

CITY OF CRETE, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2019

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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, 2019, 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

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that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities – modified cash basis, the business-type activities – accrual basis, the aggregate discretely presented component units – accrual basis, each major fund – modified cash basis for the governmental funds and accrual basis for the proprietary funds, and the aggregate remaining fund information – modified cash basis for the governmental funds of the City of Crete, Nebraska, as of September 30, 2019, 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 management's discussion and analysis, budgetary comparison schedules, nonmajor governmental combining statements, and component units combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary

information described in the first sentence of this paragraph is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2020, 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.

AMGL, PC.

Grand Island, Nebraska
January 9, 2020

CITY OF CRETE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2019

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, 2019. 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 \$31,509,831 (*net position*). Of this amount, \$11,927,890 (*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 \$7,917,298. Approximately 50.1 percent of this total amount, \$3,969,713, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,687,730, or 96.5 percent of total General Fund expenditures.

Overview of the Financial Statements

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

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

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

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

CITY OF CRETE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

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 three discretely presented component units (Crete Airport Authority, Community Development Agency, and Friends of the Crete Public Library) 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 ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

CITY OF CRETE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

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 24-60 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 61-68 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 \$31,509,831 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, 2019

Government-wide Financial Analysis, continued

Summary Statements of Net Position

	Year Ended September 30, 2019			Year Ended September 30, 2018		
	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	\$ 7,916,442	\$ 10,600,099	\$ 18,516,541	\$ 10,063,375	\$ 9,901,275	\$ 19,964,650
Capital Assets	-	26,079,377	26,079,377	-	26,654,937	26,654,937
Total Assets	7,916,442	36,679,476	44,595,918	10,063,375	36,556,212	46,619,587
Long-term Liabilities	-	11,089,758	11,089,758	-	11,720,250	11,720,250
Other Liabilities	(856)	1,997,185	1,996,329	(696)	2,840,042	2,839,346
Total Liabilities	(856)	13,086,943	13,086,087	(696)	14,560,292	14,559,596
Net Position						
Net Investment in Capital						
Assets	-	14,359,128	14,359,128	-	14,312,654	14,312,654
Restricted	3,947,585	1,275,228	5,222,813	6,646,247	1,178,378	7,824,625
Unrestricted	3,969,713	7,958,177	11,927,890	3,417,824	6,504,888	9,922,712
Total Net Position	\$ 7,917,298	\$ 23,592,533	\$ 31,509,831	\$ 10,064,071	\$ 21,995,920	\$ 32,059,991

A large portion of the City of Crete's net position (45.6 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 (16.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$11,927,890) 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, 2019

	September 30, 2019			September 30, 2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program Revenues:						
Charges for Services	\$ 601,503	\$ 14,991,215	\$ 15,592,718	\$ 569,031	\$ 14,931,326	\$ 15,500,357
Operating Grants and Contributions	1,371,661	-	1,371,661	5,804,112	-	5,804,112
Capital Grants and Contributions	717,816	-	717,816	1,478,683	30,000	1,508,683
General Revenues:						
Property Taxes	1,305,259	-	1,305,259	1,310,935	-	1,310,935
Sales and Use Taxes	1,748,117	-	1,748,117	1,694,304	-	1,694,304
Other Taxes and Fees	448,344	-	448,344	501,172	-	501,172
State Allocation	1,420,570	-	1,420,570	1,312,561	-	1,312,561
Interest Income	57,047	141,212	198,259	39,822	38,900	78,722
Other	108,493	-	108,493	94,686	-	94,686
Total Revenues	<u>7,778,810</u>	<u>15,132,427</u>	<u>22,911,237</u>	<u>12,805,306</u>	<u>15,000,226</u>	<u>27,805,532</u>
Expenses						
General Government	935,544	-	935,544	586,254	-	586,254
Public Safety	2,305,203	-	2,305,203	3,060,901	-	3,060,901
Public Works	5,118,090	-	5,118,090	1,949,604	-	1,949,604
Environmental and Leisure	977,768	-	977,768	958,605	-	958,605
Economic Development	192,794	-	192,794	296,746	-	296,746
Debt Service	746,188	-	746,188	1,651,599	-	1,651,599
Electric	-	10,658,661	10,658,661	-	10,842,589	10,842,589
Water	-	971,683	971,683	-	981,174	981,174
Sewer	-	1,555,466	1,555,466	-	1,508,659	1,508,659
Total Expenses	<u>10,275,587</u>	<u>13,185,810</u>	<u>23,461,397</u>	<u>8,503,709</u>	<u>13,332,422</u>	<u>21,836,131</u>
Increase (Decrease) in Net Position Before Transfers	(2,496,777)	1,946,617	(550,160)	4,301,597	1,667,804	5,969,401
Net Transfers	350,004	(350,004)	-	275,000	(275,000)	-
Increase (Decrease) in Net Position	<u>\$ (2,146,773)</u>	<u>\$ 1,596,613</u>	<u>\$ (550,160)</u>	<u>\$ 4,576,597</u>	<u>\$ 1,392,804</u>	<u>\$ 5,969,401</u>

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City of Crete's *governmental* funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Crete's financing requirements. In particular, *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, 2019

As of the end of the current fiscal year, the City of Crete's governmental funds reported combined ending fund balances of \$7,901,236. Approximately 45.8 percent of this total amount (\$3,615,373) 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 (\$891,006), 2) restricted to pay debt service (\$426,148), 3) restricted for capital projects (\$1,073,087), 4) endowed as nonspendable to fund perpetual care (\$117,233), 5) restricted for community betterment (\$209,944), 6) restricted to fund economic development projects (\$972,167), 7) restricted for cemetery maintenance (\$22,000), 8) restricted for library renovations (\$236,000), 9) committed for the STOP program (\$1,585), 10) assigned for capital outlay (\$276,693), 11) assigned for cemetery projects (\$10,000), or 12) assigned for fire equipment (\$50,000).

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 \$3,687,730, while total fund balance reached \$4,124,548. 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 96.5 percent of General Fund total expenditures, while total fund balance represents 107.9 percent of General Fund total expenditures.

The fund balance of the City of Crete's General Fund increased by \$527,589 during the current fiscal year.

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

Unrestricted net position of the proprietary funds at the end of the year were as follows: Electric Fund - \$5,958,044, Water Fund - \$412,849, and Sewer Fund - \$1,587,284. The growth (decrease) in net position for the proprietary funds was as follows: Electric Fund - \$1,516,398, Water Fund - decrease of \$(154,898), and Sewer Fund - \$235,113. 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 for the General Fund. The Capital Projects budget was amended to increase budgeted appropriations \$5,000,000.

CITY OF CRETE, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

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, 2019, amounts to \$26,079,377 (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:

- 2019 water distribution system rebuilds - \$37,884
- Well 5 rebuild - \$47,226
- Construction in progress on Blue Acres lift station - \$231,304
- Construction in progress on Braden electrical substation - \$24,139
- Line transformers at Pine Ridge substation #2 - \$39,463
- Casselle server - \$21,098
- Casselle software - \$22,634

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

	<u>Year Ended September 30, 2019</u>			<u>Year Ended September 30, 2018</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	-	1,103,339	1,103,339	-	-	-
Distribution Systems	-	21,288,890	21,288,890	-	22,822,363	22,822,363
Buildings and Improvements	-	2,564,541	2,564,541	-	2,645,972	2,645,972
Equipment	-	420,180	420,180	-	459,558	459,558
Vehicles	-	57,867	57,867	-	82,484	82,484
Total	<u>\$ -</u>	<u>\$ 26,079,377</u>	<u>\$ 26,079,377</u>	<u>\$ -</u>	<u>\$ 26,654,937</u>	<u>\$ 26,654,937</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, 2019**

Long-term Debt

Outstanding Long-term Debt

	<u>Year Ended September 30, 2019</u>			<u>Year Ended September 30, 2018</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	\$ -	\$ 11,720,249	\$ 11,720,249	\$ -	\$ 12,342,283	\$ 12,342,283

The City's long-term debt decreased \$622,034 (5.0 percent) during the year ended September 30, 2019, due to scheduled principal payments.

