

CITY OF CREIGHTON, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CREIGHTON, NEBRASKA
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets - Governmental Activities - Modified Cash Basis, Business-Type Activities - Accrual Basis	3
Statement of Activities - Governmental Activities - Modified Cash Basis, Business-Type Activities - Accrual Basis	4
Fund Financial Statements	
Statement of Assets, Liabilities and Fund Balances - Modified Cash Basis - Governmental Funds	5 - 6
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	7 - 8
Statement of Net Assets - Proprietary Funds	9 - 10
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	11
Statement of Cash Flows - Proprietary Funds	12 - 13
NOTES TO FINANCIAL STATEMENTS	14 - 26
REQUIRED SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenditures and Changes in Cash Balances - Budget and Actual - Budgetary Basis - All Funds	27 - 28
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION	29
OTHER SUPPLEMENTAL INFORMATION	
General Fund - Combining Schedule of Revenues, Expenditures and Changes in Cash Balances by Department	30 - 31
Special Revenue Funds - Combining Statement of Revenues, Expenditures and Changes in Cash Balances	32 - 33
Nonmajor Funds - Combining Statement of Revenues, Expendi- tures and Changes in Cash Balances	34
REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS	
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	35 - 36
SCHEDULE OF FINDINGS AND RESPONSES	37 - 39

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the City Council
City of Creighton
Creighton, Nebraska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Creighton, Nebraska as of September 30, 2010 and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mayor and City Council. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the City's September 30, 2009 financial statements and, in our report dated March 29, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, except for the effects of not including a major enterprise fund.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the financial statements of the government-wide and fund financial statements are prepared on the modified cash basis of accounting for the governmental activities, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial statements of the proprietary fund types have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements referred to above do not include the Creighton Area Health Services Fund. Accounting principles generally accepted in the United States of America require the fund to be presented as a major enterprise fund and financial information about the fund to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses and changing its net assets. If the omitted fund, whose financial information was obtained from their September 30, 2010 audited financial statements, had been included, the business-type activities and Enterprise Fund assets, liabilities, revenues, and expenses would have increased by \$8,267,118, \$4,874,131, \$9,884,519, and \$9,323,881, respectively.

In our opinion, because of the omission of the Creighton Area Health Services Fund, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Creighton Area Health Services Fund of the City of Creighton, Nebraska, as of September 30, 2010, or the changes in financial position or cash flows thereof for the year then ended.

In addition, in our opinion, except for the effects of not including financial information for the Creighton Area Health Services Fund, as part of business-type activities, as described above, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the business-type activities and each major enterprise fund of the City of Creighton, Nebraska, as of September 30, 2010, and changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major governmental fund and the aggregate remaining fund information of the City of Creighton, Nebraska, as of September 30, 2010, and the respective change in financial position, where applicable, thereof for the year then ended on the modified cash basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 4, 2011, on our consideration of the City of Creighton, Nebraska's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis has been omitted from the financial statements. The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The budgetary comparison information on pages 27 through 29 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The other supplemental information, on pages 30 through 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Dana J Cole + Company, LLP

O'Neill, Nebraska
May 4, 2011

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS
BUSINESS-TYPE ACTIVITIES - ACCRUAL BASIS
SEPTEMBER 30, 2010

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	251,797	54,311	306,108
Certificates of deposit	315,331	74,746	390,077
Cash held by County Treasurer	10,843		10,843
Accounts receivable		67,713	67,713
Inventories		12,035	12,035
Deferred bond issue costs		5,495	5,495
Restricted cash	2,619		2,619
Restricted certificates of deposit	110,169		110,169
Capital assets			
Nondepreciable	24,954	6,300	31,254
Depreciable - net of depreciation	1,695,785	1,023,895	2,719,680
TOTAL ASSETS	2,411,498	1,244,495	3,655,993
LIABILITIES			
Accounts payable		12,014	12,014
Accrued expenses		6,870	6,870
Customer deposits		11,136	11,136
Notes payable within one year	26,583	9,068	35,651
Bonds payable within one year		15,000	15,000
Noncurrent liabilities			
Notes payable in more than one year	68,338	211,468	279,806
Bonds payable in more than one year		275,000	275,000
TOTAL LIABILITIES	94,921	540,556	635,477
NET ASSETS			
Invested in capital assets, net of related debt	1,625,818	519,659	2,145,477
Restricted for:			
Senior Citizen Center maintenance	24,000		24,000
Streets	10,389		10,389
Fire department	73,185		73,185
Swimming pool operations (sales tax ordinance)	154,124		154,124
Endowment - undependable	86,169		86,169
Sewer Fund - pledged for loan		35,910	35,910
Economic development	1,583		1,583
Total restricted	349,450	35,910	385,360
Unrestricted (deficit)	341,309	148,370	489,679
TOTAL NET ASSETS	2,316,577	703,939	3,020,516

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS
BUSINESS-TYPE ACTIVITIES - ACCRUAL BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Functions/programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenditures/ Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
General Government	153,868	5,309			(148,559)		(148,559)
Public Safety	278,207	44,180	21,788	5,864	(206,375)		(206,375)
Public Works - recycling	31,242	3,087	10,616		(17,539)		(17,539)
Highways and Streets	242,943	915	146,246		(95,782)		(95,782)
Culture and Recreation	166,538	15,334	49,277		(101,927)		(101,927)
Economic Development	244,899		184,614		(60,285)		(60,285)
Interest on long-term debt	4,721				(4,721)		(4,721)
Total governmental activities	<u>1,122,418</u>	<u>68,825</u>	<u>412,541</u>	<u>5,864</u>	<u>(635,188)</u>		<u>(635,188)</u>
Business-type activities							
Water	276,367	214,755				(61,612)	(61,612)
Sewer	137,523	141,047				3,524	3,524
Landfill	131,051	135,820				4,769	4,769
Total business-type activities	<u>544,941</u>	<u>491,622</u>				<u>(53,319)</u>	<u>(53,319)</u>
Total primary government	<u>1,667,359</u>	<u>560,447</u>	<u>412,541</u>	<u>5,864</u>	<u>(635,188)</u>	<u>(53,319)</u>	<u>(688,507)</u>
General revenues							
Property taxes - levied for general purposes					108,517		108,517
Other taxes - NPPD					16,412		16,412
City sales taxes					122,359		122,359
Motor vehicle taxes					19,577		19,577
Franchise fees					9,703		9,703
Unrestricted state revenues					122,635		122,635
Unrestricted investment earnings					10,472	1,515	11,987
NPPD lease unrestricted					140,218		140,218
Other miscellaneous revenues					36,076		36,076
Total general revenues					<u>585,969</u>	<u>1,515</u>	<u>587,484</u>
Transfers							
CHANGE IN NET ASSETS					(49,219)	(51,804)	(101,023)
NET ASSETS, beginning of year					2,365,796	755,743	3,121,539
NET ASSETS, end of year					<u>2,316,577</u>	<u>703,939</u>	<u>3,020,516</u>

