

CITY OF CREIGHTON, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CREIGHTON, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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**DANA F. COLE
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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Creighton, Nebraska, as of September 30, 2018, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Report on Summarized Comparative Information

We have previously audited the City's September 30, 2017, financial statements, and our report dated March 26, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

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

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

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Creighton, Nebraska's basic financial statements for the year ended September 30, 2017, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Creighton, Nebraska's basic financial statements as a whole. The supplementary information on pages 37 - 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the accrual basis of accounting for the business-type activities, the 2017 supplementary information on pages 37 - 48 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2019, on our consideration of the City of Creighton, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Creighton, Nebraska's internal control over financial reporting and compliance.

Dana F Cole + Company, LLP

O'Neill, Nebraska
March 13, 2019

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
SEPTEMBER 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	1,064,788	645,709	1,710,497
Certificates of deposit	2,835,807	23,757	2,859,564
Investments	9,500		9,500
Cash held by County Treasurer	4,845		4,845
Restricted certificates of deposit	86,222		86,222
Capital assets			
Nondepreciable - land	24,954	6,300	31,254
Depreciable - net of depreciation	<u>1,185,920</u>	<u>2,398,569</u>	<u>3,584,489</u>
TOTAL ASSETS	<u>5,212,036</u>	<u>3,074,335</u>	<u>8,286,371</u>
LIABILITIES			
Customer deposits		19,781	19,781
Notes payable within one year		50,308	50,308
Bonds payable within one year		55,000	55,000
Noncurrent liabilities			
Notes payable in more than one year		972,162	972,162
Bonds payable in more than one year		<u>765,000</u>	<u>765,000</u>
TOTAL LIABILITIES		<u>1,862,251</u>	<u>1,862,251</u>
NET POSITION			
Invested in capital assets, net of related debt	1,210,874	562,399	1,773,273
Restricted for:			
Community development	78,704		78,704
Fire department	178,928		178,928
Endowment - unexpendable	86,222		86,222
Unrestricted	<u>3,657,308</u>	<u>649,685</u>	<u>4,306,993</u>
TOTAL NET POSITION	<u>5,212,036</u>	<u>1,212,084</u>	<u>6,424,120</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, 2018

Functions/programs	Program Revenues				Net (Expense) Revenue and		
	Expenditures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Position		
					Governmental Activities	Primary Government Business-Type Activities	Total
Primary government							
Governmental activities							
General Government							
Public Health and Safety	148,222	3,902		5,976	(138,344)		(138,344)
Public Works - recycling	276,430	20,792	34,242	39,178	(182,218)		(182,218)
Highways and Streets	7,890	285		1,600	(6,005)		(6,005)
Culture and Recreation	232,305	257	186,635	662	(44,751)		(44,751)
Community Development	219,414	24,101	4,750	29,841	(160,722)		(160,722)
	205,109		166,937		(38,172)		(38,172)
Total governmental activities	<u>1,089,370</u>	<u>49,337</u>	<u>392,564</u>	<u>77,257</u>	<u>(570,212)</u>		<u>(570,212)</u>
Business-type activities							
Water	351,803	336,402				(15,401)	(15,401)
Sewer	212,508	261,641				49,133	49,133
Landfill	120,528	131,166				10,638	10,638
Total business-type activities	<u>684,839</u>	<u>729,209</u>				<u>44,370</u>	<u>44,370</u>
Total primary government	<u>1,774,209</u>	<u>778,546</u>	<u>392,564</u>	<u>77,257</u>	<u>(570,212)</u>	<u>44,370</u>	<u>(525,842)</u>
General revenues							
Property taxes - levied for general purposes					160,614		160,614
Other taxes - NPPD					22,489		22,489
City sales taxes					147,520	30,161	177,681
Motor vehicle taxes					25,431		25,431
Franchise fees					10,006		10,006
Unrestricted state revenues					134,241		134,241
Unrestricted investment earnings					61,481	560	62,041
NPPD lease unrestricted					180,397		180,397
Other miscellaneous revenues					45,014		45,014
Total general revenues					<u>787,193</u>	<u>30,721</u>	<u>817,914</u>
CHANGE IN NET POSITION					216,981	75,091	292,072
NET POSITION, beginning of year					4,995,055	1,136,993	6,132,048
NET POSITION, end of year					<u>5,212,036</u>	<u>1,212,084</u>	<u>6,424,120</u>

The notes are an integral part of these financial statements.

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LIABILITIES AND FUND BALANCES

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2017)

	2018 Total	2017 Total
Amounts reported for governmental activities in the statement of net position are different because:		
Fund balances of governmental funds	4,001,162	3,795,118
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>1,210,874</u>	<u>1,199,937</u>
Net position of governmental activities	<u>5,212,036</u>	<u>4,995,055</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, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	2018						2017	
	General	Street	Ambulance	Fire	Community Development	Other	Total	Total
REVENUES								
Taxes	283,703	57,037		15,314			356,054	332,446
Licenses and permits	3,902						3,902	3,518
Intergovernmental	139,630	186,635		34,242	166,937		527,444	355,318
Charges for services	24,101	257	20,792			285	45,435	55,912
Interest	59,274	64	884	1,152	107		61,481	37,800
Grants	850		6,457	3,700			11,007	85,092
Other	121,904	92,890	588	12,249	20,759	2,188	250,578	240,029
Total revenues	633,364	336,883	28,721	66,657	187,803	2,473	1,255,901	1,110,115
EXPENDITURES								
General Government	132,548						132,548	164,571
Public Works - Recycling						3,692	3,692	3,015
Public Works - Highways and Streets		264,073					264,073	235,915
Public Health and Safety	167,536		113,764	40,777			322,077	359,065
Culture and Recreation	172,808						172,808	195,089
Economic/Community Development	28,473				176,636		205,109	23,307
Total expenditures	501,365	264,073	113,764	40,777	176,636	3,692	1,100,307	980,962
REVENUES OVER (UNDER) EXPENDITURES	131,999	72,810	(85,043)	25,880	11,167	(1,219)	155,594	129,153
OTHER FINANCING SOURCES (USES)								
Insurance proceeds	34,879						34,879	
Sale of equipment			15,571				15,571	
Operating transfers in (out)	(15,000)		10,000	5,000				
Total other financing sources (uses)	19,879		25,571	5,000			50,450	

