

CITY OF CREIGHTON, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

DANA F. COLE & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CREIGHTON, NEBRASKA  
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Creighton, Nebraska as of September 30, 2009 and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mayor and City Council. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the City's September 30, 2008 financial statements and, in our report dated March 2, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, except for the effects of not including a major enterprise fund.

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

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

The accompanying financial statements referred to above do not include the Creighton Area Health Services Fund. Accounting principles generally accepted in the United States of America require the fund to be presented as a major enterprise fund and financial information about the fund to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses and changing its net assets. If the omitted fund, whose financial information was obtained from their September 30, 2009 audited financial statements, had been included, the business-type activities and Enterprise Fund assets, liabilities, revenues, and expenses would have increased by \$8,510,682, \$5,678,333, \$9,464,954, and \$9,444,521, respectively.

In our opinion, because of the omission of the Creighton Area Health Services Fund, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Creighton Area Health Services Fund of the City of Creighton, Nebraska, as of September 30, 2009, or the changes in financial position or cash flows thereof for the year then ended.

In addition, in our opinion, except for the effects of not including financial information for the Creighton Area Health Services Fund, as part of business-type activities, as described above, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the business-type activities and each major enterprise fund of the City of Creighton, Nebraska, as of September 30, 2009, and changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major governmental fund and the aggregate remaining fund information of the City of Creighton, Nebraska, as of September 30, 2009, and the respective change in financial position, where applicable, thereof for the year then ended on the modified cash basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2010, on our consideration of the City of Creighton, Nebraska's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The budgetary comparison information on pages 28 through 30 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The other supplemental information, on pages 31 through 35 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Dana J Cole + Company, LLP

O'Neill, Nebraska  
March 29, 2010

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS  
BUSINESS-TYPE ACTIVITIES - ACCRUAL BASIS  
SEPTEMBER 30, 2009

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	139,783	4,496	144,279
Certificates of deposit	344,080	51,246	395,326
Cash held by County Treasurer	10,947		10,947
Due to/from other funds	49,554	(49,554)	
Accounts receivable		82,090	82,090
Inventories		12,860	12,860
Restricted cash	64,193		64,193
Restricted certificates of deposit	110,169	23,120	133,289
Capital assets			
Nondepreciable	24,954	50,745	75,699
Depreciable - net of depreciation	<u>1,756,859</u>	<u>908,553</u>	<u>2,665,412</u>
TOTAL ASSETS	<u>2,500,539</u>	<u>1,083,556</u>	<u>3,584,095</u>
LIABILITIES			
Accounts payable		28,739	28,739
Accrued expenses		5,282	5,282
Customer deposits		10,120	10,120
Capital lease payable within one year	13,932		13,932
Notes payable within one year	23,489		23,489
Bonds payable within one year		8,936	8,936
Noncurrent liabilities			
Notes payable in more than one year	97,322		97,322
Bonds payable in more than one year		<u>274,736</u>	<u>274,736</u>
TOTAL LIABILITIES	<u>134,743</u>	<u>327,813</u>	<u>462,556</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,647,070	675,626	2,322,696
Restricted for:			
Senior Citizen Center maintenance	24,000		24,000
Streets	17,137		17,137
Fire department	55,831		55,831
Swimming pool operations (sales tax ordinance)	136,238		136,238
Recycling project	1,315		1,315
Endowment - unexpendable	86,169		86,169
Water and sewer plant replacements		23,120	23,120
Economic development	<u>61,844</u>		<u>61,844</u>
Total restricted	<u>382,534</u>	<u>23,120</u>	<u>405,654</u>
Unrestricted	<u>336,192</u>	<u>56,997</u>	<u>393,189</u>
TOTAL NET ASSETS	<u>2,365,796</u>	<u>755,743</u>	<u>3,121,539</u>