Additional information on the City of Crete's long-term debt can be found in Note C5 on pages 46-49 of this report.

Economic Factors and Next Year's Budgets and Rates

- Property tax asking for the year ending September 30, 2020 is \$1,388,750, which is \$75,750 (5.8 percent) higher than the prior year.
- At September 30, 2019, the City had contractual commitments of \$189,111 remaining to be paid for construction costs on the Braden Substation breakers and relays project. This project is expected to be completed in early 2020.
- The City had remaining contractual commitments of \$63,304 as of September 30, 2019, for engineering and construction costs on the Blue Acres lift station replacement. This project is expected to be completed in December 2019.
- As of September 30, 2019, the City had contractual commitments of \$2,489,967 for design/architectural services and construction on the new library and \$396,135 for library furnishings. This project is expected to be completed by December 2019.
- As of September 30, 2019, the City had contractual commitments totaling \$137,035 for Library Street improvements. This project is expected to be completed by December 2019.
- At September 30, 2019, the City also had a contractual commitment of \$243,806 for an ambulance expected to be received by December 2019.

All of these factors were considered in preparing the City of Crete's budget for the 2020 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 Treasurer, City of Crete, PO Box 86, Crete, NE 68333.

CITY OF CRETE, NEBRASKA
STATEMENT OF NET POSITION
September 30, 2019

	Primary Government			Component Units (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,757,943	\$ 3,614,901	\$ 7,372,844	\$ 181,733
Investments	150,000	3,331,633	3,481,633	375,700
County treasurer cash	79,594	-	79,594	576
Accounts receivable	-	1,310,867	1,310,867	47,914
Unbilled revenue	-	214,604	214,604	-
Current portion of note receivable	-	-	-	4,500
Accrued interest receivable	-	15,554	15,554	-
Current portion of TIF receivables	-	-	-	19,200
Current portion-special assessments receivable	-	5,917	5,917	-
Due (to) from other funds	(277,348)	277,348	-	-
Due from Community Development Agency	21,241	-	21,241	-
Prepaid insurance	-	-	-	5,098
Inventory	-	331,799	331,799	21,172
Total current assets	<u>3,731,430</u>	<u>9,102,623</u>	<u>12,834,053</u>	<u>655,893</u>
Noncurrent assets:				
Restricted cash and cash equivalents	3,820,012	801,449	4,621,461	-
Restricted investments	365,000	696,027	1,061,027	354,210
Noncurrent portion of TIF receivables	-	-	-	192,800
Capital assets:				
Land	-	644,560	644,560	397,514
Construction in progress	-	1,103,339	1,103,339	-
Other capital assets, net of depreciation	-	24,331,478	24,331,478	2,762,313
Net capital assets	<u>-</u>	<u>26,079,377</u>	<u>26,079,377</u>	<u>3,159,827</u>
Total noncurrent assets	<u>4,185,012</u>	<u>27,576,853</u>	<u>31,761,865</u>	<u>3,706,837</u>
Total assets	<u>7,916,442</u>	<u>36,679,476</u>	<u>44,595,918</u>	<u>4,362,730</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	817,033	817,033	2,412
Accrued expenses	(856)	178,587	177,731	-
Customer deposits	-	222,248	222,248	-
Accrued interest	-	148,826	148,826	-
Unearned rent revenue	-	-	-	34,835
Due to City of Crete	-	-	-	21,241
Current portion of long-term obligations	-	630,491	630,491	5,600
Total current liabilities	<u>(856)</u>	<u>1,997,185</u>	<u>1,996,329</u>	<u>64,088</u>
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	-	11,089,758	11,089,758	109,450
Total liabilities	<u>(856)</u>	<u>13,086,943</u>	<u>13,086,087</u>	<u>173,538</u>
NET POSITION				
Net investment in capital assets	-	14,359,128	14,359,128	3,088,827
Restricted for:				
Cemetery perpetual care	117,233	-	117,233	-
Capital projects	1,073,087	-	1,073,087	-
Street improvements	891,006	-	891,006	-
Debt service	426,148	1,275,228	1,701,376	-
Economic development	972,167	-	972,167	-
Community betterment	209,944	-	209,944	-
Cemetery maintenance	22,000	-	22,000	-
Library renovations	236,000	-	236,000	354,210
Unrestricted	<u>3,969,713</u>	<u>7,958,177</u>	<u>11,927,890</u>	<u>746,155</u>
Total net position	<u>\$ 7,917,298</u>	<u>\$ 23,592,533</u>	<u>\$ 31,509,831</u>	<u>\$ 4,189,192</u>

See notes to financial statements.

CITY OF CRETE, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2019

<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	\$ 935,544	\$ 51,034	\$ 228,931
Public safety	2,305,203	419,682	137,638
Public works	5,118,090	45,053	-
Environment and leisure	977,768	85,734	3,463
Economic development	192,794	-	6,629
Principal payments	529,000	-	995,000
Interest and fees on long-term debt	217,188	-	-
Total governmental activities	<u>10,275,587</u>	<u>601,503</u>	<u>1,371,661</u>
Business-type activities			
(accrual basis):			
Electric	10,658,661	12,387,247	-
Water	971,683	813,775	-
Sewer	1,555,466	1,790,193	-
Total business-type activities	<u>13,185,810</u>	<u>14,991,215</u>	<u>-</u>
Total primary government	<u>\$ 23,461,397</u>	<u>\$ 15,592,718</u>	<u>\$ 1,371,661</u>
Component units (accrual basis):			
Crete Airport Authority	\$ 433,626	\$ 246,382	\$ -
Friends of Crete Public Library	154,859	-	-
Community Development Agency	16,469	2,681	-
Total component units	<u>\$ 604,954</u>	<u>\$ 249,063</u>	<u>\$ -</u>

See notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position				
Capital Grants and Contributions	Primary Government			Component Units (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	
\$ -	\$ (655,579)		\$ (655,579)	
33,647	(1,714,236)		(1,714,236)	
348,381	(4,724,656)		(4,724,656)	
335,788	(552,783)		(552,783)	
-	(186,165)		(186,165)	
-	466,000		466,000	
-	(217,188)		(217,188)	
<u>717,816</u>	<u>(7,584,607)</u>	<u>\$ -</u>	<u>(7,584,607)</u>	
-	-	1,728,586	1,728,586	
-	-	(157,908)	(157,908)	
-	-	234,727	234,727	
<u>-</u>	<u>-</u>	<u>1,805,405</u>	<u>1,805,405</u>	
<u>\$ 717,816</u>	<u>(7,584,607)</u>	<u>1,805,405</u>	<u>(5,779,202)</u>	
\$ -				\$ (187,244)
59,555				(95,304)
-				(13,788)
<u>\$ 59,555</u>				<u>(296,336)</u>
General revenues:				
Taxes:				
Property	1,305,259	-	1,305,259	24,506
Motor vehicle	98,286	-	98,286	-
Occupation	82,529	-	82,529	-
Sales tax	1,748,117	-	1,748,117	-
Franchise	224,431	-	224,431	-
Special assessments	43,098	-	43,098	-
State allocation	1,420,570	-	1,420,570	-
Keno proceeds	94,410	-	94,410	-
Miscellaneous	13,082	-	13,082	673
Gain on sale of assets/insurance	1,001	-	1,001	-
Interest income	57,047	141,212	198,259	11,873
Gain on investments	-	-	-	10,461
Net transfers	350,004	(350,004)	-	-
Total general revenues	<u>5,437,834</u>	<u>(208,792)</u>	<u>5,229,042</u>	<u>47,513</u>
Change in net position	(2,146,773)	1,596,613	(550,160)	(248,823)
Net position - September 30, 2018	<u>10,064,071</u>	<u>21,995,920</u>	<u>32,059,991</u>	<u>4,438,015</u>
Net position - September 30, 2019	<u>\$ 7,917,298</u>	<u>\$ 23,592,533</u>	<u>\$ 31,509,831</u>	<u>\$ 4,189,192</u>

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

September 30, 2019

	<u>General</u> <u>Fund</u>	<u>Street</u> <u>Fund</u>
ASSETS		
Cash and cash equivalents	\$ 3,506,647	\$ 881,382
Investments	425,000	-
County treasurer cash	75,410	-
Due from other funds	95,394	9,624
Due from Community Development Agency	21,241	-
	<u>4,123,692</u>	<u>891,006</u>
Total assets	\$ 4,123,692	\$ 891,006
LIABILITIES AND		
FUND BALANCES		
Liabilities:		
Due to other funds	\$ -	\$ -
Payroll withholdings	(856)	-
	<u>(856)</u>	<u>-</u>
Total liabilities	(856)	-
Fund balances:		
Nonspendable:		
Perpetual care	117,233	-
Restricted for:		
Capital projects	-	-
Street improvements	-	891,006
Debt service	-	-
Community betterment	-	-
Economic development	-	-
Cemetery maintenance	22,000	-
Library renovations	236,000	-
Committed for:		
STOP program	1,585	-
Assigned for:		
Capital outlay	-	-
Cemetery projects	10,000	-
Fire equipment	50,000	-
Unassigned	3,687,730	-
	<u>4,124,548</u>	<u>891,006</u>
Total fund balances	4,124,548	891,006
Total liabilities and fund balances	\$ 4,123,692	\$ 891,006

See notes to financial statements.

Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ 421,964	\$ 1,324,322	\$ 1,296,447	\$ 7,430,762
-	-	90,000	515,000
4,184	-	-	79,594
-	-	-	105,018
-	-	-	21,241
<u>\$ 426,148</u>	<u>\$ 1,324,322</u>	<u>\$ 1,386,447</u>	<u>\$ 8,151,615</u>
\$ -	\$ 251,235	\$ -	\$ 251,235
-	-	-	(856)
-	251,235	-	250,379
-	-	-	117,233
-	1,073,087	-	1,073,087
-	-	-	891,006
426,148	-	-	426,148
-	-	209,944	209,944
-	-	972,167	972,167
-	-	-	22,000
-	-	-	236,000
-	-	-	1,585
-	-	276,693	276,693
-	-	-	10,000
-	-	-	50,000
-	-	(72,357)	3,615,373
<u>426,148</u>	<u>1,073,087</u>	<u>1,386,447</u>	<u>7,901,236</u>
<u>\$ 426,148</u>	<u>\$ 1,324,322</u>	<u>\$ 1,386,447</u>	<u>\$ 8,151,615</u>

CITY OF CRETE, NEBRASKA

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

September 30, 2019

Total fund balances - governmental funds	\$ 7,901,236
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>16,062</u>
Total net position - governmental activities	<u><u>\$ 7,917,298</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, 2019

	General <u>Fund</u>	Street <u>Fund</u>	Debt Service <u>Fund</u>
REVENUES			
Taxes:			
Property	\$ 1,224,552	\$ -	\$ 80,707
Motor vehicle	98,286	-	-
Occupation	82,529	-	-
Sales tax	1,000,359	-	311,029
Franchise	224,431	-	-
Special assessments	-	-	43,098
Intergovernmental	733,239	812,386	-
Grants	29,795	-	-
Keno proceeds	-	-	-
Charges for services	581,840	19,663	-
Loan collections	-	-	-
Contributions	347,111	-	-
Interest income	9,953	-	142
Bond/loan proceeds	-	-	-
Insurance proceeds	1,001	-	-
Other revenue	12,940	142	-
Total revenues	<u>4,346,036</u>	<u>832,191</u>	<u>434,976</u>
EXPENDITURES			
General government	550,942	-	-
Public safety	2,162,715	-	-
Public works	106,118	778,706	-
Environment and leisure	927,856	-	-
Economic development	-	-	-
Capital outlay	73,224	11,560	-
Principal payments on debt	-	-	385,000
Interest on long-term debt	-	-	182,723
Bond/loan fees	-	-	1,324
Total expenditures	<u>3,820,855</u>	<u>790,266</u>	<u>569,047</u>
Excess (deficiency) of revenues over expenditures	525,181	41,925	(134,071)
OTHER FINANCING SOURCES (USES)			
Transfers in	4,334,635	104,004	-
Transfers out	(4,332,227)	(105,627)	-
Net transfers	<u>2,408</u>	<u>(1,623)</u>	<u>-</u>
Net change in fund balances	527,589	40,302	(134,071)
Fund balances - September 30, 2018	<u>3,596,959</u>	<u>850,704</u>	<u>560,219</u>
Fund balances - September 30, 2019	<u>\$ 4,124,548</u>	<u>\$ 891,006</u>	<u>\$ 426,148</u>

See notes to financial statements.

Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ -	\$ -	\$ 1,305,259
-	-	98,286
-	-	82,529
-	436,729	1,748,117
-	-	224,431
-	-	43,098
-	-	1,545,625
340,881	228,931	599,607
-	94,410	94,410
-	-	601,503
-	6,629	6,629
7,500	8,575	363,186
29,683	17,031	56,809
995,000	-	995,000
-	-	1,001
-	-	13,082
<u>1,373,064</u>	<u>792,305</u>	<u>7,778,572</u>
-	276,307	827,249
-	38,558	2,201,273
22,045	8,065	914,934
-	16,751	944,607
-	192,794	192,794
4,164,275	192,665	4,441,724
-	144,000	529,000
-	13,453	196,176
19,688	-	21,012
<u>4,206,008</u>	<u>882,593</u>	<u>10,268,769</u>
(2,832,944)	(90,288)	(2,490,197)
45,504	333,715	4,817,858
-	(30,000)	(4,467,854)
<u>45,504</u>	<u>303,715</u>	<u>350,004</u>
(2,787,440)	213,427	(2,140,193)
<u>3,860,527</u>	<u>1,173,020</u>	<u>10,041,429</u>
<u>\$ 1,073,087</u>	<u>\$ 1,386,447</u>	<u>\$ 7,901,236</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, 2019

Total net change in fund balances - governmental funds	\$ (2,140,193)
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>(6,580)</u>
Change in net position of governmental activities	<u><u>\$ (2,146,773)</u></u>

See notes to financial statements.

CITY OF CRETE, NEBRASKA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
September 30, 2019

	Business-type Activities - Enterprise Funds	
	Electric Fund	Water Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,051,339	\$ (29,966)
Investments	2,931,633	400,000
Accounts receivable	1,078,266	76,954
Unbilled revenue	174,410	12,432
Accrued interest receivable	14,117	1,156
Special assessments receivable	-	417
Due from other funds	277,348	-
Inventory	321,759	10,040
Total current assets	6,848,872	471,033
Noncurrent assets:		
Restricted cash and cash equivalents	123,514	-
Restricted investments	630,101	-
Capital assets:		
Land	103,232	-
Construction in progress	792,810	44,623
Distribution systems	7,840,065	6,363,699
Buildings and improvements	4,158,541	1,502,818
Equipment	776,804	267,257
Vehicles	1,052,096	36,563
Accumulated depreciation	(9,520,538)	(4,067,376)
Net capital assets	5,203,010	4,147,584
Total noncurrent assets	5,956,625	4,147,584
Total assets	12,805,497	4,618,617
LIABILITIES		
Current liabilities:		
Accounts payable	776,168	19,356
Sales tax payable	45,590	-
Accrued payroll	16,106	9,185
Accrued vacation	46,201	29,643
Other payroll liabilities	1	-
Customer deposits	222,248	-
Accrued interest	6,762	-
Due to other funds	-	-
Current portion of long-term obligations	115,000	-
Total current liabilities	1,228,076	58,184
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	885,000	-
Total liabilities	2,113,076	58,184
NET POSITION		
Net investment in capital assets	4,203,010	4,147,584
Restricted for:		
Debt service	531,367	-
Unrestricted	5,958,044	412,849
Total net position	\$ 10,692,421	\$ 4,560,433

See notes to financial statements.

