

CITY OF MCCOOK, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of McCook, Nebraska

We have audited the accompanying financial statements of the governmental activities - modified cash basis, the business-type activities - accrual basis, the aggregate discretely presented component units - accrual basis, each major fund - modified cash basis for the governmental funds and accrual basis for the proprietary funds, the aggregate remaining fund information - modified cash basis, and the fiduciary funds - modified cash basis of the City of McCook, Nebraska, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note A, the City prepares its governmental financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities - modified cash basis, the business-type activities - accrual basis, the aggregate discretely presented component units - accrual basis, each major fund - modified cash basis for the governmental funds and accrual basis for the proprietary funds, the

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
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Christine R. Shenk

aggregate remaining fund information - modified cash basis, and the fiduciary funds - modified cash basis of the City of McCook, Nebraska, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the bases of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2012, on our consideration of the City of McCook'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* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and required supplementary information on pages 5 through 15 and 63 through 68, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying other supplementary information and the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Almquist, Maltzman,
Galloway & Luth, P.C.*

Grand Island, Nebraska
February 29, 2012

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2011

This discussion and analysis of the City of McCook's financial performance provides an overall review of the City's financial activities for the fiscal year ended September 30, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

The City has maintained a General Fund levy of \$.319044 since 2002 and does not have a levy for bonded debt.

Sales and use tax receipts generated \$805,378 for property tax relief to homeowners in the City of McCook and \$805,378 for infrastructure improvements. The taxable sales for the City of McCook were up 5.7 percent from last year. Sales tax revenues were used for park renovations, playground equipment at the Elks City Park, Senior Center roof replacement, repainting of the swimming pool, South Street and Kelley Park water main replacement, Karrer Park sewer force main replacement, and \$125,000 to buy down the State Revolving Loan for sewer improvements. The Council maintained the annual commitment of \$250,000 for the One & Six Year Street Plan Improvements. This year's street improvements completed were East "O" Street and West 10th Street drainage.

In November the voters approved pledging sales tax revenue for a period of seven years for a \$3,750,000 bond to pay for the cost of constructing a new municipal fire, police, and administrative facility. The annual bond payments will average around \$600,000. The Council elected to use the construction manager process for completion of the facility. Sampson Construction was selected as Construction Manager. Their guaranteed maximum price is \$4,641,556 and the City's soft costs are \$713,444, for a total project cost of \$5,355,000. Funding for the project includes the \$3,750,000 bond, sales tax dollars of \$1,500,000, an estimated \$30,000 in interest received from the bond dollars, and \$75,000 from the LB840 Fund.

An additional 0.5 percent City sales and use tax with half of the receipts to be used for infrastructure improvements and half of the receipts to be used to fund a LB840 plan was enacted in July 2008. The 0.5 percent generated \$805,378 in revenue. A portion of the LB840 funds have been committed for funding of a \$1,120,000 bond use for development of the Keystone Business Center. A Tax Increment Financing (TIF) Bond in the amount of \$340,000 was approved with the McCook Economic Development Corporation (MEDC). The MEDC committed the TIF funds to supplement sales tax revenues for repayment of the Keystone Bond. In July the Council approved a loan from the LB840 Revolving Loan Fund Program in the amount of \$105,000 to the East Ward Village, LLC for renovation of the former East Ward Elementary School into housing units for the elderly.

At the May 15, 2006 meeting, the Council approved a six-year agreement with McCook Keno, LLC for the operation of KENO within the City of McCook. This action revived keno lottery operations in McCook that had been terminated in 1999. The first location was up and running by the end of September 2006. Annual revenue for FY 10/11 was \$27,777. Revenues derived from the keno

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

operation are to be used for “community betterment purposes.” The Norris Park Bank Shell renovation was completed at a cost of \$190,000. The project was funded using \$95,000 in Keno Funds, \$36,000 from ACE revenue sharing funds, and \$59,000 from sales tax revenue.

The City’s professional retail operations agreement with Nebraska Public Power leases its electric system to them for a term of not less than fifteen years and not more than twenty-five years with the city being paid 12 percent of the retail revenues. The current year’s lease generated \$1,183,665. Of this amount the City transferred \$395,000 to the Self Insured Health Insurance Fund and \$785,665 was transferred to the General Fund.

The natural gas franchise agreement with Source Gas, Inc. is for a term of 10 years with the franchise fee paid to the City quarterly. The franchise fee is \$0.0090 per therm delivered. The annual revenue received was \$30,142.

The City provides medical and dental insurance for eligible employees using a self-insurance fund. The fund is financed by operating transfers from the Governmental and Proprietary Fund of an average amount per employee, which is based on management’s previous experience. Each employee pays an insurance premium of \$20 for family coverage or \$10 for single coverage per pay period. The fund covers up to \$35,000 in costs per employee. Any expenses over that amount are covered by an insurance carrier. The City uses a claims service to handle the insurance claims.

For the current fiscal year the City estimated the cost per employee at \$1,235 per month. This was an increase of \$60 per month due to several claims being over the \$35,000 threshold. With the increase in costs, a projected reserve of \$75,000 remains to cover a “worst case year.” The City continues to work with Hays Company to monitor these costs and for assistance in developing options to help contain these costs. To help maintain costs deductibles were increased in FY 09/10. In addition, beginning October 1, 2011, employee premiums per two-week period will be changed to \$15.00 for a single member, \$35.00 for an employee and spouse, \$30.00 for an employee and children, and \$60.00 for an employee and family.

In 2006 the Water Department received a Nebraska Department of Environmental Quality safe Water State Revolving Loan for \$9,922,000 to construct an Ion Exchange drinking water treatment facility to remove unsafe levels of Arsenic, Uranium, and Nitrate from the municipal water supply. This loan is to be repaid over thirty years. The City also has a Clean Water State Revolving Loan for \$400,000 for the purchase of land for a new well field with repayment over twenty years.

In 2006 the Wastewater Treatment Department received a Nebraska Department of Environmental Quality Clean Water State Revolving Loan for \$3,930,000 for construction and improvements to the Wastewater Treatment Plant to meet Ammonia limits required by the National Pollutant Discharge Elimination System (NPDES) Permit. This loan is to be repaid over twenty years.

In December 2010, the 1997 Wastewater Treatment Plant State Revolving Loan was paid off three years early utilizing sales tax dollars.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

In October 2010, the sewer minimum charge (base fee) was increased by \$1.00 per month for all users. No increase was made to water rates or ready-to-serve fee. These rates are monitored and adjusted annually if necessary, to insure funds are available for payment of the State Revolving Loans for the sewer and water improvements and to offset any increases in operating costs.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of McCook's basic financial statements. The City's basic financial statements comprise:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information
- Other supplementary information which further explains and supports the information in the financial statements

Government-wide Financial Statements. The *government-wide financial statements* report information about the City as a whole using accounting methods similar to those used by a private-sector business.

The government-wide financial statements distinguish the following functions of the City:

- *Governmental activities* are primarily supported by taxes and intergovernmental revenues. The governmental activities of the City include general government, economic development, public safety, public works, parks, cultural activities, and human service.
- *Business-type activities* are supported by user fees and charges which are intended to recover all or a significant portion of their costs. The City's electric, water, wastewater, and solid waste collection services are all included as business-type activities.

Fund Financial Statements. The fund financial statements provide detailed information about the City's most significant funds, not the City as a whole. Funds are groupings of activities that enable the City to maintain control over resources that have been segregated for particular purposes or objectives. All of the funds of the City of McCook can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental Funds.* The governmental funds are used to account for the financial activity of the City's basic services, similar to that described for the governmental activities in the government-wide financial statements. However, unlike the government-wide statements, which provide a long-term focus of the City, the fund financial statements focus on a short-term view of the inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

- *Proprietary Funds.* The proprietary funds are used to account for the financial activity of the City's operations for which customers are charged a user fee; they provide both a long- and short-term view of financial information. The City maintains four enterprise funds which are a type of proprietary fund - the electric, water, wastewater, and solid waste operations. These enterprise funds are the same as the business-type activities in the government-wide financial statements.
- *Fiduciary Funds.* The City maintains fiduciary funds, which are used to account for resources held by the City in a trustee capacity or as an agent for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements. The notes can be found immediately following the basic financial statements.

Government-wide Financial Analysis

City of McCook's Net Assets

	Year Ended September 30, 2011			Year Ended September 30, 2010		
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total
Current and Other Assets	\$ 5,713,992	\$ 6,436,389	\$ 12,150,381	\$ 5,808,169	\$ 6,091,376	\$ 11,899,545
Capital Assets	10,382,154	22,228,584	32,610,738	9,506,094	23,195,107	32,701,201
Total Assets	<u>16,096,146</u>	<u>28,664,973</u>	<u>44,761,119</u>	<u>15,314,263</u>	<u>29,286,483</u>	<u>44,600,746</u>
Long-term Liabilities						
Outstanding	720,000	12,426,899	13,146,899	830,000	13,200,227	14,030,227
Other Liabilities	220,000	942,467	1,162,467	165,000	900,902	1,065,902
Total Liabilities	<u>940,000</u>	<u>13,369,366</u>	<u>14,309,366</u>	<u>995,000</u>	<u>14,101,129</u>	<u>15,096,129</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	9,552,154	9,987,411	19,539,565	8,571,094	10,384,779	18,955,873
Restricted	4,368,109	443,559	4,811,668	1,856,575	452,831	2,309,406
Unrestricted	<u>1,235,883</u>	<u>4,864,637</u>	<u>6,100,520</u>	<u>3,891,594</u>	<u>4,347,744</u>	<u>8,239,338</u>
Total Net Assets	<u>\$ 15,156,146</u>	<u>\$ 15,295,607</u>	<u>\$ 30,451,753</u>	<u>\$ 14,319,263</u>	<u>\$ 15,185,354</u>	<u>\$ 29,504,617</u>

Net assets may serve over time as a useful indicator of a government's financial position. At the close of the current fiscal year, the City of McCook's assets exceeded its liabilities by \$30,451,753.

Capital assets (land, infrastructure, buildings, streets, improvements, and equipment), less any debt issued to acquire these assets, comprise 64.2 percent of the City's net assets. Although these capital assets assist the City in providing services to its citizens, they are generally not available to fund the operations of future periods.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

An additional 15.8 percent of the City's net assets are subject to external restrictions as to how they may be used. The remaining component of net assets (\$6,100,520) is the unrestricted net assets.

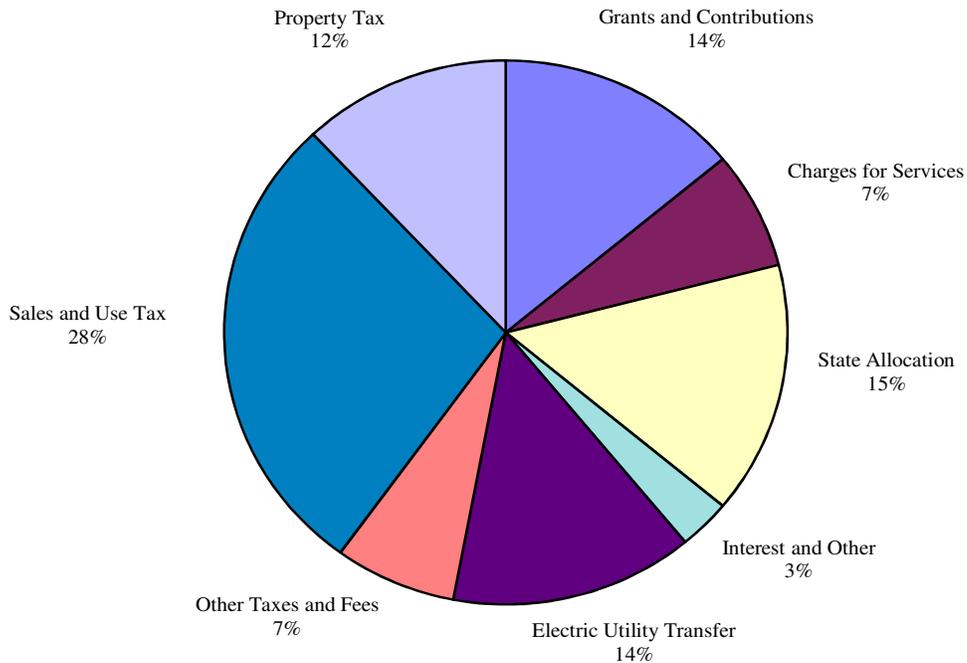
Changes in Net Assets

The following table presents a summary of revenues and expenses of the governmental and business-type activities:

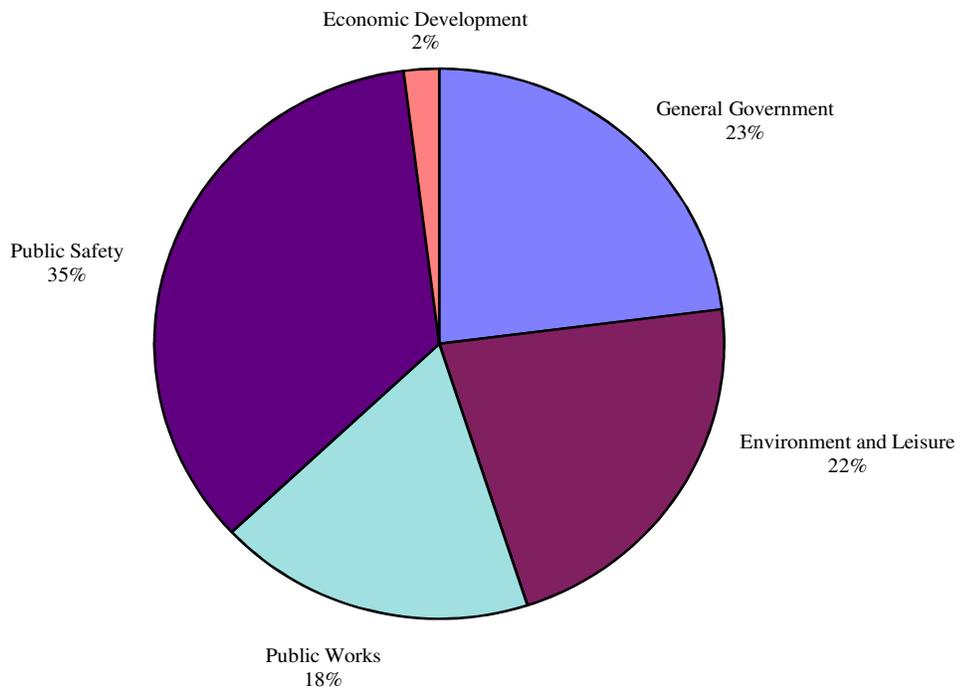
	<u>September 30, 2011</u>			<u>September 30, 2010</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 537,614	\$ 5,920,947	\$ 6,458,561	\$ 490,455	\$ 5,262,115	\$ 5,752,570
Operating Grants and Contributions	1,038,574	-	1,038,574	574,240	-	574,240
Capital Grants and Contributions	60,666	-	60,666	255,657	-	255,657
General Revenues:						
Property Taxes	995,926	-	995,926	973,999	-	973,999
Sales and Use Taxes	2,248,754	-	2,248,754	2,267,227	-	2,267,227
Other Taxes and Fees	524,455	-	524,455	347,688	-	347,688
State Allocation	1,193,943	-	1,193,943	1,113,846	-	1,113,846
Interest Income	74,380	57,585	131,965	51,166	55,551	106,717
Other	141,517	-	141,517	36,882	(14,786)	22,096
Total Revenues	<u>6,815,829</u>	<u>5,978,532</u>	<u>12,794,361</u>	<u>6,111,160</u>	<u>5,302,880</u>	<u>11,414,040</u>
Expenses						
General Government	1,627,532	-	1,627,532	1,241,615	-	1,241,615
Economic Development	119,000	-	119,000	249,895	-	249,895
Public Safety	2,529,305	-	2,529,305	2,315,390	-	2,315,390
Public Works	1,252,467	-	1,252,467	1,117,272	-	1,117,272
Environment and Leisure	1,558,279	-	1,558,279	1,537,031	-	1,537,031
Interest Expense	31,193	-	31,193	35,258	-	35,258
Electric Utility	-	3,835	3,835	-	3,245	3,245
Water	-	2,196,169	2,196,169	-	1,977,178	1,977,178
Sewer	-	1,161,389	1,161,389	-	1,073,638	1,073,638
Solid Waste	-	1,368,056	1,368,056	-	1,169,095	1,169,095
Total Expenses	<u>7,117,776</u>	<u>4,729,449</u>	<u>11,847,225</u>	<u>6,496,461</u>	<u>4,223,156</u>	<u>10,719,617</u>
Increase in Net Assets						
Before Transfers	(301,947)	1,249,083	947,136	(385,301)	1,079,724	694,423
Net Transfers	<u>1,138,830</u>	<u>(1,138,830)</u>	<u>-</u>	<u>1,016,719</u>	<u>(1,016,719)</u>	<u>-</u>
Increase in Net Assets	<u>\$ 836,883</u>	<u>\$ 110,253</u>	<u>\$ 947,136</u>	<u>\$ 631,418</u>	<u>\$ 63,005</u>	<u>\$ 694,423</u>

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

2011 Revenues by Source - Governmental Activities

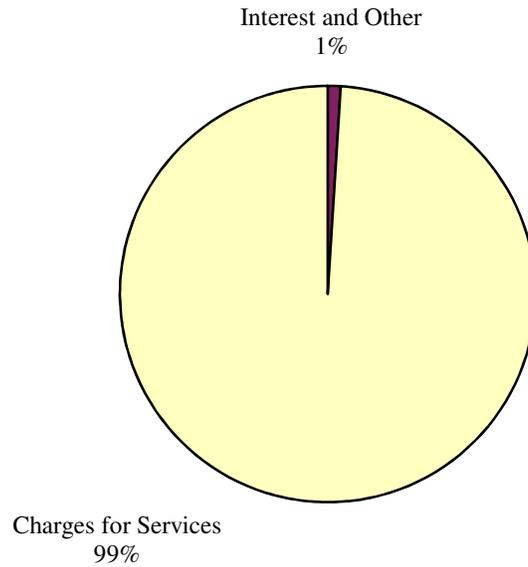


2011 Expenses - Governmental Activities

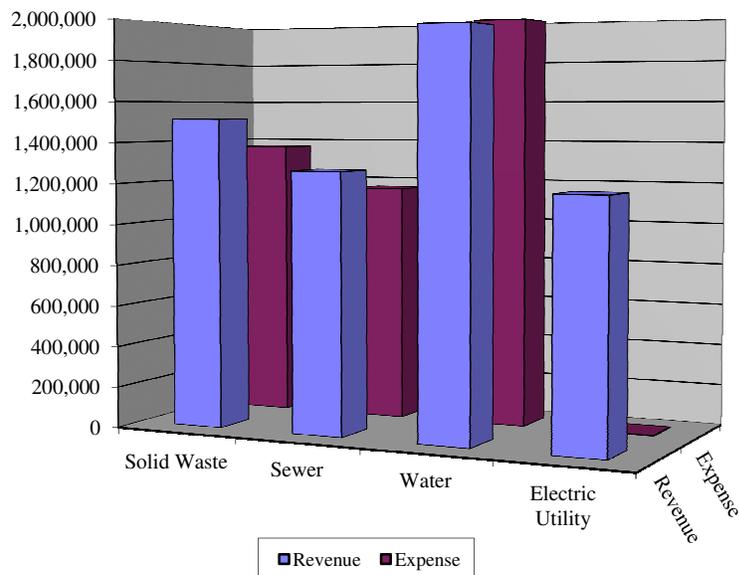


CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

2011 Revenues by Source - Business-type Activities



2011 Expenses and Program Revenues - Business-type Activities



CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

Financial Analysis of the Government's Funds

As noted earlier, the City of McCook used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of McCook's *governmental* funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of McCook's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of McCook's governmental funds reported combined ending fund balances of \$5,271,148. Approximately 3.2 percent of this total amount (\$167,127) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is not available for new spending because it has already been 1) restricted for street projects (\$1,249,575), 2) restricted to pay debt service (\$400,756), 3) restricted to fund capital projects (\$1,915,814), 4) endowed as nonspendable to fund perpetual care (\$97,859), 5) restricted for community betterment (\$12,089), 6) restricted to fund economic development projects (\$488,862), 7) restricted for federal projects (\$203,154), or 8) committed for capital projects (\$735,912).

The General Fund is the chief operating fund of the City of McCook. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$167,127, while total fund balance reached \$1,000,898. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 3.6 percent of total General Fund expenditures, while total fund balance represents 21.5 percent of that same amount.

The fund balance of the City of McCook's General Fund decreased by \$297,290 during the current fiscal year.

Proprietary funds. The City of McCook's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at the end of the year were as follows: Electric and Emergency Fund - \$0, Water Fund - \$4,081,456, Sewer Fund - \$938,472, and Solid Waste Fund - deficit of \$(155,291). The growth (decrease) in net assets for the proprietary funds was as follows: Electric and Emergency Fund - decrease of \$(3,835), Water Fund - decrease of \$(161,339), Sewer Fund - \$177,488, and Solid Waste Fund - \$97,939. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of McCook's business-type activities.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

Budgetary Highlights

In January the Council approved one amendment to the FY 2010-2011 Budget in the Special Revenue Fund in the amount of \$3,750,000 to allow for use of bond funds for Municipal Facilities construction expenditures and revenues.

Capital Asset and Debt Administration

Capital Assets. The City of McCook's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$32,610,738 (net of accumulated depreciation). This investment in capital assets includes land, distribution systems, buildings and improvements, machinery and equipment, office furniture and equipment, and vehicles.

Major capital asset events during the current fiscal year included the following:

- Highway 6 and 34 sidewalk - \$38,842
- Wildlife fence at airport - \$20,303
- Elizabeth Lane reclamation - \$134,849
- Karrer Park sewer force main replacement - \$47,429
- South Street/Kelley Park water main - \$28,156
- 2010-2011 street asphalt projects - \$503,423
- Parking lot reconstruction (Eakes) - \$61,908
- Transfer station loader - \$86,000
- 2011 Dodge Charger - \$22,288
- Senior Center roof - \$57,552
- Clarifier rehab project - \$103,050
- Trash container replacement - \$23,795
- 2011 Meter replacement - \$42,255
- Municipal facility construction in progress - \$232,107
- Bandshell restoration - \$95,000
- 2011 Osage F-450 ambulance - \$163,838

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

City of McCook's Capital Assets
(net of depreciation)

	<u>Year Ended September 30, 2011</u>			<u>Year Ended September 30, 2010</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Land	\$ 768,700	\$ 485,735	\$ 1,254,435	\$ 768,700	\$ 485,735	\$ 1,254,435
Construction in Progress	232,107	-	232,107	-	-	-
Infrastructure	5,127,272	-	5,127,272	4,439,335	-	4,439,335
Buildings and Improvements	2,692,412	4,049,429	6,741,841	2,637,916	4,192,814	6,830,730
Machinery and Equipment	63,973	950,911	1,014,884	78,523	916,399	994,922
Distribution Systems	-	16,742,509	16,742,509	-	17,600,159	17,600,159
Office Furniture and Equipment	627,983	-	627,983	765,781	-	765,781
Vehicles	869,707	-	869,707	815,839	-	815,839
Total	<u>\$ 10,382,154</u>	<u>\$ 22,228,584</u>	<u>\$ 32,610,738</u>	<u>\$ 9,506,094</u>	<u>\$ 23,195,107</u>	<u>\$ 32,701,201</u>

Additional information on the City of McCook's capital assets can be found in Note C4 on pages 46-48 of this report.

Long-term Debt

Outstanding Long-term Debt

	<u>Year Ended September 30, 2011</u>			<u>Year Ended September 30, 2010</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Loader Note Payable	\$ -	\$ 61,000	\$ 61,000	\$ -	\$ -	\$ -
Economic Development Bonds	830,000	-	830,000	935,000	-	935,000
Sewer 1996 SRF Loan	-	-	-	-	75,834	75,834
Sewer 2000 SRF Loan	-	932,659	932,659	-	1,041,942	1,041,942
Sewer 2005 SRF Loan	-	3,337,967	3,337,967	-	3,566,968	3,566,968
Water 2005 SRF Loan	-	7,909,547	7,909,547	-	8,125,584	8,125,584
Total Long-term Outstanding Debt	<u>\$ 830,000</u>	<u>\$ 12,241,173</u>	<u>\$ 13,071,173</u>	<u>\$ 935,000</u>	<u>\$ 12,810,328</u>	<u>\$ 13,745,328</u>

The City's long-term debt decreased \$674,155 (4.9 percent) during the year ended September 30, 2011, as scheduled principal payments were made.

Additional information on the City of McCook's long-term debt can be found in Note C5 on pages 48-54 of this report.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of McCook compares favorably to the State's average unemployment and the national average rate.
- Inflationary trends in the region compare favorably to national indices.
- Property tax asking for the year ending September 30, 2012, is \$998,875, a \$10,010 (1.0 percent) increase over the prior year.

All of these factors were considered in preparing the City of McCook's budget for the 2012 fiscal year.

Financial Contact

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors with a general overview of the City of McCook's finances and to demonstrate the City's accountability for the money with which the City is entrusted. If you have questions concerning any of the information presented in this report or requests for additional information, contact the City of McCook, 302 West 5th Street, P.O. Box 1059, McCook, NE 69001-1059, or call (308) 345-2022.

CITY OF MCCOOK, NEBRASKA

STATEMENT OF NET ASSETS

September 30, 2011

	Primary Government			Component Unit (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,286,782	\$ 5,267,102	\$ 10,553,884	\$ 3,765,659
County treasurer cash	59,854	-	59,854	-
Current portion of TIF receivables	48,623	-	48,623	125,712
Accounts receivable	-	58,746	58,746	-
Unbilled revenue	-	537,316	537,316	-
Due (to) from other funds	(7,475)	7,475	-	-
Prepaid expenses	-	3,307	3,307	-
Inventory	-	118,884	118,884	-
Total current assets	5,387,784	5,992,830	11,380,614	3,891,371
Noncurrent assets:				
Restricted cash and cash equivalents	-	443,559	443,559	-
Unamortized bond discount	-	-	-	61,465
Noncurrent portion of TIF receivables	326,208	-	326,208	5,022
Capital assets:				
Land	768,700	485,735	1,254,435	-
Construction in progress	232,107	-	232,107	-
Other capital assets, net of depreciation	9,381,347	21,742,849	31,124,196	-
Net capital assets	10,382,154	22,228,584	32,610,738	-
Total noncurrent assets	10,708,362	22,672,143	33,380,505	66,487
Total assets	16,096,146	28,664,973	44,761,119	3,957,858
LIABILITIES				
Current liabilities:				
Accounts payable	-	109,905	109,905	-
Accrued expenses	-	122,916	122,916	-
Customer deposits	-	71,678	71,678	-
Accrued interest	-	98,794	98,794	-
Claims incurred not paid	110,000	-	110,000	-
Current portion of long-term obligations	110,000	539,174	649,174	595,712
Total current liabilities	220,000	942,467	1,162,467	595,712
Noncurrent liabilities:				
Accrued landfill closure costs	-	715,000	715,000	-
Accrued deep well abandonment costs	-	9,900	9,900	-
Noncurrent portion of long-term obligations	720,000	11,701,999	12,421,999	3,285,022
Total noncurrent liabilities	720,000	12,426,899	13,146,899	3,285,022
Total liabilities	940,000	13,369,366	14,309,366	3,880,734
NET ASSETS				
Invested in capital assets, net of related debt	9,552,154	9,987,411	19,539,565	-
Restricted for:				
Street improvements	1,249,575	-	1,249,575	-
Landfill postclosure	-	89,086	89,086	-
Deep injection well closure	-	71,380	71,380	-
Debt service	400,756	283,093	683,849	-
Economic development	488,862	-	488,862	-
Perpetual care	97,859	-	97,859	-
Capital projects	1,915,814	-	1,915,814	-
Federal projects	203,154	-	203,154	-
Community betterment	12,089	-	12,089	-
Unrestricted	1,235,883	4,864,637	6,100,520	77,124
Total net assets	\$ 15,156,146	\$ 15,295,607	\$ 30,451,753	\$ 77,124

See notes to financial statements.

