

CITY OF CREIGHTON, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

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 - 27
SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenditures and Changes in Cash Balances - Budget and Actual - Budgetary Basis - All Funds	28
Notes to Budgetary Statement	29
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 - 40

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2012 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, 2011 financial statements and, in our report dated July 19, 2012, 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.

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, 2012, 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 our opinion, the financial statements of the business-type activities and business-type major funds of the City of Creighton, Nebraska, present fairly in all material respects the financial position of the business-type activities and business-type major funds at September 30, 2012, and the 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.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2013, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Creighton, Nebraska's financial statements as a whole. The supplemental information on pages 28 to 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedules, pages 28 to 34, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the City's basic financial statements for the year ended September 30, 2011, which are not presented with the accompanying financial statements. In our report dated July 19, 2012, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The information in the supplemental schedules on pages 30 to 33 related to the September 30, 2011, financial statements is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2011 supplemental schedules, pages 30 to 33, are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Dana J Cole + Company, LLP

O'Neill, Nebraska
March 29, 2013

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS
BUSINESS-TYPE ACTIVITIES - ACCRUAL BASIS
SEPTEMBER 30, 2012

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	766,785	156,279	923,064
Certificates of deposit	2,523,267	23,120	2,546,387
Cash held by County Treasurer	6,327		6,327
Accounts receivable		112,450	112,450
Inventories		16,933	16,933
Deferred bond issue costs		4,885	4,885
Restricted certificates of deposit	86,169		86,169
Capital assets			
Nondepreciable - construction-in-progress		246,650	246,650
Nondepreciable - land	24,954	6,300	31,254
Depreciable - net of depreciation	<u>1,507,129</u>	<u>927,306</u>	<u>2,434,435</u>
TOTAL ASSETS	<u>4,914,631</u>	<u>1,493,923</u>	<u>6,408,554</u>
LIABILITIES			
Accounts payable		12,200	12,200
Accrued expenses		6,046	6,046
Customer deposits		10,036	10,036
Notes payable within one year	28,748	9,436	38,183
Noncurrent liabilities			
Notes payable in more than one year	11,240	377,205	388,446
Bonds payable in more than one year		<u>255,000</u>	<u>255,000</u>
TOTAL LIABILITIES	<u>39,988</u>	<u>669,923</u>	<u>709,911</u>
NET ASSETS			
Invested in capital assets, net of related debt	<u>1,492,095</u>	<u>538,615</u>	<u>2,030,710</u>
Restricted for:			
Community Development	28,471		28,471
Fire department	89,158		89,158
Swimming pool operations (sales tax ordinance)	133,611		133,611
Endowment - unexpendable	86,169		86,169
Total restricted	<u>337,409</u>		<u>337,409</u>
Unrestricted	<u>3,045,139</u>	<u>285,385</u>	<u>3,330,524</u>
TOTAL NET ASSETS	<u>4,874,643</u>	<u>824,000</u>	<u>5,698,643</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, 2012

