

CITY OF CREIGHTON, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

CITY OF CREIGHTON, NEBRASKA
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**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Creighton, Nebraska, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Creighton, Nebraska, as of September 30, 2016, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

As discussed in Note 1 to the financial statements, in 2016 the City adopted the modified cash basis of accounting for the business-type activities. Our opinions are not modified with respect to this matter.

Report on Summarized Comparative Information

The prior-year summarized comparative information has been derived from the City's September 30, 2015, financial statements, and in our report dated March 28, 2016, 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. Prior year summarized comparative information for the business-type activities have been restated for the effects of the change to the modified cash basis of accounting.

Other Matters

Supplementary Information

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

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

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Creighton, Nebraska's basic financial statements for the year ended September, 30, 2015, 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 35 - 42 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 2015 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 2015 supplementary information on pages 35 - 42 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 28, 2017, on our consideration of the City of Creighton, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Creighton, Nebraska's internal control over financial reporting and compliance.

Dana J Cole + Company, LLP

O'Neill, Nebraska
March 28, 2017

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
SEPTEMBER 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	695,402	364,792	1,060,194
Certificates of deposit	2,876,110	23,060	2,899,170
Investments	9,500		9,500
Cash held by County Treasurer	8,383		8,383
Restricted certificates of deposit	86,570		86,570
Due from other funds	(10,000)	10,000	
Capital assets			
Nondepreciable - land	24,954	6,300	31,254
Nondepreciable - construction in progress		52,000	52,000
Depreciable - net of depreciation	<u>1,219,567</u>	<u>1,604,106</u>	<u>2,823,673</u>
TOTAL ASSETS	<u>4,910,486</u>	<u>2,060,258</u>	<u>6,970,744</u>
LIABILITIES			
Customer deposits		18,050	18,050
Notes payable within one year		10,218	10,218
Bonds payable within one year		50,000	50,000
Noncurrent liabilities			
Notes payable in more than one year		153,105	153,105
Bonds payable in more than one year		<u>875,000</u>	<u>875,000</u>
TOTAL LIABILITIES		<u>1,106,372</u>	<u>1,106,372</u>
NET POSITION			
Invested in capital assets, net of related debt	<u>1,244,521</u>	<u>574,084</u>	<u>1,818,605</u>
Restricted for:			
Community development	55,030		55,030
Fire department	147,956		147,956
Swimming pool operations	9,869		9,869
Endowment - unexpendable	<u>86,222</u>		<u>86,222</u>
Total restricted	<u>299,077</u>		<u>299,077</u>
Unrestricted	<u>3,366,888</u>	<u>379,802</u>	<u>3,746,690</u>
TOTAL NET POSITION	<u>4,910,486</u>	<u>953,886</u>	<u>5,864,372</u>

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/programs	Program Revenues			Net (Expense) Revenue and		
	Expenditures/ Expenses	Operating Grants and Contributions		Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary government						
Governmental activities						
General Government	175,734	3,254		(172,480)		(172,480)
Public Health and Safety	316,962	34,640	48,633	(171,403)		(171,403)
Public Works - recycling	9,047	4,080		(4,967)		(4,967)
Highways and Streets	316,932	195	174,530	(142,207)		(142,207)
Culture and Recreation	234,250	16,182	5,096	(187,322)		(187,322)
Economic Development	72,221		15,405	(42,866)		(42,866)
Total governmental activities	<u>1,125,146</u>	<u>58,351</u>	<u>243,664</u>	<u>(721,245)</u>		<u>(721,245)</u>
Business-type activities						
Water	429,929	304,113	10,000		(115,816)	(115,816)
Sewer	160,324	198,951			38,627	38,627
Landfill	121,238	108,786			(12,452)	(12,452)
Total business-type activities	<u>711,491</u>	<u>611,850</u>	<u>10,000</u>		<u>(89,641)</u>	<u>(89,641)</u>
Total primary government	<u>1,836,637</u>	<u>670,201</u>	<u>243,664</u>	<u>(721,245)</u>	<u>(89,641)</u>	<u>(810,886)</u>
General revenues						
Property taxes - levied for general purposes				143,648		143,648
Other taxes - NPPD				20,621		20,621
City sales taxes				135,840	29,450	165,290
Motor vehicle taxes				23,167		23,167
Franchise fees				9,264		9,264
Unrestricted state revenues				118,844		118,844
Unrestricted investment earnings				38,614	344	38,958
NPPD lease unrestricted				170,230		170,230
Other miscellaneous revenues				31,494		31,494
Total general revenues				<u>691,722</u>	<u>29,794</u>	<u>721,516</u>
CHANGE IN NET POSITION				(29,523)	(59,847)	(89,370)
NET POSITION, beginning of year (as restated)				4,940,009	1,013,733	5,953,742
NET POSITION, end of year				<u>4,910,486</u>	<u>953,886</u>	<u>5,864,372</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, 2016
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2015)

