 5,001,645	\$ 84,290
Investments	171,999	3,601,695	3,773,694	-
County treasurer cash	121,661	-	121,661	944
Accounts receivable	-	1,172,159	1,172,159	25,791
Unbilled revenue	-	206,667	206,667	-
Due from City of Crete	-	-	-	785
Accrued interest receivable	-	8,023	8,023	-
Current portion of TIF receivables	-	-	-	12,200
Current portion-special assessments receivable	-	25,480	25,480	-
Due (to) from other funds	(667,345)	667,345	-	-
Prepaid insurance	-	145,334	145,334	4,714
Inventory	-	319,453	319,453	10,041
Total current assets	<u>2,870,026</u>	<u>7,904,090</u>	<u>10,774,116</u>	<u>138,765</u>
Noncurrent assets:				
Restricted cash and cash equivalents	1,297,411	4,545,414	5,842,825	-
Restricted investments	353,418	1,100,619	1,454,037	-
Noncurrent portion of TIF receivables	-	-	-	171,400
Noncurrent special assessments receivable	-	178,197	178,197	-
Capital assets:				
Land	-	644,560	644,560	397,514
Construction in progress	-	5,697,852	5,697,852	-
Other capital assets, net of depreciation	-	12,052,599	12,052,599	2,691,500
Net capital assets	<u>-</u>	<u>18,395,011</u>	<u>18,395,011</u>	<u>3,089,014</u>
Total noncurrent assets	<u>1,650,829</u>	<u>24,219,241</u>	<u>25,870,070</u>	<u>3,260,414</u>
Total assets	<u>4,520,855</u>	<u>32,123,331</u>	<u>36,644,186</u>	<u>3,399,179</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	2,821,924	2,821,924	10,673
Accrued expenses	4,854	158,387	163,241	-
Customer deposits	-	217,376	217,376	-
Accrued interest	-	117,000	117,000	-
Unearned rent revenue	-	-	-	10,775
Current portion MEAN payable	-	68,011	68,011	-
Current portion of long-term obligations	-	370,000	370,000	42,413
Total current liabilities	<u>4,854</u>	<u>3,752,698</u>	<u>3,757,552</u>	<u>63,861</u>
Noncurrent liabilities:				
Noncurrent portion of MEAN payable	-	170,026	170,026	-
Noncurrent portion of long-term obligations	-	9,730,000	9,730,000	53,200
Total noncurrent liabilities	<u>-</u>	<u>9,900,026</u>	<u>9,900,026</u>	<u>53,200</u>
Total liabilities	<u>4,854</u>	<u>13,652,724</u>	<u>13,657,578</u>	<u>117,061</u>
NET POSITION				
Net investment in capital assets	-	12,726,375	12,726,375	3,041,801
Restricted for:				
Cemetery perpetual care	118,464	-	118,464	-
Street improvements	440,201	-	440,201	-
Debt service	294,802	997,293	1,292,095	-
Economic development	455,065	-	455,065	-
Federal projects	20	-	20	-
Community betterment	74,014	-	74,014	-
Cemetery maintenance	22,000	-	22,000	-
Library renovations	246,418	-	246,418	-
Unrestricted	<u>2,865,017</u>	<u>4,746,939</u>	<u>7,611,956</u>	<u>240,317</u>
Total net position	<u>\$ 4,516,001</u>	<u>\$ 18,470,607</u>	<u>\$ 22,986,608</u>	<u>\$ 3,282,118</u>

See notes to financial statements.

CITY OF CRETE, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2015

<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	\$ 753,974	\$ 50,911	\$ 31,708
Public safety	2,532,146	407,728	93,462
Public works	1,404,874	47,351	1,962
Environment and leisure	942,223	84,904	2,271
Economic development	9,271	-	20,000
Principal payments	328,000	-	-
Interest and fees on long-term debt	85,449	-	-
Total governmental activities	<u>6,055,937</u>	<u>590,894</u>	<u>149,403</u>
Business-type activities			
(accrual basis):			
Electric	9,706,644	8,819,192	-
Water	941,305	1,082,212	-
Sewer	754,901	1,421,427	-
Total business-type activities	<u>11,402,850</u>	<u>11,322,831</u>	<u>-</u>
Total primary government	<u>\$ 17,458,787</u>	<u>\$ 11,913,725</u>	<u>\$ 149,403</u>
Component units (accrual basis):			
Crete Airport Authority	\$ 424,805	\$ 217,280	\$ -
Community Development Agency	48,400	183,600	-
Total component units	<u>\$ 473,205</u>	<u>\$ 400,880</u>	<u>\$ -</u>

See notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position				
Primary Government				
<u>Capital Grants and Contributions</u>	<u>Governmental Activities (Modified Cash Basis)</u>	<u>Business-type Activities (Accrual Basis)</u>	<u>Total</u>	<u>Component Units (Accrual Basis)</u>
\$ -	\$ (671,355)		\$ (671,355)	
114,128	(1,916,828)		(1,916,828)	
29,364	(1,326,197)		(1,326,197)	
98,847	(756,201)		(756,201)	
-	10,729		10,729	
870,000	542,000		542,000	
-	(85,449)		(85,449)	
<u>1,112,339</u>	<u>(4,203,301)</u>	<u>\$ -</u>	<u>(4,203,301)</u>	
-	-	(887,452)	(887,452)	
5,985	-	146,892	146,892	
-	-	666,526	666,526	
<u>5,985</u>	<u>-</u>	<u>(74,034)</u>	<u>(74,034)</u>	
<u>\$ 1,118,324</u>	<u>(4,203,301)</u>	<u>(74,034)</u>	<u>(4,277,335)</u>	
\$ -				\$ (207,525)
-				<u>135,200</u>
<u>\$ -</u>				<u>(72,325)</u>
General revenues:				
Taxes:				
Property	1,349,422	-	1,349,422	53,243
Motor vehicle	82,853	-	82,853	-
Occupation	63,400	-	63,400	-
Sales tax	1,191,357	-	1,191,357	-
Franchise	242,236	-	242,236	-
Special assessments	25,999	-	25,999	-
State allocation	1,170,622	-	1,170,622	-
Keno proceeds	60,437	-	60,437	-
Gain on sale of assets	67,500	-	67,500	-
Miscellaneous	20,352	-	20,352	2
Interest income	4,831	82,795	87,626	14
Net transfers	275,000	(275,000)	-	-
Total general revenues	<u>4,554,009</u>	<u>(192,205)</u>	<u>4,361,804</u>	<u>53,259</u>
Change in net position	350,708	(266,239)	84,469	(19,066)
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>
Net position - September 30, 2015	<u>\$ 4,516,001</u>	<u>\$ 18,470,607</u>	<u>\$ 22,986,608</u>	<u>\$ 3,282,118</u>