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS  
BUSINESS-TYPE ACTIVITIES - ACCRUAL BASIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/programs	Program Revenues				Net (Expense) Revenue and		
	Expenditures/ Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Assets		
					Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
General Government							
Public Safety	171,734	5,466	383		(165,885)		(165,885)
Public Works - recycling	277,766	68,489	50,155	144,658	(14,464)		(14,464)
Public Works - other	23,538	2,298	8,100		(13,140)		(13,140)
Highways and Streets	11,340				(11,340)		(11,340)
Culture and Recreation	301,749	1,687	137,492		(162,570)		(162,570)
Economic Development	161,464	12,035	9,952		(139,477)		(139,477)
Interest on long-term debt	37,939		45,509		7,570		7,570
	4,177				(4,177)		(4,177)
Total governmental activities	989,707	89,975	251,591	144,658	(503,483)		(503,483)
Business-type activities							
Water	189,250	177,895			(11,355)		(11,355)
Sewer	98,624	91,035			(7,589)		(7,589)
Landfill	119,657	117,277			(2,380)		(2,380)
Total business-type activities	407,531	386,207			(21,324)		(21,324)
Total primary government	1,397,238	476,182	251,591	144,658	(503,483)	(21,324)	(524,807)
General revenues							
Property taxes - levied for general purposes				104,990			104,990
Other taxes - NPPD				16,233			16,233
City sales taxes				149,806			149,806
Motor vehicle taxes				20,755			20,755
Franchise fees				9,260			9,260
Unrestricted state revenues				125,925			125,925
Unrestricted investment earnings				18,456		3,613	22,069
NPPD lease unrestricted				133,420			133,420
Other miscellaneous revenues				28,741			28,741
Total general revenues				607,586		3,613	611,199
Transfers				(10,008)		10,008	
CHANGE IN NET ASSETS					94,095	(7,703)	86,392
NET ASSETS, beginning of year					2,271,701	763,446	3,035,147
NET ASSETS, end of year					2,365,796	755,743	3,121,539

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009  
WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2008

	2009				2008
	General	Street	Ambulance	Other	Total
ASSETS					
Cash and cash equivalents	22,312		60,226	57,245	139,783
Certificates of deposit	241,474	43,500	54,106	5,000	344,080
Cash at County Treasurer	9,967			980	10,947
Due from other funds	75,917				75,917
Restricted cash	1,034			63,159	64,193
Restricted certificates of deposit	24,000			86,169	110,169
TOTAL ASSETS	374,704	43,500	114,332	212,553	877,153
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	- 0 -	26,363	- 0 -	- 0 -	- 0 -
FUND BALANCES					
Reserved for senior citizen center maintenance	24,000				24,000
Reserved for endowment - unexpendable				86,169	86,169
Reserved for pool expenditures	136,238				136,238
Unreserved	214,466	17,137	114,332	126,384	472,319
Total fund balances	374,704	17,137	114,332	212,553	877,153
TOTAL LIABILITIES AND FUND BALANCES	374,704	43,500	114,332	212,553	877,153

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009  
WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2008

	2009 Total
Amounts reported for governmental activities in the statement of net assets are different because:	
Fund balances of governmental funds	718,726
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,781,813
Some liabilities, including capital leases payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(134,743)</u>
Net assets of governmental activities	<u><u>2,365,796</u></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, 2009  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2009				2008
	General	Street	Ambulance	Other	Total
<b>REVENUES</b>					
Taxes	235,050	44,092		12,642	291,784
Licenses and permits	5,056				5,056
Intergovernmental	126,104	137,492	118,750	76,819	459,165
Charges for services	12,445	1,687	68,489	2,298	84,919
Interest	14,042	1,702	2,071	641	18,456
Other	107,307	66,730	24,085	36,308	234,430
Total revenues	<u>500,004</u>	<u>251,703</u>	<u>213,395</u>	<u>128,708</u>	<u>1,093,810</u>
					<u>949,956</u>
<b>EXPENDITURES</b>					
General Government	159,212				159,212
Public Works - Recycling				122,697	122,697
Public Works - Highways and Streets		440,322			440,322
Public Works - Other	11,340				11,340
Public Health and Safety	183,859		182,799	60,845	427,503
Culture and Recreation	146,694				146,694
Community Development				37,939	37,939
Debt service		27,845			27,845
Principal		4,177			4,177
Interest					
Total expenditures	<u>501,105</u>	<u>472,344</u>	<u>182,799</u>	<u>221,481</u>	<u>1,377,729</u>
					<u>973,313</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(1,101)	(220,641)	30,596	(92,773)	(23,357)
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan proceeds		135,500			135,500
Operating transfers in (out)	(34,071)			24,063	(10,008)
Total other financing sources (uses)	<u>(34,071)</u>	<u>135,500</u>		<u>24,063</u>	<u>(12,000)</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>					
	(35,172)	(85,141)	30,596	(68,710)	(158,427)
<b>FUND BALANCES, beginning of year</b>	<u>409,876</u>	<u>102,278</u>	<u>83,736</u>	<u>281,263</u>	<u>877,153</u>
<b>FUND BALANCES, end of year</b>	<u>374,704</u>	<u>17,137</u>	<u>114,332</u>	<u>212,553</u>	<u>877,153</u>

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

YEAR ENDED SEPTEMBER 30, 2009

WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2008

2009  
Total

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

Net change in fund balances - total governmental funds

(158,427)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in current period.

360,177

The issuance of long-term debt (e.g. warrants) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The amount is the effect of this difference in the treatment of long-term debt and related items.