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010
WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2009

		2010					2009	
		Community						
ASSETS		General	Street	Ambulance	Development	Other	Total	Total
ASSETS								
	Cash and cash equivalents	111,819		79,515		60,463	251,797	139,783
	Certificates of deposit	206,104	44,173	54,903		10,151	315,331	344,080
	Cash at County Treasurer	9,844				999	10,843	10,947
	Due from other funds	33,784					33,784	75,917
	Restricted cash	1,036			1,583		2,619	64,193
5	Restricted certificates of deposit	<u>24,000</u>				<u>86,169</u>	<u>110,169</u>	<u>110,169</u>
TOTAL ASSETS		<u>386,587</u>	<u>44,173</u>	<u>134,418</u>	<u>1,583</u>	<u>157,782</u>	<u>724,543</u>	<u>745,089</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
	Due to other funds	<u>- 0 -</u>	<u>33,784</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>33,784</u>	<u>26,363</u>
FUND BALANCES								
	Reserved for senior citizen center maintenance	24,000					24,000	24,000
	Reserved for endowment - unexpendable					86,169	86,169	86,169
	Reserved for pool expenditures	154,124					154,124	136,238
	Unreserved	<u>208,463</u>	<u>10,389</u>	<u>134,418</u>	<u>1,583</u>	<u>71,613</u>	<u>426,466</u>	<u>472,319</u>
	Total fund balances	<u>386,587</u>	<u>10,389</u>	<u>134,418</u>	<u>1,583</u>	<u>157,782</u>	<u>690,759</u>	<u>718,726</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>386,587</u>	<u>44,173</u>	<u>134,418</u>	<u>1,583</u>	<u>157,782</u>	<u>724,543</u>	<u>745,089</u>

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010
WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2009

	2010 Total
Amounts reported for governmental activities in the statement of net assets are different because:	
Fund balances of governmental funds	690,759
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,720,739
Some liabilities, including capital leases payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(94,921)</u>
Net assets of governmental activities	<u>2,316,577</u>

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	2010						2009 Total
	General	Street	Ambulance	Community Development	Other	Total	
REVENUES							
Taxes	229,870	23,786			13,209	266,865	291,784
Licenses and permits	5,049					5,049	5,056
Intergovernmental	121,398	146,246		175,597	40,377	483,618	459,165
Charges for services	15,594	915	44,180		3,087	63,776	84,919
Interest	8,772	673	797	24	206	10,472	18,456
Other	157,952	72,809		9,017	3,641	243,419	234,430
Total revenues	<u>538,635</u>	<u>244,429</u>	<u>44,977</u>	<u>184,638</u>	<u>60,520</u>	<u>1,073,199</u>	<u>1,093,810</u>
EXPENDITURES							
General Government	138,380					138,380	159,212
Public Works - Recycling					23,985	23,985	122,697
Public Works - Highways and Streets		206,634				206,634	440,322
Public Works - Other							11,340
Public Health and Safety	165,691		24,891		29,462	220,044	427,503
Culture and Recreation	222,681					222,681	146,694
Community Development				244,899		244,899	37,939
Debt service							
Principal		39,822				39,822	27,845
Interest		4,721				4,721	4,177
Total expenditures	<u>526,752</u>	<u>251,177</u>	<u>24,891</u>	<u>244,899</u>	<u>53,447</u>	<u>1,101,166</u>	<u>1,377,729</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>11,883</u>	<u>(6,748)</u>	<u>20,086</u>	<u>(60,261)</u>	<u>7,073</u>	<u>(27,967)</u>	<u>(283,919)</u>
OTHER FINANCING SOURCES (USES)							
Loan proceeds							135,500
Operating transfers in (out)							(10,008)
Total other financing sources (uses)							<u>125,492</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	11,883	(6,748)	20,086	(60,261)	7,073	(27,967)	(158,427)
FUND BALANCES, beginning of year	374,704	17,137	114,332	61,844	150,709	718,726	877,153
FUND BALANCES, end of year	<u>386,587</u>	<u>10,389</u>	<u>134,418</u>	<u>1,583</u>	<u>157,782</u>	<u>690,759</u>	<u>718,726</u>

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	2010 Total
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	(27,967)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in current period.	(61,074)
∞ The issuance of long-term debt (e.g. warrants) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The amount is the effect of this difference in the treatment of long-term debt and related items.	<u>39,822</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>(49,219)</u>

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010
WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2009

	2010				2009 Total
	Business-Type Activities - Enterprise Funds				
	Sewer	Water	Landfill	Total	
ASSETS					
Current Assets					
Cash	15,300	39,011		54,311	4,496
Certificates of deposit		74,746		74,746	51,246
Due from other funds		4,528		4,528	22,838
Accounts receivable (net)	24,020	37,267	6,426	67,713	82,090
Inventories		12,035		12,035	12,860
Total current assets	<u>39,320</u>	<u>167,587</u>	<u>6,426</u>	<u>213,333</u>	<u>173,530</u>
Restricted Assets					
					<u>23,120</u>
Capital Assets					
Nondepreciable - land	2,000	3,800	500	6,300	6,300
Construction-in-progress					44,445
Depreciable assets					
Sewer system	792,817			792,817	607,929
Water system		1,439,814		1,439,814	1,439,814
Equipment	32,018	120,050	3,830	155,898	155,898
Accumulated depreciation	<u>(414,860)</u>	<u>(945,944)</u>	<u>(3,830)</u>	<u>(1,364,634)</u>	<u>(1,295,088)</u>
Total capital assets	<u>411,975</u>	<u>617,720</u>	<u>500</u>	<u>1,030,195</u>	<u>959,298</u>
Other Assets					
Bond issue costs (net of amortization)		5,495		5,495	
TOTAL ASSETS	<u>451,295</u>	<u>790,802</u>	<u>6,926</u>	<u>1,249,023</u>	<u>1,155,948</u>
LIABILITIES					
Current Liabilities Payable from Current Assets					
Due to other funds			4,528	4,528	72,392
Accounts payable	905	11,109		12,014	28,739
Deferred compensation	2,505	4,365		6,870	5,282
Current amount of long-term debt	<u>9,068</u>	<u>15,000</u>		<u>24,068</u>	<u>8,936</u>
Total current liabilities pay- able from current assets	<u>12,478</u>	<u>30,474</u>	<u>4,528</u>	<u>47,480</u>	<u>115,349</u>

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010
WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2009