	2016				2015
	General	Street	Governmental Funds	Total	Total
ASSETS					
ASSETS					
Cash and cash equivalents	118,485	324,165	252,752	695,402	675,954
Certificates of deposit	2,704,476		171,634	2,876,110	2,865,136
Investments	9,500			9,500	9,500
Cash at County Treasurer	7,173	610	600	8,383	8,355
Restricted certificates of deposit			86,570	86,570	86,222
Due from other funds	13,950			13,950	
TOTAL ASSETS	2,853,584	324,775	511,556	3,689,915	3,645,167
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	360		23,590	23,950	
FUND BALANCES					
Nonspendable - (Hoferer Fund)			86,222	86,222	86,222
Restricted - Pool	9,869			9,869	61,967
Restricted - Fire			147,956	147,956	123,547
Restricted - Community development			55,030	55,030	40,571
Committed - Senior Citizen Center maintenance	24,000			24,000	24,000
Committed - Ambulance			192,226	192,226	170,979
Committed - Streets		324,775		324,775	305,628
Assigned - hospital accounts	2,643,911			2,643,911	2,633,782
Unassigned	175,444		6,532	181,976	198,471
Total fund balances	2,853,224	324,775	487,966	3,665,965	3,645,167
TOTAL LIABILITIES AND FUND BALANCES	2,853,584	324,775	511,556	3,689,915	3,645,167

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2015)

	2016 Total	2015 Total
Amounts reported for governmental activities in the statement of net position are different because:		
Fund balances of governmental funds	3,665,965	3,645,167
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>1,244,521</u>	<u>1,294,842</u>
Net position of governmental activities	<u>4,910,486</u>	<u>4,940,009</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, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016			2015
	General	Street	Other	Total
REVENUES				
Taxes	256,305	51,815	15,156	323,276
Licenses and permits	3,254			3,254
Intergovernmental	137,890	174,530	44,633	357,053
Charges for services	16,182	195	38,720	55,097
Interest	36,039	23	2,552	38,614
Donations			25,000	25,000
Grants			41,286	41,286
Other	147,217	86,429	18,397	252,043
Total revenues	596,887	312,992	185,744	1,095,623
EXPENDITURES				
General Government	177,151			177,151
Public Works - Recycling			3,207	3,207
Public Works - Highways and Streets		293,845		293,845
Public Health and Safety	167,021		130,176	297,197
Culture and Recreation	231,204			231,204
Economic/Community Development	71,196		1,025	72,221
Total expenditures	646,572	293,845	134,408	1,074,825
REVENUES OVER (UNDER) EXPENDITURES	(49,685)	19,147	51,336	20,798
OTHER FINANCING SOURCES (USES)				
Insurance proceeds (tornado and hail damage)				26,590
Operating transfers in (out)	(10,000)		10,000	(30,000)
Total other financing sources (uses)	(10,000)		10,000	(3,410)

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016			2015
	General	Street	Other	Total
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(59,685)	19,147	61,336	20,798
FUND BALANCES, beginning of year	2,912,909	305,628	426,630	3,645,167
FUND BALANCES, end of year	2,853,224	324,775	487,966	3,665,965
				3,645,167

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 (were less than) depreciation and dispositions in the current period.

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

	20,798	102,958
	(50,321)	(49,343)
	(29,523)	53,615

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET POSITION
MODIFIED CASH BASIS - PROPRIETARY FUNDS
SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2015)

	2016			2015
	Business-Type Activities -			Total
	Sewer	Water	Sanitation	(as restated)
ASSETS				
Current Assets				
Cash and cash equivalents	196,252	147,439	21,101	460,878
Certificates of deposit		23,060		23,120
Due from other funds		10,000		10,000
Total current assets	<u>196,252</u>	<u>180,499</u>	<u>21,101</u>	<u>483,998</u>
Capital Assets				
Nondepreciable - land	2,000	3,800	500	6,300
Nondepreciable - construction in progress	42,000	10,000		52,000
Depreciable assets				
Sewer system	785,847	2,553,897		785,847
Water system				2,553,897
Equipment	49,600	40,104		89,704
Accumulated depreciation	<u>(527,263)</u>	<u>(1,298,079)</u>		<u>(1,736,717)</u>
Total capital assets	<u>352,184</u>	<u>1,309,722</u>	<u>500</u>	<u>1,698,673</u>
TOTAL ASSETS	<u>548,436</u>	<u>1,490,221</u>	<u>21,601</u>	<u>2,182,671</u>
LIABILITIES				
Current Liabilities				
Current amount of long-term debt	<u>10,218</u>	<u>50,000</u>		<u>60,218</u>
				<u>65,016</u>

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET POSITION
MODIFIED CASH BASIS - PROPRIETARY FUNDS
SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2015)

	2016			2015
	Business-Type Activities -			Total
	Sewer	Water	Sanitation	(as restated)
LIABILITIES (Continued)				
Noncurrent Liabilities				
Customer deposits		18,050		15,600
Notes payable - NDEQ	163,322			173,338
Bonds payable		925,000		980,000
Less current amounts	(10,218)	(50,000)		(65,016)
Total noncurrent liabilities	153,105	893,050		1,103,922
TOTAL LIABILITIES	163,322	943,050		1,168,938
NET POSITION				
Invested in capital assets, net of related debt	188,862	384,722	500	545,335
Unrestricted	196,252	162,449	21,101	468,398
TOTAL NET POSITION	385,114	547,171	21,601	1,013,733