Functions/programs	Program Revenues			Net (Expense) Revenue and			
	Expenditures/ Expenses	Charges for Services	Operating Grants and Contributions	Changes in Net Assets			
				Governmental Activities	Primary Government	Business-Type Activities	Total
Primary government							
Governmental activities							
General Government	132,239	4,802	37,031	(90,406)			(90,406)
Public Health and Safety	633,510	24,286	27,210	(582,014)			(582,014)
Public Works - recycling	11,833	2,400		(9,433)			(9,433)
Highways and Streets	373,298	397	156,900	(216,001)			(216,001)
Culture and Recreation	229,836	14,862	4,225	(210,749)			(210,749)
Economic Development	17,271		16,795	(476)			(476)
Interest on long-term debt	2,009			(2,009)			(2,009)
Total governmental activities	<u>1,399,996</u>	<u>46,747</u>	<u>242,161</u>	<u>(1,111,088)</u>			<u>(1,111,088)</u>
Business-type activities							
Water	255,393	334,790	46,106		125,503		125,503
Sewer	157,314	194,593			37,279		37,279
Landfill	125,733	131,665			5,932		5,932
Total business-type activities	<u>538,440</u>	<u>661,048</u>	<u>46,106</u>		<u>168,714</u>		<u>168,714</u>
Total primary government	<u>1,938,436</u>	<u>707,795</u>	<u>288,267</u>	<u>(1,111,088)</u>	<u>168,714</u>		<u>(942,374)</u>
General revenues							
Property taxes - levied for general purposes				114,137			114,137
Other taxes - NPPD				18,103			18,103
City sales taxes				159,829			159,829
Motor vehicle taxes				20,261			20,261
Franchise fees				10,097			10,097
Unrestricted state revenues				111,298			111,298
Unrestricted investment earnings				46,486	3,312		49,798
NPPD lease unrestricted				162,604			162,604
Liquidation gain							
Other miscellaneous revenues				34,039	38,306		72,345
Total general revenues				<u>676,854</u>	<u>41,618</u>		<u>718,472</u>
Transfers				<u>1,096,339</u>	<u>(1,096,339)</u>		
CHANGE IN NET ASSETS				662,105	(886,007)		(223,902)
NET ASSETS, beginning of year (as restated)				4,212,538	1,710,007		5,922,545
NET ASSETS, end of year				<u>4,874,643</u>	<u>824,000</u>		<u>5,698,643</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, 2012
 WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2011

	2012					2011
	General	Street	Ambulance	Community Development	Other	Total
ASSETS						
Cash and cash equivalents	604,618	65,148	31,844	28,471	36,704	207,203
Certificates of deposit	2,343,269		128,128		51,870	2,333,938
Cash at County Treasurer	5,198	642			487	11,091
Due from other funds					86,169	48,114
Restricted certificates of deposit						86,169
TOTAL ASSETS	<u>2,953,085</u>	<u>65,790</u>	<u>159,972</u>	<u>28,471</u>	<u>175,230</u>	<u>3,382,548</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to other funds	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
FUND BALANCES						
Unexpendable - (Hoferer Fund)					86,169	86,169
Restricted - Pool	133,611					140,058
Restricted - Fire					89,158	92,691
Restricted - Community development				28,471		12,085
Committed - Senior Citizen Center maintenance	24,000					24,000
Committed - Ambulance			159,972			159,972
Committed - Streets	2,596,865	65,790				48,482
Assigned - hospital accounts	198,609					1,891,485
Unassigned					(97)	243,517
Total fund balances	<u>2,953,085</u>	<u>65,790</u>	<u>159,972</u>	<u>28,471</u>	<u>175,230</u>	<u>3,382,548</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>2,953,085</u>	<u>65,790</u>	<u>159,972</u>	<u>28,471</u>	<u>175,230</u>	<u>2,686,515</u>

CITY OF CREIGHTON, NEBRASKA
 STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012
 WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2011

	2012	2011
Total	Total	Total
	3,382,548	2,686,515
	1,532,083	1,594,002
	<u>(39,988)</u>	<u>(67,979)</u>
	<u>4,874,643</u>	<u>4,212,538</u>

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

Fund balances of governmental funds

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Some liabilities, including capital leases payable are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of governmental activities

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, 2012
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011