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	2018					2017	
	General	Street	Ambulance	Fire	Community Development	Other	Total
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	151,878	72,810	(59,472)	30,880	11,167	(1,219)	206,044
FUND BALANCES, beginning of year	2,862,410	414,684	209,448	148,048	67,537	92,991	3,795,118
FUND BALANCES, end of year	3,014,288	487,494	149,976	178,928	78,704	91,772	4,001,162
							3,795,118

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

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

The notes are an integral part of these financial statements.

10,937	(44,584)
216,981	84,569

206,044 129,153

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2017)

	2018			2017	
	Business-Type Activities -				
	Enterprise Funds				
	Sewer	Water	Sanitation	Total	Total
ASSETS					
Current Assets					
Cash and cash equivalents	391,894	213,685	40,130	645,709	350,237
Certificates of deposit		23,757		23,757	23,325
Total current assets	<u>391,894</u>	<u>237,442</u>	<u>40,130</u>	<u>669,466</u>	<u>373,562</u>
Capital Assets					
Nondepreciable - land	2,000	3,800	500	6,300	6,300
Nondepreciable - construction in progress					814,231
Depreciable assets					
Sewer system	1,770,934			1,770,934	785,847
Water system		2,563,897		2,563,897	2,553,897
Equipment	55,433	45,937		101,370	101,370
Accumulated depreciation	(585,666)	(1,451,966)		(2,037,632)	(1,919,038)
Total capital assets	<u>1,242,701</u>	<u>1,161,668</u>	<u>500</u>	<u>2,404,869</u>	<u>2,342,607</u>
TOTAL ASSETS	<u>1,634,595</u>	<u>1,399,110</u>	<u>40,630</u>	<u>3,074,335</u>	<u>2,716,169</u>
LIABILITIES					
Current Liabilities					
Current amount of long-term debt	<u>50,308</u>	<u>55,000</u>		<u>105,308</u>	<u>84,082</u>

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2017)

	2018			2017
	Business-Type Activities - Enterprise Funds			Total
	Sewer	Water	Sanitation	Total
LIABILITIES (Continued)				
Noncurrent Liabilities				
Customer deposits		19,781		19,781
Notes payable - NDEQ	1,022,470			1,022,470
Bonds payable		820,000		820,000
Less current amounts	(50,308)	(55,000)		(105,308)
Total noncurrent liabilities	972,162	784,781		1,756,943
TOTAL LIABILITIES	1,022,470	839,781		1,862,251
NET POSITION				
Invested in capital assets, net of related debt	220,231	341,668	500	562,399
Unrestricted	391,894	217,661	40,130	649,685
TOTAL NET POSITION	612,125	559,329	40,630	1,212,084
				1,136,993

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, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	2018			2017
	Enterprise Funds			
	Sewer	Water	Sanitation	Total
OPERATING REVENUES				
User charges	257,269	334,686	118,562	710,517
Miscellaneous	4,372	1,716	12,604	18,692
Total operating revenues	<u>261,641</u>	<u>336,402</u>	<u>131,166</u>	<u>729,209</u>
				<u>715,317</u>
				<u>14,355</u>
				<u>729,672</u>
OPERATING EXPENDITURES				
Personnel services	113,634	106,932		220,566
Materials and supplies	2,307	33,811		36,118
Repairs and maintenance	5,209	32,741		37,950
Gasoline and oil	2,661	2,788		5,449
Office expenses	590	1,315	217	2,122
Insurance	6,485	12,976		19,461
Utilities	14,369	43,699	716	58,784
Purchased services			119,595	119,595
Professional fees and schooling	14,483	11,746		26,229
Depreciation	41,521	77,073		118,594
Other	2,386	8,389		10,775
Total operating expenditures	<u>203,645</u>	<u>331,470</u>	<u>120,528</u>	<u>655,643</u>
				<u>650,273</u>
OPERATING INCOME	<u>57,996</u>	<u>4,932</u>	<u>10,638</u>	<u>73,566</u>
				<u>79,399</u>

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	2018			2017 Total
	Enterprise Funds			
	Sewer	Water	Sanitation	Total
NONOPERATING REVENUES (EXPENDITURES)				
Interest income	64	496		560
City sales tax		30,161		30,161
Sale of Equipment				
Interest expense	(8,863)	(20,333)		(29,196)
Total nonoperating revenues (expenditures)	(8,799)	10,324		1,525
INCOME BEFORE CONTRIBUTIONS	49,197	15,256	10,638	75,091
CAPITAL CONTRIBUTIONS				
Federal grant				100,000
INCREASE IN NET POSITION	49,197	15,256	10,638	75,091
NET POSITION, beginning of year	562,928	544,073	29,992	1,136,993
NET POSITION, end of year	612,125	559,329	40,630	1,212,084
				1,136,993

