

CITY OF CREIGHTON, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

CITY OF CREIGHTON, NEBRASKA
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DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Creighton, Nebraska

Report on the Financial Statements

We have audited the accompanying 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, 2013, 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 accounting principles generally accepted in the United States of America for the business-type activities and the modified cash basis of accounting for the governmental activities 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 of the governmental activities 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 of 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 modified cash basis financial position of the governmental activities, governmental major funds, and the aggregate remaining governmental fund of the City of Creighton, Nebraska, as of September 30, 2013, and the changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and business-type major funds of the City of Creighton, Nebraska, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The City of Creighton, Nebraska, prepares its financial statements of the governmental activities and each major governmental fund on the modified cash basis of accounting. The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

The financial statements of the business-type activities and each business-type major fund have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City's September 30, 2012, financial statements and our report dated May 29, 2013, 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, 2012, 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 31 - 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining, individual fund financial statements and supplementary information on pages 31 - 37 are the responsibility of management and were derived from and relate 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, the combining, individual fund financial statements and supplementary information on pages 31 - 37 are fairly stated in all material respects in relation to the basic 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, 2012, which are not presented with the accompanying financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the 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 33 - 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 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, the 2012 supplemental information on pages 33 - 37 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 31, 2014, 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, 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* in considering City of Creighton, Nebraska's internal control over financial reporting and compliance.

Dana J Cole + Company, LLP

O'Neill, Nebraska
March 31, 2014

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS
BUSINESS-TYPE ACTIVITIES - ACCRUAL BASIS
SEPTEMBER 30, 2013

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	951,045	326,561	1,277,606
Certificates of deposit	2,463,849	23,120	2,486,969
Cash held by County Treasurer	8,714		8,714
Accounts receivable		73,167	73,167
Grants receivable		13,190	13,190
Inventories		13,348	13,348
Restricted certificates of deposit	86,169		86,169
Capital assets			
Nondepreciable - land	24,954	6,300	31,254
Depreciable - net of depreciation	<u>1,438,472</u>	<u>1,819,616</u>	<u>3,258,088</u>
TOTAL ASSETS	<u>4,973,203</u>	<u>2,275,302</u>	<u>7,248,505</u>
LIABILITIES			
Accounts payable		75,985	75,985
Accrued expenses		11,872	11,872
Customer deposits		11,900	11,900
Notes payable within one year	10,986	25,077	36,063
Noncurrent liabilities			
Notes payable in more than one year		869,247	869,247
Bonds payable in more than one year		<u>245,000</u>	<u>245,000</u>
TOTAL LIABILITIES	<u>10,986</u>	<u>1,239,081</u>	<u>1,250,067</u>
NET POSITION			
Invested in capital assets, net of related debt	<u>1,452,440</u>	<u>686,592</u>	<u>2,139,032</u>
Restricted for:			
Community Development	41,434		41,434
Fire department	103,021		103,021
Swimming pool operations (sales tax ordinance)	119,083		119,083
Endowment - unexpendable	<u>86,169</u>		<u>86,169</u>
Total restricted	<u>349,707</u>		<u>349,707</u>
Unrestricted	<u>3,160,070</u>	<u>349,629</u>	<u>3,509,699</u>
TOTAL NET POSITION	<u>4,962,217</u>	<u>1,036,221</u>	<u>5,998,438</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, 2013

Functions/programs	Program Revenues			Net (Expense) Revenue and		
	Expenditures/ Expenses	Charges for Services	Operating Grants and Contributions	Changes in Net Position		
				Governmental Activities	Business-Type Activities	Total
Primary government						
Governmental activities						
General Government	138,852	5,302	525	(133,025)		(133,025)
Public Health and Safety	256,208	22,605	26,182	(207,421)		(207,421)
Public Works - recycling	8,518	2,400		(6,118)		(6,118)
Highways and Streets	313,003	100	164,585	(148,318)		(148,318)
Culture and Recreation	170,428	15,739	4,215	(150,474)		(150,474)
Economic Development	16,714		15,937	(777)		(777)
Interest on long-term debt	998			(998)		(998)
Total governmental activities	<u>904,721</u>	<u>46,146</u>	<u>211,444</u>	<u>(647,131)</u>		<u>(647,131)</u>
Business-type activities						
Water	311,998	295,780	152,469		136,251	136,251
Sewer	134,359	190,670	1,672		57,983	57,983
Landfill	123,053	131,424			8,371	8,371
Total business-type activities	<u>569,410</u>	<u>617,874</u>	<u>154,141</u>		<u>202,605</u>	<u>202,605</u>
Total primary government	<u>1,474,131</u>	<u>664,020</u>	<u>365,585</u>	<u>(647,131)</u>	<u>202,605</u>	<u>(444,526)</u>
General revenues						
Property taxes - levied for general purposes				132,253		132,253
Other taxes - NPPD				18,422		18,422
City sales taxes				138,896	30,018	168,914
Motor vehicle taxes				20,815		20,815
Franchise fees				9,302		9,302
Unrestricted state revenues				122,099		122,099
Unrestricted investment earnings				33,238	1,375	34,613
NPPD lease unrestricted				180,620		180,620
Liquidation gain					43,108	43,108
Other miscellaneous revenues				19,060		19,060
Total general revenues				<u>674,705</u>	<u>74,501</u>	<u>749,206</u>
Transfers				60,000	(60,000)	
CHANGE IN NET POSITION				87,574	217,106	304,680
NET POSITION, beginning of year				4,874,643	819,115	5,693,758
NET POSITION, end of year				<u>4,962,217</u>	<u>1,036,221</u>	<u>5,998,438</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, 2013
(WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2012)