	2012					2011	
	General	Street	Ambulance	Community Development	Other	Total	Total
REVENUES							
Taxes	249,354	48,850			14,126	312,330	303,274
Licenses and permits	4,802					4,802	6,045
Intergovernmental	115,523	156,900			27,210	299,633	403,946
Charges for services	14,862	397	24,286		2,400	41,945	50,848
Interest	43,523	184	1,988	31	760	46,486	22,353
Other	130,335	111,412	676	16,795	1,348	260,566	210,347
Total revenues	<u>558,399</u>	<u>317,743</u>	<u>26,950</u>	<u>16,826</u>	<u>45,844</u>	<u>965,762</u>	<u>996,813</u>
EXPENDITURES							
General Government	167,244					167,244	157,895
Public Works - Recycling					5,993	5,993	2,762
Public Works - Highways and Streets		341,611				341,611	210,884
Public Health and Safety	158,795		15,006		37,224	211,025	185,905
Public Health - donations to Avera	396,905					396,905	
Culture and Recreation	196,019					196,019	205,722
Economic Development	16,831			440		17,271	87,090
Debt service							
Principal		27,991				27,991	26,942
Interest		2,009				2,009	3,058
Total expenditures	<u>935,794</u>	<u>371,611</u>	<u>15,006</u>	<u>440</u>	<u>43,217</u>	<u>1,366,068</u>	<u>880,258</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(377,395)</u>	<u>(53,868)</u>	<u>11,944</u>	<u>16,386</u>	<u>2,627</u>	<u>(400,306)</u>	<u>116,555</u>
OTHER FINANCING SOURCES (USES)							
Transfer from Creighton Area Health Services	1,096,339					1,096,339	1,879,201
Operating transfers in (out)	(75,106)	71,176			3,930		
Total other financing sources (uses)	<u>1,021,233</u>	<u>71,176</u>			<u>3,930</u>	<u>1,096,339</u>	<u>1,879,201</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES							
	643,838	17,308	11,944	16,386	6,557	696,033	1,995,756
FUND BALANCES, beginning of year	<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>690,759</u>
FUND BALANCES, end of year	<u>2,953,085</u>	<u>65,790</u>	<u>159,972</u>	<u>28,471</u>	<u>175,230</u>	<u>3,382,548</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, 2012
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011

	2012 Total	2011 Total
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	696,033	1,995,756
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.	(61,919)	(126,737)
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>27,991</u>	<u>26,942</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>662,105</u></u>	<u><u>1,895,961</u></u>

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	2012				
	Business-Type Activities - Enterprise Funds				
	Sewer	Water	Landfill	Hospital	Total
ASSETS					
Current Assets					
Cash	72,618	79,281	4,380		156,279
Certificates of deposit		23,120			23,120
Accounts receivable (net)	29,388	50,826	6,784	25,452	112,450
Inventories		16,933			16,933
Total current assets	<u>102,006</u>	<u>170,160</u>	<u>11,164</u>	<u>25,452</u>	<u>308,782</u>
Capital Assets					
Nondepreciable - land	2,000	3,800	500		6,300
Construction-in-progress		246,650			246,650
Depreciable assets					
Sewer system	785,847				785,847
Water system		1,550,296			1,550,296
Equipment	32,521	39,925	3,800		76,246
Accumulated depreciation	<u>(447,382)</u>	<u>(1,033,901)</u>	<u>(3,800)</u>		<u>(1,485,083)</u>
Total capital assets	<u>372,986</u>	<u>806,770</u>	<u>500</u>		<u>1,180,256</u>
Other Assets					
Bond issue costs (net of amortization)		4,885			4,885
TOTAL ASSETS	<u>474,992</u>	<u>981,815</u>	<u>11,664</u>	<u>25,452</u>	<u>1,493,923</u>
LIABILITIES					
Current Liabilities Payable from					
Current Assets					
Accounts payable	602	2,798		8,800	12,200
Deferred compensation	2,337	3,709			6,046
Current amount of long-term debt	9,436				9,436
Total current liabilities payable from current assets	<u>12,375</u>	<u>6,507</u>		<u>8,800</u>	<u>27,682</u>
Noncurrent Liabilities					
Customer deposits		10,036			10,036
Notes payable - NDEQ	202,218	184,423			386,641
Bonds payable		255,000			255,000
Less current amounts	<u>(9,436)</u>				<u>(9,436)</u>
Total noncurrent liabilities	<u>192,782</u>	<u>449,459</u>			<u>642,241</u>
TOTAL LIABILITIES	<u>205,157</u>	<u>455,966</u>		<u>8,800</u>	<u>669,923</u>

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	2012				
	Business-Type Activities - Enterprise Funds				
	Sewer	Water	Landfill	Hospital	Total
NET ASSETS					
Invested in capital assets, net of related debt	170,768	372,232	500		538,615
Unrestricted	<u>99,067</u>	<u>153,617</u>	<u>11,164</u>	<u>16,652</u>	<u>280,500</u>
TOTAL NET ASSETS	<u>269,835</u>	<u>525,849</u>	<u>11,664</u>	<u>16,652</u>	<u>824,000</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, 2012