<u>Sewer Fund</u>	<u>Total</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 1,593,528	\$ 3,614,901	\$ 147,193
-	3,331,633	-
155,647	1,310,867	-
27,762	214,604	-
281	15,554	-
5,500	5,917	-
-	277,348	-
-	331,799	-
<u>1,782,718</u>	<u>9,102,623</u>	<u>147,193</u>
677,935	801,449	-
65,926	696,027	-
541,328	644,560	-
265,906	1,103,339	-
18,792,004	32,995,768	-
1,101,798	6,763,157	-
747,805	1,791,866	-
171,354	1,260,013	-
(4,891,412)	(18,479,326)	-
<u>16,728,783</u>	<u>26,079,377</u>	<u>-</u>
<u>17,472,644</u>	<u>27,576,853</u>	<u>-</u>
19,255,362	36,679,476	147,193
21,509	817,033	-
-	45,590	-
7,474	32,765	-
24,387	100,231	-
-	1	-
-	222,248	-
142,064	148,826	-
-	-	131,131
515,491	630,491	-
<u>710,925</u>	<u>1,997,185</u>	<u>131,131</u>
10,204,758	11,089,758	-
<u>10,915,683</u>	<u>13,086,943</u>	<u>131,131</u>
6,008,534	14,359,128	-
743,861	1,275,228	-
1,587,284	7,958,177	16,062
<u>\$ 8,339,679</u>	<u>\$ 23,592,533</u>	<u>\$ 16,062</u>

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

For the year ended September 30, 2019

	Business-type Activities - Enterprise Funds	
	Electric Fund	Water Fund
Operating revenues:		
Charges for services	\$ 11,219,588	\$ 786,861
Municipal sales	343,299	21,938
MEAN lease	147,624	-
MEAN revenue sharing	669,722	-
Tap fees/switch assessments	-	2,375
Miscellaneous revenues	7,014	2,601
Total operating revenues	12,387,247	813,775
Operating expenses:		
Cost of power	8,772,892	-
Salaries and benefits	646,689	537,853
Insurance and bonds	45,558	28,040
Utilities and telephone	77,342	83,995
Repairs and maintenance	288,832	56,321
Contracted services	90,721	8,107
Supplies	64,390	22,440
Vehicle expense	15,649	11,930
Fuel and oil	40,064	-
Professional fees	16,332	7,861
Rent expense	6,576	4,944
Dues, memberships and training	12,605	3,056
Bad debts	21,398	4,416
Miscellaneous	14,735	4,756
Depreciation	400,120	197,964
Franchise fees	120,000	-
Insurance claims and health premiums	-	-
Total operating expenses	10,633,903	971,683
Operating income (loss)	1,753,344	(157,908)
Nonoperating revenues (expenses):		
Interest income	137,816	3,010
Interest expense	(23,508)	-
Bond fees	(1,250)	-
Total nonoperating revenues (expenses)	113,058	3,010
Income (loss) before transfers	1,866,402	(154,898)
Interfund transfers:		
Transfers out	(350,004)	-
Change in net position	1,516,398	(154,898)
Net position - September 30, 2018	9,176,023	4,715,331
Net position - September 30, 2019	\$ 10,692,421	\$ 4,560,433

See notes to financial statements.

<u>Sewer Fund</u>	<u>Total</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 1,781,741	\$ 13,788,190	\$ 22,516
6,749	371,986	-
-	147,624	-
-	669,722	-
1,230	3,605	-
473	10,088	76
1,790,193	14,991,215	22,592
-	8,772,892	-
447,640	1,632,182	-
43,537	117,135	-
186,935	348,272	-
65,612	410,765	-
39,785	138,613	-
18,939	105,769	-
2,398	29,977	-
-	40,064	-
31,220	55,413	-
3,180	14,700	-
2,773	18,434	-
2,581	28,395	-
16,535	36,026	-
513,120	1,111,204	-
-	120,000	-
-	-	29,410
1,374,255	12,979,841	29,410
415,938	2,011,374	(6,818)
386	141,212	238
(181,211)	(204,719)	-
-	(1,250)	-
(180,825)	(64,757)	238
235,113	1,946,617	(6,580)
-	(350,004)	-
235,113	1,596,613	(6,580)
8,104,566	21,995,920	22,642
\$ 8,339,679	\$ 23,592,533	\$ 16,062

CITY OF CRETE, NEBRASKA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For the year ended September 30, 2019

	<u>Electric Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 12,408,452
Receipts from other funds	-
Payments to suppliers	(10,447,555)
Payments to employees	(638,270)
Net cash provided (used) by operating activities	1,322,627
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers to other funds	(350,004)
Change in due from/to other funds	9,779
Net cash provided (used) by noncapital financing activities	(340,225)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of property and equipment	(128,931)
Principal payments on capital debt	(115,000)
Bond fees paid	(1,250)
Interest paid on capital debt	(23,961)
Net cash used by capital and related financing activities	(269,142)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in investments	(118,787)
Decrease in restricted investments	1,341
Interest received	132,804
Net cash provided by investing activities	15,358
Increase (decrease) in cash and cash equivalents	728,618
Cash and cash equivalents - beginning of the year	1,446,235
Cash and cash equivalents - end of the year	\$ 2,174,853
Composition of cash and cash equivalents:	
Cash and cash equivalents	\$ 2,051,339
Restricted cash and cash equivalents	123,514
Total cash and cash equivalents	\$ 2,174,853

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>
\$ 813,184	\$ 1,804,436	\$ 15,026,072	\$ -
-	-	-	22,592
(245,293)	(429,639)	(11,122,487)	(29,410)
(533,256)	(438,762)	(1,610,288)	-
<u>34,635</u>	<u>936,035</u>	<u>2,293,297</u>	<u>(6,818)</u>
-	-	(350,004)	-
(120)	-	9,659	122,190
<u>(120)</u>	<u>-</u>	<u>(340,345)</u>	<u>122,190</u>
(151,722)	(254,992)	(535,645)	-
-	(507,033)	(622,033)	-
-	-	(1,250)	-
-	(187,907)	(211,868)	-
<u>(151,722)</u>	<u>(949,932)</u>	<u>(1,370,796)</u>	<u>-</u>
-	-	(118,787)	-
-	-	1,341	-
2,080	334	135,218	238
<u>2,080</u>	<u>334</u>	<u>17,772</u>	<u>238</u>
(115,127)	(13,563)	599,928	115,610
85,161	2,285,026	3,816,422	31,583
<u>\$ (29,966)</u>	<u>\$ 2,271,463</u>	<u>\$ 4,416,350</u>	<u>\$ 147,193</u>
\$ (29,966)	\$ 1,593,528	\$ 3,614,901	\$ 147,193
-	677,935	801,449	-
<u>\$ (29,966)</u>	<u>\$ 2,271,463</u>	<u>\$ 4,416,350</u>	<u>\$ 147,193</u>

CITY OF CRETE, NEBRASKA

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

For the year ended September 30, 2019

	<u>Electric Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 1,753,344
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	400,120
Change in assets and liabilities:	
Accounts receivable	11,117
Inventories	(10,175)
Customer deposits	7,114
Accounts payable	(850,286)
Sales tax payable	2,974
Accrued expenses	8,419
Net cash provided (used) by operating activities	<u>\$ 1,322,627</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>
\$ (157,908)	\$ 415,938	\$ 2,011,374	\$ (6,818)
197,964	513,120	1,111,204	-
(591)	14,243	24,769	-
291	-	(9,884)	-
-	-	7,114	-
(9,718)	(16,144)	(876,148)	-
-	-	2,974	-
4,597	8,878	21,894	-
<u>\$ 34,635</u>	<u>\$ 936,035</u>	<u>\$ 2,293,297</u>	<u>\$ (6,818)</u>

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

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CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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 Friends of Crete Public Library

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, 2019

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:

	<u>Brief Description of Activities and Relationship to the City</u>
Crete Airport Authority	Established to provide for the operation of the Crete Airport. The City Council appoints members of its board. Information included in this financial statement is from the entity's fiscal year ended July 31, 2019.
Community Development Agency	Established to enhance economic development activities in the City using tax increment financing.
Friends of Crete Public Library	Established to provide support for the operations of the Crete Public Library. Information included in this financial statement is from the entity's fiscal year ended August 31, 2019.

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, 2019

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, 2019

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 page 27 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 page 27 for description.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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 page 28 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.

FEMA Disaster Fund

The FEMA Disaster Fund is a Special Revenue Fund that accounts for emergency disaster recovery funding/expenditures.