	2013				2012	
	General	Street	Ambulance	Community Development	Other	Total
ASSETS						
Cash and cash equivalents	669,780	154,348	32,276	41,434	53,207	951,045
Certificates of deposit	2,281,050		130,083		52,716	2,463,849
Cash at County Treasurer	7,136	925			653	8,714
Restricted certificates of deposit					86,169	86,169
TOTAL ASSETS	<u>2,957,966</u>	<u>155,273</u>	<u>162,359</u>	<u>41,434</u>	<u>192,745</u>	<u>3,509,777</u>
						<u>3,382,548</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to other funds	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
FUND BALANCES						
Unexpendable - (Hoferer Fund)					86,169	86,169
Restricted - Pool	119,083				119,083	133,611
Restricted - Fire					103,021	89,158
Restricted - Community development				41,434	41,434	28,471
Committed - Senior Citizen Center maintenance	24,000				24,000	24,000
Committed - Ambulance			162,359		162,359	159,972
Committed - Streets		155,273			155,273	65,790
Assigned - hospital accounts	2,643,562				2,643,562	2,596,865
Unassigned	171,321				3,555	198,512
Total fund balances	<u>2,957,966</u>	<u>155,273</u>	<u>162,359</u>	<u>41,434</u>	<u>192,745</u>	<u>3,509,777</u>
						<u>3,382,548</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>2,957,966</u>	<u>155,273</u>	<u>162,359</u>	<u>41,434</u>	<u>192,745</u>	<u>3,509,777</u>
						<u>3,382,548</u>

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013
(WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2012)

	2013 Total	2012 Total
Fund balances of governmental funds	3,509,777	3,382,548
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,463,426	1,532,083
Some liabilities, including capital leases payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(10,986)</u>	<u>(39,988)</u>
Net position of governmental activities	<u>4,962,217</u>	<u>4,874,643</u>

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

Fund balances of governmental funds

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

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

Net position of governmental activities

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2013
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2012)

	2013					2012
	General	Street	Ambulance	Community Development	Other	Total
REVENUES						
Taxes	245,571	48,844			15,971	310,386
Licenses and permits	5,302					5,302
Intergovernmental	126,314	164,585			26,182	317,081
Charges for services	15,739	100	22,605		2,400	40,844
Interest	29,545		1,955	38	1,700	33,238
Other	71,039	136,137	1,668	15,937	663	225,444
Total revenues	<u>493,510</u>	<u>349,666</u>	<u>26,228</u>	<u>15,975</u>	<u>46,916</u>	<u>932,295</u>
EXPENDITURES						
General Government	190,476					190,476
Public Works - Recycling					2,678	2,678
Public Works - Highways and Streets		281,594				281,594
Public Health and Safety	150,303		23,841		30,653	204,797
Public Health - donations to Avera						
Culture and Recreation	138,807			3,012		138,807
Economic Development	13,702					13,702
Debt service						
Principal		29,002				29,002
Interest		998				998
Total expenditures	<u>493,288</u>	<u>311,594</u>	<u>23,841</u>	<u>3,012</u>	<u>33,331</u>	<u>1,366,068</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>222</u>	<u>38,072</u>	<u>2,387</u>	<u>12,963</u>	<u>13,585</u>	<u>(400,306)</u>
OTHER FINANCING SOURCES (USES)						
Transfer from Creighton Area Health Services						
Operating transfers in (out)	4,659	51,411			3,930	60,000
Total other financing sources (uses)	<u>4,659</u>	<u>51,411</u>			<u>3,930</u>	<u>1,096,339</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES						
	4,881	89,483	2,387	12,963	17,515	127,229
FUND BALANCES, beginning of year	2,953,085	65,790	159,972	28,471	175,230	3,382,548
FUND BALANCES, end of year	<u>2,957,966</u>	<u>155,273</u>	<u>162,359</u>	<u>41,434</u>	<u>192,745</u>	<u>3,382,548</u>

