

**CITY OF CRETE KENO LOTTERY
CRETE, NEBRASKA**

**REPORTS ON AGREED-UPON PROCEDURES
AND ANNUAL EXAMINATION**

For the Year Ended September 30, 2023

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SHAREHOLDERS:

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

**INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON
PROCEDURES**

City of Crete Keno Lottery
Crete, Nebraska

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

We have performed the procedures enumerated below on Revenue Ruling 35-10-3 published by the Nebraska Department of Revenue, Charitable Gaming Division (Division), solely to assist the specified users in evaluating management's assertions about the City of Crete Keno Lottery's compliance with the specifically cited provisions of the Nebraska County and City Lottery Act and County and City Lottery Regulations of the City of Crete Keno Lottery for the year ended September 30, 2023, included in its representation letter dated December 28, 2023. The City of Crete Keno Lottery is responsible for the compliance with the specifically cited provisions of the regulations.

The City of Crete has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating the City of Crete Keno Lottery's compliance with the specifically cited provisions of the regulations. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

**PROCEDURES PERFORMED IN CONNECTION WITH KENO LOTTERY
OPERATION**

The procedures and associated findings are as follows:

1. Compliance Requirement (Manual Draw Method): An unannounced observation of the keno activity must be made at least annually for all sponsors who use a manual ball draw method for selection of winning numbers during the conduct of a keno lottery.

Findings:

The City of Crete does not use a manual draw method; therefore, this compliance procedure was not applicable.

2. Compliance Requirement (Manual Draw Method): During the unannounced visit, observe five keno games and verify that the keno operator has a minimum of three lottery workers involved during the drawing of the 20 keno numbers when a manual ball draw method of winning number selection is used. Three lottery workers must be involved on every game using a manual ball draw system without exception. A keno lottery using an automated ball draw system may be conducted with less than three lottery workers as prescribed in Regulation 35-621.06B.

Sponsor's Representative should observe that:

- a. The number of the game being drawn is recorded on a blank keno draw ticket.
- b. One lottery worker must call the ball numbers as they enter the rabbit ears.
- c. A different lottery worker must enter the numbers on the draw ticket on which the number of the game is recorded.
- d. The keno manager must verify the numbers drawn comparing the rabbit ears to the draw ticket and to the numbers entered into the keno system prior to computing the game.
- e. Determine at the time of the unannounced visit that the Lottery Operator is utilizing the method of winning number selection which agrees with the designated selection method on file with the Sponsor and the Department of Revenue.

Findings:

The City of Crete does not use a manual draw method; therefore, this compliance procedure was not applicable.

3. Compliance Requirement (Automated Ball Draw Method): Verify that keno management personnel have performed on a next day basis a review of all "no read" and duplicate number occurrences. Sponsors must also verify that keno management personnel have performed on a next day basis a review of the game draw for a minimum of ten percent of the games run for the previous day. A written log of such reviews must be maintained by the Lottery Operator or Sales Outlet Location where the automated ball draw equipment is in use.

Findings:

The City of Crete does not use an automated ball draw method; therefore, this compliance procedure was not applicable.

4. Compliance Requirement (Manual and Automated Ball Draw): View the videotape or digital recording for a minimum of five games for each month (from at least two different weeks within each month) to determine that the following items are in compliance with the regulations:

- a. The videotape or digital recording must have a clear image to show the empty rabbit ears or wheel, date and time, and full rabbit ears or wheel. The videotape or digital recording must also show the game number or the time and date which will relate to the game number.
- b. The winning numbers drawn per the videotape or digital recording must agree to the draw ticket prepared by a lottery worker, in the case of a manual ball draw, and the winning numbers recorded on the transaction log. Verify that all discrepancies were reported to the Nebraska Department of Revenue, Charitable Gaming Division, by the Lottery Operator, Sales Outlet Location, or Sponsor. Report all discrepancies not previously reported directly to the Nebraska Department of Revenue, Charitable Gaming Division. Compare the time of the videotape or digital recording to the transaction log; also examine any procedures which would allow the Lottery Operator or Sales Outlet Location the opportunity to affect the outcome of the keno game.
- c. The videotapes must be retained and may not be reused until the Sponsor has performed the compliance procedures on the tapes and has released the tapes.