	2010				2009 Total
	Business-Type Activities - Enterprise Funds			Total	
	Sewer	Water	Landfill		
LIABILITIES (Continued)					
Noncurrent Liabilities					
Customer deposits		11,136		11,136	10,120
Notes payable - NDEQ	220,536			220,536	
Bonds payable		290,000		290,000	283,672
Less current amounts	(9,068)	(15,000)		(24,068)	(8,936)
Total noncurrent liabilities	<u>211,468</u>	<u>286,136</u>		<u>497,604</u>	<u>284,856</u>
 TOTAL LIABILITIES	 <u>223,946</u>	 <u>316,610</u>	 <u>4,528</u>	 <u>545,084</u>	 <u>400,205</u>
 NET ASSETS					
Invested in capital assets, net of related debt	191,439	327,720	500	519,659	675,626
Restricted for replacements					23,120
Unrestricted	<u>35,910</u>	<u>146,472</u>	<u>1,898</u>	<u>184,280</u>	<u>56,997</u>
 TOTAL NET ASSETS	 <u>227,349</u>	 <u>474,192</u>	 <u>2,398</u>	 <u>703,939</u>	 <u>755,743</u>

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	2010				2009 Total
	Sewer	Water	Landfill	Total	
OPERATING REVENUES					
User charges (Sewer Pledged for Debt)	140,631	213,476	125,928	480,035	385,562
Miscellaneous	416	1,279	9,892	11,587	645
Total operating revenues	<u>141,047</u>	<u>214,755</u>	<u>135,820</u>	<u>491,622</u>	<u>386,207</u>
OPERATING EXPENSES					
Personal services	77,282	78,672	7,195	163,149	119,196
Materials and supplies	489	17,988		18,477	8,544
Repairs and maintenance	16,064	45,265		61,329	8,276
Gasoline and oil	743			743	576
Office expenses	271	3,035	9,934	13,240	2,408
Insurance	3,649	5,735		9,384	5,821
Utilities	13,037	43,648		56,685	57,897
Purchased garbage hauling			113,836	113,836	113,345
Professional fees and schooling	7,256	2,443		9,699	2,979
Depreciation expense	17,594	51,952		69,546	68,283
Miscellaneous operating expense	716	17,629	86	18,431	5,597
Total operating expenses	<u>137,101</u>	<u>266,367</u>	<u>131,051</u>	<u>534,519</u>	<u>392,922</u>
OPERATING INCOME (LOSS)	<u>3,946</u>	<u>(51,612)</u>	<u>4,769</u>	<u>(42,897)</u>	<u>(6,715)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income		1,515		1,515	3,613
Amortization of bond costs		(305)		(305)	
Interest expense	(422)	(9,695)		(10,117)	(14,609)
Total nonoperating revenues (expenses)	<u>(422)</u>	<u>(8,485)</u>	<u> </u>	<u>(8,907)</u>	<u>(10,996)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>3,524</u>	<u>(60,097)</u>	<u>4,769</u>	<u>(51,804)</u>	<u>(17,711)</u>
Operating transfers in					10,008
NET INCOME (LOSS)	<u>3,524</u>	<u>(60,097)</u>	<u>4,769</u>	<u>(51,804)</u>	<u>(7,703)</u>
NET ASSETS (DEFICIT), beginning of year	<u>223,825</u>	<u>534,289</u>	<u>(2,371)</u>	<u>755,743</u>	<u>763,446</u>
NET ASSETS, end of year	<u>227,349</u>	<u>474,192</u>	<u>2,398</u>	<u>703,939</u>	<u>755,743</u>

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	2010				2009 Totals
	Enterprise Funds				
	Sewer	Water	Landfill	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	142,882	231,016	131,422	505,320	379,399
Other cash received	416	1,279		1,695	4,195
Cash paid for contracted hauling			(123,231)	(123,231)	(113,330)
Cash paid for personal services	(77,418)	(76,948)	(7,195)	(161,561)	(120,152)
Other cash payments	(45,662)	(126,614)	(10,020)	(182,296)	(106,447)
Net cash provided by (used in) operating activities	<u>20,218</u>	<u>28,733</u>	<u>(9,024)</u>	<u>39,927</u>	<u>43,665</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash receipts from interest		1,515		1,515	1,605
Change in certificates of deposits		(380)		(380)	12,234
Net cash provided by investing activities	<u> </u>	<u>1,135</u>	<u> </u>	<u>1,135</u>	<u>13,839</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds of NDEQ loan	220,536			220,536	
Proceeds of line of credit	100,000			100,000	
Proceeds of bond refunding		284,200		284,200	
Cash paid for equipment and improvements	(152,640)			(152,640)	(97,319)
Principal paid on long-term debt		(283,465)		(283,465)	(8,511)
Principal paid on line of credit	(100,000)			(100,000)	
Cash paid for interest	(422)	(9,902)		(10,324)	(14,609)
Net cash provided (used in) capital and related financing activities	<u>67,474</u>	<u>(9,167)</u>	<u> </u>	<u>58,307</u>	<u>(120,439)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Change in amounts due other funds	(72,392)	18,310	4,528	(49,554)	49,554
Transfers from other funds					10,008
Net cash provided by (used in) noncapital financing activities	<u>(72,392)</u>	<u>18,310</u>	<u>4,528</u>	<u>(49,554)</u>	<u>59,562</u>

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	2010				2009 Totals
	Enterprise Funds				
	Sewer	Water	Landfill	Total	
NET INCREASE (DECREASE) IN CASH	15,300	39,011	(4,496)	49,815	(3,373)
CASH AND CASH EQUIVALENTS, beginning of year	<u>- 0 -</u>	<u>- 0 -</u>	<u>4,496</u>	<u>4,496</u>	<u>7,869</u>
CASH AND CASH EQUIVALENTS, end of year	<u>15,300</u>	<u>39,011</u>	<u>- 0 -</u>	<u>54,311</u>	<u>4,496</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	<u>3,946</u>	<u>(51,612)</u>	<u>4,769</u>	<u>(42,897)</u>	<u>(6,715)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	17,594	51,952		69,546	68,283
Changes in assets and liabilities:					
(Increase) Decrease in accounts receivable	2,251	16,524	(4,398)	14,377	(6,163)
(Increase) Decrease in inventory		825		825	870
Increase (Decrease) in accounts payable	(3,437)	8,304	(9,395)	(4,528)	(12,204)
Increase (Decrease) in customer deposits		1,016		1,016	550
Increase (Decrease) in accrued expenses	<u>(136)</u>	<u>1,724</u>		<u>1,588</u>	<u>(956)</u>
Total adjustments	<u>16,272</u>	<u>80,345</u>	<u>(13,793)</u>	<u>82,824</u>	<u>50,380</u>
Net cash provided by (used in) operating activities	<u>20,218</u>	<u>28,733</u>	<u>(9,024)</u>	<u>39,927</u>	<u>43,665</u>
SUPPLEMENTAL DISCLOSURES					
Noncash capital financing transactions					
Total additions to capital assets	(140,443)			(140,443)	(113,125)
Increase (Decrease) in accounts payable - capital outlay	<u>(12,197)</u>			<u>(12,197)</u>	<u>15,806</u>
Cash paid for equipment and improvements	<u>(152,640)</u>			<u>(152,640)</u>	<u>(97,319)</u>

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY

The City of Creighton, Nebraska (the "City") was incorporated under the provisions of the State of Nebraska. The City operates under a Mayor and City Council form of government.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles as applied to governmental units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Other criteria are the scope of public service and existence of special financing relationships.