(107,655)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

94,095

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2009  
WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2008

	2009				
	Business-Type Activities - Enterprise Funds				2008
	Sewer	Water	Landfill	Total	Total
ASSETS					
Current Assets					
Cash			4,496	4,496	7,869
Certificates of deposit		51,246		51,246	49,238
Due from other funds		22,838		22,838	21,152
Accounts receivable (net)	26,271	53,791	2,028	82,090	75,927
Inventories		12,860		12,860	13,730
Total current assets	26,271	140,735	6,524	173,530	167,916
Restricted Assets					
		23,120		23,120	35,354
Capital Assets					
Nondepreciable - land	2,000	3,800	500	6,300	6,300
Construction-in-progress	44,445			44,445	
Depreciable assets					
Sewer system	607,929			607,929	577,806
Water system		1,439,814		1,439,814	1,407,445
Equipment	32,018	120,050	3,830	155,898	155,898
Accumulated depreciation	(397,266)	(893,992)	(3,830)	(1,295,088)	(1,226,805)
Total capital assets	289,126	669,672	500	959,298	920,644
TOTAL ASSETS	315,397	833,527	7,024	1,155,948	1,123,914
LIABILITIES					
Current Liabilities Payable from					
Current Assets					
Due to other funds	72,392			72,392	21,152
Accounts payable	16,539	2,805	9,395	28,739	31,325
Deferred compensation	2,641	2,641		5,282	6,238
Current amount of long-term debt		8,936		8,936	8,511
Total current liabilities payable from current assets	91,572	14,382	9,395	115,349	67,226

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2009  
WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2008

	2009				2008
	Business-Type Activities - Enterprise Funds			Total	Total
	Sewer	Water	Landfill		
LIABILITIES (Continued)					
Noncurrent Liabilities					
Customer deposits		10,120		10,120	9,570
Bonds payable		283,672		283,672	292,183
Less current amounts		(8,936)		(8,936)	(8,511)
Total noncurrent liabilities		<u>284,856</u>		<u>284,856</u>	<u>293,242</u>
TOTAL LIABILITIES	<u>91,572</u>	<u>299,238</u>	<u>9,395</u>	<u>400,205</u>	<u>360,468</u>
NET ASSETS					
Invested in capital assets, net of related debt	289,126	386,000	500	675,626	628,461
Restricted for replacements		23,120		23,120	35,354
Unrestricted (deficit)	<u>(65,301)</u>	<u>125,169</u>	<u>(2,871)</u>	<u>56,997</u>	<u>99,631</u>
TOTAL NET ASSETS (DEFICIT)	<u>223,825</u>	<u>534,289</u>	<u>(2,371)</u>	<u>755,743</u>	<u>763,446</u>

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2009  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2009				2008
	Enterprise Funds				Total
	Sewer	Water	Landfill	Total	
OPERATING REVENUES					
User charges	90,781	177,504	117,277	385,562	357,264
Miscellaneous	254	391		645	4,303
Total operating revenues	<u>91,035</u>	<u>177,895</u>	<u>117,277</u>	<u>386,207</u>	<u>361,567</u>
OPERATING EXPENSES					
Personal services	56,433	56,851	5,912	119,196	113,463
Materials and supplies	4,031	4,513		8,544	14,734
Repairs and maintenance	4,249	4,027		8,276	21,131
Gasoline and oil	576			576	1,349
Office expenses		2,064	344	2,408	2,635
Insurance	2,687	3,134		5,821	2,809
Utilities	11,626	46,271		57,897	46,617
Purchased garbage hauling			113,345	113,345	110,935
Professional fees and schooling	848	2,131		2,979	23,067
Depreciation expense	17,138	51,145		68,283	68,417
Miscellaneous operating expense	1,036	4,505	56	5,597	2,752
Total operating expenses	<u>98,624</u>	<u>174,641</u>	<u>119,657</u>	<u>392,922</u>	<u>407,909</u>
OPERATING INCOME (LOSS)	<u>(7,589)</u>	<u>3,254</u>	<u>(2,380)</u>	<u>(6,715)</u>	<u>(46,342)</u>
NONOPERATING REVENUES (EXPENSES)					
Federal grants					2,483
Interest income	470	3,143		3,613	3,690
Interest expense		(14,609)		(14,609)	(15,014)
Total nonoperating revenues (expenses)	<u>470</u>	<u>(11,466)</u>		<u>(10,996)</u>	<u>(8,841)</u>
LOSS BEFORE OPERATING TRANSFERS	(7,119)	(8,212)	(2,380)	(17,711)	(55,183)
Operating transfers in			10,008	10,008	12,000
NET INCOME (LOSS)	(7,119)	(8,212)	7,628	(7,703)	(43,183)
NET ASSETS (DEFICIT), beginning of year	<u>230,944</u>	<u>542,501</u>	<u>(9,999)</u>	<u>763,446</u>	<u>806,629</u>
NET ASSETS (DEFICIT), end of year	<u>223,825</u>	<u>534,289</u>	<u>(2,371)</u>	<u>755,743</u>	<u>763,446</u>