Findings:

The City of Crete does not use any ball draw method; therefore, this compliance procedure was not applicable.

5. Compliance Requirement: Verify the accuracy of monthly game summary information provided by the Lottery Operator, by reconciling the gross proceeds with prize payouts from the keno system's transaction log, to the monthly summary information.

Findings:

Core CPAs, P.C. performed this procedure as noted in the attached letter at page 9, item 1. The monthly summary information agreed with the totals recorded on the keno system transaction logs.

6. Compliance Requirement: Determine that the gross proceeds of the keno lottery, less prizes paid in cash, are deposited into a separate bank account of the Sponsor or Lottery Operator. Trace the deposits monthly per the daily cash summary and the transaction log to the keno operations bank account to determine that the proper amount has been deposited within a commercially reasonable time frame and report any discrepancies.

Findings:

Core CPAs, P.C. performed these procedures as noted in the attached letter at page 9, items 2 and 3.

7. Compliance Requirement: Examine any cash overage or shortage in excess of \$25 per keno writer per shift/day and report unexplained and unresolved discrepancies and irregularities.

Findings:

Core CPAs, P.C. performed this procedure and disclosed any discrepancies to Michael Nevriy who reported the findings to the state department, as noted in the attached letter at page 9, item 4.

8. Compliance Requirement: The computer-generated prize pay tables for all types of wagers must agree with the published prize pay tables. Verify that the Lottery Operator has a procedure to maintain a log of all updates and changes to the prize pay tables and that the active prize pay tables on the keno system agree with the published prize pay tables.

Findings:

The active prize pay tables on the keno system were examined on December 15, 2023, and agreed with the published prize pay tables. The Lottery Operator maintains a log of all updates and changes to the prize pay tables.

9. Compliance Requirement: Examine the financial security provided for prize payments to verify that the funds are guaranteed and in compliance with the regulations.

Findings:

The financial security provided for prize payouts was examined on December 5, 2023, and is in the form of an irrevocable letter of credit in the amount of \$25,000. The beneficiary of the letter of credit is the City of Crete and the expiration date on the letter of credit is January 10, 2024. The previous letter of credit, in the amount of \$25,000, expired January 10, 2023. The value of the financial security is equal to the top prize offered.

10. Compliance Requirement: Ensure that all lottery records are maintained as prescribed in Schedule 59 - County/City Lottery Records approved by the Records Management Division of the Secretary of State's office and Regulation 35-622.

Findings:

Lottery records are maintained as prescribed in Schedule 59 - County/City Lottery Records since the lottery records are being stored as an electronic copy for both locations. All lottery records for the Eagle's Club are backed up nightly to an external hard drive that is stored in a fireproof safe in the office at the bar, 132 W 12th St, Crete, NE 68333. All lottery records for My Bar are backed up nightly to an external hard drive that is stored in a fireproof safe in the office at the bar, 915 Main Ave, Crete, NE 68333.

11. Compliance Requirement: Sponsor must file a Nebraska County/City Lottery Report, Form 35K, for the annual period corresponding to the Sponsor's fiscal year. The report must be filed with the Charitable Gaming Division by December 31, 2023.

Findings:

The Nebraska County/City Lottery Annual Report, Form 35K, covering the period ending September 30, 2023 is attached.

During the performance of the required procedures, no findings were noted.

We were engaged by the City of Crete to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on management's assertions. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Crete Keno Lottery and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of management and the Division, and is not intended to be and should not be used by anyone other than those specified parties.

AMGL PC.