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, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	2018			2017		
	Enterprise Funds			Total		
	Sewer	Water	Sanitation	Total		
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	257,269	338,001	131,166	726,436	726,298	
Other cash received	4,372	1,716		6,088	1,790	
Cash paid for contracted hauling			(119,595)	(119,595)	(121,759)	
Cash paid for personnel services	(113,634)	(106,932)		(220,566)	(208,295)	
Other cash payments	(48,490)	(147,465)	(933)	(196,888)	(226,523)	
Net cash provided by operating activities	99,517	85,320	10,638	195,475	171,511	
CASH FLOWS FROM INVESTING ACTIVITIES						
Decrease in due to other funds					10,000	
Cash from sale of equipment					450	
Cash receipts from interest	64	64		128	92	
Net cash provided by investing activities	64	64		128	10,542	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Cash paid for equipment and improvements	(180,856)			(180,856)	(773,897)	
Bond principal payments		(55,000)		(55,000)	(50,000)	
Proceeds from debt	345,183			345,183	534,605	
Principal paid on long-term debt	(10,423)			(10,423)	(10,217)	
Proceeds from grant					100,000	
Cash paid for interest	(8,863)	(20,333)		(29,196)	(24,862)	
Net cash provided by (used in) capital and related financing activities	145,041	(75,333)		69,708	(224,371)	

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

YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	2018			2017
	Enterprise Funds			Total
	Sewer	Water	Sanitation	Total
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
City sales tax receipts		30,161		30,161
				27,763
Net cash provided by noncapital financing activities		30,161		30,161
				27,763
NET INCREASE (DECREASE) IN CASH	244,622	40,212	10,638	295,472
				(14,555)
CASH AND CASH EQUIVALENTS, beginning of year	147,272	173,473	29,492	350,237
				364,792
CASH AND CASH EQUIVALENTS, end of year	391,894	213,685	40,130	645,709
				350,237
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	57,996	4,932	10,638	73,566
				79,399
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	41,521	77,073		118,594
Changes in assets and liabilities:				93,696
Increase (decrease) in customer deposits		3,315		3,315
Total adjustments	41,521	80,388		121,909
				(1,584)
Net cash provided by operating activities	99,517	85,320	10,638	195,475
				171,511

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, 2018

	Agency Funds
	<u>TIF</u>
ASSETS	- 0 -
LIABILITIES	- 0 -
TOTAL NET POSITION	<u>- 0 -</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 following is a blended component unit of the City. The Community Development Agency of the City of Creighton, created in 1961, is administered solely by the Creighton City Council. The purpose of the Community Development Agency is to administer the community redevelopment activities (primarily tax incremental financing) of the City.

The Creighton Library Foundation is a not-for-profit entity organized exclusively for the benefit of the library. However, 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.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-Wide Financial Statements (Continued)

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

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position or fund balance, revenues, and expenditures or expenses. The City's funds are organized into three major categories: governmental, proprietary, and fiduciary. The City has the following agency fund: 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.
Ambulance	Accounts for the activities of the City-owned ambulance.
Community Development	Accounts for economic reuse loan payments, community development loans, and other CDBG projects related to community and economic development.
Fire	Accounts for the activities of the City fire department.

Reported as nonmajor funds:

Recycling	Accounts for the activities of the City recycling program.
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Permanent Fund - The permanent fund accounts for assets held by the City pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings are unrestricted. The Hoferer Trust Fund is the City's only permanent fund.

Proprietary Funds

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

Fiduciary Fund Types

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

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

Government-Wide Financial Statements

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)

F. CAPITAL ASSETS (Continued)

Government-Wide Financial Statements (Continued)

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as in the government-wide statements.

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.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. NET POSITION/FUND BALANCE CLASSIFICATIONS (Continued)

Government-Wide Financial Statements (Continued)

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.

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 Fire and Community Development Funds in this category, since the receipts of these funds are restricted by the grantors or by legislation. 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.

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)

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 as a committed fund balance.

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, and the fund balances of the Ambulance, Street, and Recycling Funds as assigned. It is the City's intent to hold the funds from the sale of the hospital 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.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
Highways and Streets	State highway funds
Culture and Recreation	Recreation fees, donations, grants
Public Building	Rentals
Community Development	Grants, loan repayments

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.

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.

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.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the modified cash basis of accounting.

NOTE 2. CASH AND INVESTMENTS

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

Governmental activities	3,996,317
Business-type activities	669,466
Total cash and investments	<u>4,665,783</u>

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

Demand deposits (checking)	891,034
Savings accounts	819,463
Certificates of deposit	2,945,786
U.S. government bonds	9,500
Total cash and investments	<u>4,665,783</u>

Maturities of certificates of deposit are as follows:

One year	350,395
Two years	2,051,602
Three years	543,789
	<u>2,945,786</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, 2018, the City's deposits (including checking accounts, savings accounts, and certificates of deposit) were entirely covered by FDIC insurance and securities held by agents of the depositories and assigned to the City in the form of joint safekeeping receipts.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

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

NOTE 3. RESTRICTED ASSETS

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

NOTE 4. RETIREMENT PROGRAM

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

The Plan is a Section 457b deferred compensation pension plan. The Plan was amended in 1998 to comply with federal law contained in the Small Business Job Protection Act of 1996. All assets relating to the plan are held in trust for the exclusive benefit of plan participants or their beneficiaries. The City pension contributions for the year ended September 30, 2018, were \$8,242, which was equal to the required amount.