The financial statements presented herein do not include the Creighton Area Health Services (CAHS), which consists of the City's Hospital and Nursing Home Funds. These funds are enterprise funds of the City and accounted for as business-type activities. CAHS was audited by other auditors whose report for the year ended September 30, 2010, dated December 23, 2010, expressed an unqualified opinion on the financial statements.

Based on the aforementioned criteria, the only potential component unit of the City is the Creighton Library Foundation, a not-for-profit entity organized, exclusively for the benefit of the library. Financial activities related to the Foundation are not reflected in the City's financial statements since activities of the Foundation for the year were not significant to the reporting entity.

Based on the Foundation's records for the year ended September 30, 2010, the assets, liabilities, revenues and expenditures were \$39,451, \$- 0 -, \$12,245, and \$5,271, respectively.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City has adopted the provisions of Statement No. 34 ("Statement No. 34") of the Government Accounting Standards Board "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." Statement No. 34 established

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

standards for external financial reporting for all state and local government entities, which includes government-wide financial statements, fund financial statements and the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. The City first uses restricted resources to finance qualifying activities.

Government-Wide Statements

The statement of net assets and statement of activities report information on the City as a whole. They include all funds of the City except for fiduciary funds. The effects of inter-fund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general receipts.

The City does not allocate indirect costs.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds, which should have a specific community focus.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

The City reports using the following funds:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund.

Special Revenue Funds - Special Revenue Funds are used to account for proceeds of the specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The City includes the Street, Ambulance and Community Development Funds as major funds.

Permanent Fund - The Permanent Fund accounts for assets held by the City pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings are unrestricted.

Proprietary Funds

Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate. The City has the following enterprise funds, all of which are reported as major: Sewer Fund, Water Fund, and Landfill Fund.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "how" 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

In the governmental activities of the government-wide statement of net assets and statement of activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

In the governmental fund financial statements, the "current financial resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

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.

In the business-type activities of the government-wide statement of net assets and statement of activities, business-type activities are presented using the economic resources measurement focus, within the limitations of the accrual basis of accounting, as defined below.

In the business-type fund financial statements, the "economic resources" measurement focus, as applied to the accrual of accounting, is used as appropriate:

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 assets, financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary Fund equity is classified as net assets.

Basis of Accounting

All governmental funds of the City of Creighton, Nebraska, are maintained on the modified cash basis of accounting, wherein revenues and expenditures are recognized as they are collected or paid, instead of when they are earned or incurred and investment earnings are recognized as the value of investments change. In the government-wide financial statements, expenditures for capital outlay are recorded as assets and the issuance and repayment of long-term debt are recorded as liabilities. These policies are not in agreement with generally accepted accounting principles in that certain revenues earned are not recognized as receivable and certain expenses incurred are not recognized when payable.

Taxes and other revenues collected by the County Treasurers are included in revenues of the City in the year collected by the county and the City funds held by the County Treasurer at year end are included as assets of the City. Loans to local residents from the Community Development Fund are reported as expenditures when made and revenues when repaid.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Basis of Accounting (Continued)

The proprietary funds are accounted for under the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The City has elected Alternative 1, as provided by Governmental Accounting Standards Board Statement No. 20, and accordingly, FASB statements issued after November 30, 1989 are not applied.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

D. BUDGETS

Annual appropriated budgets are adopted for all City funds on the cash basis of accounting. Unused appropriations lapse at fiscal year end. Encumbrance accounting is not used.

The City legally adopts the general all-purpose budget as prescribed by the Nebraska State Auditor, which combines all fund types. Expenditures may not legally exceed appropriations at the total level. Any revisions to budget require council approval.

E. CASH AND INVESTMENTS

Cash and cash equivalents include amounts in demand deposits as well as short-term certificates of deposit with an original maturity of three months or less.

Nebraska statutes limit the City to investments as provided in the Authorized Investment Guidelines of the Nebraska Investment Council. Funds held in depositories are required to be fully insured or collateralized.

The City had no investments as defined by the Governmental Accounting Standards Board.

F. ACCOUNTS RECEIVABLE

The accounts receivable of the Enterprise Funds have been adjusted for all known uncollectible accounts. An allowance for bad debts has not been set up, as the amount is not considered material. Unbilled utility services are accrued at year end. All accounts receivable of the Water, Sewer, and Landfill Funds are from consumers located in Creighton, Nebraska.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. INVENTORY

Inventory in all funds, except the Enterprise Funds, is recorded as an expenditure at the time of purchase. Inventories of materials in the Enterprise Funds are valued at the lower of cost or market as determined by the first-in, first-out (FIFO) method.

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined as assets that have initial useful lives that extend beyond a single reporting period. Capital assets are stated at cost or at estimated historical cost if actual is unavailable, except for donated assets, which are recorded at their fair values when donated.

The City maintains the following minimum capitalization thresholds for capital assets.

Building and improvements	10,000
Land and land improvements	5,000
Machinery, equipment and vehicles	5,000
Infrastructure	25,000

As permitted by Government Auditing Standards, the City has elected to capitalize governmental fund type infrastructure, consisting primarily of street improvements, on a prospective basis. Consequently, except for Proprietary Fund Types, the financial statements do not include infrastructure prior to October 1, 2003.

Major expenditures for property and those, which substantially increased useful lives, are capitalized. Maintenance, repairs and minor renewals are expensed when incurred. When fixed assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. Net interest cost relating to construction is capitalized.

Depreciation has been provided using the straight-line method over estimated useful lives as follows:

Plant	20 - 50 years
Equipment	5 - 15 years

I. 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

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. LONG-TERM DEBT (Continued)

the government-wide or fund financial statements. Bond premiums or discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt on a straight-line method.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal, interest and issuance costs are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

J. COMPENSATED ABSENCES

City employees are granted sick leave and vacation in varying amounts. Employees are not reimbursed for unused sick leave, therefore, sick leave is charged to operations as paid. Accumulated vacation benefits for Enterprise Fund employees are included in liabilities for proprietary fund types when material. Other funds are maintained on the cash basis of accounting and accordingly, benefits are recognized when paid.

K. EQUITY CLASSIFICATIONS

Government-Wide Statements

Net assets are displayed in three components:

Invested in capital assets, net of related debt 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.

Restricted net assets consists of net assets with constraints placed on the use either by external groups, such as creditors, grantors, contributors or laws and regulations of other governments; or through constitutional provision or enabling legislation.

Unrestricted net assets do not meet the definition of "restricted."

