

**CITY OF MCCOOK, NEBRASKA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**September 30, 2009**

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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, 2009, 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

1203 W 2nd Street  
PO Box 1407  
Grand Island, NE 68802  
Ph. 308-381-1810  
Fax 308-381-4824  
Email: cpa@gicpas.com

aggregate remaining fund information - modified cash basis, and the fiduciary funds - modified cash basis of the City of McCook, Nebraska, as of September 30, 2009, 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 29, 2009, 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 61 through 66, 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.

*Almgvist, Maltzman,  
Galloway & Luthi, P.C.*

Grand Island, Nebraska  
December 29, 2009

**CITY OF MCCOOK, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For The Year Ended September 30, 2009**

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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, 2009. 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 \$727,180 for property tax relief to homeowners in the City of McCook and \$727,180 for infrastructure improvements. Sales Tax revenues were used for a sewer main to the new National Guard Army Reserve facility (\$150,000), playground equipment in Norris Park (\$120,000), replacement of the concrete walkways at the Jaycee Ball Complex (\$65,000 plus \$73,600 General Fund dollars), and \$150,000 was used to buy down the State Revolving Loan for sewer improvements.

A garage for the Public Transit Bus was constructed with a grant in the amount of \$60,300 from the Federal Transit Authority; and sales tax revenues provided the \$15,000 city match.

Phase II of "J" Street Improvements replacing the asphalt street with concrete was completed using \$815,400 received in Federal Stimulus funds. The receipt of these funds frees up sales tax revenues in reserve for this phase, allowing projects in the One & Six Year Street Plan to be completed sooner than planned. Street improvements totaling \$292,222 were completed using sales tax revenues. The Council maintained the annual commitment of \$250,000 for the One & Six Year Street Plan Improvements.

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 local economic development plan was enacted in July 2008. The 1/2% generated \$727,000 in revenues. A portion of the LB840 funds were committed for funding of a \$1,120,000 bond to be used 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 20 sets of Self-Contained Breathing Apparatus. The total purchase price of this equipment was \$105,000.

Phase II of the Kelley Creek Walking Trail was completed through a grant from the Nebraska Game and Parks Commission in the amount of \$123,516. Cost of construction for the project was \$154,395. Local donations and committed city funds were used to meet the match requirement.

**CITY OF MCCOOK, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2009**

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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." The first location was up and running by the end of September 2006. Annual revenue for FY 08/09 was \$24,000.

The City's Professional Retail Operations Agreement with Nebraska Public Power leases its electric system to them for a term of not less than fifteen years and not more than twenty-five years with the city being paid 12% of the retail revenues. The current year's lease generated \$996,874. Of this amount, the City transferred \$325,000 to the Self-Insured Health Insurance Fund and \$671,874 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 \$31,710.

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 \$1,090 per month. This was an increase of \$100 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 \$140,000 to the City. With the increase in costs, a projected reserve of \$85,000 remains to cover a "worst-case year."

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

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

In October 2008, the sewer base rate was increased \$1.00 per month for residential users and \$1.55 per month for commercial users. No increase was made to the water rates or ready-to-serve fee. These rates are monitored and adjusted annually if necessary, to insure funds are available for payment of the State Revolving Loans for the sewer and water improvements and to offset any increases in operating costs.

**CITY OF MCCOOK, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2009**

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In October 2008, 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 \$1.32 per ton. These increases were necessary to offset increases in operating costs. Projected increases for 2009 are an additional \$1.50 per month for residential trash collection and \$2.00 per ton for the household/commercial disposal fee.

**Overview of the Financial Statements**

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

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

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

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

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

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

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

**CITY OF MCCOOK, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2009**

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

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

**Government-wide Financial Analysis**

**City of McCook's Net Assets**

	Year Ended September 30, 2009			Year Ended September 30, 2008		
	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	\$ 5,235,439	\$ 5,969,631	\$ 11,205,070	\$ 4,536,244	\$ 6,028,408	\$ 10,564,652
Capital Assets	9,661,950	23,745,262	33,407,212	8,141,877	24,176,246	32,318,123
Total Assets	<u>14,897,389</u>	<u>29,714,893</u>	<u>44,612,282</u>	<u>12,678,121</u>	<u>30,204,654</u>	<u>42,882,775</u>
Long-term Liabilities						
Outstanding	935,000	13,731,274	14,666,274	59,150	14,392,477	14,451,627
Other Liabilities	274,544	861,270	1,135,814	181,818	927,393	1,109,211
Total Liabilities	<u>1,209,544</u>	<u>14,592,544</u>	<u>15,802,088</u>	<u>240,968</u>	<u>15,319,870</u>	<u>15,560,838</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	8,563,053	10,420,158	18,983,211	8,012,818	10,180,545	18,193,363
Restricted	1,492,697	451,364	1,944,061	1,293,244	451,332	1,744,576
Unrestricted	3,632,095	4,250,827	7,882,922	3,131,091	4,252,907	7,383,998
Total Net Assets	<u>\$ 13,687,845</u>	<u>\$ 15,122,349</u>	<u>\$ 28,810,194</u>	<u>\$ 12,437,153</u>	<u>\$ 14,884,784</u>	<u>\$ 27,321,937</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 \$28,810,194.

Capital assets (land, infrastructure, buildings, streets, improvements, and equipment), less any debt issued to acquire these assets, comprise 65.9% of the City's net assets. Although these capital assets assist the City in providing services to its citizens, they are generally not available to fund the operations of future periods.

**CITY OF MCCOOK, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2009**

An additional 6.7% of the City's net assets are subject to external restrictions as to how they may be used. The remaining component of net assets (\$7,882,922) is the unrestricted net assets.

**Changes in Net Assets**

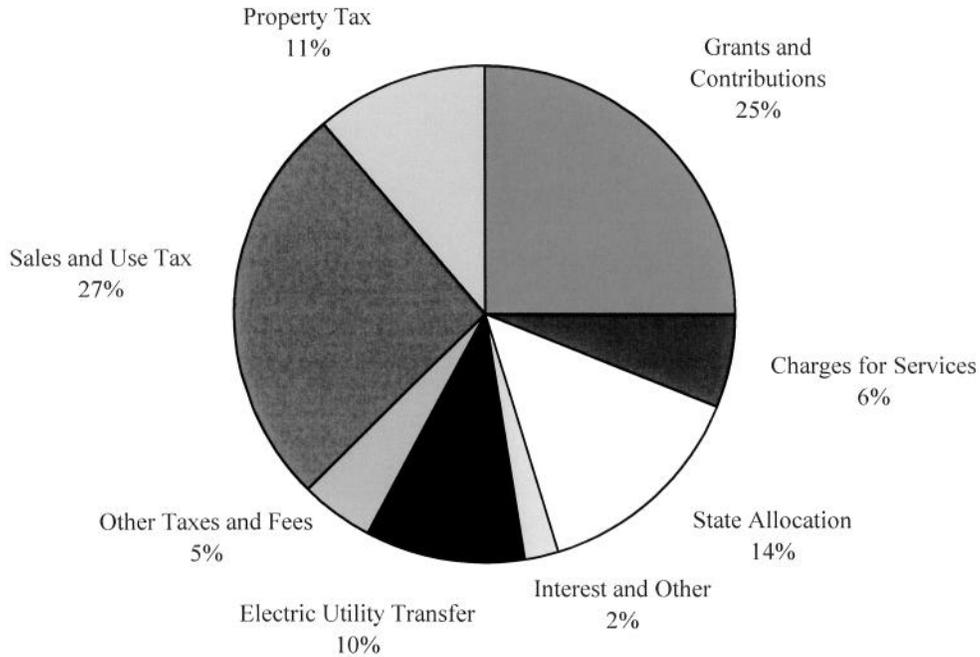
The following table presents a summary of revenues and expenses of the governmental and business-type activities:

	<u>September 30, 2009</u>			<u>September 30, 2008</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 496,637	\$ 5,275,237	\$ 5,771,874	\$ 465,823	\$ 5,180,483	\$ 5,646,306
Operating Grants and Contributions	929,916	-	929,916	575,347	-	575,347
Capital Grants and Contributions	1,141,214	91,163	1,232,377	236,849	25,518	262,367
General Revenues:						
Property Taxes	916,527	-	916,527	925,715	-	925,715
Sales and Use Taxes	2,181,593	-	2,181,593	1,546,506	-	1,546,506
Other Taxes and Fees	376,050	-	376,050	384,305	-	384,305
State Allocation	1,160,667	-	1,160,667	1,124,313	-	1,124,313
Interest Income	63,646	56,579	120,225	167,559	154,433	321,992
Other	120,424	-	120,424	76,122	-	76,122
Total Revenues	<u>7,386,674</u>	<u>5,422,979</u>	<u>12,809,653</u>	<u>5,502,539</u>	<u>5,360,434</u>	<u>10,862,973</u>
<b>Expenses</b>						
General Government	950,481	-	950,481	1,016,193	-	1,016,193
Economic Development	1,060,707	-	1,060,707	-	-	-
Public Safety	2,352,597	-	2,352,597	2,164,181	-	2,164,181
Public Works	1,074,640	-	1,074,640	930,784	-	930,784
Environment and Leisure	1,506,634	-	1,506,634	1,374,871	-	1,374,871
Interest Expense	43,547	-	43,547	6,161	-	6,161
Electric Utility	-	3,400	3,400	-	3,400	3,400
Water	-	1,991,292	1,991,292	-	1,963,223	1,963,223
Sewer	-	1,142,130	1,142,130	-	1,072,298	1,072,298
Solid Waste	-	1,195,968	1,195,968	-	1,202,878	1,202,878
Total Expenses	<u>6,988,606</u>	<u>4,332,790</u>	<u>11,321,396</u>	<u>5,492,190</u>	<u>4,241,799</u>	<u>9,733,989</u>
Increase in Net Assets						
Before Transfers	398,068	1,090,189	1,488,257	10,349	1,118,635	1,128,984
Net Transfers	<u>852,624</u>	<u>(852,624)</u>	<u>-</u>	<u>124,524</u>	<u>(124,524)</u>	<u>-</u>
Increase in Net Assets	<u>\$ 1,250,692</u>	<u>\$ 237,565</u>	<u>\$ 1,488,257</u>	<u>\$ 134,873</u>	<u>\$ 994,111</u>	<u>\$ 1,128,984</u>

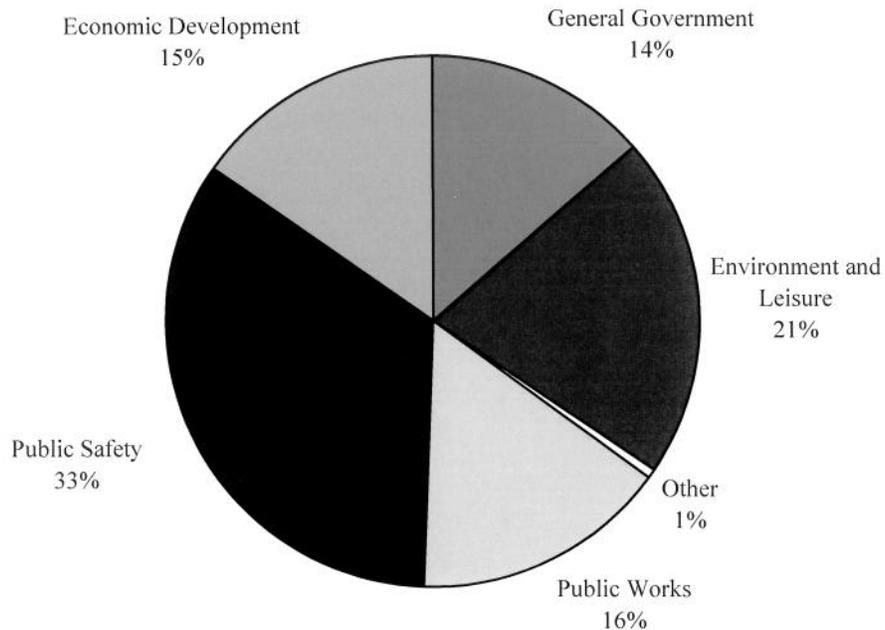
**CITY OF MCCOOK, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2009**

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**2009 Revenues by Source - Governmental Activities**



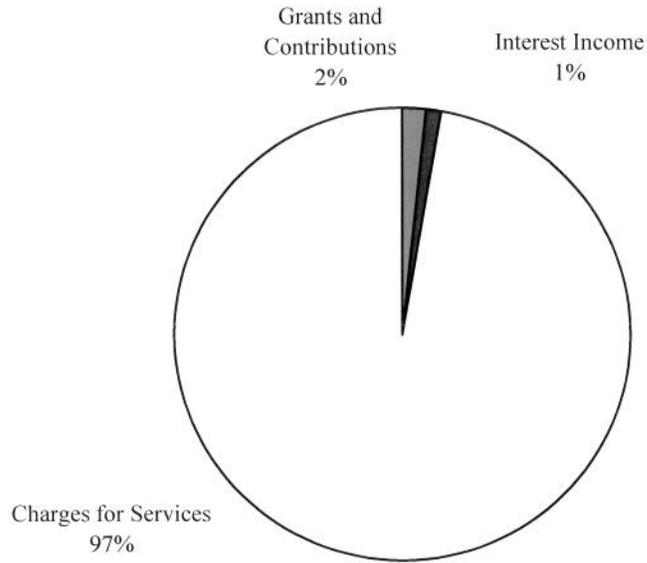
**2009 Expenses - Governmental Activities**



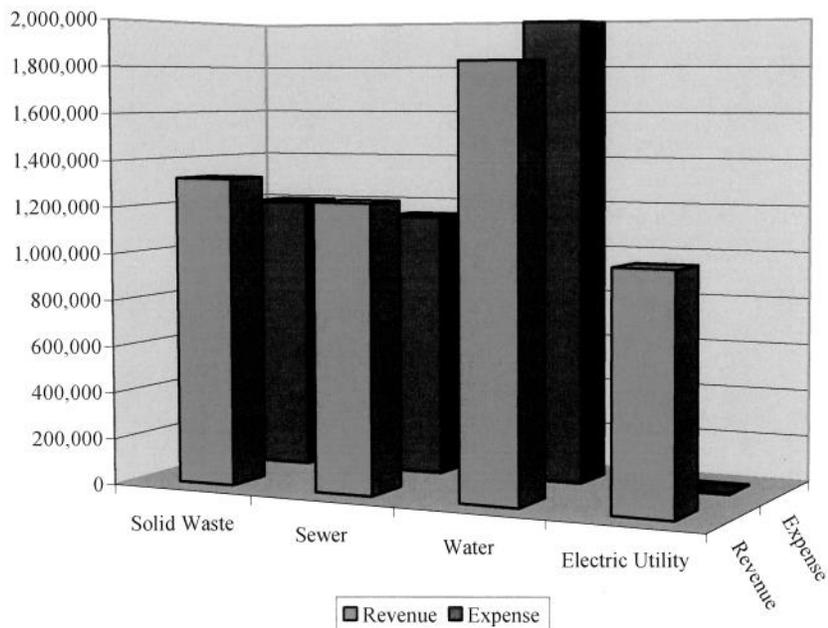
**CITY OF MCCOOK, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2009**

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**2009 Revenues by Source - Business-type Activities**



**2009 Expenses and Program Revenues - Business-type Activities**



**CITY OF MCCOOK, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2009**

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**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 \$4,736,352. Approximately 50.6 percent of this total amount (\$2,397,433) 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 (\$657,353), 2) to pay debt service (\$367,309), 3) to fund capital projects (\$741,912), 4) to fund perpetual care (\$124,296), 5) to fund pension plan contributions (\$33,261), 6) for community betterment (\$71,049), or 7) to fund economic development projects (\$343,739).

