

CITY OF MCCOOK, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2010

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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 unit - 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, 2010, 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 unit - accrual basis, each major fund - modified cash basis for the governmental funds and accrual basis for the proprietary funds, the

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aggregate remaining fund information - modified cash basis, and the fiduciary funds - modified cash basis of the City of McCook, Nebraska, as of September 30, 2010, 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 December 22, 2010, 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 62 through 67, 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.

Abingvist, Malthahn,
Galloway & Luth, P.C.

Grand Island, Nebraska
December 22, 2010

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

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, 2010. 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 \$755,742 for property tax relief to homeowners in the City of McCook and \$755,742 for infrastructure improvements. Sales tax revenues were used for ball park renovations, directional signs, South Street and Kelley Park Water Main replacements, and Karrer Park sewer station improvements. The Council maintained the annual commitment of \$250,000 for the One & Six Year Street Plan Improvements. This years street improvements were not completed by year end. These sales tax dollars were carried forward and will be paid out during Fiscal Year 10/11.

An additional 1/2% city sales and use tax with 1/2 of the receipts to be used for infrastructure improvements and 1/2 of the receipts to be used to fund a LB849 plan was enacted in July 2008. The 1/2% generated \$755,742 in revenues. 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.

The fire department received a grant from the Federal Emergency Management Agency for the purchase of three power cots and a stair chair. The total purchase price of this equipment was \$33,218.

The City received a Neighborhood Stabilization Program (NSP) Community Development Block Grant in the amount of \$546,800. These funds will be used for the removal of blighted and substandard residences and commercial buildings throughout the City. Several properties have been cleared of structures and are construction ready.

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. Revenue derived for the keno operation will be used for "community betterment purposes." Annual revenue for FY 09/10 was \$20,596. A portion of these funds will be used to rehabilitate the Norris Park Band Shell.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

The City's Professional Retail Operations Agreement with Nebraska Public Poser leases its electric system to them for a term of not less than 15 years and not more than 25 years with the City being paid 12% of the retail revenues. The current year's lease generated \$1,054,115. Of this amount the City transferred \$350,000 to the Self Insured Health Insurance Fund and \$704,115 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 \$30,405.

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 \$30,000 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 \$1,175 per month. This was an increase of \$85 per month due to several claims being over the \$30,000 threshold. With other insurance carriers averaging \$1,200 to \$1,300 per month per employee, this is an annual savings of more than \$100,000 to the City. With the increase in costs, a projected reserve of \$75,000 remains to cover a "worst case year". To help maintain costs deductibles were increased in and the City engaged Hayes Company to negotiate on the City's behalf the administrative costs to the City. They also negotiated favorable prescription and life insurance rates with vendors.

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 30 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 20 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 20 years.

No increase was made to either the sewer rates or to the water rates. 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.

In October 2009, the rate for residential trash collection was increased by \$1.50 per month and the household/commercial fee for disposal at the Transfer Station was increased by \$2.00 per ton. These increases were necessary to offset increases in operating costs.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

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.
- *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.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

- *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, 2010			Year Ended September 30, 2009		
	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	\$ 5,808,169	\$ 6,091,376	\$ 11,899,545	\$ 5,235,439	\$ 5,969,631	\$ 11,205,070
Capital Assets	9,506,094	23,195,107	32,701,201	9,661,950	23,745,262	33,407,212
Total Assets	<u>15,314,263</u>	<u>29,286,483</u>	<u>44,600,746</u>	<u>14,897,389</u>	<u>29,714,893</u>	<u>44,612,282</u>
Long-term Liabilities						
Outstanding	830,000	13,200,227	14,030,227	935,000	13,731,274	14,666,274
Other Liabilities	165,000	900,902	1,065,902	274,544	861,270	1,135,814
Total Liabilities	<u>995,000</u>	<u>14,101,129</u>	<u>15,096,129</u>	<u>1,209,544</u>	<u>14,592,544</u>	<u>15,802,088</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	8,571,094	10,384,779	18,955,873	8,563,053	10,420,158	18,983,211
Restricted	1,856,575	452,831	2,309,406	1,492,697	451,364	1,944,061
Unrestricted	3,891,594	4,347,744	8,239,338	3,632,095	4,250,827	7,882,922
Total Net Assets	<u>\$ 14,319,263</u>	<u>\$ 15,185,354</u>	<u>\$ 29,504,617</u>	<u>\$ 13,687,845</u>	<u>\$ 15,122,349</u>	<u>\$ 28,810,194</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 \$29,504,617.

Capital assets (land, infrastructure, buildings, streets, improvements, and equipment), less any debt issued to acquire these assets, comprise 64.2% 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.

An additional 7.8% of the City's net assets are subject to external restrictions as to how they may be used. The remaining component of net assets (\$8,239,338) is the unrestricted net assets.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

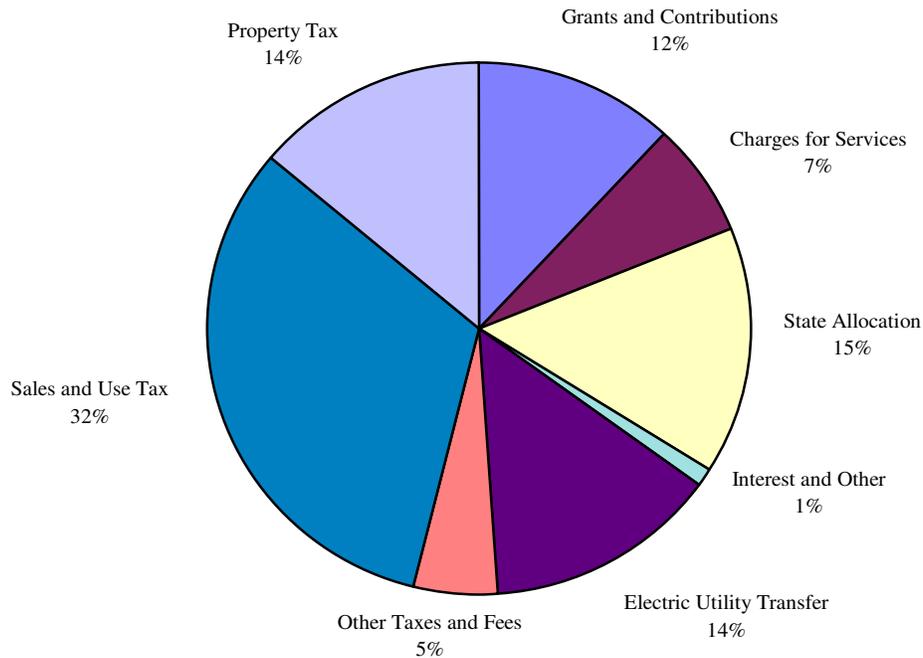
Changes in Net Assets

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

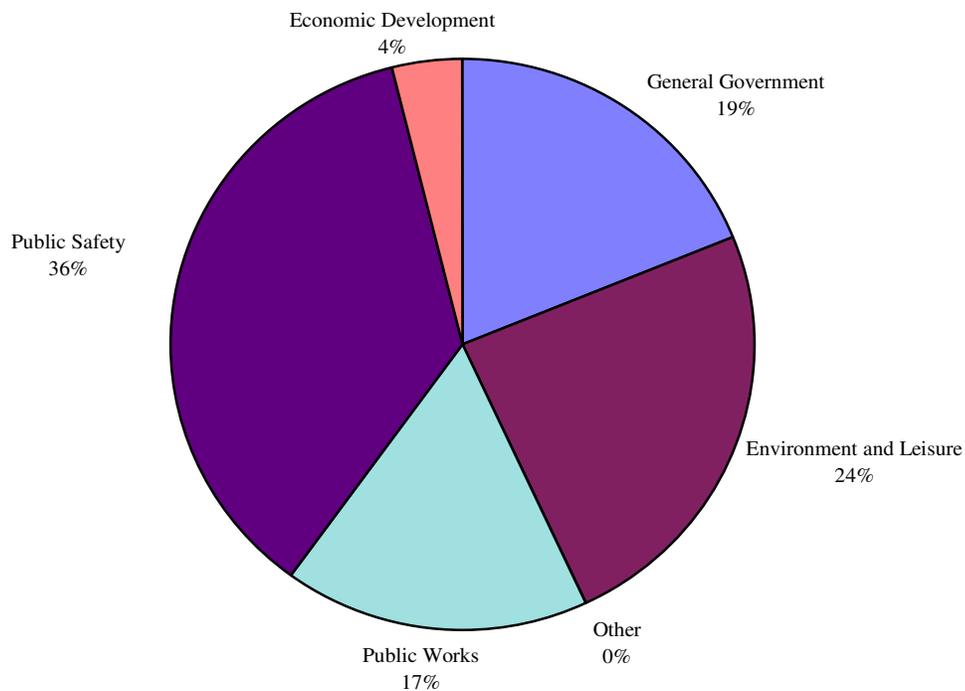
	<u>September 30, 2010</u>			<u>September 30, 2009</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 490,455	\$ 5,262,115	\$ 5,752,570	\$ 496,637	\$ 5,275,237	\$ 5,771,874
Operating Grants and Contributions	574,240	-	574,240	929,916	-	929,916
Capital Grants and Contributions	255,657	-	255,657	1,141,214	91,163	1,232,377
General Revenues:						
Property Taxes	973,999	-	973,999	916,527	-	916,527
Sales and Use Taxes	2,267,227	-	2,267,227	2,181,593	-	2,181,593
Other Taxes and Fees	347,688	-	347,688	376,050	-	376,050
State Allocation	1,113,846	-	1,113,846	1,160,667	-	1,160,667
Interest Income	51,166	55,551	106,717	63,646	56,579	120,225
Other	36,882	(14,786)	22,096	120,424	-	120,424
Total Revenues	<u>6,111,160</u>	<u>5,302,880</u>	<u>11,414,040</u>	<u>7,386,674</u>	<u>5,422,979</u>	<u>12,809,653</u>
Expenses						
General Government	1,241,615	-	1,241,615	950,481	-	950,481
Economic Development	249,895	-	249,895	1,060,707	-	1,060,707
Public Safety	2,315,390	-	2,315,390	2,352,597	-	2,352,597
Public Works	1,117,272	-	1,117,272	1,074,640	-	1,074,640
Environment and Leisure	1,537,031	-	1,537,031	1,506,634	-	1,506,634
Interest Expense	35,258	-	35,258	43,547	-	43,547
Electric Utility	-	3,245	3,245	-	3,400	3,400
Water	-	1,977,178	1,977,178	-	1,991,292	1,991,292
Sewer	-	1,073,638	1,073,638	-	1,142,130	1,142,130
Solid Waste	-	1,169,095	1,169,095	-	1,195,968	1,195,968
Total Expenses	<u>6,496,461</u>	<u>4,223,156</u>	<u>10,719,617</u>	<u>6,988,606</u>	<u>4,332,790</u>	<u>11,321,396</u>
Increase in Net Assets						
Before Transfers	(385,301)	1,079,724	694,423	398,068	1,090,189	1,488,257
Net Transfers	<u>1,016,719</u>	<u>(1,016,719)</u>	<u>-</u>	<u>852,624</u>	<u>(852,624)</u>	<u>-</u>
Increase in Net Assets	<u>\$ 631,418</u>	<u>\$ 63,005</u>	<u>\$ 694,423</u>	<u>\$ 1,250,692</u>	<u>\$ 237,565</u>	<u>\$ 1,488,257</u>

