

CITY OF CRETE, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

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, 2017, 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

SHAREHOLDERS

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

1203 W 2nd Street
PO Box 1407
Grand Island, NE 68802
Ph. 308-381-1810
Fax 308-381-4824
Email: cpa@gicpas.com

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, 2017, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 17, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Crete's 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.

Almgvist, Mathyalm.
Galloway & Luth, LLC.

Grand Island, Nebraska
January 17, 2018

CITY OF CRETE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2017

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, 2017. 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 \$26,090,590 (*net position*). Of this amount, \$7,861,743 (*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 \$5,487,474. Approximately 54.1 percent of this total amount, \$2,969,965, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,865,760, or 83.0 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, 2017

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 14 and 15 of this report.

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

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

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

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

CITY OF CRETE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2017

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 16-19 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 20-23 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 24-59 of this report.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Crete, assets exceeded liabilities by \$26,090,590 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, 2017

Government-wide Financial Analysis, continued

Summary Statements of Net Position

	Year Ended September 30, 2017			Year Ended September 30, 2016		
	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	\$ 5,485,990	\$ 8,698,587	\$ 14,184,577	\$ 5,432,729	\$ 9,718,453	\$ 15,151,182
Capital Assets	-	27,088,961	27,088,961	-	26,333,640	26,333,640
Total Assets	5,485,990	35,787,548	41,273,538	5,432,729	36,052,093	41,484,822
Long-term Liabilities:						
Outstanding	-	12,376,288	12,376,288	-	13,662,016	13,662,016
Other Liabilities	(1,484)	2,808,144	2,806,660	66	2,971,907	2,971,973
Total Liabilities	(1,484)	15,184,432	15,182,948	66	16,633,923	16,633,989
Net Position						
Net Investment in Capital						
Assets	-	14,132,961	14,132,961	-	12,704,717	12,704,717
Restricted	2,517,509	1,578,377	4,095,886	2,203,554	997,293	3,200,847
Unrestricted	2,969,965	4,891,778	7,861,743	3,229,109	5,716,160	8,945,269
Total Net Position	\$ 5,487,474	\$ 20,603,116	\$ 26,090,590	\$ 5,432,663	\$ 19,418,170	\$ 24,850,833

A large portion of the City of Crete's net position (54.2 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 (15.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$7,861,743) 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, 2017

	September 30, 2017			September 30, 2016		
	Governmental		Business-type	Governmental		Business-type
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 555,895	\$13,208,297	\$13,764,192	\$ 581,168	\$12,535,813	\$13,116,981
Operating Grants and Contributions	320,743	-	320,743	236,192	-	236,192
Capital Grants and Contributions	2,844,342	768,844	3,613,186	1,930,499	900,056	2,830,555
General Revenues:						
Property Taxes	1,300,077	-	1,300,077	1,303,023	-	1,303,023
Sales and Use Taxes	1,358,605	-	1,358,605	1,254,704	-	1,254,704
Other Taxes and Fees	443,664	-	443,664	550,822	-	550,822
State Allocation	1,255,665	-	1,255,665	1,186,753	-	1,186,753
Interest Income	5,519	54,004	59,523	4,897	53,539	58,436
Other	74,920	-	74,920	130,903	-	130,903
Total Revenues	8,159,430	14,031,145	22,190,575	7,178,961	13,489,408	20,668,369
Expenses						
General Government	695,463	-	695,463	660,716	-	660,716
Public Safety	2,070,445	-	2,070,445	2,006,268	-	2,006,268
Public Works	3,796,282	-	3,796,282	2,472,362	-	2,472,362
Environmental and Leisure	910,120	-	910,120	955,644	-	955,644
Economic Development	144,106	-	144,106	44,345	-	44,345
Debt Service	788,203	-	788,203	422,964	-	422,964
Electric	-	10,330,690	10,330,690	-	10,312,707	10,312,707
Water	-	1,006,271	1,006,271	-	1,007,680	1,007,680
Sewer	-	1,209,238	1,209,238	-	921,458	921,458
Total Expenses	8,404,619	12,546,199	20,950,818	6,562,299	12,241,845	18,804,144
Increase (Decrease) in Net Position Before Transfers	(245,189)	1,484,946	1,239,757	616,662	1,247,563	1,864,225
Net Transfers	300,000	(300,000)	-	300,000	(300,000)	-
Increase in Net Position	\$ 54,811	\$ 1,184,946	\$ 1,239,757	\$ 916,662	\$ 947,563	\$ 1,864,225

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, *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.

CITY OF CRETE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2017

As of the end of the current fiscal year, the City of Crete's governmental funds reported combined ending fund balances of \$5,420,841. Approximately 50.6 percent of this total amount (\$2,745,388) 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 (\$733,354), 2) restricted to pay debt service (\$494,993), 3) restricted for federal programs (\$20), 4) endowed as nonspendable to fund perpetual care (\$122,346), 5) restricted for community betterment (\$114,301), 6) restricted to fund economic development projects (\$794,495), 7) restricted for cemetery maintenance (\$22,000), 8) restricted for library renovations (\$236,000), 9) committed for the STOP program (\$1,260), 10) assigned for capital outlay (\$146,684), or 11) assigned for cemetery projects (\$10,000).

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 \$2,865,760, while total fund balance reached \$3,257,366. 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 83.0 percent of General Fund total expenditures, while total fund balance represents 94.3 percent of General Fund total expenditures.

The fund balance of the City of Crete's General Fund increased by \$65,645 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 - \$3,163,704, Water Fund - \$163,646, and Sewer Fund - \$1,564,428. The growth (decrease) in net position for the proprietary funds was as follows: Electric Fund - \$192,913, Water Fund - decrease of \$(111,910), and Sewer Fund - \$1,103,943. 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, 2017

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, 2017, amounts to \$27,088,961 (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:

- Construction in progress on electric substation rebuild - \$459,552
- Nestle electric transformers - \$163,978
- East Gate Drive street lights - \$27,836
- Construction costs on wastewater treatment plant - \$798,637
- Rebuild water well #5 - \$21,572
- 2017 water distribution system rebuilds - \$88,766

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

	<u>Year Ended September 30, 2017</u>			<u>Year Ended September 30, 2016</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	\$ -	\$ 644,560	\$ 644,560
Construction in Progress	-	-	-	-	13,409,931	13,409,931
Distribution Systems	-	23,172,785	23,172,785	-	8,818,334	8,818,334
Buildings and Improvements	-	2,684,240	2,684,240	-	2,804,259	2,804,259
Equipment	-	479,087	479,087	-	221,646	221,646
Vehicles	-	108,289	108,289	-	134,910	134,910
Total	<u>\$ -</u>	<u>\$ 27,088,961</u>	<u>\$ 27,088,961</u>	<u>\$ -</u>	<u>\$ 26,033,640</u>	<u>\$ 26,033,640</u>

Additional information on the City of Crete's capital assets can be found in Note C4 on pages 44-45 of this report.

CITY OF CRETE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2017

Long-term Debt

Outstanding Long-term Debt

	<u>Year Ended September 30, 2017</u>			<u>Year Ended September 30, 2016</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
Revenue Bonds	\$ -	\$ 12,956,000	\$ 12,956,000	\$ -	\$ 370,000	\$ 370,000
Bond Anticipation Notes	-	-	-	-	13,560,000	13,560,000
Total Long-term Outstanding Debt	<u>\$ -</u>	<u>\$ 12,956,000</u>	<u>\$ 12,956,000</u>	<u>\$ -</u>	<u>\$ 13,930,000</u>	<u>\$ 13,930,000</u>

The City's long-term debt decreased \$974,000 (7.0 percent) during the year ended September 30, 2017, as \$13,560,000 of bond anticipation notes for the wastewater treatment plant construction were refinanced with the issuance of USDA bonds totaling \$11,726,000. The Electric Fund also issued certificates of participation of \$1,230,000 to finance electric distribution system projects.

Additional information on the City of Crete's long-term debt can be found in Note C5 on pages 46-48 of this report.

