CITY OF CROFTON, NEBRASKA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

September 30, 2025

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities - modified cash basis, the business-type activities - 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 of the governmental funds of the City of Crofton, Nebraska, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's financial statements as listed in the table of contents.

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, 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 Crofton, Nebraska as of September 30, 2025, 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 described in Note A.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Crofton, Nebraska and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—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 opinions are not modified with respect to this matter.

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A PROFESSIONAL CORPORATION

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash and accrual basis of accounting described in Note A, and for determining that the modified cash and accrual basis of accounting are acceptable basis 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Crofton, Nebraska's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Crofton, Nebraska's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Crofton, Nebraska's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crofton, Nebraska's financial statements. The nonmajor governmental funds combining statements and statement of General Fund departmental revenue and expenditures are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 second sentence of this paragraph is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the management's discussion and analysis and budgetary comparison schedules, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2026, on our consideration of the City of Crofton, 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 Crofton'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 Crofton, Nebraska's internal control over financial reporting and compliance.

AMGL, P.C.

Grand Island, Nebraska
May 11, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Crofton, we offer readers of the City of Crofton's financial statements this narrative overview and analysis of the financial activities of the City of Crofton for the fiscal year ended September 30, 2025.

Financial Highlights

- The assets of the City of Crofton exceeded its liabilities at the close of the most recent fiscal year by $1,867,567 (*net position*). Of this amount, $514,880 (*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 Crofton's governmental activities reported combined ending net position of $1,095,895. The City had *unrestricted net position* of $275,958.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $275,958 or 74.1% of General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Crofton's financial statements. The City of Crofton'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 and other 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 Crofton's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Crofton'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 Crofton 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.

Both of the government-wide financial statements distinguish functions of the City of Crofton 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 Crofton include general government, public safety, public works, economic development, and culture and recreation. The business-type activities of the City of Crofton include the Water, Sewer and Trash Enterprise Funds.

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 Crofton, 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 Crofton 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.

The City of Crofton maintains seven 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, Sales Tax Fund, Community Projects Fund and Debt Service Fund, all of which are considered to be major funds. Data from the other two 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.

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

The governmental fund financial statements can be found on pages 16 and 17 of this report.

Proprietary funds. The City of Crofton maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Crofton uses enterprise funds to account for its Water, Sewer and Trash Funds.

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 Water, Sewer and Trash Funds, all of which are considered to be major funds of the City of Crofton.

The proprietary fund financial statements can be found on pages 18-20 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 21-43 of this report.

Other information. In addition to the financial statements and accompanying notes, this report also presents certain *supplementary and other information* concerning the City of Crofton's budgetary comparison schedules, nonmajor combining statements, and General Fund revenue and expenses by departments can be found on pages 44-51 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 Crofton, assets exceeded liabilities by $1,867,567 at the close of the most recent fiscal year.

Summary Statements of Net Position

	September 30, 2025			September 30, 2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	$ 1,096,376	$ 475,107	$ 1,571,483	$ 644,586	$ 464,710	$ 1,109,296
Capital Assets	-	532,750	532,750	-	265,763	265,763
Total Assets	1,096,376	1,007,857	2,104,233	644,586	730,473	1,375,059
Long-term Liabilities	-	-	-	-	-	-
Other Liabilities	481	236,185	236,666	900	48,619	49,519
Total Liabilities	481	236,185	236,666	900	48,619	49,519
Net Position:						
Net Investment in Capital Assets	-	532,750	532,750	-	265,763	265,763
Restricted	819,937	-	819,937	523,129	-	523,129
Unrestricted	275,958	238,922	514,880	120,557	416,091	536,648
Total Net Position	$ 1,095,895	$ 771,672	$ 1,867,567	$ 643,686	$ 681,854	$ 1,325,540

A portion of the City of Crofton's net position (28.5 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Crofton uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Crofton'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 Crofton's net position ($819,937) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* ($514,880) 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 Crofton 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.

Expenses and Program Revenues - Governmental Activities

	Year Ended September 30, 2025		Year Ended September 30, 2024	
Function	**Program Revenues**	**Program Expenses**	**Program Revenues**	**Program Expenses**
General Government	$ 4,381	$ 150,378	$ 8,425	$ 217,370
Public Safety	-	54,720	100	46,017
Public Works	14,085	86,097	21,469	102,178
Environment and Leisure	11,604	130,735	11,373	98,336
Economic Development	1,448	68,118	6,503	17,620
Capital Outlay	3,491	91,699	5,000	370,551
Principal on Long-Term Debt	-	70,000	-	70,000
Interest and Fees	-	10,703	-	11,022
Total	$ 35,009	$ 662,450	$ 52,870	$ 933,094

Revenues by Source – Governmental Activities

SOURCES OF REVENUE	Year Ended September 30, 2025		Year Ended September 30, 2024	
Charges for Services	$ 16,623	1.50 %	$ 21,601	2.93 %
Operating Grants and Contributions	9,301	0.83	9,800	1.32
Capital Grants and Contributions	9,085	0.82	21,469	2.90
Property Taxes	267,807	24.03	261,577	35.34
Sales Taxes	201,327	18.06	152,251	20.57
Franchise Taxes	97,339	8.73	96,471	13.03
TIF Proceeds	3,175	0.28	4,118	0.56
Intergovernmental	168,774	15.14	161,008	21.75
Sale of Assets	306,056	27.46	-	-
Bond/Loan Proceeds	1,000	0.09	-	-
Miscellaneous	3,042	0.27	1,682	0.23
Interest	31,130	2.79	10,134	1.37
Total	$ 1,114,659	100.00 %	$ 740,111	100.00 %

Net position increased $452,209 in the governmental funds during the year ended September 30, 2025.