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

NOTE 5. LONG-TERM DEBT

General Obligation Bond Issues

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

Note Payable NDEQ (2009)

A loan agreement dated December 2009 to the Nebraska Department of Environmental Quality is payable by the Sewer Fund in semiannual payments of \$6,852, including interest of 2% through December 15, 2030. An annual administration fee of 1% of the loan balance is also payable in semiannual payments. Revenues (Sewer Fund) are pledged for repayment of the loan. The loan was used for a wastewater improvement project in 2010.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

Note Payable NDEQ (2016)

A loan agreement dated September 2016 to the Nebraska Department of Environmental Quality is payable by the Sewer Fund for a sewer improvement project. The terms of the agreement provide \$1,007,866 in loan and grant funds with loan forgiveness of \$100,000. Repayment of the balance will be amortized over 20 years at 1.25% interest, due in semi-annual amounts of \$20,465 each June 15 and December 15 through 2037. An administrative fee of 1% of the outstanding loan balance is also payable semiannually. The revenues of the Sewer Fund are pledged as security for the loans.

At September 30, 2018, the total of loan and grant funds of \$979,788 had been received. The project was completed in 2018 and the remaining loan proceeds of \$28,078 were received in November 2018. The final loan was \$907,866.

Changes in Long-Term Debt

	2009 NDEQ (Sewer)	2016 NDEQ (Sewer)	2015 Water Bonds
Principal balance, beginning	153,105	534,605	875,000
Principal paid	<u>(10,423)</u>	<u>345,183</u>	<u>(55,000)</u>
Principal balance, ending	<u>142,682</u>	<u>879,788</u>	<u>820,000</u>

Maturities on Long-Term Debt

Fiscal Years Ending September 30,	2009 NDEQ (Sewer)		2016 NDEQ (Sewer)		2015 Water Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	10,632	4,201	39,676	20,692	55,000	19,755
2020	10,846	3,881	40,719	19,305	55,000	19,026
2021	11,064	3,554	41,230	18,387	55,000	18,160
2022	11,286	3,220	41,746	17,456	55,000	17,170
2023	11,513	2,880	42,270	16,513	55,000	16,056
2024 - 2028	61,132	9,050	219,435	68,017	315,000	58,210
2029 - 2033	26,209	988	233,542	42,625	230,000	13,633
2034 - 2038			221,170	15,600		
	<u>142,682</u>	<u>27,774</u>	<u>879,788</u>	<u>218,595</u>	<u>820,000</u>	<u>162,010</u>

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

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 15-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 15 years. The redevelopment contract with the developer outlines the responsibilities of the Agency (City) and the Developer. The contract requires the developer to purchase the bonds. The contract includes the provisions that mandatory prepayment will occur if taxes exceed estimate, and that in the event that the ad valorem taxes are less than estimate, or not timely paid, the Bonds may never be paid in full by the ad valorem taxes. The bonds are not a general obligation of the Development Agency or the City. The City is the paying agent for the bonds. Taxes are collected by the County Treasurer and paid to the City for the bond payments to the developer. This is accounted for in an Agency fund of the City.

Outstanding bonds were as follows:

Developer	Date	Period	Original Bond
Creighton Senior Living	July 14, 2014	15 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 1 to 4 percent. In addition, several of the loans were classified as grants and no payments are required. Collections on these loans are maintained in a separate special revenue fund to be used for future housing loans.

Loan activity for the year was as follows:

	Beginning of Year	Principal Collected	Loan Forgiveness	End Of Year	Memo Interest
Housing Rehab	<u>168,146</u>	<u>(20,495)</u>	<u>(6,981)</u>	<u>140,670</u>	<u>1,843</u>

As of September 30, 2018, the balances were as follows:

Unforgiveable	127,313
Forgivable	<u>13,357</u>
Total	<u>140,670</u>

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance 10/1/17	Increases	Decreases	Balance 9/30/18
<u>Governmental Activities</u>				
Land - nondepreciable	24,954			24,954
Buildings and improvements	1,691,103	52,983	(29,337)	1,714,749
Equipment and vehicles	2,211,402	95,000	(102,961)	2,203,441
Totals at cost	3,927,459	147,983	(132,298)	3,943,144
Accumulated depreciation	(2,727,522)	(119,335)	114,587	(2,732,270)
Net capital assets	<u>1,199,937</u>	<u>28,648</u>	<u>(17,711)</u>	<u>1,210,874</u>
<u>Business-Type Activities</u>				
Land - nondepreciable	6,300			6,300
Construction in progress - nondepreciable	814,231	(814,231)		
Water Department	2,553,897	10,000		2,563,897
Sewer Department	785,847	985,087		1,770,934
Equipment	101,370			101,370
Totals at cost	4,261,645	180,856		4,442,501
Accumulated depreciation	(1,919,038)	(118,594)		(2,037,632)
Net capital assets	<u>2,342,607</u>	<u>62,262</u>		<u>2,404,869</u>

Capital Outlay by Function/Program

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

Highways and Streets	52,983
Public Health and Safety	95,000
	<u>147,983</u>

Asset disposals during the year included an impairment loss of \$15,769 for hail damage to the library roof.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (Continued)

Depreciation

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

General Government	15,674
Public Safety	49,353
Highways and Streets	21,215
Public Works - other	2,996
Culture and Recreation	30,097
Total depreciation expense - governmental activities	<u>119,335</u>

Business-Type Activities

Water Fund	77,073
Sewer Fund	41,521
Total depreciation expense - business-type activities	<u>118,594</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 Avera Sacred Heart Health Services. The sale included substantially all of the real and personal property of the hospital, clinic, and nursing home.