Economic Factors and Next Year's Budgets and Rates

- At September 30, 2017, the City had contractual commitments of \$444,438 remaining to be paid for engineering and construction costs on the Braden Substation breakers and relays project. This project is expected to be completed in early 2018.
- As of September 30, 2017, the City had contractual commitments of \$527,008 for design/architectural services on the new library. This project is expected to be completed by early 2019.
- As of September 30, 2017, the City had contractual commitments totaling \$493,792 for asbestos removal and demolition of the old Tabitha hospital building. This projected is expected to be completed during January 2018.

All of these factors were considered in preparing the City of Crete's budget for the 2018 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, 2017

	Primary Government			Component Units (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,089,128	\$ 1,998,192	\$ 5,087,320	\$ 22,668
Investments	150,000	2,798,865	2,948,865	-
County treasurer cash	69,728	-	69,728	678
Accounts receivable	-	1,256,131	1,256,131	27,207
Unbilled revenue	-	139,813	139,813	-
Grants receivable	-	35,938	35,938	71,007
Accrued interest receivable	-	7,340	7,340	-
Current portion of TIF receivables	-	-	-	18,800
Current portion-special assessments receivable	-	6,824	6,824	-
Due (to) from other funds	(351,950)	351,950	-	-
Due from Community Development Agency	21,241	-	21,241	-
Prepaid insurance	-	-	-	5,518
Inventory	-	312,241	312,241	18,793
Total current assets	<u>2,978,147</u>	<u>6,907,294</u>	<u>9,885,441</u>	<u>164,671</u>
Noncurrent assets:				
Restricted cash and cash equivalents	2,142,843	692,927	2,835,770	-
Restricted investments	365,000	1,098,366	1,463,366	-
Noncurrent portion of TIF receivables	-	-	-	226,100
Capital assets:				
Land	-	644,560	644,560	397,514
Construction in progress	-	-	-	79,262
Other capital assets, net of depreciation	-	26,444,401	26,444,401	2,272,656
Net capital assets	<u>-</u>	<u>27,088,961</u>	<u>27,088,961</u>	<u>2,749,432</u>
Total noncurrent assets	<u>2,507,843</u>	<u>28,880,254</u>	<u>31,388,097</u>	<u>2,975,532</u>
Total assets	<u>5,485,990</u>	<u>35,787,548</u>	<u>41,273,538</u>	<u>3,140,203</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	1,602,052	1,602,052	22,339
Accrued expenses	(2,364)	142,836	140,472	-
Customer deposits	-	212,916	212,916	-
Accrued interest	-	162,944	162,944	-
Unearned rent revenue	-	-	-	11,560
Due to City of Crete	-	-	-	21,241
Due to Crete Airport Authority	880	-	880	-
Current portion MEAN payable	-	73,678	73,678	-
Current portion of long-term obligations	-	613,718	613,718	3,900
Total current liabilities	<u>(1,484)</u>	<u>2,808,144</u>	<u>2,806,660</u>	<u>59,040</u>
Noncurrent liabilities:				
Noncurrent portion of MEAN payable	-	34,006	34,006	-
Noncurrent portion of long-term obligations	-	12,342,282	12,342,282	44,300
Total noncurrent liabilities	<u>-</u>	<u>12,376,288</u>	<u>12,376,288</u>	<u>44,300</u>
Total liabilities	<u>(1,484)</u>	<u>15,184,432</u>	<u>15,182,948</u>	<u>103,340</u>
NET POSITION				
Net investment in capital assets	-	14,132,961	14,132,961	2,749,432
Restricted for:				
Cemetery perpetual care	122,346	-	122,346	-
Street improvements	733,354	-	733,354	-
Debt service	494,993	1,578,377	2,073,370	-
Economic development	794,495	-	794,495	-
Federal projects	20	-	20	-
Community betterment	114,301	-	114,301	-
Cemetery maintenance	22,000	-	22,000	-
Library renovations	236,000	-	236,000	-
Unrestricted	2,969,965	4,891,778	7,861,743	287,431
Total net position	<u>\$ 5,487,474</u>	<u>\$ 20,603,116</u>	<u>\$ 26,090,590</u>	<u>\$ 3,036,863</u>

See notes to financial statements.

CITY OF CRETE, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2017

<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	\$ 695,463	\$ 46,146	\$ 197,652
Public safety	2,070,445	387,140	99,336
Public works	3,796,282	39,424	1,605
Environment and leisure	910,120	83,185	22,150
Economic development	144,106	-	-
Principal payments	682,000	-	-
Interest and fees on long-term debt	106,203	-	-
Total governmental activities	8,404,619	555,895	320,743
Business-type activities			
(accrual basis):			
Electric	10,330,690	10,771,830	-
Water	1,006,271	893,164	-
Sewer	1,209,238	1,543,303	-
Total business-type activities	12,546,199	13,208,297	-
Total primary government	\$ 20,950,818	\$ 13,764,192	\$ 320,743
Component units (accrual basis):			
Crete Airport Authority	\$ 416,847	\$ 192,580	\$ -
Community Development Agency	11,223	-	-
Total component units	\$ 428,070	\$ 192,580	\$ -

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>
\$ -	\$ (451,665)		\$ (451,665)	
17,214	(1,566,755)		(1,566,755)	
2,826,128	(929,125)		(929,125)	
1,000	(803,785)		(803,785)	
-	(144,106)		(144,106)	
-	(682,000)		(682,000)	
-	(106,203)		(106,203)	
<u>2,844,342</u>	<u>(4,683,639)</u>	<u>\$ -</u>	<u>(4,683,639)</u>	
-	-	441,140	441,140	
-	-	(113,107)	(113,107)	
768,844	-	1,102,909	1,102,909	
<u>768,844</u>	<u>-</u>	<u>1,430,942</u>	<u>1,430,942</u>	
<u>\$ 3,613,186</u>	<u>(4,683,639)</u>	<u>1,430,942</u>	<u>(3,252,697)</u>	
\$ 71,007				\$ (153,260)
-				(11,223)
<u>\$ 71,007</u>				<u>(164,483)</u>
General revenues:				
Taxes:				
Property	1,300,077	-	1,300,077	25,478
Motor vehicle	93,343	-	93,343	-
Occupation	20,150	-	20,150	-
Sales tax	1,358,605	-	1,358,605	-
Franchise	266,593	-	266,593	-
Special assessments	63,578	-	63,578	-
State allocation	1,255,665	-	1,255,665	-
Keno proceeds	61,808	-	61,808	-
Miscellaneous	13,112	-	13,112	278
Interest income	5,519	54,004	59,523	-
Net transfers	300,000	(300,000)	-	-
Total general revenues	<u>4,738,450</u>	<u>(245,996)</u>	<u>4,492,454</u>	<u>25,756</u>
Change in net position	54,811	1,184,946	1,239,757	(138,727)
Net position - September 30, 2016	<u>5,432,663</u>	<u>19,418,170</u>	<u>24,850,833</u>	<u>3,175,590</u>
Net position - September 30, 2017	<u>\$ 5,487,474</u>	<u>\$ 20,603,116</u>	<u>\$ 26,090,590</u>	<u>\$ 3,036,863</u>