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2009  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2009				2008
	Enterprise Funds				Totals
	Sewer	Water	Landfill	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	84,795	177,310	117,294	379,399	353,137
Other cash received	254	3,941		4,195	7,803
Cash paid for contracted hauling			(113,330)	(113,330)	(110,564)
Cash paid for personal services	(56,911)	(57,329)	(5,912)	(120,152)	(112,921)
Other cash payments	(30,296)	(75,751)	(400)	(106,447)	(103,771)
Net cash provided by (used in) operating activities	(2,158)	48,171	(2,348)	43,665	33,684
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash receipts from interest	470	1,135		1,605	1,608
Net cash provided by investing activities	470	1,135		1,605	1,608
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Cash paid for equipment and improvements	(64,950)	(32,369)		(97,319)	(6,188)
Principal paid on long-term debt		(8,511)		(8,511)	(8,106)
Cash paid for interest		(14,609)		(14,609)	(15,014)
Net cash used in capital and related financing activities	(64,950)	(55,489)		(120,439)	(29,308)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Federal Grants					2,483
Certificates of deposits cashed	12,234			12,234	
Change in amounts due other funds	54,404	(1,686)	(3,164)	49,554	(15,235)
Transfers from other funds			10,008	10,008	12,000
Net cash provided by (used in) noncapital financing activities	66,638	(1,686)	6,844	71,796	(752)
NET INCREASE (DECREASE) IN CASH	- 0 -	(7,869)	4,496	(3,373)	5,232
CASH AND CASH EQUIVALENTS, beginning of year	- 0 -	7,869	- 0 -	7,869	2,637
CASH AND CASH EQUIVALENTS, end of year	- 0 -	- 0 -	4,496	4,496	7,869

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2009  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2009				2008
	Enterprise Funds				Totals
	Sewer	Water	Landfill	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	(7,589)	3,254	(2,380)	(6,715)	(46,342)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	17,138	51,145		68,283	68,417
Changes in assets and liabilities:					
(Increase) Decrease in accounts receivable	(5,986)	(194)	17	(6,163)	(4,127)
(Increase) Decrease in inventory		870		870	(275)
Increase (Decrease) in accounts payable	(5,243)	(6,976)	15	(12,204)	15,769
Increase (Decrease) in customer deposits		550		550	(300)
Increase (Decrease) in accrued expenses	(478)	(478)		(956)	542
Total adjustments	5,431	44,917	32	50,380	80,026
Net cash provided by (used in) operating activities	(2,158)	48,171	(2,348)	43,665	33,684
 SUPPLEMENTAL DISCLOSURES					
Noncash capital financing transactions					
Total additions to capital assets	80,756	32,369		113,125	6,188
Less increase in accounts payable - capital outlay	(15,806)			(15,806)	(6,188)
Cash paid for equipment and improvements	64,950	32,369		97,319	

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

The financial statements presented herein do not include the Creighton Area Health Services (CAHS), which consists of the City's Hospital and Nursing Home Funds. These funds are enterprise funds of the City and accounted for as business-type activities. CAHS was audited by other auditors whose report for the year ended September 30, 2009, dated November 13, 2009, expressed an unqualified opinion on the financial statements.

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

Based on the Foundation's records for the year ended September 30, 2009, the assets, liabilities, revenues and expenditures were \$32,477, \$- 0 -, \$1,039, and \$4,724, respectively.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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



CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Government-Wide Statements

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

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

The City does not allocate indirect costs.

Fund Financial Statements

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

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

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

The City reports using the following funds:

Governmental Funds

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

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

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

Proprietary Funds

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Measurement Focus (Continued)

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

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

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

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

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

Basis of Accounting

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

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

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Basis of Accounting (Continued)

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

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

D. BUDGETS

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

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

E. CASH AND INVESTMENTS

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

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

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

F. ACCOUNTS RECEIVABLE

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

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. INVENTORY

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

H. CAPITAL ASSETS

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

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

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

As permitted by GASB 34, the City has elected to capitalize governmental fund type infrastructure, consisting primarily of street improvements, on a prospective basis. Consequently, except for Proprietary Fund Types, the financial statements do not include infrastructure prior to October 1, 2003.