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 \$847,772, while total fund balance reached \$1,672,241. 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 18.1 percent of total General Fund expenditures, while total fund balance represents 35.8 percent of that same amount.

The fund balance of the City of McCook's General Fund decreased by \$459,954 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 - \$3,575,423, Sewer Fund - \$912,745, and Solid Waste Fund - deficit of \$(237,341). The growth (decrease) in net assets for the proprietary funds was as follows: Electric and Emergency Fund - decrease of \$(3,400), Water Fund - decrease of \$(179,041), Sewer Fund - \$338,599, and Solid Waste Fund - \$81,407. 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, 2009**

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**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, 2009.

**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, 2009, amounts to \$33,407,212 (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:

- Norris Park sidewalk replacement - \$48,815
- Jaycee Complex walkway - \$138,927
- Walking Trail - Phase II - \$153,373
- Public transit garage - \$75,769
- M Street drainage project - \$60,808
- Repaving J, K, and L Streets - \$276,097
- J Street improvement project - \$829,440
- B Street parking lot replacement - \$68,704
- Norris playground equipment - \$103,732
- 20 SCBA (fire department breathing apparatuses) - \$108,137
- Barnett fountains - \$31,950
- Guard/Reserve sewer line extension - \$183,886
- Excel EX 63 baler - \$72,993
- 2009 Water meter upgrades - \$48,359
- Guard/Reserve water line - \$98,079
- 2009 Deep injection well project - \$240,904

**CITY OF MCCOOK, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2009**

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

	<u>Year Ended September 30, 2009</u>			<u>Year Ended September 30, 2008</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	\$ 689,158	\$ 485,735	\$ 1,174,893	\$ 689,158	\$ 485,735	\$ 1,174,893
Infrastructure	4,462,839	-	4,462,839	3,205,276	-	3,205,276
Buildings and Improvements	2,733,242	4,281,049	7,014,291	2,452,604	4,389,970	6,842,574
Machinery and Equipment	59,263	785,050	844,313	74,675	835,039	909,714
Distribution Systems	-	18,193,428	18,193,428	-	18,465,502	18,465,502
Office Furniture and Equipment	808,279	-	808,279	722,495	-	722,495
Vehicles	909,169	-	909,169	997,669	-	997,669
<b>Total</b>	<u>\$ 9,661,950</u>	<u>\$ 23,745,262</u>	<u>\$ 33,407,212</u>	<u>\$ 8,141,877</u>	<u>\$ 24,176,246</u>	<u>\$ 32,318,123</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, 2009</u>			<u>Year Ended September 30, 2008</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	\$ 51,509	\$ -	\$ 51,509
E911 Note Payable	32,673	-	32,673	77,550	-	77,550
Economic Development Bonds	1,040,000	-	1,040,000	-	-	-
Sewer 1996 SRF Loan	-	99,643	99,643	-	122,755	122,755
Sewer 2000 SRF Loan	-	1,148,019	1,148,019	-	1,250,983	1,250,983
Sewer 2005 SRF Loan	-	3,741,744	3,741,744	-	4,060,000	4,060,000
Water 2005 SRF Loan	-	8,335,698	8,335,698	-	8,540,049	8,540,049
Caterpillar Note	-	-	-	-	21,914	21,914
<b>Total Long-term Outstanding Debt</b>	<u>\$ 1,098,897</u>	<u>\$ 13,325,104</u>	<u>\$ 14,424,001</u>	<u>\$ 129,059</u>	<u>\$ 13,995,701</u>	<u>\$ 14,124,760</u>

The City's long-term debt increased \$299,241 (2.1%) during the year ended September 30, 2009, as \$1,120,000 of Economic Development Bonds were issued.

Additional information on the City of McCook's long-term debt can be found in Note C5 on pages 47-54 of this report.

**CITY OF MCCOOK, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2009**

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**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.

All of these factors were considered in preparing the City of McCook's budget for the 2009 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, 2009**

	Primary Government		Total	Component Unit (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)		
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 4,806,012	\$ 4,731,294	\$ 9,537,306	\$ 67,343
County treasurer cash	60,774	-	60,774	1,531
Current portion of TIF receivables	8,097	-	8,097	162,509
Accounts receivable	-	72,874	72,874	-
Unbilled revenue	-	653,569	653,569	-
Due from other funds	-	30,646	30,646	-
Prepaid expenses	-	2,137	2,137	-
Inventory	-	113,667	113,667	-
<b>Total current assets</b>	<u>4,874,883</u>	<u>5,604,187</u>	<u>10,479,070</u>	<u>231,383</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	365,444	365,444	-
Noncurrent portion of TIF receivables	343,831	-	343,831	298,349
Repossessed land held for resale	16,725	-	16,725	-
Capital assets:				
Land	689,158	485,735	1,174,893	-
Other capital assets, net of depreciation	8,972,792	23,259,527	32,232,319	-
<b>Net capital assets</b>	<u>9,661,950</u>	<u>23,745,262</u>	<u>33,407,212</u>	<u>-</u>
<b>Total noncurrent assets</b>	<u>10,022,506</u>	<u>24,110,706</u>	<u>34,133,212</u>	<u>298,349</u>
<b>Total assets</b>	<u>14,897,389</u>	<u>29,714,893</u>	<u>44,612,282</u>	<u>529,732</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	-	73,295	73,295	-
Accrued expenses	-	106,604	106,604	-
Customer deposits	-	60,401	60,401	-
Accrued interest	-	107,369	107,369	-
Claims incurred not paid	80,000	-	80,000	-
Due to other funds	30,647	-	30,647	-
Current portion of long-term obligations	163,897	513,601	677,498	169,855
<b>Total current liabilities</b>	<u>274,544</u>	<u>861,270</u>	<u>1,135,814</u>	<u>169,855</u>
Noncurrent liabilities:				
Accrued landfill closure costs	-	915,070	915,070	-
Accrued deep well abandonment costs	-	4,701	4,701	-
Noncurrent portion of long-term obligations	935,000	12,811,503	13,746,503	298,349
<b>Total noncurrent liabilities</b>	<u>935,000</u>	<u>13,731,274</u>	<u>14,666,274</u>	<u>298,349</u>
<b>Total liabilities</b>	<u>1,209,544</u>	<u>14,592,544</u>	<u>15,802,088</u>	<u>468,204</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	8,563,053	10,420,158	18,983,211	-
Restricted for:				
Street improvements	657,353	-	657,353	-
Landfill postclosure	-	85,400	85,400	-
Deep injection well closure	-	70,514	70,514	-
Debt service	367,309	295,450	662,759	-
Economic development	343,739	-	343,739	-
Perpetual care	124,296	-	124,296	-
Unrestricted	3,632,095	4,250,827	7,882,922	61,528
<b>Total net assets</b>	<u>\$ 13,687,845</u>	<u>\$ 15,122,349</u>	<u>\$ 28,810,194</u>	<u>\$ 61,528</u>

See notes to financial statements.