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

September 30, 2017

	<u>General</u> <u>Fund</u>	<u>Street</u> <u>Fund</u>
ASSETS		
Cash and cash equivalents	\$ 2,753,929	\$ 733,354
Investments	425,000	-
County treasurer cash	59,766	-
Due from Community Development Agency	21,241	-
	<u>21,241</u>	<u>-</u>
Total assets	<u>\$ 3,259,936</u>	<u>\$ 733,354</u>
LIABILITIES AND		
FUND BALANCES		
Liabilities:		
Due to other funds	\$ 4,054	\$ -
Due to Crete Airport Authority	880	-
Payroll withholdings	(2,364)	-
	<u>2,570</u>	<u>-</u>
Total liabilities	2,570	-
Fund balances:		
Nonspendable:		
Perpetual care	122,346	-
Restricted for:		
Street improvements	-	733,354
Debt service	-	-
Federal projects	-	-
Community betterment	-	-
Economic development	-	-
Cemetery maintenance	22,000	-
Library renovations	236,000	-
Committed for:		
STOP program	1,260	-
Assigned for:		
Capital outlay	-	-
Cemetery projects	10,000	-
Unassigned	2,865,760	-
	<u>2,865,760</u>	<u>-</u>
Total fund balances	<u>3,257,366</u>	<u>733,354</u>
Total liabilities and fund balances	<u>\$ 3,259,936</u>	<u>\$ 733,354</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>
\$ 485,031	\$ 175,335	\$ 997,463	\$ 5,145,112
-	-	90,000	515,000
9,962	-	-	69,728
-	-	-	21,241
<u>\$ 494,993</u>	<u>\$ 175,335</u>	<u>\$ 1,087,463</u>	<u>\$ 5,751,081</u>
\$ -	\$ 327,374	\$ 296	\$ 331,724
-	-	-	880
-	-	-	(2,364)
-	327,374	296	330,240
-	-	-	122,346
-	-	-	733,354
494,993	-	-	494,993
-	-	20	20
-	-	114,301	114,301
-	-	794,495	794,495
-	-	-	22,000
-	-	-	236,000
-	-	-	1,260
-	-	146,684	146,684
-	-	-	10,000
-	(152,039)	31,667	2,745,388
<u>494,993</u>	<u>(152,039)</u>	<u>1,087,167</u>	<u>5,420,841</u>
<u>\$ 494,993</u>	<u>\$ 175,335</u>	<u>\$ 1,087,463</u>	<u>\$ 5,751,081</u>

CITY OF CRETE, NEBRASKA

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

September 30, 2017

Total fund balances - governmental funds	\$ 5,420,841
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>66,633</u>
Total net position - governmental activities	<u><u>\$ 5,487,474</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, 2017

	General <u>Fund</u>	Street <u>Fund</u>	Debt Service <u>Fund</u>
REVENUES			
Taxes:			
Property	\$ 1,095,559	\$ -	\$ 204,518
Motor vehicle	93,343	-	-
Occupation	20,150	-	-
Sales tax	858,946	-	93,582
Franchise	266,593	-	-
Special assessments	-	-	63,578
Intergovernmental	612,808	719,628	-
Grants	41,267	-	-
Keno proceeds	-	-	-
Charges for services	540,331	15,564	-
Contributions	22,267	-	-
Interest income	3,612	-	-
Other revenue	13,015	97	-
Total revenues	<u>3,567,891</u>	<u>735,289</u>	<u>361,678</u>
EXPENDITURES			
General government	501,816	-	-
Public safety	1,943,584	-	-
Public works	98,240	637,474	-
Environment and leisure	836,164	-	-
Economic development	-	-	-
Capital outlay	73,554	-	-
Principal payments on debt	-	-	195,000
Interest on long-term debt	-	-	67,428
Bond/loan fees	-	-	353
Total expenditures	<u>3,453,358</u>	<u>637,474</u>	<u>262,781</u>
Excess of revenues over expenditures	114,533	97,815	98,897
OTHER FINANCING SOURCES (USES)			
Transfers in	3,975,105	106,080	-
Transfers out	(4,023,993)	(39,060)	-
Net transfers	<u>(48,888)</u>	<u>67,020</u>	<u>-</u>
Net change in fund balances	65,645	164,835	98,897
Fund balances - September 30, 2016	<u>3,191,721</u>	<u>568,519</u>	<u>396,096</u>
Fund balances - September 30, 2017	<u>\$ 3,257,366</u>	<u>\$ 733,354</u>	<u>\$ 494,993</u>

See notes to financial statements.

Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ -	\$ -	\$ 1,300,077
-	-	93,343
-	-	20,150
-	406,077	1,358,605
-	-	266,593
-	-	63,578
-	-	1,332,436
334,175	160,256	535,698
-	61,808	61,808
-	-	555,895
-	38,396	60,663
-	1,818	5,430
-	-	13,112
<u>334,175</u>	<u>668,355</u>	<u>5,667,388</u>
-	189,610	691,426
-	20,084	1,963,668
20,390	20,461	776,565
-	57,659	893,823
-	144,106	144,106
248,847	305,381	627,782
350,000	137,000	682,000
18,262	20,108	105,798
52	-	405
<u>637,551</u>	<u>894,409</u>	<u>5,885,573</u>
(303,376)	(226,054)	(218,185)
45,504	236,364	4,363,053
-	-	(4,063,053)
<u>45,504</u>	<u>236,364</u>	<u>300,000</u>
(257,872)	10,310	81,815
<u>105,833</u>	<u>1,076,857</u>	<u>5,339,026</u>
<u>\$ (152,039)</u>	<u>\$ 1,087,167</u>	<u>\$ 5,420,841</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, 2017

Total net change in fund balances - governmental funds	\$ 81,815
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>(27,004)</u>
Change in net position of governmental activities	<u><u>\$ 54,811</u></u>

See notes to financial statements.

CITY OF CRETE, NEBRASKA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
September 30, 2017

	Business-type Activities - Enterprise Funds	
	Electric Fund	Water Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 325,322	\$ 110,030
Investments	2,798,865	-
Accounts receivable	1,032,630	78,952
Unbilled revenue	113,287	9,466
Grants receivable	-	-
Accrued interest receivable	6,955	211
Special assessments receivable	-	480
Due from other funds	351,950	-
Inventory	297,261	14,980
Total current assets	4,926,270	214,119
Noncurrent assets:		
Restricted cash and cash equivalents	111,843	-
Restricted investments	632,440	400,000
Capital assets:		
Land	103,232	-
Distribution systems	8,175,803	6,266,366
Buildings and improvements	4,039,538	1,401,322
Equipment	748,059	238,414
Vehicles	1,052,096	36,563
Accumulated depreciation	(8,721,715)	(3,676,372)
Net capital assets	5,397,013	4,266,293
Total noncurrent assets	6,141,296	4,666,293
Total assets	11,067,566	4,880,412
LIABILITIES		
Current liabilities:		
Accounts payable	1,559,172	16,577
Sales tax payable	41,183	-
Accrued payroll	9,963	6,398
Accrued vacation	36,266	27,050
Other payroll liabilities	697	448
Customer deposits	212,916	-
Accrued interest	7,601	-
Due to other funds	-	-
Current portion of MEAN payable	73,678	-
Current portion of long-term obligations	115,000	-
Total current liabilities	2,056,476	50,473
Noncurrent liabilities:		
Noncurrent portion of MEAN payable	34,006	-
Noncurrent portion of long-term obligations	1,115,000	-
Total noncurrent liabilities	1,149,006	-
Total liabilities	3,205,482	50,473
NET POSITION		
Net investment in capital assets	4,167,013	4,266,293
Restricted for:		
Debt service	531,367	400,000
Unrestricted	3,163,704	163,646
Total net position	\$ 7,862,084	\$ 4,829,939

See notes to financial statements.

