

CITY OF CREIGHTON, NEBRASKA  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017



**DANA F. COLE  
& COMPANY** LLP  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CREIGHTON, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

CITY OF CREIGHTON, NEBRASKA  
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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Creighton, Nebraska, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Creighton, Nebraska, as of September 30, 2017, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

## ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## ***Report on Summarized Comparative Information***

We have previously audited the City's September 30, 2016, financial statements, and our report dated March 28, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## ***Other Matters***

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Creighton, Nebraska's basic financial statements. The supplementary information on pages 35 - 51 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statements of proprietary funds are presented in the supplementary information on the accrual basis of accounting for purposes of additional analysis as required by Nebraska Revised Statute 19-2903 and are also not required parts of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the accrual basis of accounting for business-type activities, the supplementary information on pages 35 - 51 is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Creighton, Nebraska's basic financial statements for the year ended September 30, 2016, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type 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 of Creighton, Nebraska's basic financial statements as a whole. The supplementary information on pages 37 - 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the accrual basis of accounting for the business-type activities, the 2016 supplementary information on pages 37 - 48 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2018, on our consideration of the City of Creighton, Nebraska's internal control over financial reporting and on 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 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* in considering the City of Creighton, Nebraska's internal control over financial reporting and compliance.

Dana F Cole + Company, LLP

O'Neill, Nebraska  
March 26, 2018

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
SEPTEMBER 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	804,831	350,237	1,155,068
Certificates of deposit	2,888,408	23,325	2,911,733
Investments	9,500		9,500
Cash held by County Treasurer	6,157		6,157
Restricted certificates of deposit	86,222		86,222
Capital assets			
Nondepreciable - land	24,954	6,300	31,254
Nondepreciable - construction in progress		814,231	814,231
Depreciable - net of depreciation	<u>1,174,983</u>	<u>1,522,076</u>	<u>2,697,059</u>
<b>TOTAL ASSETS</b>	<u>4,995,055</u>	<u>2,716,169</u>	<u>7,711,224</u>
<b>LIABILITIES</b>			
Customer deposits		16,466	16,466
Notes payable within one year		29,082	29,082
Bonds payable within one year		55,000	55,000
Noncurrent liabilities			
Notes payable in more than one year		658,628	658,628
Bonds payable in more than one year		<u>820,000</u>	<u>820,000</u>
<b>TOTAL LIABILITIES</b>		<u>1,579,176</u>	<u>1,579,176</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,199,937	779,897	1,979,834
Restricted for:			
Community development	67,537		67,537
Fire department	148,048		148,048
Endowment - unexpendable	86,222		86,222
Unrestricted	<u>3,493,311</u>	<u>357,096</u>	<u>3,850,407</u>
<b>TOTAL NET POSITION</b>	<u>4,995,055</u>	<u>1,136,993</u>	<u>6,132,048</u>

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenditures/ Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		Total
					Governmental Activities	Business-Type Activities	
<b>Functions/programs</b>							
<b>Primary government</b>							
Governmental activities							
General Government	161,997	3,518			(158,479)		(158,479)
Public Health and Safety	363,285	32,514	36,894	70,922	(222,955)		(222,955)
Public Works - recycling	8,850	2,600			(6,250)		(6,250)
Highways and Streets	253,952	530	181,131		(72,291)		(72,291)
Culture and Recreation	214,155	20,268	5,085	14,170	(174,632)		(174,632)
Economic Development	23,307	14,974			(8,333)		(8,333)
<b>Total governmental activities</b>	<u>1,025,546</u>	<u>59,430</u>	<u>238,084</u>	<u>85,092</u>	<u>(642,940)</u>		<u>(642,940)</u>
Business-type activities							
Water	381,831	350,659			(31,172)		(31,172)
Sewer	170,614	247,932	100,000		177,318		177,318
Landfill	122,690	131,081			8,391		8,391
<b>Total business-type activities</b>	<u>675,135</u>	<u>729,672</u>	<u>100,000</u>	<u>100,000</u>	<u>154,537</u>		<u>154,537</u>
<b>Total primary government</b>	<u>1,700,681</u>	<u>789,102</u>	<u>238,084</u>	<u>185,092</u>	<u>(642,940)</u>	<u>154,537</u>	<u>(488,403)</u>
<b>General revenues</b>							
Property taxes - levied for general purposes				148,800			148,800
Other taxes - NPPD				23,022			23,022
City sales taxes				137,926	27,763		165,689
Motor vehicle taxes				22,698			22,698
Franchise fees				6,901			6,901
Unrestricted state revenues				132,208			132,208
Unrestricted investment earnings					357		38,157
NPPD lease unrestricted						450	175,464
Other miscellaneous revenues				42,690			43,140
<b>Total general revenues</b>				<u>727,509</u>	<u>28,570</u>		<u>756,079</u>
<b>CHANGE IN NET POSITION</b>							
NET POSITION, beginning of year				84,569	183,107		267,676
NET POSITION, end of year				4,910,486	953,886		5,864,372
				<u>4,995,055</u>	<u>1,136,993</u>		<u>6,132,048</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, 2017  
 (WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016)

	2017			2016 Total
	General	Street	Other Governmental Funds	
<b>ASSETS</b>				
Cash and cash equivalents	132,830	414,343	257,658	695,402
Certificates of deposit	2,714,613		173,795	2,888,408
Investments	9,500		9,500	9,500
Cash at County Treasurer	5,467	341	349	8,383
Restricted certificates of deposit			86,222	86,570
Due from other funds				13,950
<b>TOTAL ASSETS</b>	<b>2,862,410</b>	<b>414,684</b>	<b>518,024</b>	<b>3,795,118</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to other funds				23,950
<b>FUND BALANCES</b>				
Nonspendable - (Hoferer Fund)			86,222	86,222
Restricted - Pool				9,869
Restricted - Fire			148,048	147,956
Restricted - Community development			67,537	55,030
Committed - Senior Citizen Center maintenance	12,236		12,236	24,000
Committed - Ambulance		414,684	209,448	192,226
Committed - Streets			414,684	324,775
Assigned - hospital accounts	2,666,106		2,666,106	2,643,911
Assigned - Recycling			6,769	6,532
Unassigned	184,068		184,068	175,444
<b>Total fund balances</b>	<b>2,862,410</b>	<b>414,684</b>	<b>518,024</b>	<b>3,665,965</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>2,862,410</b>	<b>414,684</b>	<b>518,024</b>	<b>3,689,915</b>

CITY OF CREIGHTON, NEBRASKA  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2017  
 (WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016)