Business-type activities. Business-type activities increased the City of Crofton's net position by $89,818. Key elements of this increase are as follows:

Expenses and Program Revenues - Business-type Activities

	Year Ended September 30, 2025		Year Ended September 30, 2024	
Function	Program Revenues	Program Expenses	Program Revenues	Program Expenses
Water	$ 370,608	$ 355,142	$ 315,879	$ 298,860
Sewer	203,031	146,644	157,896	138,891
Trash	83,282	85,940	71,327	76,938
Total	$ 656,921	$ 587,726	$ 545,102	$ 514,689

Revenues by Source – Business-type Activities

SOURCES OF REVENUE	Year Ended September 30, 2025		Year Ended September 30, 2024	
Charges for Services	$ 611,553	90.26 %	$ 479,751	100.00 %
Operating and Capital Grants	45,368	6.70	-	-
Interest	20,623	3.04	-	-
Total	$ 677,544	100.00 %	$ 479,751	100.00 %

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City of Crofton'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 Crofton's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Crofton's governmental funds reported combined ending fund balances of $1,095,895. The *unassigned fund balance* of $275,958 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 improvements ($102,479), 2) restricted for capital projects ($291,898), 3) restricted for federal programs ($16,755), 4) restricted for debt service ($63,666), 5) restricted for economic development ($192,194) or 6) restricted for recreation expenses ($152,945).

The General Fund is the chief operating fund of the City of Crofton. At the end of the current fiscal year, unassigned and total fund balance of the General Fund was $275,958. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 74.1 percent of total General Fund expenditures.

The fund balance of the City of Crofton's General Fund increased by $154,995 and the Sales Tax Fund increased by $237,136 during the current fiscal year primarily due to asset sales.

Proprietary funds. The City of Crofton'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 was as follows: Water Fund - $105,514, Sewer Fund - $157,581 and Trash Fund - $(24,173). The change in net position for the proprietary funds was as follows: Water Fund - $18,412, Sewer Fund - $74,064 and Trash Fund - $(2,658). Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Crofton's business-type activities.

Budgetary Highlights

There were no differences between the original budget and the final budget adopted for the year ended September 30, 2025.

Capital Asset and Debt Administration

Capital Assets. The City of Crofton's investment in capital assets for its business-type activities as of September 30, 2025, amounts to $532,750 (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, and machinery and equipment.

Major capital asset events (individually greater than $15,000) during the current fiscal year, included the following:

- Water infrastructure - $47,710
- Wastewater treatment facility - $169,600
- Sewer liners - $65,414
- Pool project design - $33,070
- 2024 Ram 2500 - $46,400

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

	Year Ended September 30, 2025			Year Ended September 30, 2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	$ -	$ 85,360	$ 85,360	$ -	$ 85,360	$ 85,360
Construction in Progress	-	217,310	217,310	-	-	-
Machinery and Equipment	-	32,081	32,081	-	26,194	26,194
Buildings and Infrastructure	-	197,999	197,999	-	154,209	154,209
Total	$ -	$ 532,750	$ 532,750	$ -	$ 265,763	$ 265,763

Additional information on the City of Crofton's capital assets can be found in Note C4 on page 38 of this report.

Long-term debt. At the end of the current fiscal year, the City of Crofton had the following long-term debt.

City of Crofton's Outstanding Debt

	Year Ended September 30, 2025			Year Ended September 30, 2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Bonds Payable	$ 731,000	$ -	$ 731,000	$ 800,000	$ -	$ 800,000

The City of Crofton's total long-term debt decreased by $69,000 (8.6 percent) during the current fiscal year, primarily due to scheduled debt payments.

Additional information on the City of Crofton's long-term debt can be found in Note D2 on pages 41-42 of this report.

Factors Bearing on Next Year

- Property tax asking for the year ending September 30, 2026, increased $7,040 (3.2 percent) due to a valuation increase.

- The City has budgeted for $4,750,000 wastewater treatment facility that will be funded by a NDWEE loan with 26.75% principal forgiveness. The first loan advance was not received until after September 30, 2025. See note D4 for additional information on commitments.

- The City has design commitments for a pool and budgeted for construction in the year ending September 30, 2026. See note D4 for additional information on commitments.

Request for Information

This financial report is designed to provide a general overview of the City of Crofton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Clerk, City of Crofton, 1210 West Second Street, Crofton, NE 68730.

CITY OF CROFTON, NEBRASKA

STATEMENT OF NET POSITION

September 30, 2025

	Primary Government		
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 180,436	$ (50,396)	$ 130,040
Certificates of deposit	83,354	370,623	453,977
County treasurer cash	13,456	-	13,456
Accounts receivable	-	57,110	57,110
Grant receivable	-	45,368	45,368
Unbilled revenue	-	41,622	41,622
Total current assets	277,246	464,327	741,573
Noncurrent assets:			
Restricted cash	261,402	10,780	272,182
Restricted certificates of deposit	557,728	-	557,728
Capital assets:			
Land	-	85,360	85,360
Construction in progress	-	217,310	217,310
Other capital assets, net of depreciation	-	230,080	230,080
Net capital assets	-	532,750	532,750
Total noncurrent assets	819,130	543,530	1,362,660
Total assets	1,096,376	1,007,857	2,104,233
LIABILITIES			
Current liabilities:			
Accounts payable	-	212,244	212,244
Accrued expenses	481	13,161	13,642
Meter deposits	-	10,780	10,780
Total liabilities	481	236,185	236,666
NET POSITION			
Net investment in capital assets	-	532,750	532,750
Restricted for:			
Street improvements	102,479	-	102,479
Capital projects	291,898	-	291,898
Federal programs	16,755	-	16,755
Economic development	192,194	-	192,194
Recreation	152,945	-	152,945
Debt service	63,666	-	63,666
Unrestricted	275,958	238,922	514,880
Total net position	$ 1,095,895	$ 771,672	$ 1,867,567

See notes to financial statements.