<u>Sewer Fund</u>	<u>Total</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 1,562,840	\$ 1,998,192	\$ 86,859
-	2,798,865	-
144,549	1,256,131	-
17,060	139,813	-
35,938	35,938	-
174	7,340	-
6,344	6,824	-
-	351,950	-
-	312,241	-
<u>1,766,905</u>	<u>6,907,294</u>	<u>86,859</u>
581,084	692,927	-
65,926	1,098,366	-
541,328	644,560	-
18,758,981	33,201,150	-
1,101,798	6,542,658	-
718,963	1,705,436	-
171,354	1,260,013	-
(3,866,769)	(16,264,856)	-
<u>17,425,655</u>	<u>27,088,961</u>	<u>-</u>
<u>18,072,665</u>	<u>28,880,254</u>	<u>-</u>
19,839,570	35,787,548	86,859
26,303	1,602,052	-
-	41,183	-
5,121	21,482	-
15,352	78,668	-
358	1,503	-
-	212,916	-
155,343	162,944	-
-	-	20,226
-	73,678	-
498,718	613,718	-
<u>701,195</u>	<u>2,808,144</u>	<u>20,226</u>
-	34,006	-
<u>11,227,282</u>	<u>12,342,282</u>	<u>-</u>
<u>11,227,282</u>	<u>12,376,288</u>	<u>-</u>
<u>11,928,477</u>	<u>15,184,432</u>	<u>20,226</u>
5,699,655	14,132,961	-
647,010	1,578,377	-
1,564,428	4,891,778	66,633
<u>\$ 7,911,093</u>	<u>\$ 20,603,116</u>	<u>\$ 66,633</u>

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

For the year ended September 30, 2017

	Business-type Activities - Enterprise Funds	
	Electric Fund	Water Fund
Operating revenues:		
Charges for services	\$ 10,237,029	\$ 872,664
Municipal sales	279,421	17,150
MEAN lease	145,240	-
Tap fees/switch assessments	85,434	1,200
Miscellaneous revenues	24,706	2,150
Total operating revenues	10,771,830	893,164
Operating expenses:		
Cost of power	8,730,040	-
Salaries and benefits	534,685	544,447
Insurance and bonds	67,423	38,112
Utilities and telephone	54,928	109,054
Repairs and maintenance	235,487	41,352
Contracted services	2,509	8,807
Supplies	22,242	21,009
Vehicle expense	40,454	13,259
Fuel and oil	31,307	-
Professional fees	12,815	27,258
Rent expense	6,576	4,944
Dues, memberships and training	17,052	6,850
Bad debts	4,143	(400)
Miscellaneous	41,362	2,349
Depreciation	408,400	188,469
Franchise fees	120,000	-
Insurance claims and health premiums	-	-
Total operating expenses	10,329,423	1,005,510
Operating income (loss)	442,407	(112,346)
Nonoperating revenues (expenses):		
Interest income	51,773	1,197
Grant income	-	-
Interest expense	(1,083)	(761)
Bond fees	(184)	-
Total nonoperating revenues (expenses)	50,506	436
Income (loss) before transfers	492,913	(111,910)
Interfund transfers:		
Transfers out	(300,000)	-
Change in net position	192,913	(111,910)
Net position - September 30, 2016	7,669,171	4,941,849
Net position - September 30, 2017	\$ 7,862,084	\$ 4,829,939

See notes to financial statements.

<u>Sewer Fund</u>	<u>Total</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 1,538,277	\$ 12,647,970	\$ 683,886
5,055	301,626	-
-	145,240	-
-	86,634	-
(29)	26,827	-
<u>1,543,303</u>	<u>13,208,297</u>	<u>683,886</u>
-	8,730,040	-
415,674	1,494,806	-
67,627	173,162	-
146,316	310,298	-
44,414	321,253	-
28,239	39,555	-
11,771	55,022	-
2,414	56,127	-
-	31,307	-
25,014	65,087	-
3,180	14,700	-
2,119	26,021	-
500	4,243	-
14,807	58,518	-
246,859	843,728	-
-	120,000	-
-	-	710,979
<u>1,008,934</u>	<u>12,343,867</u>	<u>710,979</u>
534,369	864,430	(27,093)
1,034	54,004	89
768,844	768,844	-
(155,804)	(157,648)	-
(44,500)	(44,684)	-
<u>569,574</u>	<u>620,516</u>	<u>89</u>
1,103,943	1,484,946	(27,004)
-	(300,000)	-
<u>1,103,943</u>	<u>1,184,946</u>	<u>(27,004)</u>
6,807,150	19,418,170	93,637
<u>\$ 7,911,093</u>	<u>\$ 20,603,116</u>	<u>\$ 66,633</u>

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

For the year ended September 30, 2017

	Electric Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 10,681,738
Receipts from other funds	-
Payments to suppliers	(9,395,672)
Payments to employees	(525,518)
Net cash provided (used) by operating activities	760,548
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers to other funds	(300,000)
Decrease in due from Community Development Agency	-
Change in due from/to other funds	98,335
Net cash provided (used) by noncapital financing activities	(201,665)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of property and equipment	(1,010,549)
Grant proceeds	-
Proceeds from issuance of long-term debt	1,230,000
Principal payments on capital debt	(173,900)
Bond fees paid	(184)
Interest paid on capital debt	(1,999)
Net cash provided (used) by capital and related financing activities	43,368
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in investments	845,210
Interest received	53,354
Net cash provided by investing activities	898,564
Increase (decrease) in cash and cash equivalents	1,500,815
Cash and cash equivalents - beginning of the year	(1,063,650)
Cash and cash equivalents - end of the year	\$ 437,165
Composition of cash and cash equivalents:	
Cash and cash equivalents	\$ 325,322
Restricted cash and cash equivalents	111,843
Total cash and cash equivalents	\$ 437,165

See notes to financial statements.

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>	<u>Fund</u>
\$ 925,190	\$ 1,548,397	\$ 13,155,325	\$ -
-	-	-	683,886
(278,253)	(349,322)	(10,023,247)	(710,979)
(549,009)	(416,101)	(1,490,628)	-
<u>97,928</u>	<u>782,974</u>	<u>1,641,450</u>	<u>(27,093)</u>
-	-	(300,000)	-
3,482	-	3,482	-
-	-	98,335	(30,059)
<u>3,482</u>	<u>-</u>	<u>(198,183)</u>	<u>(30,059)</u>
(113,794)	(1,077,987)	(2,202,330)	-
-	1,632,962	1,632,962	-
-	11,726,000	12,956,000	-
(122,100)	(13,634,000)	(13,930,000)	-
-	(44,500)	(44,684)	-
(1,405)	(851)	(4,255)	-
<u>(237,299)</u>	<u>(1,398,376)</u>	<u>(1,592,307)</u>	<u>-</u>
-	-	845,210	-
1,201	1,037	55,592	89
<u>1,201</u>	<u>1,037</u>	<u>900,802</u>	<u>89</u>
(134,688)	(614,365)	751,762	(57,063)
244,718	2,758,289	1,939,357	143,922
<u>\$ 110,030</u>	<u>\$ 2,143,924</u>	<u>\$ 2,691,119</u>	<u>\$ 86,859</u>
\$ 110,030	\$ 1,562,840	\$ 1,998,192	\$ 86,859
-	581,084	692,927	-
<u>\$ 110,030</u>	<u>\$ 2,143,924</u>	<u>\$ 2,691,119</u>	<u>\$ 86,859</u>

CITY OF CRETE, NEBRASKA

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

For the year ended September 30, 2017

	<u>Electric Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 442,407
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	408,400
Change in assets and liabilities:	
Accounts receivable	(83,635)
Inventories	5,410
Customer deposits	(7,796)
Accounts payable	(14,744)
Sales tax payable	1,339
Accrued expenses	9,167
Net cash provided (used) by operating activities	<u>\$ 760,548</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>
\$ (112,346)	\$ 534,369	\$ 864,430	\$ (27,093)
188,469	246,859	843,728	-
32,026	5,094	(46,515)	-
-	-	5,410	-
-	-	(7,796)	-
(5,659)	(2,921)	(23,324)	-
-	-	1,339	-
(4,562)	(427)	4,178	-
<u>\$ 97,928</u>	<u>\$ 782,974</u>	<u>\$ 1,641,450</u>	<u>\$ (27,093)</u>

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

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CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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, 2017

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, 2017.
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, 2017

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 Projects Funds

Capital Projects 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, 2017

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, 2017

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.

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, 2017

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, 2017

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, 2017

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 and grants receivable 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, 2017

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 \$5,000 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, 2017

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, 2017

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 16). 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, 2017

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 2016-2017 are recorded as revenue when received by the County.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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, 2017

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units 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, 2017

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, 2017

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.

Actual disbursements exceeded budgeted appropriations by \$5,122,393 during the year ended September 30, 2017.