	2012				
	Enterprise Funds				
	Sewer	Water	Landfill	Hospital	Total
OPERATING REVENUES					
User charges	194,593	333,162	119,193		646,948
Miscellaneous		1,628	12,472		14,100
Total operating revenues	<u>194,593</u>	<u>334,790</u>	<u>131,665</u>		<u>661,048</u>
OPERATING EXPENSES					
Personal services	80,308	88,017			168,325
Materials and supplies	2,435	22,406			24,841
Repairs and maintenance	11,529	2,496			14,025
Gasoline and oil	798				798
Office expenses	402	864	86		1,352
Insurance	4,713	7,908			12,621
Utilities	12,643	50,877	847		64,367
Purchased services			124,800		124,800
Professional fees and schooling	7,538	9,595			17,133
Depreciation expense	20,158	50,322			70,480
Miscellaneous operating expense	12,096	7,964			20,060
Total operating expenses	<u>152,620</u>	<u>240,449</u>	<u>125,733</u>		<u>518,802</u>
OPERATING INCOME	<u>41,973</u>	<u>94,341</u>	<u>5,932</u>		<u>142,246</u>
NONOPERATING REVENUES					
(EXPENSES)					
Interest income		1,627		1,685	3,312
Grant income		46,106			46,106
Liquidation gain				38,306	38,306
Amortization of bond costs		(305)			(305)
Interest expense	(4,694)	(14,639)			(19,333)
Total nonoperating revenues					
(expenses)	<u>(4,694)</u>	<u>32,789</u>		<u>39,991</u>	<u>68,086</u>
INCOME BEFORE OPERATING TRANSFERS	37,279	127,130	5,932	39,991	210,332
Interfund transfers				(1,096,339)	(1,096,339)
NET INCOME (LOSS)	37,279	127,130	5,932	(1,056,348)	(886,007)
NET ASSETS, beginning of year (as restated)	<u>232,556</u>	<u>398,719</u>	<u>5,732</u>	<u>1,073,000</u>	<u>1,710,007</u>
NET ASSETS, end of year	<u>269,835</u>	<u>525,849</u>	<u>11,664</u>	<u>16,652</u>	<u>824,000</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, 2012

	2012				
	Enterprise Funds				
	Sewer	Water	Landfill	Hospital	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	189,629	326,588	130,033	294,172	940,422
Other cash received		1,628			1,628
Cash paid for contracted hauling			(113,460)		(113,460)
Cash paid for personal services	(79,311)	(88,017)			(167,328)
Other cash payments	(52,214)	(116,607)	(12,273)	(47,146)	(228,240)
Net cash provided by operating activities	<u>58,104</u>	<u>123,592</u>	<u>4,300</u>	<u>247,026</u>	<u>433,022</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash receipts from interest		1,627		1,685	3,312
Certificates of deposit cashed		52,881			52,881
Net cash provided by investing activities		<u>54,508</u>		<u>1,685</u>	<u>56,193</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds of NDEQ loan		184,423			184,423
Proceeds from grant		46,106			46,106
Cash paid for equipment and improvements		(246,650)			(246,650)
Principal paid on long-term debt	(9,250)	(20,000)			(29,250)
Cash paid for interest	(4,694)	(14,639)			(19,333)
Net cash used in capital and related financing activities	<u>(13,944)</u>	<u>(50,760)</u>			<u>(64,704)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Change in amounts due other funds		(48,114)			(48,114)
Cash transfers to other funds				(974,595)	(974,595)
Net cash used in noncapital financing activities		<u>(48,114)</u>		<u>(974,595)</u>	<u>(1,022,709)</u>