CITY OF CROFTON, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2025

		Program Revenues	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities (modified cash basis):			
General government	$ 150,378	$ 3,871	$ 510
Public safety	54,720	-	-
Public works	86,097	-	5,000
Environment and leisure	130,735	11,604	-
Economic development	68,118	1,148	300
Capital outlay	91,699	-	3,491
Principal on long-term debt	70,000	-	-
Interest and fees on long-term debt	10,703	-	-
Total governmental activities	662,450	16,623	9,301
Business-type activities (accrual basis):			
Water	355,142	370,608	-
Sewer	146,644	157,663	-
Trash	85,940	83,282	-
Total business-type activities	587,726	611,553	-
Total primary government	$ 1,250,176	$ 628,176	$ 9,301

See notes to financial statements.

Capital Grants and Contributions		Net (Expenses) Revenues and Changes in Net Position — Primary Government: Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total
$ -		$ (145,997)		$ (145,997)
-		(54,720)		(54,720)
9,085		(72,012)		(72,012)
-		(119,131)		(119,131)
-		(66,670)		(66,670)
-		(88,208)		(88,208)
-		(70,000)		(70,000)
-		(10,703)		(10,703)
9,085		(627,441)	$ -	(627,441)
-			15,466	15,466
45,368			56,387	56,387
-			(2,658)	(2,658)
45,368		-	69,195	69,195
$ 54,453		(627,441)	69,195	(558,246)
	General revenues:			
	Taxes:			
	Property	267,807	-	267,807
	Sales	201,327	-	201,327
	Franchise	97,339	-	97,339
	TIF proceeds	3,175	-	3,175
	Intergovernmental	168,774	-	168,774
	Miscellaneous	3,042	-	3,042
	Gain on disposal of assets	306,056	-	306,056
	Bond proceeds	1,000	-	1,000
	Interest income	31,130	20,623	51,753
	Total general revenues	1,079,650	20,623	1,100,273
	Change in net position	452,209	89,818	542,027
	Net position - September 30, 2024	643,686	681,854	1,325,540
	Net position - September 30, 2025	$ 1,095,895	$ 771,672	$ 1,867,567

CITY OF CROFTON, NEBRASKA

BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

September 30, 2025

	General Fund	Street Fund	Sales Tax Fund	Community Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 180,436	$ -	$ -	$ -	$ -	$ -	$ 180,436
Certificates of deposit	83,354	-	-	-	-	-	83,354
Restricted cash and cash equivalents	-	101,672	72,314	6,995	63,666	16,755	261,402
Restricted certificates of deposit	-	-	557,728	-	-	-	557,728
County treasurer cash	12,649	807	-	-	-	-	13,456
Total assets	$ 276,439	$ 102,479	$ 630,042	$ 6,995	$ 63,666	$ 16,755	$ 1,096,376
LIABILITIES AND FUND BALANCES							
Liabilities:							
Payroll liabilities	$ 481	$ -	$ -	$ -	$ -	$ -	$ 481
Fund balances:							
Restricted for:							
Street improvements	-	102,479	-	-	-	-	102,479
Capital projects	-	-	284,903	6,995	-	-	291,898
Federal programs	-	-	-	-	-	16,755	16,755
Economic development	-	-	192,194	-	-	-	192,194
Recreation	-	-	152,945	-	-	-	152,945
Debt service	-	-	-	-	63,666	-	63,666
Unassigned	275,958	-	-	-	-	-	275,958
Total fund balances	275,958	102,479	630,042	6,995	63,666	16,755	1,095,895
Total liabilities and fund balances	$ 276,439	$ 102,479	$ 630,042	$ 6,995	$ 63,666	$ 16,755	$ 1,096,376

See notes to financial statements.

CITY OF CROFTON, NEBRASKA

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

For the year ended September 30, 2025

	General Fund	Street Fund	Sales Tax Fund	Community Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property	$ 250,408	$ 17,399	$ -	$ -	$ -	$ -	$ 267,807
Sales tax	-	26,943	174,384	-	-	-	201,327
Franchise	97,339	-	-	-	-	-	97,339
Intergovernmental	40,138	128,636	-	-	-	-	168,774
Charges for services	15,475	-	-	-	-	-	15,475
Special assessments	-	-	-	-	9,085	-	9,085
Loan collections	-	-	-	-	-	1,148	1,148
Contributions and grants	810	5,000	-	3,491	-	-	9,301
Interest income	6,582	-	19,952	105	4,295	196	31,130
TIF proceeds	-	-	-	-	-	3,175	3,175
Bond proceeds	-	-	-	1,000	-	-	1,000
Sale of assets	116,281	-	189,775	-	-	-	306,056
Other income	542	2,500	-	-	-	-	3,042
Total revenues	527,575	180,478	384,111	4,596	13,380	4,519	1,114,659
EXPENDITURES							
General government	150,378	-	-	-	-	-	150,378
Public safety	54,720	-	-	-	-	-	54,720
Public works	2,082	84,015	-	-	-	-	86,097
Environment and leisure	105,790	-	10,860	14,085	-	-	130,735
Economic development	13,210	-	45,045	712	-	9,151	68,118
Capital outlay	46,400	7,980	33,070	-	-	4,249	91,699
Principal payments on debt	-	-	-	-	70,000	-	70,000
Interest and fees on long-term debt	-	-	-	-	10,203	-	10,203
Bond fees	-	-	-	-	500	-	500
Total expenditures	372,580	91,995	88,975	14,797	80,703	13,400	662,450
Excess (deficiency) of revenues over expenditures	154,995	88,483	295,136	(10,201)	(67,323)	(8,881)	452,209
OTHER FINANCING SOURCES (USES)							
Transfers in (out)	-	-	(58,000)	-	58,000	-	-
Net change in fund balances	154,995	88,483	237,136	(10,201)	(9,323)	(8,881)	452,209
Fund balances - September 30, 2024	120,963	13,996	392,906	17,196	72,989	25,636	643,686
Fund balances - September 30, 2025	$ 275,958	$ 102,479	$ 630,042	$ 6,995	$ 63,666	$ 16,755	$ 1,095,895

See notes to financial statements.