Grand Island, Nebraska
December 28, 2023



**INDEPENDENT ACCOUNTANT'S REPORT ON THE ANNUAL
EXAMINATION**

City of Crete Keno Lottery
Crete, Nebraska

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

We have examined management's assertions, included in its representation letter dated December 28, 2023, that:

1. The Lottery Operator and the Sponsor are in compliance, for the year ended September 30, 2023, with applicable provisions of the Nebraska County and City Lottery Act and Regulations issued thereunder.
2. The Lottery Operator and the Sponsor are in compliance with the terms and conditions of the Lottery Operator contract for the year ended September 30, 2023.
3. The attached Nebraska County/City Lottery Report, Form 35K, of keno lottery activity for the year ended September 30, 2023, complies with the minimum requirements of Revenue Ruling 35-10-3.

Management is responsible for the City of Crete Keno Lottery's compliance with the requirements outlined in those assertions. Our responsibility is to express an opinion on management's assertions about compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertions about compliance with the specified requirements are fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertions are fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertions, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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**A PROFESSIONAL
CORPORATION**

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City of Crete Keno Lottery's compliance with the specified requirements.

In our opinion, management's assertions that the City of Crete Keno Lottery complied with Revenue Ruling 35-10-3 and the Nebraska County and City Lottery Act and Regulations are referred to above and are fairly stated, in all material respects.

This report is intended solely for the information and use of management and the Nebraska Department of Revenue, Charitable Gaming Division and is not intended to be and should not be used by anyone other than these specified parties.

AMGL, PC.

Grand Island, Nebraska
December 28, 2023

December 11, 2023

Mr. Grant Harden
AMGL
P.O. Box 1407
Grand Island, NE 68802

Dear Grant:

Please let this letter serve as confirmation of the procedures our firm performs on a monthly basis for Crete Keno, LLC, which would have included the period October 1, 2022 through September 31, 2023.

On a monthly basis, our firm performs the following:

1. The gross proceeds and prize payouts generated from the keno systems transactions logs are traced to the monthly proceeds and payout summary, as provided to the City.
2. The daily cash activity as shown per the keno systems transactions logs, which is comprised of the daily gross proceeds less prize payouts, is traced to the deposits per the bank statements of the separately maintained Keno Operations bank account.
3. The Keno Operations bank account is then reconciled to the monthly proceeds and payout summary.
4. Any large discrepancies in the daily deposits are documented and reported to the state department by Michael Nevrviv.

I believe that this should cover the compliance requirements for which you are relying on the procedures performed by our office.

Please let me know if additional information is required.

Respectfully,



Tara Schneider

c: Crete Keno, LLC

CORE CPAs, PC

747 N Burlington Ave, Suite 401 | PO Box 1317 | Hastings, NE 68902 | (402) 462-4154 | corecpas.us

**Nebraska County/City Lottery Annual Report**for the fiscal year or short reporting period
beginning 10/1/2022 and ending 9/30/2023**FORM
35K**
Page 1

PLEASE DO NOT WRITE IN THIS SPACE

Name of County/City/Village (Sponsor)

City of Crete

Nebraska Identification Number

35—331899

Name of Lottery Operator

Crete Keno, LLC

Lottery Operator's E-Mail Address

nev33222@yahoo.com

Method of Accounting

☒ Cash☐ Accrual☐ Other _____**PART A — INCOME, EXPENSES/DISBURSEMENTS, PROFIT AND INTEREST****Income:**

1 Gross proceeds	1	\$	2,243,326.65
2 Prizes paid	2		1,830,611.85
3 Net proceeds (line 1 minus line 2)	3		412,714.80
4 Overage or (Shortage)	4		0.00
5 Adjusted net proceeds	5		412,714.80

Expenses/Disbursements:

6 Lottery operator commissions	6	\$	314,065.72
7 State lottery taxes	7		44,074.00
8 License fees	8		0.00
9 Audit and legal fees	9		3,100.00
10 Other expenses/disbursements (attach itemized list)	10		199.20
11 Total expenses/disbursements (total of lines 6 through 10)	11		361,438.92

Net Profit:

12 Total available for distribution (line 5 minus line 11)	12	\$	51,275.88
13 Total interest earned (total of line 3, page 2)	13		60.15
14 Total available for community betterment (line 12 plus line 13)	14		51,336.03

PART B — MISCELLANEOUS INFORMATION

15 Amount owed to the sponsor at the end of the period	15	\$	10,832.43
16 Amount owed to the lottery operator at the end of the period	16	\$	102,345.20