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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.

Equity Restatement

Net position for the component units was increased \$845,539 as of September 30, 2018, as the Friends of Crete Public Library was not previously reported as a component unit.

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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 2018-2019 are recorded as revenue when received by the County.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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, 2019

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, 2019

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, 2019

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data, continued

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

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

1. Cash and Investments

Cash

The City's policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose how its deposits were insured or secured with collateral at September 30, 2019. 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, 2019

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	\$ 12,289,976	\$ 934,671	\$ 11,355,305	\$ -	\$ <u>12,176,038</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –	
Unrestricted cash and cash equivalents	\$ 7,372,844
Restricted cash and cash equivalents	4,621,461
Component Unit –	
Unrestricted cash and cash equivalents	<u>181,733</u>
	<u>\$ 12,176,038</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, 2019. 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	\$ 468	\$ -	\$ -	\$ 468	\$ 468
Time Deposits	4,591,371	-	-	4,591,371	4,591,371
Mutual Funds	680,731	-	-	<u>680,731</u>	<u>680,731</u>
				<u>\$ 5,272,570</u>	<u>\$ 5,272,570</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

1. Cash and Investments, continued

Investments, continued

Reconciliation to Government-wide Statement of Net Position:

Primary Government –		
Unrestricted investments	\$ 3,481,633	
Restricted investments	1,061,027	
Component Units –		
Unrestricted investments	375,700	
Restricted investments	<u>354,210</u>	
	<u>\$ 5,272,570</u>	

2. Restricted Assets

The restricted assets as of September 30, 2019, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
Type of Restricted Assets:				
Cash and cash equivalents	\$ 3,820,012	\$ 801,449	\$ 4,621,461	\$ -
Investments	<u>365,000</u>	<u>696,027</u>	<u>1,061,027</u>	<u>354,210</u>
Total Restricted Assets	<u>\$ 4,185,012</u>	<u>\$ 1,497,476</u>	<u>\$ 5,682,488</u>	<u>\$ 354,210</u>

Restricted cash and investments for the governmental activities consists of \$117,233 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, \$881,382 of Street Fund cash restricted for street improvements, \$421,964 of Debt Service cash restricted for debt service, \$1,324,322 of Capital Projects Fund cash restricted for capital projects, \$209,944 of Keno Fund cash restricted for community betterment, and \$972,167 of Economic Development Fund cash restricted for economic development.

The Electric Fund restricted assets consist of \$531,367 restricted for debt service and \$222,248 restricted for customer deposits. The Sewer Fund has \$743,861 restricted for debt service.

The Friends of Crete Public Library component unit restricted investments consist of \$354,210 restricted for library capital projects.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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, 2019, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 1,405,467
Allowance for uncollectible accounts	(94,600)
Total accounts receivable	<u>\$ 1,310,867</u>

During May 2019, the Crete Airport Authority entered into an agreement with the Airport assistant manager whereby both parties agreed that \$10,500 was owed to the Airport Authority from the assistant manager for rental sublease income improperly collected by the assistant manager. The note is non-interest bearing and is being repaid at \$1,500 per month. At July 31, 2019, the note balance was \$4,500. The note is expected to be paid in full by November 2019.

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, 2019:

<u>Project/ Redeveloper</u>	<u>TIF Receivable</u>	<u>TIF Payable</u>
Dairy Queen	\$ 45,500	\$ 44,050
Union Bank	<u>166,500</u>	<u>-</u>
	<u>\$ 212,000</u>	<u>\$ 44,050</u>
Current portion	\$ 19,200	\$ 5,600
Noncurrent portion	<u>192,800</u>	<u>38,450</u>
Total	<u>\$ 212,000</u>	<u>\$ 44,050</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

4. Capital Assets

	Balance at October 1, <u>2018</u>	<u>Additions</u>	<u>Reclass</u>	Balance at September 30, <u>2019</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 644,560	\$ -	\$ -	\$ 644,560
Construction in progress	-	328,546	774,793	1,103,339
Total capital assets not being depreciated	644,560	328,546	774,793	1,747,899
Other capital assets being depreciated:				
Distribution systems	33,687,853	82,708	(774,793)	32,995,768
Buildings and improvements	6,673,331	89,826	-	6,763,157
Equipment	1,757,302	34,564	-	1,791,866
Vehicles	1,260,013	-	-	1,260,013
Total other capital assets at historical cost	43,378,499	207,098	(774,793)	42,810,804
Less accumulated depreciation for:				
Distribution systems	(10,865,490)	(841,388)	-	(11,706,878)
Buildings and improvements	(4,027,359)	(171,257)	-	(4,198,616)
Equipment	(1,297,744)	(73,942)	-	(1,371,686)
Vehicles	(1,177,529)	(24,617)	-	(1,202,146)
Total accumulated depreciation	(17,368,122)	(1,111,204) *	-	(18,479,326)
Other capital assets, net	26,010,377	(904,106)	(774,793)	24,331,478
Business-type capital assets, net	\$ 26,654,937	\$ (575,560)	\$ -	\$ 26,079,377

* Depreciation expense was charged to functions as follows:

Electric	\$ 400,120
Water	197,964
Sewer	<u>513,120</u>
Total Business-type Activities depreciation expense	<u>\$ 1,111,204</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

4. Capital Assets, continued

Component Units:

	Balance at July 31, <u>2018</u>	<u>Additions</u>	<u>Disposals</u>	Balance at July 31, <u>2019</u>
<u>Crete Airport Authority:</u>				
Capital assets not being depreciated:				
Land	\$ 397,514	\$ -	\$ -	\$ 397,514
Other capital assets being depreciated:				
Buildings and improvements	6,023,813	-	-	6,023,813
Equipment	909,565	22,466	(5,120)	926,911
Total other capital assets at historical cost	6,933,378	22,466	(5,120)	6,950,724
Less accumulated depreciation for:				
Buildings and improvements	(3,483,536)	(182,319)	-	(3,665,855)
Equipment	(479,423)	(48,253)	5,120	(522,556)
Total accumulated depreciation	(3,962,959)	(230,572)	5,120	(4,188,411)
Other capital assets, net	2,970,419	(208,106)	-	2,762,313
Governmental activities capital assets, net	<u>\$ 3,367,933</u>	<u>\$ (208,106)</u>	<u>\$ -</u>	<u>\$ 3,159,827</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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, 2019:

<u>Type of Debt</u>	Balance October 1, 2018	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2019	Amounts Due Within <u>One Year</u>
Business-type Activities:					
Bonds payable	\$ 12,342,283	\$ -	\$ (622,034)	\$ 11,720,249	\$ 630,491
Component unit:					
Community Development Agency TIF payables	\$ 46,400	\$ -	\$ (2,350)	\$ 44,050	\$ 5,600
	Balance August 1, 2018	<u>Additions</u>	<u>Deductions</u>	Balance July 31, 2019	Amounts Due Within <u>One Year</u>
Component unit:					
Crete Airport Authority Bonds payable	\$ 114,000	\$ -	\$ (43,000)	\$ 71,000	\$ -

Business-type Activities

As of September 30, 2019, 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.