CITY OF CROFTON, NEBRASKA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

September 30, 2025

	Enterprise Funds			
	Water Fund	Sewer Fund	Trash Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 32,556	$ (47,147)	$ (35,805)	$ (50,396)
Certificates of deposit	52,946	317,677	-	370,623
Accounts receivable	35,413	13,704	7,993	57,110
Grants receivable	-	45,368	-	45,368
Unbilled revenue	27,772	8,820	5,030	41,622
Total current assets	148,687	338,422	(22,782)	464,327
Noncurrent assets:				
Restricted cash and cash equivalents	10,780	-	-	10,780
Capital assets:				
Land	41,930	41,930	1,500	85,360
Construction in progress	47,710	169,600	-	217,310
Buildings, infrastructure, and equipment	960,732	300,128	-	1,260,860
Less accumulated depreciation	(834,331)	(196,449)	-	(1,030,780)
Net capital assets	216,041	315,209	1,500	532,750
Total noncurrent assets	226,821	315,209	1,500	543,530
Total assets	375,508	653,631	(21,282)	1,007,857
LIABILITIES				
Current liabilities:				
Accounts payable	39,431	172,813	-	212,244
Accrued expenses	3,742	8,028	1,391	13,161
Meter deposits	10,780	-	-	10,780
Total current liabilities	53,953	180,841	1,391	236,185
NET POSITION				
Net investment in capital assets	216,041	315,209	1,500	532,750
Restricted	-	-	-	-
Unrestricted	105,514	157,581	(24,173)	238,922
Total net position	$ 321,555	$ 472,790	$ (22,673)	$ 771,672

See notes to financial statements.

CITY OF CROFTON, NEBRASKA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS

For the year ended September 30, 2025

	Enterprise Funds			
	Water Fund	Sewer Fund	Trash Fund	Total
Operating revenues:				
Consumer sales	$ 370,608	$ 157,663	$ 83,282	$ 611,553
Operating expenses:				
Cost of power	246,856	-	-	246,856
Personnel costs	35,249	69,114	7,772	112,135
Operation of system	47,902	55,904	78,004	181,810
Dues, memberships, and training	243	5,158	-	5,401
Insurance	1,651	13,826	8	15,485
Bad debt	2,477	93	156	2,726
Depreciation	20,764	2,549	-	23,313
Total operating expenses	355,142	146,644	85,940	587,726
Operating income (loss)	15,466	11,019	(2,658)	23,827
Nonoperating revenues:				
Interest income	2,946	17,677	-	20,623
Grant income	-	45,368	-	45,368
Total nonoperating revenues	2,946	63,045	-	65,991
Change in net position	18,412	74,064	(2,658)	89,818
Net position - September 30, 2024	303,143	398,726	(20,015)	681,854
Net position - September 30, 2025	$ 321,555	$ 472,790	$ (22,673)	$ 771,672

See notes to financial statements.

CITY OF CROFTON, NEBRASKA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

For the year ended September 30, 2025

	Enterprise Funds			
	Water Fund	Sewer Fund	Trash Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	$ 359,959	$ 158,137	$ 81,535	$ 599,631
Payments to suppliers	(302,045)	(74,576)	(78,168)	(454,789)
Payments to employees	(34,834)	(67,153)	(6,977)	(108,964)
Net cash provided (used) by operating activities	23,080	16,408	(3,610)	35,878
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of property and equipment	(32,504)	(72,990)	-	(105,494)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Increase in certificates of deposit	(2,946)	(17,677)	-	(20,623)
Increase in restricted cash and cash equivalents	(2,100)	-	-	(2,100)
Interest received	2,946	17,677	-	20,623
Net cash used by investing activities	(2,100)	-	-	(2,100)
Decrease in cash and cash equivalents	(11,524)	(56,582)	(3,610)	(71,716)
Cash and cash equivalents - beginning of the year	44,080	9,435	(32,195)	21,320
Cash and cash equivalents - end of the year	$ 32,556	$ (47,147)	$ (35,805)	$ (50,396)
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ 15,466	$ 11,019	$ (2,658)	$ 23,827
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	20,764	2,549	-	23,313
Change in assets and liabilities:				
Accounts receivable	(6,050)	544	(702)	(6,208)
Unbilled revenue	(6,699)	(70)	(1,045)	(7,814)
Meter deposits	2,100	-	-	2,100
Accounts payable	(2,916)	405	-	(2,511)
Accrued expenses	415	1,961	795	3,171
Net cash provided (used) by operating activities	$ 23,080	$ 16,408	$ (3,610)	$ 35,878

See notes to financial statements.

CITY OF CROFTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

INDEX

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Crofton, Nebraska (City) are prepared in accordance with the modified cash basis of accounting for governmental funds and the accrual basis for the proprietary funds. 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 operates under a Mayor-Council form of government with an elected chief executive, Mayor, and an elected legislative body, Council, composed of five members. 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 Crofton

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.

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. The CDA Fund is a blended component unit.

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 City currently has no discretely presented component units.

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.

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:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Fund Financial Statements, continued

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; and

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

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.