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, 2017. 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, 2017

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	\$ 8,014,783	\$ 550,740	\$ 7,464,043	\$ -	\$ <u>7,945,758</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –	
Unrestricted cash and cash equivalents	\$ 5,087,320
Restricted cash and cash equivalents	2,835,770
Component Unit –	
Unrestricted cash and cash equivalents	<u>22,668</u>
	<u>\$ 7,945,758</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, 2017. 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 the 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	\$ 5,222	\$ -	\$ -	\$ 5,222	\$ 5,222
Time Deposits	4,407,009	-	-	<u>4,407,009</u>	<u>4,407,009</u>
				<u>\$ 4,412,231</u>	<u>\$ 4,412,231</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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	\$	2,948,865
Restricted investments		<u>1,463,366</u>
	\$	<u>4,412,231</u>

2. Restricted Assets

The restricted assets as of September 30, 2017, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 2,142,843	\$ 692,927	\$ 2,835,770
Investments	<u>365,000</u>	<u>1,098,366</u>	<u>1,463,366</u>
Total Restricted Assets	<u>\$ 2,507,843</u>	<u>\$ 1,791,293</u>	<u>\$ 4,299,136</u>

Restricted cash and investments for the governmental activities consists of \$122,346 of General Fund assets restricted for cemetery perpetual care, \$22,000 of General Fund assets restricted for cemetery maintenance, \$236,000 of General Fund assets restricted for library renovations, \$733,354 of Street Fund cash restricted for street improvements, \$485,031 of Debt Service cash restricted for debt service, \$20 of CDBG Fund cash restricted for Federal programs, \$114,301 of Keno Fund cash restricted for community betterment, and \$794,791 of Economic Development Fund cash restricted for economic development.

The Electric Fund restricted assets consist of \$531,367 restricted for debt service and \$212,916 restricted for customer deposits. The Water Fund has \$400,000 restricted for debt service. The Sewer Fund has \$647,010 restricted for debt service.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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, 2017, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 1,325,631
Allowance for uncollectible accounts	(<u>69,500</u>)
Total accounts receivable	\$ <u>1,256,131</u>

Grants receivable for the business-type activities at September 30, 2017, consists of a \$35,938 grant due from USDA to the Sewer Fund for the wastewater treatment construction project.

At July 31, 2017, the Crete Airport Authority had a \$71,007 grant receivable for costs incurred on a hangar construction project.

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, 2017:

<u>Project/ Redeveloper</u>	<u>TIF Receivable</u>	<u>TIF Payable</u>
Dairy Queen	\$ 51,800	\$ 48,200
Union Bank	<u>193,100</u>	<u>-</u>
	<u>\$ 244,900</u>	<u>\$ 48,200</u>
Current portion	\$ 18,800	\$ 3,900
Noncurrent portion	<u>226,100</u>	<u>44,300</u>
Total	<u>\$ 244,900</u>	<u>\$ 48,200</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

4. Capital Assets

	Balance at October 1, <u>2016</u>	<u>Additions</u>	<u>Reclass</u>	Balance at September 30, <u>2017</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 644,560	\$ -	\$ -	\$ 644,560
Construction in progress	13,409,931	798,637	(14,208,568)	-
Total capital assets not being depreciated	14,054,491	798,637	(14,208,568)	644,560
Other capital assets being depreciated:				
Distribution systems	18,273,096	719,486	14,208,568	33,201,150
Buildings and improvements	6,493,250	49,408	-	6,542,658
Equipment	1,673,918	31,518	-	1,705,436
Vehicles	1,260,013	-	-	1,260,013
Total other capital assets at historical cost	27,700,277	800,412	14,208,568	42,709,257
Less accumulated depreciation for:				
Distribution systems	(9,454,762)	(573,603)	-	(10,028,365)
Buildings and improvements	(3,688,991)	(169,427)	-	(3,858,418)
Equipment	(1,152,272)	(74,077)	-	(1,226,349)
Vehicles	(1,125,103)	(26,621)	-	(1,151,724)
Total accumulated depreciation	(15,421,128)	(843,728) *	-	(16,264,856)
Other capital assets, net	12,279,149	(43,316)	14,208,568	26,444,401
Business-type capital assets, net	<u>\$ 26,333,640</u>	<u>\$ 755,321</u>	<u>\$ -</u>	<u>\$ 27,088,961</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 408,400
Water	188,469
Sewer	<u>246,859</u>
Total Business-type Activities depreciation expense	<u>\$ 843,728</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

4. Capital Assets, continued

Component Units:

	Balance at July 31, <u>2016</u>	<u>Additions</u>	<u>Disposals</u>	Balance at July 31, <u>2017</u>
<u>Crete Airport Authority:</u>				
Capital assets not being depreciated:				
Land	\$ 397,514	\$ -	\$ -	\$ 397,514
Construction in progress	-	79,262	-	79,262
Total capital assets not being depreciated	397,514	79,262	-	476,776
Other capital assets being depreciated:				
Buildings and improvements	5,118,626	-	-	5,118,626
Equipment	909,565	-	-	909,565
Total other capital assets at historical cost	6,028,191	-	-	6,028,191
Less accumulated depreciation for:				
Buildings and improvements	(3,162,069)	(161,234)	-	(3,323,303)
Equipment	(384,435)	(47,797)	-	(432,232)
Total accumulated depreciation	(3,546,504)	(209,031)	-	(3,755,535)
Other capital assets, net	2,481,687	(209,031)	-	2,272,656
Governmental activities capital assets, net	<u>\$ 2,879,201</u>	<u>\$ (129,769)</u>	<u>\$ -</u>	<u>\$ 2,749,432</u>

Construction in progress at July 31, 2017 consists of \$79,262 of engineering costs incurred on the Hangar B project. See Note D3 for additional details on contractual commitments on this project.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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, 2017:

<u>Type of Debt</u>	Balance October 1, 2016	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2017	Amounts Due Within <u>One Year</u>
Business-type Activities:					
Bonds payable	\$ 370,000	\$ 12,956,000	\$ (370,000)	\$ 12,956,000	\$ 613,718
Bond anticipation notes	13,560,000	-	(13,560,000)	-	-
Total Business-type Activities	<u>\$ 13,930,000</u>	<u>\$ 12,956,000</u>	<u>\$ (13,930,000)</u>	<u>\$ 12,956,000</u>	<u>\$ 613,718</u>
Component unit:					
Community Development					
Agency TIF payables	\$ 52,550	\$ -	\$ (4,350)	\$ 48,200	\$ 3,900
	Balance August 1, 2016	<u>Additions</u>	<u>Deductions</u>	Balance July 31, 2017	Amounts Due Within <u>One Year</u>
Component unit:					
Crete Airport Authority					
Bonds payable	\$ 8,000	\$ -	\$ (8,000)	\$ -	\$ -

Business-type Activities

As of September 30, 2017, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds payable:

During December 2016, the City issued \$1,230,000 of Series 2016 Electric Certificates of Participation to finance electric capital asset projects. Interest ranging from 1.15 to 2.85 percent is due semi-annually on June 15 and December 15, commencing June 15, 2017. The final principal payment is due December 15, 2026.

