

CITY OF CREIGHTON, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

CITY OF CREIGHTON, NEBRASKA  
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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, 2011 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, 2010 financial statements and, in our report dated May 4, 2011, 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, 2011 audited financial statements, had been included, the business-type activities and Enterprise Fund assets, and liabilities would have increased by \$1,073,938 and \$935, respectively. A loss from discontinued operations and a transfer out would have been included of \$440,786, and \$1,879,211, 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, 2011, 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, 2011, 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, 2011, 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 July 19, 2012, 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison on page 29 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Creighton, Nebraska's basic financial statements. The other supplemental information, pages 33 through 37, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to

the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Dana J Cole + Company, LLP

O'Neill, Nebraska  
July 19, 2012

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS  
BUSINESS-TYPE ACTIVITIES - ACCRUAL BASIS  
SEPTEMBER 30, 2011

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	207,203	28,593	235,796
Certificates of deposit	2,333,938	76,001	2,409,939
Due from (to) other funds	48,114	(48,114)	
Cash held by County Treasurer	11,091		11,091
Accounts receivable		73,228	73,228
Inventories		15,472	15,472
Deferred bond issue costs		5,190	5,190
Restricted certificates of deposit	86,169		86,169
Capital assets			
Nondepreciable	24,954	6,300	31,254
Depreciable - net of depreciation	<u>1,569,048</u>	<u>997,786</u>	<u>2,566,834</u>
<b>TOTAL ASSETS</b>	<u>4,280,517</u>	<u>1,154,456</u>	<u>5,434,973</u>
<b>LIABILITIES</b>			
Accounts payable		16,370	16,370
Accrued expenses		5,175	5,175
Customer deposits		9,436	9,436
Notes payable within one year	27,896	9,249	37,145
Bonds payable within one year		15,000	15,000
Noncurrent liabilities			
Notes payable in more than one year	40,083	202,219	242,302
Bonds payable in more than one year		<u>260,000</u>	<u>260,000</u>
<b>TOTAL LIABILITIES</b>	<u>67,979</u>	<u>517,449</u>	<u>585,428</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	<u>1,526,023</u>	<u>517,618</u>	<u>2,043,641</u>
Restricted for:			
Community Development	12,085		12,085
Fire department	82,938		82,938
Swimming pool operations (sales tax ordinance)	140,058		140,058
Endowment - unexpendable	86,169		86,169
Sewer Fund - pledged for loan		50,880	50,880
Total restricted	<u>321,250</u>	<u>50,880</u>	<u>372,130</u>
Unrestricted	<u>2,365,265</u>	<u>68,509</u>	<u>2,433,774</u>
<b>TOTAL NET ASSETS</b>	<u>4,212,538</u>	<u>637,007</u>	<u>4,849,545</u>

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, 2011

Functions/programs	Program Revenues		Net (Expense) Revenue and				
	Expenditures/ Expenses	Charges for Services	Changes in Net Assets				
			Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary government							
Governmental activities							
General Government	149,190	6,045	856	(142,289)			(142,289)
Public Safety	239,480	33,019	22,474	(183,987)			(183,987)
Public Works - recycling	8,602	649	2,400	(5,553)			(5,553)
Highways and Streets	248,247	1,127	151,428	(95,692)			(95,692)
Culture and Recreation	244,386	16,053	21,773	(206,560)			(206,560)
Economic Development	87,090		86,403	(687)			(687)
Interest on long-term debt	3,058			(3,058)			(3,058)
Total governmental activities	<u>980,053</u>	<u>56,893</u>	<u>285,334</u>	<u>(637,826)</u>			<u>(637,826)</u>
Business-type activities							
Water	317,803	239,940			(77,863)		(77,863)
Sewer	151,329	155,670			4,341		4,341
Landfill	124,963	128,297			3,334		3,334
Total business-type activities	<u>594,095</u>	<u>523,907</u>			<u>(70,188)</u>		<u>(70,188)</u>
Total primary government	<u>1,574,148</u>	<u>580,800</u>	<u>285,334</u>	<u>(637,826)</u>	<u>(70,188)</u>		<u>(708,014)</u>
General revenues							
Property taxes - levied for general purposes			112,576				112,576
Other taxes - NPPD			17,241				17,241
City sales taxes			153,788				153,788
Motor vehicle taxes			19,669				19,669
Franchise fees			10,408				10,408
Unrestricted state revenues			135,840				135,840
Unrestricted investment earnings			22,353		2,390		24,743
NPPD lease unrestricted			156,608			866	156,608
Other miscellaneous revenues			26,103				26,969
Total general revenues			<u>654,586</u>		<u>3,256</u>		<u>657,842</u>
Transfers			<u>1,879,201</u>				<u>1,879,201</u>
CHANGE IN NET ASSETS			<u>1,895,961</u>		<u>(66,932)</u>		<u>1,829,029</u>
NET ASSETS, beginning of year			<u>2,316,577</u>		<u>703,939</u>		<u>3,020,516</u>
NET ASSETS, end of year			<u>4,212,538</u>		<u>637,007</u>		<u>4,849,545</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, 2011  
 WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2010