Major and Nonmajor Funds

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

Fund	Brief Description
Major:	
Governmental:	
General	See page 24 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.
Sales Tax Fund	This is a Special Revenue Fund that accounts for local sales tax collected for the benefit of capital projects and economic development.
Community Projects Fund	This is a Special Revenue Fund to account for community projects funded by local, State and Federal grants.
Debt Service Fund	See page 24 for description.
Proprietary:	
Enterprise:	
Water, Sewer and Trash	See above for description.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds, continued

Nonmajor:

CDA Fund	The CDA Fund is a Special Revenue Fund that accounts for the City's community development.
Community Betterment Fund	This CDBG Fund is a Special Revenue Fund that accounts for the City's share of housing loans made under various Federal programs.

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.

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 fund utilizes 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

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, proceeds from the issuance of long-term debt are recognized as revenue when received and payment of long-term debt is reported as an expenditure when paid. Capital assets purchases are recorded as expenditures and depreciation is not recognized. Right of use assets and related lease liabilities, as defined by GASB 87 and 96, are not reflected in the accompanying modified cash basis financial statements.

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 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 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 Certificates of Deposit

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.

Certificates of deposit are carried at cost, which approximates fair market value. Additional cash and certificate of deposit disclosures are presented in Notes B2, C1, and D1.

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

Receivables

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

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 utility customer deposits.

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.

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. The City has elected the depreciation approach for reporting infrastructure.

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:

Machinery and Equipment	5-10 years
Buildings and Infrastructure	25-50 years

These assets have been valued at cost. The cost of normal maintenance, preservation, and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Capital Assets, continued

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences

During the year ended September 30, 2025, the City implemented GASB 101 for its proprietary funds. This statement requires governments to recognize a liability for certain types of leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The objective of this Statement is to better align the recognition of compensated absences liabilities with the accrual basis of accounting and improve consistency.

The City's policies regarding vacation time permits employees to accumulate vacation hours based on years of service and is to be used annually. In the event of termination, an employee will be paid for all unused accumulated vacation time at the current rate of pay.

The City's policies regarding sick time permits employees to accrue 80 hours each year up to a maximum of 320 hours. In the event of termination, an employee will not be paid for any unused accumulated sick time. The City has accrued up to 80 hours of sick leave for employees based on the likelihood of the provisions in GASB 101.

Compensated absences are accrued based on the likelihood of time used in the accompanying proprietary funds financial statement, but not in the governmental funds.

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 is 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.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

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 has 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses

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 Knox County are certified by the County Board on or before October 20. 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 2024-2025 are recorded as revenue when received by the County.

Sales and Use Tax

The City implemented a one and one-half 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. The sales tax is restricted for capital projects, recreation projects and economic development. As of October 1, 2006, sales tax collected on the sale of motor vehicles is recorded in the Street Fund as required by LB904.

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. They also include all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Interfund Transfers

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

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 Fund – 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.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City is 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 and Debt Service.

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 interest-bearing deposits in excess of the FDIC limits are supposed to be insured by collateral held by the pledging institution in the City's name.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

3. <u>Revenue Restrictions</u>

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. <u>Debt Restrictions and Covenants</u>

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.

5. <u>Budgetary Data</u>

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

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

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

a. On or before August 1, the City prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.

b. The budget is published with subsequent public hearings to obtain taxpayer comments.

c. Prior to September 30, the City Council adopts the budget, which is then filed with the appropriate state and county officials.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data, continued

d. Total expenditures may not legally exceed total appropriations. Appropriations lapse at year end and any revisions require board approval.

e. 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.

f. 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 20. 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.

g. Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.

h. The City of Crofton adopts a budget by resolution 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 Certificates of Deposit

Deposits

The City's policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose how the City's deposits were insured or secured with collateral at September 30, 2025. The categories of insurance/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.

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

1. Cash and Certificates of Deposit, continued

Deposits, continued

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.

Types of Deposits	Total Bank Balance	Category 1	Category 2	Category 3	Total Carrying Value
Demand deposits and certificates of deposit	$ 1,415,925	$ 500,000	$ 915,925	$ -	$ 1,413,927

Reconciliation to Government-wide Statement of Net Position:	
Primary Government –	
Unrestricted cash and cash equivalents	$ 130,040
Certificates of deposit	453,977
Restricted cash and cash equivalents	272,182
Restricted certificates of deposit	557,728
	$ 1,413,927

2. Restricted Cash and Certificates of Deposit

Governmental restricted cash consists of $101,672 of Street cash for street improvements, $63,666 of Debt Service cash and certificates of deposit for debt service, $6,995 of Community Projects cash restricted for capital projects, $16,755 of CDBG cash restricted for Federal programs and $630,042 of Sales Tax cash and certificate of deposits restricted for capital projects ($284,903), economic development ($192,194) and recreation projects ($152,945).

Business-type restricted cash consists of $10,780 of cash restricted for customer meter deposits in the Water Fund.

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

3. Accounts Receivable

Accounts receivable of the business-type activities consist of utilities receivables. At September 30, 2025, an allowance for doubtful accounts of $27,250 has been recorded.