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2013
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2012)

	2013 Total	2012 Total
Net change in fund balances - total governmental funds	127,229	696,033
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.	(68,657)	(61,919)
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 position. The amount is the effect of this difference in the treatment of long-term debt and related items.	29,002	27,991
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	87,574	662,105

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

Net change in fund balances - total governmental funds

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

This is the amount by which capital outlays exceeded depreciation in current period.

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

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

(WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2012)

	2013					2012
	Business-Type Activities - Enterprise Funds					Total
	Sewer	Water	Landfill	Hospital	Total	
ASSETS						
Current Assets						
Cash and cash equivalents	131,743	180,273	14,545		326,561	156,279
Certificates of deposit		23,120			23,120	23,120
Accounts receivable (net)	25,578	42,599	4,990		73,167	112,450
Grants receivable		13,190			13,190	
Inventories		13,348			13,348	16,933
Total current assets	157,321	272,530	19,535		449,386	308,782
Capital Assets						
Nondepreciable - land	2,000	3,800	500		6,300	6,300
Construction-in-progress						246,650
Depreciable assets						
Sewer system	785,847	2,494,511			785,847	785,847
Water system	49,421	39,925	3,800		2,494,511	1,550,296
Equipment	(469,089)	(1,080,999)	(3,800)		93,146	76,246
Accumulated depreciation					(1,553,888)	(1,485,083)
Total capital assets	368,179	1,457,237	500		1,825,916	1,180,256
TOTAL ASSETS	525,500	1,729,767	20,035		2,275,302	1,489,038

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

(WITH SUMMARIZED TOTALS FOR SEPTEMBER 30, 2012)

	2013				2012
	Business-Type Activities - Enterprise Funds				Total
	Sewer	Water	Landfill	Hospital	Total
LIABILITIES					
Current Liabilities Payable from Current Assets					
Accounts payable	3,326	72,659			75,985
Accrued expenses	1,574	10,298			11,872
Current amount of long-term debt	9,625	15,452			25,077
Total current liabilities payable from current assets	14,525	98,409			112,934
Noncurrent Liabilities					
Customer deposits		11,900			11,900
Notes payable - NDEQ	192,782	701,542			894,324
Bonds payable		245,000			245,000
Less current amounts	(9,625)	(15,452)			(25,077)
Total noncurrent liabilities	183,157	942,990			1,126,147
TOTAL LIABILITIES	197,682	1,041,399			1,239,081
NET POSITION					669,923
Invested in capital assets, net of related debt	175,397	510,695	500		686,592
Unrestricted	152,421	177,673	19,535		349,629
TOTAL NET POSITION	327,818	688,368	20,035		1,036,221
					819,115

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, 2013

(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2012)

	2013				2012
	Enterprise Funds				
	Sewer	Water	Landfill	Hospital	Total
OPERATING REVENUES					
User charges	190,670	295,178	118,418		604,266
Miscellaneous		602	13,006		13,608
Total operating revenues	<u>190,670</u>	<u>295,780</u>	<u>131,424</u>		<u>617,874</u>
					<u>661,048</u>
OPERATING EXPENSES					
Personnel services	41,720	94,263			135,983
Materials and supplies	1,354	48,064			49,418
Repairs and maintenance	29,825	25,069			54,894
Gasoline and oil	753				753
Office expenses	484	1,289	38		1,811
Insurance	4,877	9,863			14,740
Utilities	14,919	51,224	610		66,753
Purchased services			122,405		122,405
Professional fees and schooling	12,056	10,269			22,325
Depreciation expense	21,707	47,098			68,805
Miscellaneous operating expense	2,667	5,675			8,342
Total operating expenses	<u>130,362</u>	<u>292,814</u>	<u>123,053</u>		<u>546,229</u>
					<u>518,802</u>
OPERATING INCOME	<u>60,308</u>	<u>2,966</u>	<u>8,371</u>		<u>71,645</u>
					<u>142,246</u>

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2013

(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2012)