\$ 1,230,000

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

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

5. Long-term Debt, continued

Business-type Activities, continued

On December 15, 2016, the Sewer Fund issued \$6,998,000 of Series 2016A USDA Bonds to refinance the bond anticipation note issued during the wastewater treatment plant project. The bonds bear interest of 1.875%. Annual principal and interest payments of \$422,890 are due commencing December 15, 2017 through December 15, 2036. 6,998,000

On December 15, 2016, the Sewer Fund issued \$4,011,000 of Series 2016B USDA Bonds to refinance the bond anticipation note issued during the wastewater treatment plant project. The bonds bear interest of 1.375%. Annual principal and interest payments of \$230,793 are due commencing December 15, 2017 through December 15, 2036. 4,011,000

On December 15, 2016, the Sewer Fund issued \$717,000 of Series 2016C USDA Bonds to refinance the bond anticipation note issued during the wastewater treatment plant project. The bonds bear interest of 1.375%. Annual principal and interest payments of \$41,257 are due commencing December 15, 2017 through December 15, 2036. 717,000

Total business-type activity long-term debt \$ 12,956,000

Current portion \$ 613,718

Noncurrent portion 12,342,282

Total \$ 12,956,000

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

5. Long-term Debt, continued

Component Units

Community Development Agency

See Note C3 for details on the \$48,200 of TIF payables due to redevelopers.	<u>\$ 48,200</u>
Current portion	\$ 3,900
Noncurrent portion	<u>44,300</u>
Total long-term debt	<u>\$ 48,200</u>

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2017, are as follows:

<u>Year Ending September 30.</u>	<u>Business-type Activities</u>		<u>Component Units</u>	
	<u>Bonds Payable & BANs</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 613,718	\$ 221,621	\$ 3,900	\$ -
2019	622,033	211,868	3,900	-
2020	630,491	201,686	3,900	-
2021	644,092	191,025	3,900	-
2022	652,841	179,907	3,900	-
2023-2027	3,445,740	717,846	19,500	-
2028-2032	3,042,963	431,737	9,200	-
2033-2037	3,304,122	168,084	-	-
	<u>\$12,956,000</u>	<u>\$2,323,774</u>	<u>\$ 48,200</u>	<u>\$ -</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 (\$73,678 current portion and \$34,006 noncurrent portion).

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

6. Interfund Transactions and Balances

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Electric	\$ 300,000	\$ -
Street	16,008	(106,080)
Intrafund General	3,659,097	(3,659,097)
Capital Projects	-	(45,504)
Nonmajor Governmental Funds	<u>-</u>	<u>(213,312)</u>
Total General Fund	3,975,105	(4,023,993)
Street Fund:		
General	106,080	(16,008)
Nonmajor Governmental Funds	<u>-</u>	<u>(23,052)</u>
Total Street Fund	106,080	(39,060)
Capital Projects Fund:		
General Funds	45,504	-
Nonmajor Governmental Funds:	236,364	-
Electric Fund:		
General	<u>-</u>	<u>(300,000)</u>
Total Operating Transfers	\$ <u>4,363,053</u>	\$ <u>(4,363,053)</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

6. Interfund Transactions and Balances, continued

Interfund Balances

At September 30, 2017, the Capital Projects Fund owed \$327,374 to the Electric Fund. Also, the Internal Service Fund owed \$20,226 to the Electric Fund, the General Fund owed \$4,054 to the Electric Fund, and the Street Fund owed \$296 to the Electric Fund. These interfund loans are expected to be repaid during the next fiscal year.

Also at September 30, 2017, the Community Development Agency owed \$21,241 to the General Fund. This loans is 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 seven 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 \$142,098 for the year ended September 30, 2017, and the employee contributions also totaled \$142,098 for the year ended September 30, 2017, on \$2,029,965 of covered payroll (with total payroll of \$2,501,819).

The City's police contribution amounted to \$53,167 for the year ended September 30, 2017, and the police employee contributions also totaled \$53,167 for the year ended September 30, 2017, on \$759,527 of covered payroll (with total payroll of \$835,031).

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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, 2017 were \$11,793.

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, 2017, 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, 2017

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 2017	\$ 295,000
November 2017	190,025
December 2017	100,000
February 2018	785,000
March 2018	167,873
April 2018	327,902
May 2018	10,000
June 2018	100,000
July 2018	203,504
August 2018	182,531
September 2018	202,666
November 2018	1,000
December 2018	146,132
March 2019	340,116
April 2019	199,249
September 2019	199,827
January 2020	50,013
March 2020	101,995
September 2020	206,866
May 2021	100,145
July 2021	98,071
November 2022	100,059
May 2023	197,012
March 2027	<u>102,023</u>
	\$ <u>4,407,009</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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, 2017, the City’s investments consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Pinnacle Bank	\$ 831,000
City Bank & Trust	1,032,000
Wells Fargo Advisors	<u>2,544,009</u>
	<u>\$ 4,407,009</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, 2017.

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, 2017, will not be significant to the City’s financial statements.

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Construction and Commitments

As of September 30, 2017, the City had the following construction obligations:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/17</u>	<u>Remaining Commitment</u>	<u>Expected Date of Completion</u>
New library project:				
Engineering	\$ 527,008	\$ -	\$ 527,008	Winter 2019
Old Tabitha hospital:				
Demolition	239,892	-	239,892	January 2018
Asbestos removal	<u>253,900</u>	<u>-</u>	<u>253,900</u>	January 2018
Total Tabitha project	493,792	-	493,792	
Braden Substation:				
Engineering	31,564	26,476	5,088	Winter 2018
Contractor	<u>439,350</u>	<u>-</u>	<u>439,350</u>	Winter 2018
Total Braden Substation project	470,914	26,476	444,438	
Wastewater odor control:				
Engineering	12,500	3,151	9,349	Winter 2018
Crete Core Ingredients analysis:				
Engineering	35,000	29,484	5,516	Winter 2018
Airport hangar maintenance:				
Contractor	16,985	8,493	8,492	September 2017
Airport Hangar B:				
Engineering	167,320	79,262	88,058	January 2018
Contractor	<u>771,312</u>	<u>-</u>	<u>771,312</u>	January 2018
Total Hangar B project	<u>938,632</u>	<u>79,262</u>	<u>859,370</u>	
	<u>\$ 2,494,831</u>	<u>\$ 146,866</u>	<u>\$ 2,347,965</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, 2017

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. During the year ended September 30, 2017, Tabitha, Inc. moved out of the property and returned it to the City. This site will be used for the new community center/library after the old building is razed.

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 \$7,456,916 for the year ended September 30, 2017. 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 \$145,240 for the year ended September 30, 2017. 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. Total rent expense was \$1,767 for the year ended September 30, 2017. Future lease obligations are as follows:

<u>Year Ended September 30,</u>	<u>Lease</u> <u>Commitments</u>
2018	\$ 1,245
2019	1,245
2020	1,245
2021	1,245
2022	<u>1,037</u>
	\$ <u>6,017</u>

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

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, 2017:

<u>Type of Debt</u>	Balance October 1, 2016	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2017	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds payable	\$ 1,860,000	\$ -	\$ (195,000)	\$ 1,665,000	\$ 195,000
Bond anticipation notes	1,195,000	-	(350,000)	845,000	845,000
Capital lease obligations	<u>723,000</u>	<u>-</u>	<u>(137,000)</u>	<u>586,000</u>	<u>141,000</u>
Total Governmental-type Activities	<u>\$ 3,778,000</u>	<u>\$ -</u>	<u>\$ (682,000)</u>	<u>\$ 3,096,000</u>	<u>\$ 1,181,000</u>

Governmental Activities:

As of September 30, 2017, 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. \$ 1,665,000

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. 520,000

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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. 510,000

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. 76,000

Total long-term debt \$ 3,096,000

Current portion \$ 1,181,000

Noncurrent portion 1,915,000

Total long-term debt \$ 3,096,000

Annual debt service requirements to maturity, including principal and interest, for governmental long-term debt as of September 30, 2017, are as follows:

Year Ending <u>September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,181,000	\$ 61,605
2019	344,000	43,467
2020	348,000	36,875
2021	358,000	29,037
2022	210,000	19,912
2023-2027	<u>655,000</u>	<u>27,566</u>
	<u><u>\$3,096,000</u></u>	<u><u>\$ 218,462</u></u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

NOTE D – OTHER NOTES, continued

5. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2017:

<u>Parties to Agreement</u>	<u>Term</u>	<u>Description</u>
Seward/Saline County Waste Area Management Agency	7/1/93 to indefinite	Solid Waste disposal
Saline County Mutual Finance Organization	7/1/16 to indefinite	Fire and Rescue equipment
Saline County Rural Fire District	7/1/16 to indefinite	Fire and Rescue services
Southeast Nebraska Development District	7/1/17 to 6/30/18	Economic and Community Development Services
League Association of Risk management	10/1/08 to 9/30/18	Risk Management services and coverage
NMPP Energy MEAN	4/1/81 to 3/31/38	Wholesale electricity and related services
Seward County Attorney	12/1/14 to 9/30/17	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, 2017

NOTE D – OTHER NOTES, continued

6. LB840 Loan

On May 23, 2016, the City issued a \$30,000 LB840 loan to Mandy Bruder to open a daycare facility (Little Peanuts, LLC). The loan is non-interest bearing and is forgivable if the business remains open as a daycare facility for a period of seven years and if the business creates and maintains six full-time employees beginning August 1, 2016 for a period of seven years.