4. Capital Assets

Capital asset activity for the year ended September 30, 2025, was as follows:

Business-type Activities:	Balance at October 1, 2024	Additions	Disposals	Balance at September 30, 2025
Capital assets not being depreciated:				
Land	$ 85,360	$ -	$ -	$ 85,360
Construction in progress	-	217,310	-	217,310
Total capital assets not being depreciated	85,360	217,310	-	302,670
Capital assets being depreciated:				
Machinery and equipment	220,094	7,576		227,670
Buildings and infrastructure	967,776	65,414	-	1,033,190
Total depreciable assets at historical cost	1,187,870	72,990	-	1,260,860
Less accumulated depreciation for:				
Machinery and equipment	(193,900)	(1,689)		(195,589)
Buildings and infrastructure	(813,567)	(21,624)	-	(835,191)
Total accumulated depreciation	(1,007,467)	(23,313) *	-	(1,030,780)
Depreciable capital assets, net	180,403	49,677	-	230,080
Business-type activities capital assets, net	$ 265,763	$ 266,987	$ -	$ 532,750

* Depreciation expense was charged to functions as follows:	
Water	$ 20,764
Sewer	2,549
Trash	-
Total Business-type Activities Depreciation Expense	$ 23,313

Construction in progress consists of $47,710 on the water improvement project and $169,600 on the wastewater treatment facility. See note D4 for additional commitment information.

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

5. Interfund Transactions

Operating transfers:

	Transfers In	Transfers Out
Sales Tax Fund	$ -	$ 58,000
Debt Service Fund	58,000	-
	$ 58,000	$ 58,000

6. Fund Equity

The Trash Fund had an unrestricted net position deficit of $24,173 as of September 30, 2025. The City plans to increase the net position in future years by increasing user rates.

7. Accrued Compensated Absences

As of September 30, 2025, business-type accrued compensated absences consisted of the following:

	Balance at October 1, 2024	Additions	Deductions	Balance at September 30, 2025
Accrued vacation and sick leave	$ 3,353	$ 2,222	$ -	$ 5,575

Compensated absences are included in accrued expenses on the financial statements.

NOTE D – OTHER NOTES

1. 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.

NOTE D – OTHER NOTES, continued

1. **Risk Management, continued**

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, 2025, are held by banks in the name of the City.

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 certificate of deposit maturities are as follows:

Maturities by Month	Amount
January 2026	$ 731,312
May 2026	280,393
Total	$ 1,011,705

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, 2025, the City's certificates of deposit consisted of the following:

Financial Institution	Amount
Farmers and Merchant Bank	$ 1,011,705

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, 2025.

NOTE D – OTHER NOTES, continued

2. Long-term Debt

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

As of September 30, 2025, the governmental long-term liabilities consisted of the following:

Bonds payable:	
On April 15, 2025, the City issued Municipal Improvement Bonds for $595,000 to fund the pool project. The bond was directly placed with Farmers and Merchants State Bank and will operate as a line of credit until the full amount is drawn. Interest is at 5.45 percent and maturity is May 15, 2046. The bond payments are made from the Sales Tax Fund.	$ 1,000
On November 22, 2021, the City issued General Obligation Various Purpose Refunding Bonds for $940,000 to refinance the 2017 GOVP Bonds. Interest is at 0.50 percent to 1.85 percent and maturity is December 15, 2034. The bond payments are made from the Debt Service Fund.	730,000
Total governmental activities long-term debt	$ 731,000
Current portion	$ 71,000
Noncurrent portion	660,000
Total governmental long-term debt	$ 731,000

Business-Type Activities

On September 18, 2025, the City signed a loan agreement with Nebraska Department of Water, Energy and Environment for the wastewater treatment project. The max loan amount is $4,750,000 with up to $1,270,625 of principal forgiveness. Interest and admin fee is at 0.75 percent with payments due semi-annually. As of September 30, 2025, no advances have been made.

NOTE D – OTHER NOTES, continued

2. Long-term Debt, continued

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2025:

Type of Debt	Balance at October 1, 2024	Additions	Deductions	Balance at September 30, 2025	Amount Due Within One Year
Governmental Activities					
Bonds payable	$ 800,000	$ 1,000	$ (70,000)	$ 731,000	$ 71,000

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2025, are as follows:

	Governmental Activities			
	Direct Placement		Other Debt Issues	
Year Ending September 30,	Principal	Interest	Principal	Interest
2026	$ 1,000	$ 50	$ 70,000	$ 9,765
2027	-	-	70,000	9,240
2028	-	-	70,000	8,557
2029	-	-	70,000	7,718
2030	-	-	70,000	6,807
2031-2035	-	-	380,000	16,841
	$ 1,000	$ 50	$ 730,000	$ 58,928

3. Tax Abatements

The Community Development Authority (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.

NOTE D – OTHER NOTES, continued

3. Tax Abatements, continued

Information relevant to the abatements granted by the CDA for the year ended September 30, 2025 is as follows:

TIF Project:	Years Remaining on TIF Agreement	2025 TIF Valuation	TIF Proceeds Received during the year 9-30-2025
C Mart, LLC	5	$ 222,765	$ 3,175

4. Commitments

In March 2023, the City entered into a 63-month lease for a copier for $171 per month.

Project	Contract Amount	Paid Through 9/30/2025	Remaining Commitment	Expected Completion
Housing and blight study Five Rural Planning	$ 64,000	$ (40,000)	$ 24,000	May 2026
Aquatic facility design JEO Consulting	300,000	(33,070)	266,930	Winter 2027
2025 water improvements JEO Consulting	120,000	(12,192)	107,808	Spring 2027
Wastewater treatment facility Miller & Associates	176,600	(169,600)	7,000	Fall 2026

5. Subsequent Events

Management has evaluated subsequent events through May 11, 2026, the date on which the financial statements were available for issue.

On November 13, 2025, approved $58,290 contract with ERDBAU for environmental study for wastewater project.

On February 12, 2026, approved $3,779,933 contract with 605 Companies for the construction of the wastewater project.

On March 25, 2026, approved $31,000 contract with RDG for the design of the pool bathhouse.

On April 9, 2026, authorized the issuance of GO Water Bonds, not to exceed $1,750,000 for the water main project.