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

2010 Revenues by Source - Governmental Activities

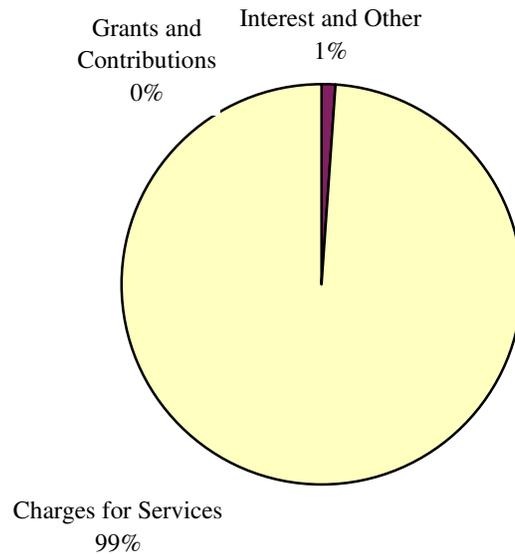


2010 Expenses - Governmental Activities

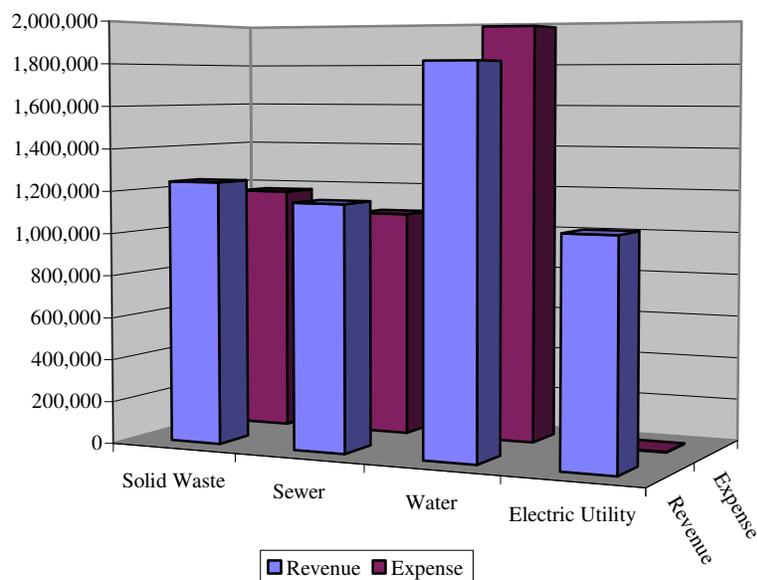


CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

2010 Revenues by Source - Business-type Activities



2010 Expenses and Program Revenues - Business-type Activities



CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

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, *unreserved 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 \$5,395,614. Approximately 49.3 percent of this total amount (\$2,658,772) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to fund street projects (\$1,059,059), 2) to pay debt service (\$366,978), 3) to fund capital projects (\$794,092), 4) to fund perpetual care (\$92,235), 5) for community betterment (\$86,175), or 6) to fund economic development projects (\$338,303).

The General Fund is the chief operating fund of the City of McCook. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$486,861, while total fund balance reached \$1,298,188. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 10.9 percent of total General Fund expenditures, while total fund balance represents 29.0 percent of that same amount.

The fund balance of the City of McCook's General Fund decreased by \$374,053 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 - \$3,797,040, Sewer Fund - \$914,365, and Solid Waste Fund - deficit of \$(363,661). The growth (decrease) in net assets for the proprietary funds was as follows: Electric and Emergency Fund - decrease of \$(3,245), Water Fund - \$5,789, Sewer Fund - \$61,512, and Solid Waste Fund - decrease of \$(1,051). 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, 2010

Budgetary Highlights

There was no difference between the original budget and the final adopted budget for the City of McCook for the year ended September 30, 2010.

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, 2010, amounts to \$32,701,201 (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 - \$52,447
- Roof at the airport - \$15,650
- Ben Nelson Statue - \$70,000
- Land at Riverview Cemetery - \$79,543
- J Street engineering - \$79,291
- Transfer Station scale - \$44,808
- John Deere 1545 Tractor - \$14,149
- 2010 Water meter upgrades - \$17,058
- South Street and Kelly water mains - \$145,446
- J Street water improvements - \$42,400
- John Deere mower - \$14,299
- Line striping system - \$10,596
- Barnett Park Foundation - \$11,493
- 3 Powerflex ambulance cots - \$33,218
- 2010 Ford F250 pickup - \$20,947
- 2010 trash container replacement - \$22,195
- 2011 Freightliner truck with garbage body - \$162,291
- Portable air compressor - \$16,636
- Vactor boom extension - \$18,946
- Grinder - \$17,943
- 2010 Ford F250 pickup - \$20,947
- 2010 Chevy Impala police car - \$19,865
- 1999 Dyno truck - \$16,000

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

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

	<u>Year Ended September 30, 2010</u>			<u>Year Ended September 30, 2009</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	\$ 689,158	\$ 485,735	\$ 1,174,893
Infrastructure	4,439,335	-	4,439,335	4,462,839	-	4,462,839
Buildings and Improvements	2,637,916	4,192,814	6,830,730	2,733,242	4,281,049	7,014,291
Machinery and Equipment	78,523	916,399	994,922	59,263	785,050	844,313
Distribution Systems	-	17,600,159	17,600,159	-	18,193,428	18,193,428
Office Furniture and Equipment	765,781	-	765,781	808,279	-	808,279
Vehicles	815,839	-	815,839	909,169	-	909,169
Total	<u>\$ 9,506,094</u>	<u>\$ 23,195,107</u>	<u>\$ 32,701,201</u>	<u>\$ 9,661,950</u>	<u>\$ 23,745,262</u>	<u>\$ 33,407,212</u>

Additional information on the City of McCook's capital assets can be found in Note C4 on pages 45-47 of this report.

Long-term Debt

Outstanding Long-term Debt

	<u>Year Ended September 30, 2010</u>			<u>Year Ended September 30, 2009</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>
Street Sweeper Note Payable	\$ -	\$ -	\$ -	\$ 26,224	\$ -	\$ 26,224
E911 Note Payable	-	-	-	32,673	-	32,673
Economic Development Bonds	935,000	-	935,000	1,040,000	-	1,040,000
Sewer 1996 SRF Loan	-	75,834	75,834	-	99,643	99,643
Sewer 2000 SRF Loan	-	1,041,942	1,041,942	-	1,148,019	1,148,019
Sewer 2005 SRF Loan	-	3,566,968	3,566,968	-	3,741,744	3,741,744
Water 2005 SRF Loan	-	8,125,584	8,125,584	-	8,335,698	8,335,698
Total Long-term Outstanding Debt	<u>\$ 935,000</u>	<u>\$ 12,810,328</u>	<u>\$ 13,745,328</u>	<u>\$ 1,098,897</u>	<u>\$ 13,325,104</u>	<u>\$ 14,424,001</u>

The City's long-term debt decreased \$678,673 (4.7%) during the year ended September 30, 2010, 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 47-53 of this report.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

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, 2011, is \$988,865, a \$48,196 (5.1%) increase over the prior year.