	2013				2012
	Enterprise Funds				Total
	Sewer	Water	Landfill	Hospital	Total
NONOPERATING REVENUES (EXPENSES)					
Interest income		1,135		240	1,375
Grant income	1,672	152,469			154,141
Liquidation gain				43,108	43,108
City sales tax		30,018			30,018
Interest expense	(3,997)	(19,184)			(23,181)
Total nonoperating revenues (expenses)	(2,325)	164,438		43,348	205,461
					68,391
INCOME BEFORE OPERATING TRANSFERS	57,983	167,404	8,371	43,348	277,106
					210,637
Interfund transfers				(60,000)	(60,000)
					(1,096,339)
CHANGE IN NET POSITION	57,983	167,404	8,371	(16,652)	217,106
					(885,702)
NET POSITION, beginning of year, as restated	269,835	520,964	11,664	16,652	819,115
					1,704,817
NET POSITION, end of year	327,818	688,368	20,035		1,036,221
					819,115

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2013
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2012)

	2013				2012	
	Enterprise Funds				Total	Total
	Sewer	Water	Landfill	Hospital	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	194,480	305,269	133,218	73,962	706,929	940,422
Other cash received		602			602	1,628
Cash paid for contracted hauling	(42,483)	(94,263)	(111,065)		(111,065)	(113,460)
Cash paid for personnel services	(64,211)	(138,542)			(136,746)	(167,328)
Other cash payments			(11,988)	(14,202)	(228,943)	(228,240)
Net cash provided by operating activities	87,786	73,066	10,165	59,760	230,777	433,022
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash receipts from interest		1,135		240	1,375	3,312
Certificates of deposit cashed						52,881
Net cash provided by investing activities		1,135		240	1,375	56,193
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds of NDEQ loan	1,672	139,279			517,119	184,423
Proceeds from grant	(16,900)	(630,441)			140,951	46,106
Cash paid for equipment and improvements	(9,436)	(10,000)			(647,341)	(246,650)
Principal paid on long-term debt	(3,997)	(19,184)			(19,436)	(29,250)
Cash paid for interest					(23,181)	(19,333)
Net cash used in capital and related financing activities	(28,661)	(3,227)			(31,888)	(64,704)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Change in amounts due other funds		30,018			30,018	(48,114)
City sales tax receipts				(60,000)	(60,000)	(974,595)
Cash transfers to other funds						
Net cash used in noncapital financing activities		30,018		(60,000)	(29,982)	(1,022,709)
NET INCREASE (DECREASE) IN CASH	59,125	100,992	10,165		170,282	(598,198)
CASH AND CASH EQUIVALENTS, beginning of year	72,618	79,281	4,380		156,279	754,477
CASH AND CASH EQUIVALENTS, end of year	131,743	180,273	14,545		326,561	156,279

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2013
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2012)

	2013				2012	
	Enterprise Funds				Total	
	Sewer	Water	Landfill	Hospital	Total	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating income	60,308	2,966	8,371		71,645	142,246
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	21,707	47,098			68,805	70,480
Liquidation gain				43,108	43,108	38,306
Changes in assets and liabilities:						
Decrease in accounts receivable	3,810	8,227	1,794	25,452	39,283	187,085
(Increase) Decrease in inventory		3,585			3,585	(1,461)
Increase (Decrease) in accounts payable	2,724	2,737		(8,800)	(3,339)	(5,105)
Increase in customer deposits		1,864			1,864	600
Increase (Decrease) in accrued expenses	(763)	6,589			5,826	871
Total adjustments	27,478	70,100	1,794	59,760	159,132	290,776
Net cash provided by operating activities	87,786	73,066	10,165	59,760	230,777	433,022
SUPPLEMENTAL DISCLOSURES						
Noncash capital and related financing activities:						
Increase in accounts payable - construction		67,124			67,124	
Increase in grants receivable		13,120			13,120	
Noncash noncapital financing activities:						
Noncash transfers to other funds						
Certificates of deposit and bonds transferred to other City funds						121,744

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City has adopted the provisions of Statement No. 34 of the Governmental Accounting Standards Board, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Statement No. 34 established standards for external financial reporting for all state and local government entities, which includes government-wide financial statements, fund financial statements, and the classification of net position 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 position 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 interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-Wide Statements (Continued)

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

The City does not allocate indirect costs.

Fund Financial Statements

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

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

The City reports using the following funds:

Governmental Funds

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

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

Governmental Funds (Continued)

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

Proprietary Funds

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

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

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Measurement Focus (Continued)

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

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

The Proprietary Fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, 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 position.

Basis of Accounting

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

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

The proprietary funds are accounted for under the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETS

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

The City legally adopts the general all-purpose budget as prescribed by the 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.