**CITY OF MCCOOK, NEBRASKA**

**STATEMENT OF ACTIVITIES**

**For the year ended September 30, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Primary government:</b>			
<b>Governmental activities</b>			
<b>(modified cash basis):</b>			
General government	\$ 937,471	\$ 32,507	\$ 5,000
Economic development	1,060,707	-	351,928
Public safety	2,152,771	273,936	153,861
Public works	871,318	77,178	8,859
Environment and leisure	1,327,674	113,016	410,268
Depreciation - unallocated	595,118	-	-
Interest and fees on long-term debt	43,547	-	-
Total governmental activities	6,988,606	496,637	929,916
<b>Business-type activities</b>			
<b>(accrual basis):</b>			
Electric and emergency	3,400	996,874	-
Water	1,991,292	1,818,928	-
Sewer	1,142,130	1,229,545	-
Solid waste	1,195,968	1,229,890	-
Total business-type activities	4,332,790	5,275,237	-
<b>Total primary government</b>	\$ 11,321,396	\$ 5,771,874	\$ 929,916
<b>Component unit:</b>			
Community Redevelopment Authority	\$ 20,930	\$ -	\$ -

See notes to financial statements.

	Net (Expenses) Revenues and Changes in Net Assets			
	Primary Government			Component Unit (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	
Capital Grants and Contributions				
\$ -	\$ (899,964)		\$ (899,964)	
-	(708,779)		(708,779)	
117,358	(1,607,616)		(1,607,616)	
815,374	30,093		30,093	
208,482	(595,908)		(595,908)	
-	(595,118)		(595,118)	
-	(43,547)		(43,547)	
<u>1,141,214</u>	<u>(4,420,839)</u>	\$ -	<u>(4,420,839)</u>	
-	-	993,474	993,474	
-	-	(172,364)	(172,364)	
-	-	87,415	87,415	
<u>91,163</u>	<u>-</u>	<u>125,085</u>	<u>125,085</u>	
<u>91,163</u>	<u>-</u>	<u>1,033,610</u>	<u>1,033,610</u>	
\$ <u>1,232,377</u>	<u>(4,420,839)</u>	<u>1,033,610</u>	<u>(3,387,229)</u>	
\$ -				\$ (20,930)
General revenues:				
Taxes:				
Property	916,527	-	916,527	-
Motor vehicle	150,317	-	150,317	-
Payments in lieu of taxes	71,317	-	71,317	-
Occupation	37,098	-	37,098	-
Sales tax	2,181,593	-	2,181,593	-
Franchise	88,878	-	88,878	-
Special assessments	28,440	-	28,440	-
State allocation	1,160,667	-	1,160,667	-
TIF proceeds	-	-	-	20,859
Keno proceeds	24,002	-	24,002	-
Gain on sale of assets	38,592	-	38,592	-
Miscellaneous	57,830	-	57,830	-
Interest income	63,646	56,579	120,225	256
Net transfers	852,624	(852,624)	-	-
Total general revenues	<u>5,671,531</u>	<u>(796,045)</u>	<u>4,875,486</u>	<u>21,115</u>
Change in net assets	1,250,692	237,565	1,488,257	185
Net assets - September 30, 2008	<u>12,437,153</u>	<u>14,884,784</u>	<u>27,321,937</u>	<u>61,343</u>
Net assets - September 30, 2009	<u>\$ 13,687,845</u>	<u>\$ 15,122,349</u>	<u>\$ 28,810,194</u>	<u>\$ 61,528</u>

**CITY OF MCCOOK, NEBRASKA**

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

**September 30, 2009**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Economic Development Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,611,472	\$ 832,381	\$ 343,739
County treasurer cash	<u>60,769</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<b><u>\$ 1,672,241</u></b>	<b><u>\$ 832,381</u></b>	<b><u>\$ 343,739</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Fund balances:			
Reserved for:			
Capital projects	666,912	-	-
Street improvements	-	436,353	-
Economic development	-	-	343,739
Pension plan contributions	33,261	-	-
Perpetual care	124,296	-	-
Debt service	-	-	-
Community betterment	-	-	-
Unreserved	<u>847,772</u>	<u>396,028</u>	<u>-</u>
Total fund balances	<u>1,672,241</u>	<u>832,381</u>	<u>343,739</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,672,241</u></b>	<b><u>\$ 832,381</u></b>	<b><u>\$ 343,739</u></b>

See notes to financial statements.

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Grant Fund</u>	<u>Other Governmental Fund (Keno)</u>	<u>Total Governmental Funds</u>
\$ 397,951	\$ 1,339,589	\$ 110,044	\$ 71,049	\$ 4,706,225
5	-	-	-	60,774
<u>\$ 397,956</u>	<u>\$ 1,339,589</u>	<u>\$ 110,044</u>	<u>\$ 71,049</u>	<u>\$ 4,766,999</u>
\$ 30,647	\$ -	\$ -	\$ -	\$ 30,647
-	75,000	-	-	741,912
-	221,000	-	-	657,353
-	-	-	-	343,739
-	-	-	-	33,261
-	-	-	-	124,296
367,309	-	-	-	367,309
-	-	-	71,049	71,049
-	1,043,589	110,044	-	2,397,433
<u>367,309</u>	<u>1,339,589</u>	<u>110,044</u>	<u>71,049</u>	<u>4,736,352</u>
<u>\$ 397,956</u>	<u>\$ 1,339,589</u>	<u>\$ 110,044</u>	<u>\$ 71,049</u>	<u>\$ 4,766,999</u>