All of these factors were considered in preparing the City of McCook's budget for the 2011 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, 2010

	Primary Government			Component Unit (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,406,573	\$ 4,884,513	\$ 10,291,086	\$ 61,619
County treasurer cash	64,617	-	64,617	-
Current portion of TIF receivables	8,097	-	8,097	167,615
Accounts receivable	-	87,313	87,313	-
Unbilled revenue	-	530,794	530,794	-
Due (to) from other funds	(14,949)	14,949	-	-
Inventory	-	120,976	120,976	-
Total current assets	5,464,338	5,638,545	11,102,883	229,234
Noncurrent assets:				
Restricted cash and cash equivalents	-	452,831	452,831	-
Noncurrent portion of TIF receivables	343,831	-	343,831	130,734
Capital assets:				
Land	768,700	485,735	1,254,435	-
Other capital assets, net of depreciation	8,737,394	22,709,372	31,446,766	-
Net capital assets	9,506,094	23,195,107	32,701,201	-
Total noncurrent assets	9,849,925	23,647,938	33,497,863	130,734
Total assets	15,314,263	29,286,483	44,600,746	359,968
LIABILITIES				
Current liabilities:				
Accounts payable	-	99,980	99,980	-
Accrued expenses	-	103,391	103,391	-
Customer deposits	-	63,006	63,006	-
Accrued interest	-	102,149	102,149	-
Claims incurred not paid	60,000	-	60,000	-
Current portion of long-term obligations	105,000	532,376	637,376	167,615
Total current liabilities	165,000	900,902	1,065,902	167,615
Noncurrent liabilities:				
Accrued landfill closure costs	-	915,070	915,070	-
Accrued deep well abandonment costs	-	7,205	7,205	-
Noncurrent portion of long-term obligations	830,000	12,277,952	13,107,952	130,734
Total noncurrent liabilities	830,000	13,200,227	14,030,227	130,734
Total liabilities	995,000	14,101,129	15,096,129	298,349
NET ASSETS				
Invested in capital assets, net of related debt	8,571,094	10,384,779	18,955,873	-
Restricted for:				
Street improvements	1,059,059	-	1,059,059	-
Landfill postclosure	-	88,248	88,248	-
Deep injection well closure	-	70,854	70,854	-
Debt service	366,978	293,729	660,707	-
Economic development	338,303	-	338,303	-
Perpetual care	92,235	-	92,235	-
Unrestricted	3,891,594	4,347,744	8,239,338	61,619
Total net assets	\$ 14,319,263	\$ 15,185,354	\$ 29,504,617	\$ 61,619

See notes to financial statements.

CITY OF MCCOOK, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2010

<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	\$ 1,228,911	\$ 19,455	\$ 104,424
Economic development	249,895	-	-
Public safety	2,098,938	263,620	127,412
Public works	888,840	92,888	5,959
Environment and leisure	1,293,396	114,492	336,445
Depreciation - unallocated	701,223	-	-
Interest and fees on long-term debt	35,258	-	-
Total governmental activities	<u>6,496,461</u>	<u>490,455</u>	<u>574,240</u>
Business-type activities			
(accrual basis):			
Electric and emergency	3,245	1,054,115	-
Water	1,977,178	1,809,927	-
Sewer	1,073,638	1,155,815	-
Solid waste	1,169,095	1,242,258	-
Total business-type activities	<u>4,223,156</u>	<u>5,262,115</u>	<u>-</u>
Total primary government	<u>\$ 10,719,617</u>	<u>\$ 5,752,570</u>	<u>\$ 574,240</u>
Component unit:			
Community Redevelopment Authority	<u>\$ 7,055</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

	Net (Expenses) Revenues and Changes in Net Assets			Component Unit (Accrual Basis)
	Primary Government			
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	
Capital Grants and Contributions				
\$ -	\$ (1,105,032)		\$ (1,105,032)	
-	(249,895)		(249,895)	
35,225	(1,672,681)		(1,672,681)	
75,326	(714,667)		(714,667)	
145,106	(697,353)		(697,353)	
-	(701,223)		(701,223)	
-	(35,258)		(35,258)	
<u>255,657</u>	<u>(5,176,109)</u>	<u>\$ -</u>	<u>(5,176,109)</u>	
-	-	1,050,870	1,050,870	
-	-	(167,251)	(167,251)	
-	-	82,177	82,177	
-	-	73,163	73,163	
<u>-</u>	<u>-</u>	<u>1,038,959</u>	<u>1,038,959</u>	
<u>\$ 255,657</u>	<u>(5,176,109)</u>	<u>1,038,959</u>	<u>(4,137,150)</u>	
<u>\$ -</u>				<u>\$ (7,055)</u>
General revenues:				
Taxes:				
Property	973,999	-	973,999	-
Motor vehicle	135,755	-	135,755	-
Payments in lieu of taxes	75,028	-	75,028	-
Occupation	39,358	-	39,358	-
Sales tax	2,267,227	-	2,267,227	-
Franchise	74,316	-	74,316	-
Special assessments	23,231	-	23,231	-
State allocation	1,113,846	-	1,113,846	-
TIF proceeds	-	-	-	7,066
Keno proceeds	20,596	-	20,596	-
Loss on disposal of assets	(25,162)	(14,786)	(39,948)	-
Miscellaneous	41,448	-	41,448	-
Interest income	51,166	55,551	106,717	80
Net transfers	1,016,719	(1,016,719)	-	-
Total general revenues	<u>5,807,527</u>	<u>(975,954)</u>	<u>4,831,573</u>	<u>7,146</u>
Change in net assets	631,418	63,005	694,423	91
Net assets - September 30, 2009	<u>13,687,845</u>	<u>15,122,349</u>	<u>28,810,194</u>	<u>61,528</u>
Net assets - September 30, 2010	<u>\$ 14,319,263</u>	<u>\$ 15,185,354</u>	<u>\$ 29,504,617</u>	<u>\$ 61,619</u>

CITY OF MCCOOK, NEBRASKA

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

September 30, 2010

	<u>General Fund</u>	<u>Street Fund</u>	Economic Development <u>Fund</u>
ASSETS			
Cash and cash equivalents	\$ 1,233,571	\$ 950,411	\$ 338,303
County treasurer cash	<u>64,617</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 1,298,188</u></u>	<u><u>\$ 950,411</u></u>	<u><u>\$ 338,303</u></u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Fund balances:			
Reserved for:			
Capital projects	719,092	-	-
Street improvements	-	838,059	-
Economic development	-	-	338,303
Perpetual care	92,235	-	-
Debt service	-	-	-
Community betterment	-	-	-
Unreserved	<u>486,861</u>	<u>112,352</u>	<u>-</u>
Total fund balances	<u>1,298,188</u>	<u>950,411</u>	<u>338,303</u>
Total liabilities and fund balances	<u><u>\$ 1,298,188</u></u>	<u><u>\$ 950,411</u></u>	<u><u>\$ 338,303</u></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>
\$ 381,927	\$ 2,263,508	\$ 92,051	\$ 86,175	\$ 5,345,946
-	-	-	-	64,617
<u>\$ 381,927</u>	<u>\$ 2,263,508</u>	<u>\$ 92,051</u>	<u>\$ 86,175</u>	<u>\$ 5,410,563</u>
\$ 14,949	\$ -	\$ -	\$ -	\$ 14,949
-	75,000	-	-	794,092
-	221,000	-	-	1,059,059
-	-	-	-	338,303
-	-	-	-	92,235
366,978	-	-	-	366,978
-	-	-	86,175	86,175
-	1,967,508	92,051	-	2,658,772
<u>366,978</u>	<u>2,263,508</u>	<u>92,051</u>	<u>86,175</u>	<u>5,395,614</u>
<u>\$ 381,927</u>	<u>\$ 2,263,508</u>	<u>\$ 92,051</u>	<u>\$ 86,175</u>	<u>\$ 5,410,563</u>

CITY OF MCCOOK, NEBRASKA

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

September 30, 2010

Total fund balances - governmental funds	\$ 5,395,614
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.	627
TIF receivables are not due in the current period and therefore are not reported as assets in the governmental funds.	351,928
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 \$22,138,920 and the accumulated depreciation is \$12,632,826.	9,506,094
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>(935,000)</u>
Total net assets - governmental activities	<u><u>\$ 14,319,263</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, 2010