	2017 Total	2016 Total
Amounts reported for governmental activities in the statement of net position are different because:		
Fund balances of governmental funds	3,795,118	3,665,965
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>1,199,937</u>	<u>1,244,521</u>
Net position of governmental activities	<u>4,995,055</u>	<u>4,910,486</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, 2017  
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017				2016	
	General	Street	Other	Total	Total	Total
<b>REVENUES</b>						
Taxes	263,538	54,638	14,270	332,446	323,276	3,254
Licenses and permits	3,518			3,518	357,053	
Intergovernmental	137,293	181,131	36,894	355,318	55,097	
Charges for services	20,268	530	35,114	55,912	38,614	
Interest	35,356	46	2,398	37,800	25,000	
Donations	14,170		70,922	85,092	41,286	
Grants	123,076	89,479	27,474	240,029	252,043	
Other	597,219	325,824	187,072	1,110,115	1,095,623	
Total revenues						
	164,571		3,015	164,571	177,151	
<b>EXPENDITURES</b>						
General Government				3,015	3,207	
Public Works - Recycling				235,915	293,845	
Public Works - Highways and Streets		235,915	166,093	359,065	297,197	
Public Health and Safety	192,972			195,089	231,204	
Culture and Recreation	195,089			2,906	72,221	
Economic/Community Development	20,401			172,014	980,962	
Total expenditures	573,033	235,915	172,014	980,962	1,074,825	
<b>REVENUES OVER EXPENDITURES</b>	24,186	89,909	15,058	129,153	20,798	
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in (out)	(15,000)		15,000			

CITY OF CREIGHTON, NEBRASKA  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 YEAR ENDED SEPTEMBER 30, 2017  
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017			2016
	General	Street	Other	Total
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	9,186	89,909	30,058	129,153
FUND BALANCES, beginning of year	<u>2,853,224</u>	<u>324,775</u>	<u>487,966</u>	<u>3,665,965</u>
FUND BALANCES, end of year	<u>2,862,410</u>	<u>414,684</u>	<u>518,024</u>	<u>3,795,118</u>
				<u>3,665,965</u>
Amounts reported for governmental activities in the statement of activities are different because:				
Net change in fund balances - total governmental funds		129,153		20,798
Governmental funds report capital outlays as expend- itures. 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 (were less than) depreciation and dispositions in the current period.			<u>(44,584)</u>	<u>(50,321)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES			<u>84,569</u>	<u>(29,523)</u>

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2017  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016)

	2017			2016 Total
	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Sanitation	Total
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	147,272	173,473	29,492	350,237
Certificates of deposit		23,325		23,325
Due from other funds				10,000
Total current assets	<u>147,272</u>	<u>196,798</u>	<u>29,492</u>	<u>373,562</u>
Capital Assets				
Nondepreciable - land	2,000	3,800	500	6,300
Nondepreciable - construction in progress	804,231	10,000		814,231
Depreciable assets				
Sewer system	785,847			785,847
Water system		2,553,897		2,553,897
Equipment	55,433	45,937		101,370
Accumulated depreciation	(544,145)	(1,374,893)		(1,919,038)
Total capital assets	<u>1,103,366</u>	<u>1,238,741</u>	<u>500</u>	<u>2,342,607</u>
<b>TOTAL ASSETS</b>	<u>1,250,638</u>	<u>1,435,539</u>	<u>29,992</u>	<u>2,716,169</u>
<b>LIABILITIES</b>				
Current Liabilities				
Current amount of long-term debt	<u>29,082</u>	<u>55,000</u>		<u>84,082</u>
				<u>60,218</u>

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2017

(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016)

	2017			2016 Total
	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Sanitation	Total
LIABILITIES (Continued)				
Noncurrent Liabilities				
Customer deposits		16,466		16,466
Notes payable - NDEQ	687,710			687,710
Bonds payable		875,000		875,000
Less current amounts	(29,082)	(55,000)		(84,082)
Total noncurrent liabilities	658,628	836,466		1,495,094
TOTAL LIABILITIES	687,710	891,466		1,579,176
NET POSITION				
Invested in capital assets, net of related debt	415,656	363,741	500	779,897
Unrestricted	147,272	180,332	29,492	357,096
TOTAL NET POSITION	562,928	544,073	29,992	1,136,993
				953,886

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION  
MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2017  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017			2016 Total
	Enterprise Funds			
	Sewer	Water	Sanitation	Total
<b>OPERATING REVENUES</b>				
User charges	247,886	348,915	118,516	715,317
Miscellaneous	46	1,744	12,565	14,355
Total operating revenues	<u>247,932</u>	<u>350,659</u>	<u>131,081</u>	<u>729,672</u>
<b>OPERATING EXPENDITURES</b>				
Personnel services	105,942	102,353		208,295
Materials and supplies	2,033	53,161		55,194
Repairs and maintenance	12,499	36,190		48,689
Gasoline and oil	1,895	1,272		3,167
Office expenses	297	385	176	858
Insurance	6,387	11,971		18,358
Utilities	14,296	56,524	755	71,575
Purchased services			121,759	121,759
Professional fees and schooling	3,507	14,320		17,827
Depreciation	16,882	76,814		93,696
Other	2,744	8,111		10,855
Total operating expenditures	<u>166,482</u>	<u>361,101</u>	<u>122,690</u>	<u>650,273</u>
<b>OPERATING INCOME (LOSS)</b>	<u>81,450</u>	<u>(10,442)</u>	<u>8,391</u>	<u>79,399</u>
				<u>(75,248)</u>

CITY OF CREIGHTON, NEBRASKA  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION  
 MODIFIED CASH BASIS  
 PROPRIETARY FUNDS  
 YEAR ENDED SEPTEMBER 30, 2017  
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017			2016
	Enterprise Funds		Total	Total
	Sewer	Water	Sanitation	
NONOPERATING REVENUES (EXPENDITURES)				
Interest income	46	311	357	344
City sales tax		27,763	27,763	29,450
Sale of Equipment	450		450	
Interest	(4,132)	(20,730)	(24,862)	(24,393)
Total nonoperating revenues (expenditures)	<u>(3,636)</u>	<u>7,344</u>	<u>3,708</u>	<u>5,401</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	77,814	(3,098)	8,391	(69,847)
CAPITAL CONTRIBUTIONS				
Federal grant	<u>100,000</u>			<u>100,000</u>
INCREASE (DECREASE) IN NET POSITION	177,814	(3,098)	8,391	(59,847)
NET POSITION, beginning of year	<u>385,114</u>	<u>547,171</u>	<u>21,601</u>	<u>1,013,733</u>
NET POSITION, end of year	<u>562,928</u>	<u>544,073</u>	<u>29,992</u>	<u>953,886</u>