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION
MODIFIED CASH BASIS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016			2015
	Enterprise Funds			Total
	Sewer	Water	Sanitation	(as restated)
OPERATING REVENUES				
User charges	198,951	292,238	98,385	589,574
Miscellaneous		11,875	10,401	22,276
Total operating revenues	<u>198,951</u>	<u>304,113</u>	<u>108,786</u>	<u>611,850</u>
				<u>613,203</u>
OPERATING EXPENDITURES				
Personnel services	95,207	100,166		195,373
Materials and supplies	7,466	40,207		47,673
Repairs and maintenance	5,980	99,045		105,025
Gasoline and oil	2,283	1,083		3,366
Office expenses	403	1,484	124	2,011
Insurance	7,027	12,682		19,709
Utilities	15,274	61,975	645	77,894
Purchased services			120,469	120,469
Professional fees and schooling	1,885	12,097		13,982
Depreciation	17,000	76,669		93,669
Other	4,382	3,545		7,927
Total operating expenditures	<u>156,907</u>	<u>408,953</u>	<u>121,238</u>	<u>687,098</u>
				<u>596,437</u>
OPERATING INCOME (LOSS)	<u>42,044</u>	<u>(104,840)</u>	<u>(12,452)</u>	<u>(75,248)</u>
				<u>16,766</u>

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION
MODIFIED CASH BASIS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016			2015
	Enterprise Funds			Total
	Sewer	Water	Sanitation	(as restated)
NONOPERATING REVENUES (EXPENDITURES)				
Interest income	23	321	344	232
City sales tax		29,450	29,450	29,856
Bond issuance costs				(15,680)
Interest	(3,417)	(20,976)	(24,393)	(26,097)
Total nonoperating revenues (expenditures)	(3,394)	8,795	5,401	(11,689)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	38,650	(96,045)	(12,452)	5,077
Interfund transfers				30,000
INCOME (LOSS) BEFORE CONTRIBUTIONS	38,650	(96,045)	(12,452)	35,077
CAPITAL CONTRIBUTIONS				
Federal grant		10,000	10,000	
INCREASE (DECREASE) IN NET POSITION	38,650	(86,045)	(12,452)	35,077
NET POSITION, beginning of year (as restated)	346,464	633,216	34,053	978,656
NET POSITION, end of year	385,114	547,171	21,601	1,013,733

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	2016			
	Enterprise Funds			
	Sewer	Water	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	198,951	294,688	108,786	602,425
Other cash received		11,875		11,875
Cash paid for contracted hauling			(120,469)	(120,469)
Cash paid for personnel services	(95,207)	(100,166)		(195,373)
Other cash payments	(44,700)	(232,118)	(769)	(277,587)
Net cash provided by (used in) operating activities	59,044	(25,721)	(12,452)	20,871
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in due to other funds		(10,000)		(10,000)
Cash receipts from interest	23	381		404
Net cash provided by (used in) investing activities	23	(9,619)		(9,596)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Cash paid for equipment and improvements	(44,701)	(12,701)		(57,402)
Bond principal payments		(55,000)		(55,000)
Principal paid on long-term debt	(10,016)			(10,016)
Proceeds from grant		10,000		10,000
Cash paid for interest	(3,417)	(20,976)		(24,393)
Net cash used in capital and related financing activities	(58,134)	(78,677)		(136,811)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
City sales tax receipts		29,450		29,450
Net cash provided by noncapital financing activities		29,450		29,450

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	2016			
	Enterprise Funds			
	Sewer	Water	Sanitation	Total
NET INCREASE (DECREASE) IN CASH	933	(84,567)	(12,452)	(96,086)
CASH AND CASH EQUIVALENTS, beginning of year	<u>195,319</u>	<u>232,006</u>	<u>33,553</u>	<u>460,878</u>
CASH AND CASH EQUIVALENTS, end of year	<u>196,252</u>	<u>147,439</u>	<u>21,101</u>	<u>364,792</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	<u>42,044</u>	<u>(104,840)</u>	<u>(12,452)</u>	<u>(75,248)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	17,000	76,669		93,669
Changes in assets and liabilities:				
Increase in customer deposits		2,450		2,450
Total adjustments	<u>17,000</u>	<u>79,119</u>		<u>96,119</u>
Net cash provided by (used in) operating activities	<u>59,044</u>	<u>(25,721)</u>	<u>(12,452)</u>	<u>20,871</u>

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

	Agency Funds
	<u>TIF</u>
ASSETS	<u>- 0 -</u>
LIABILITIES	<u>- 0 -</u>
TOTAL NET POSITION	<u><u>- 0 -</u></u>

See accompanying notes to financial statements.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services.

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.

Fund Financial Statements

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

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

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

The City reports using the following funds:

Governmental Funds

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

Governmental Funds (Continued)

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

Reported as major funds:

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

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

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

Proprietary Funds

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

Fiduciary Fund Types

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis 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)

Basis of Accounting

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

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

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

D. BUDGETS

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

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. DEPOSITS AND INVESTMENTS

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

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

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

Investments are stated at cost.

F. CAPITAL ASSETS

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

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

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

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

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

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

Plant	20 - 50 years
Equipment	5 - 15 years

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. Bond premiums or discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

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

H. NET POSITION/ FUND BALANCE CLASSIFICATIONS

Government-Wide Financial Statements

Net position is classified and displayed in three components:

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

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

Unrestricted net position does not meet the definition of restricted.

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

Fund Financial Statements

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. NET POSITION/ FUND BALANCE CLASSIFICATIONS (Continued)

Fund Financial Statements (Continued)

Net Position/Fund Balance Classification

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

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

Nonspendable

This classification includes amounts that cannot be spent because they either (a) are not in spendable form or (b) are legally or contractually required to be maintained intact. The City currently includes the Hoferer Trust Fund balance in this category.

