

CITY OF CREIGHTON, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

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, 2008 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, 2007 financial statements and, in our report dated January 11, 2008, 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, 2008 audited financial statements, had been included, the business-type activities and Enterprise Fund assets, liabilities, revenues, and expenses would have increased by \$9,189,349, \$6,377,433, \$9,290,832, and \$8,945,782, 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, 2008, 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, 2008, 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, 2008, 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 March 2, 2009, on our consideration of the City of Creighton, Nebraska's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The budgetary comparison information on pages 26 through 27 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The other supplemental information, on pages 28 through 30 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Dana J Cole + Company, LLP

O'Neill, Nebraska  
March 2, 2009

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS  
BUSINESS-TYPE ACTIVITIES - ACCRUAL BASIS  
SEPTEMBER 30, 2008

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	365,849	7,869	373,718
Certificates of deposit	314,748	49,238	363,986
Cash held by County Treasurer	8,719		8,719
Accounts receivable		75,927	75,927
Inventories		13,730	13,730
Restricted cash	77,668		77,668
Restricted certificates of deposit	110,169	35,354	145,523
Capital assets			
Nondepreciable	24,954	6,300	31,254
Depreciable - net of depreciation	<u>1,396,682</u>	<u>914,344</u>	<u>2,311,026</u>
<b>TOTAL ASSETS</b>	<u>2,298,789</u>	<u>1,102,762</u>	<u>3,401,551</u>
<b>LIABILITIES</b>			
Accounts payable		31,325	31,325
Accrued expenses		6,238	6,238
Customer deposits		9,570	9,570
Capital lease payable within one year	14,310		14,310
Bonds payable within one year		8,511	8,511
Noncurrent liabilities			
Capital lease payable in more than one year	12,778		12,778
Bonds payable in more than one year		<u>283,672</u>	<u>283,672</u>
<b>TOTAL LIABILITIES</b>	<u>27,088</u>	<u>339,316</u>	<u>366,404</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,394,548	628,461	2,023,009
Restricted for:			
Senior Citizen Center maintenance	24,000		24,000
Streets	102,278		102,278
Fire department	45,493		45,493
Swimming pool operations (sales tax ordinance)	109,180		109,180
Recycling project	95,582		95,582
Endowment - unexpendable	86,169		86,169
Water and sewer plant replacements		35,354	35,354
Economic development	<u>54,019</u>		<u>54,019</u>
Total restricted	<u>516,721</u>	<u>35,354</u>	<u>552,075</u>
Unrestricted	<u>360,432</u>	<u>99,631</u>	<u>460,063</u>
<b>TOTAL NET ASSETS</b>	<u>2,271,701</u>	<u>763,446</u>	<u>3,035,147</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, 2008

Functions/programs	Program Revenues				Net (Expense) Revenue and		
	Expenditures/ Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Assets		
					Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
General Government	193,044	9,512	3,494		(180,038)		(180,038)
Public Safety	297,646	46,003	21,775	74,503	(155,365)		(155,365)
Public Works - recycling	13,379	11,089	17,997		15,707		15,707
Highways and Streets	253,959	845	156,314		(96,800)		(96,800)
Culture and Recreation	142,951	12,359	5,862		(124,730)		(124,730)
Economic Development	841		24,733		23,892		23,892
Interest on long-term debt	2,121				(2,121)		(2,121)
Total governmental activities	903,941	79,808	230,175	74,503	(519,455)		(519,455)
Business-type activities							
Water	190,040	172,285	2,483		(15,272)		(15,272)
Sewer	116,812	73,832			(42,980)		(42,980)
Landfill	116,071	115,450			(621)		(621)
Total business-type activities	422,923	361,567	2,483		(58,873)		(58,873)
Total primary government	1,326,864	441,375	232,658	74,503	(519,455)		(578,328)
General revenues							
Property taxes - levied for general purposes				102,829			102,829
Other taxes - NPPD				13,669			13,669
City sales taxes				126,140			126,140
Motor vehicle taxes				20,201			20,201
Franchise fees				8,640			8,640
Unrestricted state revenues				127,462			127,462
Unrestricted investment earnings				26,232	3,690		29,922
NPPD lease unrestricted				129,237			129,237
Other miscellaneous revenues				11,060			11,060
Total general revenues				565,470	3,690		569,160
Transfers				(12,000)		12,000	
CHANGE IN NET ASSETS				34,015	(43,183)		(9,168)
NET ASSETS, beginning of year				2,237,686	806,629		3,044,315
NET ASSETS, end of year				2,271,701	763,446		3,035,147