The buyer paid off or assumed all USDA liabilities, other long-term debt, equipment leases, and provider agreements. Additionally, Avera agreed to operate the hospital for a minimum of 10 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 10-year period.

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

As of September 30, 2018, the City's General Fund included remaining cash accounts related to the "hospital sale" of \$2,716,512, which are considered assigned to future projects (including contingency for above repurchase agreement) and other uses to be determined by the City Council.

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 10. TRANSFERS

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

NOTE 11. TAX ABATEMENTS

The City has approved property tax abatement agreements with local businesses in the form of TIF arrangements under the State of Nebraska Tax Increment Financing (TIF) laws. 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. TIF arrangements are further disclosed and arrangements described in Note 5, Long-Term Debt.

For the fiscal year ended September 30, 2018, the following 2017 property taxes were abated under TIF arrangements.

Description	Total Tax Abated	City Share
Creighton Senior Living	8,274	2,578

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

NOTE 12. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

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

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

NOTE 13. SUBSEQUENT EVENTS

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 13, 2019, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
CASH BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
ALL FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	General All-Purpose		
	Budget Original and Final	Actual	Favorable (Unfavorable)
REVENUES			
Property taxes	183,326	160,614	(22,712)
Sales taxes	180,000	177,681	(2,319)
Motor vehicle taxes	15,000	25,431	10,431
Other taxes	21,300	22,489	1,189
Licenses and permits	1,500	3,902	2,402
Intergovernmental - Federal	100,000	166,937	66,937
Intergovernmental - State	313,382	342,007	28,625
Charges for services	755,000	771,871	16,871
Interest	14,395	62,041	47,646
NPPD lease	180,000	180,397	397
Transfers	452,000	15,000	(437,000)
Grants	331,763	11,007	(320,756)
Loan proceeds	335,395	345,183	9,788
Insurance proceeds		34,879	34,879
Sale of equipment		15,571	15,571
Other	54,160	94,769	40,609
Total revenues	<u>2,937,221</u>	<u>2,429,779</u>	<u>(507,442)</u>
EXPENDITURES			
General Government	181,727	132,548	49,179
Public Works - Recycling	4,450	3,692	758
Public Works - Street	395,550	264,073	131,477
Public Works - Utility Funds	1,357,006	812,524	544,482
Public Health and Safety	499,131	322,077	177,054
Culture and Recreation	459,197	172,808	286,389
Economic Development	34,775	28,473	6,302
Housing Rehab and Community Development	409,162	176,636	232,526
Appropriation of hospital funds	2,594,416		2,594,416
Transfers	452,000	15,000	437,000
Total expenditures	<u>6,387,414</u>	<u>1,927,831</u>	<u>4,459,583</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,450,193)</u>	<u>501,948</u>	<u>3,952,141</u>
CASH BALANCE, beginning of year	<u>4,383,111</u>	<u>4,168,680</u>	
CASH BALANCE, end of year	<u>932,918</u>	<u>4,670,628</u>	

See accompanying notes to budgetary statement.

CITY OF CREIGHTON, NEBRASKA
NOTES TO BUDGETARY STATEMENT

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

Basis of Accounting

The budget is adopted on the cash basis of accounting, as required by the state of Nebraska, which is consistent with the financial reporting basis for governmental-type funds. The enterprise funds, which report on the accrual basis, are included in the combined statement of revenues and expenditures - budget and actual, on the budgetary (cash) basis. For budget purposes, the City reports operating support to various general fund departments as transfers.

Budget Law

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

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

Reconciliation

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

Revenues over expenditures - budgetary basis	
Governmental funds	206,044
Enterprise funds	<u>295,904</u>
Revenues over expenditures - all funds - budgetary basis	<u>501,948</u>
Revenues over expenditures - budgetary basis	
Enterprise funds	<u>295,904</u>
Adjustments	
Increase in deposits	(3,315)
Capitalized assets	180,856
Depreciation	(118,594)
Loan proceeds	(345,183)
Principal payments	<u>65,423</u>
Total adjustments	<u>(220,813)</u>
Net change in position - enterprise funds	<u>75,091</u>

CITY OF CREIGHTON, NEBRASKA
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN CASH BALANCE BY DEPARTMENT
YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	2018								2017 Total
	General Government				Public Safety		Culture and Recreation		
	General	Economic Development	Hospital	Building	Police	Library	Park	Pool	
REVENUES									
Taxes									
Sales taxes	60,322							30,161	90,483
Property taxes	145,300								145,300
Motor vehicle tax	25,431								25,431
Nebraska Public Power District	22,489								22,489
Licenses and permits	3,902								3,902
Intergovernmental									
Municipal equalization	109,915								109,915
Homestead exemption	13,931								13,931
Property tax relief	10,025								10,025
Motor vehicle prorate	370								370
Other						5,389			5,389
Charges for services						1,871	9,845	12,385	24,101
Interest income	7,766					215		2,306	59,274
NPPD lease	89,967			48,987					89,967
Donations and other grants	600					250			850
Franchise fees	10,006								10,006
Other	8,065					885	588	658	21,931
Total revenues	508,089			589	589	9,725	8,610	45,510	633,364
EXPENDITURES									
Personnel services	35,807	25,691			149,002	60,713	13,647	28,983	313,843
Operating expenditures	85,579	2,782	2	5,916	17,221	19,824	14,280	31,795	177,399
Capital outlay	5,244				1,313		1,972	1,594	10,123
Total expenditures	126,630	28,473	2	5,916	167,536	80,537	29,899	62,372	501,365
REVENUES OVER (UNDER)									
EXPENDITURES	381,459	(28,473)	50,406	(5,327)	(157,811)	(71,927)	(19,466)	(16,862)	131,999
									24,186