Restricted

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

Committed

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. NET POSITION/ FUND BALANCE CLASSIFICATIONS (Continued)

Fund Financial Statements (Continued)

Net Position/Fund Balance Classification (Continued)

Assigned

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

Unassigned

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

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

I. REVENUES AND EXPENDITURES

Governmental Funds

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

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. REVENUES AND EXPENDITURES (Continued)

Proprietary Funds

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

J. PROPERTY TAXES

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

K. INTERFUND TRANSFERS

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

L. USE OF ESTIMATES

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

M. PRIOR-YEAR INFORMATION

The financial statements include partial/summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Prior year information of the business-type activities has been restated for the effects of the change to the modified cash basis of accounting from the accrual basis of accounting.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS

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

Governmental activities	3,667,582
Business-type activities	<u>387,852</u>
Total cash and investments	<u><u>4,055,434</u></u>

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

Demand deposits (checking)	766,774
Demand deposits (savings)	293,420
Certificates of deposit	2,985,740
U.S. government bonds	<u>9,500</u>
Total cash and investments	<u><u>4,055,434</u></u>

Maturities of certificates of deposit are as follows:

One year	195,363
Two years	1,997,910
Three years	360,570
Four years	<u>431,897</u>
	<u><u>2,985,740</u></u>

Investments consist of Series HH bonds that mature in 2022.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. State law requires all funds in depositories to be fully insured or collateralized, and the City's policy is to require depositories to provide pledged securities to cover deposits in excess of FDIC limits. At September 30, 2016, the City's deposits (including checking accounts, savings accounts, and certificates of deposit) were entirely covered by FDIC insurance and securities held by agents of the depositories and assigned to the City in the form of joint safekeeping receipts.

Interest Rate Risk

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 3. RESTRICTED ASSETS

Restricted assets of governmental funds consist of specific accounts that are restricted by donors or by the terms of grants. Restricted assets of the governmental funds include the certificate of deposit related to the Hoferer Trust Fund of \$86,570.

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, 2016, were \$7,852, 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 2015, the City issued General Obligation Water Refunding Bonds of \$980,000 with interest rates of 0.35% to 3.30% and called the outstanding 2010 Revenue Refunding Bonds, and the NDEQ Promissory Note issued September 5, 2012. As a result of the refunding, the City reduced its total debt service requirements by \$54,047, which resulted in an economic gain (difference between the present value of the debt service payments on the old debt and new debt of approximately \$53,133. The Series 2015 bonds are due serially through 2032 with interest paid semiannually.

Notes Payable NDEQ

A loan due to the Nebraska Department of Environmental Quality is payable by the Sewer Fund in semiannual payments of \$6,852, including interest of 2% through December 15, 2030. An annual administration fee of 1% of the loan balance is also payable in semiannual payments. Revenues (Sewer Fund) are pledged for repayment of the loan. The loan was used for a wastewater improvement project in 2010.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

Changes in Long-Term Debt

	NDEQ (Sewer)	2015 Water Bonds
Principal balance, beginning	173,338	980,000
Debt issued	- 0 -	- 0 -
Principal paid	<u>(10,015)</u>	<u>(55,000)</u>
Principal balance, ending	<u>163,323</u>	<u>925,000</u>

Maturities on Long-Term Debt

Fiscal Years Ending September 30,	NDEQ Sewer Note	2015 Water Bonds
2017	15,041	70,730
2018	14,938	75,333
2019	14,833	74,755
2020	14,727	74,026
2021	14,618	73,160
2022 - 2026	71,375	368,225
2027 - 2031	54,901	341,019
2032 - 2035		50,825
	<u>200,433</u>	<u>1,128,073</u>
Less interest and fees	<u>(37,110)</u>	<u>(203,073)</u>
Total	<u>163,323</u>	<u>925,000</u>

Tax Incremental Financing Arrangements

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

Incremental ad valorem taxes generated from real property in the Project area is pledged for payment of the debt for fifteen years. The redevelopment contract with the developer outlines the responsibilities of the Agency (City) and the Developer. The contract requires the developer to purchase the bonds. The contract includes the provisions that mandatory prepayment will occur if taxes exceed estimate, and that in the event that the ad valorem

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

Tax Incremental Financing Arrangements (Continued)

taxes are less than estimate, or not timely paid, the Bonds may never be paid in full by the ad valorem taxes. The bonds are not a general obligation of the Development Agency or the City. The City is the paying agent for the bonds. Taxes are collected by the County Treasurer and paid to the City for the bond payments to the developer. This is accounted for in an Agency fund of the City.

Outstanding bonds were as follows:

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

NOTE 6. HOUSING GRANTS AND LOANS

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

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance 10/1/15	Increases	Decreases	Balance 9/30/16
<u>Governmental Activities</u>				
Land - nondepreciable	24,954			24,954
Buildings and improvements	1,691,103			1,691,103
Equipment and vehicles	2,130,720	76,209	(44,912)	2,162,017
Totals at cost	3,846,777	76,209	(44,912)	3,878,074
Accumulated depreciation	(2,551,935)	(118,500)	36,882	(2,633,553)
Net capital assets	<u>1,294,842</u>	<u>(42,291)</u>	<u>(8,030)</u>	<u>1,244,521</u>

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (Continued)

	Balance 10/1/15	Increases	Decreases	Balance 9/30/16
<u>Business-Type Activities</u>				
Land - nondepreciable	6,300			6,300
Construction-in-progress - nondepreciable		52,000		52,000
Water Department	2,553,897			2,553,897
Sewer Department	785,847			785,847
Equipment	89,346	10,608	(10,250)	89,704
Totals at cost	3,435,390	62,608	(10,250)	3,487,748
Accumulated depreciation	(1,736,717)	(93,669)	5,044	(1,825,342)
Net capital assets	<u>1,698,673</u>	<u>(31,061)</u>	<u>(5,206)</u>	<u>1,662,406</u>