CITY OF MCCOOK, NEBRASKA

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

September 30, 2009

<b>Total fund balances - governmental funds</b>		\$ 4,736,352
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.		19,787
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 \$22,103,715 and the accumulated depreciation is \$12,441,765.		9,661,950
Repossessed land held for resale is not a financial resource and therefore is not reported as an asset in the governmental funds.		16,725
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:		
Notes payable	\$ (58,897)	
Bonds payable	<u>(1,040,000)</u>	<u>(1,098,897)</u>
<b>Total net assets - governmental activities</b>		<u><u>\$ 13,687,845</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, 2009**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Economic Development Fund</u>
<b>REVENUES</b>			
Taxes:			
Property	\$ 916,477	\$ -	\$ -
Motor vehicle	150,317	-	-
Payments in lieu of taxes	71,317	-	-
Occupation	37,098	-	-
Sales tax	583,785	143,395	363,617
Franchise	88,878	-	-
Special assessments	-	-	-
Intergovernmental	599,390	715,138	-
Grants	263,092	815,374	-
Keno proceeds	-	-	-
Charges for services	434,126	-	-
Contributions	173,378	-	-
Interest income	29,229	-	6,041
Insurance/sales proceeds	38,592	-	-
Bond proceeds	-	-	1,120,000
Other revenues	25,719	-	32,111
Total revenues	<u>3,411,398</u>	<u>1,673,907</u>	<u>1,521,769</u>
<b>EXPENDITURES</b>			
General government	885,060	-	-
Economic development	-	-	1,060,707
Public safety	1,897,726	-	-
Public works	294,067	526,792	-
Environment and leisure	1,138,793	-	-
Capital outlay	455,730	993,071	-
Principal payments on debt	-	25,285	80,000
Interest on long-term debt	-	2,525	11,923
Bond fees	-	-	25,400
Total expenditures	<u>4,671,376</u>	<u>1,547,673</u>	<u>1,178,030</u>
<b>Excess (deficiency) of     revenues over expenditures</b>	<b>(1,259,978)</b>	<b>126,234</b>	<b>343,739</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	812,874	-	-
Transfers out	(12,850)	(6,000)	-
Net transfers	<u>800,024</u>	<u>(6,000)</u>	<u>-</u>
<b>Net change in fund balances</b>	<b>(459,954)</b>	<b>120,234</b>	<b>343,739</b>
Fund balances - September 30, 2008	<u>2,132,195</u>	<u>712,147</u>	<u>-</u>
Fund balances - September 30, 2009	<u>\$ 1,672,241</u>	<u>\$ 832,381</u>	<u>\$ 343,739</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>
\$ 50	\$ -	\$ -	\$ -	\$ -	\$ 916,527
-	-	-	-	-	150,317
-	-	-	-	-	71,317
-	-	-	-	-	37,098
-	1,090,796	-	-	-	2,181,593
-	-	-	-	-	88,878
28,440	-	-	-	-	28,440
-	-	13,103	-	-	1,327,631
-	-	227,295	-	-	1,305,761
-	-	-	24,002	-	24,002
-	-	62,511	-	-	496,637
-	-	73,099	-	-	246,477
10,352	15,194	973	644	-	62,433
-	-	-	-	-	38,592
-	-	-	-	-	1,120,000
-	-	-	-	-	57,830
<u>38,842</u>	<u>1,105,990</u>	<u>376,981</u>	<u>24,646</u>	<u>-</u>	<u>8,153,533</u>
-	-	-	7,005	-	892,065
-	-	-	-	-	1,060,707
-	12,817	18,656	-	-	1,929,199
-	-	-	-	-	820,859
-	2,079	102,619	-	-	1,243,491
-	492,320	174,070	-	-	2,115,191
-	-	44,877	-	-	150,162
2,466	-	1,233	-	-	18,147
-	-	-	-	-	25,400
<u>2,466</u>	<u>507,216</u>	<u>341,455</u>	<u>7,005</u>	<u>-</u>	<u>8,255,221</u>
36,376	598,774	35,526	17,641	-	(101,688)
-	-	12,600	-	(12,600)	812,874
-	(300,000)	-	-	12,600	(306,250)
-	(300,000)	12,600	-	-	506,624
36,376	298,774	48,126	17,641	-	404,936
330,933	1,040,815	61,918	53,408	-	4,331,416
<u>\$ 367,309</u>	<u>\$ 1,339,589</u>	<u>\$ 110,044</u>	<u>\$ 71,049</u>	<u>\$ -</u>	<u>\$ 4,736,352</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, 2009**

<b>Total net change in fund balances - governmental funds</b>	\$ 404,936
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 (\$2,115,191) exceeds depreciation expense (\$595,118) in the period.	1,520,073
TIF receivables are not recognized in the governmental funds as revenue until the TIF proceeds are collected, but the revenue is accrued in the government-wide financial statements.	351,928
The decrease in net assets of the Internal Service Fund is included as a governmental activity in the statement of changes in net assets.	(56,407)
Issuance of bonds payable is reported as revenue in the governmental funds, but the issuance of bonds increases long-term liabilities in the statement of net assets.	(1,120,000)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>150,162</u>
<b>Change in net assets of governmental activities</b>	<u><u>\$ 1,250,692</u></u>

See notes to financial statements.

**CITY OF MCCOOK, NEBRASKA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

**September 30, 2009**

	Electric and Emergency Fund	Water Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ -	\$ 3,271,016
Accounts receivable	-	14,594
Unbilled revenue	-	353,794
Due from other funds	-	20,897
Prepaid expenses	-	800
Inventory	-	113,667
Total current assets	-	3,774,768
Noncurrent assets:		
Restricted cash and cash equivalents	-	231,815
Capital assets:		
Land	-	295,625
Distribution systems	170,000	18,693,419
Buildings and improvements	-	542,859
Tools and equipment	-	570,232
Accumulated depreciation	(105,400)	(5,787,634)
Net capital assets	64,600	14,314,501
Total noncurrent assets	64,600	14,546,316
<b>Total assets</b>	64,600	18,321,084
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	-	20,846
Sales tax payable	-	11,892
Claims incurred not paid	-	-
Accrued payroll	-	7,554
Accrued vacation	-	13,481
Accrued sick leave	-	9,173
Customer deposits	-	60,401
Accrued interest	-	70,777
Current portion of long-term obligations	-	226,647
Total current liabilities	-	420,771
Noncurrent liabilities:		
Accrued landfill postclosure costs	-	-
Accrued deep well abandonment costs	-	4,701
Noncurrent portion of long-term obligations	-	8,479,701
Total noncurrent liabilities	-	8,484,402
<b>Total liabilities</b>	-	8,905,173
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	64,600	5,608,153
Restricted for:		
Landfill postclosure	-	-
Deep injection well closure	-	70,514
Debt service	-	161,821
Unrestricted	-	3,575,423
<b>Total net assets</b>	\$ 64,600	\$ 9,415,911

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>
\$ 759,188	\$ 701,090	\$ 4,731,294	\$ 99,787
14,338	43,942	72,874	-
196,527	103,248	653,569	-
9,749	-	30,646	-
549	788	2,137	-
-	-	113,667	-
<u>980,351</u>	<u>849,068</u>	<u>5,604,187</u>	<u>99,787</u>
133,629	-	365,444	-
-	190,110	485,735	-
8,068,496	-	26,931,915	-
3,883,915	865,902	5,292,676	-
646,915	1,386,480	2,603,627	-
<u>(4,413,970)</u>	<u>(1,261,687)</u>	<u>(11,568,691)</u>	<u>-</u>
<u>8,185,356</u>	<u>1,180,805</u>	<u>23,745,262</u>	<u>-</u>
<u>8,318,985</u>	<u>1,180,805</u>	<u>24,110,706</u>	<u>-</u>
9,299,336	2,029,873	29,714,893	99,787
3,039	49,410	73,295	-
5,096	-	16,988	-
-	-	-	80,000
3,871	7,609	19,034	-
10,083	13,932	37,496	-
8,925	14,988	33,086	-
-	-	60,401	-
36,592	-	107,369	-
286,954	-	513,601	-
<u>354,560</u>	<u>85,939</u>	<u>861,270</u>	<u>80,000</u>
-	915,070	915,070	-
-	-	4,701	-
<u>4,331,802</u>	<u>-</u>	<u>12,811,503</u>	<u>-</u>
<u>4,331,802</u>	<u>915,070</u>	<u>13,731,274</u>	<u>-</u>
<u>4,686,362</u>	<u>1,001,009</u>	<u>14,592,544</u>	<u>80,000</u>
3,566,600	1,180,805	10,420,158	-
-	85,400	85,400	-
-	-	70,514	-
133,629	-	295,450	-
912,745	(237,341)	4,250,827	19,787
<u>\$ 4,612,974</u>	<u>\$ 1,028,864</u>	<u>\$ 15,122,349</u>	<u>\$ 19,787</u>