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, 2008  
 WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2007

	2008					2007
	General	Street	Fire	Recycling	Other	Totals
ASSETS						
Cash and cash equivalents	177,854	60,480	44,777	18,943	63,795	365,849
Certificates of deposit	198,990	41,798			73,960	314,748
Cash at County Treasurer	8,003		716			8,719
Due from other funds						15,235
Restricted cash	1,029			76,639		77,668
Restricted certificates of deposit	24,000				86,169	110,169
<b>TOTAL ASSETS</b>	<u>409,876</u>	<u>102,278</u>	<u>45,493</u>	<u>95,582</u>	<u>223,924</u>	<u>877,153</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
FUND BALANCES						
Reserved for senior citizen center maintenance	24,000					24,000
Reserved for endowment - unexpendable					86,169	86,169
Reserved for ambulance equipment						10,000
Reserved for pool expenditures	109,180					109,180
Unreserved	<u>276,696</u>	<u>102,278</u>	<u>45,493</u>	<u>95,582</u>	<u>137,755</u>	<u>657,804</u>
Total fund balances	<u>409,876</u>	<u>102,278</u>	<u>45,493</u>	<u>95,582</u>	<u>223,924</u>	<u>877,153</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>409,876</u>	<u>102,278</u>	<u>45,493</u>	<u>95,582</u>	<u>223,924</u>	<u>877,153</u>

CITY OF CREIGHTON, NEBRASKA  
 STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
 MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2008

	2008 Total
Amounts reported for governmental activities in the statement of net assets are different because:	
Fund balances of governmental funds	877,153
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,421,636
Some liabilities, including capital leases payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(27,088)</u>
Net assets of governmental activities	<u>2,271,701</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, 2008

WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2008					2007	
	General	Street	Fire Department	Recycling	Other	Total	Total
REVENUES							
Taxes	225,267	25,228	12,344			262,839	303,767
Licenses and permits	4,792					4,792	3,230
Intergovernmental	128,629	156,314	96,499	17,997		399,439	418,886
Charges for services	17,079	845		11,089	46,003	75,016	68,131
Interest	18,091	1,817	1,553	1,265	3,506	26,232	20,310
Other	89,593	65,298	554		26,193	181,638	173,314
Total revenues	483,451	249,502	110,950	30,351	75,702	949,956	987,638
EXPENDITURES							
General Government	179,522					179,522	168,638
Public Works - Recycling				10,678		10,678	56,649
Public Works - Highways and Streets	185,840	237,835				237,835	222,445
Public Health and Safety	111,911		193,323		38,820	417,983	177,447
Culture and Recreation					841	841	108,906
Community Development							
Debt service							
Principal		12,422				12,422	12,256
Interest		2,121				2,121	582
Total expenditures	477,273	252,378	193,323	10,678	39,661	973,313	748,499
REVENUES OVER (UNDER) EXPENDITURES	6,178	(2,876)	(82,373)	19,673	36,041	(23,357)	239,139
OTHER FINANCING USES	(22,514)			2,329	8,185	(12,000)	(10,008)
Operating transfers in (out)							
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(16,336)	(2,876)	(82,373)	22,002	44,226	(35,357)	229,131
FUND BALANCES, beginning of year	426,212	105,154	127,866	73,580	179,698	912,510	683,379
FUND BALANCES, end of year	409,876	102,278	45,493	95,582	223,924	877,153	912,510