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	2012				
	Enterprise Funds				
	Sewer	Water	Landfill	Hospital	Total
NET INCREASE (DECREASE) IN CASH	44,160	79,226	4,300	(725,884)	(598,198)
CASH AND CASH EQUIVALENTS, beginning of year	<u>28,458</u>	<u>55</u>	<u>80</u>	<u>725,884</u>	<u>754,477</u>
CASH AND CASH EQUIVALENTS, end of year	<u>72,618</u>	<u>79,281</u>	<u>4,380</u>	<u> </u>	<u>156,279</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	<u>41,973</u>	<u>94,341</u>	<u>5,932</u>	<u> </u>	<u>142,246</u>
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	20,158	50,322			70,480
Liquidation gain				38,306	38,306
Changes in assets and liabilities:					
(Increase) Decrease in accounts receivable	(4,964)	(7,174)	(1,632)	200,855	187,085
(Increase) Decrease in inventory		(1,461)			(1,461)
Increase (Decrease) in accounts payable	(60)	(12,910)		7,865	(5,105)
Increase (Decrease) in customer deposits		600			600
Increase (Decrease) in accrued expenses	997	(126)			871
Total adjustments	<u>16,131</u>	<u>29,251</u>	<u>(1,632)</u>	<u>247,026</u>	<u>290,776</u>
Net cash provided by operating activities	<u>58,104</u>	<u>123,592</u>	<u>4,300</u>	<u>247,026</u>	<u>433,022</u>
SUPPLEMENTAL DISCLOSURES					
Noncash transfers to other funds					
Certificates of deposit and bonds transferred to other City funds				<u>121,744</u>	<u>121,744</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.

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.

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.

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 (Continued)

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.

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.

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)

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, Hospital 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.

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.

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 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.

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.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETS (Continued)

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.

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. CAPITAL ASSETS (Continued)

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.

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.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. EQUITY CLASSIFICATIONS (Continued)

Fund Financial Statements (Continued)

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.

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.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2012, 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.

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 also make additional salary deferrals subject to IRS limits.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 4. RETIREMENT PROGRAM (Continued)

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, 2012 were \$6,102, which was equal to the required amount.

Participants' accounts are invested with Northwestern Mutual Life Insurance Company and contributions are remitted monthly. The City does not provide any significant administrative services or investment advice relating to the plan.

NOTE 5. LONG-TERM DEBT

General Obligation Bond Issues

In April 2010, the 1993 Water Bonds were called for repayment and the services 2010 Refunding Bonds were issued to refund the old bonds. 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.

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 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.

A loan agreement dated October 2011, to the Nebraska Department of Environmental Quality is payable by the Water Fund. The City will begin repayment of principal and interest within one year of the date of initiation of operation and will repay loan in full no later than 20 years from that date. The interest rate during the period of construction is 2.0% and 2.5% thereafter. As the project continues, the City will request funds to pay for construction costs. As of September 30, 2012, the City has drawn \$184,423 of the possible funds. The total loan upon completion of the project is estimated at \$788,000, which will require semiannual payments of \$24,665 plus 1% administration fee.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

Changes in Long-Term Debt

	NDEQ (Sewer)	Bank Notes	Water Bonds	NDEQ (Water)
Principal balance, beginning	211,468	67,979	275,000	
Debt issued				184,423
Principal paid	<u>(9,250)</u>	<u>(27,991)</u>	<u>(20,000)</u>	<u> </u>
Principal balance, ending	<u>202,218</u>	<u>39,988</u>	<u>255,000</u>	<u>184,423</u>

Maturities on Long-Term Debt

Fiscal Year Ending September 30,	NDEQ Note	Bank Notes	G & O Water Bonds
2013	15,432	29,743	4,786
2014	15,337	11,338	19,490
2015	15,240		19,305
2016	15,142		19,080
2017	15,041		18,818
2018 - 2022	73,622		112,137
2023 - 2027	70,784		111,858
2028 - 2030	<u>40,986</u>		<u>52,957</u>
	261,584	41,081	358,431
Less interest and fees	<u>(59,366)</u>	<u>(1,093)</u>	<u>(103,431)</u>
Total	<u>202,218</u>	<u>39,988</u>	<u>255,000</u>

NOTE 6. HOUSING GRANTS AND LOANS

In connection with a Community Development Block Grants, loans and grants were awarded to individuals in Creighton and certain surrounding towns for housing rehabilitation. A condition of this program is 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.