**CITY OF MCCOOK, NEBRASKA**

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

**For the year ended September 30, 2009**

	Electric and Emergency Fund	Water Fund
<b>Operating revenues:</b>		
Charges for services	\$ 996,874	\$ 1,767,184
Miscellaneous revenues	-	51,744
Total operating revenues	996,874	1,818,928
<b>Operating expenses:</b>		
Salaries and benefits	-	314,806
Insurance and bonds	-	41,320
Utilities and telephone	-	121,072
Repairs and maintenance	-	76,748
Contracted services	-	12,564
Supplies	-	11,102
Plant chemicals	-	207,993
Transportation	-	9,164
Professional fees	-	8,174
Sales tax	-	95,664
Miscellaneous	-	38,337
Depreciation	3,400	720,104
Insurance claims and health premiums	-	-
Total operating expenses	3,400	1,657,048
Operating income (loss)	993,474	161,880
<b>Nonoperating revenues (expenses):</b>		
Interest income	-	39,573
Interest expense	-	(245,524)
Loan fees	-	(88,720)
Grant revenue	-	-
Total nonoperating revenues (expenses)	-	(294,671)
Income (loss) before transfers	993,474	(132,791)
<b>Interfund transfers:</b>		
Transfers in	-	6,250
Transfers out	(996,874)	(52,500)
Net transfers	(996,874)	(46,250)
<b>Change in net assets</b>	(3,400)	(179,041)
Net assets - September 30, 2008	68,000	9,594,952
Net assets - September 30, 2009	\$ 64,600	\$ 9,415,911

See notes to financial statements.

Business-type Activities - Enterprise Funds

Sewer Fund	Solid Waste Fund	Total	Governmental Activities - Internal Service Fund
\$ 1,229,195	\$ 1,222,215	\$ 5,215,468	\$ 619,948
350	7,675	59,769	-
<u>1,229,545</u>	<u>1,229,890</u>	<u>5,275,237</u>	<u>619,948</u>
289,772	400,981	1,005,559	-
29,460	37,097	107,877	-
113,439	6,757	241,268	-
85,497	45,137	207,382	-
10,554	539,882	563,000	-
16,041	9,010	36,153	-
-	-	207,993	-
5,542	30,263	44,969	-
6,592	6,937	21,703	-
70,570	-	166,234	-
8,379	7,548	54,264	-
327,145	112,356	1,163,005	-
-	-	-	1,023,568
<u>962,991</u>	<u>1,195,968</u>	<u>3,819,407</u>	<u>1,023,568</u>
266,554	33,922	1,455,830	(403,620)
10,184	6,822	56,579	1,213
(129,356)	-	(374,880)	-
(49,783)	-	(138,503)	-
-	91,163	91,163	-
<u>(168,955)</u>	<u>97,985</u>	<u>(365,641)</u>	<u>1,213</u>
97,599	131,907	1,090,189	(402,407)
300,000	-	306,250	346,000
(59,000)	(50,500)	(1,158,874)	-
<u>241,000</u>	<u>(50,500)</u>	<u>(852,624)</u>	<u>346,000</u>
338,599	81,407	237,565	(56,407)
<u>4,274,375</u>	<u>947,457</u>	<u>14,884,784</u>	<u>76,194</u>
<u>\$ 4,612,974</u>	<u>\$ 1,028,864</u>	<u>\$ 15,122,349</u>	<u>\$ 19,787</u>

**CITY OF MCCOOK, NEBRASKA**

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS**

**For the year ended September 30, 2009**

	Electric and Emergency Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 996,874
Receipts from other funds	-
Payments to suppliers	-
Payments to employees	-
Net cash provided (used) by operating activities	996,874
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Transfers from other funds	-
Transfers to other funds	(996,874)
Net cash provided (used) by noncapital financing activities	(996,874)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of property and equipment	-
Grant proceeds received	-
Proceeds from issuance of capital debt	-
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	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	-
Increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents - beginning of the year	-
Cash and cash equivalents - end of the year	\$ -
<b>Composition of cash and cash equivalents:</b>	
Cash and cash equivalents	\$ -
Restricted cash and cash equivalents	-
Total cash and cash equivalents	\$ -

Business-type Activities - Enterprise Funds

<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 1,823,095	\$ 1,248,482	\$ 1,224,317	\$ 5,292,768	\$ 67,948
7,502	3,761	-	11,263	552,000
(637,505)	(377,028)	(679,803)	(1,694,336)	(1,013,568)
(323,738)	(294,394)	(410,887)	(1,029,019)	-
<u>869,354</u>	<u>580,821</u>	<u>133,627</u>	<u>2,580,676</u>	<u>(393,620)</u>
6,250	300,000	-	306,250	346,000
(52,500)	(59,000)	(50,500)	(1,158,874)	-
<u>(46,250)</u>	<u>241,000</u>	<u>(50,500)</u>	<u>(852,624)</u>	<u>346,000</u>
(430,914)	(208,544)	(92,563)	(732,021)	-
-	-	91,163	91,163	-
-	-	-	-	-
2,399	-	-	2,399	-
(220,373)	(428,310)	(21,914)	(670,597)	-
(247,368)	(132,132)	-	(379,500)	-
(88,720)	(49,783)	-	(138,503)	-
<u>(984,976)</u>	<u>(818,769)</u>	<u>(23,314)</u>	<u>(1,827,059)</u>	<u>-</u>
39,573	10,184	6,822	56,579	1,213
(122,299)	13,236	66,635	(42,428)	(46,407)
<u>3,625,130</u>	<u>879,581</u>	<u>634,455</u>	<u>5,139,166</u>	<u>146,194</u>
<u>\$ 3,502,831</u>	<u>\$ 892,817</u>	<u>\$ 701,090</u>	<u>\$ 5,096,738</u>	<u>\$ 99,787</u>
\$ 3,271,016	\$ 759,188	\$ 701,090	\$ 4,731,294	\$ 99,787
231,815	133,629	-	365,444	-
<u>\$ 3,502,831</u>	<u>\$ 892,817</u>	<u>\$ 701,090</u>	<u>\$ 5,096,738</u>	<u>\$ 99,787</u>

CITY OF MCCOOK, NEBRASKA

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS, Continued

For the year ended September 30, 2009

	<u>Electric and Emergency Fund</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 993,474
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	3,400
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>\$ 996,874</u>

See notes to financial statements.

Business-type Activities - Enterprise Funds

<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 161,880	\$ 266,554	\$ 33,922	\$ 1,455,830	\$ (403,620)
720,104	327,145	112,356	1,163,005	-
(1,036)	18,937	(5,573)	12,328	-
(14,492)	-	-	(14,492)	-
2,693	1,696	2,861	7,250	-
7,502	3,761	-	11,263	-
5,203	-	-	5,203	-
(3,568)	(32,650)	(33)	(36,251)	-
-	-	-	-	10,000
(8,932)	(4,622)	(9,906)	(23,460)	-
<u>\$ 869,354</u>	<u>\$ 580,821</u>	<u>\$ 133,627</u>	<u>\$ 2,580,676</u>	<u>\$ (393,620)</u>

**CITY OF MCCOOK, NEBRASKA**

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

**September 30, 2009**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	<u>\$ 57,980</u>
<b>LIABILITIES HELD FOR OTHERS</b>	
Held for other purposes	<u>\$ 57,980</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, 2009**

**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, 2009**

**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, 2009**

**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 5 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, 2009**

**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, 2009

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.

*Nonmajor:*

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, 2009**

**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, 2009**

**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, 2009**

**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, 2009**

**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.

**Repossessed Land Held for Resale**

This represents property which was deeded back to the City in settlement of the special assessments against it. The stated balance consists of special assessments principal, interest related to the assessment, property taxes paid by the City, and legal costs incurred on the property.

The City recorded a provision for the decline in the value of this asset to its net estimated realizable value. The asset value is stated net of this provision.