CITY OF CREIGHTON, NEBRASKA  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 YEAR ENDED SEPTEMBER 30, 2008

2008  
Total

(35,357)

56,950

12,422

34,015

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, 2008  
WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2007

	2008				2007 Total
	Business-Type Activities - Enterprise Funds				
	Sewer	Water	Landfill	Total	
<b>ASSETS</b>					
Current Assets					
Cash		7,869		7,869	2,637
Certificates of deposit		49,238		49,238	37,294
Due from other funds		21,152		21,152	
Accounts receivable (net)	20,285	53,597	2,045	75,927	71,800
Inventories		13,730		13,730	13,455
Total current assets	<u>20,285</u>	<u>145,586</u>	<u>2,045</u>	<u>167,916</u>	<u>125,186</u>
Restricted Assets	<u>12,234</u>	<u>23,120</u>		<u>35,354</u>	<u>45,216</u>
Capital Assets					
Nondepreciable - land	2,000	3,800	500	6,300	6,300
Depreciable assets					
Sewer system	577,806			577,806	573,441
Water system		1,407,445		1,407,445	1,407,445
Equipment	32,018	120,050	3,830	155,898	154,075
Accumulated depreciation	(380,128)	(842,847)	(3,830)	(1,226,805)	(1,158,388)
Total capital assets	<u>231,696</u>	<u>688,448</u>	<u>500</u>	<u>920,644</u>	<u>982,873</u>
<b>TOTAL ASSETS</b>	<u>264,215</u>	<u>857,154</u>	<u>2,545</u>	<u>1,123,914</u>	<u>1,153,275</u>
<b>LIABILITIES</b>					
Current Liabilities Payable from					
Current Assets					
Due to other funds	17,988		3,164	21,152	15,235
Accounts payable	12,164	9,781	9,380	31,325	15,556
Deferred compensation	3,119	3,119		6,238	5,696
Current amount of long-term debt		8,511		8,511	8,106
Total current liabilities payable from current assets	<u>33,271</u>	<u>21,411</u>	<u>12,544</u>	<u>67,226</u>	<u>44,593</u>

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2008  
WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2007