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF CASH FLOWS  
MODIFIED CASH BASIS  
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2017  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017			2016	
	Sewer	Water	Sanitation	Total	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	247,886	347,331	131,081	726,298	602,425
Other cash received	46	1,744	(121,759)	1,790	11,875
Cash paid for contracted hauling	(105,942)	(102,353)	(208,295)	(208,295)	(120,469)
Cash paid for personnel services	(43,658)	(181,934)	(931)	(226,523)	(195,373)
Other cash payments					(277,587)
	<u>98,332</u>	<u>64,788</u>	<u>8,391</u>	<u>171,511</u>	<u>20,871</u>
Net cash provided by operating activities					
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
(Increase) decrease in due to other funds		10,000		10,000	(10,000)
Cash from sale of equipment	450			450	
Cash receipts from interest	46	46		92	404
	<u>496</u>	<u>10,046</u>		<u>10,542</u>	<u>(9,596)</u>
Net cash provided by (used in) investing activities					
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Cash paid for equipment and improvements	(768,064)	(5,833)		(773,897)	(57,402)
Bond principal payments		(50,000)		(50,000)	(55,000)
Proceeds from debt	534,605			534,605	
Principal paid on long-term debt	(10,217)			(10,217)	(10,016)
Proceeds from grant	100,000			100,000	10,000
Cash paid for interest	(4,132)	(20,730)		(24,862)	(24,393)
	<u>(147,808)</u>	<u>(76,563)</u>		<u>(224,371)</u>	<u>(136,811)</u>
Net cash used in capital and related financing activities					

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF CASH FLOWS  
MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2017  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017			2016	
	Sewer	Water	Sanitation	Total	Total
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
City sales tax receipts		27,763		27,763	29,450
Net cash provided by noncapital financing activities		27,763		27,763	29,450
<b>NET INCREASE (DECREASE) IN CASH</b>	(48,980)	26,034	8,391	(14,555)	(96,086)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	196,252	147,439	21,101	364,792	460,878
<b>CASH AND CASH EQUIVALENTS, end of year</b>	147,272	173,473	29,492	350,237	364,792
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>					
Operating income (loss)	81,450	(10,442)	8,391	79,399	(75,248)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	16,882	76,814		93,696	93,669
Changes in assets and liabilities:					
Increase (decrease) in customer deposits		(1,584)		(1,584)	2,450
Total adjustments	16,882	75,230		92,112	96,119
Net cash provided by operating activities	98,332	64,788	8,391	171,511	20,871

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

As discussed further below, these financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

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.

Based on the aforementioned criteria, the following is a blended component unit of the City. The Community Development Agency of the City of Creighton, created in 1961, is administered solely by the Creighton City Council. The purpose of the Community Development Agency is to administer the community redevelopment activities (primarily tax incremental financing) of the City.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary 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)

Government-Wide Financial Statements (Continued)

The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services.

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.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position or fund balance, revenues, and expenditures or expenses. The City's funds are organized into these major categories: governmental, proprietary, and fiduciary. The City has the following agency funds: TIF Fund. An emphasis placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The entity may elect to treat a fund not meeting this criteria as major.

The City reports using the following funds:

Governmental Funds

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

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than debt service or major capital projects) that are legally restricted to expenditures for specified purposes. The City includes the following special revenue funds:

Reported as major funds:

Street	Accounts for activities for street improvements and maintenance including funds received from the State for highway allocations.
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Reported as nonmajor funds:

Ambulance	Accounts for the activities of the City-owned ambulance.
Community Development	Accounts for economic reuse loan payments and community development loans.
Fire	Accounts for the activities of the City fire department.
Recycling	Accounts for the activities of the City recycling program.

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. The Hoferer Trust Fund is the City's only permanent fund.

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 Sanitation Fund.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

Fiduciary Fund Types

Agency funds are used to account for funds held in a trustee capacity for other entities. The agency funds of the City consist of TIF (Tax Increment Financing) funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as subsequently defined in item (b).

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

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. 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.
- b. The proprietary funds utilize an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis or 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)

Basis of Accounting

The financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, customer deposits, and short-term and long-term liabilities arising from cash transactions or events. Notes receivable relating to housing and economic development are reported as expenditures when the loan is made and receipts when repayment is received. Taxes and other revenues collected by the county treasurers are included in revenues of the City in the year collected by the counties and the City funds held by the county treasurers at year-end are included as assets of the City.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the City utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented in accordance with the accrual basis of accounting.

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 State of Nebraska Auditor of Public Accounts, which combines all fund types. Expenditures may not legally exceed appropriations at the total level. Any revisions to budget require council approval.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. DEPOSITS 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 has no formal investment policies, other than the above requirement regarding custodial credit risk.

Investments are stated at cost.

F. CAPITAL ASSETS

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

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

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

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

Major expenditures for property and those which substantially increase 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

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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 are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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.

H. NET POSITION/ FUND BALANCE CLASSIFICATIONS

Government-Wide Financial Statements

Net position is classified and 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 position consists of 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 position does not meet the definition of restricted.

It is the City's general policy to first use restricted net resources prior to the use of unrestricted net resources when an expenditure is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. NET POSITION/ FUND BALANCE CLASSIFICATIONS (Continued)

Fund Financial Statements (Continued)

Net Position/Fund Balance Classification

The City has no formal minimum fund balance policies or any formal stabilization arrangements in place.

Proprietary funds report the difference among assets, deferred outflows, liabilities, and deferred inflows as net position and classified in the same manner as the government-wide financial statements as previously described.

Nonspendable

This classification includes amounts that cannot be spent because they either (a) are 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 and 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.

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.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. NET POSITION/ FUND BALANCE CLASSIFICATIONS (Continued)

Fund Financial Statements (Continued)

Net Position/Fund Balance Classification (Continued)

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.

I. REVENUES AND EXPENDITURES

Governmental Funds

In the statement of activities, modified cash basis revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following significant program revenues in each activity:

General Government	Licenses, permits
Public Health and Safety	Operating and capital grants
Streets	State highway funds
Culture and Recreation	Recreation fees, donations, grants
Public Building	Rentals
Economic Development	Grants, loan repayments
Community Development	Grants, loan repayments

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. REVENUES AND EXPENDITURES (Continued)

Proprietary Funds

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods or services. They also include all revenues and expenditures not related to capital and related financing, noncapital financing, or investing activities.

J. 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.

K. 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.

L. USE OF ESTIMATES

The preparation of financial statements in accordance with the modified cash 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.