Capital Outlay by Function/Program

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

General Government	18,368
Highways and Streets	5,304
Public Health and Safety	25,942
Culture and Recreation	26,595
	<u>76,209</u>

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

Depreciation

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

Governmental Activities

General Government	14,348
Public Safety	42,883
Highways and Streets	25,788
Public Works - other	5,840
Culture and Recreation	29,641
Total depreciation expense - governmental activities	<u>118,500</u>

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (Continued)

Depreciation (Continued)

Business-Type Activities

Water Fund	76,669
Sewer Fund	17,000
Total depreciation expense - business-type activities	<u>93,669</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, 2016, the City's General Fund included remaining cash accounts related to the "hospital sale" of \$2,643,911, which are considered assigned to future projects (including contingency for above repurchase agreement) and other uses to be determined by the City Council.

NOTE 10. TRANSFERS

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

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

At September 30, 2016, the CDBG Fund owed the General Fund \$13,750 for a grant reimbursement. The Ambulance Fund owed the Water Fund \$10,000 to correct a grant deposited to the incorrect fund. The Pool Fund owed the Ambulance Fund \$360 for training expenses.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 12. TAX ABATEMENTS

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

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

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

For the fiscal year ended September 30, 2016, the following 2015 property taxes were abated under TIF arrangements.

Description	Total Tax Abated	City Share
Creighton Senior Living	8,666	2,357

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

NOTE 13. RESTATEMENT: CHANGE IN ACCOUNTING METHOD

The net position of the business-type funds at September 30, 2015, has been restated for the effects of the change to the modified cash basis of accounting from the accrual basis of accounting.

The net position was restated as follows:

	Sewer	Water	Sanitation
Net position as previously stated (accrual basis)	361,143	625,571	36,161
Changes to modified cash basis			
Accounts receivable	(19,642)	(31,815)	(2,108)
Inventory		(24,315)	
Accounts payable - noncapital	1,620	52,284	
Accrued interest	3,343	11,491	
Net position as restated (modified cash basis)	<u>346,464</u>	<u>633,216</u>	<u>34,053</u>

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 14. COMMITMENTS

Subsequent to year end, the City was approved for a Community Development Block Grant (CDBG) up to \$350,000. The grant funds are to be used for activities related to the City's downtown revitalization project.

NOTE 15. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

Effective for the year ended September 30, 2016, the City adopted GASB Statement 77, *Tax Abatement Disclosures*. This statement establishes disclosures of the nature and magnitude of tax abatements. The adoption of GASB 77 did not have a material effect on the financial statements, but did require substantial additional disclosure in the notes to the financial statements.

Effective for the year ending September 30, 2016, the City adopted GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for the State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP) to which a government should look to for guidance. GASB 76 reduced the GAAP hierarchy to two categories of authoritative GAAP: GASB Statements of Governmental Accounting Standards and GASB Technical Bulletins and Implementation Guides as well as guidance from the American Institute of Certified Public Accountants that is cleared by GASB. The adoption of this statement did not have an impact on financial position or note disclosures.

NOTE 16. SUBSEQUENT EVENTS

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 28, 2017, the date the financial statements were available to be issued.

In October 2016, the City approved a sewer project. The total project cost is estimated at \$1,058,000. In October 2016, the City accepted bids of \$752,222 for construction costs and \$50,000 to camera additional sewer lines. The project will be financed by long-term loans from NDEQ for \$1,058,000 with \$100,000 of loan forgiveness.

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, 2016

	General All-Purpose		
	Budget Original and Final	Actual	Favorable (Unfavorable)
REVENUES			
Property taxes	161,835	143,648	(18,187)
Sales taxes	170,000	165,290	(4,710)
Motor vehicle taxes	15,000	23,167	8,167
Other taxes	21,241	20,621	(620)
Licenses and permits	1,750	3,254	1,504
Intergovernmental - State	289,991	328,489	38,498
Charges for services	694,536	657,522	(37,014)
Interest	15,324	38,958	23,634
NPPD lease	180,000	170,230	(9,770)
Transfers	1,433,185	10,000	(1,423,185)
Donations		25,000	25,000
Grants	30,000	51,286	21,286
Other	60,162	122,252	62,090
Total revenues	<u>3,073,024</u>	<u>1,759,717</u>	<u>(1,313,307)</u>
EXPENDITURES			
General Government	216,787	177,151	39,636
Public Works - Recycling	4,085	3,207	878
Public Works - Street	346,489	293,845	52,644
Public Works - Utility Funds	1,887,210	740,240	1,146,970
Public Health and Safety	452,749	297,197	155,552
Culture and Recreation	441,640	231,204	210,436
Economic Development	34,845	71,196	(36,351)
Housing Rehab and Community Development	13,389	1,025	12,364
Appropriation of hospital funds	1,607,329		1,607,329
Transfers	1,433,185	10,000	1,423,185
Total expenditures	<u>6,437,708</u>	<u>1,825,065</u>	<u>4,612,643</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,364,684)</u>	<u>(65,348)</u>	<u>3,299,336</u>
CASH BALANCE, beginning of year	<u>4,169,571</u>	<u>4,129,165</u>	
CASH BALANCE, end of year	<u>804,887</u>	<u>4,063,817</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. For budget purposes, the City reports operating support to various general fund departments as transfers.