SUPPLEMENTARY AND OTHER INFORMATION

CITY OF CROFTON, NEBRASKA

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS - GENERAL FUND

Year ended September 30, 2025

	Budget (Original & Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	$ 218,916	$ 250,408	$ 31,492
Franchise	104,923	97,339	(7,584)
Intergovernmental	36,445	40,138	3,693
Charges for services	17,676	15,475	(2,201)
Contributions and grants	-	810	810
Interest income	13,960	6,582	(7,378)
Sale of assets	35,000	116,281	81,281
Other	-	542	542
Total resources	426,920	527,575	100,655
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	169,000	150,378	(18,622)
Public safety	130,000	54,720	(75,280)
Public works	-	2,082	2,082
Environment and leisure	107,800	105,790	(2,010)
Economic development	-	13,210	13,210
Capital outlay	133,500	46,400	(87,100)
Total charges to appropriations	540,300	372,580	(167,720)
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	$ (113,380)	$ 154,995	$ 268,375

CITY OF CROFTON, NEBRASKA

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS - STREET FUND

Year ended September 30, 2025

	Budget (Original & Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	$ 450	$ 17,399	$ 16,949
Sales	18,000	26,943	8,943
State allocation	132,977	128,636	(4,341)
Contributions and grants	-	5,000	5,000
Other income	-	2,500	2,500
Total resources	151,427	180,478	29,051
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	121,000	84,015	(36,985)
Capital outlay	150,000	7,980	(142,020)
Total charges to appropriations	271,000	91,995	(179,005)
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	$ (119,573)	$ 88,483	$ 208,056

CITY OF CROFTON, NEBRASKA

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS - SALES TAX FUND

Year ended September 30, 2025

	Budget (Original & Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Sales	$ 150,000	$ 174,384	$ 24,384
Interest income	9,375	19,952	10,577
Sale of assets	-	189,775	189,775
Total resources	159,375	384,111	224,736
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Environment and leisure	-	10,860	10,860
Economic development	96,000	45,045	(50,955)
Capital outlay	265,000	33,070	(231,930)
Total charges to appropriations	361,000	88,975	(272,025)
Resources over (under) charges to appropriations	(201,625)	295,136	496,761
OTHER FINANCING USES			
Transfers out	-	(58,000)	(58,000)
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS AND OTHER FINANCING USES	$ (201,625)	$ 237,136	$ 438,761

CITY OF CROFTON, NEBRASKA

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS - COMMUNITY PROJECTS FUND

Year ended September 30, 2025

	Budget (Original & Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Contributions and grants	$ -	$ 3,491	$ 3,491
Interest income	174	105	(69)
Bond proceeds	-	1,000	1,000
Total resources	174	4,596	4,422
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Environment and leisure	-	14,085	14,085
Economic development	-	712	712
Total charges to appropriations	-	14,797	14,797
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	$ 174	$ (10,201)	$ (10,375)

CITY OF CROFTON, NEBRASKA

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS - DEBT SERVICE FUND

Year ended September 30, 2025

	Budget (Original & Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Special assessments	$ 6,892	$ 9,085	$ 2,193
Interest income	300	4,295	3,995
Total resources	7,192	13,380	6,188
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Principal payments on debt	70,000	70,000	-
Interest on long-term debt	10,203	10,203	-
Fees on long-term debt	-	500	500
Total charges to appropriations	80,203	80,703	500
Resources under charges to appropriations	(73,011)	(67,323)	5,688
OTHER FINANCING SOURCES			
Transfer in	-	58,000	(58,000)
RESOURCES AND OTHER FINANCING SOURCES UNDER CHARGES TO APPROPRIATIONS	$ (73,011)	$ (9,323)	$ 63,688

CITY OF CROFTON, NEBRASKA

COMBINING BALANCE SHEET - MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS

September 30, 2025

	Special Revenue		Total
	CDA Fund	CDBG Fund	Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ -	$ -	$ -
Restricted cash and cash equivalents	-	16,755	16,755
Total assets	$ -	$ 16,755	$ 16,755
LIABILITIES AND FUND BALANCES			
Liabilities:	$ -	$ -	$ -
Fund balances:			
Restricted for:			
Federal programs	-	16,755	16,755
Assigned	-	-	-
Total liabilities and fund balances	$ -	$ 16,755	$ 16,755

CITY OF CROFTON, NEBRASKA

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

For the year ended September 30, 2025

	Special Revenue		Total
	CDA Fund	CDBG Fund	Nonmajor Governmental Funds
REVENUES			
Loan collection	$ -	$ 1,148	$ 1,148
TIF proceeds	3,175	-	3,175
Interest income	-	196	196
Total revenues	3,175	1,344	4,519
EXPENDITURES			
Economic development	3,175	5,976	9,151
Capital outlay	-	4,249	4,249
Total expenditures	3,175	10,225	13,400
Net change in fund balances	-	(8,881)	(8,881)
Fund balances - September 30, 2024	-	25,636	25,636
Fund balances - September 30, 2025	$ -	$ 16,755	$ 16,755

CITY OF CROFTON, NEBRASKA

COMBINING STATEMENT OF REVENUES AND EXPENDITURES - MODIFIED CASH BASIS - GENERAL FUND DEPARTMENTS

Year ended September 30, 2025

	Administrative	Police	Park
REVENUES			
Taxes:			
Property	$ 250,408	$ -	$ -
Franchise	97,339	-	-
Intergovernmental	40,138	-	-
Charges for services	3,871	-	665
Contributions and grants	510	-	-
Interest income	5,762	820	-
Sale of assets	115,681	-	-
Other receipts	542	-	-
Total revenues	514,251	820	665
EXPENDITURES			
Personnel services:			
Salaries and benefits	31,320	-	15,049
Operating expenses:			
Insurance	32,981	3,506	3,173
Contracted services	-	50,155	-
Professional fees	31,255	350	-
Meetings, seminars and dues	7,571	-	-
Repairs and maintenance	11,749	-	6,348
Operating supplies	19,860	709	5,856
Transportation	-	-	1,172
Utilities and telephone	14,113	-	7,326
Total operating expenses	117,529	54,720	23,875
Other expenses	1,529	-	-
Capital outlay	46,400	-	-
Total expenditures	196,778	54,720	38,924
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 317,473	$ (53,900)	$ (38,259)