M. 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.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS

The City's cash and investments are reported as follows:

Governmental activities	3,788,961
Business-type activities	<u>373,562</u>
Total cash and investments	<u><u>4,162,523</u></u>

The carrying value (and fair value) of the cash and investments consisted of the following:

Demand deposits (checking)	861,199
Savings accounts	293,869
Certificates of deposit	2,997,955
U.S. government bonds	<u>9,500</u>
Total cash and investments	<u><u>4,162,523</u></u>

Maturities of certificates of deposit are as follows:

One year	516,439
Two years	788,182
Three years	1,574,424
Four years	<u>118,910</u>
	<u><u>2,997,955</u></u>

Investments consist of Series HH bonds that mature in 2022.

Custodial Credit Risk - 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, 2017, 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.

Interest Rate Risk

The City has no formal policy for managing interest rate risk but does diversify maturity dates.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. RESTRICTED ASSETS

Restricted assets of governmental funds consist of specific accounts that are restricted by donors or by the terms of grants. Restricted assets of the governmental funds include the certificate of deposit related to the Hoferer Trust Fund of \$86,222.

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.

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, 2017, were \$10,142, 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

Series 2015 General Obligation Water Refunding Bonds were issued in April 2015 for \$980,000 with interest rates of 0.35% to 3.30% to refund Water Fund debt. The Series 2015 bonds are due serially through 2032 with interest paid semiannually.

Note Payable NDEQ (2009)

A loan agreement dated December 2009 to the Nebraska Department of Environmental Quality is payable by the Sewer Fund in semiannual payments of \$6,852, including interest of 2% through December 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 wastewater improvement project in 2010.

Note Payable NDEQ (2016)

A loan agreement dated September 2016 to the Nebraska Department of Environmental Quality is payable by the Sewer Fund for a sewer improvement project. The terms of the agreement provide \$822,312 in loan and grant funds with loan forgiveness of \$100,000. Repayment of the balance will be amortized over 20 years at 1.25% interest, due in semi-annual amounts of \$20,465 each June 15 and December 15 through 2037. An administrative fee of 1% of the outstanding loan balance is also payable semiannually. The revenues of the Sewer Fund are pledged as security for the loans.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

At September 30, 2017, a total of loan and grant funds of \$634,605 had been received. The project was completed in October 2017 and the remaining loan proceeds of \$187,707 were received. The final loan was \$722,312.

Changes in Long-Term Debt

	2009 NDEQ (Sewer)	2016 NDEQ (Sewer)	2015 Water Bonds
Principal balance, beginning	163,323		925,000
Debt issued		534,605	
Principal paid	<u>(10,218)</u>	<u>          </u>	<u>(50,000)</u>
Principal balance, ending	<u>153,105</u>	<u>534,605</u>	<u>875,000</u>

Maturities on Long-Term Debt

Fiscal Years Ending September 30,	2009 NDEQ (Sewer)		2016 NDEQ (Sewer)		2015 Water Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	10,423	4,515	18,659	8,693	55,000	20,333
2019	10,632	4,201	32,235	15,651	55,000	19,755
2020	10,846	3,881	32,639	14,924	55,000	19,026
2021	11,064	3,554	33,049	14,187	55,000	18,160
2022	11,286	3,220	33,462	13,442	55,000	17,170
2023 - 2027	59,928	10,857	173,714	55,685	305,000	66,080
2028 - 2032	38,926	2,060	184,881	35,585	295,000	21,819
2033 - 2037			196,766	14,191		
2038			16,907	189		
	<u>153,105</u>	<u>32,288</u>	<u>722,312</u>	<u>172,547</u>	<u>875,000</u>	<u>182,343</u>

Tax Incremental Financing Arrangements

The City, acting through the Community Development Agency of the City of Creighton, has issued a Redevelopment Contract (Tax Incremental Financing Bond) to assist with a development project. The contract is due over fifteen-year periods in semiannual payments.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

Tax Incremental Financing Arrangements (Continued)

Incremental ad valorem taxes generated from real property in the Project area is pledged for payment of the debt for fifteen years. The redevelopment contract with the developer outlines the responsibilities of the Agency (City) and the Developer. The contract requires the developer to purchase the bonds. The contract includes the provisions that mandatory prepayment will occur if taxes exceed estimate, and that in the event that the ad valorem taxes are less than estimate, or not timely paid, the Bonds may never be paid in full by the ad valorem taxes. The bonds are not a general obligation of the Development Agency or the City. The City is the paying agent for the bonds. Taxes are collected by the County Treasurer and paid to the City for the bond payments to the developer. This is accounted for in an Agency fund of the City.

Outstanding bonds were as follows:

Developer	Date	Period	Original Bond
Creighton Senior Living	July 14, 2014	Fifteen years	\$110,000

NOTE 6. HOUSING GRANTS AND LOANS

In connection with a Community Development Block Grant, 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.

Loan activity for the year was as follows:

	Beginning of Year	New Loans	Principal Collected	Loan Forgiveness	End Of Year	Memo Interest
Housing Rehab	<u>188,499</u>	<u>      </u>	<u>(13,125)</u>	<u>(7,228)</u>	<u>168,146</u>	<u>1,849</u>

As of September 30, 2017, the balances were as follows:

Unforgiveable	147,808
Forgivable	<u>20,338</u>
Total	<u>168,146</u>

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance 10/1/16	Increases	Decreases	Balance 9/30/17
<u>Governmental Activities</u>				
Land - nondepreciable	24,954			24,954
Buildings and improvements	1,691,103			1,691,103
Equipment and vehicles	2,162,017	76,283	(26,898)	2,211,402
Totals at cost	3,878,074	76,283	(26,898)	3,927,459
Accumulated depreciation	(2,633,553)	(120,867)	26,898	(2,727,522)
Net capital assets	<u>1,244,521</u>	<u>(44,584)</u>	<u>          </u>	<u>1,199,937</u>
<u>Business-Type Activities</u>				
Land - nondepreciable	6,300			6,300
Construction-in-progress - nondepreciable	52,000	762,231		814,231
Water Department	2,553,897			2,553,897
Sewer Department	785,847			785,847
Equipment	89,704	11,666		101,370
Totals at cost	3,487,748	773,897		4,261,645
Accumulated depreciation	(1,825,342)	(93,696)		(1,919,038)
Net capital assets	<u>1,662,406</u>	<u>680,201</u>	<u>          </u>	<u>2,342,607</u>

Capital Outlay by Function/Program

Expenditures for capital outlay by function for governmental activities for the year were as follows:

General Government	17,072
Highways and Streets	5,833
Public Health and Safety	41,614
Culture and Recreation	11,764
	<u>76,283</u>

Construction in progress at year-end included the sewer extension project.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (Continued)

Depreciation

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

Governmental Activities

General Government	14,498
Public Safety	45,834
Highways and Streets	23,870
Public Works - other	5,835
Culture and Recreation	30,830
Total depreciation expense - governmental activities	120,867

Business-Type Activities

Water Fund	76,814
Sewer Fund	16,882
Total depreciation expense - business-type activities	93,696

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 Avera 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, Avera agreed to operate 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.