	2008				2007 Total
	Business-Type Activities - Enterprise Funds			Total	
	Sewer	Water	Landfill		
LIABILITIES (Continued)					
Noncurrent Liabilities					
Customer deposits		9,570		9,570	9,870
Bonds payable		292,183		292,183	300,289
Less current amounts		(8,511)		(8,511)	(8,106)
Total noncurrent liabilities		<u>293,242</u>		<u>293,242</u>	<u>302,053</u>
 TOTAL LIABILITIES	<u>33,271</u>	<u>314,653</u>	<u>12,544</u>	<u>360,468</u>	<u>346,646</u>
 NET ASSETS					
Invested in capital assets, net of related debt	231,696	396,265	500	628,461	682,584
Restricted for replacements	12,234	23,120		35,354	45,216
Unrestricted (deficit)	<u>(12,986)</u>	<u>123,116</u>	<u>(10,499)</u>	<u>99,631</u>	<u>78,829</u>
 TOTAL NET ASSETS (DEFICIT)	<u>230,944</u>	<u>542,501</u>	<u>(9,999)</u>	<u>763,446</u>	<u>806,629</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, 2008  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2008				2007 Total
	Enterprise Funds				
	Sewer	Water	Landfill	Total	
<b>OPERATING REVENUES</b>					
User charges	73,122	168,692	115,450	357,264	340,433
Miscellaneous	710	3,593		4,303	2,829
Total operating revenues	<u>73,832</u>	<u>172,285</u>	<u>115,450</u>	<u>361,567</u>	<u>343,262</u>
<b>OPERATING EXPENSES</b>					
Personal services	54,421	54,387	4,655	113,463	102,973
Materials and supplies	1,805	12,929		14,734	22,284
Repairs and maintenance	10,454	10,677		21,131	23,289
Gasoline and oil	1,349			1,349	468
Office expenses		2,237	398	2,635	2,112
Insurance	655			655	2,904
Utilities	11,558	37,213		48,771	45,294
Purchased garbage hauling			110,935	110,935	117,920
Professional fees and schooling	17,063	6,004		23,067	5,951
Depreciation expense	17,414	51,003		68,417	72,829
Miscellaneous operating expense	2,093	576	83	2,752	5,197
Total operating expenses	<u>116,812</u>	<u>175,026</u>	<u>116,071</u>	<u>407,909</u>	<u>401,221</u>
<b>OPERATING LOSS</b>	<u>(42,980)</u>	<u>(2,741)</u>	<u>(621)</u>	<u>(46,342)</u>	<u>(57,959)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Federal grants		2,483		2,483	6,832
Interest income	478	3,212		3,690	3,849
Interest expense		(15,014)		(15,014)	(15,400)
Total nonoperating revenues (expenses)	<u>478</u>	<u>(9,319)</u>		<u>(8,841)</u>	<u>(4,719)</u>
<b>LOSS BEFORE OPERATING TRANSFERS</b>	<u>(42,502)</u>	<u>(12,060)</u>	<u>(621)</u>	<u>(55,183)</u>	<u>(62,678)</u>
Operating transfers in			12,000	12,000	10,008
<b>NET INCOME (LOSS)</b>	<u>(42,502)</u>	<u>(12,060)</u>	<u>11,379</u>	<u>(43,183)</u>	<u>(52,670)</u>
<b>NET ASSETS (DEFICIT), beginning of year</b>	<u>273,446</u>	<u>554,561</u>	<u>(21,378)</u>	<u>806,629</u>	<u>859,299</u>
<b>NET ASSETS (DEFICIT), end of year</b>	<u>230,944</u>	<u>542,501</u>	<u>(9,999)</u>	<u>763,446</u>	<u>806,629</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, 2008  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2008				2007 Totals
	Enterprise Funds				
	Sewer	Water	Landfill	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	72,985	164,381	115,771	353,137	340,604
Other cash received	710	7,093		7,803	7,629
Cash paid for contracted hauling			(110,564)	(110,564)	(118,149)
Cash paid for personal services	(54,150)	(54,116)	(4,655)	(112,921)	(101,963)
Other cash payments	(32,813)	(70,477)	(481)	(103,771)	(106,572)
Net cash provided by (used in) operating activities	(13,268)	46,881	71	33,684	21,549
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Cash receipts from interest	470	1,138		1,608	1,767
Net cash provided by investing activities	470	1,138		1,608	1,767
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Cash paid for equipment and improvements	(6,188)			(6,188)	
Principal paid on long-term debt		(8,106)		(8,106)	(7,720)
Cash paid for interest		(15,014)		(15,014)	(15,400)
Net cash used in capital and related financing activities	(6,188)	(23,120)		(29,308)	(23,120)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Federal Grants		2,483		2,483	6,832
Change in amounts due other funds	17,988	(21,152)	(12,071)	(15,235)	(14,454)
Transfers from other funds			12,000	12,000	10,008
Net cash provided by (used in) noncapital financing activities	17,988	(18,669)	(71)	(752)	2,386

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2008  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2008				2007 Totals
	Enterprise Funds				
	Sewer	Water	Landfill	Total	
NET INCREASE (DECREASE) IN CASH	(998)	6,230	- 0 -	5,232	2,582
CASH AND CASH EQUIVALENTS, beginning of year	998	1,639	- 0 -	2,637	55
CASH AND CASH EQUIVALENTS, end of year	- 0 -	7,869	- 0 -	7,869	2,637
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities					
Operating loss	(42,980)	(2,741)	(621)	(46,342)	(57,959)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	17,414	51,003		68,417	72,829
Changes in assets and liabilities:					
(Increase) Decrease in accounts receivable	(137)	(4,311)	321	(4,127)	171
(Increase) Decrease in inventory		(275)		(275)	431
Increase (Decrease) in accounts payable	12,164	3,234	371	15,769	2,759
Increase (Decrease) in customer deposits		(300)		(300)	2,308
Increase (Decrease) in accrued expenses	271	271		542	1,010
Total adjustments	29,712	49,622	692	80,026	79,508
Net cash provided by (used in) operating activities	(13,268)	46,881	71	33,684	21,549