\$ 1,000,000

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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. 6,409,176

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. 3,657,301

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. 653,772

Total business-type activity long-term debt \$ 11,720,249

Current portion \$ 630,491

Noncurrent portion 11,089,758

Total \$ 11,720,249

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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 \$44,050 of TIF payables due to redevelopers. \$ 44,050

Crete Airport Authority:

Airport limited tax bonds dated August 1, 2017, with original lease issue amount of \$114,000. Interest is 3.25 percent with final maturity August 15, 2022. 71,000

Total component unit long-term debt \$ 115,050

Current portion \$ 5,600

Noncurrent portion 109,450

Total long-term debt \$ 115,050

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2019, are as follows:

<u>Year Ending September 30,</u>	Business-type Activities	
	Other Debt Issues	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 630,491	\$ 201,686
2021	644,092	191,025
2022	652,840	179,907
2023	666,738	168,343
2024	675,787	156,357
2025-2029	3,290,175	596,067
2030-2034	3,145,748	328,952
2035-2039	2,014,378	67,949
	\$ 11,720,249	\$ 1,890,286

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

5. Long-term Debt, continued

Year Ending September 30,	Component Units			
	Direct Placement Debt		Other Debt Issues	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 5,600	\$ -	\$ -	\$ 1,154
2021	5,600	-	23,000	1,934
2022	5,600	-	24,000	1,170
2023	5,600	-	24,000	390
2024	5,600	-	-	-
2025-2029	16,050	-	-	-
	<u>\$ 44,050</u>	<u>\$ -</u>	<u>\$ 71,000</u>	<u>\$ 4,648</u>

6. Interfund Transactions and Balances

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Electric	\$ 350,004	\$ -
Street	94,536	(104,004)
Intrafund General	3,860,095	(3,860,095)
Capital Projects	-	(45,504)
Nonmajor Governmental Funds	<u>30,000</u>	<u>(322,624)</u>
Total General Fund	4,334,635	(4,332,227)
Street Fund:		
General	104,004	(94,536)
Nonmajor Governmental Funds	<u>-</u>	<u>(11,091)</u>
Total Street Fund	104,004	(105,627)
Capital Projects Fund:		
General Funds	45,504	-
Nonmajor Governmental Funds:	333,715	(30,000)
Electric Fund:		
General	<u>-</u>	<u>(350,004)</u>
Total Operating Transfers	\$ <u>4,817,858</u>	\$ <u>(4,817,858)</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

6. Interfund Transactions and Balances, continued

Interfund Balances

At September 30, 2019, the Capital Projects Fund owed \$251,235 to the Electric Fund. This interfund loan bears 2.39 percent interest and is due in 10 annual principal and interest payments of \$45,444 through July 2, 2024.

The Internal Service Fund owed \$95,394 to the General Fund, owed \$9,624 to the Street Fund, and owed \$26,113 to the Electric Fund. These interfund loans are expected to be repaid during the next fiscal year.

Also at September 30, 2019, the Community Development Agency owed \$21,241 to the General Fund. This loan 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 \$146,797 for the year ended September 30, 2019, and the employee contributions also totaled \$146,797 for the year ended September 30, 2019, on \$2,097,094 of covered payroll (with total payroll of \$2,713,291).

The City's police contribution amounted to \$66,132 for the year ended September 30, 2019, and the police employee contributions also totaled \$66,132 for the year ended September 30, 2019, on \$944,747 of covered payroll (with total payroll of \$981,920).

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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, 2019 were \$11,417.

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, 2019, are held by the banks in the name of the City. The City's investments consist of certificates of deposit.

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, 2019

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 2019	\$ 245,000
November 2019	10,000
January 2020	50,000
February 2020	735,000
March 2020	221,308
April 2020	73,000
May 2020	191,546
June 2020	100,000
July 2020	190,000
August 2020	235,000
September 2020	277,287
October 2020	10,000
April 2021	41,000
May 2021	202,209
July 2021	99,352
August 2021	121,635
September 2021	149,355
October 2021	108,737
May 2022	200,528
December 2022	113,347
May 2023	311,099
March 2024	103,961
April 2024	104,313
May 2024	100,126
March 2026	113,089
September 2026	80,346
October 2026	143,000
March 2027	101,791
November 2030	<u>110,162</u>
	\$ <u>4,542,191</u>

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, 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, 2019, the City’s certificates of deposit 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>2,679,191</u>
	\$ <u>4,542,191</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, 2019.

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, 2019, will not be significant to the City’s financial statements.

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Construction and Contractual Commitments

As of September 30, 2019, the City had the following construction and contractual obligations:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/19</u>	<u>Remaining Commitment</u>	<u>Expected Date of Completion</u>
Wildwood pool:				
Engineering	\$ 19,700	\$ -	\$ 19,700	Spring 2020
New library project:				
Design/architecture	474,818	436,219	38,599	December 2019
Construction	<u>5,552,467</u>	<u>3,101,099</u>	<u>2,451,368</u>	December 2019
Total library project	6,027,285	3,537,318	2,489,967	
Library street project:				
Construction	606,429	469,394	137,035	December 2019
Library furnishings	498,611	102,476	396,135	December 2019
Police parking lot:				
Construction	58,975	-	58,975	Spring 2020
Ambulance	243,806	-	243,806	December 2019
Theater asbestos removal	22,650	-	22,650	February 2020
Big Blue River floodplain remapping:				
Engineering	49,560	30,411	19,149	January 2020
GPS data maintenance	96,000	54,000	42,000	March 2022
Casselle software	53,160	34,193	18,967	March 2020
Odor control retaining wall:				
Contractor	26,391	-	26,391	Spring 2020
Braden substation project:				
Contractor	442,800	253,689	189,111	March 2020
Blue Acres lift station:				
Engineering	29,178	28,693	485	December 2019
Contractor	<u>291,780</u>	<u>228,961</u>	<u>62,819</u>	December 2019
Total Blue Acres lift station	<u>320,958</u>	<u>257,654</u>	<u>63,304</u>	
	<u>\$ 8,466,325</u>	<u>\$ 4,739,135</u>	<u>\$ 3,727,190</u>	

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

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.

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 \$7,569,379 for the year ended September 30, 2019. 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 \$147,624 for the year ended September 30, 2019. In addition, MEAN issued a \$669,722 revenue sharing payment to the City during the year ended September 30, 2019. 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 and technology management services. Total rent expense was \$22,245 for the year ended September 30, 2019. Future lease obligations are as follows:

<u>Year Ended September 30,</u>	<u>Lease Commitments</u>
2020	\$ 26,445
2021	26,445
2022	26,237
2023	<u>4,200</u>
	<u>\$ 83,327</u>

Friends of Crete Public Library Commitment

The Friends of the Crete Public Library pledged \$250,000 to the City for the current library construction project. The pledge is to be paid over three years. As of September 30, 2019, \$166,667 remains to be paid to the City on this pledge.

CITY OF CRETE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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, 2019:

<u>Type of Debt</u>	<u>Balance October 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2019</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds payable	\$ 6,500,000	\$ 995,000	\$ (385,000)	\$ 7,110,000	\$ 385,000
Bond anticipation notes	415,000	-	-	415,000	-
Capital lease obligations	445,000	-	(144,000)	301,000	148,000
Total Governmental-type Activities	<u>\$ 7,360,000</u>	<u>\$ 995,000</u>	<u>\$ (529,000)</u>	<u>\$ 7,826,000</u>	<u>\$ 533,000</u>

Governmental Activities:

The Debt Service Fund makes the bond payments and the Economic Development Fund makes the capital lease payments. As of September 30, 2019, 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. \$ 1,270,000

During February 2018, the City issued General Obligation Various Purpose Bonds totaling \$870,000 to refinance the Series 2014 and 2015 bond anticipation notes. The bonds bear interest at rates ranging from 1.50 percent to 3.20 percent with annual principal payments beginning December 15, 2018, through December 15, 2042. 815,000

During October 2017, the City issued Tax Supported Community Facility Bonds totaling \$4,335,000 for the library construction project. The bonds bear interest at rates ranging from 1.15 percent to 3.375 percent with annual principal payments beginning June 15, 2018, through June 15, 2042. 4,030,000

During April 2019, the City issued Highway Allocation Fund Pledge Bonds totaling \$975,000 for the street projects. The bonds bear interest at rates ranging from 1.80 percent to 3.35 percent with annual principal payments beginning December 15, 2020, through December 15, 2034. 995,000

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

4. Governmental Long-Term Debt, continued

Governmental Activities, continued:

Bonds anticipation notes:

During August 2018, the City issued Series 2018 Bond Anticipation Notes (BAN's) totaling \$415,000 to provide interim financing for capital projects. The BAN's bear interest of 2.05 percent and mature August 15, 2021. 415,000

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. 265,000

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. 36,000

Total long-term debt \$ 7,826,000

Current portion \$ 533,000

Noncurrent portion 7,293,000

Total long-term debt \$ 7,826,000

Annual debt service requirements to maturity, including principal and interest, for governmental long-term debt as of September 30, 2019, are as follows:

Year Ending <u>September 30,</u>	Governmental Activities	
	Other Debt Issues	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 533,000	\$ 211,038
2021	1,013,000	194,977
2022	455,000	173,375
2023	465,000	164,064
2024	475,000	153,625
2025-2029	1,590,000	634,289
2030-2034	1,505,000	429,084
2035-2039	1,095,000	222,090
2040-2044	695,000	47,419
	\$ 7,826,000	\$ 2,229,961

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

5. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2019:

<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 site
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	7/1/19 to 6/30/20	Economic and community development services
League Association of Risk management	10/1/19 to 9/30/21	Risk management services and coverage
NMPP Energy MEAN	4/1/81 to 3/31/38	Wholesale electricity and related services
Southeast Nebraska E911 City of Beatrice	7/1/15 to indefinite	Emergency dispatch
Crete Public Schools	2/12/18 to 1/31/22	School resource officer

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.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

6. LB840 Loan, continued

On September 23, 2014, the City issued a \$10,000 LB840 loan to Lynnferd and Sarah Begay to open Elle's Restaurant. The loan is non-interest bearing and is forgivable if the business remains open and operating for a period of seven years and if the business creates and maintains two full-time employees beginning January 1, 2015 for a period of seven years.