**CITY OF MCCOOK, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

**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, 2009

### 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 6 months thereafter, as well as taxes authorized by state law.

**CITY OF MCCOOK, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

**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 2008-2009 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, 2009**

**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, 2009**

**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 semiannual interest payments. The loan interest reserve was \$50,501 at September 30, 2009.
  - b) An amount equal to 1/6th of the next maturing semiannual principal payments. The loan principal reserve was \$83,128 at September 30, 2009.

*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, 2009

### 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 semiannual interest payments. The loan interest reserve was \$96,172 at September 30, 2009.
  - b) An amount equal to 1/6th of the next maturing semiannual principal payments. The loan principal reserve was \$65,649 at September 30, 2009.

#### 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, 2009**

**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, 2009. 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, 2009**

**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	\$ 10,699,949	\$ 446,141	\$ 10,253,808	\$ -	\$ <u>10,028,073</u>

Reconciliation to Government-wide Statement of Net Assets:

Primary Government –	
Unrestricted cash and cash equivalents	\$ 9,537,306
Restricted cash and cash equivalents	365,444
Fiduciary Funds –	
Agency Funds cash	57,980
Component Unit –	
Unrestricted cash and cash equivalents	<u>67,343</u>
	\$ <u>10,028,073</u>

**2. Restricted Assets**

The restricted assets as of September 30, 2009, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ <u>-</u>	\$ <u>365,444</u>	\$ <u>365,444</u>

The Water Fund has a \$69,994 escrow account that holds funds restricted for future closure costs on the deep injection well. Funds of \$133,629 are restricted in the Sewer Fund for future principal and interest payments. Funds of \$161,821 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, 2009, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 72,874
Unbilled revenue	<u>653,569</u>
Total accounts receivable	\$ <u>726,443</u>

**CITY OF MCCOOK, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

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

**4. Capital Assets**

Capital asset activity for the year ended September 30, 2009, was as follows:

	Balance at October 1, <u>2008</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2009</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 689,158	\$ -	\$ -	\$ 689,158
Other capital assets being depreciated:				
Infrastructure	5,243,206	1,422,790	-	6,665,996
Buildings and improvements	9,087,856	374,231	-	9,462,087
Machinery and equipment	572,592	11,468	(39,000)	545,060
Furniture and equipment	1,669,281	245,913	-	1,915,194
Vehicles	2,765,431	60,789	-	2,826,220
Total other capital assets at historical cost	<u>19,338,366</u>	<u>2,115,191</u>	<u>(39,000)</u>	<u>21,414,557</u>
Less accumulated depreciation for:				
Infrastructure	(2,037,930)	(165,227)	-	(2,203,157)
Buildings and improvements	(6,635,252)	(93,593)	-	(6,728,845)
Machinery and equipment	(497,917)	(26,880)	39,000	(485,797)
Furniture and equipment	(946,787)	(160,128)	-	(1,106,915)
Vehicles	(1,767,761)	(149,290)	-	(1,917,051)
Total accumulated depreciation	<u>(11,885,647)</u>	<u>(595,118) *</u>	<u>39,000</u>	<u>(12,441,765)</u>
Other capital assets, net	<u>7,452,719</u>	<u>1,520,073</u>	<u>-</u>	<u>8,972,792</u>
Governmental activities capital assets, net	<u>\$ 8,141,877</u>	<u>\$ 1,520,073</u>	<u>\$ -</u>	<u>\$ 9,661,950</u>

\* Depreciation expense was incurred by the following governmental activities:

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

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

4. Capital Assets, continued

General Fund:

General government:

Administration \$ 13,010

Public safety:

Fire 55,741  
Civil defense 9,645  
Ambulance 93,265  
Police 41,175  
Total public safety 199,826

Public works:

Cemetery 19,574

Environment and leisure:

Airport 64,874  
Library 5,914  
Parks 36,527  
Ball Park 20,767  
Pool 9,796  
Auditorium 11,995  
Senior Center 29,087  
Total environment and leisure 178,960

Total General Fund 411,370

Special Revenue Funds:

Street 183,748

Total Governmental Activities depreciation expense \$ 595,118

**CITY OF MCCOOK, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

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

**4. Capital Assets, continued**

	Balance at October 1, <u>2008</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2009</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 485,735	\$ -	\$ -	\$ 485,735
Other capital assets being depreciated:				
Distribution systems	26,351,760	580,155	-	26,931,915
Buildings and improvements	5,268,018	24,658	-	5,292,676
Machinery and equipment	2,476,418	127,209	-	2,603,627
Total other capital assets at historical cost	34,096,196	732,022	-	34,828,218
Less accumulated depreciation for:				
Distribution systems	(7,886,258)	(852,229)	-	(8,738,487)
Buildings and improvements	(878,048)	(133,579)	-	(1,011,627)
Machinery and equipment	(1,641,379)	(177,198)	-	(1,818,577)
Total accumulated depreciation	(10,405,685)	(1,163,006) *	-	(11,568,691)
Other capital assets, net	23,690,511	(430,984)	-	23,259,527
Business-type capital assets, net	\$ 24,176,246	\$ (430,984)	\$ -	\$ 23,745,262

\* Depreciation expense was charged to functions as follows:

Electric and Emergency	\$ 3,400
Water	720,105
Sewer	327,145
Solid Waste	112,356
Total Business-type Activities depreciation expense	\$ 1,163,006

**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, 2009**

**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, 2009:

<u>Type of Debt</u>	Balance October 1, 2008	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2009	Amounts Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Notes payable	\$ 129,059	\$ -	\$ (70,162)	\$ 58,897	\$ 58,897
Bonds payable	-	1,120,000	(80,000)	1,040,000	105,000
Total Governmental Activities	<u>\$ 129,059</u>	<u>\$ 1,120,000</u>	<u>\$ (150,162)</u>	<u>\$ 1,098,897</u>	<u>\$ 163,897</u>
<b>Business-type Activities:</b>					
Notes payable	\$ 13,995,701	\$ -	\$ (670,597)	\$ 13,325,104	\$ 513,601
Deep well abandonment costs	2,302	2,399	-	4,701	-
Landfill closure costs	915,070	-	-	915,070	-
Total Business-type Activities	<u>\$ 14,913,073</u>	<u>\$ 2,399</u>	<u>\$ (670,597)</u>	<u>\$ 14,244,875</u>	<u>\$ 513,601</u>
<b>Component Unit:</b>					
Notes payable	<u>\$ 663,856</u>	<u>\$ -</u>	<u>\$ (195,652)</u>	<u>\$ 468,204</u>	<u>\$ 169,855</u>

**Governmental Activities**

As of September 30, 2009, 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.

\$ 26,224

**CITY OF MCCOOK, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

**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.

32,673

Total governmental activities notes payable

58,897

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 semiannual payments on September 15 and March 15.