E. CASH AND INVESTMENTS

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

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

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

F. ACCOUNTS RECEIVABLE

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

G. INVENTORY

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

H. CAPITAL ASSETS

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. CAPITAL ASSETS (Continued)

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

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

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

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

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

Plant	20 - 50 years
Equipment	5 - 15 years

I. LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. Bond premiums or discounts 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.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. COMPENSATED ABSENCES

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

K. EQUITY CLASSIFICATIONS

Government-Wide Statements

Net position is 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.

Fund Financial Statements

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

Fund Balance Classification

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

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.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. EQUITY CLASSIFICATIONS (Continued)

Fund Financial Statements (Continued)

Fund Balance Classification (Continued)

Restricted

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. The City includes the fund balances of the Pool, Fire, and Community Development Funds in this category, since the receipts of these funds are restricted by the grantors or by legislation. The primary receipts of the Pool Fund are sales taxes restricted by the related ordinance. Funds held in the Fire Fund are subject to an interlocal agreement and are restricted for fire purposes. The balance in the Community Development Fund is reuse funds restricted for housing loans and grants under terms of the original grant agreements with the State.

Committed

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

Assigned

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

Unassigned

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. EQUITY CLASSIFICATIONS (Continued)

Fund Financial Statements (Continued)

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

L. PROPERTY TAXES

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

M. INTERFUND TRANSFERS

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

N. USE OF ESTIMATES

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

O. PRIOR-YEAR INFORMATION

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

NOTE 2. CASH AND DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. State law requires all funds in depositories to be fully insured or collateralized, and the City's policy is to require depositories to provide pledged securities to cover deposits in excess of FDIC limits. At September 30, 2013, 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 governmental funds consist of specific accounts that are restricted by donors or by the terms of grants. Restricted assets of the governmental funds include the certificate of deposit related to the Hoferer Trust Fund of \$86,169.

NOTE 4. RETIREMENT PROGRAM

The City of Creighton, Nebraska, has a defined contribution pension plan. All full-time employees are eligible to participate. The City of Creighton, Nebraska, matches up to 4% of the employees' base salary. The employees can also make additional salary deferrals subject to IRS limits.

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, 2013, were \$4,455, which was equal to the required amount.

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

NOTE 5. LONG-TERM DEBT

General Obligation Bond Issues

In April 2010, the 1993 Water Bonds were called for repayment and the services 2010 Refunding Bonds were issued to refund the old bonds. These bonds are backed by the taxing authority of the City, but are being retired by Water Fund revenues. Therefore, the bonds are included as enterprise fund liabilities.

Bank Loan

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

Notes Payable NDEQ

A loan due to the Nebraska Department of Environmental Quality is payable by the Sewer Fund in semiannual payments of \$6,717, including interest of 2% through June 15, 2030. An annual administration fee of 1% of the loan balance is also payable in semiannual payments. Revenues (Sewer Fund) are pledged for repayment of the loan. The loan was used for a wastewater improvement project in 2010.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

Notes Payable NDEQ (Continued)

A loan agreement dated October 2011, to the Nebraska Department of Environmental Quality is payable by the Water Fund. The terms of the loan provide for loan forgiveness of \$188,575 and for repayment of the balance over 20 years at 2.29% interest, due in semiannual amounts of \$24,088 each June 15 and December 15 through 2033. An administrative fee of 1% of the outstanding loan balance is also payable semiannually. At September 30, 2013, \$701,542 of the total principal amount of \$754,298 had been advanced. The balance of \$52,756 was advanced after September 30, 2013. The revenues of the Water Fund are pledged as security for the loans.

Changes in Long-Term Debt

	NDEQ (Sewer)	Bank Notes	Water Bonds	NDEQ (Water)
Principal balance, beginning	202,218	39,988	255,000	184,423
Debt issued				517,119
Principal paid	<u>(9,436)</u>	<u>(29,002)</u>	<u>(10,000)</u>	<u> </u>
Principal balance, ending	<u>192,782</u>	<u>10,986</u>	<u>245,000</u>	<u>701,542</u>

Maturities on Long-Term Debt

Fiscal Year Ending September 30,	NDEQ Sewer Note	Bank Notes	G & O Water Bonds	NDEQ Water Note
2014	15,337	11,079	4,704	27,860
2015	15,240		19,305	55,487
2016	15,142		19,080	55,171
2017	15,041		18,818	54,847
2018	14,938		23,449	54,517
2019 - 2023	73,077		109,475	267,347
2024 - 2028	70,182		112,891	257,853
2029 - 2033	<u>27,195</u>		<u>31,137</u>	<u>247,215</u>
	246,152	11,079	338,859	1,020,297
Less interest and fees	(53,370)	(93)	(93,859)	(265,999)
Less unadvanced amounts				<u>(52,756)</u>
Total	<u>192,782</u>	<u>10,986</u>	<u>245,000</u>	<u>701,542</u>