As of September 30, 2017, the City's General Fund included remaining cash accounts related to the "hospital sale" of \$2,666,106, which are considered assigned to future projects (including contingency for above repurchase agreement) and other uses to be determined by the City Council.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 10. TRANSFERS

Transfers for the year consisted of General Fund transfers for support to the Fire Fund for \$5,000 and for support to the Ambulance Fund for \$10,000.

NOTE 11. TAX ABATEMENTS

The City has approved property tax abatement agreements with local businesses in the form of TIF arrangements under the State of Nebraska Tax Increment Financing (TIF) laws. Tax increment financing (TIF) is a method of financing the public costs associated with a private development project. Essentially, the property tax increases resulting from development are targeted to repay the public infrastructure investment required by a project.

TIF provides a means of encouraging private investment in deteriorating areas by allowing local governments to use future property tax revenues to finance the current infrastructure costs needed to attract development. Nebraska voters approved TIF in 1978 and the Unicameral passed enabling legislation in 1979. The legislature has revised the TIF statutes numerous times since.

Under Nebraska law, TIF projects may be commercial, residential, industrial, or mixed use. After a project is approved, the locality authorizes the issuance of warrants or TIF bonds to undertake public improvements in the designated area. The developer proceeds with construction in accordance with an approved plan and the bonds are paid off from the increase in property taxes resulting from the development. Tax Incremental Financing arrangements are further disclosed and arrangements described in Note 5, Long-Term Debt.

For the fiscal year ended September 30, 2017, the following 2016 property taxes were abated under TIF arrangements.

Description	Total Tax Abated	City Share
Creighton Senior Living	8,105	2,452

The difference between the total tax and the City share consist of taxes that would have been paid to other taxing entities absent the TIF arrangement.

NOTE 12. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

In January 2017, GASB issued Statement 84, *Fiduciary Activities*. This statement is effective for fiscal years beginning after December 15, 2018. The City did not early implement this statement. GASB 84 establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. When adopted, GASB 84 will not have a material effect on the financial statements.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 12. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS (Continued)

In June 2017, GASB issued Statement 87, *Leases*. This statement is effective for fiscal years beginning after December 15, 2019. The City did not early implement this statement. When adopted, GASB 87 will require disclosure of the timing significance, and purpose of a government's leasing arrangements. When adopted, GASB 87 will not have a material effect on the financial statements.

NOTE 13. SUBSEQUENT EVENTS

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 26, 2018, the date the financial statements were available to be issued.

SUPPLEMENTARY 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, 2017

	General All-Purpose		
	Budget Original and Final	Actual	Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	173,144	148,800	(24,344)
Sales taxes	170,000	165,689	(4,311)
Motor vehicle taxes	15,000	22,698	7,698
Other taxes	21,300	23,022	1,722
Licenses and permits	1,900	3,518	1,618
Federal receipts	20,000		(20,000)
Intergovernmental - State	307,578	334,229	26,651
Charges for services	664,250	782,210	117,960
Interest	15,360	38,157	22,797
NPPD lease	180,000	175,464	(4,536)
Transfers	406,450	15,000	(391,450)
Grants	102,000	185,092	83,092
Loan proceeds	958,000	534,605	(423,395)
Other	65,310	87,894	22,584
Total revenues	3,100,292	2,516,378	(583,914)
<b>EXPENDITURES</b>			
General Government	173,236	164,571	8,665
Public Works - Recycling	4,000	3,015	985
Public Works - Street	354,773	235,915	118,858
Public Works - Utility Funds	1,820,689	1,415,553	405,136
Public Health and Safety	488,693	359,065	129,628
Culture and Recreation	404,741	195,089	209,652
Economic Development	39,705	20,401	19,304
Housing Rehab and Community Development	73,464	2,906	70,558
Appropriation of hospital funds	2,622,098		2,622,098
Transfers	406,450	15,000	391,450
Total expenditures	6,387,849	2,411,515	3,976,334
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,287,557)</b>	<b>104,863</b>	<b>3,392,420</b>
<b>CASH BALANCE, beginning of year</b>	<b>4,142,819</b>	<b>4,063,817</b>	
<b>CASH BALANCE, end of year</b>	<b>855,262</b>	<b>4,168,680</b>	

See accompanying notes to budgetary statement.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO BUDGETARY STATEMENT

NOTE 1. STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCES -  
BUDGET AND ACTUAL - BUDGETARY BASIS - 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. For budget purposes, the City reports operating support to various general fund departments as transfers.

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 the 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	129,153
Enterprise funds	<u>(24,290)</u>
Revenues over expenditures - all funds - budgetary basis	<u>104,863</u>
Revenues under expenditures - budgetary basis	
Enterprise funds	<u>(24,290)</u>
Adjustments	
Increase in deposits	1,584
Capitalized assets	773,897
Depreciation	(93,696)
Loan proceeds	(534,605)
Principal payments	60,217
Total adjustments	<u>207,397</u>
Net change in position - enterprise funds	<u>183,107</u>

CITY OF CREIGHTON, NEBRASKA  
 GENERAL FUND  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN CASH BALANCE BY DEPARTMENT  
 YEAR ENDED SEPTEMBER 30, 2017  
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017							2016 Total	
	General Government		Public Safety			Culture and Recreation			
	General	Economic Development	Hospital	Building	Police	Library	Park		Pool
<b>REVENUES</b>									
Taxes									
Sales taxes	55,525						27,763		83,288
Property taxes	134,530								134,530
Motor vehicle tax	22,698								22,698
Nebraska Public Power District	23,022								23,022
Licenses and permits	3,518								3,518
Intergovernmental									
Municipal equalization	108,444								108,444
Homestead exemption	13,215								13,215
Property tax relief	10,185								10,185
Motor vehicle prorate	364								364
Other					5,085				5,085
Charges for services					1,832				1,832
Interest income	3,930				20				4,320
NPPD lease	87,732		30,043				1,363		20,268
Donations and other grants	14,170								35,356
Franchise fees	6,901								87,732
Other	15,777		12,152	20	315	179			14,170
Total revenues	500,011		42,195	20	315	7,116	4,320	43,242	28,443
									597,219
<b>EXPENDITURES</b>									
Personnel services	36,358	15,927			149,447	58,142	19,389	36,174	315,437
Operating expenditures	87,470	4,474		5,235	16,774	20,688	9,899	29,355	173,895
Capital outlay	31,022			4,486	26,751		14,733	6,709	83,701
Total expenditures	154,850	20,401		9,721	192,972	78,830	44,021	72,238	573,033
									24,186
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	345,161	(20,401)	42,195	(9,701)	(192,657)	(71,714)	(39,701)	(28,996)	(49,685)