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

September 30, 2015

	<u>General</u> <u>Fund</u>	<u>Street</u> <u>Fund</u>
ASSETS		
Cash and cash equivalents	\$ 2,292,750	\$ 440,046
Investments	525,417	-
County treasurer cash	103,979	-
Due from other funds	<u>649</u>	<u>591</u>
Total assets	<u><u>\$ 2,922,795</u></u>	<u><u>\$ 440,637</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to other funds	\$ -	\$ -
Payroll withholdings	<u>1,368</u>	<u>436</u>
Total liabilities	1,368	436
Fund balances:		
Nonspendable:		
Perpetual care	118,464	-
Restricted for:		
Street improvements	-	440,201
Debt service	-	-
Federal projects	-	-
Community betterment	-	-
Economic development	-	-
Cemetery maintenance	22,000	-
Library renovations	246,418	-
Committed for:		
STOP program	2,787	-
Assigned for:		
Capital outlay	-	-
Cemetery projects	100,000	-
Public safety	-	-
Unassigned	<u>2,431,758</u>	<u>-</u>
Total fund balances	<u><u>2,921,427</u></u>	<u><u>440,201</u></u>
Total liabilities and fund balances	<u><u>\$ 2,922,795</u></u>	<u><u>\$ 440,637</u></u>

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>
\$ 316,420	\$ 373,547	\$ 910,263	\$ 4,333,026
-	-	-	525,417
17,682	-	-	121,661
-	-	-	1,240
<u>\$ 334,102</u>	<u>\$ 373,547</u>	<u>\$ 910,263</u>	<u>\$ 4,981,344</u>
\$ 39,300	\$ 400,000	\$ -	\$ 439,300
-	-	-	1,804
<u>39,300</u>	<u>400,000</u>	<u>-</u>	<u>441,104</u>
-	-	-	118,464
-	-	-	440,201
294,802	-	-	294,802
-	-	20	20
-	-	74,014	74,014
-	-	455,065	455,065
-	-	-	22,000
-	-	-	246,418
-	-	-	2,787
-	-	350,391	350,391
-	-	-	100,000
-	-	30,840	30,840
-	(26,453)	(67)	2,405,238
<u>294,802</u>	<u>(26,453)</u>	<u>910,263</u>	<u>4,540,240</u>
<u>\$ 334,102</u>	<u>\$ 373,547</u>	<u>\$ 910,263</u>	<u>\$ 4,981,344</u>

CITY OF CRETE, NEBRASKA

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

September 30, 2015

Total fund balances - governmental funds	\$ 4,540,240
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>(24,239)</u>
Total net position - governmental activities	<u><u>\$ 4,516,001</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, 2015

	General <u>Fund</u>	Street <u>Fund</u>	Debt Service <u>Fund</u>
REVENUES			
Taxes:			
Property	\$ 1,138,483	\$ -	\$ 210,939
Motor vehicle	82,853	-	-
Occupation	63,400	-	-
Sales tax	759,378	-	-
Franchise	242,236	-	-
Special assessments	-	-	25,999
Intergovernmental	543,902	673,712	-
Grants	92,464	-	-
Keno proceeds	-	-	-
Charges for services	552,268	20,530	-
Contributions	171,014	-	-
Interest income	4,064	-	-
Bond/loan proceeds	-	-	-
Sales proceeds on capital assets	67,500	-	-
Other revenue	20,332	20	-
Total revenues	<u>3,737,894</u>	<u>694,262</u>	<u>236,938</u>
EXPENDITURES			
General government	668,115	-	-
Public safety	2,038,204	-	-
Public works	83,674	608,460	-
Environment and leisure	816,528	-	-
Economic development	-	-	-
Capital outlay	286,808	-	-
Principal payments on debt	-	-	195,000
Interest on long-term debt	-	-	57,571
Bond/loan fees	-	-	818
Total expenditures	<u>3,893,329</u>	<u>608,460</u>	<u>253,389</u>
Excess (deficiency) of revenues over expenditures	(155,435)	85,802	(16,451)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,554,434	107,100	25,000
Transfers out	(3,378,590)	(45,756)	-
Net transfers	<u>175,844</u>	<u>61,344</u>	<u>25,000</u>
Net change in fund balances	20,409	147,146	8,549
Fund balances - September 30, 2014	<u>2,901,018</u>	<u>293,055</u>	<u>286,253</u>
Fund balances - September 30, 2015	<u>\$ 2,921,427</u>	<u>\$ 440,201</u>	<u>\$ 294,802</u>

See notes to financial statements.

Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ -	\$ -	\$ 1,349,422
-	-	82,853
-	-	63,400
-	431,979	1,191,357
-	-	242,236
-	-	25,999
-	-	1,217,614
29,364	6,708	128,536
-	60,437	60,437
-	18,096	590,894
-	45,200	216,214
-	603	4,667
870,000	-	870,000
-	-	67,500
-	-	20,352
<u>899,364</u>	<u>563,023</u>	<u>6,131,481</u>
-	21,386	689,501
-	180,635	2,218,839
9,332	12,252	713,718
-	25,234	841,762
-	9,271	9,271
684,713	267,062	1,238,583
-	133,000	328,000
-	24,895	82,466
2,165	-	2,983
<u>696,210</u>	<u>673,735</u>	<u>6,125,123</u>
203,154	(110,712)	6,358
-	87,816	3,774,350
-	(75,004)	(3,499,350)
-	<u>12,812</u>	<u>275,000</u>
203,154	(97,900)	281,358
(229,607)	1,008,163	4,258,882
<u>\$ (26,453)</u>	<u>\$ 910,263</u>	<u>\$ 4,540,240</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, 2015

Total net change in fund balances - governmental funds	\$ 281,358
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>69,350</u>
Change in net position of governmental activities	<u><u>\$ 350,708</u></u>

See notes to financial statements.