Budget Law

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

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

Reconciliation

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

Revenues over (under) expenditures - budgetary basis	
Governmental funds	20,798
Enterprise funds	<u>(86,146)</u>
Revenues under expenditures - all funds - budgetary basis	<u>(65,348)</u>
Revenues under expenditures - budgetary basis	
Enterprise funds	<u>(86,146)</u>
Adjustments	
Increase in deposits	(2,450)
Capitalized assets	62,608
Capital assets disposed	(5,206)
Depreciation	(93,669)
Principal payments	<u>65,016</u>
Total adjustments	<u>26,299</u>
Net change in position - enterprise funds	<u>(59,847)</u>

CITY OF CREIGHTON, NEBRASKA
GENERAL FUND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN CASH BALANCE BY DEPARTMENT

YEAR ENDED SEPTEMBER 30, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016								2015 Total
	General Government				Public Safety		Culture and Recreation		
	General	Economic Development	Hospital	Building	Police	Library	Park	Pool	
REVENUES									
Taxes									
Sales taxes	54,576							29,449	84,025
Property taxes	128,492								128,492
Motor vehicle tax	23,167								23,167
Nebraska Public Power District	20,621								20,621
Licenses and permits	3,254								3,254
Intergovernmental									
Municipal equalization	98,382								98,382
Homestead exemption	12,979								12,979
Property tax relief	7,140								7,140
Motor vehicle prorate	343								343
Other		13,950				5,096			19,046
Charges for services						1,198		14,984	16,182
Interest income						15		1,212	36,039
NPPD lease	3,206		31,606						85,115
Donations and other grants	85,115						14,930		25,650
Franchise fees	10,720								9,264
Other	9,264								817
	9,295		8,224	1,318	25		8,050	276	10,463
Total revenues	466,554	13,950	39,830	1,318	25	6,309	22,980	45,921	596,887
									538,556
EXPENDITURES									
Personnel services	39,745	26,399			145,855	55,108	21,607	40,912	329,626
Operating expenditures	95,761	43,461	201	5,385	20,649	18,571	33,042	28,209	245,279
Capital outlay	8,321	1,336		27,738	517		21,329	12,426	71,667
Total expenditures	143,827	71,196	201	33,123	167,021	73,679	75,978	81,547	646,572
									532,223
REVENUES OVER (UNDER) EXPENDITURES	322,727	(57,246)	39,629	(31,805)	(166,996)	(67,370)	(52,998)	(35,626)	6,333

CITY OF CREIGHTON, NEBRASKA
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN CASH BALANCE BY DEPARTMENT
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016								2015 Total
	General Government			Public Safety		Culture and Recreation			
	General	Economic Development	Hospital	Building	Police	Library	Park	Pool	
OTHER FINANCING SOURCES (USES)									
Insurance proceeds									26,590
Transfers	<u>(319,433)</u>		<u>(20,000)</u>	<u>23,368</u>	<u>166,996</u>	<u>72,012</u>	<u>67,057</u>		<u>(10,000)</u>
Total other financing sources									<u>(55,000)</u>
(uses)	<u>(319,433)</u>		<u>(20,000)</u>	<u>23,368</u>	<u>166,996</u>	<u>72,012</u>	<u>67,057</u>		<u>(10,000)</u>
									<u>(28,410)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDI- TURES AND OTHER FINANCING USES	<u>3,294</u>	<u>(57,246)</u>	<u>19,629</u>	<u>(8,437)</u>		<u>4,642</u>	<u>14,059</u>	<u>(35,626)</u>	<u>(22,077)</u>
CASH BALANCE, beginning of year									<u>2,934,986</u>
CASH BALANCE, end of year									<u>2,853,224</u>
									<u>2,912,909</u>

CITY OF CREIGHTON, NEBRASKA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN CASH BALANCES
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016					2015 Total
	Street	Fire Department	Community Development	Recycling	Ambulance	Total
REVENUES						
Taxes						
Property taxes						
Nebraska Public Power District						
City sales taxes		15,156				15,156
Intergovernmental						
Highway allocation/incentive	51,815					51,815
Motor vehicle fees						
Township levy						
Mutual Finance Organization						
Rural Fire Department - cost share						
Other						
NPPD lease		11,047				11,047
Charges for services		28,564				28,564
Interest		5,022				5,022
Donations	85,115					85,115
Grants	195					195
Other	23	613	79	4,080	34,640	45,022
Total revenues	<u>1,314</u> <u>312,992</u>	<u>4,000</u> <u>2,538</u> <u>66,940</u>	<u>15,405</u> <u>15,484</u>	<u>4,080</u> <u>98,892</u>	<u>25,000</u> <u>37,286</u> <u>454</u> <u>98,892</u>	<u>145,095</u> <u>11,902</u> <u>17,533</u> <u>11,047</u> <u>28,564</u> <u>5,022</u> <u>85,115</u> <u>38,915</u> <u>2,227</u> <u>25,000</u> <u>41,286</u> <u>19,711</u> <u>498,388</u>
EXPENDITURES						
Personnel services	69,310					69,310
Operating expenditures	121,979					121,979
Capital outlay	102,556					102,556
Total expenditures	<u>293,845</u>	<u>26,200</u> <u>21,331</u> <u>47,531</u>	<u>1,025</u> <u>3,133</u>	<u>74</u> <u>3,133</u>	<u>24,472</u> <u>58,173</u> <u>82,645</u>	<u>68,688</u> <u>141,833</u> <u>112,568</u> <u>323,089</u>