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

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.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance 9/30/12	Increases	Decreases	Balance 9/30/13
<u>Governmental Activities</u>				
Land - nondepreciable	24,954			24,954
Buildings and improvements	1,906,707	61,806		1,968,513
Equipment and vehicles	2,072,124			2,072,124
Totals at cost	4,003,785	61,806		4,065,591
Accumulated depreciation	(2,471,702)	(130,463)		(2,602,165)
Net capital assets	<u>1,532,083</u>	<u>(68,657)</u>		<u>1,463,426</u>
<u>Business-Type Activities</u>				
Land - nondepreciable	6,300			6,300
Depreciable assets				
Construction-in-progress - nondepreciable	246,650		(246,650)	
Water Department	1,550,296	944,215		2,494,511
Sewer Department	785,847			785,847
Equipment	72,446	16,900		89,346
Totals at cost	2,661,539	961,115	(246,650)	3,376,004
Accumulated depreciation	(1,481,283)	(68,805)		(1,550,088)
Net capital assets	<u>1,180,256</u>	<u>892,310</u>	<u>(246,650)</u>	<u>1,825,916</u>

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	10,182
Public Safety	51,411
Highways and Streets	31,409
Public Works - other	5,840
Culture and Recreation	31,621
Total depreciation expense - governmental activities	<u>130,463</u>

Business-Type Activities

Water Fund	47,098
Sewer Fund	21,707
Total depreciation expense - business-type activities	<u>68,805</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.

NOTE 9. SALE OF HOSPITAL AND TRANSFER TO GENERAL FUND

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

As a result of this sale, remaining cash assets were transferred to the City's General Fund.

As of September 30, 2013, the City's General Fund included cash accounts from the "hospital sale" of \$2,643,562, which are considered assigned to future projects and other uses to be determined by the City Council.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 9. SALE OF HOSPITAL AND TRANSFER TO GENERAL FUND (Continued)

The Hospital Enterprise Fund account was used to account for the liquidation of remaining noncash assets and settlement of liabilities. For the year ended September 30, 2013, the net liquidation gain was \$43,108, due primarily to collections on receivables in excess of amounts estimated.

NOTE 10. TRANSFERS

Transfers for the year consisted of General Fund transfers for support to the Street and Recycling Funds of \$51,411 and \$3,930, respectively, and a residual transfer of \$60,000 from the Hospital Enterprise Fund to the General Fund.

NOTE 11. RESTATEMENT

Net position of the Water Enterprise Fund, as of October 1, 2012, was restated by -\$4,885 to reflect the implementation of GASB 65. This GASB requires that bond issue costs be recognized as an expense when incurred.

NOTE 12. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS AND RESTATEMENT

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. GASB 62 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 did not have a material effect on the financial statements.

In June 2011, GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes five components: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. Adoption of this statement did 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 AND
RESTATEMENT (Continued)

In April 2012, GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement also provides other reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources and limits the use of the term "deferred" in financial statement presentations. This statement is effective for periods beginning after December 15, 2012. The City elected to adopt this statement early. The adoption of GASB 65 did 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 31, 2014, 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, 2013

	2013 General All-Purpose		
	Budget Original and Final	Actual	Favorable (Unfavorable)
REVENUES			
Federal grant		140,951	140,951
Property taxes	150,404	132,253	(18,151)
Sales taxes	152,000	168,914	16,914
Motor vehicle taxes	18,000	20,815	2,815
Other taxes	17,000	18,422	1,422
Licenses and permits	2,500	5,302	2,802
Intergovernmental - State	260,405	303,332	42,927
Charges for services	694,912	747,773	52,861
Interest	41,756	34,613	(7,143)
NPPD lease	135,000	180,620	45,620
Debt proceeds	677,557	517,119	(160,438)
Interfund transfers in	414,228	55,341	(358,887)
Other	63,760	59,175	(4,585)
Total revenues	<u>2,627,522</u>	<u>2,384,630</u>	<u>(242,892)</u>
EXPENDITURES			
General Government	213,174	190,476	22,698
Public Works - Recycling	5,910	2,678	3,232
Public Works - Street	318,080	311,594	6,486
Public Works - Utility Funds	1,406,036	1,152,510	253,526
Public Health and Safety	386,269	204,797	181,472
Culture and Recreation	404,096	138,807	265,289
Housing Rehab and Community Development	43,636	16,714	26,922
Appropriation of hospital funds	2,575,406	14,202	2,561,204
Interfund transfers in	414,228	55,341	358,887
Total expenditures	<u>5,766,835</u>	<u>2,087,119</u>	<u>3,679,716</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,139,313)</u>	<u>297,511</u>	<u>3,436,824</u>
CASH BALANCE, beginning of year	<u>3,524,038</u>	<u>3,561,947</u>	
CASH BALANCE, end of year	<u>384,725</u>	<u>3,859,458</u>	

See accompanying notes to budgetary statement.