Under penalties of law, I declare that as a governing official of the county/city/village of Crete I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief, it is complete, true and accurate.This report will be/was made available to the residents of the county/city/village of Crete on 12/28/23
Datesign
here

Signature of Preparer

Kyle Overturf, CPA

Date

12/28/23

(308) 381-1810

Daytime Telephone Number

Print Name of Preparer

koverturf@gicpas.com

1203 West 2nd St, PO Box 1407 Grand Island, NE 68802

Address

City/State

Zip Code

E-Mail Address

Signature of Governing Official

Tom Ourada

City Administrator

(402) 826-4313

Daytime Telephone Number

Print Name of Governing Official

tom.ourada@crete.ne.gov

243 East 13th Street

Crete, NE

68333

Address

City/State

Zip Code

E-Mail Address

This report and statements are due within 90 days of the end of the reporting period.
Mail to: NEBRASKA DEPARTMENT OF REVENUE, P.O. BOX 94855, LINCOLN, NE 68509-4855



NEBRASKA SCHEDULE I — Bank Account Information

FORM
35K
Page 2

• Attach this page to Form 35K (page 1)

Name of County/City/Village (Sponsor) as Shown on Form 35K
City of Crete

Nebraska Identification Number
35 — 331899

- Enter information from bank statements for each account maintained for revenues and disbursements from county/city lottery (keno)
- Attach additional sheet(s) if necessary

Bank account name	KENO OPERATIONS BANK ACCOUNT	PRIZE RESERVE BANK ACCOUNT	PROGRESSIVE JACKPOT ACCOUNT	BIG WINS BANK ACCOUNT	COMMUNITY BETTER- MENT ACCOUNT	OTHER BANK ACCOUNT
Bank account number (last four digits)	9958	3164			0025	5800 (Operating)

ACCOUNT ACTIVITY FOR THE PERIOD COVERED BY THIS REPORT						
1 Balance at fiscal year or short period beginning date 10/1/2022	\$ 12,075,03	\$ 43,183,43	\$ 0,00	\$ 0,00	\$ 250,366,60	\$ 24,862,32
2 Deposits	252,798,40	0,00	0,00	0,00	96,883,36	368,464,50
3 Interest earned	0,00	60,15	0,00	0,00	0,00	0,00
4 Subtotal (total of lines 1 through 3)	\$ 264,873,43	\$ 43,243,58	\$ 0,00	\$ 0,00	\$ 347,249,96	\$ 393,326,82
5 Disbursements (checks and withdrawals)	242,094,03	0,00	0,00	0,00	298,024,58	372,507,85
6 Balance at fiscal year or short period ending date 9/30/2023 (line 4 minus line 5) ...	\$ 22,779,40	\$ 43,243,58	\$ 0,00	\$ 0,00	\$ 49,225,38	\$ 20,818,97
7 Amount of lottery (keno) cash on hand or outstanding deposits as of the start of fiscal year or the short period starting 10/1/2022 (see instructions)						\$ 1,470,06
8 Amount of lottery (keno) cash on hand or outstanding deposits as of the end of fiscal year or the short period ending 9/30/2023 (see instructions)						2,704,47
9 Prizes paid by check and withdrawals for keno cash (i.e. fills) during the reporting period						182,716,96
10 Deposits into the keno operations account other than daily keno receipts (i.e. transfers from prize reserve, operator, community betterment or any other accounts, etc.) Attach itemized schedule						57,715,60
11 Other disbursements from the keno operations account (Attach itemized schedule)						40,054,00
12 Total community betterment expenditures paid from the community betterment bank/fund						\$ 0,00

Use the space below to highlight these expenditures:

See attached.

Page, Line	Amount Reported	Explanation
	126.00	Purchased Checks
	73.20	Service Charge
Page 1, Line 10	<u>199.20</u>	Total
Page 2, Line 10	<u>57,715.60</u>	Loan from Operator
Page 2, Line 11	<u>40,054.00</u>	Loan Repayment to Operator