	2011					2010
	General	Street	Ambulance	Community Development	Other	Total
<b>ASSETS</b>						
Cash and cash equivalents	140,673	2,096	21,888	12,085	30,461	254,416
Certificates of deposit	2,111,571	45,069	126,140		51,158	2,333,938
Cash at County Treasurer	8,889	1,317			885	11,091
Due from other funds	48,114				86,169	33,784
Restricted certificates of deposit					86,169	86,169
<b>TOTAL ASSETS</b>	<u>2,309,247</u>	<u>48,482</u>	<u>148,028</u>	<u>12,085</u>	<u>168,673</u>	<u>2,686,515</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Due to other funds	- 0 -		- 0 -	- 0 -	- 0 -	- 0 -
<b>FUND BALANCES</b>						
Unexpended - (Hoferer Fund)					86,169	86,169
Restricted - Pool	140,058				140,058	154,124
Restricted - Fire					82,938	73,185
Restricted - Community development				12,085	12,085	1,583
Committed- Senior Citizen Center maintenance	24,000				24,000	24,000
Committed - Ambulance		48,482	148,028		48,482	134,418
Committed - Streets					1,891,485	10,389
Assigned - hospital accounts	1,891,485				1,891,485	
Unassigned	253,704				(434)	206,891
<b>Total fund balances</b>	<u>2,309,247</u>	<u>48,482</u>	<u>148,028</u>	<u>12,085</u>	<u>168,673</u>	<u>2,686,515</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>2,309,247</u>	<u>48,482</u>	<u>148,028</u>	<u>12,085</u>	<u>168,673</u>	<u>2,686,515</u>
						<u>724,543</u>

CITY OF CREIGHTON, NEBRASKA  
 STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
 MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2011  
 WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2010

	2011	Total
Amounts reported for governmental activities in the statement of net assets are different because:		
Fund balances of governmental funds	2,686,515	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,594,002	
Some liabilities, including capital leases payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(67,979)</u>	
Net assets of governmental activities	<u>4,212,538</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, 2011

WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011					2010 Total
	General	Street	Ambulance	Community Development	Other	
<b>REVENUES</b>						
Taxes	244,614	44,986			13,674	281,316
Licenses and permits	6,045					6,045
Intergovernmental	157,613	151,428		70,031	24,874	403,946
Charges for services	16,053	1,127	33,019		649	50,848
Interest	19,418	896	1,237	13	789	22,353
Other	112,096	80,540	843	16,372	496	243,419
Total revenues	<u>555,839</u>	<u>278,977</u>	<u>35,099</u>	<u>86,416</u>	<u>40,482</u>	<u>1,073,199</u>
<b>EXPENDITURES</b>						
General Government	157,895					157,895
Public Works - Recycling					2,762	2,762
Public Works - Highways and Streets		210,884				210,884
Public Health and Safety	136,736				27,680	185,905
Culture and Recreation	205,722					205,722
Economic Development	11,176			75,914		87,090
Debt service						
Principal		26,942				26,942
Interest		3,058				3,058
Total expenditures	<u>511,529</u>	<u>240,884</u>	<u>21,489</u>	<u>75,914</u>	<u>30,442</u>	<u>880,258</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>44,310</u>	<u>38,093</u>	<u>13,610</u>	<u>10,502</u>	<u>10,040</u>	<u>(27,967)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer from Creighton Area Health Services	1,879,201					1,879,201
Operating transfers in (out)	(851)				851	
Total other financing sources (uses)	<u>1,878,350</u>				<u>851</u>	<u>1,879,201</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>1,922,660</u>	<u>38,093</u>	<u>13,610</u>	<u>10,502</u>	<u>10,891</u>	<u>1,995,756</u>
<b>FUND BALANCES, beginning of year</b>	<u>386,587</u>	<u>10,389</u>	<u>134,418</u>	<u>1,583</u>	<u>157,782</u>	<u>718,726</u>
<b>FUND BALANCES, end of year</b>	<u>2,309,247</u>	<u>48,482</u>	<u>148,028</u>	<u>12,085</u>	<u>168,673</u>	<u>2,686,515</u>

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

YEAR ENDED SEPTEMBER 30, 2011  
 WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2010

2011  
 Total

1,995,756

(126,737)

26,942

1,895,961

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds

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.