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. PROPERTY TAXES

Under State law, municipalities are limited in their ability to levy a property tax. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1, and are payable in two installments on the following May 1, and September 1. All taxes are delinquent the September 1, following the year levied. The County bills and collects property taxes and remits them to the City monthly. Property tax revenues are recognized in the period that the County collects them.

M. INTERFUND TRANSFERS

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

N. USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles and other comprehensive 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.

O. PRIOR-YEAR INFORMATION

The financial statements include partial/summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America.

NOTE 2. CASH AND DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. State law requires all funds in depositories to be fully insured or collateralized; and the City's policy is to require depositories to provide pledged securities to cover deposits in excess of FDIC limits. At September 30, 2010, the City's deposits (including checking accounts, savings accounts, and certificates of deposit) were entirely covered by FDIC insurance and securities held by agents of the depositories and assigned to the City in the form of joint safekeeping receipts.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 3. RESTRICTED ASSETS

Restricted assets of Governmental funds consist of specific accounts that are restricted by donors or by the terms of grants. Restricted assets of the Governmental Funds included cash and certificates of deposit restricted as follows:

General Fund - Senior Center maintenance	24,000
General Fund - Infrastructure (MIRF)	1,036
Community Development Fund - development loan program	1,583
Permanent Fund - endowment general purpose	86,169

NOTE 4. RETIREMENT PROGRAM

The City of Creighton, Nebraska has a defined contribution pension plan. All full-time employees are eligible to participate. The City of Creighton, Nebraska matches up to 4% of the employees base salary. The employees can contribute up to 25% of gross salary with a maximum of \$7,500.

The plan is a Section 457b deferred compensation pension plan. The plan was amended in 1998 to comply with Federal law contained in the Small Business Job Protection Act of 1996. All assets relating to the plan are held in trust for the exclusive benefit of plan participants or their beneficiaries. The City pension contributions for the year ended September 30, 2010 were \$6,469 and employees' contributions were \$7,084, which was equal to or greater than the required amounts.

Participants' accounts are invested with Northwestern Mutual Life Insurance Company and contributions are remitted monthly. The City does not provide any significant administrative services nor investment advice relating to the plan.

NOTE 5. LONG-TERM DEBT

General Obligation Bond Issues

In April 2010, the 1993 Water Bond was called for repayment and the services 2010 Refunding Bond was issued to refund the old bond. These bonds are backed by the taxing authority of the City, but are being retired by Water Fund revenues. Therefore, the bonds are included as Enterprise Fund liabilities.

2002 General Obligation Nursing Home Refunding Bonds in the original amount of \$475,000 were issued to refund prior bonds for the purchase of the Nursing Home. The 2002 bonds are due serially through 2012. Interest is paid semiannually at rates from 2.35% - 4.85%. The intent of the City and CAHS's Board is that nursing home funds will retire the bonds. Accordingly, these bonds are reflected as a liability on the Balance Sheet of Creighton Area Health Services.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

Bank Loan

The City entered into a loan agreement for \$135,500 with Madison County Bank on February 25, 2009 for the purchase of a 2009 Allianz Sweeper for the Street Fund. The loan bears an interest rate of 3.70% and calls for monthly principal and interest payments of \$2,479 until March 1, 2014. This loan is being paid out of the Street Fund, a governmental fund.

Notes Payable

Nebraska Department of Environmental Quality (NDEQ). A loan due to the Nebraska Department of Environmental Quality is payable by the Sewer Fund in semiannual payments of \$6,717, including interest of 2% through June 15, 2030. An annual administration fee of 1% of the loan balance is also payable in semiannual payments. Revenues (Sewer Fund) are pledged for repayment of the loan. The loan was used for a waste water improvement project in 2010.

Capital Lease Contract

A lease purchase contract due to John Deere Credit Corporation for a grader requires semi-annual payments of \$7,272 on November 1 and May 1 through 2010. Payments include interest at 5.75%. This contract was paid in full in 2010.

Changes in Long-Term Debt

	NDEQ Note	Bank Notes	Water Bonds	G & O Nursing Home	Capital Lease
Principal balance, beginning		120,811	283,672	165,000	13,932
Debt issued	220,536		290,000		
Principal paid		(25,890)	(283,672)	(55,000)	(13,932)
Principal balance, ending	<u>220,536</u>	<u>94,921</u>	<u>290,000</u>	<u>110,000</u>	<u> </u>

Maturities on Long-Term Debt

Fiscal Year Ending September 30,	NDEQ Note	Bank Notes	G & O Water Bonds	2002 Nursing Home
2011	15,616	29,743	24,547	60,280
2012	15,525	29,743	19,767	57,668
2013	15,432	29,743	19,642	
2014	15,337	11,905	19,490	
2015	15,240		19,305	
2016 - 2020	74,681		106,767	
2021 - 2025	71,954		108,756	
2026 - 2030	<u>68,941</u>		<u>99,327</u>	
	292,726	101,134	417,601	117,948
Less interest and fees	<u>72,190</u>	<u>6,213</u>	<u>127,601</u>	<u>7,948</u>
Total	<u>220,536</u>	<u>94,921</u>	<u>290,000</u>	<u>110,000</u>

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. HOUSING GRANTS AND LOANS

In connection with a Community Development Block Grant completed in 1999, loans and grants were awarded to individuals in Creighton and certain surrounding towns for housing rehabilitation. A condition of this project was to have the recipients of these funds pay back all or a portion of the loans to the City of Creighton, Nebraska in monthly installments. The interest rate varies from one to four percent. In addition, several of the loans were classified as grants and no payments are required. Collections on these loans are maintained in a separate special revenue fund to be used for future housing loans.

In 2008 the City was awarded an additional \$250,000 grant to administer the housing grant/loan program. As of September 30, 2010 the City has received \$190,429 in grant funds.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010, was as follows:

	Balance 10/01/09	Increases	Decreases	Balance 9/30/10
<u>Governmental Activities</u>				
Land - not depreciable	24,954			24,954
Buildings and improvements	1,691,135	87,500	(6,277)	1,772,358
Equipment and vehicles	<u>2,265,040</u>	<u>6,324</u>	<u>(104,330)</u>	<u>2,167,034</u>
Totals at cost	3,981,129	93,824	(110,607)	3,964,346
Accumulated depreciation	<u>(2,199,316)</u>	<u>(142,814)</u>	<u>98,523</u>	<u>(2,243,607)</u>
Net capital assets	<u>1,781,813</u>	<u>(48,990)</u>	<u>(12,084)</u>	<u>1,720,739</u>
<u>Business-Type Activities</u>				
	Balance 10/01/09	Increases	Decreases	Balance 9/30/10
Land - not depreciable	6,300			6,300
Construction-in-progress	44,445	140,443	(184,888)	
Depreciable assets				
Water Department	1,468,075			1,468,075
Sewer Department	609,751	184,888		794,639
Transportation and other equipment	<u>125,815</u>			<u>125,815</u>
Totals at cost	2,254,386	325,331	(184,888)	2,394,829
Accumulated depreciation	<u>(1,295,088)</u>	<u>(69,546)</u>		<u>(1,364,634)</u>
Net capital assets	<u>959,298</u>	<u>255,785</u>	<u>(184,888)</u>	<u>1,030,195</u>

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (Continued)

Depreciation

Depreciation expense was charged to the functions/programs as follows:

Governmental Activities

General Government	9,963
Public Safety	57,928
Highways and Streets	36,309
Public Works - Other	7,257
Culture and Recreation	<u>31,357</u>
Total depreciation expense - governmental activities	<u>142,814</u>

Business-Type Activities

Water Fund	51,952
Sewer Fund	<u>17,594</u>
Total depreciation expense - business-type activities	<u>69,546</u>

NOTE 8. 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 has purchased commercial insurance to offset these certain risks. Settled claims have not significantly exceeded this commercial coverage in any of the past three fiscal years.