CITY OF CRETE, NEBRASKA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
September 30, 2015

	Business-type Activities - Enterprise Funds	
	Electric Fund	Water Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ (470,328)	\$ 170,175
Investments	3,601,695	-
Accounts receivable	910,710	122,923
Unbilled revenue	161,838	15,605
Accrued interest receivable	7,596	276
Special assessments receivable	-	480
Due from other funds	627,993	52
Prepaid insurance	81,765	31,610
Inventory	304,047	15,406
Total current assets	5,225,316	356,527
Noncurrent assets:		
Restricted cash and cash equivalents	114,050	-
Restricted investments	634,693	400,000
Noncurrent special assessments receivable	-	-
Capital assets:		
Land	103,232	-
Construction in progress	-	-
Distribution systems	6,789,084	6,088,283
Buildings and improvements	3,963,163	1,379,750
Equipment	729,162	207,730
Vehicles	1,052,096	36,563
Accumulated depreciation	(7,909,882)	(3,306,351)
Net capital assets	4,726,855	4,405,975
Total noncurrent assets	5,475,598	4,805,975
Total assets	10,700,914	5,162,502
LIABILITIES		
Current liabilities:		
Accounts payable	1,495,549	29,244
Sales tax payable	39,617	-
Accrued payroll	25,648	18,322
Accrued vacation	22,480	26,650
Other payroll liabilities	(83)	1,397
Customer deposits	217,376	-
Accrued interest	-	-
Due to other funds	-	-
Current portion of MEAN payable	68,011	-
Current portion of long-term obligations	173,900	122,100
Total current liabilities	2,042,498	197,713
Noncurrent liabilities:		
Noncurrent portion of MEAN payable	170,026	-
Noncurrent portion of long-term obligations	173,900	122,100
Total noncurrent liabilities	343,926	122,100
Total liabilities	2,386,424	319,813
NET POSITION		
Net investment in capital assets	4,379,055	4,161,775
Restricted for:		
Debt service	531,367	400,000
Unrestricted	3,404,068	280,914
Total net position	\$ 8,314,490	\$ 4,842,689

See notes to financial statements.

<u>Sewer Fund</u>	<u>Total</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 2,058,087	\$ 1,757,934	\$ 208,096
-	3,601,695	-
138,526	1,172,159	-
29,224	206,667	-
151	8,023	-
25,000	25,480	-
39,300	667,345	-
31,959	145,334	-
-	319,453	-
<u>2,322,247</u>	<u>7,904,090</u>	<u>208,096</u>
4,431,364	4,545,414	-
65,926	1,100,619	-
178,197	178,197	-
541,328	644,560	-
5,697,852	5,697,852	-
4,543,913	17,421,280	-
1,101,798	6,444,711	-
670,822	1,607,714	-
171,354	1,260,013	-
(3,464,886)	(14,681,119)	-
<u>9,262,181</u>	<u>18,395,011</u>	<u>-</u>
<u>13,937,668</u>	<u>24,219,241</u>	<u>-</u>
16,259,915	32,123,331	208,096
1,297,131	2,821,924	-
-	39,617	-
11,870	55,840	-
12,020	61,150	-
466	1,780	3,050
-	217,376	-
117,000	117,000	-
-	-	229,285
-	68,011	-
74,000	370,000	-
<u>1,512,487</u>	<u>3,752,698</u>	<u>232,335</u>
-	170,026	-
<u>9,434,000</u>	<u>9,730,000</u>	<u>-</u>
<u>9,434,000</u>	<u>9,900,026</u>	<u>-</u>
<u>10,946,487</u>	<u>13,652,724</u>	<u>232,335</u>
4,185,545	12,726,375	-
65,926	997,293	-
1,061,957	4,746,939	(24,239)
<u>\$ 5,313,428</u>	<u>\$ 18,470,607</u>	<u>\$ (24,239)</u>

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

For the year ended September 30, 2015

	Business-type Activities - Enterprise Funds	
	Electric Fund	Water Fund
Operating revenues:		
Charges for services	\$ 8,325,604	\$ 1,064,156
Municipal sales	294,588	13,681
MEAN lease	165,738	-
Tap fees	-	4,025
Miscellaneous revenues	33,262	350
Total operating revenues	8,819,192	1,082,212
Operating expenses:		
Cost of power	8,077,284	-
Salaries and benefits	518,393	570,258
Insurance and bonds	73,883	27,891
Utilities and telephone	47,474	74,772
Repairs and maintenance	262,258	14,263
Contracted services	-	6,827
Supplies	23,450	22,745
Vehicle expense	31,683	23,598
Fuel and oil	54,775	-
Professional fees	53,984	14,668
Rent expense	6,576	4,944
Dues, memberships and training	16,256	4,602
Bad debts	16,659	200
Miscellaneous	21,737	1,610
Depreciation	387,547	171,638
Franchise fees	110,000	-
Insurance claims and health premiums	-	-
Total operating expenses	9,701,959	938,016
Operating income (loss)	(882,767)	144,196
Nonoperating revenues (expenses):		
Interest income	69,786	1,880
Grant income	-	5,985
Special assessment adjustments	-	-
Interest expense	(4,685)	(3,289)
Total nonoperating revenues (expenses)	65,101	4,576
Income (loss) before transfers	(817,666)	148,772
Interfund transfers:		
Transfers out	(275,000)	-
Change in net position	(1,092,666)	148,772
Net position - September 30, 2014	9,407,156	4,693,917
Net position - September 30, 2015	\$ 8,314,490	\$ 4,842,689

See notes to financial statements.