CITY OF MCCOOK, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary government:			
Governmental activities			
(modified cash basis):			
General government	\$ 1,611,253	\$ 32,176	\$ 508,998
Economic development	119,000	-	-
Public safety	2,305,736	298,126	134,677
Public works	950,298	77,083	-
Environment and leisure	1,356,563	130,229	394,899
Depreciation - unallocated	743,733	-	-
Interest and fees on long-term debt	31,193	-	-
Total governmental activities	7,117,776	537,614	1,038,574
Business-type activities			
(accrual basis):			
Electric and emergency	3,835	1,183,665	-
Water	2,196,169	1,955,575	-
Sewer	1,161,389	1,268,310	-
Solid waste	1,368,056	1,513,397	-
Total business-type activities	4,729,449	5,920,947	-
Total primary government	\$ 11,847,225	\$ 6,458,561	\$ 1,038,574
Component unit:			
Community Redevelopment Authority	\$ 178,804	\$ -	\$ -
Municipal Facilities Corporation	45,377	40,592	-
Total component units	\$ 224,181	\$ 40,592	\$ -

See notes to financial statements.

Net (Expenses) Revenues and Changes in Net Assets				
Capital Grants and Contributions	Primary Government			Component Unit (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	
\$ 2,500	\$ (1,067,579)		\$ (1,067,579)	
-	(119,000)		(119,000)	
3,500	(1,869,433)		(1,869,433)	
41,126	(832,089)		(832,089)	
13,540	(817,895)		(817,895)	
-	(743,733)		(743,733)	
-	(31,193)		(31,193)	
<u>60,666</u>	<u>(5,480,922)</u>	\$ -	<u>(5,480,922)</u>	
-	-	1,179,830	1,179,830	
-	-	(240,594)	(240,594)	
-	-	106,921	106,921	
-	-	145,341	145,341	
-	-	<u>1,191,498</u>	<u>1,191,498</u>	
<u>\$ 60,666</u>	<u>(5,480,922)</u>	<u>1,191,498</u>	<u>(4,289,424)</u>	
\$ -				\$ (178,804)
-				(4,785)
<u>\$ -</u>				<u>(183,589)</u>
General revenues:				
Taxes:				
Property	995,926	-	995,926	-
Motor vehicle	320,041	-	320,041	-
Payments in lieu of taxes	80,505	-	80,505	-
Occupation	35,564	-	35,564	-
Sales tax	2,248,754	-	2,248,754	-
Franchise	74,407	-	74,407	-
Special assessments	13,938	-	13,938	-
State allocation	1,193,943	-	1,193,943	-
TIF proceeds	-	-	-	178,801
Keno proceeds	27,777	-	27,777	-
Gain on sale of assets	27,025	-	27,025	-
Insurance proceeds	49,819	-	49,819	-
Miscellaneous	36,896	-	36,896	-
Interest income	74,380	57,585	131,965	20,293
Net transfers	<u>1,138,830</u>	<u>(1,138,830)</u>	<u>-</u>	<u>-</u>
Total general revenues	<u>6,317,805</u>	<u>(1,081,245)</u>	<u>5,236,560</u>	<u>199,094</u>
Change in net assets	836,883	110,253	947,136	15,505
Net assets - September 30, 2010	<u>14,319,263</u>	<u>15,185,354</u>	<u>29,504,617</u>	<u>61,619</u>
Net assets - September 30, 2011	<u>\$ 15,156,146</u>	<u>\$ 15,295,607</u>	<u>\$ 30,451,753</u>	<u>\$ 77,124</u>

CITY OF MCCOOK, NEBRASKA

**BALANCE SHEET - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS**

September 30, 2011

	<u>General Fund</u>	<u>Street Fund</u>	<u>Economic Development Fund</u>
ASSETS			
Cash and cash equivalents	\$ 941,044	\$ 1,249,575	\$ 488,862
County treasurer cash	59,854	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,000,898</u>	<u>\$ 1,249,575</u>	<u>\$ 488,862</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Fund balances:			
Nonspendable:			
Perpetual care	97,859	-	-
Restricted for:			
Capital projects	-	-	-
Street improvements	-	1,249,575	-
Economic development	-	-	488,862
Debt service	-	-	-
Federal projects	-	-	-
Community betterment	-	-	-
Committed for:			
Capital projects	735,912	-	-
Unassigned	167,127	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>1,000,898</u>	<u>1,249,575</u>	<u>488,862</u>
Total liabilities and fund balances	<u>\$ 1,000,898</u>	<u>\$ 1,249,575</u>	<u>\$ 488,862</u>

See notes to financial statements.

Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	Grant <u>Fund</u>	Other Governmental Fund (Keno)	Total Governmental <u>Funds</u>
\$ 408,231	\$ 1,915,814	\$ 203,154	\$ 12,089	\$ 5,218,769
-	-	-	-	59,854
<u>\$ 408,231</u>	<u>\$ 1,915,814</u>	<u>\$ 203,154</u>	<u>\$ 12,089</u>	<u>\$ 5,278,623</u>
\$ 7,475	\$ -	\$ -	\$ -	\$ 7,475
-	-	-	-	97,859
-	1,915,814	-	-	1,915,814
-	-	-	-	1,249,575
-	-	-	-	488,862
400,756	-	-	-	400,756
-	-	203,154	-	203,154
-	-	-	12,089	12,089
-	-	-	-	735,912
-	-	-	-	167,127
<u>400,756</u>	<u>1,915,814</u>	<u>203,154</u>	<u>12,089</u>	<u>5,271,148</u>
<u>\$ 408,231</u>	<u>\$ 1,915,814</u>	<u>\$ 203,154</u>	<u>\$ 12,089</u>	<u>\$ 5,278,623</u>

CITY OF MCCOOK, NEBRASKA

**RECONCILIATION OF THE BALANCE SHEET - MODIFIED
CASH BASIS - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

September 30, 2011

Total fund balances - governmental funds	\$ 5,271,148
Amounts reported for governmental <i>activities</i> in the statement of net assets are different because:	
The Internal Service Fund is included as a governmental activity in the statement of changes in net assets.	(41,987)
TIF receivables are not due in the current period and therefore are not reported as assets in the governmental funds.	374,831
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$23,758,713 and the accumulated depreciation is \$13,376,559.	10,382,154
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds payable	<u>(830,000)</u>
Total net assets - governmental activities	<u><u>\$ 15,156,146</u></u>

See notes to financial statements.

CITY OF MCCOOK, NEBRASKA

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

For the year ended September 30, 2011

	<u>General Fund</u>	<u>Street Fund</u>	<u>Economic Development Fund</u>
REVENUES			
Taxes:			
Property	\$ 995,926	\$ -	\$ -
Motor vehicle	152,660	167,381	-
Payments in lieu of taxes	80,505	-	-
Occupation	35,564	-	-
Sales tax	637,997	-	402,689
Franchise	74,407	-	-
Special assessments	-	-	-
Intergovernmental	623,323	734,174	-
Grants	174,967	41,126	-
Keno proceeds	-	-	-
Charges for services	478,999	-	-
Contributions	104,032	-	-
Interest income	20,660	-	3,063
Insurance proceeds	-	-	-
Sale of assets	-	-	-
Other revenues	36,896	-	-
Total revenues	<u>3,415,936</u>	<u>942,681</u>	<u>405,752</u>
EXPENDITURES			
General government	997,298	-	-
Economic development	-	-	119,000
Public safety	2,057,565	-	-
Public works	332,603	568,445	-
Environment and leisure	1,141,616	-	-
Municipal facilities lease	-	-	-
Capital outlay	115,559	69,072	-
Principal payments on debt	-	-	105,000
Interest on long-term debt	-	-	30,843
Bond fees	-	-	350
Total expenditures	<u>4,644,641</u>	<u>637,517</u>	<u>255,193</u>
Excess (deficiency) of revenues over expenditures	(1,228,705)	305,164	150,559
OTHER FINANCING SOURCES (USES)			
Transfers in	950,665	-	-
Transfers out	(19,250)	(6,000)	-
Net transfers	<u>931,415</u>	<u>(6,000)</u>	<u>-</u>
Net change in fund balances	(297,290)	299,164	150,559
Fund balances - September 30, 2010	<u>1,298,188</u>	<u>950,411</u>	<u>338,303</u>
Fund balances - September 30, 2011	<u>\$ 1,000,898</u>	<u>\$ 1,249,575</u>	<u>\$ 488,862</u>

See notes to financial statements.

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Grant Fund</u>	<u>Other Governmental Funds (Keno)</u>	<u>Eliminations</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 995,926
-	-	-	-	-	320,041
-	-	-	-	-	80,505
-	-	-	-	-	35,564
-	1,208,068	-	-	-	2,248,754
-	-	-	-	-	74,407
13,938	-	-	-	-	13,938
-	-	28,687	-	-	1,386,184
-	-	586,874	-	-	802,967
-	-	-	27,777	-	27,777
-	-	58,615	-	-	537,614
-	-	-	-	-	104,032
5,535	19,759	1,417	929	-	51,363
-	-	49,819	-	-	49,819
15,025	-	12,000	-	-	27,025
-	-	-	-	-	36,896
<u>34,498</u>	<u>1,227,827</u>	<u>737,412</u>	<u>28,706</u>	<u>-</u>	<u>6,792,812</u>
-	17,565	454,332	7,792	-	1,476,987
-	-	-	-	-	119,000
-	-	33,684	-	-	2,091,249
720	380	-	-	-	902,148
-	31,276	100,503	-	-	1,273,395
-	42,343	-	-	-	42,343
-	1,283,372	56,790	95,000	-	1,619,793
-	-	-	-	-	105,000
-	-	-	-	-	30,843
-	-	-	-	-	350
<u>720</u>	<u>1,374,936</u>	<u>645,309</u>	<u>102,792</u>	<u>-</u>	<u>7,661,108</u>
33,778	(147,109)	92,103	(74,086)	-	(868,296)
-	-	19,000	-	(19,000)	950,665
-	(200,585)	-	-	19,000	(206,835)
<u>-</u>	<u>(200,585)</u>	<u>19,000</u>	<u>-</u>	<u>-</u>	<u>743,830</u>
33,778	(347,694)	111,103	(74,086)	-	(124,466)
<u>366,978</u>	<u>2,263,508</u>	<u>92,051</u>	<u>86,175</u>	<u>-</u>	<u>5,395,614</u>
<u>\$ 400,756</u>	<u>\$ 1,915,814</u>	<u>\$ 203,154</u>	<u>\$ 12,089</u>	<u>\$ -</u>	<u>\$ 5,271,148</u>

CITY OF MCCOOK, NEBRASKA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2011

Total net change in fund balances - governmental funds \$ (124,466)

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capitalized capital outlay (\$1,619,793)

exceeded depreciation expense (\$743,733) in the period. 876,060

The TIF receivable note increased by unpaid interest during the year.

This increase in the note is not recognized in the governmental funds, but is recognized in the statement of net assets. 22,903

The decrease in net assets of the Internal Service Fund is included as a governmental activity in the government wide statements. (42,614)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 105,000

Change in net assets of governmental activities \$ 836,883

See notes to financial statements.

CITY OF MCCOOK, NEBRASKA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2011

	Electric and Emergency <u>Fund</u>	Water <u>Fund</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ 3,859,770
Accounts receivable	-	17,287
Unbilled revenue	-	289,392
Due from other funds	-	8,815
Prepaid expenses	-	1,154
Inventory	-	118,884
Total current assets	-	4,295,302
Noncurrent assets:		
Restricted cash and cash equivalents	-	230,691
Capital assets:		
Land	-	295,625
Distribution systems	170,000	18,986,142
Buildings and improvements	-	542,859
Tools and equipment	-	638,006
Accumulated depreciation	(112,480)	(7,314,178)
Net capital assets	57,520	13,148,454
Total noncurrent assets	57,520	13,379,145
Total assets	57,520	17,674,447
LIABILITIES		
Current liabilities:		
Accounts payable	-	20,104
Sales tax payable	-	11,880
Claims incurred not paid	-	-
Accrued payroll	-	10,228
Accrued vacation	-	14,597
Accrued sick leave	-	8,745
Customer deposits	-	71,678
Accrued interest	-	66,714
Due to other funds	-	-
Current portion of long-term obligations	-	237,110
Total current liabilities	-	441,056
Noncurrent liabilities:		
Accrued landfill postclosure costs	-	-
Accrued deep well abandonment costs	-	9,900
Noncurrent portion of long-term obligations	-	7,963,130
Total noncurrent liabilities	-	7,973,030
Total liabilities	-	8,414,086
NET ASSETS		
Invested in capital assets, net of related debt	57,520	4,948,214
Restricted for:		
Landfill postclosure	-	-
Deep injection well closure	-	71,380
Debt service	-	159,311
Unrestricted	-	4,081,456
Total net assets	\$ 57,520	\$ 9,260,361

See notes to financial statements.