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The City uses a joint checking account for all funds. As of September 30, 2010, the Street Fund and Sewer Fund had deficit balances in this checking account. These amounts are reflected as amounts due to the other funds in the financial statements as follows:

	Due to Other Funds	Due from Other Funds
Recycling Fund		
Due to General Fund	1,572	
Landfill Fund		
Due to Water Fund	4,528	
Water Fund		
Due from Landfill Fund		4,528
General Fund		
Due from Recycling Fund		<u>1,572</u>
Total	<u>6,100</u>	<u>6,100</u>

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES (Continued)

These amounts are considered current. The Street Fund has balances in certificates of deposit to cover the balance due to the General Fund. Subsequent to year-end, the City received loan proceeds on a Nebraska Department of Environmental Quality loan to finance capital outlay expenditures in the sewer fund. The City has also increased sewer customer rates and plans on another rate increase after the fiscal year-end to reduce the amount owed to the General and Water Fund.

NOTE 10. SUBSEQUENT EVENTS

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 4, 2011, the date the financial statements were available to be issued.

The City of Creighton completed the sale of Creighton Area Health Services on February 1, 2011, to Sacred Heart Health Services. The sale includes substantially all of the real and personal property of the hospital, clinic and nursing home. The buyer paid off or assumed all USDA liabilities, equipment leases and provider agreements. All City liabilities were satisfied at the closing date, except for the possibility of a Medicare or Rack audit.

The City of Creighton retained the following assets: All cash and cash equivalents, including savings, checking, bond reserve funds as well as accounts receivable up to the time of closing. The estimated net cash flow to the City is estimated at approximately \$2,600,000.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
CASH BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
ALL FUNDS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010				2009	
	General All-Purpose				General All-Purpose	
	Budget Original	Budget Final	Actual	Favorable (Unfavorable)	Budget Original and Final	Actual
REVENUES						
Federal	292,155	292,155	181,461	(110,694)	379,750	168,879
Property taxes	126,139	126,139	108,517	(17,622)	122,845	104,990
Sales taxes	141,500	141,500	122,359	(19,141)	140,000	149,806
Motor vehicle taxes	20,000	20,000	19,577	(423)	20,000	20,755
Other taxes	9,500	9,500	16,412	6,912	12,130	16,233
Licenses and permits	3,200	3,200	5,049	1,849		5,056
Intergovernmental - state	253,874	253,874	269,396	15,522	239,522	264,617
Charges for services	471,690	471,690	569,096	97,406	418,000	464,318
Interest	15,300	15,300	11,987	(3,313)	13,350	22,069
NPPD lease	148,000	148,000	140,218	(7,782)	140,000	133,420
Other	<u>393,578</u>	<u>393,578</u>	<u>198,870</u>	<u>(194,708)</u>	<u>125,352</u>	<u>192,087</u>
Total revenues	<u>1,874,936</u>	<u>1,874,936</u>	<u>1,642,942</u>	<u>(231,994)</u>	<u>1,610,949</u>	<u>1,542,230</u>
EXPENDITURES						
General Government	283,872	283,872	138,380	145,492	335,487	159,212
Public Works - Recycling	33,776	33,776	23,985	9,791	84,936	122,697
Public Works - Street	231,953	231,953	251,177	(19,224)	327,558	336,844
Public Works - Utility Funds	747,546	1,047,546	1,013,517	34,029	457,783	471,708
Public Health and Safety	387,976	387,976	220,044	167,932	421,962	427,503
Culture and Recreation	351,858	351,858	222,681	129,177	301,086	146,694
Housing Rehab and Community Development	336,901	336,901	244,899	92,002	329,182	37,939
Debt Service - Nursing Home	62,838	62,838	61,213	1,625	62,312	61,213
Total expenditures	<u>2,436,720</u>	<u>2,736,720</u>	<u>2,175,896</u>	<u>560,824</u>	<u>2,320,306</u>	<u>1,763,810</u>

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
CASH BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
ALL FUNDS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010 General All-Purpose				2009 General All-Purpose	
	Budget		Actual	Favorable (Unfavorable)	Budget Original and	
	Original	Final			Final	Actual
REVENUES OVER (UNDER) EXPENDITURES	<u>(561,784)</u>	<u>(861,784)</u>	<u>(532,954)</u>	<u>328,830</u>	<u>(709,357)</u>	<u>(221,580)</u>
OTHER FINANCING SOURCES (USES)						
Debt proceeds		300,000	604,736	304,736		
Operating transfers in	5,000	5,000		(5,000)	40,000	34,071
Operating transfers (out)	<u>(5,000)</u>	<u>(5,000)</u>		<u>5,000</u>	<u>(40,000)</u>	<u>(34,071)</u>
Total other financing sources (uses)		<u>300,000</u>	<u>604,736</u>	<u>304,736</u>		
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(561,784)</u>	<u>(561,784)</u>	71,782	<u>633,566</u>	<u>(709,357)</u>	<u>(221,580)</u>
CASH BALANCE, beginning of year	<u>742,397</u>	<u>742,397</u>	<u>748,034</u>			<u>969,614</u>
CASH BALANCE, end of year	<u>180,613</u>	<u>180,613</u>	<u>819,816</u>			<u>748,034</u>

28

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE 1. STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL - ALL FUNDS

Basis of Accounting

The budget is adopted on the cash basis of accounting, as required by the State of Nebraska, which is consistent with the financial reporting basis for governmental type funds. The Enterprise Funds, which report on the accrual basis, are included in the combined statement of revenues and expenditures - budget and actual, on the budgetary (cash) basis.

Budget Law

The City is required by state law to hold public hearings and adopt annual budgets for all funds on the cash basis of accounting. Total expenditures for each fund may not exceed the total budgeted expenditures. Appropriations for expenditures lapse at year end. Any revisions to the adopted budget of total expenditures to any fund require a public hearing.