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 9/30/11	Increases	Decreases	Balance 9/30/12
<u>Governmental Activities</u>				
Land - nondepreciable	24,954			24,954
Buildings and improvements	1,752,963	43,067		1,796,030
Equipment and vehicles	<u>2,158,211</u>	<u>24,590</u>		<u>2,182,801</u>
Totals at cost	3,936,128	67,657		4,003,785
Accumulated depreciation	<u>(2,342,126)</u>	<u>(129,576)</u>		<u>(2,471,702)</u>
Net capital assets	<u>1,594,002</u>	<u>(61,919)</u>		<u>1,532,083</u>
<u>Business-Type Activities</u>				
Land - nondepreciable	6,300			6,300
Construction-in-progress - nondepreciable		246,650		246,650
Water Department	1,550,296			1,550,296
Sewer Department	785,847			785,847
Equipment	<u>72,446</u>			<u>72,446</u>
Totals at cost	2,414,889	246,650		2,661,539
Accumulated depreciation	<u>(1,410,803)</u>	<u>(70,480)</u>		<u>(1,481,283)</u>
Net capital assets	<u>1,004,086</u>	<u>176,170</u>		<u>1,180,256</u>

Depreciation

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

Governmental Activities

General Government	8,062
Public Safety	50,170
Highways and Streets	31,687
Public Works - other	5,840
Culture and Recreation	<u>33,817</u>
Total depreciation expense - governmental activities	<u>129,576</u>

Business-Type Activities

Water Fund	50,322
Sewer Fund	<u>20,158</u>
Total depreciation expense - business-type activities	<u>70,480</u>

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

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. SALE OF HOSPITAL AND TRANSFER TO GENERAL FUND

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 this sale, remaining cash assets were transferred to the City's General Fund. Amounts transferred were as follows:

Year ended September 30, 2011	1,879,201
Year ended September 30, 2012	1,096,339

In March 2012, the City approved a transfer of donation funds set aside from the sale, of \$396,905, to Avera Hospital for an upgrade project to the facility.

As of September 30, 2012, the City's General Fund included cash accounts from the "hospital sale" of \$2,596,865, which are consider assigned to future projects and other uses to be determined by the City Council.

The Hospital Enterprise Fund account is used to account for the liquidation of remaining non-cash assets and settlement of liabilities. For the year ended September 30, 2012, the net liquidation gain was \$38,306, due primarily to collections on receivables in excess of amounts estimated.

NOTE 10. TRANSFERS

Transfers, other than the Hospital to General, for the year consisted of General Fund transfers for support to the Street and Recycling Funds of \$71,176 and \$3,930, respectively.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 11. RESTATEMENT

The financial statements in prior years did not include the financial statements related to the Creighton Area Health Services, an enterprise fund. As described above, the facilities were sold in 2011. Separate financial statements were issued through September 30, 2011. For the year ending in September 30, 2012, the financial information related to the continuing liquidation of the facility is included as an enterprise funds. The net effect of including the fund was an increase in beginning fund equity (unrestricted net assets) of \$1,073,000. This was equal to the unrestricted net assets reported on the September 30, 2011 audited financial statements of Creighton Area Health Services.

NOTE 12. COMMITMENTS

During 2012, the City commenced a major water improvement project. The total estimated cost of the project is \$985,000, and will be financed through the Nebraska Department of Environmental Quality with loan and grant funds of \$788,000, and \$197,000, respectively. As of September 30, 2012, construction-in-progress was \$246,650. Additional contracts of \$636,864 were approved in August 2012, for which work had not commenced at year end.