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

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

Plant	20 - 50 years
Equipment	5 - 15 years

I. LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. LONG-TERM DEBT (Continued)

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

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

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

J. COMPENSATED ABSENCES

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

K. EQUITY CLASSIFICATIONS

Government-Wide Statements

Net assets are displayed in three components:

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

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

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

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. PROPERTY TAXES

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

M. INTERFUND TRANSFERS

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

N. USE OF ESTIMATES

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

O. PRIOR-YEAR INFORMATION

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

NOTE 2. CASH AND DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. State law requires all funds in depositories to be fully insured or collateralized; and the City's policy is to require depositories to provide pledged securities to cover deposits in excess of FDIC limits. At September 30, 2009, the City's deposits (including checking accounts, savings accounts, and certificates of deposit) were entirely covered by FDIC insurance and securities held by agents of the depositories and assigned to the City in the form of joint safekeeping receipts.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. RESTRICTED ASSETS

Restricted assets of the Enterprise Funds consist of water and sewer certificates of deposit restricted for replacements. The Water Fund Replacement Fund is required under terms of the 1993 Bond Agreement.

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

General Fund - Senior Center maintenance	24,000
General Fund - Infrastructure (MIRF)	1,034
Recycling Fund - building and equipment restricted by grant	1,315
Community Development Fund - development loan program	61,844
Permanent Fund - endowment general purpose	86,169

NOTE 4. RETIREMENT PROGRAM

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

The plan is a Section 457b deferred compensation pension plan. The plan was amended in 1998 to comply with Federal law contained in the Small Business Job Protection Act of 1996. All assets relating to the plan are held in trust for the exclusive benefit of plan participants or their beneficiaries. The City pension contributions for the year ended September 30, 2009 were \$8,028 and employees' contributions were \$9,514, which was equal to or greater than the required amounts.

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

NOTE 5. LONG-TERM DEBT

General Obligation Bond Issues

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



CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

General Obligation Bond Issues (Continued)

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

Bank Loan

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

Capital Lease Contract

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

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

2010	14,544
Less amounts representing interest	<u>(612)</u>
Present value, September 30, 2009	<u>13,932</u>

Changes in Long-Term Debt

	<u>Bank Notes</u>	<u>USDA Bonds</u>	<u>G &amp; O Nursing Home</u>	<u>Capital Lease</u>
Principal balance, beginning		292,183	215,000	27,088
Debt issued	135,500			
Principal paid	<u>(14,689)</u>	<u>(8,511)</u>	<u>(50,000)</u>	<u>(13,156)</u>
Principal balance, ending	<u>120,811</u>	<u>283,672</u>	<u>165,000</u>	<u>13,932</u>

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

Maturities on Long-Term Debt

Fiscal Year Ending September 30,	Bank Notes	USDA Bonds	2002 Nursing Home
2010	27,265	23,120	62,838
2011	29,743	23,120	60,280
2012	29,743	23,120	57,668
2013	29,743	23,120	
2014	14,665	23,120	
2015 - 2019		115,600	
2020 - 2024		115,600	
2025 - 2029		<u>103,782</u>	
	131,159	450,582	180,786
Less interest	<u>(10,348)</u>	<u>(166,910)</u>	<u>(15,786)</u>
Total	<u>120,811</u>	<u>283,672</u>	<u>165,000</u>

NOTE 6. HOUSING GRANTS AND LOANS

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

In 2008 the City was awarded an additional \$250,000 grant to administer the housing grant/loan program. As of September 30, 2009 the City has received \$14,832 in grant funds.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009, was as follows:

	Balance 10/01/08	Increases	Decreases	Balance 9/30/09
<u>Governmental Activities</u>				
Land - not depreciable	24,954			24,954
Buildings and improvements	1,596,082	95,053		1,691,135
Equipment and vehicles	<u>1,869,346</u>	<u>395,694</u>		<u>2,265,040</u>
Totals at cost	3,490,382	490,747		3,981,129
Accumulated depreciation	<u>(2,068,746)</u>	<u>(130,570)</u>		<u>(2,199,316)</u>
Net capital assets	<u>1,421,636</u>	<u>360,177</u>		<u>1,781,813</u>

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (Continued)

Business-Type Activities

	Balance <u>10/01/08</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>9/30/09</u>
Land - not depreciable	6,300			6,300
Construction-in-progress		44,445		44,445
Depreciable assets				
Water Department	1,435,705	26,182	6,188	1,468,075
Sewer Department	579,629	36,310	(6,188)	609,751
Transportation and other equipment	<u>125,815</u>			<u>125,815</u>
Totals at cost	2,147,449	106,937		2,254,386
Accumulated depreciation	<u>(1,226,805)</u>	<u>(68,283)</u>		<u>(1,295,088)</u>
Net capital assets	<u>920,644</u>	<u>38,654</u>		<u>959,298</u>

Depreciation

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

Governmental Activities

General Government	12,522
Public Safety	50,486
Highways and Streets	30,427
Public Works - Other	6,069
Culture and Recreation	<u>31,066</u>
Total depreciation expense - governmental activities	<u>130,570</u>

Business-Type Activities

Water Fund	51,145
Sewer Fund	<u>17,138</u>
Total depreciation expense - business-type activities	<u>68,283</u>