The City uses the general all-purpose budget, which combines all funds. Expenditures may not legally exceed appropriations at the total level. Any revisions to budget require Board approval.

The budget as adopted includes the revenues and expenditures of the Creighton Area Health Services. The amounts presented in budget statement presented herein exclude the actual and budgeted information for Creighton Area Health Services.

The budget was amended during the year to increase receipts and disbursements of the Sewer Fund by \$300,000 to provide for the issuance of long-term debt and retirement of short-term debt.

Reconciliation

A reconciliation of operating results on the budgetary basis to net income for Enterprise Funds is as follows:

Revenues under expenditures - budgetary basis	
Governmental funds	(27,967)
Enterprise funds	<u>99,749</u>
Revenues under expenditures - all funds - budgetary basis	<u>71,782</u>
Revenues over expenditures - budgetary basis	
Enterprise funds	<u>99,749</u>
Adjustments	
Increase (decrease) in accounts receivable	(14,377)
Increase (decrease) in inventory	(825)
(Increase) decrease in accounts payable	16,725
(Increase) decrease in deposits	(1,016)
(Increase) in other accrued liabilities	(1,588)
Amortization of bonds costs	(305)
Capitalized assets	140,443
Depreciation	(69,546)
Debt proceeds	(604,736)
Principal payments	<u>383,672</u>
Total adjustments	<u>(151,553)</u>
Net loss - enterprise funds	<u>(51,804)</u>

OTHER SUPPLEMENTAL INFORMATION

CITY OF CREIGHTON, NEBRASKA
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN CASH BALANCE BY DEPARTMENT
YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	2010						2009 Total	
	General Government		Public Safety	Culture and Recreation				
	General	Building	Police	Library	Park	Pool		Totals
REVENUES								
Taxes								
Sales taxes	48,617					49,956	98,573	105,714
Property taxes	96,876						96,876	93,703
Motor vehicle tax	19,577						19,577	20,755
Nebraska Public Power District	14,844						14,844	14,878
Licenses and permits	5,049						5,049	5,056
Intergovernmental								
Federal Grant								1,249
State aid	23,695						23,695	11,078
Municipal equalization	80,160						80,160	97,674
Homestead exemption	12,288						12,288	10,843
Property tax relief	4,090						4,090	4,076
Motor vehicle prorate	388						388	407
Other				777			777	777
Charges for services		260		2,282	2,194	10,858	15,594	12,445
Interest income	5,823	178		31	620	2,120	8,772	14,042
NPPD lease	70,109						70,109	66,710
Donations			71		45,000		45,071	
Local grants								3,200
Franchise fees	5,971	3,732					9,703	9,260
Sale of property			650				650	5,550
Other	16,940		5,025	6,486	3,411	557	32,419	22,587
Total revenues	<u>404,427</u>	<u>4,170</u>	<u>5,746</u>	<u>9,576</u>	<u>51,225</u>	<u>63,491</u>	<u>538,635</u>	<u>500,004</u>
EXPENDITURES								
Personal services	17,102	17,359	135,252	28,324	22,134	27,624	247,795	252,380
Operating expenditures	88,211	12,052	24,115	13,047	109,778	17,981	265,184	182,088
Tree Dump expenditures								11,340
Capital outlay	1,940	1,716	6,324	3,793			13,773	55,297
Total expenditures	<u>107,253</u>	<u>31,127</u>	<u>165,691</u>	<u>45,164</u>	<u>131,912</u>	<u>45,605</u>	<u>526,752</u>	<u>501,105</u>

CITY OF CREIGHTON, NEBRASKA
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN CASH BALANCE BY DEPARTMENT
YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	2010						Totals	2009 Total
	General Government		Public Safety	Culture and Recreation				
	General	Building	Police	Library	Park	Pool		
REVENUES OVER (UNDER) EXPENDITURES	<u>297,174</u>	<u>(26,957)</u>	<u>(159,945)</u>	<u>(35,588)</u>	<u>(80,687)</u>	<u>17,886</u>	<u>11,883</u>	<u>(1,101)</u>
OTHER FINANCING SOURCES (USES)								
Transfer out		<u>(21,066)</u>					<u>(21,066)</u>	<u>(34,071)</u>
Department transfers	<u>(263,738)</u>	<u>24,000</u>	<u>181,007</u>	<u>39,797</u>	<u>40,000</u>		<u>21,066</u>	
Total other financing sources (uses)	<u>(284,804)</u>	<u>24,000</u>	<u>181,007</u>	<u>39,797</u>	<u>40,000</u>			<u>(34,071)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>12,370</u>	<u>(2,957)</u>	<u>21,062</u>	<u>4,209</u>	<u>(40,687)</u>	<u>17,886</u>	<u>11,883</u>	<u>(35,172)</u>
CASH BALANCE, beginning of year							<u>374,704</u>	<u>409,876</u>
CASH BALANCE, end of year							<u>386,587</u>	<u>374,704</u>

CITY OF CREIGHTON, NEBRASKA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN CASH BALANCES
YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	2010					Totals	2009 Total
	Street	Fire Department	Community Development	Recycling	Ambulance		
REVENUES							
Taxes							
Property taxes		11,641				11,641	11,287
Nebraska Public Power District		1,568				1,568	1,355
City sales taxes	23,786					23,786	44,092
Intergovernmental							
Federal grants		5,864	175,597			181,461	167,630
Highway allocation/incentive	121,147					121,147	116,141
Motor vehicle fees	14,451					14,451	11,000
Township levy	10,648					10,648	10,351
Mutual Finance Organization		10,220				10,220	10,386
Rural Fire Department contributions		11,497				11,497	14,818
Other		2,180		10,616		12,796	2,735
NPPD lease	70,109					70,109	66,710
Charges for services	915			3,087	44,180	48,182	72,474
Interest	673	205	24	1	797	1,700	4,414
Sale of property		776				776	2,575
Other	2,700	2,865	9,017			14,582	57,838
Total revenues	<u>244,429</u>	<u>46,816</u>	<u>184,638</u>	<u>13,704</u>	<u>44,977</u>	<u>534,564</u>	<u>593,806</u>
EXPENDITURES							
Personal services	70,003			7,155	2,234	79,392	126,951
Operating expenditures	75,268	29,462	244,899	16,830	21,908	388,367	165,633
Debt service principal	39,822					39,822	27,845
Debt service interest	4,721					4,721	4,177
Capital outlay	61,363				749	62,112	552,018
Total expenditures	<u>251,177</u>	<u>29,462</u>	<u>244,899</u>	<u>23,985</u>	<u>24,891</u>	<u>574,414</u>	<u>876,624</u>