Pool	Auditorium	Cemetery	Economic Development	Total
$ -	$ -	$ -	$ -	$ 250,408
-	-	-	-	97,339
-	-	-	-	40,138
9,182	1,757	-	-	15,475
-	-	-	300	810
-	-	-	-	6,582
-	-	600	-	116,281
-	-	-	-	542
9,182	1,757	600	300	527,575
39,352	3,008	-	-	88,729
2,069	5,888	-	-	47,617
-	-	-	13,120	63,275
-	-	-	-	31,605
-	-	-	-	7,571
-	1,014	-	90	19,201
8,072	858	-	-	35,355
-	-	-	-	1,172
2,253	4,352	-	-	28,044
12,394	12,112	-	13,210	233,840
-	-	2,082	-	3,611
-	-	-	-	46,400
51,746	15,120	2,082	13,210	372,580
$ (42,564)	$ (13,363)	$ (1,482)	$ (12,910)	$ 154,995

AMGL
CPAs & Advisors

SHAREHOLDERS:
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Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump
Kyle R. Overturf
Tracy A. Cannon
Jamie L. Clemans
Travis L. Arnold

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 Crofton, Nebraska

We have audited, in accordance with 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, 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 Crofton, Nebraska, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated May 11, 2026. Our report on the financial statements also disclosed that, as described in Note A to the financial statements, the City prepares its financial statements for the governmental funds on a prescribed basis of accounting that demonstrates compliance with 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Crofton's internal control over financial reporting (internal control) as a basis for designing 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 timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies,

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A PROFESSIONAL CORPORATION

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 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. We identified a certain deficiency in internal control, described below that we consider to be a significant deficiency.

Segregation of Duties

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Crofton'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 Crofton's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Crofton's response to the findings identified in our audit and described above. The City of Crofton'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 the response.

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, PC

Grand Island, Nebraska
May 11, 2026

AMGL
CPAs & Advisors

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To the Honorable Mayor and City Council
City of Crofton
Crofton, Nebraska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crofton for the year ended September 30, 2025, and have issued our report thereon dated May 11, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 12, 2025. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Crofton are described in Note A to the financial statements. The City adopted GASB No. 101, *Compensated Absences,* during the year ended September 30, 2025. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the collectability of accounts receivable is based on historical utility revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the collectability of accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

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Management's estimate of the depreciation of capital assets is based on the estimated useful life of the capital asset. We evaluated the key factors and assumptions used to develop the depreciation of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Four audit adjustments increased the fund balances of the City's governmental funds by $6,028 and eight audit adjustments increased the net position of the City's business-type funds by $132,056. The following material misstatements detected as a result of audit procedures were corrected by management:

1. County treasurer cash was increased $6,028 to adjust to year end balances.

2. Depreciation expense of $23,313 was recorded on the utility funds.

3. Capital asset additions of $290,301 were reclassified in the business-type funds, increasing capital assets and decreasing expenses.

4. Grants receivable of $45,368 were recorded.

5. Accounts payable and corresponding expenses were increased $182,294.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 11, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In connection with our audit of the financial statements of the City of Crofton as of September 30, 2025, we noted certain matters that we believe you should consider. Our observations were formed as a by-product of our audit procedures, which did not include a comprehensive review for the purpose of submitting detailed recommendations.

1. During our utility billing test, we noted that everyone with an extra tote was charged $1 less than the approved rate from July 1, 2025 until November 30, 2025. We recommend implementing procedures and controls to ensure that rates are charged in accordance with approved ordinances.

2. We noted that insurance was being primarily coded to the General Fund. We recommend considering allocating insurance by fund, specifically to the utility funds to ensure accurate cost of services the City is providing.

3. We recommend ensuring that inventory is taken at least annually for accounting purposes and accountability.

4. We noted the City did not have an amortization schedule tracking TIF payments. We recommend creating a schedule to ensure that TIF is shut off timely in the event the project recoups its funds prior to the 15 years.

5. We noted that the special assessment amortization schedules were not updated for current year payments. We recommend ensuring amortizations schedules are updated with all payments to ensure accurate tracking.

6. We noted multiple instances in budget vs actual comparisons in which the City did not have funds budgeted to expend for specific funds. We recommend ensuring that all funds are accounted for in the annual budget.

Other Matters

We were engaged to report on the nonmajor governmental funds combining statements and statement of revenues and expenditures by General Fund department, which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the management's discussion and analysis and budgetary comparison schedules, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City of Crofton and is not intended to be and should not be used by anyone other than these specified parties.

AMGL, P.C.

Grand Island, Nebraska
May 11, 2026

AMGL
CPAs & Advisors

SHAREHOLDERS:

Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump
Kyle R. Overturf
Tracy A. Cannon
Jamie L. Clemans
Travis L. Arnold

To the Honorable Mayor and City Council
City of Crofton
Crofton, Nebraska

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Crofton as of and for the year ended September 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiency in the City of Crofton's internal control to be a significant deficiency:

> The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This lack of segregation of duties creates an opportunity for employees to commit fraud that may go undetected. This situation suggests that the City Council remain involved in the financial affairs of the City to provide oversight and independent review functions.

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This communication is intended solely for the information and use of management, the City Council, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

AMGL, P.C.

Grand Island, Nebraska
May 11, 2026