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.

CHANGE IN NET ASSETS OF GOVERNMENTAL  
 ACTIVITIES

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2011  
WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2010

	2011				2010 Total
	Business-Type Activities - Enterprise Funds				
	Sewer	Water	Landfill	Total	
<b>ASSETS</b>					
Current Assets					
Cash	28,458	55	80	28,593	54,311
Certificates of deposit		76,001		76,001	74,746
Due from other funds					4,528
Accounts receivable (net)	24,424	43,652	5,152	73,228	67,713
Inventories		15,472		15,472	12,035
Total current assets	<u>52,882</u>	<u>135,180</u>	<u>5,232</u>	<u>193,294</u>	<u>213,333</u>
Capital Assets					
Nondepreciable - land	2,000	3,800	500	6,300	6,300
Depreciable assets					
Sewer system	785,847			785,847	792,817
Water system		1,550,296		1,550,296	1,518,449
Equipment	32,521	39,925		72,446	77,263
Accumulated depreciation	(427,224)	(983,579)		(1,410,803)	(1,364,634)
Total capital assets	<u>393,144</u>	<u>610,442</u>	<u>500</u>	<u>1,004,086</u>	<u>1,030,195</u>
Other Assets					
Bond issue costs (net of amortization)		5,190		5,190	5,495
<b>TOTAL ASSETS</b>	<u>446,026</u>	<u>750,812</u>	<u>5,732</u>	<u>1,202,570</u>	<u>1,243,528</u>
<b>LIABILITIES</b>					
Current Liabilities Payable from					
Current Assets					
Due to other funds		48,114		48,114	4,528
Accounts payable	662	15,708		16,370	12,014
Deferred compensation	1,340	3,835		5,175	6,870
Current amount of long-term debt	9,249	15,000		24,249	24,068
Total current liabilities payable from current assets	<u>11,251</u>	<u>82,657</u>		<u>93,908</u>	<u>47,480</u>

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2011  
WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2010