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

The financial statements presented herein do not include the Creighton Area Health Services (CAHS), which consists of the City's Hospital and Nursing Home Funds. These funds are enterprise funds of the City and accounted for as business-type activities. CAHS was audited by other auditors whose report for the year ended September 30, 2008, dated December 22, 2008, expressed an unqualified opinion on the financial statements.

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

Based on the Foundation's records for the year ended September 30, 2008, the assets, liabilities, revenues and expenditures were \$36,163, \$- 0 -, \$15,394, and \$5,703, respectively.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Government-Wide Statements

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

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

The City does not allocate indirect costs.

Fund Financial Statements

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

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

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

The City reports using the following funds:

Governmental Funds

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

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

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

Proprietary Funds

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

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

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Measurement Focus (Continued)

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

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

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

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

The Proprietary Fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary Fund equity is classified as net assets.

Basis of Accounting

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

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

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Basis of Accounting (Continued)

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

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

D. BUDGETS

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

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

E. CASH AND INVESTMENTS

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

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

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

F. ACCOUNTS RECEIVABLE

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

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. INVENTORY

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

H. CAPITAL ASSETS

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

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

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

As permitted by GASB 34, 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.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. LONG-TERM DEBT (Continued)

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

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

J. COMPENSATED ABSENCES

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

K. EQUITY CLASSIFICATIONS

Government-Wide Statements

Net assets are displayed in three components:

Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

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 generally accepted accounting principles and other comprehensive basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. PRIOR-YEAR INFORMATION

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

NOTE 2. CASH AND DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. State law requires all funds in depositories to be fully insured or collateralized; and the City's policy is to require depositories to provide pledged securities to cover deposits in excess of FDIC limits. At September 30, 2008, 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 the Enterprise Funds consist of water and sewer certificates of deposit restricted for replacements. The Water Fund Replacement Fund is required under terms of the 1993 Bond Agreement. Terms of a prior Federal Sewer Grant established the Sewer Replacement Fund.

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

General Fund - Senior Center maintenance	24,000
General Fund - Infrastructure (MIRF)	1,029
Recycling Fund - building and equipment restricted by grant	76,639
Permanent Fund - endowment general purpose	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, 2008 were \$6,932 and employees' contributions were \$9,476, which was equal to 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

1993 Water Bonds in the original amount of \$396,700, are payable to USDA Rural Development. Annual payments of \$23,120, which include interest at 5%, are due through 2029. The bonds were issued to finance water plant and distribution system improvements. These bonds are backed by the taxing authority of the City, but are being retired by Water Fund revenues. Therefore, the bonds are included as Enterprise Fund liabilities.

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

Capital Lease Contract

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

There are no contingent or sublease agreements related to the above lease. Minimum payments for the year ended are as follows:

2009	14,544
2010	<u>14,544</u>
	29,088
Less amounts representing interest	<u>(2,000)</u>
Present value, September 30, 2008	<u>27,088</u>

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

Changes in Long-Term Debt

	<u>USDA Bonds</u>	<u>G &amp; O Nursing Home</u>	<u>Capital Lease</u>
Principal balance, beginning	300,289	265,000	39,510
Debt issued	- 0 -	- 0 -	- 0 -
Principal paid	<u>(8,106)</u>	<u>(50,000)</u>	<u>(12,422)</u>
Principal balance, ending	<u>292,183</u>	<u>215,000</u>	<u>27,088</u>