Business-type Activities - Enterprise Funds

<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 834,433	\$ 572,899	\$ 5,267,102	\$ 68,013
16,029	25,430	58,746	-
162,713	85,211	537,316	-
-	-	8,815	-
1,043	1,110	3,307	-
-	-	118,884	-
<u>1,014,218</u>	<u>684,650</u>	<u>5,994,170</u>	<u>68,013</u>
123,782	89,086	443,559	-
-	190,110	485,735	-
8,128,780	-	27,284,922	-
3,901,451	870,985	5,315,295	-
805,054	1,543,579	2,986,639	-
(5,065,632)	(1,351,717)	(13,844,007)	-
<u>7,769,653</u>	<u>1,252,957</u>	<u>22,228,584</u>	<u>-</u>
<u>7,893,435</u>	<u>1,342,043</u>	<u>22,672,143</u>	<u>-</u>
8,907,653	2,026,693	28,666,313	68,013
10,938	78,863	109,905	-
6,034	-	17,914	-
-	-	-	110,000
5,593	10,908	26,729	-
11,226	18,725	44,548	-
10,235	14,745	33,725	-
-	-	71,678	-
30,380	1,700	98,794	-
1,340	-	1,340	-
282,329	19,735	539,174	-
<u>358,075</u>	<u>144,676</u>	<u>943,807</u>	<u>110,000</u>
-	715,000	715,000	-
-	-	9,900	-
3,697,604	41,265	11,701,999	-
<u>3,697,604</u>	<u>756,265</u>	<u>12,426,899</u>	<u>-</u>
<u>4,055,679</u>	<u>900,941</u>	<u>13,370,706</u>	<u>110,000</u>
3,789,720	1,191,957	9,987,411	-
-	89,086	89,086	-
-	-	71,380	-
123,782	-	283,093	-
938,472	(155,291)	4,864,637	(41,987)
<u>\$ 4,851,974</u>	<u>\$ 1,125,752</u>	<u>\$ 15,295,607</u>	<u>\$ (41,987)</u>

CITY OF MCCOOK, NEBRASKA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS**

For the year ended September 30, 2011

	Electric and Emergency Fund	Water Fund
Operating revenues:		
Charges for services	\$ 1,183,665	\$ 1,914,327
Miscellaneous revenues	-	41,248
Total operating revenues	1,183,665	1,955,575
Operating expenses:		
Salaries and benefits	-	360,130
Insurance and bonds	-	34,783
Utilities and telephone	-	140,933
Repairs and maintenance	-	101,180
Contracted services	-	19,494
Supplies	-	11,384
Plant chemicals	-	213,618
Transportation	-	14,389
Professional fees	-	12,407
Sales tax	-	102,195
Miscellaneous	-	38,891
Depreciation	3,835	830,845
Insurance claims and health premiums	-	-
Total operating expenses	3,835	1,880,249
Operating income (loss)	1,179,830	75,326
Nonoperating revenues (expenses):		
Interest income	-	41,394
Interest expense	-	(231,940)
Loan fees	-	(83,980)
Loss on disposal of capital assets	-	-
Total nonoperating revenues (expenses)	-	(274,526)
Income (loss) before transfers	1,179,830	(199,200)
Interfund transfers:		
Transfers in	-	90,361
Transfers out	(1,183,665)	(52,500)
Net transfers	(1,183,665)	37,861
Change in net assets	(3,835)	(161,339)
Net assets - September 30, 2010	61,355	9,421,700
Net assets - September 30, 2011	\$ 57,520	\$ 9,260,361

See notes to financial statements.

Business-type Activities - Enterprise Funds

<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 1,268,310	\$ 1,312,777	\$ 5,679,079	\$ 857,267
-	200,620	241,868	-
<u>1,268,310</u>	<u>1,513,397</u>	<u>5,920,947</u>	<u>857,267</u>
326,098	462,679	1,148,907	-
30,384	35,081	100,248	-
118,257	6,930	266,120	-
51,730	65,395	218,305	-
11,988	567,821	599,303	-
17,236	9,480	38,100	-
-	-	213,618	-
7,106	49,546	71,041	-
10,744	2,093	25,244	-
71,704	-	173,899	-
9,125	7,266	55,282	-
356,724	160,065	1,351,469	-
-	-	-	1,294,995
<u>1,011,096</u>	<u>1,366,356</u>	<u>4,261,536</u>	<u>1,294,995</u>
257,214	147,041	1,659,411	(437,728)
9,821	6,370	57,585	114
(108,048)	(1,700)	(341,688)	-
(42,245)	-	(126,225)	-
-	-	-	-
<u>(140,472)</u>	<u>4,670</u>	<u>(410,328)</u>	<u>114</u>
116,742	151,711	1,249,083	(437,614)
124,780	-	215,141	395,000
(64,034)	(53,772)	(1,353,971)	-
<u>60,746</u>	<u>(53,772)</u>	<u>(1,138,830)</u>	<u>395,000</u>
177,488	97,939	110,253	(42,614)
<u>4,674,486</u>	<u>1,027,813</u>	<u>15,185,354</u>	<u>627</u>
<u>\$ 4,851,974</u>	<u>\$ 1,125,752</u>	<u>\$ 15,295,607</u>	<u>\$ (41,987)</u>

CITY OF MCCOOK, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the year ended September 30, 2011

	<u>Electric and Emergency Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,183,665
Receipts from other funds	-
Payments to suppliers	-
Payments to employees	-
Net cash provided (used) by operating activities	<u>1,183,665</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers from other funds	-
Transfers to other funds	(1,183,665)
Net cash provided (used) by noncapital financing activities	<u>(1,183,665)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of property and equipment	-
Increase in accrued deep well abandonment costs	-
Loan proceeds	-
Principal payments on capital debt	-
Interest paid on capital debt	-
Loan fees paid	-
Net cash used by capital and related financing activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	-
Increase (decrease) in cash and cash equivalents	<u>-</u>
Cash and cash equivalents - beginning of the year	<u>-</u>
Cash and cash equivalents - end of the year	<u><u>\$ -</u></u>
Composition of cash and cash equivalents:	
Cash and cash equivalents	\$ -
Restricted cash and cash equivalents	-
Total cash and cash equivalents	<u><u>\$ -</u></u>

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	
\$ 1,957,019	\$ 1,252,763	\$ 1,349,475	\$ 5,742,922	\$ 91,281
1,794	5,680	-	7,474	765,986
(682,399)	(334,824)	(726,555)	(1,743,778)	(1,244,995)
(352,056)	(323,056)	(454,270)	(1,129,382)	-
<u>924,358</u>	<u>600,563</u>	<u>168,650</u>	<u>2,877,236</u>	<u>(387,728)</u>
90,361	124,780	-	215,141	395,000
(52,500)	(64,034)	(53,772)	(1,353,971)	-
<u>37,861</u>	<u>60,746</u>	<u>(53,772)</u>	<u>(1,138,830)</u>	<u>395,000</u>
(106,951)	(168,199)	(109,796)	(384,946)	-
2,695	-	-	2,695	-
-	-	86,000	86,000	-
(279,461)	(350,694)	(25,000)	(655,155)	-
(234,167)	(110,876)	-	(345,043)	-
(83,980)	(42,245)	-	(126,225)	-
<u>(701,864)</u>	<u>(672,014)</u>	<u>(48,796)</u>	<u>(1,422,674)</u>	<u>-</u>
41,394	9,821	6,370	57,585	114
301,749	(884)	72,452	373,317	7,386
3,788,712	959,099	589,533	5,337,344	60,627
<u>\$ 4,090,461</u>	<u>\$ 958,215</u>	<u>\$ 661,985</u>	<u>\$ 5,710,661</u>	<u>\$ 68,013</u>
\$ 3,859,770	\$ 834,433	\$ 572,899	\$ 5,267,102	\$ 68,013
230,691	123,782	89,086	443,559	-
<u>\$ 4,090,461</u>	<u>\$ 958,215</u>	<u>\$ 661,985</u>	<u>\$ 5,710,661</u>	<u>\$ 68,013</u>

CITY OF MCCOOK, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS, Continued**

For the year ended September 30, 2011

	<u>Electric and Emergency Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 1,179,830
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	3,835
Change in assets and liabilities:	
Accounts receivable	-
Inventories	-
Prepaid expenses	-
Due from other funds	-
Due to other funds	-
Customer deposits	-
Accounts payable	-
Claims incurred not paid	-
Accrued landfill postclosure costs	.
Accrued expenses	-
Net cash provided (used) by operating activities	<u>\$ 1,183,665</u>

See notes to financial statements.

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	
\$ 75,326	\$ 257,214	\$ 147,041	\$ 1,659,411	\$ (437,728)
830,845	356,724	160,065	1,351,469	-
1,444	(15,547)	36,148	22,045	-
2,092	-	-	2,092	-
(1,154)	(1,043)	(1,110)	(3,307)	-
1,794	4,340	-	6,134	-
-	1,340	-	1,340	-
8,672	-	-	8,672	-
(2,735)	(5,507)	18,167	9,925	-
-	-	-	-	50,000
-	-	(200,070)	(200,070)	-
8,074	3,042	8,409	19,525	-
<u>\$ 924,358</u>	<u>\$ 600,563</u>	<u>\$ 168,650</u>	<u>\$ 2,877,236</u>	<u>\$ (387,728)</u>

CITY OF MCCOOK, NEBRASKA

**STATEMENT OF ASSETS AND LIABILITIES - MODIFIED CASH BASIS -
FIDUCIARY FUNDS**

September 30, 2011

	Agency <u>Funds</u>
ASSETS	
Cash	\$ <u>76,837</u>
LIABILITIES HELD FOR OTHERS	
Held for other purposes	\$ <u>76,837</u>

See notes to financial statements.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

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CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of McCook, Nebraska (City) are prepared in accordance with the modified cash basis of accounting for governmental and fiduciary funds and the accrual basis for the proprietary funds and discretely presented component unit. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note.

1. Financial Reporting Entity

The City of McCook, Nebraska, was incorporated in 1933. The City operates under a City Manager form of government. The Mayor is elected by the Council. All members of the City Council are elected on four-year terms. The administration of the City government is performed under the direction of the Council by the City Manager. Services provided to residents include public safety, highways and streets, parks, recreation, water and sanitary sewer systems, garbage collection, and general administrative services.

The City's financial reporting entity comprises the following:

Primary Government:	City of McCook
Discretely Presented Component Units:	Community Redevelopment Authority McCook Leasing Corporation

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14 and Statement No. 39, and has included all organizations that make up the City's legal entity and all component units. Consistent with applicable guidance, the criteria used by the City to include component units within its reporting entity are financial accountability and the nature and significance of the relationship. The City includes organizations as component units under the following financial accountability criteria:

- (1) Organizations for which the City Council appoints a voting majority of the organization's governing body and for which (a) the City is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

- (2) Organizations which are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the City.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The following is the discretely presented component unit:

**Brief Description of Activities
and Relationship to the City**

McCook Community Redevelopment Authority	On September 21, 1996, the City Council passed an ordinance creating a CRA for the City of McCook. The Mayor and the members of the City Council shall constitute the Authority and the City Manager shall serve as the director of the CRA.
McCook Leasing Corporation	Created in 2011 to provide for the construction and issuance of bonds for the construction of the combined Administration and Public Safety building.

2. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. 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 in part by fees charged to external parties for goods or services.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

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 constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is 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, liabilities, revenues, or expenditures/expenses 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, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Funds

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Governmental Funds, continued

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City other than debt-service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the City's general obligation bonds.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Internal Service Fund

The Internal Service Fund accounts for activities that provide goods and services to other funds, departments or agencies of the primary government and its component units on a cost-reimbursement basis.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes eight agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. **Basis of Presentation, continued**

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
Governmental:	
General Fund	See above for description.
Street Fund	The Street Fund is a Special Revenue Fund that accounts for the City's share of highway allocation from the State of Nebraska.
Debt Service Fund	See above for description.
Capital Projects Fund	See above for description.
Grant Fund	The Grant Fund is a Special Revenue Fund that accounts for grant revenue and expenditures.
Economic Development Fund	The Economic Development Fund is a Special Revenue Fund that accounts for sales tax proceeds to be used for LB840 economic development.
Proprietary:	
Enterprise:	
Electric and Emergency, Water, Sewer, and Solid Waste	See above for description.
<i>Nonmajor:</i>	
Governmental:	
Keno Fund	The Keno Fund is a Special Revenue Fund that accounts for Keno proceeds and community betterment expenditures.

3. **Measurement Focus and Basis of Accounting**

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

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b, below.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Measurement Focus, continued

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Fiduciary funds are not involved in the measurement of results of operations; therefore, the measurement focus is not applied to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenues, and expenses when they result from cash transactions with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. Under the modified cash basis of accounting, proceeds from the issuance of long-term debt increase liabilities and payment of long-term debt reduces liabilities. Capital assets are capitalized and depreciation is recognized over the estimated lives of the related assets.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Basis of Accounting, continued

Business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified cash basis of accounting using a flow of current financial resources measurement focus. Proceeds from issuance of long-term debt are recognized as revenue when received and payment of long-term debt principal is reported as an expenditure when paid. Capital asset purchases are recorded as expenditures and depreciation is not recognized.

All proprietary funds and the discretely presented component unit utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

4. Assets, Liabilities, and Equity

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and 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.