	2011				2010 Total
	Business-Type Activities - Enterprise Funds				
	Sewer	Water	Landfill	Total	
LIABILITIES (Continued)					
Noncurrent Liabilities					
Customer deposits		9,436		9,436	11,136
Notes payable - NDEQ	211,468			211,468	220,536
Bonds payable		275,000		275,000	290,000
Less current amounts	(9,249)	(15,000)		(24,249)	(24,068)
Total noncurrent liabilities	<u>202,219</u>	<u>269,436</u>		<u>471,655</u>	<u>497,604</u>
 TOTAL LIABILITIES	 <u>213,470</u>	 <u>352,093</u>		 <u>565,563</u>	 <u>545,084</u>
 NET ASSETS					
Invested in capital assets, net of related debt	181,676	335,442	500	517,618	519,659
Restricted for sewer	50,880			50,880	35,910
Unrestricted		63,277	5,232	68,509	148,370
 TOTAL NET ASSETS	 <u>232,556</u>	 <u>398,719</u>	 <u>5,732</u>	 <u>637,007</u>	 <u>703,939</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, 2011  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011				2010 Total
	Enterprise Funds			Total	
	Sewer	Water	Landfill		Total
<b>OPERATING REVENUES</b>					
User charges (Sewer pledged for debt)	155,670	235,809	115,575	507,054	480,035
Miscellaneous		4,131	12,722	16,853	11,587
Total operating revenues	<u>155,670</u>	<u>239,940</u>	<u>128,297</u>	<u>523,907</u>	<u>491,622</u>
<b>OPERATING EXPENSES</b>					
Personal services	84,005	87,779		171,784	163,149
Materials and supplies	1,396	48,362		49,758	18,477
Repairs and maintenance	6,497	9,692		16,189	61,329
Gasoline and oil	1,092			1,092	743
Office expenses	995	3,645	26	4,666	3,790
Insurance	5,987	6,387		12,374	9,384
Utilities	14,189	68,315	323	82,827	56,685
Purchased services			124,470	124,470	123,286
Professional fees and schooling	5,956	12,567	144	18,667	9,699
Depreciation expense	23,956	55,603		79,559	69,546
Miscellaneous operating expense	707	15,585		16,292	18,431
Total operating expenses	<u>144,780</u>	<u>307,935</u>	<u>124,963</u>	<u>577,678</u>	<u>534,519</u>
OPERATING INCOME (LOSS)	<u>10,890</u>	<u>(67,995)</u>	<u>3,334</u>	<u>(53,771)</u>	<u>(42,897)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income		2,390		2,390	1,515
Sale of assets	866			866	
Amortization of bond costs		(305)		(305)	(305)
Interest expense	(6,549)	(9,563)		(16,112)	(10,117)
Total nonoperating revenues (expenses)	<u>(5,683)</u>	<u>(7,478)</u>		<u>(13,161)</u>	<u>(8,907)</u>
NET INCOME (LOSS)	5,207	(75,473)	3,334	(66,932)	(51,804)
NET ASSETS, beginning of year	<u>227,349</u>	<u>474,192</u>	<u>2,398</u>	<u>703,939</u>	<u>755,743</u>
NET ASSETS, end of year	<u>232,556</u>	<u>398,719</u>	<u>5,732</u>	<u>637,007</u>	<u>703,939</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, 2011  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011				2010 Total
	Enterprise Funds				
	Sewer	Water	Landfill	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	155,266	227,724	129,571	512,561	505,320
Other cash received		4,131		4,131	1,695
Cash paid for contracted hauling			(113,130)	(113,130)	(123,231)
Cash paid for personal services	(85,170)	(88,309)		(173,479)	(161,561)
Other cash payments	<u>(37,062)</u>	<u>(163,391)</u>	<u>(11,833)</u>	<u>(212,286)</u>	<u>(182,296)</u>
Net cash provided by (used in) operating activities	<u>33,034</u>	<u>(19,845)</u>	<u>4,608</u>	<u>17,797</u>	<u>39,927</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Cash receipts from interest		1,135		1,135	1,515
Change in certificates of deposits					<u>(380)</u>
Net cash provided by investing activities		<u>1,135</u>		<u>1,135</u>	<u>1,135</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds of NDEQ loan					220,536
Proceeds of line of credit					100,000
Proceeds of bond refunding					284,200
Proceeds from sale of assets	866			866	
Cash paid for equipment and improvements	(5,125)	(48,325)		(53,450)	(152,640)
Principal paid on long-term debt	(9,068)	(15,000)		(24,068)	(283,465)
Principal paid on line of credit					(100,000)
Cash paid for interest	<u>(6,549)</u>	<u>(9,563)</u>		<u>(16,112)</u>	<u>(10,324)</u>
Net cash provided by (used in) capital and related financing activities	<u>(19,876)</u>	<u>(72,888)</u>		<u>(92,764)</u>	<u>58,307</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Change in amounts due other funds		52,642	(4,528)	48,114	<u>(49,554)</u>
Net cash provided by (used in) noncapital financing activities		<u>52,642</u>	<u>(4,528)</u>	<u>48,114</u>	<u>(49,554)</u>

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2011  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011				2010 Total
	Enterprise Funds				
	Sewer	Water	Landfill	Total	
NET INCREASE (DECREASE) IN CASH	13,158	(38,956)	80	(25,718)	49,815
CASH AND CASH EQUIVALENTS, beginning of year	<u>15,300</u>	<u>39,011</u>	<u>          </u>	<u>54,311</u>	<u>4,496</u>
CASH AND CASH EQUIVALENTS, end of year	<u>28,458</u>	<u>55</u>	<u>80</u>	<u>28,593</u>	<u>54,311</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	<u>10,890</u>	<u>(67,995)</u>	<u>3,334</u>	<u>(53,771)</u>	<u>(42,897)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	23,956	55,603		79,559	69,546
Changes in assets and liabilities:					
(Increase) Decrease in accounts receivable	(404)	(6,385)	1,274	(5,515)	14,377
(Increase) Decrease in inventory		(3,437)		(3,437)	825
Increase (Decrease) in accounts payable	(243)	4,599		4,356	(4,528)
Increase (Decrease) in customer deposits		(1,700)		(1,700)	1,016
Increase (Decrease) in accrued expenses	<u>(1,165)</u>	<u>(530)</u>	<u>          </u>	<u>(1,695)</u>	<u>1,588</u>
Total adjustments	<u>22,144</u>	<u>48,150</u>	<u>1,274</u>	<u>71,568</u>	<u>82,824</u>
Net cash provided by (used in) operating activities	<u>33,034</u>	<u>(19,845)</u>	<u>4,608</u>	<u>17,797</u>	<u>39,927</u>
SUPPLEMENTAL DISCLOSURES					
Noncash capital financing transactions					
Total additions to capital assets					(140,443)
Increase (Decrease) in accounts payable - capital outlay					<u>(12,197)</u>
Cash paid for equipment and improvements					<u>(152,640)</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 accounting principles generally accepted in the United States of America 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, 2011, dated May 21, 2012, 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.