<u>Sewer Fund</u>	<u>Total</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 1,416,907	\$ 10,806,667	\$ 931,249
4,520	312,789	-
-	165,738	-
-	4,025	-
-	33,612	-
<u>1,421,427</u>	<u>11,322,831</u>	<u>931,249</u>
-	8,077,284	-
382,000	1,470,651	-
32,209	133,983	-
97,829	220,075	-
13,601	290,122	-
20,628	27,455	-
14,097	60,292	-
11,522	66,803	-
-	54,775	-
33,545	102,197	-
3,180	14,700	-
2,255	23,113	-
800	17,659	-
7,686	31,033	-
148,248	707,433	-
-	110,000	-
-	-	862,063
<u>767,600</u>	<u>11,407,575</u>	<u>862,063</u>
653,827	(84,744)	69,186
11,129	82,795	164
-	5,985	-
14,692	14,692	-
(1,993)	(9,967)	-
<u>23,828</u>	<u>93,505</u>	<u>164</u>
677,655	8,761	69,350
-	(275,000)	-
<u>677,655</u>	<u>(266,239)</u>	<u>69,350</u>
4,635,773	18,736,846	(93,589)
<u>\$ 5,313,428</u>	<u>\$ 18,470,607</u>	<u>\$ (24,239)</u>

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

For the year ended September 30, 2015

	<u>Electric Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 8,813,446
Receipts from other funds	-
Payments to suppliers	(8,256,455)
Payments to employees	(520,817)
Net cash provided by operating activities	36,174
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers to other funds	(275,000)
Change in due from/to other funds	(167,658)
Net cash provided (used) by noncapital financing activities	(442,658)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of property and equipment	(664,066)
Grant proceeds	-
Collection of special assessments	-
Proceeds from issuance of bond anticipation notes	-
Principal payments on capital debt	(171,550)
Interest paid on capital debt	(7,067)
Net cash provided (used) by capital and related financing activities	(842,683)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Decrease in investments	336,677
Interest received	72,145
Net cash provided by investing activities	408,822
Increase (decrease) in cash and cash equivalents	(840,345)
Cash and cash equivalents - beginning of the year	484,067
Cash and cash equivalents - end of the year	\$ (356,278)
Composition of cash and cash equivalents:	
Cash and cash equivalents	\$ (470,328)
Restricted cash and cash equivalents	114,050
Total cash and cash equivalents	\$ (356,278)

See notes to financial statements.

<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>	<u>Fund</u>
\$ 1,055,994	\$ 1,458,520	\$ 11,327,960	\$ -
-	-	-	931,249
(207,284)	(271,216)	(8,734,955)	(923,669)
(568,240)	(378,656)	(1,467,713)	-
<u>280,470</u>	<u>808,648</u>	<u>1,125,292</u>	<u>7,580</u>
-	-	(275,000)	-
1,242	(39,082)	(205,498)	169,285
<u>1,242</u>	<u>(39,082)</u>	<u>(480,498)</u>	<u>169,285</u>
(203,566)	(3,746,117)	(4,613,749)	-
5,985	-	5,985	-
-	39,300	39,300	-
-	9,360,000	9,360,000	-
(120,450)	(4,433,000)	(4,725,000)	-
(4,961)	(1,993)	(14,021)	-
<u>(322,992)</u>	<u>1,218,190</u>	<u>52,515</u>	<u>-</u>
-	-	336,677	-
1,951	11,161	85,257	164
<u>1,951</u>	<u>11,161</u>	<u>421,934</u>	<u>164</u>
(39,329)	1,998,917	1,119,243	177,029
209,504	4,490,534	5,184,105	31,067
<u>\$ 170,175</u>	<u>\$ 6,489,451</u>	<u>\$ 6,303,348</u>	<u>\$ 208,096</u>
\$ 170,175	\$ 2,058,087	\$ 1,757,934	\$ 208,096
-	4,431,364	4,545,414	-
<u>\$ 170,175</u>	<u>\$ 6,489,451</u>	<u>\$ 6,303,348</u>	<u>\$ 208,096</u>

CITY OF CRETE, NEBRASKA

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

For the year ended September 30, 2015

	<u>Electric Fund</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (882,767)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	387,547
Change in assets and liabilities:	
Accounts receivable	(19,759)
Prepaid insurance	(81,765)
Inventories	(4,567)
Customer deposits	11,007
Accounts payable	625,896
Sales tax payable	3,006
Accrued expenses	(2,424)
Net cash provided by operating activities	<u>\$ 36,174</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>
\$ 144,196	\$ 653,827	\$ (84,744)	\$ 69,186
171,638	148,248	707,433	-
(26,218)	37,093	(8,884)	-
(31,610)	(31,959)	(145,334)	-
368	-	(4,199)	-
-	-	11,007	-
20,078	(1,905)	644,069	-
-	-	3,006	-
2,018	3,344	2,938	(61,606)
<u>\$ 280,470</u>	<u>\$ 808,648</u>	<u>\$ 1,125,292</u>	<u>\$ 7,580</u>

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

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CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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 Community Development Agency

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, 2015

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 are the discretely presented component units:

**Brief Description of Activities
and Relationship to the City**

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, 2015.
Community Development Agency	Established to enhance economic development activities in the City using tax increment financing.

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, 2015

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, 2015

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, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds, continued

Major, 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 (CDBG) Program.

Owner Occupied Rehab Fund

The Owner Occupied Rehab Fund is a Special Revenue Fund that accounts for CDBG housing grants.

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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 2014-2015 are recorded as revenue when received by the County.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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, 2015

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, 2015

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data

The City is required by state laws to adopt annual or biennial 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 City of Crete adopts a two year (biennial) budget.

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 of each odd year, the City prepares a budget for the next two fiscal years 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 of each odd year, 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, 2015

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, 2015. 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, 2015

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	\$ 11,067,023	\$ 550,508	\$ 10,516,515	\$ -	\$ <u>10,928,760</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –					
Unrestricted cash and cash equivalents					\$ 5,001,645
Restricted cash and cash equivalents					5,842,825
Component Unit –					
Unrestricted cash and cash equivalents					<u>84,290</u>
					<u>\$ 10,928,760</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, 2015. 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	\$ 140,552	\$ -	\$ -	\$ 140,552	\$ 140,552
Time Deposits	5,076,761	-	-	5,076,761	5,076,761
Nebraska Municipal Bonds	10,418	-	-	<u>10,418</u>	<u>10,418</u>
				<u>\$ 5,227,731</u>	<u>\$ 5,227,731</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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	\$ 3,773,694
Restricted investments	<u>1,454,037</u>
	<u>\$ 5,227,731</u>

2. Restricted Assets

The restricted assets as of September 30, 2015, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 1,297,411	\$ 4,545,414	\$ 5,842,825
Investments	<u>353,418</u>	<u>1,100,619</u>	<u>1,454,037</u>
Total Restricted Assets	<u>\$ 1,650,829</u>	<u>\$ 5,646,033</u>	<u>\$ 7,296,862</u>

Restricted cash and investments for the governmental activities consists of \$118,464 of General Fund assets restricted for cemetery perpetual care, \$22,000 of General Fund assets restricted for cemetery maintenance, \$246,418 of General Fund assets restricted for library renovations, \$440,046 of Street Fund cash restricted for street improvements, \$294,802 of Debt Service cash restricted for debt service, \$20 of CDBG Fund cash restricted for Federal programs, \$74,014 of Keno Fund cash restricted for community betterment, and \$455,065 of Economic Development Fund cash restricted for economic development.