Maturities on Long-Term Debt

<u>Fiscal Year Ending September 30,</u>	<u>USDA Bonds</u>	<u>2002 Nursing Home</u>
2009	23,120	60,112
2010	23,120	62,838
2011	23,120	60,280
2012	23,120	57,668
2013	23,120	
2014 - 2018	115,600	
2019 - 2023	115,600	
2024 - 2028	115,600	
2029	<u>11,299</u>	
	473,699	240,898
Less interest	<u>(181,516)</u>	<u>(25,898)</u>
Total	<u>292,183</u>	<u>215,000</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.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008, was as follows:

	<u>Balance</u> <u>10/01/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/08</u>
<u>Governmental Activities</u>				
Land - not depreciable	24,954			24,954
Buildings and improvements	1,596,082			1,596,082
Equipment and vehicles	<u>1,704,877</u>	<u>164,469</u>	_____	<u>1,869,346</u>
Totals at cost	3,325,913	164,469		3,490,382
Accumulated depreciation	<u>(1,961,227)</u>	<u>(107,519)</u>	_____	<u>(2,068,746)</u>
Net capital assets	<u>1,364,686</u>	<u>56,950</u>	_____	<u>1,421,636</u>
<u>Business-Type Activities</u>				
Land - not depreciable	6,300			6,300
Depreciable assets				
Water Department	1,435,705			1,435,705
Sewer Department	573,441	6,188		579,629
Transportation and other equipment	<u>125,815</u>	_____	_____	<u>125,815</u>
Totals at cost	2,141,261	6,188		2,147,449
Accumulated depreciation	<u>(1,158,388)</u>	<u>(68,417)</u>	_____	<u>(1,226,805)</u>
Net capital assets	<u>982,873</u>	<u>(62,229)</u>	_____	<u>920,644</u>

Depreciation

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

<u>Governmental Activities</u>	
General Government	13,522
Public Safety	39,132
Highways and Streets	21,124
Public Works - Other	2,701
Culture and Recreation	<u>31,040</u>
Total depreciation expense - governmental activities	<u>107,519</u>
<u>Business-Type Activities</u>	
Water Fund	51,003
Sewer Fund	<u>17,414</u>
Total depreciation expense - business-type activities	<u>68,417</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. INTERFUND RECEIVABLES AND PAYABLES

The City uses a joint checking account for all funds. As of September 30, 2008, the Landfill Fund and Sewer Fund had deficit balances in this checking account. These amounts are reflected as amounts due to the Water Fund in the financial statements as follows:

Amounts due Water Fund from:

Enterprise Funds	
Sewer	17,988
Landfill	<u>3,164</u>
Total due to Water Fund	<u>21,152</u>

NOTE 10. DEFICIT FUND BALANCE

As of September 30, 2008, the City's Landfill Fund, an enterprise fund, had a deficit net asset balance of \$9,999. The City does not have any immediate plans for restoring this deficit.

NOTE 11. TRANSFERS

Interfund transfers for the year consisted of transfers from the General Fund to the Ambulance Fund for future equipment purchases of \$8,185 and transfers from the General Fund to the Landfill and Recycling Funds for support of \$12,000 and \$2,329, respectively.

REQUIRED 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, 2008

	General All-Purpose		
	Budget Original and Final	Actual	Favorable (Unfavorable)
<b>REVENUES</b>			
Federal	74,503	85,107	10,604
Property taxes	116,130	104,250	(11,880)
Sales taxes	155,000	126,140	(28,860)
Motor vehicle taxes	20,000	20,201	201
Other taxes	12,130	12,248	118
Licenses and permits	2,000	4,792	2,792
Intergovernmental - state	276,946	285,639	8,693
Charges for services	382,000	428,153	46,153
Interest	12,350	29,922	17,572
NPPD lease	120,000	129,237	9,237
Other	215,102	152,593	(62,509)
Total revenues	1,386,161	1,378,282	(7,879)
<b>EXPENDITURES</b>			
General Government	277,549	179,522	98,027
Public Works - Recycling		10,678	(10,678)
Public Works - Street	312,972	252,378	60,594
Public Works - Utility Funds	422,791	356,564	66,227
Public Health and Safety	596,607	417,983	178,624
Culture and Recreation	251,203	111,911	139,292
Housing Rehab and Community Development	180,201	841	179,360
Debt Service - Nursing Home	62,312	61,213	1,099
Total expenditures	2,103,635	1,391,090	712,545
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(717,474)	(12,808)	704,666
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	40,000	22,514	(17,486)
Operating transfers (out)	(40,000)	(22,514)	17,486
Total other financing sources (uses)	-	-	-
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	(717,474)	(12,808)	704,666
CASH BALANCE, beginning of year		982,422	
CASH BALANCE, end of year		969,614	