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 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.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

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)

Governmental Funds (Continued)

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.

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.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Measurement Focus (Continued)

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 basis 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 accounting principles generally accepted in the United States of America 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 Treasurer 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.

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.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. CAPITAL ASSETS (Continued)

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 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.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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".

Fund Financial Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. Proprietary fund equity is classified the same as in the government-wide statements. The classifications used in the governmental fund financial statements are as follows:

Nonspendable

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City currently includes the Hoferer Trust fund balance in this category.

Restricted

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. EQUITY CLASSIFICATIONS (Continued)

Fund Financial Statements (Continued)

Restricted (Continued)

by law through constitutional provisions or enabling legislation. The City includes the fund balances of the Pool, Fire, and Community Development Funds in this category, since the receipts of these funds are restricted by the grantors or by legislation. The primary receipts of the Pool Fund are sales taxes restricted by the related ordinance. Funds held in the Fire Fund are subject to an interlocal agreement and are restricted for fire purposes. The balance in the Community Development Fund is reuse funds restricted for housing loans and grants under terms of the original grant agreements with the State.

Committed

This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City includes the balance held in the certificate of deposit held for Senior Citizen Center maintenance, and the fund balances of the Ambulance and Street Funds as committed fund balances.

Assigned

This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City administrator through the budgetary process. The City considers amounts held in segregated cash accounts in the general fund related to the proceeds from the sale of the hospital as assigned. It is the City's intent to hold these funds for future contingencies and not use the principal for operations.

Unassigned

This classification includes the residual fund balance for the General Fund.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

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 accounting principles generally accepted in the United States of America 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, 2011, 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.

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 include the certificate of deposit related to the Hoferer Trust Fund of \$86,169.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

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, 2011 were \$4,939 and employees' contributions were \$4,938, 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 were due serially through 2012. Interest was paid semiannually at rates from 2.35% - 4.85%. Under terms of the sale of the CAHS the buyer assumed liability for these bonds. In February 2011, refunding bonds were issued to retire the 2002 bonds.

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.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

Changes in Long-Term Debt

	NDEQ Note	Bank Notes	Water Bonds	G & O Nursing Home
Principal balance, beginning	220,536	94,921	290,000	110,000
Debt issued	- 0 -	- 0 -	- 0 -	- 0 -
Principal paid	<u>(9,068)</u>	<u>(26,942)</u>	<u>(15,000)</u>	<u>(110,000)</u>
Principal balance, ending	<u>211,468</u>	<u>67,979</u>	<u>275,000</u>	<u>          </u>

Maturities on Long-Term Debt

Fiscal Year Ending September 30,	NDEQ Note	Bank Notes	G & O Water Bonds
2012	15,525	29,743	19,767
2013	15,432	29,743	19,642
2014	15,337	11,651	19,490
2015	15,240		19,305
2016	15,142		19,080
2017 - 2021	74,157		109,598
2022 - 2026	71,375		110,485
2027 - 2030	<u>54,902</u>		<u>75,687</u>
	277,110	71,137	393,054
Less interest and fees	<u>(65,642)</u>	<u>(3,158)</u>	<u>(118,054)</u>
Total	<u>211,468</u>	<u>67,979</u>	<u>275,000</u>

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, 2011 the City has received all funds.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance 9/30/10	Increases	Decreases	Balance 9/30/11
<u>Governmental Activities</u>				
Land - not depreciable	24,954			24,954
Buildings and improvements	1,772,358		(19,395)	1,752,963
Equipment and vehicles	<u>2,167,034</u>		<u>(26,493)</u>	<u>2,140,541</u>
Totals at cost	3,964,346		(45,888)	3,918,458
Accumulated depreciation	<u>(2,243,607)</u>		<u>45,888</u>	<u>(2,197,719)</u>
Net capital assets	<u>1,720,739</u>			<u>1,720,739</u>
<u>Business-Type Activities</u>				
Land - not depreciable	6,300			6,300
Water Department	1,518,449	43,200	(11,353)	1,550,296
Sewer Department	792,817		(6,970)	785,847
Equipment	<u>77,263</u>	<u>10,250</u>	<u>(15,067)</u>	<u>72,446</u>
Totals at cost	2,394,829	53,450	(33,390)	2,414,889
Accumulated depreciation	<u>(1,364,634)</u>	<u>(79,559)</u>	<u>33,390</u>	<u>(1,410,803)</u>
Net capital assets	<u>1,030,195</u>	<u>(26,109)</u>		<u>1,004,086</u>