NOTE 13. SUBSEQUENT EVENTS

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 29, 2013, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
CASH BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
ALL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	2012		
	General All-Purpose		
	Budget Original and Final	Actual	Favorable (Unfavorable)
REVENUES			
Federal grant		46,106	46,106
Property taxes	131,451	114,137	(17,314)
Sales taxes	135,000	159,829	24,829
Motor vehicle taxes	18,000	20,261	2,261
Other taxes	18,000	18,103	103
Licenses and permits	2,560	4,802	2,242
Intergovernmental - State	264,840	285,970	21,130
Charges for services	791,351	982,367	191,016
Interest	41,406	49,798	8,392
NPPD lease	154,000	162,604	8,604
Debt proceeds	842,000	184,423	(657,577)
Interfund transfers in	310,074	1,171,445	861,371
Other	56,630	113,253	56,623
Total revenues	2,765,312	3,313,098	547,786
EXPENDITURES			
General Government	151,940	167,244	(15,304)
Public Works - Recycling	5,910	5,993	(83)
Public Works - Street	370,083	371,611	(1,528)
Public Works - Utility Funds	1,582,583	757,115	825,468
Public Health and Safety	368,905	211,025	157,880
Culture and Recreation	272,634	196,019	76,615
Housing Rehab and Community Development	27,427	17,271	10,156
Appropriation of hospital funds	2,838,088	444,051	2,394,037
Interfund transfers in (out)	310,074	1,171,445	(861,371)
Total expenditures	5,927,644	3,341,774	2,585,870
REVENUES OVER (UNDER) EXPENDITURES	(3,162,332)	(28,676)	3,133,656
CASH BALANCE, beginning of year	3,681,073	3,590,623	
CASH BALANCE, end of year	518,741	3,561,947	

See accompanying notes to budgetary statement.

CITY OF CREIGHTON, NEBRASKA
NOTES TO BUDGETARY STATEMENT

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.

Reconciliation

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

Revenues over (under) expenditures - budgetary basis	
Governmental funds	696,033
Enterprise funds	<u>(724,709)</u>
Revenues under expenditures - all funds - budgetary basis	<u>(28,676)</u>
Revenues under expenditures - budgetary basis	
Enterprise funds	<u>(724,709)</u>
Adjustments	
Increase (decrease) in accounts receivable	(187,085)
Increase (decrease) in inventory	1,461
(Increase) decrease in accounts payable	5,105
(Increase) decrease in deposits	(600)
(Increase) in other accrued liabilities	(871)
Amortization of bonds costs	(305)
Capitalized assets	246,650
Depreciation	(70,480)
Debt proceeds	(184,423)
Principal payments	<u>29,250</u>
Total adjustments	<u>(161,298)</u>
Net loss - enterprise funds	<u>(886,007)</u>

CITY OF CREIGHTON, NEBRASKA
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN CASH BALANCE BY DEPARTMENT
YEAR ENDED SEPTEMBER 30, 2012

WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011

	2012						2011	
	General Government		Public Safety		Culture and Recreation		Total	Total
	General	Hospital Building	Police	Library Park	Pool	Total		
REVENUES OVER (UNDER) EXPENDITURES	297,851	(360,959)	(158,427)	(53,711)	(48,245)	(5,339)	(377,395)	44,310
OTHER FINANCING SOURCES (USES)								
Transfer from Creighton Area Health Services	1,096,339						1,096,339	1,879,201
Transfers	(321,638)	(30,000)	158,427	47,105	32,108	(1,108)	(75,106)	(851)
Total other financing sources (uses)	(321,638)	1,066,339	158,427	47,105	32,108	(1,108)	1,021,233	1,878,350
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPEN- DITURES AND OTHER FINANCING USES	(23,787)	705,380	(8,565)	(6,606)	(16,137)	(6,447)	643,838	1,922,660
CASH BALANCE, beginning of year							2,309,247	386,587
CASH BALANCE, end of year							2,953,085	2,309,247

CITY OF CREIGHTON, NEBRASKA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN CASH BALANCES
YEAR ENDED SEPTEMBER 30, 2012
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011

	2012					2011 Total
	Street	Fire Department	Community Development	Recycling	Ambulance	
REVENUES						
Taxes						
Property taxes		12,231				12,231
Nebraska Public Power District		1,895				1,895
City sales taxes	48,850					48,850
Intergovernmental						
Federal grants		2,825				2,825
State grants						
Highway allocation/incentive	125,472					125,472
Motor vehicle fees	10,773					10,773
Township levy	20,655					20,655
Mutual Finance Organization		8,690				8,690
Rural Fire Department - cost share		13,663				13,663
Other		2,032				2,032
NPPD lease	110,997					110,997
Charges for services	397			2,400	24,286	27,083
Interest	184	760	31		1,988	2,935
Other	415	1,348	16,795		676	19,234
Total revenues	<u>317,743</u>	<u>43,444</u>	<u>16,826</u>	<u>2,400</u>	<u>26,950</u>	<u>407,363</u>
EXPENDITURES						
Personal services	56,460				436	56,896
Operating expenditures	85,187	31,425	440	5,993	14,570	137,615
Debt service principal	27,991					27,991
Debt service interest	2,009					2,009
Capital outlay	<u>199,964</u>	<u>5,799</u>	<u>440</u>	<u>5,993</u>	<u>15,006</u>	<u>205,763</u>
Total expenditures	<u>371,611</u>	<u>37,224</u>	<u>440</u>	<u>5,993</u>	<u>15,006</u>	<u>430,274</u>