CITY OF CREIGHTON, NEBRASKA
NOTES TO BUDGETARY STATEMENT

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

Basis of Accounting

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

Budget Law

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

The City uses the general all-purpose budget, which combines all funds. Expenditures may not legally exceed appropriations at the total level. Any revisions to 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 expenditures - budgetary basis	
Governmental funds	127,229
Enterprise funds	<u>170,282</u>
Revenues over expenditures - all funds - budgetary basis	<u>297,511</u>
Revenues over expenditures - budgetary basis	
Enterprise funds	<u>170,282</u>
Adjustments	
Decrease in accounts receivable	(39,283)
Increase in grants receivable	13,190
Decrease in inventory	(3,585)
Decrease in accounts payable	3,339
Increase in deposits	(1,864)
Increase in other accrued liabilities	(5,826)
Capitalized assets	647,341
Depreciation	(68,805)
Debt proceeds	(517,119)
Principal payments	<u>19,436</u>
Total adjustments	<u>46,824</u>
Net Change in Position - Enterprise funds	<u>217,106</u>

CITY OF CREIGHTON, NEBRASKA
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN CASH BALANCE BY DEPARTMENT

YEAR ENDED SEPTEMBER 30, 2013
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2012)

	2013						2012	
	General Government			Public Safety		Culture and Recreation		Total
	General	Hospital	Building	Police	Library	Park	Pool	
REVENUES								
Taxes								
Sales taxes	60,035						30,017	90,052
Property taxes	118,239							118,239
Motor vehicle tax	20,815							20,815
Nebraska Public Power District	16,465							16,465
Licenses and permits	5,302							5,302
Intergovernmental								
Municipal equalization	103,018							103,018
Homestead exemption	14,473							14,473
Property tax relief	4,212							4,212
Motor vehicle prorated	396							396
Other					4,215			4,215
Charges for services					1,065	4,810	9,864	15,739
Interest income	5,701		144		27		776	29,545
NPPD lease	45,155							45,155
Donations	525							525
Local grants								
Franchise fees								
Sale of property	9,302							9,302
Other								
Total revenues	14,113		60	166	1,718	4,810	40,657	16,057
	417,751		204	166	7,025			493,510
								558,399
EXPENDITURES								
Personnel services	35,672			122,792	43,366	14,868	26,247	242,945
Operating expenditures	117,390		7,692	21,494	15,415	19,278	18,100	199,369
Donations								
Capital outlay	554		42,870	6,017	58,781	1,335	198	50,974
Total expenditures	153,616		50,562	150,303	35,481		44,545	493,288
								94,589
								935,794

CITY OF CREIGHTON, NEBRASKA
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN CASH BALANCE BY DEPARTMENT
YEAR ENDED SEPTEMBER 30, 2013

(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2012)

	2013						2012	
	General Government		Public Safety		Culture and Recreation		Total	Total
	General	Hospital	Building	Police	Library	Park	Pool	
REVENUES OVER (UNDER) EXPENDITURES	264,135	22,897	(50,358)	(150,137)	(51,756)	(30,671)	(3,888)	222
OTHER FINANCING SOURCES (USES)								
Transfer from Creighton Area Health Services	(432,955)	23,800	121,677	150,137	56,000	56,000	30,000	1,096,339
Transfers	(432,955)	23,800	121,677	150,137	56,000	56,000	30,000	(75,106)
Total other financing sources (uses)								1,021,233
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDI- TURES AND OTHER FINANCING USES	(168,820)	46,697	71,319		4,244	25,329	26,112	4,881
CASH BALANCE, beginning of year								2,953,085
CASH BALANCE, end of year								2,957,966
								2,953,085

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

YEAR ENDED SEPTEMBER 30, 2013
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2012)