On November 1, 2016, the City issued a \$4,400 LB840 loan to Veterans and Friends for start up funding. The loan is non-interest bearing and is forgivable if the business remains open and operating for a period of seven years.

On July 29, 2019, the City issued a \$28,000 LB840 loan to Elayne Woods Photography, LLC for start up funding. The loan is non-interest bearing and is forgivable if the business remains open and operating for a period of seven years and if the business creates and maintains the required employees for the seven year period.

On July 31, 2019, the City issued a \$20,000 LB840 loan to Innovative Community Health Institute, LLC for start up funding. The loan is non-interest bearing and is forgivable if the business remains open and operating for a period of seven years and if the business creates and maintains the required employees for the seven year period.

On August 14, 2019, the City issued a \$15,000 LB840 loan to Kosmicki Koch Associates, LLC to providing funding for the Brew House. Kosmicki Koch Associates, LLC also assumed the \$24,888.33 LB840 loan issued by the City to the former owner of the Brew House. The loans are non-interest bearing and are forgivable if the business remains open and operating for a period of seven years and if the business creates and maintains the required employees for the seven year period.

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.

CITY OF CRETE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

7. Tax Abatements, continued

Information relevant to the abatements granted by the CDA for the year ended September 30, 2019 is as follows:

<u>TIF Project:</u>	<u>Years Remaining on TIF Agreements</u>	<u>2019 TIF Valuation</u>	<u>TIF Proceeds Received during the year 9-30-2019</u>
Dairy Queen	11	\$ 189,050	\$ 3,956
Union Bank	11	691,285	<u>14,748</u>
			<u>\$ 18,704</u>

8. Subsequent Events

Management has evaluated subsequent events through January 9, 2020, the date on which the financial statements were available for issue.

On November 5, 2019, Council approved the issuance of \$1,585,000 Tax Increment indebtedness for the Crete Lodging, LLC (Fairfield hotel) TIF project.

On November 19, 2019, Council approved the purchase of a Snocrete snow blower for \$84,141.

SUPPLEMENTARY INFORMATION

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

Year ended September 30, 2019

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 1,203,040	\$ 1,224,552	\$ 21,512
Motor vehicle	87,550	98,286	10,736
Occupation	72,200	82,529	10,329
Franchise	261,750	224,431	(37,319)
Sales	976,000	1,000,359	24,359
Intergovernmental	666,980	733,239	66,259
Grants	402,500	29,795	(372,705)
Charges for services	682,329	581,840	(100,489)
Interest income	4,030	9,953	5,923
Contributions	232,100	347,111	115,011
Insurance proceeds	-	1,001	1,001
Other	2,715	12,940	10,225
Total resources	<u>4,591,194</u>	<u>4,346,036</u>	<u>(245,158)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	612,928	550,942	(61,986)
Public safety	2,293,476	2,162,715	(130,761)
Public works	108,840	106,118	(2,722)
Environment and leisure	1,402,380	927,856	(474,524)
Capital outlay	686,250	73,224	(613,026)
Total charges to appropriations	<u>5,103,874</u>	<u>3,820,855</u>	<u>(1,283,019)</u>
Resources over (under) charges to appropriations	(512,680)	525,181	1,037,861
OTHER FINANCING SOURCES (USES)			
Transfers in	4,175,285	4,334,635	159,350
Transfers out	<u>(4,012,895)</u>	<u>(4,332,227)</u>	<u>(319,332)</u>
Net transfers	<u>162,390</u>	<u>2,408</u>	<u>(159,982)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS			
	<u>\$ (350,290)</u>	<u>\$ 527,589</u>	<u>\$ 877,879</u>

CITY OF CRETE, NEBRASKA

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

Year ended September 30, 2019

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Intergovernmental	\$ 737,000	\$ 812,386	\$ 75,386
Charges for services	15,800	19,663	3,863
Other revenue	100	142	42
	<hr/>	<hr/>	<hr/>
Total resources	752,900	832,191	79,291
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	816,536	778,706	(37,830)
Capital outlay	40,000	11,560	(28,440)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	856,536	790,266	(66,270)
Resources over (under) charges to appropriations	(103,636)	41,925	145,561
OTHER FINANCING SOURCES (USES)			
Transfers in	104,000	104,004	4
Transfers out	-	(105,627)	(105,627)
Net transfers	104,000	(1,623)	(105,623)
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER CHARGES TO APPROPRIATIONS	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 364	\$ 40,302	\$ 39,938

CITY OF CRETE, NEBRASKA

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

Year ended September 30, 2019

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Property tax	\$ 83,300	\$ 80,707	\$ (2,593)
Sales tax	300,000	311,029	11,029
Special assessments	10,000	43,098	33,098
Interest income	-	142	142
Total resources	<u>393,300</u>	<u>434,976</u>	<u>41,676</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments	550,000	385,000	(165,000)
Interest expense	125,000	182,723	57,723
Bond fees	1,000	1,324	324
Total charges to appropriations	<u>676,000</u>	<u>569,047</u>	<u>(106,953)</u>
RESOURCES UNDER CHARGES TO APPROPRIATIONS	<u>\$ (282,700)</u>	<u>\$ (134,071)</u>	<u>\$ 148,629</u>

CITY OF CRETE, NEBRASKA

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

Year ended September 30, 2019

	<u>Budget (Final)</u>	<u>Budget (Final)</u>	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)				
Grants	\$ 2,150,000	\$ 2,150,000	\$ 340,881	\$ (1,809,119)
Contributions	400,000	400,000	7,500	(392,500)
Interest income	-	-	29,683	29,683
Bond proceeds	<u>1,000,000</u>	<u>1,000,000</u>	<u>995,000</u>	<u>(5,000)</u>
Total resources	3,550,000	3,550,000	1,373,064	(2,176,936)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Public works	-	-	22,045	22,045
Capital outlay	2,000,000	7,000,000	4,164,275	(2,835,725)
Bond fees	<u>-</u>	<u>-</u>	<u>19,688</u>	<u>19,688</u>
Total charges to appropriations	<u>2,000,000</u>	<u>7,000,000</u>	<u>4,206,008</u>	<u>(2,793,992)</u>
Resources over (under) charges to appropriations	1,550,000	(3,450,000)	(2,832,944)	617,056
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>45,500</u>	<u>45,500</u>	<u>45,504</u>	<u>4</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS				
	<u>\$ 1,595,500</u>	<u>\$ (3,404,500)</u>	<u>\$ (2,787,440)</u>	<u>\$ 617,060</u>

CITY OF CRETE, NEBRASKA

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

September 30, 2019

	Special Revenue Funds		
	CDBG	Owner	Keno
	<u>Fund</u>	Occupied Rehab <u>Fund</u>	<u>Fund</u>
ASSETS			
Cash and cash equivalents	\$ (29,290)	\$ (39,774)	\$ 209,944
Investments	-	-	-
Total assets	\$ (29,290)	\$ (39,774)	\$ 209,944
LIABILITIES AND FUND BALANCES			
Liabilities:	\$ -	\$ -	\$ -
Fund balances:			
Restricted for:			
Federal programs	-	-	-
Community betterment	-	-	209,944
Economic development	-	-	-
Assigned for:			
Capital outlay	-	-	-
Unassigned	(29,290)	(39,774)	-
Total fund balances	(29,290)	(39,774)	209,944
Total liabilities and fund balances	\$ (29,290)	\$ (39,774)	\$ 209,944