	<u>General Fund</u>	<u>Street Fund</u>	<u>Economic Development Fund</u>
REVENUES			
Taxes:			
Property	\$ 973,999	\$ -	\$ -
Motor vehicle	135,755	-	-
Payments in lieu of taxes	75,028	-	-
Occupation	39,358	-	-
Sales tax	608,380	147,362	377,871
Franchise	74,316	-	-
Special assessments	-	-	-
Intergovernmental	562,025	679,233	-
Grants	171,647	75,326	-
Keno proceeds	-	-	-
Charges for services	429,973	-	-
Contributions	109,500	-	-
Interest income	22,773	-	3,170
Other revenues	41,283	-	-
Total revenues	<u>3,244,037</u>	<u>901,921</u>	<u>381,041</u>
EXPENDITURES			
General government	952,023	-	-
Economic development	-	-	248,395
Public safety	1,892,367	-	-
Public works	285,250	561,633	-
Environment and leisure	1,085,662	-	-
Capital outlay	258,903	188,448	-
Principal payments on debt	-	26,224	105,000
Interest on long-term debt	-	1,586	32,732
Bond fees	-	-	350
Total expenditures	<u>4,474,205</u>	<u>777,891</u>	<u>386,477</u>
Excess (deficiency) of revenues over expenditures	(1,230,168)	124,030	(5,436)
OTHER FINANCING SOURCES (USES)			
Transfers in	866,115	-	-
Transfers out	(10,000)	(6,000)	-
Net transfers	<u>856,115</u>	<u>(6,000)</u>	<u>-</u>
Net change in fund balances	(374,053)	118,030	(5,436)
Fund balances - September 30, 2009	<u>1,672,241</u>	<u>832,381</u>	<u>343,739</u>
Fund balances - September 30, 2010	<u>\$ 1,298,188</u>	<u>\$ 950,411</u>	<u>\$ 338,303</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 973,999
-	-	-	-	-	135,755
-	-	-	-	-	75,028
-	-	-	-	-	39,358
-	1,133,614	-	-	-	2,267,227
-	-	-	-	-	74,316
23,231	-	-	-	-	23,231
-	-	5,959	-	-	1,247,217
-	-	337,053	-	-	584,026
-	-	-	20,596	-	20,596
-	-	60,482	-	-	490,455
-	-	3,000	-	-	112,500
4,731	18,485	943	792	-	50,894
-	-	165	-	-	41,448
<u>27,962</u>	<u>1,152,099</u>	<u>407,602</u>	<u>21,388</u>	<u>-</u>	<u>6,136,050</u>
-	27,471	164,835	6,262	-	1,150,591
-	-	1,500	-	-	249,895
-	-	25,180	-	-	1,917,547
-	950	-	-	-	847,833
-	4,166	134,854	-	-	1,224,682
28,293	2,447	75,713	-	-	553,804
-	-	32,673	-	-	163,897
-	-	590	-	-	34,908
-	-	-	-	-	350
<u>28,293</u>	<u>35,034</u>	<u>435,345</u>	<u>6,262</u>	<u>-</u>	<u>6,143,507</u>
(331)	1,117,065	(27,743)	15,126	-	(7,457)
-	-	9,750	-	(9,750)	866,115
-	(193,146)	-	-	9,750	(199,396)
<u>-</u>	<u>(193,146)</u>	<u>9,750</u>	<u>-</u>	<u>-</u>	<u>666,719</u>
(331)	923,919	(17,993)	15,126	-	659,262
<u>367,309</u>	<u>1,339,589</u>	<u>110,044</u>	<u>71,049</u>	<u>-</u>	<u>4,736,352</u>
<u>\$ 366,978</u>	<u>\$ 2,263,508</u>	<u>\$ 92,051</u>	<u>\$ 86,175</u>	<u>\$ -</u>	<u>\$ 5,395,614</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, 2010

Total net change in fund balances - governmental funds	\$ 659,262
Amounts reported for governmental <i>activities</i> 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 (\$553,804) is exceeded by depreciation expense (\$701,223) in the period.	(147,419)
The governmental funds do not recognize the remaining basis of disposed assets. However, this remaining basis is recorded as a loss on the statement of activities.	(8,437)
Repossessed land held for resale is not recognized in the governmental funds until the land is sold. This repossessed land had been recognized in the government-wide statements, but was written off this year.	(16,725)
The decrease in net assets of the Internal Service Fund is included as a governmental activity in the government wide statements.	(19,160)
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.	<u>163,897</u>
Change in net assets of governmental activities	<u><u>\$ 631,418</u></u>

See notes to financial statements.

CITY OF MCCOOK, NEBRASKA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2010

	Electric and Emergency Fund	Water Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ 3,556,699
Accounts receivable	-	11,150
Unbilled revenue	-	296,973
Due from other funds	-	10,609
Inventory	-	120,976
Total current assets	-	3,996,407
Noncurrent assets:		
Restricted cash and cash equivalents	-	232,013
Capital assets:		
Land	-	295,625
Distribution systems	170,000	18,912,231
Buildings and improvements	-	542,859
Tools and equipment	-	604,966
Accumulated depreciation	(108,645)	(6,483,333)
Net capital assets	61,355	13,872,348
Total noncurrent assets	61,355	14,104,361
Total assets	61,355	18,100,768
LIABILITIES		
Current liabilities:		
Accounts payable	-	22,839
Sales tax payable	-	11,053
Claims incurred not paid	-	-
Accrued payroll	-	8,329
Accrued vacation	-	10,877
Accrued sick leave	-	7,117
Customer deposits	-	63,006
Accrued interest	-	68,941
Current portion of long-term obligations	-	232,987
Total current liabilities	-	425,149
Noncurrent liabilities:		
Accrued landfill postclosure costs	-	-
Accrued deep well abandonment costs	-	7,205
Noncurrent portion of long-term obligations	-	8,246,714
Total noncurrent liabilities	-	8,253,919
Total liabilities	-	8,679,068
NET ASSETS		
Invested in capital assets, net of related debt	61,355	5,392,647
Restricted for:		
Landfill postclosure	-	-
Deep injection well closure	-	70,854
Debt service	-	161,159
Unrestricted	-	3,797,040
Total net assets	\$ 61,355	\$ 9,421,700

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>
\$ 826,529	\$ 501,285	\$ 4,884,513	\$ 60,627
14,454	61,709	87,313	-
148,741	85,080	530,794	-
4,340	-	14,949	-
-	-	120,976	-
<u>994,064</u>	<u>648,074</u>	<u>5,638,545</u>	<u>60,627</u>
132,570	88,248	452,831	-
-	190,110	485,735	-
8,078,151	-	27,160,382	-
3,893,615	870,985	5,307,459	-
695,320	1,521,811	2,822,097	-
<u>(4,708,908)</u>	<u>(1,279,680)</u>	<u>(12,580,566)</u>	<u>-</u>
<u>7,958,178</u>	<u>1,303,226</u>	<u>23,195,107</u>	<u>-</u>
<u>8,090,748</u>	<u>1,391,474</u>	<u>23,647,938</u>	<u>-</u>
9,084,812	2,039,548	29,286,483	60,627
16,445	60,696	99,980	-
6,089	-	17,142	-
-	-	-	60,000
4,449	8,890	21,668	-
9,989	14,903	35,769	-
9,519	12,176	28,812	-
-	-	63,006	-
33,208	-	102,149	-
<u>299,389</u>	<u>-</u>	<u>532,376</u>	<u>-</u>
<u>379,088</u>	<u>96,665</u>	<u>900,902</u>	<u>60,000</u>
-	915,070	915,070	-
-	-	7,205	-
<u>4,031,238</u>	<u>-</u>	<u>12,277,952</u>	<u>-</u>
<u>4,031,238</u>	<u>915,070</u>	<u>13,200,227</u>	<u>-</u>
<u>4,410,326</u>	<u>1,011,735</u>	<u>14,101,129</u>	<u>60,000</u>
3,627,551	1,303,226	10,384,779	-
-	88,248	88,248	-
-	-	70,854	-
132,570	-	293,729	-
914,365	(363,661)	4,347,744	627
<u>\$ 4,674,486</u>	<u>\$ 1,027,813</u>	<u>\$ 15,185,354</u>	<u>\$ 627</u>

CITY OF MCCOOK, NEBRASKA

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

For the year ended September 30, 2010

	Electric and Emergency Fund	Water Fund
Operating revenues:		
Charges for services	\$ 1,054,115	\$ 1,770,297
Miscellaneous revenues	-	39,630
Total operating revenues	1,054,115	1,809,927
Operating expenses:		
Salaries and benefits	-	338,966
Insurance and bonds	-	26,082
Utilities and telephone	-	126,666
Repairs and maintenance	-	63,484
Contracted services	-	26,540
Supplies	-	12,682
Plant chemicals	-	205,533
Transportation	-	11,996
Professional fees	-	4,634
Sales tax	-	97,831
Miscellaneous	-	41,298
Depreciation	3,245	695,699
Insurance claims and health premiums	-	-
Total operating expenses	3,245	1,651,411
Operating income (loss)	1,050,870	158,516
Nonoperating revenues (expenses):		
Interest income	-	38,445
Interest expense	-	(239,266)
Loan fees	-	(86,501)
Loss on disposal of capital assets	-	-
Total nonoperating revenues (expenses)	-	(287,322)
Income (loss) before transfers	1,050,870	(128,806)
Interfund transfers:		
Transfers in	-	194,096
Transfers out	(1,054,115)	(59,501)
Net transfers	(1,054,115)	134,595
Change in net assets	(3,245)	5,789
Net assets - September 30, 2009	64,600	9,415,911
Net assets - September 30, 2010	\$ 61,355	\$ 9,421,700

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>
\$ 1,155,487	\$ 1,241,700	\$ 5,221,599	\$ 718,099
328	558	40,516	-
<u>1,155,815</u>	<u>1,242,258</u>	<u>5,262,115</u>	<u>718,099</u>
307,711	415,504	1,062,181	-
23,190	27,095	76,367	-
120,254	6,335	253,255	-
43,737	42,630	149,851	-
12,768	507,617	546,925	-
17,755	10,688	41,125	-
-	-	205,533	-
7,032	34,666	53,694	-
5,252	4,597	14,483	-
69,172	-	167,003	-
9,974	6,930	58,202	-
294,937	113,033	1,106,914	-
-	-	-	1,087,531
<u>911,782</u>	<u>1,169,095</u>	<u>3,735,533</u>	<u>1,087,531</u>
244,033	73,163	1,526,582	(369,432)
9,977	7,129	55,551	272
(116,381)	-	(355,647)	-
(45,475)	-	(131,976)	-
-	(14,786)	(14,786)	-
<u>(151,879)</u>	<u>(7,657)</u>	<u>(446,858)</u>	<u>272</u>
92,154	65,506	1,079,724	(369,160)
28,358	-	222,454	350,000
(59,000)	(66,557)	(1,239,173)	-
<u>(30,642)</u>	<u>(66,557)</u>	<u>(1,016,719)</u>	<u>350,000</u>
61,512	(1,051)	63,005	(19,160)
<u>4,612,974</u>	<u>1,028,864</u>	<u>15,122,349</u>	<u>19,787</u>
<u>\$ 4,674,486</u>	<u>\$ 1,027,813</u>	<u>\$ 15,185,354</u>	<u>\$ 627</u>