CITY OF CREIGHTON, NEBRASKA
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN CASH BALANCE BY DEPARTMENT
YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	2018									2017 Total
	General Government			Public Safety			Culture and Recreation			
	General	Economic Development	Hospital	Building	Police	Library	Park	Pool	Total	
OTHER FINANCING SOURCES (USES)										
Insurance proceeds	5,038					29,841			34,879	
Transfers	<u>(338,284)</u>	<u>28,473</u>		<u>15,000</u>	<u>157,811</u>	<u>72,000</u>	<u>50,000</u>		<u>(15,000)</u>	<u>(15,000)</u>
Total other financing sources (uses)	<u>(333,246)</u>	<u>28,473</u>		<u>15,000</u>	<u>157,811</u>	<u>101,841</u>	<u>50,000</u>		<u>19,879</u>	<u>(15,000)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDI- TURES AND OTHER FINANCING USES	<u>48,213</u>		<u>50,406</u>	<u>9,673</u>		<u>29,914</u>	<u>30,534</u>	<u>(16,862)</u>	<u>151,878</u>	<u>9,186</u>
CASH BALANCE, beginning of year									<u>2,862,410</u>	<u>2,853,224</u>
CASH BALANCE, end of year									<u>3,014,288</u>	<u>2,862,410</u>

CITY OF CREIGHTON, NEBRASKA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN CASH BALANCES
YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	2018					2017
	Street	Fire Department	Community Development	Recycling	Ambulance	Total
REVENUES						
Taxes						
Property taxes		15,314				15,314
City sales taxes	57,037					57,037
Intergovernmental						
Highway allocation/incentive	157,476					157,476
Motor vehicle fees	12,374					12,374
Township levy	16,785					16,785
Mutual Finance Organization		10,780				10,780
Rural Fire Department - cost share		18,500				18,500
Downtown Revitalization Grant			166,937			166,937
Other		4,962				4,962
NPPD lease	90,430					90,430
Charges for services	257			285	20,792	21,334
Interest	64	1,152	107		884	2,207
Grants		3,700			6,457	10,157
Other	2,460	12,249	20,759	2,188	588	38,244
Total revenues	<u>336,883</u>	<u>66,657</u>	<u>187,803</u>	<u>2,473</u>	<u>28,721</u>	<u>622,537</u>
						<u>512,896</u>
EXPENDITURES						
Personnel services	73,975					73,975
Operating expenditures	100,863	35,777	176,636	3,692	23,764	340,732
Capital outlay	89,235	5,000			90,000	184,235
Total expenditures	<u>264,073</u>	<u>40,777</u>	<u>176,636</u>	<u>3,692</u>	<u>113,764</u>	<u>598,942</u>
						<u>407,581</u>

CITY OF CREIGHTON, NEBRASKA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN CASH BALANCES
YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	2018					2017
	Street	Fire Department	Community Development	Recycling	Ambulance	Total
REVENUES OVER (UNDER) EXPENDITURES	<u>72,810</u>	<u>25,880</u>	<u>11,167</u>	<u>(1,219)</u>	<u>(85,043)</u>	<u>105,315</u>
OTHER FINANCING SOURCES						
Sale of equipment					15,571	15,571
Operating transfers in		<u>5,000</u>			<u>10,000</u>	<u>15,000</u>
Total other financing sources		<u>5,000</u>			<u>25,571</u>	<u>30,571</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>72,810</u>	<u>30,880</u>	<u>11,167</u>	<u>(1,219)</u>	<u>(59,472)</u>	<u>120,315</u>
FUND BALANCES, beginning of year	<u>414,684</u>	<u>148,048</u>	<u>67,537</u>	<u>6,769</u>	<u>209,448</u>	<u>726,171</u>
FUND BALANCES, end of year	<u>487,494</u>	<u>178,928</u>	<u>78,704</u>	<u>5,550</u>	<u>149,976</u>	<u>846,486</u>

CITY OF CREIGHTON, NEBRASKA
NONMAJOR FUNDS
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	2018			2017
	Recycling	Permanent Fund Hoferer Trust	Total	Total
ASSETS				
ASSETS				
Cash and cash equivalents	5,550		5,550	6,769
Restricted certificates of deposit		86,222	86,222	86,222
TOTAL ASSETS	<u>5,550</u>	<u>86,222</u>	<u>91,772</u>	<u>92,991</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
FUND BALANCES				
Nonspendable - (Hoferer Fund)		86,222	86,222	86,222
Unassigned	5,550		5,550	6,769
Total fund balances	<u>5,550</u>	<u>86,222</u>	<u>91,772</u>	<u>92,991</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>5,550</u>	<u>86,222</u>	<u>91,772</u>	<u>92,991</u>