CITY OF CREIGHTON, NEBRASKA  
 GENERAL FUND  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN CASH BALANCE BY DEPARTMENT  
 YEAR ENDED SEPTEMBER 30, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017							2016 Total
	General Government		Public Safety			Culture and Recreation		
	General	Economic Development	Hospital	Building	Police	Park	Pool	
OTHER FINANCING SOURCES (USES)								
Transfers	(320,058)	20,401	(20,000)	30,000	192,657	10,000	(15,000)	(10,000)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDI- TURES AND OTHER FINANCING USES	25,103		22,195	20,299		286	(29,701)	(28,996)
CASH BALANCE, beginning of year							2,853,224	2,912,909
CASH BALANCE, end of year							2,862,410	2,853,224

CITY OF CREIGHTON, NEBRASKA  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN CASH BALANCES  
YEAR ENDED SEPTEMBER 30, 2017  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017					2016 Total
	Street	Fire Department	Community Development	Recycling	Ambulance	
<b>REVENUES</b>						
Taxes						
Property taxes		14,270				14,270
City sales taxes	54,638					54,638
Intergovernmental						
Highway allocation/incentive	152,776					152,776
Motor vehicle fees	12,171					12,171
Township levy	16,184					16,184
Mutual Finance Organization		10,844				10,844
Rural Fire Department - cost share		21,089				21,089
Other		4,961				4,961
NPPD lease	87,732					87,732
Charges for services	530			32,514		35,644
Interest	46	743		1,564		2,444
Donations						
Grants						
Other	1,747	8,648	14,974	1,000	70,922	70,922
Total revenues	<u>325,824</u>	<u>60,555</u>	<u>15,065</u>	<u>3,600</u>	<u>107,852</u>	<u>512,896</u>
<b>EXPENDITURES</b>						
Personnel services	70,463					70,463
Operating expenditures	101,394	29,595	2,558	3,015	100,630	237,192
Capital outlay	64,058	35,868				99,926
Total expenditures	<u>235,915</u>	<u>65,463</u>	<u>2,558</u>	<u>3,015</u>	<u>100,630</u>	<u>407,581</u>

CITY OF CREIGHTON, NEBRASKA  
 SPECIAL REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN CASH BALANCES  
 YEAR ENDED SEPTEMBER 30, 2017  
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017						2016 Total
	Street	Fire Department	Community Development	Recycling	Ambulance	Total	
REVENUES OVER (UNDER) EXPENDITURES	89,909	(4,908)	12,507	585	7,222	105,315	70,135
OTHER FINANCING SOURCES							
Operating transfers in		5,000			10,000	15,000	10,000
40 REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>89,909</u>	<u>92</u>	<u>12,507</u>	<u>585</u>	<u>17,222</u>	<u>120,315</u>	<u>80,135</u>
FUND BALANCES, beginning of year	<u>324,775</u>	<u>147,956</u>	<u>55,030</u>	<u>6,184</u>	<u>192,226</u>	<u>726,171</u>	<u>646,036</u>
FUND BALANCES, end of year	<u>414,684</u>	<u>148,048</u>	<u>67,537</u>	<u>6,769</u>	<u>209,448</u>	<u>846,486</u>	<u>726,171</u>

CITY OF CREIGHTON, NEBRASKA  
NONMAJOR FUNDS  
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
YEAR ENDED SEPTEMBER 30, 2017  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017					2016 Total
	Fire Department	Recycling	Community Development	Ambulance	Permanent Fund Hoferer Trust	
ASSETS						
Cash and cash equivalents	92,814	6,769	67,537	90,538	86,222	257,658
Certificates of deposit	54,885			118,910		173,795
Cash at County Treasurer	349					349
Restricted certificates of deposit					86,222	86,222
<b>TOTAL ASSETS</b>	<u>148,048</u>	<u>6,769</u>	<u>67,537</u>	<u>209,448</u>	<u>86,222</u>	<u>518,024</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to other funds						23,590
FUND BALANCES						
Nonspendable - (Hoferer Fund)					86,222	86,222
Restricted - Fire	148,048					148,048
Restricted - Community Development			67,537			67,537
Committed - Ambulance				209,448		209,448
Unassigned		6,769				6,769
Total fund balances	<u>148,048</u>	<u>6,769</u>	<u>67,537</u>	<u>209,448</u>	<u>86,222</u>	<u>518,024</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>148,048</u>	<u>6,769</u>	<u>67,537</u>	<u>209,448</u>	<u>86,222</u>	<u>511,556</u>

CITY OF CREIGHTON, NEBRASKA  
NONMAJOR FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN CASH BALANCES

YEAR ENDED SEPTEMBER 30, 2017  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017					2016	
	Fire Department	Recycling	Community Development	Ambulance	Permanent Fund Hoferer Trust	Total	Total
<b>REVENUES</b>							
Taxes	14,270					14,270	15,156
Intergovernmental	36,894					36,894	44,633
Charges for services		2,600		32,514		35,114	38,720
Interest	743		91	1,564		2,398	2,552
Donations							25,000
Grants				70,922		70,922	41,286
Other	8,648	1,000	14,974	2,852		27,474	18,397
Total revenues	<u>60,555</u>	<u>3,600</u>	<u>15,065</u>	<u>107,852</u>		<u>187,072</u>	<u>185,744</u>
<b>EXPENDITURES</b>							
Operating	29,595	3,015	2,558		348	136,146	54,904
Capital outlay	35,868			100,630		35,868	79,504
Total expenditures	<u>65,463</u>	<u>3,015</u>	<u>2,558</u>	<u>100,630</u>	<u>348</u>	<u>172,014</u>	<u>134,408</u>
REVENUES OVER (UNDER) EXPENDITURES	(4,908)	585	12,507	7,222	(348)	15,058	51,336
<b>OTHER FINANCING SOURCES</b>							
Transfers in	<u>5,000</u>			<u>10,000</u>		<u>15,000</u>	<u>10,000</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	92	585	12,507	17,222	(348)	30,058	61,336
FUND BALANCES, beginning of year	<u>147,956</u>	<u>6,184</u>	<u>55,030</u>	<u>192,226</u>	<u>86,570</u>	<u>487,966</u>	<u>426,630</u>
FUND BALANCES, end of year	<u>148,048</u>	<u>6,769</u>	<u>67,537</u>	<u>209,448</u>	<u>86,222</u>	<u>518,024</u>	<u>487,966</u>