CITY OF MCCOOK, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the year ended September 30, 2010

	<u>Electric and Emergency Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,054,115
Receipts from other funds	-
Payments to suppliers	-
Payments to employees	-
Net cash provided (used) by operating activities	<u>1,054,115</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers from other funds	-
Transfers to other funds	(1,054,115)
Net cash provided (used) by noncapital financing activities	<u>(1,054,115)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of property and equipment	-
Increase in accrued deep well abandonment costs	-
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	-
Cash and cash equivalents - end of the year	<u>\$ -</u>
Composition of cash and cash equivalents:	
Cash and cash equivalents	\$ -
Restricted cash and cash equivalents	-
Total cash and cash equivalents	<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>	
\$ 1,872,797	\$ 1,203,485	\$ 1,242,659	\$ 5,373,056	\$ 79,299
10,288	5,409	-	15,697	638,800
(621,262)	(295,179)	(628,484)	(1,544,925)	(1,107,531)
(343,690)	(305,640)	(416,064)	(1,065,394)	-
<u>918,133</u>	<u>608,075</u>	<u>198,111</u>	<u>2,778,434</u>	<u>(389,432)</u>
194,096	28,358	-	222,454	350,000
(59,501)	(59,000)	(66,557)	(1,239,173)	-
<u>134,595</u>	<u>(30,642)</u>	<u>(66,557)</u>	<u>(1,016,719)</u>	<u>350,000</u>
(253,546)	(67,759)	(250,240)	(571,545)	-
2,504	-	-	2,504	-
(226,647)	(288,129)	-	(514,776)	-
(241,102)	(119,765)	-	(360,867)	-
(86,501)	(45,475)	-	(131,976)	-
<u>(805,292)</u>	<u>(521,128)</u>	<u>(250,240)</u>	<u>(1,576,660)</u>	<u>-</u>
38,445	9,977	7,129	55,551	272
285,881	66,282	(111,557)	240,606	(39,160)
3,502,831	892,817	701,090	5,096,738	99,787
<u>\$ 3,788,712</u>	<u>\$ 959,099</u>	<u>\$ 589,533</u>	<u>\$ 5,337,344</u>	<u>\$ 60,627</u>
\$ 3,556,699	\$ 826,529	\$ 501,285	\$ 4,884,513	\$ 60,627
232,013	132,570	88,248	452,831	-
<u>\$ 3,788,712</u>	<u>\$ 959,099</u>	<u>\$ 589,533</u>	<u>\$ 5,337,344</u>	<u>\$ 60,627</u>

CITY OF MCCOOK, NEBRASKA

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

For the year ended September 30, 2010

	<u>Electric and Emergency Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 1,050,870
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	3,245
Change in assets and liabilities:	
Accounts receivable	-
Inventories	-
Prepaid expenses	-
Due from other funds	-
Customer deposits	-
Accounts payable	-
Claims incurred not paid	-
Accrued expenses	-
Net cash provided (used) by operating activities	<u>\$ 1,054,115</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>	
\$ 158,516	\$ 244,033	\$ 73,163	\$ 1,526,582	\$ (369,432)
695,699	294,937	113,033	1,106,914	-
60,265	47,670	401	108,336	-
(7,309)	-	-	(7,309)	-
800	549	788	2,137	-
10,288	5,409	-	15,697	-
2,605	-	-	2,605	-
1,993	13,406	11,286	26,685	-
-	-	-	-	(20,000)
(4,724)	2,071	(560)	(3,213)	-
<u>\$ 918,133</u>	<u>\$ 608,075</u>	<u>\$ 198,111</u>	<u>\$ 2,778,434</u>	<u>\$ (389,432)</u>

CITY OF MCCOOK, NEBRASKA

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

September 30, 2010

	Agency Funds
ASSETS	
Cash	\$ <u>73,183</u>
LIABILITIES HELD FOR OTHERS	
Held for other purposes	\$ <u>73,183</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, 2010

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 Unit:	Community Redevelopment Authority

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, 2010

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.

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, 2010

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, 2010

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, 2010

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, 2010

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, 2010

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, 2010

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, 2010

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.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

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.

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.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Government-wide Statements, continued

- 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.
- 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. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

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.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Property Taxes, continued

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% interest.

Property taxes levied for 2009-2010 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% 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% as adjusted thereafter. The lessee will maintain the electric distribution system pursuant to prudent utility practice and provide insurance thereon.

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

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Expenditures/Expenses, continued

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.

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 deposits 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.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

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.

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 \$45,839 at September 30, 2010.
 - b) An amount equal to 1/6th of the next maturing semi-annual principal payments. The loan principal reserve was \$86,731 at September 30, 2010.

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, 2010

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 \$93,673 at September 30, 2010.
 - b) An amount equal to 1/6th of the next maturing semi-annual principal payments. The loan principal reserve was \$67,486 at September 30, 2010.

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, 2010

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, 2010. 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, 2010

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	\$ 11,015,624	\$ 267,768	\$ 10,747,856	\$ -	\$ <u>10,878,719</u>

Reconciliation to Government-wide Statement of Net Assets:

Primary Government –					
Unrestricted cash and cash equivalents					\$ 10,291,086
Restricted cash and cash equivalents					452,831
Fiduciary Funds –					
Agency Funds cash					73,183
Component Unit –					
Unrestricted cash and cash equivalents					<u>61,619</u>
					<u>\$ 10,878,719</u>

2. Restricted Assets

The restricted assets as of September 30, 2010, are as follows:

Type of Restricted Assets:	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ <u>-</u>	\$ <u>452,831</u>	\$ <u>452,831</u>

The Water Fund has a \$70,854 escrow account that holds funds restricted for future closure costs on the deep injection well. The Solid Waste Fund has funds of \$88,248 that are restricted for the future landfill postclosure costs. Funds of \$132,570 are restricted in the Sewer Fund for future principal and interest payments. Funds of \$161,159 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, 2010, is as follows:

Accounts receivable	\$ 87,313
Unbilled revenue	<u>530,794</u>
Total accounts receivable	<u>\$ 618,107</u>

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2010

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2010, was as follows:

	Balance at October 1, <u>2009</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2010</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 689,158	\$ 79,542	\$ -	\$ 768,700
Other capital assets being depreciated:				
Infrastructure	6,665,996	131,738	-	6,797,734
Buildings and improvements	9,462,087	97,986	(15,000)	9,545,073
Machinery and equipment	545,060	40,670	(11,800)	573,930
Furniture and equipment	1,915,194	146,506	(21,300)	2,040,400
Vehicles	2,826,220	57,362	(470,499)	2,413,083
Total other capital assets at historical cost	<u>21,414,557</u>	<u>474,262</u>	<u>(518,599)</u>	<u>21,370,220</u>
Less accumulated depreciation for:				
Infrastructure	(2,203,157)	(155,242)	-	(2,358,399)
Buildings and improvements	(6,728,845)	(188,311)	9,999	(6,907,157)
Machinery and equipment	(485,797)	(21,410)	11,800	(495,407)
Furniture and equipment	(1,106,915)	(189,004)	21,300	(1,274,619)
Vehicles	(1,917,051)	(147,256)	467,063	(1,597,244)
Total accumulated depreciation	<u>(12,441,765)</u>	<u>(701,223) *</u>	<u>510,162</u>	<u>(12,632,826)</u>
Other capital assets, net	<u>8,972,792</u>	<u>(226,961)</u>	<u>(8,437)</u>	<u>8,737,394</u>
Governmental activities capital assets, net	<u>\$ 9,661,950</u>	<u>\$ (147,419)</u>	<u>\$ (8,437)</u>	<u>\$ 9,506,094</u>

* Depreciation expense was incurred by the following governmental activities:

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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

4. Capital Assets, continued

General Fund:

General government:

Administration \$ 12,704

Public safety:

Fire 72,956
Civil defense 4,716
Ambulance 48,259
Police 90,521
Total public safety 216,452

Public works:

Cemetery 21,298

Environment and leisure:

Airport 104,672
Library 9,975
Parks 46,218
Ball Park 23,674
Pool 8,985
Auditorium 13,684
Senior Center 36,427
Total environment and leisure 243,635

Total General Fund 494,089

Special Revenue Funds:

Street 207,134

Total Governmental Activities depreciation expense \$ 701,223

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2010

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

4. Capital Assets, continued

	Balance at October 1, <u>2009</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2010</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 485,735	\$ -	\$ -	\$ 485,735
Other capital assets being depreciated:				
Distribution systems	26,931,915	228,467	-	27,160,382
Buildings and improvements	5,292,676	54,508	(39,725)	5,307,459
Machinery and equipment	2,603,627	288,572	(70,102)	2,822,097
Total other capital assets at historical cost	<u>34,828,218</u>	<u>571,547</u>	<u>(109,827)</u>	<u>35,289,938</u>
Less accumulated depreciation for:				
Distribution systems	(8,738,487)	(821,736)	-	(9,560,223)
Buildings and improvements	(1,011,627)	(127,955)	24,937	(1,114,645)
Machinery and equipment	(1,818,577)	(157,223)	70,102	(1,905,698)
Total accumulated depreciation	<u>(11,568,691)</u>	<u>(1,106,914) *</u>	<u>95,039</u>	<u>(12,580,566)</u>
Other capital assets, net	<u>23,259,527</u>	<u>(535,367)</u>	<u>(14,788)</u>	<u>22,709,372</u>
Business-type capital assets, net	<u>\$ 23,745,262</u>	<u>\$ (535,367)</u>	<u>\$ (14,788)</u>	<u>\$ 23,195,107</u>

* Depreciation expense was charged to functions as follows:

Electric and Emergency	\$ 3,245
Water	695,699
Sewer	294,937
Solid Waste	<u>113,033</u>
Total Business-type Activities depreciation expense	<u>\$ 1,106,914</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, 2010

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, 2010:

<u>Type of Debt</u>	Balance October 1, 2009	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2010	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Notes payable	\$ 58,897	\$ -	\$ (58,897)	\$ -	\$ -
Bonds payable	<u>1,040,000</u>	<u>-</u>	<u>(105,000)</u>	<u>935,000</u>	<u>105,000</u>
Total Governmental Activities	<u>\$ 1,098,897</u>	<u>\$ -</u>	<u>\$ (163,897)</u>	<u>\$ 935,000</u>	<u>\$ 105,000</u>
Business-type Activities:					
Notes payable	\$ 13,325,104	\$ -	\$ (514,776)	\$ 12,810,328	\$ 532,376
Deep well abandonment costs	4,701	2,504	-	7,205	-
Landfill closure costs	<u>915,070</u>	<u>-</u>	<u>-</u>	<u>915,070</u>	<u>-</u>
Total Business-type Activities	<u>\$ 14,244,875</u>	<u>\$ 2,504</u>	<u>\$ (514,776)</u>	<u>\$ 13,732,603</u>	<u>\$ 532,376</u>
Component Unit:					
Notes payable	<u>\$ 468,204</u>	<u>\$ -</u>	<u>\$ (169,855)</u>	<u>\$ 298,349</u>	<u>\$ 167,615</u>

Governmental Activities

As of September 30, 2010, the governmental long-term liabilities consisted of the following:

Notes payable:

Street Sweeper Note Payable:

\$98,585 note payable to Wells Fargo Bank, issued July 3, 2006. Payments of \$27,810 including interest of 4.90% are due annually commencing July 3, 2007, through July 3, 2010. The note is secured by the street sweeper.

\$ -

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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

5. Long-term Debt, continued

Governmental Activities, continued

Enhanced 911 Note Payable:

\$287,894 note payable to First Central Bank issued July 1, 2004, due on June 1, 2011, to upgrade and enhance the City's emergency communication system. Payments of \$11,744 including interest of 3.86% are due quarterly, commencing September 1, 2004. The note is to be repaid with revenues generated by the new Enhanced 911 System. The note matures June 1, 2011.

-

Total governmental activities notes payable

-

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% to 4.1% is due in semi-annual payments on September 15 and March 15.

935,000

Total governmental activities long-term debt

\$ 935,000

Current portion

\$ 105,000

Noncurrent portion

830,000

Total

\$ 935,000

Business-type Activities

As of September 30, 2010, the long-term debt payable from proprietary fund resources consisted of the following:

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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

5. Long-term Debt, continued

Business-type Activities, continued

Notes payable:

Sewer Notes Payable:

\$337,041 of Sewer DEQ Notes Payable, due in semi-annual principal and interest payments of \$13,311 through June 15, 2013. The notes bear interest of 3.0%. \$ 75,834

\$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%. 1,041,942

\$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 notes bear interest of 2.50%. (\$400,000 of these loan proceeds were used for the water project and will be repaid by the Water Fund.) 3,566,968

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%. 8,125,584

Total business-type activity notes payable \$ 12,810,328

Current portion \$ 532,376

Noncurrent portion 12,277,952

Total \$ 12,810,328

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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, 2010, are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities		
	Notes and Bonds Payable		Notes Payable		
	Principal	Interest	Principal	Interest	Fees
2011	\$ 105,000	\$ 30,843	\$ 532,376	\$ 346,592	\$ 126,781
2012	110,000	28,532	547,104	331,865	121,421
2013	110,000	25,783	562,242	316,727	115,912
2014	115,000	22,647	550,978	301,369	110,318
2015	120,000	18,910	566,158	286,189	104,771
2016-2020	375,000	30,430	2,861,456	1,191,252	436,185
2021-2025	-	-	2,739,596	823,502	299,355
2026-2030	-	-	2,024,488	482,038	172,417
2031-2035	-	-	1,992,990	217,271	77,597
2036-2040	-	-	432,940	9,113	3,255
	<u>\$ 935,000</u>	<u>\$ 157,145</u>	<u>\$ 12,810,328</u>	<u>\$ 4,305,918</u>	<u>\$ 1,568,012</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 \$42,700 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 \$1,317,000. The cumulative liability, which is based on the capacity of the landfill used to date, was \$915,070 at September 30, 2010. 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, 2010

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, 2010, of \$70,854 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 \$7,205 at September 30, 2010.

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 \$283,480, equal to the September 30, 2010, 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% 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 6% interest rate over the six remaining years.

The estimated payable to Retro is calculated to be approximately \$14,869, equal to the September 30, 2010, note receivable balance.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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, 2010, the balance of the note receivable was \$283,480.

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% of which will then be paid back to Retro to retire the related note payable as shown above. At September 30, 2010, the balance of the note receivable was \$14,869.

Estimated future receivables and payables under TIF agreements were as follows as of September 30, 2010:

	<u>TIF Receivable</u>	<u>TIF Payable</u>
Valmont Industries, Inc.	\$ 283,480	\$ 283,480
Retro Development of Nebraska, Inc.	<u>14,869</u>	<u>14,869</u>
	<u>\$ 298,349</u>	<u>\$ 298,349</u>
Current portion	\$ 167,615	\$ 167,615
Noncurrent portion	<u>130,734</u>	<u>130,734</u>
	<u>\$ 298,349</u>	<u>\$ 298,349</u>

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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 \$351,928 as of September 30, 2010.

7. Interfund Transactions and Balances

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Electric and Emergency	\$ 704,115	\$ -
Water	52,500	(6,250)
Sewer	59,000	-
Solid Waste	50,500	-
Grants	<u>-</u>	<u>(3,750)</u>
Total General Fund	866,115	(10,000)
Internal Service Fund:		
Electric	350,000	-
Grant Fund:		
General	3,750	-
Street	<u>6,000</u>	<u>-</u>
Total Grant Fund	9,750	-
Street Fund:		
Grant	-	(6,000)
Capital Projects Fund:		
Sewer	-	(5,300)
Water	<u>-</u>	<u>(187,846)</u>
Total Capital Projects Fund	-	(193,146)

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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	187,846	(-)
Sewer	<u>-</u>	<u>(7,001)</u>
Total Water Fund	194,096	(59,501)
Electric Fund:		
Internal Service Fund	-	(350,000)
General	<u>-</u>	<u>(704,115)</u>
Total Electric Fund	-	(1,054,115)
Sewer Fund:		
General	-	(59,000)
Capital Projects	5,300	-
Water	7,001	-
Solid Waste	<u>16,057</u>	<u>-</u>
Total Sewer Fund	28,358	(59,000)
Solid Waste Fund:		
General	-	(50,500)
Sewer	<u>-</u>	<u>(16,057)</u>
Total Solid Waste Fund	<u>-</u>	<u>(66,557)</u>
Total Operating Transfers	\$ <u>1,448,319</u>	\$ <u>(1,448,319)</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, 2010, the Debt Service Fund owed \$10,609 to the Water Fund and owed \$4,340 to the Sewer Fund. These interfund loans will be repaid as special assessments are collected.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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 6% of the participant's base salary and the employee contributes from 6% to 15% 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, 2010, was \$1,885,349 and \$1,659,234, respectively. All contributions, including \$120,424 in employee contributions and \$98,353 in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2010.

The Public Employee Plan, which is administered by CPI Qualified Plan Consultants, Inc., had plan assets with a market value of \$1,952,191 at September 30, 2010.

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2010

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 6% of the Manager's salary and the Manager is eligible to contribute up to 19% 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 \$97,723 in the year ended September 30, 2010. All contributions, including \$17,100 in employee contributions and \$5,863 in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2010.

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 6% to the policemen's fund and 13% to the firemen's fund while the policemen contribute 6% and the firemen contribute 6.5%. 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, 2010, was \$1,115,565 and \$1,115,565, respectively. All contributions, including \$42,042 and \$26,966, respectively, in employee contributions and \$42,042 and \$53,932, respectively, in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2010. 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, 2010.

The policemen and firemen plans had plan assets with a market value of \$1,276,815 and \$1,079,039, respectively, at September 30, 2010.

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, 2010

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, 2010, 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 did not have any certificates of deposit at September 30, 2010.

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, 2010, the City did not have any certificates of deposit.

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, 2010.