CITY OF CREIGHTON, NEBRASKA
NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN CASH BALANCES
YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	2018			2017
	Recycling	Permanent Fund Hoferer Trust	Total	Total
REVENUES				
Charges for services	285		285	2,600
Other	<u>2,188</u>		<u>2,188</u>	<u>1,000</u>
Total revenues	<u>2,473</u>		<u>2,473</u>	<u>3,600</u>
EXPENDITURES				
Operating	3,692		3,692	3,363
Capital outlay				
Total expenditures	<u>3,692</u>		<u>3,692</u>	<u>3,363</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,219)		(1,219)	237
FUND BALANCES, beginning of year	<u>6,769</u>	<u>86,222</u>	<u>92,991</u>	<u>92,754</u>
FUND BALANCES, end of year	<u>5,550</u>	<u>86,222</u>	<u>91,772</u>	<u>92,991</u>

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2017)

	2018				2017 Total
	Business-Type Activities - Enterprise Funds			Total	
	Sewer	Water	Sanitation		
ASSETS					
Current Assets					
Cash and cash equivalents	391,894	213,685	40,130	645,709	350,237
Certificates of deposit		23,757		23,757	23,325
Accounts receivable (net)	33,447	40,815	16,152	90,414	90,847
Inventories		38,479		38,479	25,015
Total current assets	<u>425,341</u>	<u>316,736</u>	<u>56,282</u>	<u>798,359</u>	<u>489,424</u>
Capital Assets					
Nondepreciable - land	2,000	3,800	500	6,300	6,300
Nondepreciable - construction in progress					860,943
Depreciable assets					
Sewer system	1,770,934			1,770,934	785,847
Water system		2,563,897		2,563,897	2,553,897
Equipment	55,433	45,937		101,370	101,370
Accumulated depreciation	<u>(585,666)</u>	<u>(1,451,966)</u>		<u>(2,037,632)</u>	<u>(1,919,038)</u>
Total capital assets	<u>1,242,701</u>	<u>1,161,668</u>	<u>500</u>	<u>2,404,869</u>	<u>2,389,319</u>
TOTAL ASSETS	<u>1,668,042</u>	<u>1,478,404</u>	<u>56,782</u>	<u>3,203,228</u>	<u>2,878,743</u>

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2017)

	2018				2017
	Business-Type Activities - Enterprise Funds				Total
	Sewer	Water	Sanitation	Total	
LIABILITIES					
Current Liabilities					
Accounts payable	1,033	4,208		5,241	51,078
Accrued expenses	11,600	10,068		21,668	14,900
Current amount of long-term debt	50,308	55,000		105,308	84,082
Total current liabilities	<u>62,941</u>	<u>69,276</u>		<u>132,217</u>	<u>150,060</u>
Noncurrent Liabilities					
Customer deposits		19,781		19,781	16,466
Notes payable - NDEQ	1,022,470			1,022,470	687,710
Bonds payable		820,000		820,000	875,000
Less current amounts	(50,308)	(55,000)		(105,308)	(84,082)
Total noncurrent liabilities	<u>972,162</u>	<u>784,781</u>		<u>1,756,943</u>	<u>1,495,094</u>
TOTAL LIABILITIES	<u>1,035,103</u>	<u>854,057</u>		<u>1,889,160</u>	<u>1,645,154</u>
NET POSITION					
Invested in capital assets, net of related debt	220,231	341,668	500	562,399	826,609
Unrestricted	<u>412,708</u>	<u>282,679</u>	<u>56,282</u>	<u>751,669</u>	<u>406,980</u>
TOTAL NET POSITION	<u>632,939</u>	<u>624,347</u>	<u>56,782</u>	<u>1,314,068</u>	<u>1,233,589</u>

The notes are an integral part of these financial statements.

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

YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	2018			2017	
	Business-Type Activities -			Total	
	Sewer	Water	Sanitation	Total	Total
OPERATING REVENUES					
User charges	258,463	332,226	119,395	710,084	726,531
Miscellaneous	4,372	1,716	12,604	18,692	14,355
Total operating revenues	<u>262,835</u>	<u>333,942</u>	<u>131,999</u>	<u>728,776</u>	<u>740,886</u>
OPERATING EXPENSES					
Personnel services	114,323	107,007		221,330	208,599
Materials and supplies	2,307	20,347		22,654	54,625
Repairs and maintenance	5,209	34,187		39,396	44,407
Gasoline and oil	2,661	2,788		5,449	3,167
Office expenses	590	1,315	217	2,122	858
Insurance	6,485	12,976		19,461	18,358
Utilities	14,329	43,168	716	58,213	74,478
Purchased services			119,595	119,595	121,759
Professional fees and schooling	14,483	11,746		26,229	16,724
Depreciation expense	41,521	77,073		118,594	93,696
Other	2,386	8,389		10,775	10,945
Total operating expenses	<u>204,294</u>	<u>318,996</u>	<u>120,528</u>	<u>643,818</u>	<u>647,616</u>
OPERATING INCOME	<u>58,541</u>	<u>14,946</u>	<u>11,471</u>	<u>84,958</u>	<u>93,270</u>

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

YEAR ENDED SEPTEMBER 30, 2018

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

	2018			2017
	Business-Type Activities - Enterprise Funds			Total
	Sewer	Water	Sanitation	Total
NONOPERATING REVENUES (EXPENSES)				
Interest income	64	496		560
City sales tax		30,161		30,161
Sale of equipment				450
Interest expense	(15,012)	(20,188)		(35,200)
Total nonoperating revenues (expenses)	(14,948)	10,469		(4,479)
INCOME BEFORE CONTRIBUTIONS	43,593	25,415	11,471	80,479
CAPITAL CONTRIBUTIONS				
Grant				100,000
INCREASE IN NET POSITION	43,593	25,415	11,471	80,479
NET POSITION, beginning of year	589,346	598,932	45,311	1,233,589
NET POSITION, end of year	632,939	624,347	56,782	1,314,068