Depreciation

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

<u>Governmental Activities</u>	
General Government	3,840
Public Safety	53,575
Highways and Streets	42,488
Public Works - other	5,840
Culture and Recreation	<u>38,664</u>
Total depreciation expense - governmental activities	<u>144,407</u>
<u>Business-Type Activities</u>	
Water Fund	55,603
Sewer Fund	<u>23,956</u>
Total depreciation expense - business-type activities	<u>79,559</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.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The City uses a joint checking account for all funds. As of September 30, 2011, the Water Fund had a 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
Water Fund		
Due to General Fund	48,114	
General Fund		
Due from Water Fund		<u>48,114</u>
Total	<u>48,114</u>	<u>48,114</u>

These amounts are considered current. The Water Fund has balances in certificates of deposit to cover the balance due to the General Fund.

NOTE 10. SALE OF HOSPITAL

Effective February 1, 2011, the City of Creighton, Nebraska completed the sale of Creighton Area Health Services (CAHS) to Sacred Heart Health Services. The sale included substantially all of the real and personal property of the hospital, clinic and nursing home. The buyer paid off or assumed all USDA liabilities, other long-term debt, equipment leases and provider agreements. Additionally, Sacred Heart Health Services has agreed to operate the nursing facility and physician clinics for a minimum of three years and the hospital for a minimum of ten years. The City has the right of first refusal to repurchase the operating assets at fair market value if Sacred Heart Health Services would decide to close or sell any of the operating facilities within the ten year period.

As a result of the sale, the CAHS recognized a loss on the sale of \$731,435. Cash proceeds received from the sale were \$449,247. As of September 30, 2011, CAHS had transferred cash of \$1,879,201 to the City. Net assets remaining on the balance sheet of CAHS at September 30, 2011, included:

Assets		
Cash and cash equivalents		647,287
Receivables		
Patients, net of estimated uncollectibles of \$224,510		57,980
Other		62,518
Estimated third-party settlements		105,809
Cash and investments - limited for improvements by Board		<u>200,341</u>
Total assets		<u>1,073,935</u>
Accounts payable		<u>935</u>
Unrestricted net assets		<u>1,073,000</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 11. RESTATEMENTS

As of these financial statements, the City has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. The statement also clarified the use of special revenues funds. The new reporting format is described in Note 1. Beginning fund balances classifications have been restated to reflect the implementation of statement.

### NOTE 12. SUBSEQUENT EVENTS

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through July 19, 2012, the date the financial statements were available to be issued.

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, 2011 AND 2010

	2011			2010	
	Budget Original and Final	Actual	Favorable (Unfavorable)	Final	Actual
<b>REVENUES</b>					
Federal	20,000	70,031	50,031	292,155	181,461
Property taxes	130,632	112,576	(18,056)	126,139	108,517
Sales taxes	131,000	153,788	22,788	141,500	136,810
Motor vehicle taxes	19,000	19,669	669	20,000	19,577
Other taxes	9,500	17,241	7,741	9,500	16,412
Licenses and permits	3,200	6,045	2,845	3,200	5,049
Intergovernmental - State	260,472	299,453	38,981	253,874	254,945
Charges for services	564,890	563,409	(1,481)	471,690	569,096
Interest	19,350	24,743	5,393	15,300	11,987
NPPD lease	148,000	156,608	8,608	148,000	140,218
Debt proceeds	100,000		(100,000)	535,000	604,736
Transfer from Nursing Home	117,948	114,518	(3,430)	62,838	61,213
Transfer from Hospital		1,879,201	1,879,201		
Other	72,950	93,198	20,248	95,740	137,657
Total revenues	<u>1,596,942</u>	<u>3,510,480</u>	<u>1,913,538</u>	<u>2,174,936</u>	<u>2,247,678</u>
<b>EXPENDITURES</b>					
General Government	393,002	157,895	235,107	283,872	138,380
Public Works - Recycling	3,251	2,762	489	33,776	23,985
Public Works - Street	240,506	240,884	(378)	231,953	251,177
Public Works - Utility Funds	604,634	592,525	12,109	1,047,546	1,013,517
Public Health and Safety	399,962	185,905	214,057	387,976	220,044
Culture and Recreation	291,408	205,722	85,686	351,858	222,681
Housing Rehab and Community Development	61,844	87,090	(25,246)	336,901	244,899
Debt Service - Nursing Home	117,948	114,518	3,430	62,838	61,213
Total expenditures	<u>2,112,555</u>	<u>1,587,301</u>	<u>525,254</u>	<u>2,736,720</u>	<u>2,175,896</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(515,613)</u>	<u>1,923,179</u>	<u>2,438,792</u>	<u>(561,784)</u>	<u>71,782</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, 2011 AND 2010