CITY OF CREIGHTON, NEBRASKA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN CASH BALANCES
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016					2015
	Street	Fire Department	Community Development	Recycling	Ambulance	Total
REVENUES OVER EXPENDITURES	19,147	19,409	14,459	873	16,247	70,135
OTHER FINANCING SOURCES						
Operating transfers in		5,000			5,000	10,000
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	19,147	24,409	14,459	873	21,247	80,135
FUND BALANCES , beginning of year	305,628	123,547	40,571	5,311	170,979	646,036
FUND BALANCES, end of year	324,775	147,956	55,030	6,184	192,226	726,171
						646,036

CITY OF CREIGHTON, NEBRASKA
NONMAJOR FUNDS
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016					2015
	Fire Department	Recycling	Community Development	Ambulance	Permanent Fund Hoferer Trust	Total
ASSETS						
Cash and cash equivalents	93,068	6,184	68,980	84,520		252,752
Certificates of deposit	54,288			117,346		171,634
Cash at County Treasurer	600				86,570	600
Restricted certificates of deposit						86,570
TOTAL ASSETS	<u>147,956</u>	<u>6,184</u>	<u>68,980</u>	<u>201,866</u>	<u>86,570</u>	<u>511,556</u>
						<u>426,630</u>
LIABILITIES						
Due to other funds			13,950	9,640		23,590
FUND BALANCES						
Nonspendable - (Hoferer Fund)					86,570	86,570
Restricted - Fire	147,956					147,956
Restricted - Community Development			55,030			55,030
Committed - Ambulance				192,226		192,226
Unassigned		6,184				6,184
Total fund balances	<u>147,956</u>	<u>6,184</u>	<u>55,030</u>	<u>192,226</u>	<u>86,570</u>	<u>487,966</u>
						<u>426,630</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>147,956</u>	<u>6,184</u>	<u>68,980</u>	<u>201,866</u>	<u>86,570</u>	<u>511,556</u>
						<u>426,630</u>

CITY OF CREIGHTON, NEBRASKA
NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN CASH BALANCES
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016					2015
	Fire Department	Recycling	Community Development	Ambulance	Permanent Fund Hoferer Trust	Total
REVENUES						
Taxes	15,156					15,156
Intergovernmental	44,633					44,633
Charges for services		4,080		34,640		38,720
Interest	613		79	1,512	348	2,552
Donations				25,000		25,000
Grants	4,000			37,286		41,286
Other	2,538		15,405	454		18,397
Total revenues	66,940	4,080	15,484	98,892	348	185,744
EXPENDITURES						
Operating	26,200	3,207	1,025	24,472		54,904
Capital outlay	21,331			58,173		79,504
Total expenditures	47,531	3,207	1,025	82,645		134,408
REVENUES OVER EXPENDITURES	19,409	873	14,459	16,247	348	51,336
OTHER FINANCING SOURCES						
Transfers in	5,000			5,000		10,000
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	24,409	873	14,459	21,247	348	61,336
FUND BALANCES, beginning of year	123,547	5,311	40,571	170,979	86,222	426,630
FUND BALANCES, end of year	147,956	6,184	55,030	192,226	86,570	487,966

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

YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016			2015
	Enterprise Funds			Total
	Sewer	Water	Sanitation	
OPERATING REVENUES				
User charges	206,752	297,639	111,251	589,841
Miscellaneous		11,875	10,401	13,469
Total operating revenues	<u>206,752</u>	<u>309,514</u>	<u>121,652</u>	<u>603,310</u>
OPERATING EXPENSES				
Personnel services	96,176	99,279		184,149
Materials and supplies	7,466	36,499		26,988
Repairs and maintenance	8,306	59,804		54,352
Gasoline and oil	2,283	1,083		1,761
Office expenses	265	1,188	124	1,150
Insurance	7,027	12,682		14,555
Utilities	14,616	61,150	645	69,321
Purchased services			120,469	122,368
Professional fees and schooling	1,469	10,460		26,780
Depreciation expense	17,000	76,669		94,057
Other	4,273	970		43,220
Total operating expenses	<u>158,881</u>	<u>359,784</u>	<u>121,238</u>	<u>638,701</u>
OPERATING INCOME (LOSS)	<u>47,871</u>	<u>(50,270)</u>	<u>414</u>	<u>(35,391)</u>

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

YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016			2015	
	Enterprise Funds			Total	
	Sewer	Water	Sanitation	Total	Total
NONOPERATING REVENUES (EXPENSES)					
Interest income	23	321		344	232
City sales tax		29,450		29,450	29,856
Bond issuance costs					(15,680)
Interest expense	(3,329)	(20,920)		(24,249)	(27,222)
Total nonoperating revenues (expenses)	(3,306)	8,851		5,545	(12,814)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	44,565	(41,419)	414	3,560	(48,205)
Interfund transfers					30,000
INCOME (LOSS) BEFORE CONTRIBUTIONS	44,565	(41,419)	414	3,560	(18,205)
CAPITAL CONTRIBUTIONS					
Federal grant		10,000		10,000	
INCREASE (DECREASE) IN NET POSITION	44,565	(31,419)	414	13,560	(18,205)
NET POSITION, beginning of year	361,143	625,571	36,161	1,022,875	1,041,080
NET POSITION, end of year	405,708	594,152	36,575	1,036,435	1,022,875