The Electric Fund restricted assets consist of \$531,367 restricted for debt service and \$217,376 restricted for customer deposits. The Water Fund has \$400,000 restricted for debt service. The Sewer Fund has \$65,926 restricted for debt service and \$4,431,364 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, 2015

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, 2015, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 1,230,659
Allowance for uncollectible accounts	(<u>58,500</u>)
Total accounts receivable	\$ <u>1,172,159</u>

The Community Development Agency has two tax increment financing (TIF) agreements with the following estimated TIF receivables and payables to redevelopers as of September 30, 2015:

<u>Project/ Redeveloper</u>	<u>TIF Receivable</u>	<u>TIF Payable</u>
Dairy Queen	\$ 52,000	\$ 48,400
Union Bank	<u>131,600</u>	<u>-</u>
	<u>\$ 183,600</u>	<u>\$ 48,400</u>
Current portion	\$ 12,200	\$ 3,200
Noncurrent portion	<u>171,400</u>	<u>45,200</u>
Total	<u>\$ 183,600</u>	<u>\$ 48,400</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

4. Capital Assets

	Balance at October 1, <u>2014</u>	<u>Additions</u>	<u>Reclass</u>	Balance at September 30, <u>2015</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 203,953	\$ 440,607	\$ -	\$ 644,560
Construction in progress	<u>1,166,218</u>	<u>4,563,177</u>	<u>(31,543)</u>	<u>5,697,852</u>
Total capital assets not being depreciated	1,370,171	5,003,784	(31,543)	6,342,412
Other capital assets being depreciated:				
Distribution systems	16,829,141	560,596	31,543	17,421,280
Buildings and improvements	6,221,956	222,755	-	6,444,711
Equipment	1,463,585	144,129	-	1,607,714
Vehicles	<u>1,194,517</u>	<u>65,496</u>	<u>-</u>	<u>1,260,013</u>
Total other capital assets at historical cost	25,709,199	992,976	31,543	26,733,718
Less accumulated depreciation for:				
Distribution systems	(8,563,364)	(432,998)	-	(8,996,362)
Buildings and improvements	(3,380,846)	(144,883)	-	(3,525,729)
Equipment	(1,014,679)	(68,592)	-	(1,083,271)
Vehicles	<u>(1,014,797)</u>	<u>(60,960)</u>	<u>-</u>	<u>(1,075,757)</u>
Total accumulated depreciation	<u>(13,973,686)</u>	<u>(707,433) *</u>	<u>-</u>	<u>(14,681,119)</u>
Other capital assets, net	<u>11,735,513</u>	<u>285,543</u>	<u>31,543</u>	<u>12,052,599</u>
Business-type capital assets, net	<u>\$ 13,105,684</u>	<u>\$ 5,289,327</u>	<u>\$ -</u>	<u>\$ 18,395,011</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 387,547
Water	171,638
Sewer	<u>148,248</u>
Total Business-type Activities depreciation expense	<u>\$ 707,433</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

4. Capital Assets, continued

Construction in progress at September 30, 2015 consists of \$5,288,006 of engineering costs and capitalized interest of \$409,846 on the wastewater treatment plant. See Note D3 for additional details on contractual commitments on these projects.

Component Units:

	Balance at July 31, <u>2014</u>	<u>Additions</u>	<u>Disposals</u>	Balance at July 31, <u>2015</u>
<u>Crete Airport Authority:</u>				
Capital assets not being depreciated:				
Land	\$ 397,514	\$ -	\$ -	\$ 397,514
Other capital assets being depreciated:				
Buildings and improvements	5,118,626	-	-	5,118,626
Equipment	908,100	1,465	-	909,565
Total other capital assets at historical cost	6,026,726	1,465	-	6,028,191
Less accumulated depreciation for:				
Buildings and improvements	(2,840,979)	(160,826)	-	(3,001,805)
Equipment	(284,763)	(50,123)	-	(334,886)
Total accumulated depreciation	(3,125,742)	(210,949)	-	(3,336,691)
Other capital assets, net	2,900,984	(209,484)	-	2,691,500
Governmental activities capital assets, net	<u>\$ 3,298,498</u>	<u>\$ (209,484)</u>	<u>\$ -</u>	<u>\$ 3,089,014</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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, 2015:

<u>Type of Debt</u>	Balance October 1, 2014	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2015	Amounts Due Within <u>One Year</u>
Business-type Activities:					
Bonds payable	\$ 1,105,000	\$ -	\$ (365,000)	\$ 740,000	\$ 370,000
Bond anticipation notes	4,360,000	9,360,000	(4,360,000)	9,360,000	-
Total Business-type Activities	<u>\$ 5,465,000</u>	<u>\$ 9,360,000</u>	<u>\$ (4,725,000)</u>	<u>\$ 10,100,000</u>	<u>\$ 370,000</u>
Component unit:					
Community Development Agency TIF payables					
	<u>\$ -</u>	<u>\$ 183,600</u>	<u>\$ -</u>	<u>\$ 183,600</u>	<u>\$ 12,200</u>
	Balance August 1, 2014	<u>Additions</u>	<u>Deductions</u>	Balance July 31, 2015	Amounts Due Within <u>One Year</u>
Component unit:					
Crete Airport Authority					
Notes payable	\$ 14,137	\$ -	\$ (12,924)	\$ 1,213	\$ 1,213
Bonds payable	83,000	-	(37,000)	46,000	38,000
Total component unit	<u>\$ 97,137</u>	<u>\$ -</u>	<u>\$ (49,924)</u>	<u>\$ 47,213</u>	<u>\$ 39,213</u>

Business-type Activities

As of September 30, 2015, 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.

\$ 740,000

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

5. Long-term Debt, continued

Business-type Activities, continued

Sewer Bond Anticipation Notes:

On May 1, 2015, the Sewer Fund issued \$9,360,000 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 1, 2018.