Special Revenue Funds			Total
Capital Outlay Fund	FEMA Disaster Fund	Economic Development Fund	Other Governmental Funds
\$ 186,693	\$ (3,293)	\$ 972,167	\$ 1,296,447
90,000	-	-	90,000
<u>\$ 276,693</u>	<u>\$ (3,293)</u>	<u>\$ 972,167</u>	<u>\$ 1,386,447</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	209,944
-	-	972,167	972,167
276,693	-	-	276,693
-	(3,293)	-	(72,357)
<u>276,693</u>	<u>(3,293)</u>	<u>972,167</u>	<u>1,386,447</u>
<u>\$ 276,693</u>	<u>\$ (3,293)</u>	<u>\$ 972,167</u>	<u>\$ 1,386,447</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, 2019

	Special Revenue Funds		
	CDBG	Owner	Keno
	<u>Fund</u>	Occupied Rehab	Fund
		<u>Fund</u>	<u>Fund</u>
REVENUES			
Sales tax	\$ -	\$ -	\$ -
Keno proceeds	-	-	94,410
Grant income	66,850	162,081	-
Loan collections	-	-	-
Contributions	-	-	-
Interest income	-	84	96
Total revenues	66,850	162,165	94,506
EXPENDITURES			
General government	6,506	239,184	21,393
Public safety	-	-	-
Public works	-	-	-
Environment and leisure	-	-	2,950
Economic development	-	-	-
Capital outlay	88,305	-	-
Principal payments	-	-	-
Interest on long-term debt	-	-	-
Total expenditures	94,811	239,184	24,343
Excess (deficiency) of revenues over expenditures before transfers	(27,961)	(77,019)	70,163
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	11,091	-	(30,000)
Net change in fund balances	(16,870)	(77,019)	40,163
Fund balances - September 30, 2018	(12,420)	37,245	169,781
Fund balances - September 30, 2019	\$ (29,290)	\$ (39,774)	\$ 209,944

Special Revenue Funds

Capital Outlay <u>Fund</u>	FEMA Disaster <u>Fund</u>	Economic Development <u>Fund</u>	Total Other Governmental <u>Funds</u>
\$ -	\$ -	\$ 436,729	\$ 436,729
-	-	-	94,410
-	-	-	228,931
-	-	6,629	6,629
8,575	-	-	8,575
-	-	16,851	17,031
<u>8,575</u>	<u>-</u>	<u>460,209</u>	<u>792,305</u>
9,224	-	-	276,307
38,558	-	-	38,558
4,772	3,293	-	8,065
13,801	-	-	16,751
-	-	192,794	192,794
104,360	-	-	192,665
-	-	144,000	144,000
-	-	13,453	13,453
<u>170,715</u>	<u>3,293</u>	<u>350,247</u>	<u>882,593</u>
(162,140)	(3,293)	109,962	(90,288)
<u>284,536</u>	<u>-</u>	<u>38,088</u>	<u>303,715</u>
122,396	(3,293)	148,050	213,427
<u>154,297</u>	<u>-</u>	<u>824,117</u>	<u>1,173,020</u>
<u>\$ 276,693</u>	<u>\$ (3,293)</u>	<u>\$ 972,167</u>	<u>\$ 1,386,447</u>

CITY OF CRETE, NEBRASKA

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

July 31, August 31, and September 30, 2019

	<u>Crete Airport Authority (July 31, 2019)</u>	<u>Friends of Crete Public Library (August 31, 2019)</u>	<u>Community Development Agency (September 30, 2019)</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 124,696	\$ 42,659	\$ 14,378	\$ 181,733
Investments	-	375,700	-	375,700
County treasurer cash	576	-	-	576
Accounts receivable	47,914	-	-	47,914
Current portion of note receivable	4,500	-	-	4,500
Current portion of TIF receivables	-	-	19,200	19,200
Fuel inventory	21,172	-	-	21,172
Prepaid insurance	5,098	-	-	5,098
Total current assets	<u>203,956</u>	<u>418,359</u>	<u>33,578</u>	<u>655,893</u>
Noncurrent assets:				
Restricted investments	-	354,210	-	354,210
Noncurrent portion of TIF receivables	-	-	192,800	192,800
Capital assets:				
Land	397,514	-	-	397,514
Other capital assets, net of depreciation	2,762,313	-	-	2,762,313
Net capital assets	<u>3,159,827</u>	<u>-</u>	<u>-</u>	<u>3,159,827</u>
Total noncurrent assets	<u>3,159,827</u>	<u>354,210</u>	<u>192,800</u>	<u>3,706,837</u>
Total assets	3,363,783	772,569	226,378	4,362,730
LIABILITIES				
Current liabilities:				
Accounts payable	2,412	-	-	2,412
Unearned rent revenue	34,835	-	-	34,835
Due to City of Crete	-	-	21,241	21,241
Current portion of long-term obligation	-	-	5,600	5,600
Total current liabilities	<u>37,247</u>	<u>-</u>	<u>26,841</u>	<u>64,088</u>
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	71,000	-	38,450	109,450
Total liabilities	<u>108,247</u>	<u>-</u>	<u>65,291</u>	<u>173,538</u>
NET POSITION				
Net investment in capital assets	3,088,827	-	-	3,088,827
Restricted for library capital projects	-	354,210	-	354,210
Unrestricted	166,709	418,359	161,087	746,155
Total net position	<u>\$ 3,255,536</u>	<u>\$ 772,569</u>	<u>\$ 161,087</u>	<u>\$ 4,189,192</u>

See notes to financial statements.

CITY OF CRETE, NEBRASKA

**COMBINING STATEMENT OF ACTIVITIES -
COMPONENT UNITS**

For the year ended July 31, August 31, and September 30, 2019

<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 (7/31/19)	\$ 433,626	\$ 246,382	\$ -
Friends of Crete Public Library (8/31/19)	154,859	-	-
Community Development Agency (9/30/19)	16,469	2,681	-
Total component units	\$ 604,954	\$ 249,063	\$ -

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>Friends of Crete Public Library</u>	<u>Community Development Agency</u>	<u>Total</u>
\$ -	\$ (187,244)	\$ -	\$ -	\$ (187,244)
59,555	-	(95,304)	-	(95,304)
-	-	-	(13,788)	(13,788)
<u>\$ 59,555</u>	<u>(187,244)</u>	<u>(95,304)</u>	<u>(13,788)</u>	<u>(296,336)</u>
General revenues:				
Property taxes	24,506	-	-	24,506
Interest and dividend income	-	11,873	-	11,873
Gains on investments	-	10,461	-	10,461
Other income	673	-	-	673
Total general revenues	<u>25,179</u>	<u>22,334</u>	<u>-</u>	<u>47,513</u>
Change in net position	(162,065)	(72,970)	(13,788)	(248,823)
Net position - September 30, 2018	<u>3,417,601</u>	<u>845,539</u> *	<u>174,875</u>	<u>4,438,015</u>
Net position - September 30, 2019	<u>\$ 3,255,536</u>	<u>\$ 772,569</u>	<u>\$ 161,087</u>	<u>\$ 4,189,192</u>

* The Friends of Crete Public Library component unit was not included in the September 30, 2018 City of Crete financial statements.

**ADDITIONAL INFORMATION REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

**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

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, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 9, 2020. Our report on the financial statements disclosed that, as described in Note A to the financial statements, the City of Crete, Nebraska, prepares its financial statements for the governmental funds on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a

SHAREHOLDERS:

Robert D. Almquist
Phillip D. Maltzahn
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
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timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Segregation of Duties

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

Compliance and Other Matters

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

City of Crete's Response to Findings

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

Purpose of this Report

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

AMGL, AC,

Grand Island, Nebraska
January 9, 2020