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	2018			2017		
	Enterprise Funds			Total		
	Sewer	Water	Sanitation	Total	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	257,269	338,001	131,166	726,436	726,436	726,298
Other cash received	4,372	1,716		6,088	6,088	1,790
Cash paid for contracted hauling			(119,595)	(119,595)	(119,595)	(121,759)
Cash paid for personnel services	(107,485)	(107,077)		(214,562)	(214,562)	(208,471)
Other cash payments	(48,490)	(147,465)	(933)	(196,888)	(196,888)	(226,523)
Net cash provided by operating activities	105,666	85,175	10,638	201,479	201,479	171,335
CASH FLOWS FROM INVESTING ACTIVITIES						
Decrease in due to other funds						10,000
Proceeds from sale of equipment						450
Cash receipts from interest	64	64		128	128	92
Net cash provided by investing activities	64	64		128	128	10,542
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Cash paid for equipment and improvements	(180,856)			(180,856)	(180,856)	(773,897)
Bond principal payments		(55,000)		(55,000)	(55,000)	(50,000)
Proceeds from debt	345,183			345,183	345,183	534,605
Principal paid on long-term debt	(10,423)			(10,423)	(10,423)	(10,217)
Proceeds from grant						100,000
Cash paid for interest	(15,012)	(20,188)		(35,200)	(35,200)	(24,686)
Net cash provided by (used in) capital and related financing activities	138,892	(75,188)		63,704	63,704	(224,195)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
City sales tax receipts		30,161		30,161	30,161	27,763
Net cash provided by noncapital financing activities		30,161		30,161	30,161	27,763

CITY OF CREIGHTON, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	2018			2017		
	Enterprise Funds			Total		
	Sewer	Water	Sanitation	Total		
NET INCREASE (DECREASE) IN CASH	244,622	40,212	10,638	295,472	(14,555)	
CASH AND CASH EQUIVALENTS, beginning of year	147,272	173,473	29,492	350,237	364,792	
CASH AND CASH EQUIVALENTS, end of year	391,894	213,685	40,130	645,709	350,237	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating income	58,541	14,946	11,471	84,958	93,270	
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	41,521	77,073		118,594	93,696	
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(1,194)	2,460	(833)	433	(11,214)	
(Increase) decrease in inventory		(13,464)		(13,464)	280	
Increase (decrease) in accounts payable	(40)	915		875	(3,241)	
Increase (decrease) in customer deposits		3,315		3,315	(1,584)	
Increase (decrease) in accrued expenses	6,838	(70)		6,768	128	
Total adjustments	47,125	70,229	(833)	116,521	78,065	
Net cash provided by operating activities	105,666	85,175	10,638	201,479	171,335	
NONCASH CAPITAL AND RELATED FINANCING ITEMS						
(Increase) decrease in accounts payable for capital items	(46,712)			(46,712)	46,712	

The notes are an integral part of these financial statements.

CITY OF CREIGHTON, NEBRASKA
NOTES TO STATEMENTS OF PROPRIETARY FUNDS

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Measurement Focus

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

Basis of Accounting

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

Use of Estimates

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

Cash, Cash Equivalents, and Investments

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

Accounts Receivable

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO STATEMENTS OF PROPRIETARY FUNDS

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

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

Capital Assets

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

Accrued Expenses

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

Long-Term Debt

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

Deferred Outflows/Inflows of Resources

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

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

Equity Classification

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

CITY OF CREIGHTON, NEBRASKA
NOTES TO STATEMENTS OF PROPRIETARY FUNDS

NOTE B. RECONCILIATION OF NET POSITION

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

	Sewer	Water	Sanitation
Net position, accrual basis	632,939	624,347	56,782
Accounts receivable	(33,447)	(40,815)	(16,152)
Inventory		(38,479)	
Accounts payable - noncapital	1,033	4,208	
Accrued expenses	<u>11,600</u>	<u>10,068</u>	<u> </u>
Net position, modified cash basis	<u>612,125</u>	<u>559,329</u>	<u>40,630</u>

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

	Sewer	Water	Sanitation
Net income, accrual basis	43,593	25,415	11,471
Change in accounts receivable	(1,194)	2,460	(833)
Change in inventory		(13,464)	
Change in accounts payable - noncapital	(40)	915	
Change in accrued expenses	<u>6,838</u>	<u>(70)</u>	<u> </u>
Net income (loss), modified cash basis	<u>49,197</u>	<u>15,256</u>	<u>10,638</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, 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, 2018, which collectively comprise the City of Creighton, Nebraska's basic financial statements, and have issued our report thereon dated March 13, 2019.

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 2018-001 and 2018-002.

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 2018-003.

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 matters that were reported to the management of the City of Creighton, Nebraska, in a separate letter dated March 13, 2019, that continues our suggestions to improve internal control and financial reporting for the City.

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 13, 2019

CITY OF CREIGHTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2018

2018-001 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.

2018-002 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, 2018

2018-002 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, 2018

2018-003 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 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.

CONTROL DEFICIENCIES REPORTED IN PRIOR YEAR

The above matters were also reported for the year ended September 30, 2017, in our report dated March 26, 2018, as items 2017-001, 2017-002, and 2017-003.