9,360,000

Total business-type activity long-term debt

\$ 10,100,000

Current portion

\$ 370,000

Noncurrent portion

9,730,000

Total

\$ 10,100,000

Component Units:

Crete Airport Authority

As of July 31, 2015, 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.

\$ 1,213

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.

46,000

\$ 47,213

Current portion

\$ 39,213

Noncurrent portion

8,000

Total long-term debt

\$ 47,213

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

5. Long-term Debt, continued

Component Units, continued:

Community Development Agency

See Note C3 for details on the \$48,400 of TIF payables due to redevelopers.	<u>\$ 48,400</u>
Current portion	\$ 3,200
Noncurrent portion	<u>45,200</u>
Total long-term debt	<u>\$ 48,400</u>

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2015, are as follows:

<u>Year Ending</u> <u>September 30.</u>	<u>Business-type Activities</u>		<u>Component Units</u>	
	<u>Bonds Payable & BANs</u>		<u>Notes & Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 370,000	\$ 288,755	\$ 42,413	\$ 1,270
2017	370,000	285,055	11,200	244
2018	9,360,000	280,800	3,200	-
2019	-	-	3,200	-
2020	-	-	3,200	-
2021-2025	-	-	16,000	-
2026-2030	-	-	16,400	-
	<u>\$10,100,000</u>	<u>\$ 854,610</u>	<u>\$ 95,613</u>	<u>\$ 1,514</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 \$170,026 noncurrent portion).

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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	\$ 275,000	\$ -
Street	-	(107,100)
Intrafund General	3,229,430	(3,229,430)
Nonmajor Governmental Funds	<u>50,004</u>	<u>(42,060)</u>
Total General Fund	3,554,434	(3,378,590)
Street Fund:		
General	107,100	-
Nonmajor Governmental Funds	<u>-</u>	<u>(45,756)</u>
Total Street Fund	107,100	(45,756)
Debt Service Fund:		
Nonmajor Governmental Funds	25,000	-
Nonmajor Governmental Funds:	87,816	(75,004)
Electric Fund:		
General	<u>-</u>	<u>(275,000)</u>
Total Operating Transfers	\$ <u>3,774,350</u>	\$ <u>(3,774,350)</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

6. Interfund Transactions and Balances, continued

Interfund Balances

At September 30, 2015, the Debt Service Fund owed \$39,300 to the Sewer Fund. The Capital Projects Fund owed \$400,000 to the Electric Fund. The Internal Service Fund owed \$227,993 to the Electric Fund, \$52 to the Water Fund, \$649 to the General Fund and \$591 to the Street 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 seven 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 \$123,576 for the year ended September 30, 2015, and the employee contributions also totaled \$123,576 for the year ended September 30, 2015, on \$2,059,598 of covered payroll (with total payroll of \$2,572,475).

The City's police contribution amounted to \$50,194 for the year ended September 30, 2015, and the police employee contributions also totaled \$50,194 for the year ended September 30, 2015, on \$772,221 of covered payroll (with total payroll of \$796,031).

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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, 2015 were \$7,308.

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, 2015, 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, 2015

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 2015	\$ 332,000
November 2015	11,000
December 2015	120,259
February 2016	1,120,000
March 2016	338,292
April 2016	173,000
May 2016	100,000
June 2016	101,081
July 2016	100,000
August 2016	264,896
September 2016	160,000
October 2016	113,631
November 2016	150,232
February 2017	241,064
March 2017	99,926
April 2017	99,783
June 2017	10,418
August 2017	292,431
November 2017	100,334
March 2018	10,000
May 2018	199,358
July 2018	104,135
December 2018	101,847
January 2020	50,302
June 2020	200,074
December 2021	99,827
November 2022	100,171
November 2023	190,396
March 2027	<u>102,722</u>
	\$ <u>5,087,179</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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, 2015, the City’s investments consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Pinnacle Bank	\$ 831,000
City Bank & Trust	1,407,000
Edward Jones	10,418
Wells Fargo Advisors	<u>2,838,761</u>
	<u>\$ 5,087,179</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, 2015.

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, 2015, will not be significant to the City’s financial statements.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Construction and Commitments

As of September 30, 2015, the City had the following construction obligations:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/15</u>	<u>Remaining Commitment</u>	<u>Expected Date of Completion</u>
2015 Paving improvements:				
Contractor	\$ 323,072	\$ 296,593	\$ 26,479	October 2015
West 13 th St bridge project:				
Contractor	3,580,545	-	3,580,545	November 2016
Wastewater treatment plant:				
Engineering	1,212,733	822,944	389,789	July 2016
Contractor	<u>11,152,630</u>	<u>4,087,321</u>	<u>7,065,309</u>	July 2016
Total wastewater treatment plant	12,365,363	4,910,265	7,455,098	
Electric substation ground grid:				
Engineering	114,000	73,684	40,316	October 2015
Contractor	<u>318,427</u>	<u>223,966</u>	<u>94,461</u>	October 2015
Total electric substation ground grid	<u>432,427</u>	<u>297,650</u>	<u>134,777</u>	
	<u>\$ 16,701,407</u>	<u>\$ 5,504,508</u>	<u>\$ 11,196,899</u>	

Self-Insurance Fund

The City provided medical insurance for eligible employees using a self-insurance fund prior to the 2015 calendar year. The fund was reported in the Internal Service Fund and was 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 City no longer self-insures for health insurance.

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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 \$6,678,654 for the year ended September 30, 2015. 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 \$166,927 for the year ended September 30, 2015. 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 an operating lease for a postage machine. As of September 30, 2015, future lease obligations are as follows:

<u>Year Ended September 30,</u>	<u>Lease Commitments</u>
2016	\$ 1,248
2017	<u>1,248</u>
	<u>\$ 2,496</u>

Total rent expense was \$5,872 for the year ended September 30, 2015.