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2017  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016)

	2017			2016 Total
	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Sanitation	
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	147,272	173,473	29,492	350,237
Certificates of deposit		23,325		23,325
Accounts receivable (net)	32,253	43,275	15,319	90,847
Due from other funds				10,000
Inventories		25,015		25,015
Total current assets	<u>179,525</u>	<u>265,088</u>	<u>44,811</u>	<u>489,424</u>
Capital Assets				
Nondepreciable - land	2,000	3,800	500	6,300
Nondepreciable - construction in progress	850,943	10,000		860,943
Depreciable assets				
Sewer system	785,847			785,847
Water system		2,553,897		2,553,897
Equipment	55,433	45,937		101,370
Accumulated depreciation	(544,145)	(1,374,893)		(1,919,038)
Total capital assets	<u>1,150,078</u>	<u>1,238,741</u>	<u>500</u>	<u>2,389,319</u>
<b>TOTAL ASSETS</b>	<u>1,329,603</u>	<u>1,503,829</u>	<u>45,311</u>	<u>2,878,743</u>
				<u>2,165,186</u>

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2017  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016)

	2017			2016 Total
	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Sanitation	Total
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	47,785	3,293		51,078
Accrued expenses	4,762	10,138		14,900
Current amount of long-term debt	29,082	55,000		84,082
Total current liabilities	<u>81,629</u>	<u>68,431</u>		<u>150,060</u>
Noncurrent Liabilities				
Customer deposits		16,466		16,466
Notes payable - NDEQ	687,710			687,710
Bonds payable		875,000		875,000
Less current amounts	(29,082)	(55,000)		(84,082)
Total noncurrent liabilities	<u>658,628</u>	<u>836,466</u>		<u>1,495,094</u>
<b>TOTAL LIABILITIES</b>	<u>740,257</u>	<u>904,897</u>		<u>1,645,154</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	462,368	363,741	500	826,609
Unrestricted	<u>126,978</u>	<u>235,191</u>	<u>44,811</u>	<u>406,980</u>
<b>TOTAL NET POSITION</b>	<u>589,346</u>	<u>598,932</u>	<u>45,311</u>	<u>1,233,589</u>

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2017  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017			2016 Total
	Enterprise Funds			
	Sewer	Water	Sanitation	Total
<b>OPERATING REVENUES</b>				
User charges	252,696	354,974	118,861	726,531
Miscellaneous	46	1,744	12,565	14,355
Total operating revenues	<u>252,742</u>	<u>356,718</u>	<u>131,426</u>	<u>740,886</u>
<b>OPERATING EXPENSES</b>				
Personnel services	106,569	102,030		208,599
Materials and supplies	2,033	52,592		54,625
Repairs and maintenance	10,172	34,235		44,407
Gasoline and oil	1,895	1,272		3,167
Office expenses	297	385	176	858
Insurance	6,387	11,971		18,358
Utilities	15,206	58,517	755	74,478
Purchased services			121,759	121,759
Professional fees and schooling	3,507	13,217		16,724
Depreciation expense	16,882	76,814		93,696
Other	2,609	8,336		10,945
Total operating expenses	<u>165,557</u>	<u>359,369</u>	<u>122,690</u>	<u>647,616</u>
<b>OPERATING INCOME (LOSS)</b>	<u>87,185</u>	<u>(2,651)</u>	<u>8,736</u>	<u>93,270</u>
				<u>(1,985)</u>

CITY OF CREIGHTON, NEBRASKA  
 STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 YEAR ENDED SEPTEMBER 30, 2017  
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017			2016
	Sewer	Water	Sanitation	Total
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	46	311		344
City sales tax		27,763		27,763
Sale of equipment	450			450
Interest expense	(4,043)	(20,643)		(24,686)
Total nonoperating revenues (expenses)	(3,547)	7,431		3,884
<b>INCOME BEFORE CONTRIBUTIONS</b>	83,638	4,780	8,736	97,154
<b>CAPITAL CONTRIBUTIONS</b>				
Grant	100,000			100,000
<b>INCREASE IN NET POSITION</b>	183,638	4,780	8,736	197,154
<b>NET POSITION, beginning of year</b>	405,708	594,152	36,575	1,036,435
<b>NET POSITION, end of year</b>	589,346	598,932	45,311	1,233,589

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017			2016		
	Enterprise Funds			Total		
	Sewer	Water	Sanitation	Sewer	Water	Sanitation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	247,886	347,331	131,081	726,298		
Other cash received	46	1,744		1,790		
Cash paid for contracted hauling			(121,759)	(121,759)		
Cash paid for personnel services	(106,031)	(102,440)		(208,471)		
Other cash payments	(43,658)	(181,934)	(931)	(226,523)		
	<u>98,243</u>	<u>64,701</u>	<u>8,391</u>	<u>171,335</u>		<u>20,727</u>
Net cash provided by operating activities						
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
(Increase) decrease in due to other funds		10,000		10,000		
Proceeds from sale of equipment	450			450		
Cash receipts from interest	46	46		92		
	<u>496</u>	<u>10,046</u>		<u>10,542</u>		<u>(9,596)</u>
Net cash provided by (used in) investing activities						
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Cash paid for equipment and improvements	(768,064)	(5,833)		(773,897)		
Bond principal payments		(50,000)		(50,000)		
Proceeds from debt	534,605			534,605		
Principal paid on long-term debt	(10,217)			(10,217)		
Proceeds from grant	100,000			100,000		
Cash paid for interest	(4,043)	(20,643)		(24,686)		
	<u>(147,719)</u>	<u>(76,476)</u>		<u>(224,195)</u>		<u>(136,667)</u>
Net cash used in capital and related financing activities						
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
City sales tax receipts		27,763		27,763		
		<u>27,763</u>		<u>27,763</u>		<u>29,450</u>
Net cash provided by noncapital financing activities						
		<u>27,763</u>		<u>27,763</u>		<u>29,450</u>