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.

There were no amendments to the budget during the year.

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	(35,357)
Enterprise funds	<u>22,549</u>
Revenues under expenditures - all funds - budgetary basis	<u>(12,808)</u>
Revenues over expenditures - budgetary basis	
Enterprise funds	<u>22,549</u>
Adjustments	
Increase in accounts receivable	4,127
Increase in inventory	275
(Increase) in accounts payable	(15,769)
Decrease in deposits	300
(Increase) in accrued expenses	(542)
Increase in capital outlay	6,188
Depreciation	(68,417)
Principal payments	<u>8,106</u>
Total adjustments	<u>(65,732)</u>
Net loss - enterprise funds	<u>(43,183)</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, 2008

	General Government		Public Safety		Culture and Recreation			Totals
	General	Building	Police	Library	Park	Pool		
<b>REVENUES</b>								
Taxes								
Sales taxes	50,456					50,456		100,912
Property taxes	91,906							91,906
Motor vehicle tax	20,201							20,201
Nebraska Public Power District	12,248							12,248
Licenses and permits	4,792							4,792
Intergovernmental								
Federal Grant	2,221							2,221
State aid	11,188							11,188
Municipal equalization	100,201							100,201
Homestead exemption	10,067							10,067
Property tax relief	3,749							3,749
Motor vehicle prorate	426							426
Other				777				777
Charges for services	4,600	120		770	1,150	10,439		17,079
Interest income	13,106	456		169	1,179	3,181		18,091
NPPD lease	64,619							64,619
Donations	1,073		150					1,223
Franchise fees	4,959	3,681						8,640
Other	8,551		883	3,587	2,090			15,111
Total revenues	<u>404,363</u>	<u>4,257</u>	<u>1,033</u>	<u>5,303</u>	<u>4,419</u>	<u>64,076</u>		<u>483,451</u>
<b>EXPENDITURES</b>								
Personal services	32,366	11,874	131,786	15,597	16,266	24,591		232,480
Operating expenditures	92,781	11,595	26,411	9,980	23,981	14,986		179,734
Capital outlay	30,140	766	27,643	4,103	2,407			65,059
Total expenditures	<u>155,287</u>	<u>24,235</u>	<u>185,840</u>	<u>29,680</u>	<u>42,654</u>	<u>39,577</u>		<u>477,273</u>
REVENUES OVER (UNDER) EXPENDITURES	249,076	(19,978)	(184,807)	(24,377)	(38,235)	24,499		6,178
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfer out	(22,514)							(22,514)
Department transfers	<u>(308,151)</u>	<u>24,000</u>	<u>180,651</u>	<u>28,500</u>	<u>75,000</u>			
Total other financing sources (uses)	<u>(330,665)</u>	<u>24,000</u>	<u>180,651</u>	<u>28,500</u>	<u>75,000</u>			<u>(22,514)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(81,589)</u>	<u>4,022</u>	<u>(4,156)</u>	<u>4,123</u>	<u>36,765</u>	<u>24,499</u>		<u>(16,336)</u>
CASH BALANCE, beginning of year								<u>426,212</u>
CASH BALANCE, end of year								<u>409,876</u>

CITY OF CREIGHTON, NEBRASKA  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN CASH BALANCES  
YEAR ENDED SEPTEMBER 30, 2008