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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, 2015:

<u>Type of Debt</u>	Balance October 1, 2014	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2015	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds payable	\$ 2,250,000	\$ -	\$ (195,000)	\$ 2,055,000	\$ 195,000
Bond anticipation notes	325,000	870,000	-	1,195,000	-
Capital lease obligations	<u>991,000</u>	<u>-</u>	<u>(133,000)</u>	<u>858,000</u>	<u>135,000</u>
Total Governmental-type Activities	<u>\$ 3,566,000</u>	<u>\$ 870,000</u>	<u>\$ (328,000)</u>	<u>\$ 4,108,000</u>	<u>\$ 330,000</u>

Governmental Activities:

As of September 30, 2015, 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. \$ 2,055,000

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

During February 2015, the City issued Series 2015 Bond Anticipation Notes (BAN's) totaling \$870,000 to provide interim financing for capital projects. The BAN's bear interest of 3.0 percent and mature February 24, 2018. 870,000

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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. 750,000

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. 108,000

Total long-term debt \$ 4,108,000

Current portion \$ 330,000

Noncurrent portion 3,778,000

Total long-term debt \$ 4,108,000

Annual debt service requirements to maturity, including principal and interest, for governmental long-term debt as of September 30, 2015, are as follows:

Year Ending <u>September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 330,000	\$ 92,646
2017	657,000	89,170
2018	1,206,000	61,980
2019	344,000	43,467
2020	348,000	36,874
2021-2025	<u>1,223,000</u>	<u>76,516</u>
	<u><u>\$4,108,000</u></u>	<u><u>\$400,653</u></u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE D – OTHER NOTES, continued

5. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2015:

<u>Parties to Agreement</u>	<u>Term</u>	<u>Description</u>
Seward/Saline County Waste Area Management Agency	7/1/15 to 8/31/16	Solid Waste disposal
Saline County Mutual Finance Organization	7/1/15 to 6/30/16	Fire and Rescue equipment
Saline County Rural Fire District	7/1/15 to 6/30/16	Fire and Rescue services
Southeast Nebraska Development District	7/1/15 to 6/30/16	Economic and Community Development Services
League Association of Risk management	10/1/16 to 9/30/18	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
Seward County Attorney	12/1/14 to 12/31/15	Legal services
Southeast Nebraska E911 City of Beatrice	7/1/15 to 9/30/17	Emergency dispatch

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

NOTE D – OTHER NOTES, continued

6. Subsequent Events

Management has evaluated subsequent events through January 14, 2016, the date on which the financial statements were available for issue.

At the December 1, 2015 City Council meeting, the issuance of an additional \$4.2 million of Bond Anticipation Notes, Series 2016, was approved. The loan proceeds will be used for interim financing for the wastewater treatment plant.

SUPPLEMENTARY INFORMATION

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

Year ended September 30, 2015

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 1,069,800	\$ 1,138,483	\$ 68,683
Motor vehicle	75,000	82,853	7,853
Occupation	70,000	63,400	(6,600)
Franchise	255,000	242,236	(12,764)
Sales	725,000	759,378	34,378
Intergovernmental	534,000	543,902	9,902
Grants	83,000	92,464	9,464
Charges for services	516,059	552,268	36,209
Interest income	5,500	4,064	(1,436)
Contributions	150,000	171,014	21,014
Sales proceeds on equipment	-	67,500	67,500
Other	1,400	20,332	18,932
Total resources	<u>3,484,759</u>	<u>3,737,894</u>	<u>253,135</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	657,204	668,115	10,911
Public safety	1,910,542	2,038,204	127,662
Public works	94,676	83,674	(11,002)
Environment and leisure	941,987	816,528	(125,459)
Capital outlay	728,925	286,808	(442,117)
Total charges to appropriations	<u>4,333,334</u>	<u>3,893,329</u>	<u>(440,005)</u>
Resources over (under) charges to appropriations	(848,575)	(155,435)	693,140
OTHER FINANCING SOURCES (USES)			
Transfers in	3,521,174	3,554,434	33,260
Transfers out	(3,325,710)	(3,378,590)	(52,880)
Net transfers	<u>195,464</u>	<u>175,844</u>	<u>(19,620)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (653,111)</u>	<u>\$ 20,409</u>	<u>\$ 673,520</u>

CITY OF CRETE, NEBRASKA

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

Year ended September 30, 2015

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Intergovernmental	\$ 633,450	\$ 673,712	\$ 40,262
Charges for services	17,635	20,530	2,895
Other revenue	103	20	(83)
	<hr/>	<hr/>	<hr/>
Total resources	651,188	694,262	43,074
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	733,189	608,460	(124,729)
Capital outlay	24,205	-	(24,205)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	757,394	608,460	(148,934)
Resources over (under) charges to appropriations	(106,206)	85,802	192,008
OTHER FINANCING SOURCES (USES)			
Transfers in	107,120	107,100	(20)
Transfers out		(45,756)	(45,756)
Net transfers	107,120	61,344	(45,776)
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 914	\$ 147,146	\$ 146,232

CITY OF CRETE, NEBRASKA

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

Year ended September 30, 2015

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Property tax	\$ 216,000	\$ 210,939	\$ (5,061)
Special assessments	20,000	25,999	5,999
Interest income	500	-	(500)
Total resources	<u>236,500</u>	<u>236,938</u>	<u>438</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments	197,500	195,000	(2,500)
Interest expense	73,000	57,571	(15,429)
Bond fees	1,000	818	(182)
Total charges to appropriations	<u>271,500</u>	<u>253,389</u>	<u>(18,111)</u>
Resources over (under) charges to appropriations	(35,000)	(16,451)	18,549
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>35,000</u>	<u>25,000</u>	<u>(10,000)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ -</u>	<u>\$ 8,549</u>	<u>\$ 8,549</u>

CITY OF CRETE, NEBRASKA

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

Year ended September 30, 2015

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Grants	\$ -	\$ 29,364	\$ 29,364
Loan proceeds	3,300,000	870,000	(2,430,000)
Total resources	<u>3,300,000</u>	<u>899,364</u>	<u>(2,400,636)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	-	9,332	9,332
Capital projects	3,470,400	684,713	(2,785,687)
Bond fees	-	2,165	2,165
Total charges to appropriations	<u>3,470,400</u>	<u>696,210</u>	<u>(2,774,190)</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS			
	<u>\$ (170,400)</u>	<u>\$ 203,154</u>	<u>\$ 373,554</u>

CITY OF CRETE, NEBRASKA

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

September 30, 2015

	Special Revenue Funds		
	CDBG	Owner	Keno
	<u>Fund</u>	Occupied Rehab <u>Fund</u>	<u>Fund</u>
ASSETS			
Cash and cash equivalents	\$ 20	\$ (67)	\$ 74,014
	20	(67)	74,014
LIABILITIES AND FUND BALANCES			
Fund balances:			
Restricted for:			
Federal programs	\$ 20	\$ -	\$ -
Community betterment	-	-	74,014
Economic development	-	-	-
Assigned for:			
Capital outlay	-	-	-
Public safety	-	-	-
Unassigned	-	(67)	-
Total fund balances	\$ 20	\$ (67)	\$ 74,014