	2013					2012
	Street	Fire Department	Community Development	Recycling	Ambulance	Total
REVENUES						
Taxes						
Property taxes		14,014				14,014
Nebraska Public Power District		1,957				1,957
City sales taxes	48,844					48,844
Intergovernmental						
State grants						
Highway allocation/incentive	128,850					128,850
Motor vehicle fees	11,078					11,078
Township levy	24,657					24,657
Mutual Finance Organization		8,862				8,862
Rural Fire Department - cost share		13,749				13,749
Other		3,571				3,571
NPPD lease	135,465					135,465
Charges for services	100			2,400	22,605	25,105
Interest		1,700	38		1,955	3,693
Other	672	663	15,937		1,668	18,940
Total revenues	349,666	44,516	15,975	2,400	26,228	438,785
EXPENDITURES						
Personnel services	88,898				224	89,122
Operating expenditures	89,358	27,940	3,012	2,678	23,617	146,605
Debt service principal	29,002					29,002
Debt service interest	998					998
Capital outlay	103,338	2,713				106,051
Total expenditures	311,594	30,653	3,012	2,678	23,841	371,778
						407,363
						56,896
						137,615
						27,991
						2,009
						205,763
						430,274

CITY OF CREIGHTON, NEBRASKA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN CASH BALANCES
YEAR ENDED SEPTEMBER 30, 2013
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2012)

	2013					2012 Total
	Street	Fire Department	Community Development	Recycling	Ambulance	
REVENUES OVER (UNDER) EXPENDITURES	38,072	13,863	12,963	(278)	2,387	(22,911)
OTHER FINANCING SOURCES (USES) Operating transfers in	51,411			3,930		55,341
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	89,483	13,863	12,963	3,652	2,387	122,348
FUND BALANCES (DEFICIT), beginning of year	65,790	89,158	28,471	(97)	159,972	291,099
FUND BALANCES, end of year	155,273	103,021	41,434	3,555	162,359	343,294

CITY OF CREIGHTON, NEBRASKA
NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN CASH BALANCES
YEAR ENDED SEPTEMBER 30, 2013
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2012)

	Fire Department	Recycling	Permanent Fund Hoferer Trust	Total	2012
REVENUES					
Taxes	15,971			15,971	14,126
Intergovernmental	26,182			26,182	27,210
Charges for services		2,400		2,400	2,400
Interest	1,700			1,700	760
Other	663			663	1,348
Total revenues	<u>44,516</u>	<u>2,400</u>	<u> </u>	<u>46,916</u>	<u>45,844</u>
EXPENDITURES					
Operating	27,940	2,678		30,618	37,418
Capital outlay	2,713			2,713	5,799
Total expenditures	<u>30,653</u>	<u>2,678</u>	<u> </u>	<u>33,331</u>	<u>43,217</u>
REVENUES OVER (UNDER) EXPENDITURES	13,863	(278)		13,585	2,627
OTHER FINANCING SOURCES					
Transfers in	<u> </u>	<u>3,930</u>	<u> </u>	<u>3,930</u>	<u>3,930</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	13,863	3,652		17,515	6,557
FUND BALANCES (DEFICIT), beginning of year	<u>89,158</u>	<u>(97)</u>	<u>86,169</u>	<u>175,230</u>	<u>168,673</u>
FUND BALANCES, end of year	<u>103,021</u>	<u>3,555</u>	<u>86,169</u>	<u>192,745</u>	<u>175,230</u>

DANA F. COLE & COMPANY, LLP
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*

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, the business-type activities, and each major fund of the City of Creighton, Nebraska, as of and for the year ended September 30, 2013, which collectively comprise the City of Creighton, Nebraska's basic financial statements and have issued our report thereon dated March 31, 2014.

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 deficiency described in the accompanying schedule of findings and responses to be a material weakness as item 2013-001.

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 deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as items 2013-002, 2013-003, and 2013-004.

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 F Cole + Company, LLP

O'Neill, Nebraska
March 31, 2014

CITY OF CREIGHTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2013

2013-001 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 timecards and document their approval. Consider someone other than the City Clerk to reconcile bank statements and tracing the disbursements including ACH transfers and bank debits to approved amounts and appropriate documentation. Consider cross training of staff to periodically process payroll and accounts payable. In addition, all funds should be included in the general ledger.

City's Response

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

2013-002 UTILITY BILLING

Criteria

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

Condition

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

CITY OF CREIGHTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2013

2013-002 UTILITY BILLING (Continued)

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.

City's Response

The City will consider the changes.

2013-003 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.

CITY OF CREIGHTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2013

2013-003 FINANCIAL REPORTING PROCESSES (Continued)

Condition (Continued)

During 2013, monthly financial reports were not reconciled to the general ledger and reconciled to the actual balances of cash accounts. This report should include all funds and be reconciled at month-end.

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.

2013-004 DOCUMENTATION OF PROCEDURES

Criteria

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

Condition

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

CITY OF CREIGHTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2013

2013-004 DOCUMENTATION OF PROCEDURES (Continued)

Cause

Management has not developed written accounting policies and procedures.

Potential 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, 2012, in our report dated March 29, 2013.