NOTE 8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has purchased commercial insurance to offset these certain risks. Settled claims have not significantly exceeded this commercial coverage in any of the past three fiscal years.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The City uses a joint checking account for all funds. As of September 30, 2009, the Street Fund and Sewer Fund had deficit balances in this checking account. These amounts are reflected as amounts due to the other funds in the financial statements as follows:

	Due to Other Funds	Due from Other Funds
Sewer Fund		
Due to General Fund	49,554	
Due to Water Fund	22,838	
Street Fund		
Due to General Fund	26,363	
Water Fund		
Due from Sewer Fund		22,838
General Fund		
Due from Street Fund		26,363
Due from Sewer Fund		49,554
Total	<u>98,755</u>	<u>98,755</u>

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

NOTE 10. DEFICIT FUND BALANCE

As of September 30, 2009, the City's Landfill Fund, an enterprise fund, had a deficit net asset balance of \$2,371. Budgeted receipts over budgeted expenditures are expected to restore this deficit balance in the next fiscal year.

NOTE 11. TRANSFERS

Interfund transfers for the year consisted of transfers from the General Fund to the Landfill for support of \$10,008 and General Fund to the Recycling Fund of \$24,063.

NOTE 12. CONSTRUCTION-IN-PROGRESS

The construction-in-progress asset in the Sewer Fund of \$44,445 consists of project costs related to the ultraviolet disinfection system project incurred to date. The City anticipates that the project will be completed in the next fiscal year at a total cost of approximately \$225,000. This project will be financed with a loan from the Nebraska Department of Environmental Quality.

CITY OF CREIGHTON, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS

NOTE 13. SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 29, 2010, the date which the financial statements were available to be issued.

The City has published advertisements to sell Creighton Area Health Services. The City anticipates no major loss or benefits in selling these assets. As of March 29, 2010, the City is in the process of negotiating an offer with Avera Sacred Heart Health Services.

## REQUIRED SUPPLEMENTAL INFORMATION

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
CASH BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS  
ALL FUNDS  
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009			2008		
	General All-Purpose			General All-Purpose		
	Budget Original and Final	Actual	Favorable (Unfavorable)	Budget Original and Final	Actual	
REVENUES						
Federal	379,750	168,879	(210,871)	74,503	85,107	
Property taxes	122,845	104,990	(17,855)	116,130	104,250	
Sales taxes	140,000	149,806	9,806	155,000	126,140	
Motor vehicle taxes	20,000	20,755	755	20,000	20,201	
Other taxes	12,130	16,233	4,103	12,130	12,248	
Licenses and permits		5,056	5,056	2,000	4,792	
Intergovernmental - state	239,522	264,617	25,095	276,946	285,639	
Charges for services	418,000	464,318	46,318	382,000	428,153	
Interest	13,350	22,069	8,719	12,350	29,922	
NPPD lease	140,000	133,420	(6,580)	120,000	129,237	
Other	125,352	192,087	66,735	215,102	152,593	
Total revenues	<u>1,610,949</u>	<u>1,542,230</u>	<u>(68,719)</u>	<u>1,386,161</u>	<u>1,378,282</u>	
EXPENDITURES						
General Government	335,487	159,212	176,275	277,549	179,522	
Public Works - Recycling	84,936	122,697	(37,761)		10,678	
Public Works - Street	327,558	336,844	(9,286)	312,972	252,378	
Public Works - Utility Funds	457,783	471,708	(13,925)	422,791	356,564	
Public Health and Safety	421,962	427,503	(5,541)	596,607	417,983	
Culture and Recreation	301,086	146,694	154,392	251,203	111,911	
Housing Rehab and Community Development	329,182	37,939	291,243	180,201	841	
Debt Service - Nursing Home	62,312	61,213	1,099	62,312	61,213	
Total expenditures	<u>2,320,306</u>	<u>1,763,810</u>	<u>556,496</u>	<u>2,103,635</u>	<u>1,391,090</u>	

CITY OF CREIGHTON, NEBRASKA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
CASH BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS  
ALL FUNDS  
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009			2008	
	General All-Purpose			General All-Purpose	
	Budget Original and Final	Actual	Favorable (Unfavorable)	Budget Original and Final	Actual
REVENUES OVER (UNDER) EXPENDITURES	<u>(709,357)</u>	<u>(221,580)</u>	<u>487,777</u>	<u>(717,474)</u>	<u>(12,808)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	40,000	34,071	(5,929)	40,000	22,514
Operating transfers (out)	<u>(40,000)</u>	<u>(34,071)</u>	<u>5,929</u>	<u>(40,000)</u>	<u>(22,514)</u>
Total other financing sources (uses)					
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(709,357)</u>	<u>(221,580)</u>	<u>487,777</u>	<u>(717,474)</u>	<u>(12,808)</u>
CASH BALANCE, beginning of year		<u>969,614</u>			<u>982,422</u>
CASH BALANCE, end of year		<u>748,034</u>			<u>969,614</u>

The notes are an integral part of these financial statements.