	2011			2010	
	Budget Original and Final	Actual	Favorable (Unfavorable)	Final	Actual
OTHER FINANCING SOURCES (USES)					
Operating transfers in		851	851	5,000	
Operating transfers (out)		(851)	(851)	(5,000)	
Total other financing sources (uses)					
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDI- TURES AND OTHER FINANCING USES	(515,613)	1,923,179	<u>2,438,792</u>	(561,784)	71,782
CASH BALANCE, beginning of year	<u>785,282</u>	<u>819,816</u>		<u>742,397</u>	<u>748,034</u>
CASH BALANCE, end of year	<u>269,669</u>	<u>2,742,995</u>		<u>180,613</u>	<u>819,816</u>

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.

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	1,995,756
Enterprise funds	<u>(72,577)</u>
Revenues over expenditures - all funds - budgetary basis	<u>1,923,179</u>
Revenues over expenditures - budgetary basis	
Enterprise funds	<u>(72,577)</u>
Adjustments	
Increase (decrease) in accounts receivable	5,515
Increase (decrease) in inventory	3,437
(Increase) decrease in accounts payable	(4,356)
(Increase) decrease in deposits	1,700

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

Reconciliation (Continued)

Adjustments (Continued)	
(Increase) in other accrued liabilities	1,695
Amortization of bonds costs	(305)
Capitalized assets	53,450
Depreciation	(79,559)
Principal payments	<u>24,068</u>
Total adjustments	<u>5,645</u>
Net loss - enterprise funds	<u>(66,932)</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, 2011

WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011							2010 Total
	General Government		Public Safety		Culture and Recreation		Total	
	General	Hospital	Building	Police	Library	Park		
<b>REVENUES</b>								
Taxes								
Sales taxes	54,401						54,401	108,802
Property taxes	100,564							100,564
Motor vehicle tax	19,669							19,669
Nebraska Public Power District	15,579							15,579
Licenses and permits	6,045							6,045
Intergovernmental								
State aid	10,298							10,298
Municipal equalization	107,668							107,668
Homestead exemption	13,784							13,784
Property tax relief	3,743							3,743
Motor vehicle prorate	347							347
Other					21,773			21,773
Charges for services					1,744	4,358	9,951	16,053
Interest income	5,870		151		47			19,418
NPPD lease	78,304						1,066	78,304
Donations	856							856
Franchise fees	10,408							10,408
Sale of property	1,000							1,200
Other	17,715		20		666	2,091		21,328
Total revenues	446,251	12,284	171	1,036	24,230	6,449	65,418	555,839
<b>EXPENDITURES</b>								
Personal services	22,003		9,711	106,515	34,443	15,479	37,225	225,376
Operating expenditures	120,482		16,205	29,764	29,013	32,112	17,901	245,477
Capital outlay	670			457	5,144	10,047	24,358	40,676
Total expenditures	143,155		25,916	136,736	68,600	57,638	79,484	511,529
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	303,096	12,284	(25,745)	(135,700)	(44,370)	(51,189)	(14,066)	44,310
								11,883

CITY OF CREIGHTON, NEBRASKA  
 GENERAL FUND  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN CASH BALANCE BY DEPARTMENT  
 YEAR ENDED SEPTEMBER 30, 2011

WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011						2010 Total
	General	Hospital	Building	Public Safety Police	Library	Park	
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfer out							
Transfer from Creighton Area Health Services		1,879,201					1,879,201
Department transfers	(232,735)		23,395	144,089	24,400	40,000	(851)
Total other financing sources (uses)	(232,735)	1,879,201	23,395	144,089	24,400	40,000	1,878,350
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>							
	70,361	1,891,485	(2,350)	8,389	(19,970)	(11,189)	1,922,660
CASH BALANCE, beginning of year							386,587
CASH BALANCE, end of year							2,309,247
							386,587