7. Tax Abatements

The Community Development Agency (CDA), who is authorized by Nebraska statutes to enter into property tax abatement agreements for the purpose of developing properties in blighted areas, has entered into tax increment financing (TIF) agreements with various redevelopers. The TIF program has the stated purpose of increasing valuation, business activity and employment in the community.

Under the TIF program, redevelopers can apply for TIF financing whereby the property tax they pay on the increased valuation of property under a TIF agreement is returned to the redeveloper by the CDA to finance the project for a period of up to 15 years.

Information relevant to the abatements granted by the CDA for the year ended September 30, 2017 is as follows:

<u>TIF Project:</u>	Years Remaining on <u>TIF Agreements</u>	2017 TIF <u>Valuation</u>	TIF Proceeds Received during the year <u>9-30-2017</u>
Dairy Queen	13	\$ 182,295	\$ 3,996
Union Bank	13	679,500	<u>14,894</u>
			<u>\$ 18,890</u>

8. Subsequent Events

Management has evaluated subsequent events through January 17, 2018, the date on which the financial statements were available for issue.

On November 2, 2017, the City issued \$4,215,000 of Series 2017 Tax Supported Community Facilities Bonds for the new library project. The bonds bear interest ranging from 1.15 to 3.375 percent with final maturity June 15, 2018.

SUPPLEMENTARY INFORMATION

CITY OF CRETE, NEBRASKA

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

Year ended September 30, 2017

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 1,138,000	\$ 1,095,559	\$ (42,441)
Motor vehicle	80,000	93,343	13,343
Occupation	70,000	20,150	(49,850)
Franchise	250,000	266,593	16,593
Sales	-	858,946	858,946
Intergovernmental	611,190	612,808	1,618
Grants	57,500	41,267	(16,233)
Charges for services	636,300	540,331	(95,969)
Interest income	4,750	3,612	(1,138)
Contributions	75,000	22,267	(52,733)
Loan proceeds	-	-	-
Other	4,300	13,015	8,715
Total resources	<u>2,927,040</u>	<u>3,567,891</u>	<u>640,851</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	556,520	501,816	(54,704)
Public safety	2,087,980	1,943,584	(144,396)
Public works	89,630	98,240	8,610
Environment and leisure	1,005,547	836,164	(169,383)
Capital outlay	388,650	73,554	(315,096)
Total charges to appropriations	<u>4,128,327</u>	<u>3,453,358</u>	<u>(674,969)</u>
Resources over (under) charges to appropriations	(1,201,287)	114,533	1,315,820
OTHER FINANCING SOURCES (USES)			
Transfers in	3,971,227	3,975,105	3,878
Transfers out	<u>(3,032,800)</u>	<u>(4,023,993)</u>	<u>(991,193)</u>
Net transfers	<u>938,427</u>	<u>(48,888)</u>	<u>(987,315)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (262,860)</u>	<u>\$ 65,645</u>	<u>\$ 328,505</u>

CITY OF CRETE, NEBRASKA

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

Year ended September 30, 2017

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Intergovernmental	\$ 704,170	\$ 719,628	\$ 15,458
Charges for services	17,440	15,564	(1,876)
Sales proceeds on capital assets	510	-	(510)
Other revenue	500	97	(403)
	<hr/>	<hr/>	<hr/>
Total resources	722,620	735,289	12,669
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	788,120	637,474	(150,646)
Capital outlay	21,000	-	(21,000)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	809,120	637,474	(171,646)
Resources over (under) charges to appropriations	(86,500)	97,815	184,315
OTHER FINANCING SOURCES (USES)			
Transfers in	106,080	106,080	-
Transfers out	-	(39,060)	(39,060)
	<hr/>	<hr/>	<hr/>
Net transfers	106,080	67,020	(39,060)
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER CHARGES TO APPROPRIATIONS			
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 19,580	\$ 164,835	\$ 145,255

CITY OF CRETE, NEBRASKA

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

Year ended September 30, 2017

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Property tax	\$ 216,000	\$ 204,518	\$ (11,482)
Sales tax	-	93,582	93,582
Special assessments	10,800	63,578	52,778
Total resources	<u>226,800</u>	<u>361,678</u>	<u>134,878</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments	195,000	195,000	-
Interest expense	70,850	67,428	(3,422)
Bond fees	1,000	353	(647)
Total charges to appropriations	<u>266,850</u>	<u>262,781</u>	<u>(4,069)</u>
Resources over (under) charges to appropriations	(40,050)	98,897	138,947
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>35,000</u>	<u>-</u>	<u>(35,000)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (5,050)</u>	<u>\$ 98,897</u>	<u>\$ 103,947</u>

CITY OF CRETE, NEBRASKA

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

Year ended September 30, 2017

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Grants	\$ 110,000	\$ 334,175	\$ 224,175
Bond proceeds	642,000	-	(642,000)
Total resources	<u>752,000</u>	<u>334,175</u>	<u>(417,825)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	-	20,390	20,390
Capital outlay	752,000	248,847	(503,153)
Principal payments	-	350,000	350,000
Interest expense	-	18,262	18,262
Bond fees	-	52	52
Total charges to appropriations	<u>752,000</u>	<u>637,551</u>	<u>(114,449)</u>
Resources over (under) charges to appropriations	-	(303,376)	(303,376)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>45,500</u>	<u>45,504</u>	<u>4</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u><u>\$ 45,500</u></u>	<u><u>\$ (257,872)</u></u>	<u><u>\$ (303,372)</u></u>

CITY OF CRETE, NEBRASKA

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

September 30, 2017

	Special Revenue Funds		
	CDBG	Owner	Keno
	<u>Fund</u>	Occupied Rehab <u>Fund</u>	<u>Fund</u>
ASSETS			
Cash and cash equivalents	\$ 20	\$ 31,667	\$ 114,301
Investments	-	-	-
Total assets	\$ 20	\$ 31,667	\$ 114,301
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Fund balances:			
Restricted for:			
Federal programs	20	-	-
Community betterment	-	-	114,301
Economic development	-	-	-
Assigned for:			
Capital outlay	-	-	-
Unassigned	-	31,667	-
Total fund balances	20	31,667	114,301
Total liabilities and fund balances	\$ 20	\$ 31,667	\$ 114,301

<u>Special Revenue Funds</u>		Total
<u>Capital</u>	<u>Economic</u>	<u>Other</u>
<u>Outlay</u>	<u>Development</u>	<u>Governmental</u>
<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
\$ 56,684	\$ 794,791	\$ 997,463
90,000	-	90,000
<u>\$ 146,684</u>	<u>\$ 794,791</u>	<u>\$ 1,087,463</u>
\$ -	\$ 296	\$ 296
-	-	20
-	-	114,301
-	794,495	794,495
146,684	-	146,684
-	-	31,667
<u>146,684</u>	<u>794,495</u>	<u>1,087,167</u>
<u>\$ 146,684</u>	<u>\$ 794,791</u>	<u>\$ 1,087,463</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, 2017

	Special Revenue Funds		
	CDBG	Owner	Keno
	<u>Fund</u>	Occupied Rehab	Fund
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
REVENUES			
Sales tax	\$ -	\$ -	\$ -
Keno proceeds	-	-	61,808
Grant income	-	160,256	-
Contributions	-	37,396	-
Interest income	-	5	20
Total revenues	-	197,657	61,828
EXPENDITURES			
General government	-	161,896	19,371
Public safety	-	-	-
Public works	-	-	-
Environment and leisure	-	-	31,052
Economic development	-	-	-
Capital outlay	-	-	-
Principal payments	-	-	-
Interest on long-term debt	-	-	-
Total expenditures	-	161,896	50,423
Excess (deficiency) of revenues over expenditures before transfers	-	35,761	11,405
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Net change in fund balances	-	35,761	11,405
Fund balances - September 30, 2016	20	(4,094)	102,896
Fund balances - September 30, 2017	\$ 20	\$ 31,667	\$ 114,301