Cash and Investments

For the purpose of the Statement of Net Assets, “cash and cash equivalents” include all demand accounts and savings accounts. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all cash on hand, demand accounts, savings accounts, and equity in pooled cash which has an original maturity of three months or less. The County Treasurer’s cash represents revenues collected not yet remitted to the City.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Cash and Investments, continued

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes B2, C1, and D2.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Business-type activities report utility billings as their major receivables.

In the fund financial statements, proprietary fund receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to debt service and proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) 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.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Capital Assets, continued

Government-wide Statements

In the government-wide financial statements, property and equipment are accounted for as capital assets. The City has a \$1,000 capitalization threshold. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. The City has elected the depreciation approach for reporting infrastructure.

Depreciation for capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

Buildings	25-50 years
Improvements	10-50 years
Machinery and Equipment	3-20 years
Utility System	25-50 years

Beginning October 1, 2003, governmental funds' infrastructure assets were capitalized under the retroactive capitalization method. These assets have been valued at cost. The cost of normal maintenance, preservation, and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

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 the same as in the government-wide statements.

Compensated Absences

The City's policies regarding vacation time and sick leave permit employees to accumulate earned but unused leave. In the event of termination, an employee is paid for all unused accumulated vacation time, accumulated holiday leave, and one-fourth of accumulated sick leave. Accumulated leave is accrued in the accompanying proprietary funds financial statement but not in the governmental funds.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

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.

Government-wide Statements

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

Fund Financial 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 and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. 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.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Government-wide Statements, continued

- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements. See Note C9 for additional disclosures.

Effective October 1, 2010, the City has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.

Assigned—Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 18). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses

Sales and Use Tax

The City presently levies a one-cent sales tax on taxable sales within the City. The sales tax is collected by the Nebraska Department of Revenue and remitted to the City in the month following receipt. The Nebraska Department of Revenue receives the sales tax approximately one month after collection by vendors. The sales tax is recorded in the General Fund and Capital Projects Fund and used for budgeted General Fund appropriations and capital projects. As of October 1, 2006, sales tax collected on the sale of motor vehicles is recorded in the Street Fund as required by LB904.

Property Taxes

The City has the power to levy taxes each year sufficient to pay any judgment existing against the City, the interest on bonded debt, and the principal on bonded debt maturing during the fiscal year or within six months thereafter, as well as taxes authorized by state law.

The tax levies for all political subdivisions in Red Willow County are certified by the County Board on or before October 15. Real estate taxes are due on December 31 and attach as an enforceable lien and become delinquent in two equal installments on May 1 and September 1. Personal property taxes are due in the same manner as real estate taxes. Delinquent taxes bear 14 percent interest.

Property taxes levied for 2010-2011 are recorded as revenue when received by the County.

Electrical Distribution System Lease and Wholesale Power Contract

The City of McCook, Nebraska, recognizes revenue under a net lease of the electric distribution system. Rental payments are equal to 12 percent of retail revenues from the distribution system, adjusted to eliminate revenues from tax-supported agencies and fuel cost and similar adjustments for the initial 15-year period, and 10 percent as adjusted thereafter. The lessee will maintain the electric distribution system pursuant to prudent utility practice and provide insurance thereon.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Electrical Distribution System Lease and Wholesale Power Contract, continued

The lease, entered into on January 1, 1990, is for a 25-year period and is non-cancelable through January 1, 2015. The lease is annually renewable thereafter, unless terminated by a minimum of five years prior written notice.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – by Character and Function

Proprietary Funds – by Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component unit are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

1. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include Special Revenue, Debt Service, Capital Projects, and Agency Funds.

2. Deposit Laws and Regulations

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The City's cash deposits, including certificates of deposit, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing demand deposits, up to \$250,000 for interest-bearing time deposits/savings, and all non-interest-bearing deposits are insured. Any cash deposits or certificates of deposit in excess of the FDIC limits are insured by collateral held by the pledging institution in the City's name.

3. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources are described in Note A2 for the various funds.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

4. Debt Restrictions and Covenants

Bonds Payable

The various bond ordinances relating to the bonds payable contain some restrictions or covenants that are financial-related. These include covenants such as debt-service coverage requirements and required reserve account balances. The City is in compliance with the bond restrictions and covenants.

Sewer Loans

The City has established the following accounts to comply with the covenants listed in the sewer loan agreements.

1. Dedicated Source of Revenue for Repayment of the Loans – The City pledges the sewer user charge as the dedicated source of revenue for repayment of the loans.
2. Loan Principal and Interest Redemption Account - Out of the McCook Sewer Fund there shall be credited monthly, on or before the 15th day of each month to the Loan Principal and Interest Redemption Account, the following amounts:
 - a) An amount equal to 1/6th of the next maturing semi-annual interest payments. The loan interest reserve was \$41,988 at September 30, 2011.
 - b) An amount equal to 1/6th of the next maturing semi-annual principal payments. The loan principal reserve was \$81,794 at September 30, 2011.

Water Loans

The City has established the following accounts to comply with the covenants listed in the water loan agreements.

1. Dedicated Source of Revenue for Repayment of the Loans – The City pledges the water user charge as the dedicated source of revenue for repayment of the loans.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

4. Debt Restrictions and Covenants, continued

Water Loans, continued

2. Loan Principal and Interest Redemption Account - Out of the McCook Water Fund there shall be credited monthly, on or before the 15th day of each month to the Loan Principal and Interest Redemption Account, the following amounts:
 - a) An amount equal to 1/6th of the next maturing semi-annual interest payments. The loan interest reserve was \$90,931 at September 30, 2011.
 - b) An amount equal to 1/6th of the next maturing semi-annual principal payments. The loan principal reserve was \$68,380 at September 30, 2011.

5. Budgetary Data

The City is required by state laws to adopt annual budgets for all fund types. Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act.

The Nebraska Budget Act provides the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditure and/or tax levy limitations.

The City follows these procedures in establishing the budgetary data reflected in the accompanying financial statements.

- a. On or before August 1, the City prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.
- b. The budget is published with subsequent public hearings to obtain taxpayer comments.
- c. Prior to September 20, the City Council adopts the budget, which is then filed with the appropriate state and county officials.
- d. Total expenditures may not legally exceed total appropriations. Appropriations lapse at year end and any revisions require board approval.
- e. Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data, continued

- f. The County Clerk certifies a preliminary property tax levy for each fund of the City which levied property taxes in the county the previous year based on the combined valuation and amount required for the City the prior year. The preliminary levy becomes the final levy unless the governing board passes, by a majority vote, a resolution setting the levy at a different amount.
- g. The property tax requirements resulting from the budget process are utilized by the County Assessor to establish the tax levy. Taxes are levied annually on or before November 1. Real property taxes and personal property taxes are due December 31 with the first half delinquent May 1 and the second half delinquent September 1.
- h. The City of McCook adopts a budget by ordinance for all funds.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, equity, revenues, and expenditures/expenses.

1. Cash

Deposits

The City's policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose how its deposits were insured or secured with collateral at September 30, 2011. The categories of collateral are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name; or collateralized with no written or approved collateral agreement.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

1. Cash, continued

Deposits, continued

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits	\$ 15,044,668	\$ 517,768	\$ 14,526,900	\$ -	\$ <u>14,839,939</u>

Reconciliation to Government-wide Statement of Net Assets:

Primary Government –	
Unrestricted cash and cash equivalents	\$ 10,553,884
Restricted cash and cash equivalents	443,559
Fiduciary Funds –	
Agency Funds cash	76,837
Component Unit –	
Unrestricted cash and cash equivalents	<u>3,765,659</u>
	<u>\$ 14,839,939</u>

2. Restricted Assets

The restricted assets as of September 30, 2011, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ <u>-</u>	\$ <u>443,559</u>	\$ <u>443,559</u>

The Water Fund has a \$71,380 escrow account that holds funds restricted for future closure costs on the deep injection well. The Solid Waste Fund has funds of \$89,086 that are restricted for the future landfill postclosure costs. Funds of \$123,782 are restricted in the Sewer Fund for future principal and interest payments. Funds of \$159,311 are restricted in the Water Fund for future principal and interest payments. See Note B4 for additional disclosures.

3. Accounts Receivable

Accounts receivable of the business-type activities consist of utilities receivables. Receivables detail at September 30, 2011, is as follows:

Accounts receivable	\$ 58,746
Unbilled revenue	<u>537,316</u>
Total accounts receivable	<u>\$ 596,062</u>

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance at October 1, <u>2010</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2011</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 768,700	\$ -	\$ -	\$ 768,700
Construction in progress	-	232,107	-	232,107
Total capital assets not being depreciated	768,700	232,107	-	1,000,807
Other capital assets being depreciated:				
Infrastructure	6,797,734	780,809	-	7,578,543
Buildings and improvements	9,545,073	321,974	-	9,867,047
Machinery and equipment	573,930	8,090	-	582,020
Furniture and equipment	2,040,400	76,722	-	2,117,122
Vehicles	2,413,083	200,091	-	2,613,174
Total other capital assets at historical cost	21,370,220	1,387,686	-	22,757,906
Less accumulated depreciation for:				
Infrastructure	(2,358,399)	(92,872)	-	(2,451,271)
Buildings and improvements	(6,907,157)	(267,478)	-	(7,174,635)
Machinery and equipment	(495,407)	(22,640)	-	(518,047)
Furniture and equipment	(1,274,619)	(214,520)	-	(1,489,139)
Vehicles	(1,597,244)	(146,223)	-	(1,743,467)
Total accumulated depreciation	(12,632,826)	(743,733) *	-	(13,376,559)
Other capital assets, net	8,737,394	643,953	-	9,381,347
Governmental activities capital assets, net	<u>\$ 9,506,094</u>	<u>\$ 876,060</u>	<u>\$ -</u>	<u>\$ 10,382,154</u>

* Depreciation expense was incurred by the following governmental activities:

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Capital Assets, continued

General Fund:

General government:

Administration \$ 16,279

Public safety:

Fire 73,973
Civil defense 4,896
Ambulance 43,572
Police 101,128
Total public safety 223,569

Public works:

Cemetery 19,210

Environment and leisure:

Airport 58,143
Library 12,761
Parks 48,096
Ball Park 22,943
Pool 9,802
Auditorium 11,663
Senior Center 38,308
Total environment and leisure 201,716

Total General Fund 460,774

Special Revenue Funds:

Street 282,959

Total Governmental Activities depreciation expense \$ 743,733

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Capital Assets, continued

	Balance at October 1, <u>2010</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2011</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 485,735	\$ -	\$ -	\$ 485,735
Other capital assets being depreciated:				
Distribution systems	27,160,382	124,540	-	27,284,922
Buildings and improvements	5,307,459	7,836	-	5,315,295
Machinery and equipment	2,822,097	252,570	(88,028)	2,986,639
Total other capital assets at historical cost	<u>35,289,938</u>	<u>384,946</u>	<u>(88,028)</u>	<u>35,586,856</u>
Less accumulated depreciation for:				
Distribution systems	(9,560,223)	(982,190)	-	(10,542,413)
Buildings and improvements	(1,114,645)	(151,221)	-	(1,265,866)
Machinery and equipment	(1,905,698)	(218,058)	88,028	(2,035,728)
Total accumulated depreciation	<u>(12,580,566)</u>	<u>(1,351,469) *</u>	<u>88,028</u>	<u>(13,844,007)</u>
Other capital assets, net	<u>22,709,372</u>	<u>(966,523)</u>	<u>-</u>	<u>21,742,849</u>
Business-type capital assets, net	<u>\$ 23,195,107</u>	<u>\$ (966,523)</u>	<u>\$ -</u>	<u>\$ 22,228,584</u>

* Depreciation expense was charged to functions as follows:

Electric and Emergency	\$ 3,835
Water	830,845
Sewer	356,724
Solid Waste	<u>160,065</u>
Total Business-type Activities depreciation expense	<u>\$ 1,351,469</u>

5. Long-term Debt

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. Long-term Debt, continued

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2011:

<u>Type of Debt</u>	Balance October 1, 2010	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2011	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds payable	\$ 935,000	\$ -	\$ (105,000)	\$ 830,000	\$ 110,000
Business-type Activities:					
Notes payable	\$ 12,810,328	\$ 86,000	\$ (655,155)	\$ 12,241,173	\$ 539,174
Deep well abandonment costs	7,205	2,695	-	9,900	-
Landfill closure costs	915,070	-	(200,070)	715,000	-
Total Business-type Activities	<u>\$ 13,732,603</u>	<u>\$ 88,695</u>	<u>\$ (855,225)</u>	<u>\$ 12,966,073</u>	<u>\$ 539,174</u>
Component Units:					
CRA notes payable	\$ 298,349	\$ -	\$ (167,615)	\$ 130,734	\$ 125,712
McCook Leasing Corp bonds	-	3,750,000	-	3,750,000	470,000
Total Component Units	<u>\$ 298,349</u>	<u>\$ 3,750,000</u>	<u>\$ (167,615)</u>	<u>\$ 3,880,734</u>	<u>\$ 595,712</u>

Governmental Activities

As of September 30, 2011, the governmental long-term liabilities consisted of the following:

Bonds payable:

\$1,120,000 of Economic Development Fund Bonds, due in annual principal payments commencing September 15, 2009, to September 15, 2018. Interest ranging from 1.0 percent to 4.1 percent is due in semi-annual payments on September 15 and March 15.

\$ 830,000

Current portion

\$ 110,000

Noncurrent portion

720,000

Total

\$ 830,000

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. Long-term Debt, continued

Business-type Activities

As of September 30, 2011, the long-term debt payable from proprietary fund resources consisted of the following:

Notes payable:

Solid Waste Note Payable:

On October 26, 2010, the Solid Waste Fund borrowed \$86,000 from McCook National Bank. The note is due in three annual principal and interest payments of \$21,565, through October 26, 2013. The note bears interest of 3.0 percent.