CITY OF CREIGHTON, NEBRASKA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN CASH BALANCES
YEAR ENDED SEPTEMBER 30, 2010
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	2010					Totals	2009 Total
	Street	Fire Department	Community Development	Recycling	Ambulance		
REVENUES OVER (UNDER) EXPENDITURES	<u>(6,748)</u>	<u>17,354</u>	<u>(60,261)</u>	<u>(10,281)</u>	<u>20,086</u>	<u>(39,850)</u>	<u>(282,818)</u>
OTHER FINANCING SOURCES (USES)							
Loan proceeds							135,500
Operating transfers in (out)							<u>24,063</u>
Total other financing sources (uses)							<u>159,563</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(6,748)	17,354	(60,261)	(10,281)	20,086	(39,850)	(123,255)
FUND BALANCES, beginning of year	<u>17,137</u>	<u>55,831</u>	<u>61,844</u>	<u>8,709</u>	<u>114,332</u>	<u>257,853</u>	<u>381,108</u>
FUND BALANCES (Deficit), end of year	<u>10,389</u>	<u>73,185</u>	<u>1,583</u>	<u>(1,572)</u>	<u>134,418</u>	<u>218,003</u>	<u>257,853</u>

CITY OF CREIGHTON, NEBRASKA
NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN CASH BALANCES
YEAR ENDED SEPTEMBER 30, 2010

	Fire Department	Recycling	Permanent Fund	Totals
REVENUES				
Taxes	13,209			13,209
Intergovernmental	29,761	10,616		40,377
Charges for services		3,087		3,087
Interest	205	1		206
Other	<u>3,641</u>			<u>3,641</u>
Total revenues	<u>46,816</u>	<u>13,704</u>		<u>60,520</u>
EXPENDITURES				
Personal services		7,155		7,155
Operating	<u>29,462</u>	<u>16,830</u>		<u>46,292</u>
Total expenditures	<u>29,462</u>	<u>23,985</u>		<u>53,447</u>
REVENUES OVER (UNDER) EXPENDITURES	17,354	(10,281)		7,073
FUND BALANCES, beginning of year	<u>55,831</u>	<u>8,709</u>	<u>86,169</u>	<u>150,709</u>
FUND BALANCES (Deficit), end of year	<u>73,185</u>	<u>(1,572)</u>	<u>86,169</u>	<u>157,782</u>

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

Honorable Mayor and Members
of the City Council
City of Creighton
Creighton, Nebraska

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Creighton, Nebraska, for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 4, 2011, which was qualified for the effects on the financial statements of the omission of an enterprise fund, the Creighton Area Health Services. Our report disclosed that, as described in Note 1 to the financial statements, the City prepares the government-wide financial statements on the cash basis for the governmental activities, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Creighton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies 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 consider the deficiencies described in the accompanying schedule of findings and responses to be a material weakness as item 2010-1.

A significant deficiency is a deficiency, or 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 deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as items 2010-2, 2010-3 and 2010-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Creighton, Nebraska'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 that are required to be reported under Government Auditing Standards.

The City's written response to the significant deficiencies and material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, the State of Nebraska State Auditor of Public Accounts and is not intended to be and should not be used by anyone other than these specified parties.

Dana J Cole + Company, LLP

O'Neill, Nebraska
May 4, 2011

CITY OF CREIGHTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2010

2010-1 SEGREGATION OF DUTIES

Condition

Due to the size of the City, there is limited segregation of duties over bookkeeping and accounting functions. The same individual routinely reconciles the bank statements, processes payroll, makes journal entries, and manages the general ledger functions.

Criteria

Internal controls should be in place to insure proper segregation of duties.

Possible Effect

Because of the lack of segregation of duties unauthorized transactions could occur.

Recommendations

Document the review and approval of claims by the Mayor and Council by initialing the actual claims. Have supervisors or a council member review timecards and document their approval. Include all City funds on the general ledger. Consider someone other than the City Clerk to reconcile bank statements or at least to receive the statements and review.

City's Response

The City has implemented procedures such as review of monthly revenue and expenditure reports by the mayor to improve segregation of duties issues. The City Council also reviews and approves all expenditures. The City will within the constraints of existing time and cost considerations continue to review the situation and make improvements.

2010-2 UTILITY BILLING

Condition

The same individual posts payments, including cash, to customer accounts, enters billing, and makes adjustments to customer accounts.

Criteria

Internal controls should be in place to insure proper utility billing and payment procedures are followed.

Possible Effect

Because of the lack of segregation of duties unauthorized transactions could occur or utility accounts could be adjusted or otherwise altered.

CITY OF CREIGHTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2010

2010-2 UTILITY BILLING (Continued)

Recommendation

Due to limited personnel, it is not feasible to segregate these duties, however, we recommend that the adjustment procedures be limited to the City Clerk who does not routinely post cash payments. If this is not feasible or if the computer system cannot limit access, the City Clerk should review and approve all significant adjustments. In addition, at the end of the month the City Clerk should review and approve the printout of all adjustments made during the month. This review should be documented.

We also recommend that periodically the Clerk should review personal or related party accounts. The City Clerk should also consider random checks of accounts for proper billing and payment postings by taking a sample of the meter deposit readings and recalculate the customer statement to ensure proper billing. The City Clerk should also compare the printout of customer payments to deposit slips before they are deposited at the bank.

City's Response

The City will attempt to implement the above.

2010-3 FINANCIAL REPORTING PROCESSES

Condition

The City has limited controls over the period-end financial reporting processes necessary to prepare the financial statements. The City utilizes the expertise of the auditor to propose adjustments and disclosures and to draft the financial statements.

Criteria

An organization should have policies and procedures including related internal controls in place to prepare financial statements including the related disclosures.

Possible Effect

Errors in the financial statements or disclosures could occur and not be detected by management.

Recommendation

The City should include all funds in the City's general ledger to provide for reconciliation to the financial statements. Management should carefully review financial statements including disclosures and understand the relationship to the underlying data. All proposed adjustments and accrual conversions should be understood before approving the final draft.

CITY OF CREIGHTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2010

2010-3 FINANCIAL REPORTING PROCESSES (Continued)

City's Response

The City relies on the auditor to propose the adjustments necessary to prepare the financial statements including the related disclosures. The City reviews such financial statements and approves all adjustments.

2010-4 DOCUMENTATION OF PROCEDURES

Condition

The City does not have a complete set of formal accounting policies and procedures and related control procedures, including antifraud programs and controls.

Criteria

An organization should have a complete set of formal accounting policies and procedures and related control procedures, including antifraud programs and controls.

Possible Effect

Lack of formal accounting policies and procedures may lead to controls not implemented correctly.

Recommendation

We recommend that the City start the process of formalizing job descriptions and accounting procedures. We also recommend that the City cross train individuals to cover key procedures in the event of unforeseen absences.

City's Response

Informal control procedures are adequate due to our small size and supervisory activities by the Council and Mayor.

SIGNIFICANT DEFICIENCIES REPORTED IN PRIOR YEAR

The above matters were also reported for the year ended September 30, 2009, in our report dated March 29, 2010.