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017			2016	
	Sewer	Water	Sanitation	Total	Total
NET INCREASE (DECREASE) IN CASH	(48,980)	26,034	8,391	(14,555)	(96,086)
CASH AND CASH EQUIVALENTS, beginning of year	196,252	147,439	21,101	364,792	460,878
CASH AND CASH EQUIVALENTS, end of year	147,272	173,473	29,492	350,237	364,792
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	87,185	(2,651)	8,736	93,270	(1,985)
Operating income (loss)	16,882	76,814		93,696	93,669
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	(4,810)	(6,059)	(345)	(11,214)	(26,068)
Changes in assets and liabilities:					
Increase in accounts receivable		280		280	(980)
(Increase) decrease in inventory		(1,689)		(3,241)	(46,297)
Increase (decrease) in accounts payable		(1,584)		(1,584)	2,450
Increase (decrease) in customer deposits	538	(410)		128	(62)
Increase (decrease) in accrued expenses					
Total adjustments	11,058	67,352	(345)	78,065	22,712
Net cash provided by operating activities	98,243	64,701	8,391	171,335	20,727
NONCASH CAPITAL AND RELATED FINANCING ITEMS					
Increase in accounts payable for capital items	46,712				

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO STATEMENTS OF PROPRIETARY FUNDS

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The statements of proprietary funds (supplementary information) have been included and prepared in conformity with accounting principles generally accepted in the United States of America to satisfy Nebraska Revised Statute 19-2903, which requires that cities report enterprise funds on the accrual basis.

Measurement Focus

The statements of proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and net financial position. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

Basis of Accounting

Revenues from user fees and sale of labor, material, and water are reported as operating revenues. Transactions which are capital, financing, or investing related are reported as nonoperating revenues. All expenses related to operating the proprietary funds are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

Use of Estimates

In preparing the statements of proprietary funds in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that will affect the reported amounts of assets and liabilities, the disclosures 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.

Cash, Cash Equivalents, and Investments

These items are presented in the same manner as in the modified cash basis financial statements.

Accounts Receivable

The accounts receivable of the enterprise funds have been adjusted for all known uncollectible accounts. Unbilled utility services are accrued at year-end. All accounts receivable of the Water, Sewer, and Sanitation Funds are from consumers located in Creighton, Nebraska.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO STATEMENTS OF PROPRIETARY FUNDS

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory 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.

Capital Assets

These items are presented in the same manner as in the modified cash basis financial statements.

Accrued Expenses

Accrued expenses represent the liability for accrued salaries, vacation, and payroll taxes, as well as the liability for accrued interest on long-term debt obligations. Employees are not reimbursed for unused sick leave; therefore, sick leave is charged to operations as paid.

Long-Term Debt

These items are presented in the same manner as in the modified cash basis financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position - proprietary funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (revenue) until that time. At this time, the City has no transactions that meet the definition of deferred outflows of resources.

In addition to liabilities, the statement of net position - proprietary funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the City has no transactions that meet the definition of deferred inflows of resources.

Equity Classification

Equity is classified as net position and displayed in three components as in the government-wide statements: net investment in capital assets, restricted, and unrestricted.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO STATEMENTS OF PROPRIETARY FUNDS

NOTE B. RECONCILIATION OF NET POSITION

Reconciliation of net position to the modified cash basis of accounting is as follows:

	Sewer	Water	Sanitation
Net position, accrual basis	589,346	598,932	45,311
Accounts receivable	(32,253)	(43,275)	(15,319)
Inventory		(25,015)	
Accounts payable - noncapital	1,073	3,293	
Accrued expenses	<u>4,762</u>	<u>10,138</u>	<u>          </u>
Net position, modified cash basis	<u>562,928</u>	<u>544,073</u>	<u>29,992</u>

Reconciliation of net income to the modified cash basis of accounting is as follows:

	Sewer	Water	Sanitation
Net income, accrual basis	83,638	4,780	8,736
Change in accounts receivable	(4,810)	(6,059)	(345)
Change in inventory		280	
Change in accounts payable - noncapital	(1,552)	(1,689)	
Change in accrued expenses	<u>538</u>	<u>(410)</u>	<u>          </u>
Net income (loss), modified cash basis	<u>77,814</u>	<u>(3,098)</u>	<u>8,391</u>



**DANA F. COLE  
& COMPANY<sup>LLP</sup>**  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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*

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

We have audited, 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, 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, as of and for the year ended September 30, 2017, which collectively comprise the City of Creighton, Nebraska's basic financial statements, and have issued our report thereon dated March 26, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Creighton, Nebraska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Creighton, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Creighton, Nebraska's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2017-001 and 2017-002.

A *significant deficiency* is a deficiency, or a 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 deficiency described in the accompanying schedule of findings and responses to be a significant deficiency as item 2017-003.

## 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 or other matters that are required to be reported under *Government Auditing Standards*.

## City's Response to Findings

The City of Creighton, Nebraska's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Creighton, Nebraska's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Creighton, Nebraska's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dana & Cole + Company, LLP

O'Neill, Nebraska  
March 26, 2018

CITY OF CREIGHTON, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2017

2017-001 SEGREGATION OF DUTIES

Criteria

Internal controls should be in place to ensure proper 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.

Cause

The City has a limited number of personnel involved in the accounting functions.

Potential Effect

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

Recommendations

Supervisors or a council member could review time cards and document their approval. The City should consider someone other than the City Clerk to reconcile bank statements and trace the disbursements, including ACH transfers and bank debits, to approved amounts and appropriate documentation. The City should 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.

2017-002 UTILITY BILLING

Criteria

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

CITY OF CREIGHTON, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2017

2017-002 UTILITY BILLING (Continued)

Condition

The same individual posts payments, including cash, to customer accounts, enters billing, and makes adjustments to customer accounts including removal of delinquent accounts from the utility billing system.

Cause

The City has a limited number of personnel involved in the utility billing function.

Potential 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, 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 the Clerk periodically 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 recalculating 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.

Uncollectible accounts should be reviewed by the Council on a periodic basis. A policy should be implemented to address past-due accounts, which may include turning over to a collection agency. Any write-offs should be formally approved by the Council and documented in the minutes.

City's Response

The City will consider the above.

CITY OF CREIGHTON, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2017

2017-003 FINANCIAL REPORTING PROCESSES

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.

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.

Cause

The City has a limited number of personnel and has requested the auditors to prepare the financial statements and related notes to the financial statements, in accordance with the basis of accounting described in Note 1 to the financial statements.

Potential 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'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.

SIGNIFICANT DEFICIENCIES REPORTED IN PRIOR YEAR

The above matters were also reported for the year ended September 30, 2016, in our report dated March 28, 2017, as items 2016-001, 2016-002, and 2016-003.