\$ 61,000

Sewer Notes Payable:

\$1,712,600 of Sewer DEQ Notes Payable, due in semi-annual principal and interest payments of \$69,864 commencing June 15, 2001, through December 15, 2018. The notes bear interest of 3.0 percent.

932,659

\$4,200,000 of Sewer DEQ Notes Payable, due in semi-annual principal and interest payments of \$134,909 commencing December 15, 2007, through June 15, 2027. The note bears interest of 2.50 percent. (\$400,000 of these loan proceeds were used for the water project and will be repaid by the Water Fund.)

3,337,967

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. Long-term Debt, continued

Business-type Activities, continued

Notes payable, continued:

Water Notes Payable:

\$9,922,000 of Water DEQ Notes Payable. The notes will be due in semi-annual principal and interest payments of \$221,026 commencing December 15, 2006, through June 15, 2036. The notes bear interest of 2.80 percent.

7,909,547

Total business-type activity notes payable

\$ 12,241,173

Current portion

\$ 539,174

Noncurrent portion

11,701,999

Total

\$ 12,241,173

Component Units:

Bonds payable:

McCook Leasing Corporation:

On March 15, 2011, the McCook Leasing Corporation issued \$3,750,000 of Lease Rent Revenue Bonds for the construction of the combined Administration/Public Safety Building. The bonds are due in semi-annual interest payments commencing September 15, 2011, through September 15, 2018. Principal is due in semi-annual payments commencing September 15, 2012, through September 15, 2018. The bonds bear interest ranging from 1.0 to 3.20 percent. The City will incur a capital lease obligation when the facility is built which will service the debt for the McCook Leasing Corporation.

\$ 3,750,000

Current portion

\$ 470,000

Noncurrent portion

3,280,000

Total

\$ 3,750,000

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. Long-term Debt, continued

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2011, are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities			McCook Leasing Corp	
	Notes and Bonds Payable		Notes Payable			Bonds Payable	
	Principal	Interest	Principal	Interest	Fees	Principal	Interest
2012	\$ 110,000	\$ 28,533	\$ 539,174	\$ 331,197	\$ 120,512	\$ 470,000	\$ 81,185
2013	110,000	25,782	554,079	316,291	115,282	480,000	75,455
2014	115,000	22,648	569,399	300,972	109,908	535,000	68,343
2015	120,000	18,910	563,578	285,228	104,386	545,000	58,125
2016	120,000	14,770	579,113	269,692	98,712	560,000	45,400
2017-2021	255,000	15,660	2,784,736	1,110,534	406,345	1,160,000	44,852
2022-2026	-	-	2,796,957	748,432	271,150	-	-
2027-2031	-	-	1,804,953	427,464	152,683	-	-
2032-2036	-	-	2,049,184	161,076	57,527	-	-
	<u>\$ 830,000</u>	<u>\$126,303</u>	<u>\$12,241,173</u>	<u>\$3,950,886</u>	<u>\$1,436,505</u>	<u>\$3,750,000</u>	<u>\$ 373,360</u>

Municipal Solid Waste Landfill Postclosure

The City recognizes a proportionate share of the estimated total current cost of closure and postclosure care costs of the municipal solid waste landfill as an expense and a liability in each period that the landfill accepts solid waste.

Under an agreement with the Nebraska Department of Environmental Quality, the City of McCook discontinued acceptance of solid waste after the completion of the current cell on September 1, 1996. According to the engineering study performed for the municipal solid waste landfill, the revised closure costs for the landfill were estimated at \$36,000. The postclosure care costs were estimated at \$44,124 annually for 30 years after closure as required by EPA rule “Solid Waste Disposal Facility Criteria.” The amount accrued has been adjusted for inflation. The total closure and postclosure cost which was accrued is \$1,336,290. The cumulative liability, which is based on the capacity of the landfill used to date, was \$715,000 at September 30, 2011. The City of McCook considers this amount available through the normal annual budgeting process.

Deep Well Abandonment Costs

The City recognizes a proportionate share of the estimated total current cost of well abandonment for the deep injection well as an expense and a liability in each period that the well operates.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. Long-term Debt, continued

Deep Well Abandonment Costs, continued

Under an agreement with the Nebraska Department of Environmental Quality, the City of McCook established an escrow account with a balance at September 30, 2011, of \$71,380 to be used for future deep well abandonment costs. The estimated cost of abandonment is being recognized over the 30-year estimated life of the well. The accrued deep well abandonment cost was \$9,900 at September 30, 2011.

Component Unit CRA Notes Payable and Receivable

Note Payable – Valmont Industries, Inc.

On May 18, 1998, the Authority issued \$2,300,000 of Tax Increment Revenue Bonds to Valmont Industries, Inc., to produce proceeds to make a grant to Valmont for site preparation and other improvements to the Valmont Project No. 1 Area. The Tax Increment Revenue Bonds bear interest of five percent and are payable semi-annually beginning June 1, 2000, through December 1, 2012.

The estimated payable to Valmont Industries, Inc. is calculated to be approximately \$120,643, equal to the September 30, 2011, note receivable balance.

Note Payable – Retro Development of Nebraska, Inc.

On October 1, 1999, the Authority issued a note for Tax Increment Financing to Retro Development of Nebraska, Inc., to assist them in developing a project known as the McCook YMCA Apartments. The amount payable to Retro shall not exceed 90 percent of the Tax Increment Financing Revenues generated. The annual revenues are estimated at \$5,600 per year, of which \$5,040 will be payable to Retro. The current value of the note was calculated based on a six percent interest rate over the six remaining years.

The estimated payable to Retro is calculated to be approximately \$10,091, equal to the September 30, 2011 note receivable balance.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. Long-term Debt, continued

Notes Receivable – Tax Increment Financing

The Community Redevelopment Authority has undertaken a program for the redevelopment of blighted areas in the city and is engaged in carrying out various projects as follows:

Valmont Industries, Inc. – An agreement was entered into with the Authority for the construction of the Valmont Project No. 1 to create a minimum stipulated taxable valuation for real estate tax assessment purposes of \$15,000,000 by no later than July 1, 2002, and hire by July 1, 2002, at least 200 full-time employees at the project. While the \$2,300,000 Tax Increment Revenue Bonds are outstanding, Valmont will pay all real estate taxes necessary to fund such bond and pay such additional amount, if any, necessary to pay the debt service if the tax increment is insufficient. At September 30, 2011, the balance of the note receivable was \$120,643.

Retro Development of Nebraska, Inc. – An agreement was entered into with the Community Redevelopment Authority for the construction of the project known as the McCook YMCA Apartments to create a taxable valuation for real estate tax assessment purposes of at least \$700,000. The Authority will receive the incremental real estate taxes paid by Retro in accordance with the Redevelopment Agreement, 90 percent of which will then be paid back to Retro to retire the related note payable as shown above. At September 30, 2011, the balance of the note receivable was \$10,091.

Estimated future receivables and payables under TIF agreements were as follows as of September 30, 2011:

	<u>TIF Receivable</u>	<u>TIF Payable</u>
Valmont Industries, Inc.	\$ 120,643	\$ 120,643
Retro Development of Nebraska, Inc.	<u>10,091</u>	<u>10,091</u>
	<u>\$ 130,734</u>	<u>\$ 130,734</u>
Current portion	\$ 125,712	\$ 125,712
Noncurrent portion	<u>5,022</u>	<u>5,022</u>
	<u>\$ 130,734</u>	<u>\$ 130,734</u>

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Other Notes Receivable

The City issued \$1,120,000 of Economic Development Bonds during the year ended September 30, 2009, and used the proceeds to finance a development project for Keystone. The City will receive TIF proceeds for a period of 15 years to repay a portion of this advance. The TIF note receivable balance was \$374,831 as of September 30, 2011.

7. Interfund Transactions and Balances

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Electric and Emergency	\$ 788,665	\$ -
Water	52,500	(6,250)
Sewer	59,000	-
Solid Waste	50,500	-
Grants	-	(13,000)
Total General Fund	950,665	(19,250)
Internal Service Fund:		
Electric	395,000	-
Grant Fund:		
General	13,000	-
Street	6,000	-
Total Grant Fund	19,000	-
Street Fund:		
Grant	-	(6,000)
Capital Projects Fund:		
Sewer	-	(124,780)
Water	-	(75,805)
Total Capital Projects Fund	-	(200,585)

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

7. Interfund Transactions and Balances, continued

Operating transfers, continued:

	<u>Transfers In</u>	<u>Transfers Out</u>
Water Fund:		
General	6,250	(52,500)
Capital Projects	75,805	-
Solid Waste	3,272	-
Sewer	<u>5,034</u>	<u>-</u>
Total Water Fund	90,361	(52,500)
Electric Fund:		
Internal Service Fund	-	(395,000)
General	<u>-</u>	<u>(788,665)</u>
Total Electric Fund	-	(1,183,665)
Sewer Fund:		
General	-	(59,000)
Capital Projects	124,780	-
Water	<u>-</u>	<u>(5,034)</u>
Total Sewer Fund	124,780	(64,034)
Solid Waste Fund:		
General	-	(50,500)
Water	<u>-</u>	<u>(3,272)</u>
Total Solid Waste Fund	<u>-</u>	<u>(53,772)</u>
Total Operating Transfers	\$ <u>1,579,806</u>	\$ <u>(1,579,806)</u>

Interfund Balances

The Water and Sewer Departments paid for improvements that have been included with special assessments receivable in the Debt Service Fund. At September 30, 2011, the Debt Service Fund owed \$8,815 to the Water Fund and the Sewer Fund owed \$1,340 to the Debt Service Fund. These interfund loans will be repaid as special assessments are collected.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES

1. Employee Pension and Other Benefit Plans

The City participates in three employee benefit plans as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
City General Plan	Defined Contribution Plan
City Manager Plan	Defined Contribution Plan
Police and Firefighters Plan	Defined Contribution Plan

The City Manager Plan is administered by the City, and the Police and Firefighters Plan and the City General Plan are administered by a third party. None of the plans are included in these financial statements.

City General Plan

The City provides pension benefits for substantially all of the full-time employees (excluding the City Manager and all uniformed personnel covered under other retirement plans) through a defined contribution plan. The defined contribution plan includes all General and Proprietary Fund employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Public employees are eligible to participate on the first day of the month following the date on which the employee meets the eligibility requirements. The City contributes up to six percent of the participant's base salary and the employee contributes from six percent to 15 percent of his or her base salary. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after seven years of continuous service. The City's total payroll and eligible compensation (excluding the City Manager and uniformed personnel) in the year ended September 30, 2011, was \$1,966,197 and \$1,819,768, respectively. All contributions, including \$121,876 in employee contributions and \$100,804 in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2011.

The Public Employee Plan, which is administered by CPI Qualified Plan Consultants, Inc., had plan assets with a market value of \$2,039,770 at September 30, 2011.

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2011

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

City Manager Plan

The City provides pension benefits for the City Manager under a separate defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Manager is eligible to participate from the date of employment. The City contributes six percent of the Manager's salary and the Manager is eligible to contribute up to 19 percent of his salary. The City's contributions for the Manager (and interest allocated to his account) are fully vested after entrance into the plan. The City's payroll for the City Manager was \$80,679 in the year ended September 30, 2011. All contributions, including \$13,500 in employee contributions and \$4,841 in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2011.

Police and Firefighters Plan

The City provides pension benefits for the policemen and the firemen under separate defined contribution plans established by statutes of the State of Nebraska, effective January 1, 1984. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The City contributes six percent to the policemen's fund and 13 percent to the firemen's fund while the policemen contribute six percent and the firemen contribute 6.5 percent. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after seven years of continuous service.

The City's total payroll and eligible compensation for policemen and firemen in the year ended September 30, 2011, was \$1,184,196 and \$1,184,196, respectively. All contributions, including \$44,181 and \$28,942, respectively, in employee contributions and \$44,181 and \$57,885, respectively, in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2011. The City did not use any of the unallocated account in the policemen's and firemen's pension funds for the City's contribution during the year ended September 30, 2011.

The policemen and firemen plans had plan assets with a market value of \$1,277,223 and \$1,141,815, respectively, at September 30, 2011.

2. 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 purchases commercial insurance to minimize the effect of possible exposure to these risks. There have been no significant reductions in insurance coverage from coverage in the prior year. During the past three fiscal years, there have been no settlements exceeding the amount of the City's insurance coverage.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the City's investments at September 30, 2011, are held by the counterparties not in the name of the City. The underlying securities consist of cash, direct obligations of or guaranteed by the full faith and credit of the U.S. Government, and other similar obligations of the U.S. Government or its agencies.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires that market conditions and investment securities be analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates. The City had five certificates of deposit totaling \$6,038,493 as of September 30, 2011, that all mature February 2012.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's investments consist of certificates of deposit, money market funds, and other securities backed by U.S. Government obligations, minimizing credit risk associated with the City's investment portfolio.

Concentration of Credit Risk. The City's investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2011, the City's certificates of deposit, totaling \$6,038,493 were all held at McCook National Bank.

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City's investments had no exposure to foreign currency risk and the City held no investments denominated in foreign currency at September 30, 2011.