	<u>Street</u>	<u>Fire Department</u>	<u>Community Development</u>	<u>Recycling</u>	<u>Ambulance</u>	<u>Totals</u>
REVENUES						
Taxes						
Property taxes		10,923				10,923
Nebraska Public Power District		1,421				1,421
City sales taxes	25,228					25,228
Intergovernmental						
Federal grants		74,503				74,503
Highway allocation/incentive	131,667			5,900		131,667
Motor vehicle fees	15,422					15,422
Township levy	9,225					9,225
Mutual Finance Organization		10,311				10,311
Rural Fire Department contributions		9,854				9,854
Other		1,831		12,097		13,928
NPPD lease	64,618					64,618
Charges for services	845				46,003	57,937
Interest	1,817	1,553	345		3,161	8,141
Other	680	554	24,733		1,460	27,427
Total revenues	<u>249,502</u>	<u>110,950</u>	<u>25,078</u>	<u>30,351</u>	<u>50,624</u>	<u>466,505</u>
EXPENDITURES						
Personal services	107,261					107,261
Operating expenditures	76,718	20,310	841		20,325	128,402
Debt service principal	12,422					12,422
Debt service interest	2,121					2,121
Capital outlay	53,857	173,013		470	18,495	245,835
Total expenditures	<u>252,379</u>	<u>193,323</u>	<u>841</u>	<u>10,678</u>	<u>38,820</u>	<u>496,041</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,877)	(82,373)	24,237	19,673	11,804	(29,536)
OTHER FINANCING USES						
Operating transfers in (out)				2,329	8,185	10,514
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,877)	(82,373)	24,237	22,002	19,989	(19,022)
FUND BALANCES, beginning of year	105,155	127,866	29,782	73,580	63,747	400,130
FUND BALANCES, end of year	<u>102,278</u>	<u>45,493</u>	<u>54,019</u>	<u>95,582</u>	<u>83,736</u>	<u>381,108</u>

CITY OF CREIGHTON, NEBRASKA  
NONMAJOR FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN CASH BALANCES  
YEAR ENDED SEPTEMBER 30, 2008

	<u>Community Development</u>	<u>Ambulance</u>	<u>Permanent Fund</u>	<u>Totals</u>
REVENUES				
Charges for services		46,003		46,003
Interest	345	3,161		3,506
Donations		1,100		1,100
Other	24,733	360		25,093
Total revenues	<u>25,078</u>	<u>50,624</u>		<u>75,702</u>
EXPENDITURES				
Operating	841	20,325		21,166
Capital outlay		18,495		18,495
Total expenditures	<u>841</u>	<u>38,820</u>		<u>39,661</u>
REVENUES OVER EXPENDITURES	24,237	11,804		36,041
OTHER FINANCING USES				
Operating transfers in (out)		<u>8,185</u>		<u>8,185</u>
REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	24,237	19,989		44,226
FUND BALANCES, beginning of year	<u>29,782</u>	<u>63,747</u>	<u>86,169</u>	<u>179,698</u>
FUND BALANCES, end of year	<u>54,019</u>	<u>83,736</u>	<u>86,169</u>	<u>223,924</u>

DANA F. COLE & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 2, 2009, 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 (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control. We believe that the significant deficiency described in Item 2008-1 in the accompanying schedule of findings and responses constitutes a material weaknesses.

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.

#### 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.

This report is intended solely for the information and use of the City Council, management, the 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 2, 2009

CITY OF CREIGHTON, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2008

2008-1 SEGREGATION OF DUTIES

Condition

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

Criteria

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

Possible Effect

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

Recommendations

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

City's Response

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

2008-2 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.

CITY OF CREIGHTON, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2008

2008-2 UTILITY BILLING (Continued)

Possible Effect

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

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 she 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 and consider random checks of accounts for proper billing and payment postings.

City's Response

The City will attempt to implement the above.

2008-3 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, 2008

2008-3 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.

2008-4 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, 2007, in our report dated January 11, 2008.