<u>Special Revenue Funds</u>			
<u>Capital Outlay Fund</u>	<u>Economic Development Fund</u>	<u>Total Other Governmental Funds</u>	
\$ -	\$ 406,077	\$ 406,077	
-	-	61,808	
-	-	160,256	
1,000	-	38,396	
-	1,793	1,818	
<u>1,000</u>	<u>407,870</u>	<u>668,355</u>	
8,343	-	189,610	
20,084	-	20,084	
20,461	-	20,461	
26,607	-	57,659	
-	144,106	144,106	
305,381	-	305,381	
-	137,000	137,000	
-	20,108	20,108	
<u>380,876</u>	<u>301,214</u>	<u>894,409</u>	
(379,876)	106,656	(226,054)	
<u>189,648</u>	<u>46,716</u>	<u>236,364</u>	
(190,228)	153,372	10,310	
<u>336,912</u>	<u>641,123</u>	<u>1,076,857</u>	
<u>\$ 146,684</u>	<u>\$ 794,495</u>	<u>\$ 1,087,167</u>	

CITY OF CRETE, NEBRASKA

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

July 31, 2017 and September 30, 2017

	Crete Airport Authority <u>(July 31, 2017)</u>	Community Development Agency <u>(September 30, 2017)</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 16,665	\$ 6,003	\$ 22,668
County treasurer cash	678	-	678
Accounts receivable	27,207	-	27,207
Grants receivable	71,007	-	71,007
Current portion of TIF receivables	-	18,800	18,800
Fuel inventory	18,793	-	18,793
Prepaid insurance	5,518	-	5,518
Total current assets	<u>139,868</u>	<u>24,803</u>	<u>164,671</u>
Noncurrent assets:			
Noncurrent portion of TIF receivables	-	226,100	226,100
Capital assets:			
Land	397,514	-	397,514
Construction in progress	79,262	-	79,262
Other capital assets, net of depreciation	2,272,656	-	2,272,656
Net capital assets	<u>2,749,432</u>	<u>-</u>	<u>2,749,432</u>
Total noncurrent assets	<u>2,749,432</u>	<u>226,100</u>	<u>2,975,532</u>
Total assets	2,889,300	250,903	3,140,203
LIABILITIES			
Current liabilities:			
Accounts payable	22,339	-	22,339
Unearned rent revenue	11,560	-	11,560
Due to City of Crete	-	21,241	21,241
Current portion of long-term obligation	-	3,900	3,900
Total current liabilities	<u>33,899</u>	<u>25,141</u>	<u>59,040</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	-	44,300	44,300
Total liabilities	<u>33,899</u>	<u>69,441</u>	<u>103,340</u>
NET POSITION			
Net investment in capital assets	2,749,432	-	2,749,432
Unrestricted	105,969	181,462	287,431
Total net position	<u>\$ 2,855,401</u>	<u>\$ 181,462</u>	<u>\$ 3,036,863</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, 2017

<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 (7/31/17)	\$ 416,847	\$ 192,580	\$ -
Community Development Agency (9/30/17)	11,223	-	-
Total component units	\$ 428,070	\$ 192,580	\$ -

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>
\$ 71,007	\$ (153,260)	\$ -	\$ (153,260)
-	-	(11,223)	(11,223)
<u>\$ 71,007</u>	<u>(153,260)</u>	<u>(11,223)</u>	<u>(164,483)</u>
General revenues:			
Property taxes	25,478	-	25,478
Other income	278	-	278
Total general revenues	<u>25,756</u>	<u>-</u>	<u>25,756</u>
Change in net position	(127,504)	(11,223)	(138,727)
Net position - September 30, 2016	<u>2,982,905</u>	<u>192,685</u>	<u>3,175,590</u>
Net position - September 30, 2017	<u>\$ 2,855,401</u>	<u>\$ 181,462</u>	<u>\$ 3,036,863</u>

SINGLE AUDIT REPORTS

CITY OF CRETE, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended September 30, 2017

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through Nebraska State Department of Economic Development Community Development Block Grants	14.228	47-6006154	\$ 165,806
<u>Department of Transportation</u>			
Passed Through Nebraska Department of Transportation:			
Federal-Aid Highway Program	20.205	47-6006154	1,308
Airport Improvement Program	20.106	47-6006154	<u>57,512</u>
Total Passed Through Nebraska Department of Transportation			58,820
Passed Through Nebraska Office of Highway Safety Highway Safety Cluster			
National Priority Safety Programs	20.616	47-6006154	1,765
State and Community Highway Safety	20.600	47-6006154	<u>7,775</u>
Total Highway Safety Cluster/Total Passed Through Nebraska Office of Highway Safety			<u>9,540</u>
Total Department of Transportation			68,360
<u>Department of Justice</u>			
Bulletproof Vest Partnership	16.607	n/a	840
<u>U.S. Department of Agriculture</u>			
Water and Waste Disposal Systems for Rural Communities	10.760	n/a	<u>12,625,695</u> *
Total Federal Awards			<u><u>\$ 12,860,701</u></u>

*Major Program

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Crete, Nebraska, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

The City has not elected to use the 10 percent de minimis cost rate.



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

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

SHAREHOLDERS

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

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, 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 17, 2018. 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

1203 W 2nd Street
PO Box 1407
Grand Island, NE 68802
Ph. 308-381-1810
Fax 308-381-4824
Email: cpa@gicpas.com

timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2017-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Crete's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2017-002.

City of Crete's Response to Findings

The City of Crete's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Aungmye Mathalm,
Galloway & Luth, P.C.

Grand Island, Nebraska
January 17, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Crete, Nebraska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City of Crete, Nebraska's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Crete, Nebraska's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
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Christine R. Shenk
Michael E. Hoback
Joseph P. Stump
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1203 W 2nd Street
PO Box 1407
Grand Island, NE 68802
Ph. 308-381-1810
Fax 308-381-4824
Email: cpa@gicpas.com

Opinion on Each Major Federal Program

In our opinion, the City of Crete, Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

August Malthahn,
Galloway & Luth, P.C.

Grand Island, Nebraska
January 17, 2018

CITY OF CRETE, NEBRASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2017

1. A summary of auditor's results:
 - (i) Unmodified opinions were issued on all opinion units of the City of Crete, Nebraska, as of September 30, 2017.
 - (ii) One significant deficiency disclosed during the audit of the financial statements is reported in the "Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*." The deficiency is not reported as a material weakness.
 - (iii) The audit disclosed one instance of noncompliance which is material to the financial statements of the City of Crete, Nebraska.
 - (iv) The audit did not disclose any significant deficiencies in the internal control over major programs for the City of Crete, Nebraska.
 - (v) An unmodified opinion was issued on compliance for major programs.
 - (vi) The audit did not disclose any audit findings which we are required to be reported under 2 CFR section 200.516(a).
 - (vii) Major Program: CFDA #10.760 – Water and Wastewater Disposal Systems for Rural Communities.
 - (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
 - (ix) The City of Crete, Nebraska, did not qualify as a low-risk auditee.
2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS.

2017-001 Due to a limited number of personnel, there is not adequate segregation of duties to ensure internal control over cash receipts, disbursements, and recording of transactions.

Management's Response – It is impractical to further segregate duties due to the limited number of accounting personnel.

2017-002 Actual disbursements for the year ended September 30, 2017 exceeded budgeted appropriations by \$5,122,393.

Management's Response – Actual disbursements will be compared to budgeted appropriations and the budget will be amended in the future if necessary.
3. Findings and questioned costs for Federal awards which shall include audit findings as defined in 2 CFR section 200.516(a).

None

CITY OF CRETE, NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended September 30, 2017

There were no prior audit findings for the year ended September 30, 2016.