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, 2010, will not be significant to the City's financial statements.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Construction and Commitments

As of September 30, 2010, 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>
South City Parking Lot Repairs	\$ 59,028	\$ -	\$ 59,028	Year ending September 30, 2011
Elizabeth Lane Street Improvements	136,595	-	136,595	Fall 2010
West 5th and C Street Improvements	492,885	-	492,885	Fall 2010
Heritage Senior Center Roof Replacement	38,491	-	38,491	Fall 2010
West Highway 6 and 34 Sidewalk	82,000	50,000	32,000	Fall 2010
Primary Clarifier Rehabilitation	265,930	-	265,930	Year ending September 30, 2011
Kelly Park and South Street Water Main	<u>148,856</u>	<u>124,977</u>	<u>23,879</u>	Fall 2010
	<u>\$ 1,223,785</u>	<u>\$ 174,977</u>	<u>\$ 1,048,808</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, 2010

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, 2010, future lease obligations are as follows:

<u>Year Ended September 30,</u>	<u>Lease Commitments</u>
2011	\$ 23,903
2012	23,462
2013	18,934
2014	12,464
2015	8,060
Thereafter	<u>19,410</u>
	<u>\$ 106,233</u>

Total rent expense was \$21,380 for the year ended September 30, 2010.

4. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2010:

<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	11/19/06 - 11/19/10	School resource officer
Red Willow County	10/1/01 - indefinite	Snow removal
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

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

NOTE D – OTHER NOTES, continued

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 December 22, 2010, 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, 2010

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 944,669	\$ 973,999	\$ 29,330
Motor vehicle	135,000	135,755	755
Payments in lieu of taxes	68,000	75,028	7,028
Occupation	31,000	39,358	8,358
Franchise	75,000	74,316	(684)
Sales	560,000	608,380	48,380
Intergovernmental	592,398	562,025	(30,373)
Grants	244,550	171,647	(72,903)
Charges for services	402,825	429,973	27,148
Interest income	24,000	22,773	(1,227)
Contributions	90,100	109,500	19,400
Other	120,000	41,283	(78,717)
Total resources	<u>3,287,542</u>	<u>3,244,037</u>	<u>(43,505)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government:			
Administrative	522,616	453,996	(68,620)
Publicity	10,600	10,975	375
City Council	489,100	122,757	(366,343)
Health Operating	370,000	370,000	-
Total general government	<u>1,392,316</u>	<u>957,728</u>	<u>(434,588)</u>
Public safety:			
Fire	788,671	707,901	(80,770)
Ambulance	146,876	62,630	(84,246)
Police	1,450,038	1,225,763	(224,275)
Civil defense	9,430	8,767	(663)
Total public safety	<u>2,395,015</u>	<u>2,005,061</u>	<u>(389,954)</u>
Public works:			
Building and zoning	49,885	49,083	(802)
Street lights	110,900	103,704	(7,196)
Cemetery	170,224	203,313	33,089
Total public works	<u>331,009</u>	<u>356,100</u>	<u>25,091</u>
Environment and leisure:			
Public transportation	101,411	78,259	(23,152)
Senior Center	333,222	314,437	(18,785)
Library	288,820	253,270	(35,550)
Parks	190,351	174,780	(15,571)
Ballparks	119,209	86,681	(32,528)
Auditorium	146,630	36,195	(110,435)
Pool	119,369	85,491	(33,878)
Airport	135,520	126,203	(9,317)
Total environment and leisure	<u>1,434,532</u>	<u>1,155,316</u>	<u>(279,216)</u>
Total charges to appropriations	<u>5,552,872</u>	<u>4,474,205</u>	<u>(1,078,667)</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2010

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
Resources over (under) charges to appropriations	(2,265,330)	(1,230,168)	1,035,162
OTHER FINANCING SOURCES (USES)			
Transfers in	904,000	866,115	(37,885)
Transfers out	<u>(118,974)</u>	<u>(10,000)</u>	<u>108,974</u>
Net transfers	<u>785,026</u>	<u>856,115</u>	<u>71,089</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (1,480,304)</u>	<u>\$ (374,053)</u>	<u>\$ 1,106,251</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2010

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales Tax	\$ 100,000	\$ 147,362	\$ 47,362
Intergovernmental	661,000	679,233	18,233
Grants	-	75,326	75,326
	<hr/>	<hr/>	<hr/>
Total resources	761,000	901,921	140,921
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	667,773	653,437	(14,336)
Capital outlay	58,190	96,644	38,454
Principal payments on debt	26,224	26,224	-
Interest on long-term debt	1,586	1,586	-
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	753,773	777,891	24,118
Resources over (under) charges to appropriations	7,227	124,030	116,803
OTHER FINANCING USES			
Transfers out	<hr/> (6,000)	<hr/> (6,000)	<hr/> -
RESOURCES AND OTHER FINANCING USES OVER (UNDER) CHARGES TO APPROPRIATIONS	<hr/> <u>\$ 1,227</u>	<hr/> <u>\$ 118,030</u>	<hr/> <u>\$ 116,803</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2010

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 330,000	\$ 377,871	\$ 47,871
Interest income	5,000	3,170	(1,830)
Total resources	<u>335,000</u>	<u>381,041</u>	46,041
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Economic development	839,544	248,395	(591,149)
Principal payments	105,000	105,000	-
Interest expense	32,733	32,732	(1)
Bond fees	700	350	(350)
Total charges to appropriations	<u>977,977</u>	<u>386,477</u>	<u>(591,500)</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (642,977)</u>	<u>\$ (5,436)</u>	<u>\$ 637,541</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2010

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Sales tax	\$ 990,000	\$ 1,133,614	\$ 143,614
Interest income	1,000	18,485	17,485
Total resources	<u>991,000</u>	<u>1,152,099</u>	<u>161,099</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	-	27,471	27,471
Public works	1,107,126	950	(1,106,176)
Environment and leisure	660,000	4,166	(655,834)
Capital projects	-	2,447	2,447
Total charges to appropriations	<u>1,767,126</u>	<u>35,034</u>	<u>(1,732,092)</u>
Resources over charges to appropriations	(776,126)	1,117,065	1,893,191
OTHER FINANCING USES			
Transfers out	<u>(563,618)</u>	<u>(193,146)</u>	<u>370,472</u>
RESOURCES AND OTHER FINANCING USES OVER CHARGES TO APPROPRIATIONS	<u>\$ (1,339,744)</u>	<u>\$ 923,919</u>	<u>\$ 2,263,663</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2010

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Intergovernmental	\$ 25,000	\$ 5,959	\$ (19,041)
Grants	1,822,601	337,053	(1,485,548)
Charges for services	70,000	60,482	(9,518)
Contributions	25,000	3,000	(22,000)
Interest income	-	943	943
Other revenues	-	165	165
Total resources	<u>1,942,601</u>	<u>407,602</u>	<u>(1,534,999)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	629,700	164,835	(464,865)
Economic development	500,000	1,500	(498,500)
Public safety	27,000	25,180	(1,820)
Environment and leisure	109,931	134,854	24,923
Capital outlay	744,465	75,713	(668,752)
Principal payments on debt	60,000	32,673	(27,327)
Interest on long-term debt	4,966	590	(4,376)
Total charges to appropriations	<u>2,076,062</u>	<u>435,345</u>	<u>(1,640,717)</u>
Resources over (under) charges to appropriations	(133,461)	(27,743)	105,718
OTHER FINANCING SOURCES			
Transfers in	<u>9,750</u>	<u>9,750</u>	<u>-</u>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (123,711)</u>	<u>\$ (17,993)</u>	<u>\$ 105,718</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2010

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Interest	\$ 6,400	\$ 4,731	\$ (1,669)
Special assessments	25,500	23,231	(2,269)
Total resources	<u>31,900</u>	<u>27,962</u>	<u>(3,938)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Capital outlay	332,495	28,293	(304,202)
Other	423	-	(423)
Total charges to appropriations	<u>332,918</u>	<u>28,293</u>	<u>(304,625)</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (301,018)</u>	<u>\$ (331)</u>	<u>\$ 300,687</u>

CITY OF MCCOOK, NEBRASKA

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

September 30, 2010

	<u>Special Fire</u>	<u>Senior Center Contributions</u>	<u>School</u>	<u>Library Memorial</u>
ASSETS				
Cash	<u>\$ 439</u>	<u>\$ 37,572</u>	<u>\$ 1,214</u>	<u>\$ 12,798</u>
LIABILITIES HELD FOR OTHERS				
Held in trust for other purposes	<u>\$ 439</u>	<u>\$ 37,572</u>	<u>\$ 1,214</u>	<u>\$ 12,798</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>\$ 1,327</u>	<u>\$ (2,673)</u>	<u>\$ 1,588</u>	<u>\$ 2,635</u>	<u>\$ 17,333</u>	<u>\$ 950</u>	<u>\$ 73,183</u>
<u>\$ 1,327</u>	<u>\$ (2,673)</u>	<u>\$ 1,588</u>	<u>\$ 2,635</u>	<u>\$ 17,333</u>	<u>\$ 950</u>	<u>\$ 73,183</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2010