3. Commitments and Contingencies

Claims and Lawsuits

Various claims and lawsuits are pending against the City. In the opinion of City management, the potential loss on all claims and lawsuits as of September 30, 2011, will not be significant to the City's financial statements.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Construction and Commitments

As of September 30, 2011, the City had the following construction obligations:

<u>Project</u>	<u>Contract Amount</u>	<u>Payments To Date</u>	<u>Remaining Commitment</u>	<u>Expected Date of Completion</u>
Municipal facility construction	\$ 4,641,556	\$ 8,563	\$ 4,632,993	December 2012
Municipal facility architecture	337,384	214,239	123,145	December 2012
Wildlife fence at airport	<u>26,875</u>	<u>20,156</u>	<u>6,719</u>	Spring 2012
	<u>\$ 5,005,815</u>	<u>\$ 242,958</u>	<u>\$ 4,762,857</u>	

Self-Insurance Fund

The City provides medical and dental insurance for eligible employees using a self-insurance fund. The fund is reported in the Internal Service Fund and is financed by operating transfers from the Proprietary and General Funds of an average amount per employee, which is based on management's previous experience. The Self-Insurance Fund covers up to \$30,000 in costs per employee. Any expenses over that amount are covered by an insurance carrier. The City also uses a claims service to handle the insurance claims.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Operating Leases

The City is party to nine operating leases for four copiers, Senior Center equipment, land for a telecommunications tower, postage meters, land for the ballparks, and tower space from McCook Public Power District. As of September 30, 2011, future lease obligations are as follows:

<u>Year Ended September 30,</u>	<u>Lease Commitments</u>
2012	\$ 24,050
2013	21,846
2014	15,377
2015	9,519
2016	3,984
Thereafter	<u>16,026</u>
	<u>\$ 90,802</u>

Total rent expense was \$23,138 for the year ended September 30, 2011.

4. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2011:

<u>Parties to Agreement</u>	<u>Term</u>	<u>Description</u>
Red Willow County	n/a	Establish and provide E-911 services
McCook Public Schools and Red Willow County	10/1/01 - indefinite	Joint grant writer services
Red Willow Western Rural Fire Protection District	3/2/02 - indefinite	Hazmat response team assistance
Red Willow County	6/19/00 - indefinite	96-hour jail holding facility
Red Willow County Fire Districts and Municipal Fire Departments	6/18/01 - indefinite	Mutual financial assistance
Red Willow County	8/7/06 - indefinite	Radio dispatching services
Red Willow County	1/1/96 - indefinite	Ambulance services
McCook Public Schools	11/19/10 - 11/19/14	School resource officer
Red Willow County	10/1/01 - indefinite	Snow removal

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

4. Interlocal Agreements, continued

<u>Parties to Agreement</u>	<u>Term</u>	<u>Description</u>
Red Willow County	4/1/05 - indefinite	Fuel purchases
Public Alliance for Community Energy	2/19/98 - indefinite	Acquisition, management, distribution, and sale of energy
Nebraska First Class Cities	10/18/10 - indefinite	Federal Transportation Funding
McCook Public Schools Mid-Plains Community College- McCook	5/3/10 - indefinite	Creation of a Comprehensive Marketing Plan promoting all entities

5. Union Agreements

The City is subject to the following union contracts:

- McCook Professional Firefighter's Association Local 2100
- McCook Fraternal Order of Police Lodge 57

6. Subsequent Events

Management has evaluated subsequent events through February 29, 2012, the date on which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MCCOOK, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
GENERAL FUND**

Year ended September 30, 2011

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 992,865	\$ 995,926	\$ 3,061
Motor vehicle	140,000	152,660	12,660
Payments in lieu of taxes	72,000	80,505	8,505
Occupation	36,000	35,564	(436)
Franchise	73,000	74,407	1,407
Sales	580,000	637,997	57,997
Intergovernmental	602,090	623,323	21,233
Grants	242,400	174,967	(67,433)
Charges for services	390,565	478,999	88,434
Interest income	15,000	20,660	5,660
Contributions	302,200	104,032	(198,168)
Other	115,000	36,896	(78,104)
Total resources	<u>3,561,120</u>	<u>3,415,936</u>	<u>(145,184)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government:			
Administrative	530,067	463,593	(66,474)
Publicity	10,940	9,935	(1,005)
City Council	464,890	87,753	(377,137)
Health operating	441,986	441,986	-
Total general government	<u>1,447,883</u>	<u>1,003,267</u>	<u>(444,616)</u>
Public safety:			
Fire	795,472	726,520	(68,952)
Ambulance	132,401	62,492	(69,909)
Police	1,497,678	1,322,784	(174,894)
Civil defense	9,220	9,390	170
Total public safety	<u>2,434,771</u>	<u>2,121,186</u>	<u>(313,585)</u>
Public works:			
Building and zoning	74,620	72,604	(2,016)
Street lights	117,500	138,907	21,407
Cemetery	140,760	142,778	2,018
Total public works	<u>332,880</u>	<u>354,289</u>	<u>21,409</u>
Environment and leisure:			
Public transportation	107,700	101,834	(5,866)
Senior Center	341,330	308,347	(32,983)
Library	556,506	275,021	(281,485)
Parks	168,459	156,922	(11,537)
Ballparks	114,350	82,873	(31,477)
Auditorium	141,910	37,646	(104,264)
Pool	117,539	80,123	(37,416)
Airport	124,263	123,133	(1,130)
Total environment and leisure	<u>1,672,057</u>	<u>1,165,899</u>	<u>(506,158)</u>
Total charges to appropriations	<u>5,887,591</u>	<u>4,644,641</u>	<u>(1,242,950)</u>

CITY OF MCCOOK, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
GENERAL FUND, Continued**

Year ended September 30, 2011

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
Resources over (under) charges to appropriations	(2,326,471)	(1,228,705)	1,097,766
OTHER FINANCING SOURCES (USES)			
Transfers in	829,000	950,665	121,665
Transfers out	<u>(36,250)</u>	<u>(19,250)</u>	<u>17,000</u>
Net transfers	<u>792,750</u>	<u>931,415</u>	<u>138,665</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (1,533,721)</u>	<u>\$ (297,290)</u>	<u>\$ 1,236,431</u>

CITY OF MCCOOK, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
STREET FUND**

Year ended September 30, 2011

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 125,000	\$ 167,381	\$ 42,381
Intergovernmental	691,000	734,174	43,174
Grants	<u>84,726</u>	<u>41,126</u>	<u>(43,600)</u>
Total resources	900,726	942,681	41,955
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	660,988	568,445	(92,543)
Capital outlay	<u>20,326</u>	<u>69,072</u>	<u>48,746</u>
Total charges to appropriations	<u>681,314</u>	<u>637,517</u>	<u>(43,797)</u>
Resources over (under) charges to appropriations	219,412	305,164	85,752
OTHER FINANCING USES			
Transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
RESOURCES AND OTHER FINANCING USES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u><u>\$ 213,412</u></u>	<u><u>\$ 299,164</u></u>	<u><u>\$ 85,752</u></u>

CITY OF MCCOOK, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
ECONOMIC DEVELOPMENT FUND**

Year ended September 30, 2011

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 352,500	\$ 402,689	\$ 50,189
Interest income	-	3,063	3,063
Total resources	<u>352,500</u>	<u>405,752</u>	<u>53,252</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Economic development	426,568	119,000	(307,568)
Principal payments	105,000	105,000	-
Interest expense	30,843	30,843	-
Bond fees	350	350	-
Total charges to appropriations	<u>562,761</u>	<u>255,193</u>	<u>(307,568)</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS			
	<u>\$ (210,261)</u>	<u>\$ 150,559</u>	<u>\$ 360,820</u>

CITY OF MCCOOK, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
CAPITAL PROJECTS FUND**

Year ended September 30, 2011

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Sales tax	\$ 990,000	\$ 1,208,068	\$ 218,068
Interest income	1,000	19,759	18,759
Total resources	<u>991,000</u>	<u>1,227,827</u>	<u>236,827</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	-	17,565	17,565
Public works	-	380	380
Environment and leisure	-	31,276	31,276
Municipal facilities lease	-	42,343	42,343
Capital projects	<u>1,767,126</u>	<u>1,283,372</u>	<u>(483,754)</u>
Total charges to appropriations	<u>1,767,126</u>	<u>1,374,936</u>	<u>(392,190)</u>
Resources over charges to appropriations	(776,126)	(147,109)	629,017
OTHER FINANCING USES			
Transfers out	<u>(563,618)</u>	<u>(200,585)</u>	<u>363,033</u>
RESOURCES AND OTHER FINANCING USES OVER CHARGES TO APPROPRIATIONS	<u>\$ (1,339,744)</u>	<u>\$ (347,694)</u>	<u>\$ 992,050</u>

CITY OF MCCOOK, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
GRANT FUND**

Year ended September 30, 2011

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Intergovernmental	\$ 48,834	\$ 28,687	\$ (20,147)
Grants	1,327,160	586,874	(740,286)
Charges for services	55,000	58,615	3,615
Contributions	25,000	-	(25,000)
Interest income	-	1,417	1,417
Other revenues	-	61,819	61,819
Total resources	<u>1,455,994</u>	<u>737,412</u>	<u>(718,582)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	500,000	454,332	(45,668)
Economic development	-	-	-
Public safety	94,589	33,684	(60,905)
Environment and leisure	96,660	100,503	3,843
Capital outlay	910,395	56,790	(853,605)
Total charges to appropriations	<u>1,601,644</u>	<u>645,309</u>	<u>(956,335)</u>
Resources over (under) charges to appropriations	(145,650)	92,103	237,753
OTHER FINANCING SOURCES			
Transfers in	<u>19,000</u>	<u>19,000</u>	<u>-</u>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (126,650)</u>	<u>\$ 111,103</u>	<u>\$ 237,753</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF MCCOOK, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
DEBT SERVICE FUND**

Year ended September 30, 2011

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Interest	\$ 6,400	\$ 5,535	\$ (865)
Special assessments	12,600	13,938	1,338
Sale of assets	-	15,025	15,025
Total resources	<u>19,000</u>	<u>34,498</u>	<u>15,498</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Capital outlay	345,769	-	(345,769)
Other	423	720	297
Total charges to appropriations	<u>346,192</u>	<u>720</u>	<u>(345,472)</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (327,192)</u>	<u>\$ 33,778</u>	<u>\$ 360,970</u>

CITY OF MCCOOK, NEBRASKA

**COMBINING STATEMENT OF ASSETS AND LIABILITIES -
MODIFIED CASH BASIS - FIDUCIARY FUNDS**

September 30, 2011

	<u>Special Fire</u>	<u>Senior Center Contributions</u>	<u>School</u>	<u>Library Memorial</u>
ASSETS				
Cash	<u>\$ 439</u>	<u>\$ 37,775</u>	<u>\$ 1,214</u>	<u>\$ 13,340</u>
LIABILITIES HELD FOR OTHERS				
Held in trust for other purposes	<u>\$ 439</u>	<u>\$ 37,775</u>	<u>\$ 1,214</u>	<u>\$ 13,340</u>

<u>Von Reissen Library</u>	<u>McCook Volunteer Fire and Rescue</u>	<u>Ambulance</u>	<u>Public Works</u>	<u>Main Street Improvements</u>	<u>Police/ DARE</u>	<u>Total Agency Funds</u>
<u>\$ 1,527</u>	<u>\$ 27</u>	<u>\$ 1,618</u>	<u>\$ 1,125</u>	<u>\$ 17,509</u>	<u>\$ 2,263</u>	<u>\$ 76,837</u>
<u>\$ 1,527</u>	<u>\$ 27</u>	<u>\$ 1,618</u>	<u>\$ 1,125</u>	<u>\$ 17,509</u>	<u>\$ 2,263</u>	<u>\$ 76,837</u>

CITY OF MCCOOK, NEBRASKA

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES -
MODIFIED CASH BASIS - GENERAL FUND DEPARTMENTS**

Year ended September 30, 2011

	<u>Administrative</u>	<u>Publicity</u>	<u>Auditorium</u>	<u>City Council</u>	<u>Police</u>
REVENUES					
Taxes:					
General property tax	\$ 995,926	\$ -	\$ -	\$ -	\$ -
Motor vehicle tax	152,660	-	-	-	-
Payments in lieu of taxes	80,505	-	-	-	-
Occupation tax	35,564	-	-	-	-
Franchise	74,407	-	-	-	-
Sales	637,997	-	-	-	-
Intergovernmental revenue:					
State assistance	459,769	-	-	-	-
County assistance	-	-	-	-	57,427
Rural fire	-	-	-	-	-
School resource officer reimbursement	-	-	-	-	19,181
Licenses and permits	2,062	-	-	-	-
Rental and fees	30,114	-	-	-	5,105
Admission fees and concessions	-	-	-	-	-
Grants	-	-	-	-	3,500
Contributions	2,500	-	-	-	-
Interest income	19,685	-	-	-	-
Other receipts	36,896	-	-	-	-
Total revenues	<u>2,528,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,213</u>
EXPENDITURES					
Personnel services:					
Salaries and benefits	299,329	-	6,789	9,689	1,096,410
Operating expenses:					
Insurance	6,265	-	3,881	3,608	60,420
Interlocal agreement	-	-	-	40,111	-
Contract services	5,166	1,440	160	8,794	2,735
Professional fees	56,699	-	-	-	2,600
Meetings, seminars, and dues	14,618	367	-	2,839	10,223
Repairs and maintenance	11,300	-	4,411	-	26,774
Printing, postage, and publications	10,765	-	-	-	-
Transportation	3,993	-	-	2,678	35,185
Utilities and telephone	7,990	-	17,005	-	15,818
Total operating expenses	<u>116,796</u>	<u>1,807</u>	<u>25,457</u>	<u>58,030</u>	<u>153,755</u>
Supplies	8,184	2,533	-	80	6,407
Other expenses	17,933	871	-	19,954	24,212
Capital outlay	1,245	4,724	5,400	-	42,000
Total expenditures	<u>443,487</u>	<u>9,935</u>	<u>37,646</u>	<u>87,753</u>	<u>1,322,784</u>
Excess (deficiency) of revenues over expenditures before transfers	2,084,598	(9,935)	(37,646)	(87,753)	(1,237,571)
TRANSFERS FROM (TO) OTHER FUNDS	<u>950,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AFTER TRANSFERS	<u>\$ 3,035,263</u>	<u>\$ (9,935)</u>	<u>\$ (37,646)</u>	<u>\$ (87,753)</u>	<u>\$ (1,237,571)</u>