CITY OF CREIGHTON, NEBRASKA  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

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

Basis of Accounting

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

Budget Law

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

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

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

There were no amendments to the budget during the year.

Reconciliation

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

Revenues under expenditures - budgetary basis	
Governmental funds	(158,427)
Enterprise funds	<u>(63,153)</u>
Revenues under expenditures - all funds - budgetary basis	<u>(221,580)</u>
Revenues over expenditures - budgetary basis	
Enterprise funds	<u>(63,153)</u>
Adjustments	
Increase in accounts receivable	6,163
Increase in inventory	(870)
(Increase) in accounts payable	12,204
Decrease in deposits	(550)
(Increase) in accrued expenses	956
Capitalized assets	97,319
Depreciation	(68,283)
Principal payments	<u>8,511</u>
Total adjustments	<u>55,450</u>
Net loss - enterprise funds	<u>(7,703)</u>

## OTHER SUPPLEMENTAL INFORMATION

CITY OF CREIGHTON, NEBRASKA  
GENERAL FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN CASH BALANCE BY DEPARTMENT  
YEAR ENDED SEPTEMBER 30, 2009  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2009						2008	
	General Government		Public Safety	Culture and Recreation			Totals	Total
	General	Building	Police	Library	Park	Pool		
REVENUES								
Taxes								
Sales taxes	52,857					52,857	105,714	100,912
Property taxes	93,703						93,703	91,906
Motor vehicle tax	20,755						20,755	20,201
Nebraska Public Power District	14,878						14,878	12,248
Licenses and permits	5,056						5,056	4,792
Intergovernmental								
Federal Grant	383		866				1,249	2,221
State aid	11,078						11,078	11,188
Municipal equalization	97,674						97,674	100,201
Homestead exemption	10,843						10,843	10,067
Property tax relief	4,076						4,076	3,749
Motor vehicle prorate	407						407	426
Other				777			777	777
Charges for services		410		882	840	10,313	12,445	17,079
Interest income	8,433	343	57	83	1,364	3,762	14,042	18,091
NPPD lease	66,710						66,710	64,619
Donations								1,223
Local grants					3,200		3,200	
Franchise fees	5,016	4,244					9,260	8,640
Sale of property	5,250		300				5,550	
Other	11,453		1,686	5,252	4,196		22,587	15,111
Total revenues	408,572	4,997	2,909	6,994	9,600	66,932	500,004	483,451
EXPENDITURES								
Personal services	37,200	13,369	139,124	21,837	19,343	21,507	252,380	232,480
Operating expenditures	85,401	12,219	28,255	12,210	25,636	18,367	182,088	179,734
Tree Dump expenditures	11,340						11,340	
Debt service principal								65,059
Debt service interest								477,273
Capital outlay	4,858	6,165	16,480	3,183	24,611		55,297	65,059
Total expenditures	138,799	31,753	183,859	37,230	69,590	39,874	501,105	477,273

CITY OF CREIGHTON, NEBRASKA  
GENERAL FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN CASH BALANCE BY DEPARTMENT  
YEAR ENDED SEPTEMBER 30, 2009  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2009					2008	
	General Government	Public Safety	Culture and Recreation			Totals	Total
	General	Building	Police	Library	Park	Pool	
REVENUES OVER (UNDER) EXPENDITURES	269,773	(26,756)	(180,950)	(30,236)	(59,990)	27,058	(1,101) 6,178
OTHER FINANCING SOURCES (USES)							
Transfer out	(34,071)						(34,071) (22,514)
Department transfers	(133,519)	24,000		34,519	75,000		(133,519) (22,514)
Total other financing sources (uses)	(167,590)	24,000		34,519	75,000		(167,590) (22,514)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	102,183	(2,756)	(180,950)	4,283	15,010	27,058	(35,172) (16,336)
CASH BALANCE, beginning of year							409,876 426,212
CASH BALANCE, end of year							374,704 409,876