	<u>Administrative</u>	<u>Publicity</u>	<u>Auditorium</u>	<u>City Council</u>	<u>Police</u>
REVENUES					
Taxes:					
General property tax	\$ 973,999	\$ -	\$ -	\$ -	\$ -
Motor vehicle tax	135,755	-	-	-	-
Payments in lieu of taxes	75,028	-	-	-	-
Occupation tax	39,358	-	-	-	-
Franchise	74,316	-	-	-	-
Sales	608,380	-	-	-	-
Intergovernmental revenue:					
State assistance	409,755	-	-	-	-
County assistance	-	-	-	-	46,920
Rural fire reimbursements	-	-	-	-	-
School resource officer reimbursement	-	-	-	-	18,000
Licenses and permits	1,494	-	-	-	-
Rental and fees	17,961	-	-	-	2,025
Admission fees and concessions	-	-	-	-	-
Grants	-	-	-	-	4,400
Contributions	2,500	-	-	-	-
Interest income	21,662	-	-	-	-
Other receipts	41,283	-	-	-	-
Total revenues	<u>2,401,491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,345</u>
EXPENDITURES					
Personnel services:					
Salaries and benefits	300,066	-	8,113	9,608	1,033,774
Operating expenses:					
Insurance	5,253	-	1,246	2,207	39,407
Interlocal agreement	-	-	-	36,067	-
Contract services	12,589	1,440	148	9,200	1,625
Professional fees	48,948	-	-	-	14
Meetings, seminars, and dues	13,864	386	-	3,674	7,299
Repairs and maintenance	16,732	-	8,997	-	26,685
Printing, postage, and publications	7,821	-	-	-	-
Transportation	3,798	-	-	3,331	30,238
Utilities and telephone	8,173	-	17,555	-	15,390
Total operating expenses	<u>117,178</u>	<u>1,826</u>	<u>27,946</u>	<u>54,479</u>	<u>120,658</u>
Supplies	10,069	3,130	-	28	6,519
Other expenses	15,812	1,486	136	58,642	20,367
Capital outlay	1,172	4,533	-	-	44,445
Total expenditures	<u>444,297</u>	<u>10,975</u>	<u>36,195</u>	<u>122,757</u>	<u>1,225,763</u>
Excess (deficiency) of revenues over expenditures before transfers	1,957,194	(10,975)	(36,195)	(122,757)	(1,154,418)
TRANSFERS FROM (TO) OTHER FUNDS	<u>866,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AFTER TRANSFERS	<u>\$ 2,823,309</u>	<u>\$ (10,975)</u>	<u>\$ (36,195)</u>	<u>\$ (122,757)</u>	<u>\$ (1,154,418)</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	2,921	-	-
-	-	-	-	-	-	-
62,492	-	-	-	-	-	-
-	-	-	-	-	-	-
4,325	196,788	-	72,493	9,620	-	1,290
-	-	-	-	-	-	17,130
30,825	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>97,642</u>	<u>196,788</u>	<u>-</u>	<u>72,493</u>	<u>12,541</u>	<u>-</u>	<u>18,420</u>
536,419	-	-	41,503	150,250	-	69,668
40,616	1,462	62	2,599	3,279	369	3,428
-	-	-	-	-	-	-
2,496	29,645	-	-	-	-	-
455	-	-	1,208	-	-	702
9,073	792	-	134	261	-	-
24,217	6,761	967	841	7,222	399	15,386
-	224	-	33	1,658	-	-
8,275	6,302	379	935	1,088	-	1,740
<u>11,888</u>	<u>1,717</u>	<u>7,359</u>	<u>1,150</u>	<u>22,012</u>	<u>102,936</u>	<u>28,943</u>
<u>97,020</u>	<u>46,903</u>	<u>8,767</u>	<u>6,900</u>	<u>35,520</u>	<u>103,704</u>	<u>50,199</u>
5,265	3,251	-	665	6,390	-	8,687
9,713	3,711	-	15	47,526	-	12
<u>59,484</u>	<u>8,765</u>	<u>-</u>	<u>-</u>	<u>13,584</u>	<u>-</u>	<u>39,600</u>
<u>707,901</u>	<u>62,630</u>	<u>8,767</u>	<u>49,083</u>	<u>253,270</u>	<u>103,704</u>	<u>168,166</u>
(610,259)	134,158	(8,767)	23,410	(240,729)	(103,704)	(149,746)
<u>(6,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (616,509)</u>	<u>\$ 134,158</u>	<u>\$ (8,767)</u>	<u>\$ 23,410</u>	<u>\$ (240,729)</u>	<u>\$ (103,704)</u>	<u>\$ (149,746)</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2010

	<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 reimbursements	-	-	-	-
School resource officer reimbursement	-	-	-	-
Licenses and permits	-	-	-	-
Rental and fees	-	-	-	84,643
Admission fees and concessions	-	-	20,229	-
Grants	-	-	-	-
Contributions	-	-	-	-
Interest income	-	-	-	-
Other receipts	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>20,229</u>	<u>84,643</u>
EXPENDITURES				
Personnel services:				
Salaries and benefits	84,465	40,244	51,177	50,503
Operating expenses:				
Insurance	3,899	1,749	1,841	9,469
Interlocal agreement	-	-	-	-
Contract services	375	-	-	350
Professional fees	1,333	-	-	4,694
Meetings, seminars, and dues	470	-	-	50
Repairs and maintenance	21,800	9,207	4,700	19,278
Printing, postage, and publications	-	-	-	-
Transportation	2,924	311	-	2,055
Utilities and telephone	25,392	14,367	6,560	16,481
Total operating expenses	<u>56,193</u>	<u>25,634</u>	<u>13,101</u>	<u>52,377</u>
Supplies	8,282	4,953	17,306	1,677
Other expenses	198	1,551	3,907	11,050
Capital outlay	25,642	14,299	-	10,596
Total expenditures	<u>174,780</u>	<u>86,681</u>	<u>85,491</u>	<u>126,203</u>
Excess (deficiency) of revenues over expenditures before transfers	(174,780)	(86,681)	(65,262)	(41,560)
TRANSFERS FROM (TO) OTHER FUNDS	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,750)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AFTER TRANSFERS	<u>\$ (174,780)</u>	<u>\$ (86,681)</u>	<u>\$ (65,262)</u>	<u>\$ (45,310)</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 973,999
-	-	-	-	-	-	135,755
-	-	-	-	-	-	75,028
-	-	-	-	-	-	39,358
-	-	-	-	-	-	74,316
-	-	-	-	-	-	608,380
-	-	3,824	18,113	-	-	434,613
-	-	-	-	-	-	46,920
-	-	-	-	-	-	62,492
-	-	-	-	-	-	18,000
-	-	-	-	-	-	73,987
-	-	-	-	-	1,975	318,627
-	-	-	-	-	-	37,359
-	-	97,209	39,213	-	-	171,647
-	-	101,108	5,892	-	-	109,500
-	-	-	-	-	1,111	22,773
-	-	-	-	-	-	41,283
-	-	202,141	63,218	-	3,086	3,244,037
190	-	149,808	59,915	370,000	-	2,955,703
-	-	3,760	3,137	-	-	123,783
-	-	8,240	-	-	-	44,307
-	-	364	-	-	-	58,232
-	-	2,036	1,063	-	-	60,453
-	-	213	1,322	-	-	37,538
-	-	6,963	3,331	-	3,897	177,383
-	-	771	28	-	-	10,535
-	-	1,894	7,062	-	-	70,332
-	-	13,391	1,821	-	-	295,135
-	-	37,632	17,764	-	3,897	877,698
-	-	15,665	368	-	-	92,255
-	9,509	105,799	212	-	-	289,646
-	-	5,533	-	-	31,250	258,903
190	9,509	314,437	78,259	370,000	35,147	4,474,205
(190)	(9,509)	(112,296)	(15,041)	(370,000)	(32,061)	(1,230,168)
-	-	-	-	-	-	856,115
<u>\$ (190)</u>	<u>\$ (9,509)</u>	<u>\$ (112,296)</u>	<u>\$ (15,041)</u>	<u>\$ (370,000)</u>	<u>\$ (32,061)</u>	<u>\$ (374,053)</u>

SINGLE AUDIT REPORTS

CITY OF MCCOOK, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended September 30, 2010

<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	\$ 98,850
ARRA-Highway Planning and Construction	20.205	138,855
Passed Through Nebraska Department of Aeronautics:		
Airport Improvement Program	20.106	17,689
Passed Through Nebraska Office of Highway Safety:		
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	3,500
State and Community Highway Safety	20.600	900
Total Department of Transportation		259,794
<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	97,209
Passed Through Nebraska Department of Health and Human Services:		
Low-Income Home Energy Assistance	93.568	5,001
Social Service Block Grant	93.667	2,422
State Children's Insurance Program	93.767	581
State Survey and Certification of Health Care Providers and Supplies	93.777	5
Medical Assistance Program	93.778	17,494
Total Department of Health and Human Services		122,712
<u>Department of Homeland Security</u>		
Assistance to Firefighters Grant	97.044	30,825
<u>Housing and Urban Development</u>		
Passed Through Nebraska Department of Economic Development:		
Community Development Block Grant	14.228	164,834 *
Total Federal Awards		\$ 578,165

*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 unit - 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, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 2010. 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 reasonably 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 certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2010 – 1 that we consider to be significant deficiencies 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 December 22, 2010.

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.

Angquist, Maltzahn,
Galloway & Luth, P.C.

Grand Island, Nebraska
December 22, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO 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, 2010. 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, 2010.

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.

Angust, Maltzman.
Galloway: Luth, P.C.

Grand Island, Nebraska
December 22, 2010

CITY OF MCCOOK, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2010

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, 2010.
 - (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

2010-1 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, 2010

Program

Findings for the year ended September 30, 2009

There were no prior audit findings.