<u>Fire</u>	<u>Ambulance</u>	<u>Civil Defense</u>	<u>Building and Zoning</u>	<u>Library</u>	<u>Street Lights</u>	<u>Cemetery</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	2,619	-	-
-	-	-	-	-	-	-
58,069	-	-	-	-	-	-
-	-	-	-	-	-	-
4,470	229,936	-	43,738	9,299	-	810
-	-	-	-	-	-	27,885
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>62,539</u>	<u>229,936</u>	<u>-</u>	<u>43,738</u>	<u>11,918</u>	<u>-</u>	<u>28,695</u>
562,876	-	-	49,392	170,438	-	76,032
73,816	4,807	116	3,624	7,030	682	6,045
-	-	-	-	-	-	-
1,745	36,872	-	-	-	-	-
1,880	-	-	1,845	126	-	342
6,119	2,139	-	130	368	-	-
25,261	2,870	1,413	(469)	9,748	4,970	12,532
-	171	-	407	1,160	-	-
7,954	7,703	-	1,313	1,061	-	2,685
13,004	1,569	7,861	993	21,921	133,255	32,055
<u>129,779</u>	<u>56,131</u>	<u>9,390</u>	<u>7,843</u>	<u>41,414</u>	<u>138,907</u>	<u>53,659</u>
3,083	2,631	-	61	7,238	-	6,621
9,161	3,730	-	6	50,852	-	82
<u>21,621</u>	<u>-</u>	<u>-</u>	<u>15,302</u>	<u>5,079</u>	<u>-</u>	<u>6,384</u>
<u>726,520</u>	<u>62,492</u>	<u>9,390</u>	<u>72,604</u>	<u>275,021</u>	<u>138,907</u>	<u>142,778</u>
(663,981)	167,444	(9,390)	(28,866)	(263,103)	(138,907)	(114,083)
<u>(6,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (670,231)</u>	<u>\$ 167,444</u>	<u>\$ (9,390)</u>	<u>\$ (28,866)</u>	<u>\$ (263,103)</u>	<u>\$ (138,907)</u>	<u>\$ (114,083)</u>

CITY OF MCCOOK, NEBRASKA

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES -
MODIFIED CASH BASIS - GENERAL FUND DEPARTMENTS, Continued**

Year ended September 30, 2011

	<u>Parks</u>	<u>Ballparks</u>	<u>Pool</u>	<u>Airport</u>
REVENUES				
Taxes:				
General property tax	\$ -	\$ -	\$ -	\$ -
Motor vehicle tax	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Occupation tax	-	-	-	-
Franchise	-	-	-	-
Sales	-	-	-	-
Intergovernmental revenue:				
State assistance	-	-	-	-
County assistance	-	-	-	-
Rural fire	-	-	-	-
School resource officer reimbursement	-	-	-	-
Licenses and permits	-	-	-	-
Rental and fees	-	-	-	99,457
Admission fees and concessions	-	-	17,873	-
Grants	-	-	-	-
Contributions	-	-	-	-
Interest income	-	-	-	-
Other receipts	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>17,873</u>	<u>99,457</u>
EXPENDITURES				
Personnel services:				
Salaries and benefits	85,280	41,748	47,898	53,173
Operating expenses:				
Insurance	5,504	3,265	2,969	10,213
Interlocal agreement	-	-	-	-
Contract services	300	-	-	400
Professional fees	-	-	-	1,595
Meetings, seminars, and dues	230	-	-	-
Repairs and maintenance	27,081	10,881	1,808	24,744
Printing, postage, and publications	-	-	-	-
Transportation	3,004	360	-	2,616
Utilities and telephone	29,506	14,861	5,670	17,416
Total operating expenses	<u>65,625</u>	<u>29,367</u>	<u>10,447</u>	<u>56,984</u>
Supplies	5,820	7,610	17,900	1,722
Other expenses	197	1,554	3,878	7,385
Capital outlay	-	2,594	-	3,869
Total expenditures	<u>156,922</u>	<u>82,873</u>	<u>80,123</u>	<u>123,133</u>
Excess (deficiency) of revenues over expenditures before transfers	(156,922)	(82,873)	(62,250)	(23,676)
TRANSFERS FROM (TO) OTHER FUNDS	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,000)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AFTER TRANSFERS	<u>\$ (156,922)</u>	<u>\$ (82,873)</u>	<u>\$ (62,250)</u>	<u>\$ (36,676)</u>

<u>Unemployment</u>	<u>Uncollectible Tax</u>	<u>Senior Center</u>	<u>HandiBus</u>	<u>Health Operating</u>	<u>Perpetual Care</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 995,926
-	-	-	-	-	-	152,660
-	-	-	-	-	-	80,505
-	-	-	-	-	-	35,564
-	-	-	-	-	-	74,407
-	-	-	-	-	-	637,997
-	-	2,458	23,800	-	-	488,646
-	-	-	-	-	-	57,427
-	-	-	-	-	-	58,069
-	-	-	-	-	-	19,181
-	-	-	-	-	-	45,800
-	-	-	3,600	-	4,650	387,441
-	-	-	-	-	-	45,758
-	-	120,467	51,000	-	-	174,967
-	-	94,873	6,659	-	-	104,032
-	-	-	-	-	975	20,660
-	-	-	-	-	-	36,896
-	-	217,798	85,059	-	5,625	3,415,936
10,150	-	138,128	76,289	441,986	-	3,165,607
-	-	7,455	8,142	-	-	207,842
-	-	3,828	-	-	-	43,939
-	-	288	-	-	-	57,900
-	-	2,198	1,000	-	-	68,285
-	-	20	125	-	-	37,178
-	-	4,109	5,303	-	-	172,736
-	-	875	123	-	-	13,501
-	-	2,565	8,351	-	-	79,468
-	-	14,155	2,088	-	-	335,167
-	-	35,493	25,132	-	-	1,016,016
-	-	13,211	380	-	-	83,481
-	9,956	114,174	33	-	-	263,978
-	-	7,341	-	-	-	115,559
10,150	9,956	308,347	101,834	441,986	-	4,644,641
(10,150)	(9,956)	(90,549)	(16,775)	(441,986)	5,625	(1,228,705)
-	-	-	-	-	-	931,415
<u>\$ (10,150)</u>	<u>\$ (9,956)</u>	<u>\$ (90,549)</u>	<u>\$ (16,775)</u>	<u>\$ (441,986)</u>	<u>\$ 5,625</u>	<u>\$ (297,290)</u>

CITY OF MCCOOK, NEBRASKA

**COMBINING STATEMENT OF NET ASSETS -
COMPONENT UNITS**

September 30, 2011

	<u>Community Redevelopment Authority</u>	<u>McCook Leasing Corporation</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 61,677	\$ 3,703,982	\$ 3,765,659
Current portion of TIF receivable	<u>125,712</u>	<u>-</u>	<u>125,712</u>
Total current assets	187,389	3,703,982	3,891,371
Noncurrent assets:			
Unamortized bond discount	-	61,465	61,465
Noncurrent portion of TIF receivable	<u>5,022</u>	<u>-</u>	<u>5,022</u>
Total noncurrent assets	<u>5,022</u>	<u>61,465</u>	<u>66,487</u>
Total assets	192,411	3,765,447	3,957,858
LIABILITIES			
Current liabilities:			
Current portion of long-term obligations	125,712	470,000	595,712
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	<u>5,022</u>	<u>3,280,000</u>	<u>3,285,022</u>
Total liabilities	<u>130,734</u>	<u>3,750,000</u>	<u>3,880,734</u>
NET ASSETS			
Unrestricted	<u><u>\$ 61,677</u></u>	<u><u>\$ 15,447</u></u>	<u><u>\$ 77,124</u></u>

See notes to financial statements.

CITY OF MCCOOK, NEBRASKA

**COMBINING STATEMENT OF ACTIVITIES-
COMPONENT UNITS**

For the year ended September 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Component units:			
Community Redevelopment Authority	\$ 178,804	\$ -	\$ -
McCook Leasing Corporation	45,377	40,592	-
Total component units	<u>\$ 224,181</u>	<u>\$ 40,592</u>	<u>\$ -</u>

See notes to financial statements.

	Net (Expenses) Revenues and Changes in Net Assets		
	Primary Government		
<u>Capital Grants and Contributions</u>	<u>Community Redevelopment Authority</u>	<u>McCook Leasing Corporation</u>	<u>Total</u>
\$ -	\$ (178,804)	\$ -	\$ (178,804)
-	-	(4,785)	(4,785)
<u>\$ -</u>	<u>(178,804)</u>	<u>(4,785)</u>	<u>(183,589)</u>
General revenues:			
TIF proceeds	178,801	-	178,801
Interest income	61	20,232	20,293
	<u>58</u>	<u>15,447</u>	<u>15,505</u>
Change in net assets	58	15,447	15,505
Net assets - September 30, 2010	<u>61,619</u>	<u>-</u>	<u>61,619</u>
Net assets - September 30, 2011	<u>\$ 61,677</u>	<u>\$ 15,447</u>	<u>\$ 77,124</u>

SINGLE AUDIT REPORTS

CITY OF MCCOOK, NEBRASKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2011

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Transportation</u>		
Passed Through Nebraska Department of Roads:		
Public Transportation for Nonurbanized Areas	20.509	\$ 109,271
Highway Planning and Construction	20.205	31,685
Passed Through Nebraska Department of Aeronautics:		
Airport Improvement Program	20.106	13,420
Passed Through Nebraska Office of Highway Safety:		
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	<u>3,500</u>
Total Department of Transportation		157,876
<u>Department of Health and Human Services</u>		
Passed Through West Central Nebraska Area Agency on Aging:		
Title III, Part C - Nutrition Services	93.045	120,467
Passed Through Nebraska Department of Health and Human Services:		
Low-Income Home Energy Assistance	93.568	3,461
Social Service Block Grant	93.667	3,583
State Children's Insurance Program	93.767	204
Medical Assistance Program	93.778	<u>17,333</u>
Total Department of Health and Human Services		145,048
<u>Department of Energy</u>		
Passed Through Nebraska Energy Office:		
Energy Efficiency and Conservation Block Grant Program	81.128	1,520
<u>Housing and Urban Development</u>		
Passed Through Nebraska Department of Economic Development:		
Community Development Block Grant	14.228	<u>433,001</u> *
Total Federal Awards		<u><u>\$ 737,445</u></u>

*Major Program

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of McCook, Nebraska, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



**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**

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk

To the Honorable Mayor and
Members of the City Council
City of McCook, Nebraska

We have audited the financial statements of the governmental activities - modified cash basis, the business-type activities - accrual basis, the aggregate discretely presented component units - accrual basis, each major fund - modified cash basis for the governmental funds and accrual basis for the proprietary funds, the aggregate remaining fund information - modified cash basis, and the fiduciary funds - modified cash basis of the City of McCook, Nebraska, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 29, 2012. 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. Our report on the financial statements disclosed that, as described in Note A to the financial statements, the City prepares its financial statements for the governmental funds and fiduciary funds on a prescribed basis of accounting that demonstrates compliance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of McCook'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 we reported to management of the City of McCook, in a separate letter dated February 29, 2012.

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

August Malthahn
Galloway & Luth, P.C.

Grand Island, Nebraska
February 29, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk

To the Honorable Mayor and Members of the City Council
City of McCook, Nebraska

Compliance

We have audited the compliance of the City of McCook, Nebraska, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2011. The City of McCook, Nebraska's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of McCook, Nebraska's management. Our responsibility is to express an opinion on the City of McCook, Nebraska's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of McCook, Nebraska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of McCook, Nebraska's compliance with those requirements.

In our opinion, the City of McCook, Nebraska, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2011.

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Grand Island, NE 68802
Ph. 308-381-1810
Fax 308-381-4824
Email: cpa@gicpas.com

Internal Control Over Compliance

The management of the City of McCook, Nebraska, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of McCook, Nebraska’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Amquist, Malthalm,
Galloway & Luth, P.C.*

Grand Island, Nebraska
February 29, 2012

CITY OF MCCOOK, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2011

1. A summary of auditors' results:

- (i) An unqualified opinion was issued on the financial statements of the City of McCook, Nebraska, as of September 30, 2011.
- (ii) One significant deficiency disclosed during the audit of the financial statements is reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*." The significant deficiency is not reported as a material weakness.
- (iii) The audit disclosed no instances of noncompliance which are material to the financial statements of the City of McCook, Nebraska.
- (iv) The audit did not disclose any significant deficiencies in the internal control over major programs for the City of McCook.
- (v) An unqualified opinion was issued on compliance for major programs.
- (vi) The audit did not disclose any audit findings which we are required to report under §____.510(a).
- (vii) Major Program: CFDA #14.228 – Community Development Block Grant.
- (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (ix) The City of McCook, Nebraska, qualified as a low-risk auditee under §____.530.

2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS:

Significant Deficiency

2011-1 Incompatible segregation of accounting duties consistent with appropriate control objectives due to the limited number of employees.

3. Findings and questioned costs for Federal awards which shall include audit findings as defined in §____.510(a):

None

CITY OF MCCOOK, NEBRASKA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended September 30, 2011

Program

Findings for the year ended September 30, 2010

There were no prior audit findings.