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016			2015		
	Enterprise Funds			Total		
	Sewer	Water	Sanitation	Total	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	198,951	294,688	108,786	602,425	617,791	
Other cash received		11,875		11,875	812	
Cash paid for contracted hauling			(120,469)	(120,469)	(122,368)	
Cash paid for personnel services	(95,295)	(100,222)		(195,517)	(182,925)	
Other cash payments	(44,700)	(232,118)	(769)	(277,587)	(195,962)	
Net cash provided by (used in) operating activities	58,956	(25,777)	(12,452)	20,727	117,348	
CASH FLOWS FROM INVESTING ACTIVITIES						
Increase in due to other funds		(10,000)		(10,000)		
Cash receipts from interest	23	381		404	232	
Net cash provided by (used in) investing activities	23	(9,619)		(9,596)	232	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds of water bond					964,320	
Cash paid for equipment and improvements	(44,701)	(12,701)		(57,402)	(59,386)	
Bond principal payments		(55,000)		(55,000)		
Principal paid on long-term debt	(10,016)			(10,016)	(983,665)	
Proceeds from grant		10,000		10,000		
Cash paid for interest	(3,329)	(20,920)		(24,249)	(27,222)	
Net cash used in capital and related financing activities	(58,046)	(78,621)		(136,667)	(105,953)	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
City sales tax receipts		29,450		29,450	29,856	
Cash transfers from other funds					30,000	
Net cash provided by noncapital financing activities		29,450		29,450	59,856	

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016			2015	
	Enterprise Funds			Total	
	Sewer	Water	Sanitation	Total	
NET INCREASE (DECREASE) IN CASH	933	(84,567)	(12,452)	(96,086)	71,483
CASH AND CASH EQUIVALENTS, beginning of year	195,319	232,006	33,553	460,878	389,395
CASH AND CASH EQUIVALENTS, end of year	196,252	147,439	21,101	364,792	460,878
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	47,871	(50,270)	414	(1,985)	(35,391)
Operating income (loss)	17,000	76,669		93,669	94,057
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	(7,801)	(5,401)	(12,866)	(26,068)	9,893
Changes in assets and liabilities:					
Decrease in accounts receivable		(980)		(980)	485
(Increase) decrease in inventory	1,005	(47,302)		(46,297)	41,680
Increase (decrease) in accounts payable		2,450		2,450	5,400
Increase in customer deposits	881	(943)		(62)	1,224
Increase (decrease) in accrued expenses					
Total adjustments	11,085	24,493	(12,866)	22,712	152,739
Net cash provided by (used in) operating activities	58,956	(25,777)	(12,452)	20,727	117,348

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
NOTES TO STATEMENTS OF PROPRIETARY FUNDS

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Measurement Focus

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

Basis of Accounting

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

Use of Estimates

In preparing the statements of proprietary funds in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that will affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Investments

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

Accounts Receivable

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO STATEMENTS OF PROPRIETARY FUNDS

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory of materials in the enterprise funds are valued at the lower of cost or market as determined by the first-in, first-out (FIFO) method.

Capital Assets

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

Accrued Expenses

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

Long-Term Debt

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

Deferred Outflows/Inflows of Resources

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

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

Equity Classification

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO STATEMENTS OF PROPRIETARY FUNDS

NOTE B. RECONCILIATION OF NET POSITION

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

	Sewer	Water	Sanitation
Net position, accrual basis	405,708	594,152	36,575
Accounts receivable	(27,443)	(37,216)	(14,974)
Inventory		(25,295)	
Accounts payable	2,625	4,982	
Accrued expenses	<u>4,224</u>	<u>10,548</u>	<u> </u>
Net position, modified cash basis	<u>385,114</u>	<u>547,171</u>	<u>21,601</u>

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

	Sewer	Water	Sanitation
Net income (loss), accrual basis	44,565	(41,419)	414
Change in accounts receivable	(7,801)	(5,401)	(12,866)
Change in inventory		(980)	
Change in accounts payable	1,005	(47,302)	
Change in accrued expenses	<u>881</u>	<u>(943)</u>	<u> </u>
Net income (loss), modified cash basis	<u>38,650</u>	<u>(96,045)</u>	<u>(12,452)</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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2016, which collectively comprise the City of Creighton, Nebraska's basic financial statements, and have issued our report thereon dated March 28, 2017.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2016-001 and 2016-002.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency as item 2016-003.

Compliance and Other Matters

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

We noted certain other matters that we reported to management in a separate letter dated March 28, 2017.

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 28, 2017

CITY OF CREIGHTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2016

2016-001 SEGREGATION OF DUTIES

Criteria

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

Condition

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

Cause

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

Potential Effect

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

Recommendations

Supervisors or a council member could review time cards and document their approval. The City should consider someone other than the City Clerk to reconcile bank statements and trace the disbursements, including ACH transfers and bank debits, to approved amounts and appropriate documentation. The City should consider cross-training of staff to periodically process payroll and accounts payable. In addition, all funds should be included in the general ledger.

City's Response

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

2016-002 UTILITY BILLING

Criteria

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

CITY OF CREIGHTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2016

2016-002 UTILITY BILLING (Continued)

Condition

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

Cause

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

Potential Effect

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

Recommendation

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

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

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

City's Response

The City will consider the above.

CITY OF CREIGHTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2016

2016-003 FINANCIAL REPORTING PROCESSES

Criteria

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

Condition

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

Cause

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

Potential Effect

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

Recommendation

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

City's Response

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

SIGNIFICANT DEFICIENCIES REPORTED IN PRIOR YEAR

The above matters were also reported for the year ended September 30, 2015, in our report dated March 28, 2016, as items 2015-001, 2015-002, and 2015-003.