Enhanced 911 Fund	Special Revenue Funds		Total Other Governmental Funds
	Capital Outlay Fund	Economic Development Fund	
<u>\$ 30,840</u>	<u>\$ 350,391</u>	<u>\$ 455,065</u>	<u>\$ 910,263</u>
\$ -	\$ -	\$ -	\$ 20
-	-	-	74,014
-	-	455,065	455,065
-	350,391	-	350,391
30,840	-	-	30,840
-	-	-	(67)
<u>\$ 30,840</u>	<u>\$ 350,391</u>	<u>\$ 455,065</u>	<u>\$ 910,263</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, 2015

	Special Revenue Funds		
	CDBG	Owner	
	<u>Fund</u>	Occupied Rehab	Keno
		<u>Fund</u>	<u>Fund</u>
REVENUES			
Sales tax	\$ -	\$ -	\$ -
Charges for services	-	-	-
Keno proceeds	-	-	60,437
Grant income	1,124	5,584	-
Contributions	-	-	-
Interest income	-	-	14
Total revenues	1,124	5,584	60,451
EXPENDITURES			
General government	1,125	5,651	13,930
Public safety	-	-	-
Public works	-	-	-
Environment and leisure	-	-	25,234
Economic development	-	-	-
Capital outlay	-	-	-
Principal payments	-	-	-
Interest on long-term debt	-	-	-
Total expenditures	1,125	5,651	39,164
Excess (deficiency) of revenues over expenditures before transfers	(1)	(67)	21,287
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	(25,000)
Net change in fund balances	(1)	(67)	(3,713)
Fund balances - September 30, 2014	21	-	77,727
Fund balances - September 30, 2015	\$ 20	\$ (67)	\$ 74,014

Special Revenue Funds			
Enhanced 911 <u>Fund</u>	Capital Outlay <u>Fund</u>	Economic Development <u>Fund</u>	Total Other Governmental <u>Funds</u>
\$ -	\$ -	\$ 431,979	\$ 431,979
18,096	-	-	18,096
-	-	-	60,437
-	-	-	6,708
-	25,200	20,000	45,200
-	-	589	603
<u>18,096</u>	<u>25,200</u>	<u>452,568</u>	<u>563,023</u>
-	680	-	21,386
8,253	172,382	-	180,635
-	12,252	-	12,252
-	-	-	25,234
-	-	9,271	9,271
8,670	258,392	-	267,062
-	-	133,000	133,000
-	-	24,895	24,895
<u>16,923</u>	<u>443,706</u>	<u>167,166</u>	<u>673,735</u>
1,173	(418,506)	285,402	(110,712)
<u>-</u>	<u>87,816</u>	<u>(50,004)</u>	<u>12,812</u>
1,173	(330,690)	235,398	(97,900)
<u>29,667</u>	<u>681,081</u>	<u>219,667</u>	<u>1,008,163</u>
<u>\$ 30,840</u>	<u>\$ 350,391</u>	<u>\$ 455,065</u>	<u>\$ 910,263</u>

CITY OF CRETE, NEBRASKA

**COMBINING STATEMENT OF NET POSITION -
COMPONENT UNITS**

July 31, 2015 and September 30, 2015

	Crete Airport Authority <u>(July 31, 2015)</u>	Community Development Agency <u>(September 30, 2015)</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 84,290	\$ -	\$ 84,290
County treasurer cash	944	-	944
Accounts receivable	25,791	-	25,791
Due from City of Crete	785	-	785
Current portion of TIF receivables	-	12,200	12,200
Fuel inventory	10,041	-	10,041
Prepaid insurance	4,714	-	4,714
Total current assets	<u>126,565</u>	<u>12,200</u>	<u>138,765</u>
Noncurrent assets:			
Noncurrent portion of TIF receivables	-	171,400	171,400
Capital assets:			
Land	397,514	-	397,514
Other capital assets, net of depreciation	2,691,500	-	2,691,500
Net capital assets	<u>3,089,014</u>	<u>-</u>	<u>3,089,014</u>
Total noncurrent assets	<u>3,089,014</u>	<u>171,400</u>	<u>3,260,414</u>
Total assets	3,215,579	183,600	3,399,179
LIABILITIES			
Current liabilities:			
Accounts payable	10,673	-	10,673
Unearned rent revenue	10,775	-	10,775
Current portion of long-term obligation	39,213	3,200	42,413
Total current liabilities	<u>60,661</u>	<u>3,200</u>	<u>63,861</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	8,000	45,200	53,200
Total liabilities	<u>68,661</u>	<u>48,400</u>	<u>117,061</u>
NET POSITION			
Net investment in capital assets	3,041,801	-	3,041,801
Unrestricted	105,117	135,200	240,317
Total net position	<u>\$ 3,146,918</u>	<u>\$ 135,200</u>	<u>\$ 3,282,118</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, 2015

<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 (7/31/15)	\$ 424,805	\$ 217,280	\$ -
Community Development Agency (9/30/15)	48,400	183,600	-
Total component units	\$ 473,205	\$ 400,880	\$ -

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>Community Development Agency</u>	<u>Total</u>
\$ -	\$ (207,525)	\$ -	\$ (207,525)
-	-	135,200	135,200
<u>\$ -</u>	<u>(207,525)</u>	<u>135,200</u>	<u>(72,325)</u>
General revenues:			
Property taxes	53,243	-	53,243
Interest income	14	-	14
Other income	2	-	2
Total general revenues	<u>53,259</u>	<u>-</u>	<u>53,259</u>
Change in net position	(154,266)	135,200	(19,066)
Net position - September 30, 2014	<u>3,301,184</u>	<u>-</u>	<u>3,301,184</u>
Net position - September 30, 2015	<u>\$ 3,146,918</u>	<u>\$ 135,200</u>	<u>\$ 3,282,118</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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, 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 14, 2016. 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 below that we consider to be significant deficiencies.

Segregation of Duties

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Crete's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Crete's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Amquist, Malthalm,
Galloway & Luth, P.C.
Grand Island, Nebraska
January 14, 2016