CITY OF CREIGHTON, NEBRASKA  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN CASH BALANCES  
YEAR ENDED SEPTEMBER 30, 2011  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011					2010 Total
	Street	Fire Department	Community Development	Recycling	Ambulance	
<b>REVENUES</b>						
Taxes						
Property taxes		12,012				12,012
Nebraska Public Power District		1,662				1,662
City sales taxes	44,986					44,986
Intergovernmental						
Federal grants			70,031			70,031
Highway allocation/incentive	118,851					118,851
Motor vehicle fees	11,078					11,078
Township levy	21,499					21,499
Mutual Finance Organization		9,606				9,606
Rural Fire Department - cost share		10,563				10,563
Other		2,305		2,400		4,705
NPPD lease	78,304					78,304
Charges for services	1,127			649	33,019	34,795
Interest	896				1,237	2,935
Sale of property						1,700
Other	2,236	496	16,372		843	776
Total revenues	<u>278,977</u>	<u>37,433</u>	<u>86,416</u>	<u>3,049</u>	<u>35,099</u>	<u>440,974</u>
						<u>534,564</u>
<b>EXPENDITURES</b>						
Personal services	71,481				1,304	72,785
Operating expenditures	74,778	22,270	75,914	2,762	20,185	195,909
Debt service principal	26,942					26,942
Debt service interest	3,058					3,058
Capital outlay	64,625	5,410				70,035
Total expenditures	<u>240,884</u>	<u>27,680</u>	<u>75,914</u>	<u>2,762</u>	<u>21,489</u>	<u>368,729</u>
						<u>574,414</u>

CITY OF CREIGHTON, NEBRASKA  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN CASH BALANCES  
YEAR ENDED SEPTEMBER 30, 2011  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2011					2010 Total
	Street	Fire Department	Community Development	Recycling	Ambulance	
REVENUES OVER (UNDER) EXPENDITURES	38,093	9,753	10,502	287	13,610	72,245 (39,850)
OTHER FINANCING SOURCES (USES) Operating transfers in (out)				851		851
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	38,093	9,753	10,502	1,138	13,610	73,096 (39,850)
FUND BALANCES, beginning 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> 257,853
FUND BALANCES (Deficit), end of year	<u>48,482</u>	<u>82,938</u>	<u>12,085</u>	<u>(434)</u>	<u>148,028</u>	<u>291,099</u> 218,003

CITY OF CREIGHTON, NEBRASKA  
NONMAJOR FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN CASH BALANCES  
YEAR ENDED SEPTEMBER 30, 2011

	Fire Department	Recycling	Permanent Fund Hoefler Trust	Total
REVENUES				
Taxes	13,674			13,674
Intergovernmental	22,474	2,400		24,874
Charges for services		649		649
Interest	789			789
Other	<u>496</u>			<u>496</u>
Total revenues	<u>37,433</u>	<u>3,049</u>	<u>      </u>	<u>40,482</u>
EXPENDITURES				
Operating	22,270	2,762		25,032
Capital outlay	<u>5,410</u>			<u>5,410</u>
Total expenditures	<u>27,680</u>	<u>2,762</u>	<u>      </u>	<u>30,442</u>
REVENUES OVER EXPENDITURES	9,753	287		10,040
OTHER FINANCING SOURCES				
Transfers in		<u>851</u>		<u>851</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	9,753	1,138		10,891
FUND BALANCES (DEFICIT), beginning of year	<u>73,185</u>	<u>(1,572)</u>	<u>86,169</u>	<u>157,782</u>
FUND BALANCES (DEFICIT), end of year	<u>82,938</u>	<u>(434)</u>	<u>86,169</u>	<u>168,673</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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 19, 2012, 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 deficiencies, 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 2011-1.

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 2011-2, 2011-3 and 2011-4.

#### 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  
July 19, 2012

CITY OF CREIGHTON, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2011

2011-1 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 and accounts payable; 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

Have supervisors or a council member review timecards and document their approval. Consider someone other than the City Clerk to reconcile bank statements and tracing the disbursements including ACH transfers and bank debits to approved amounts and appropriate documentation. Consider cross training of staff to periodically process payroll and accounts payable. In addition, all funds should be included in the general ledger.

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.

2011-2 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, 2011

2011-2 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 consider the changes.

2011-3 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, 2011

2011-3 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.

2011-4 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, 2010, in our report dated May 4, 2011.