CITY OF CREIGHTON, NEBRASKA  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN CASH BALANCES  
YEAR ENDED SEPTEMBER 30, 2009  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2009					2008 Total
	Street	Fire Department	Community Development	Recycling	Ambulance	Totals
<b>REVENUES</b>						
Taxes						
Property taxes		11,287				11,287
Nebraska Public Power District		1,355				1,355
City sales taxes	44,092					44,092
Intergovernmental						
Federal grants		25,908	15,372	7,600	118,750	167,630
Highway allocation/incentive	116,141					116,141
Motor vehicle fees	11,000					11,000
Township levy	10,351					10,351
Mutual Finance Organization		10,386				10,386
Rural Fire Department contributions		14,818				14,818
Other		2,235		500		2,735
NPPD lease	66,710					66,710
Charges for services	1,687			2,298	68,489	72,474
Interest	1,702	50	255	336	2,071	4,414
Sale of property		2,575				2,575
Other	20	2,569	30,137	1,027	24,085	57,838
Total revenues	251,703	71,183	45,764	11,761	213,395	593,806
						<u>466,505</u>
<b>EXPENDITURES</b>						
Personal services	120,659			6,292		126,951
Operating expenditures	60,818	33,740	37,939	9,477	23,659	165,633
Debt service principal	27,845					27,845
Debt service interest	4,177					4,177
Capital outlay	258,845	27,105		106,928	159,140	552,018
Total expenditures	472,344	60,845	37,939	122,697	182,799	876,624
						<u>496,041</u>

CITY OF CREIGHTON, NEBRASKA  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN CASH BALANCES  
YEAR ENDED SEPTEMBER 30, 2009  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2009					2008
	Street	Fire Department	Community Development	Recycling	Ambulance	Totals
REVENUES OVER (UNDER) EXPENDITURES	(220,641)	10,338	7,825	(110,936)	30,596	(282,818)
OTHER FINANCING SOURCES (USES)						
Loan proceeds	135,500					135,500
Operating transfers in (out)				24,063		24,063
Total other financing sources (uses)	135,500			24,063		159,563
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(85,141)	10,338	7,825	(86,873)	30,596	(123,255)
FUND BALANCES, beginning of year	102,278	45,493	54,019	95,582	83,736	381,108
FUND BALANCES, end of year	17,137	55,831	61,844	8,709	114,332	257,853
						381,108

CITY OF CREIGHTON, NEBRASKA  
NONMAJOR FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN CASH BALANCES  
YEAR ENDED SEPTEMBER 30, 2009

	<u>Community Development</u>	<u>Fire Department</u>	<u>Recycling</u>	<u>Permanent Fund</u>	<u>Totals</u>
REVENUES					
Taxes		12,642			12,642
Intergovernmental	15,372	53,347	8,100		76,819
Charges for services			2,298		2,298
Interest	255	50	336		641
Other	30,137	5,144	1,027		36,308
Total revenues	<u>45,764</u>	<u>71,183</u>	<u>11,761</u>		<u>128,708</u>
EXPENDITURES					
Personal services			6,292		6,292
Operating	37,939	33,740	9,477		81,156
Capital outlay		27,105	106,928		134,033
Total expenditures	<u>37,939</u>	<u>60,845</u>	<u>122,697</u>		<u>221,481</u>
REVENUES OVER (UNDER) EXPENDITURES	7,825	10,338	(110,936)		(92,773)
OTHER FINANCING SOURCES					
Operating transfers in (out)			24,063		24,063
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	7,825	10,338	(86,873)		(68,710)
FUND BALANCES, beginning of year	<u>54,019</u>	<u>45,493</u>	<u>95,582</u>	<u>86,169</u>	<u>281,263</u>
FUND BALANCES, end of year	<u>61,844</u>	<u>55,831</u>	<u>8,709</u>	<u>86,169</u>	<u>212,553</u>

DANA F. COLE & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Creighton, Nebraska, for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 29, 2010, which was qualified for the effects on the financial statements of the omission of an enterprise fund, the Creighton Area Health Services. Our report disclosed that, as described in Note 1 to the financial statements, the City prepares the government-wide financial statements on the cash basis for the governmental activities, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control. We believe that the significant deficiency described in Item 2009-1 in the accompanying schedule of findings and responses constitutes a material weaknesses.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Creighton, Nebraska's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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

Dana J Cole + Company, LLP

O'Neill, Nebraska  
March 29, 2010

CITY OF CREIGHTON, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2009

2009-1 SEGREGATION OF DUTIES

Condition

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

Criteria

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

Possible Effect

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

Recommendations

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

City's Response

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

2009-2 UTILITY BILLING

Condition

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

Criteria

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

Possible Effect

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

CITY OF CREIGHTON, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2009

2009-2 UTILITY BILLING (Continued)

Recommendation

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

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

City's Response

The City will attempt to implement the above.

2009-3 FINANCIAL REPORTING PROCESSES

Condition

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

Criteria

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

Possible Effect

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

Recommendation

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

CITY OF CREIGHTON, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2009

2009-3 FINANCIAL REPORTING PROCESSES (Continued)

City's Response

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

2009-4 DOCUMENTATION OF PROCEDURES

Condition

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

Criteria

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

Possible Effect

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

Recommendation

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

City's Response

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

SIGNIFICANT DEFICIENCIES REPORTED IN PRIOR YEAR

The above matters were also reported for the year ended September 30, 2008, in our report dated March 2, 2009.