CITY OF CREIGHTON, NEBRASKA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN CASH BALANCES
YEAR ENDED SEPTEMBER 30, 2012

WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011

	2012				2011	
	Street	Fire Department	Community Development	Recycling	Ambulance	Total
REVENUES OVER (UNDER) EXPENDITURES	(53,868)	6,220	16,386	(3,593)	11,944	(22,911)
OTHER FINANCING SOURCES (USES) Operating transfers in (out)	<u>71,176</u>	—	—	<u>3,930</u>	—	<u>75,106</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>17,308</u>	<u>6,220</u>	<u>16,386</u>	<u>337</u>	<u>11,944</u>	52,195
FUND BALANCES (DEFICIT), beginning 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>
FUND BALANCES (DEFICIT), end of year	<u>65,790</u>	<u>89,158</u>	<u>28,471</u>	<u>(97)</u>	<u>159,972</u>	<u>343,294</u>
						<u>291,099</u>

CITY OF CREIGHTON, NEBRASKA
NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN CASH BALANCES
YEAR ENDED SEPTEMBER 30, 2012

	Fire Department	Recycling	Permanent Fund Hoferer Trust	Total
REVENUES				
Taxes	14,126			14,126
Intergovernmental	27,210			27,210
Charges for services		2,400		2,400
Interest	760			760
Other	<u>1,348</u>			<u>1,348</u>
Total revenues	<u>43,444</u>	<u>2,400</u>	<u> </u>	<u>45,844</u>
EXPENDITURES				
Operating	31,425	5,993		37,418
Capital outlay	<u>5,799</u>			<u>5,799</u>
Total expenditures	<u>37,224</u>	<u>5,993</u>	<u> </u>	<u>43,217</u>
REVENUES OVER (UNDER) EXPENDITURES	6,220	(3,593)		2,627
OTHER FINANCING SOURCES				
Transfers in		<u>3,930</u>		<u>3,930</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	6,220	337		6,557
FUND BALANCES (DEFICIT), beginning of year	<u>82,938</u>	<u>(434)</u>	<u>86,169</u>	<u>168,673</u>
FUND BALANCES (DEFICIT), end of year	<u>89,158</u>	<u>(97)</u>	<u>86,169</u>	<u>175,230</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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 29, 2013. 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

Management of the City of Creighton, Nebraska, is responsible for establishing and maintaining effective 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.

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 deficiency described in the accompanying schedule of findings and responses to be a material weakness as item 2012-1.

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 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 2012-2, 2012-3 and 2012-4.

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 of Creighton, Nebraska's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of Creighton, Nebraska's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, 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
March 29, 2013

CITY OF CREIGHTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2012

2012-1 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.

2012-2 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, 2012

2012-2 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.

2012-3 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.

During 2012, monthly financial reports were not reconciled to the general ledger and reconciled to the actual balances of cash accounts. This report should include all funds and be reconciled at month end.

Criteria

An organization should have policies and procedures including related internal controls in place to prepare accurate financial reports and year end 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. Monthly financial reports should be reconciled to the underlying general ledgers and cash accounts. All funds should be included on such reports. 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, 2012

2012-3 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 related disclosures and approves all adjustments.

2012-4 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.

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

SIGNIFICANT DEFICIENCIES REPORTED IN PRIOR YEAR

The 2012-1, 2012-2, 2012-3 and 2012-4 findings were reported for the year ended September 30, 2011, except for the scope of finding 2012-3 related to the month end reconciliations. Other findings were identical to those of the current year. Finding 2011-3 was as follows:

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'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.