1,040,000

Total governmental activities long-term debt

\$ 1,098,897

Current portion

\$ 163,897

Noncurrent portion

935,000

Total

\$ 1,098,897

**Business-type Activities**

As of September 30, 2009, the long-term debt payable from proprietary fund resources consisted of the following:

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2009

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 semiannual principal and interest payments of \$13,311 through June 15, 2013. The notes bear interest of 3.0%. \$ 99,643

\$1,712,600 of Sewer DEQ Notes Payable, due in semiannual principal and interest payments of \$69,864 commencing June 15, 2001, through December 15, 2018. The notes bear interest of 3.0%. 1,148,019

\$4,200,000 of Sewer DEQ Notes Payable, due in semiannual 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.) 3,741,744

Water Notes Payable:

\$9,922,000 of Water DEQ Notes Payable. The notes will be due in semiannual principal and interest payments of \$221,026 commencing December 15, 2006, through June 15, 2036. The notes bear interest of 2.80%. 8,335,698

Total business-type activity notes payable \$ 13,325,104

Current portion \$ 513,601

Noncurrent portion 12,811,503

Total \$ 13,325,104

**CITY OF MCCOOK, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

**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, 2009, are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities		
	Notes and Bonds Payable Principal	Interest	Principal	Notes Payable Interest	Fees
2010	\$ 163,897	\$ 35,560	\$ 513,601	\$ 364,617	\$ 133,476
2011	105,000	30,843	527,819	350,400	128,305
2012	110,000	28,532	542,432	335,787	122,990
2013	110,000	25,783	557,451	320,767	117,528
2014	115,000	22,647	546,067	305,530	111,982
2015-2019	495,000	49,340	2,895,412	1,293,272	474,341
2020-2024	-	-	2,638,046	921,301	336,701
2025-2029	-	-	2,311,932	557,781	200,676
2030-2034	-	-	1,938,337	271,924	97,116
2035-2039	-	-	854,007	30,098	10,749
	<u>\$ 1,098,897</u>	<u>\$ 192,705</u>	<u>\$ 13,325,104</u>	<u>\$ 4,751,477</u>	<u>\$ 1,733,864</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, 2009. 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, 2009**

**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, 2009, of \$69,994 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 \$4,701 at September 30, 2009.

**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 5 percent and are payable semiannually beginning June 1, 2000, through December 1, 2012.

The estimated payable to Valmont Industries, Inc., is calculated to be approximately \$438,469, equal to the September 30, 2009, 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 \$25,178 as of September 30, 2009. The payable balance was calculated by taking the September 30, 2009, note receivable balance of \$19,374 plus previous years' interest and collections not yet remitted to Retro totaling \$5,804.

## CITY OF MCCOOK, NEBRASKA

### NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2009

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

##### 5. Long-term Debt, continued

###### Note Payable – McCook Community Development Company

On October 12, 1999, the Authority issued a note for Tax Increment Financing to the McCook Community Development Company, LLC, to reimburse them for certain costs and to keep the lease cost within a reasonable range. The estimated annual payment is \$3,400 per year. The current value of the note was calculated based on a 6.95% interest rate over the remaining year.

The estimated payable to McCook Community Development Company, LLC, is calculated to be approximately \$4,557. The payable balance was calculated by taking the September 30, 2009, note receivable balance of \$3,015 plus previous years' interest and collections not yet remitted to McCook Community Development Company, LLC, totaling \$4,557.

###### 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, 2009, the balance of the note receivable was \$438,469.

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, 2009, the balance of the note receivable was \$19,374.

McCook Community Development Company, LLC – An agreement was entered into with the Community Redevelopment Authority for the purchase and renovation of a building to lease to a company for a telemarketing center. The project will create an increase in the property valuation of approximately \$262,635. The Authority will receive the incremental real estate taxes paid by the company in accordance with the Redevelopment Agreement, which will then be paid back to the company to retire the related note payable as shown above. At September 30, 2009, the balance of the note receivable was \$3,015.

**CITY OF MCCOOK, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

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

**5. Long-term Debt, continued**

Notes Receivable – Tax Increment Financing, continued

Estimated future receivables and payables under TIF agreements were as follows as of September 30, 2009:

	<u>TIF Receivable</u>	<u>TIF Payable</u>
Valmont Industries, Inc.	\$ 438,469	\$ 438,469
Retro Development of Nebraska, Inc.	19,374	25,178
McCook Community Development Company	<u>3,015</u>	<u>4,557</u>
	<u>\$ 460,858</u>	<u>\$ 468,204</u>
Current portion	\$ 162,509	\$ 169,855
Noncurrent portion	<u>298,349</u>	<u>298,349</u>
	<u>\$ 460,858</u>	<u>\$ 468,204</u>

**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, 2009.

**7. Interfund Transactions and Balances**

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Electric and Emergency	\$ 650,874	\$ -
Water	52,500	( 6,250)
Sewer	59,000	-
Solid Waste	50,500	-
Grants	<u>-</u>	<u>( 6,600)</u>
Total General Fund	812,874	( 12,850)

**CITY OF MCCOOK, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

**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>
Internal Service Fund:		
Electric	346,000	-
Grant Fund:		
General	6,600	-
Street	<u>6,000</u>	<u>-</u>
Total Grant Fund	12,600	-
Street Fund:		
Grant	-	( 6,000)
Capital Projects Fund:		
Sewer	-	( 300,000)
Water Fund:		
General	6,250	( 52,500)
Electric Fund:		
Internal Service Fund	-	( 346,000)
General	<u>-</u>	<u>( 650,874)</u>
Total Electric Fund	-	( 996,874)
Sewer Fund:		
General	-	( 59,000)
Capital Projects	<u>300,000</u>	<u>-</u>
Total Sewer Fund	300,000	( 59,000)
Solid Waste Fund:		
General	<u>-</u>	<u>( 50,500)</u>
Total Operating Transfers	\$ <u>1,477,724</u>	\$ <u>(1,477,724)</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, 2009, the Debt Service Fund owed \$20,897 to the Water Fund and owed \$9,749 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, 2009**

**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, 2009, was \$1,869,165 and \$1,630,070, respectively. All contributions, including \$118,065 in employee contributions and \$97,229 in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2009.

The Public Employee Plan, which is administered by CPI Qualified Plan Consultants, Inc., had plan assets with a market value of \$1,883,339 at September 30, 2009.

**CITY OF MCCOOK, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

**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 or \$7,500 per plan year. 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 \$96,371 in the year ended September 30, 2009. All contributions, including \$12,155 in employee contributions and \$5,782 in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2009.

**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, 2009, was \$1,110,479 and \$1,095,525, respectively. All contributions, including \$41,966 and \$25,746, respectively, in employee contributions and \$41,966 and \$51,493, respectively, in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2009. 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, 2009.

The policemen and firemen plans had plan assets with a market value of \$1,080,608 and \$894,379, respectively, at September 30, 2009.

**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, 2009

### 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, 2009, 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, 2009.

**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, 2009, 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, 2009.

#### 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, 2009, will not be significant to the City's financial statements.

**CITY OF MCCOOK, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

**NOTE D – OTHER NOTES, continued**

**3. Commitments and Contingencies, continued**

**Construction and Commitments**

As of September 30, 2009, 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>
West J Street Paving Project	\$ 951,225	\$ 765,146	\$ 186,079	Year ending September 30, 2010

**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.

**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, 2009, future lease obligations are as follows:

<u>Year Ended September 30,</u>	<u>Lease Commitments</u>
2010	\$ 21,442
2011	20,227
2012	19,786
2013	15,257
2014	9,576
Thereafter	<u>25,720</u>
	<u>\$ 112,008</u>

Total rent expense was \$27,205 for the year ended September 30, 2009.

**CITY OF MCCOOK, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

**NOTE D – OTHER NOTES, continued**

**4. Interlocal Agreements**

The City has the following interlocal agreements in effect as of September 30, 2009:

<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

**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 29, 2009, 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, 2009**

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
<b>RESOURCES (INFLOWS)</b>			
Taxes:			
Property	\$ 927,558	\$ 916,477	\$ (11,081)
Motor vehicle	120,000	150,317	30,317
Payments in lieu of taxes	65,000	71,317	6,317
Occupation	23,000	37,098	14,098
Franchise	80,000	88,878	8,878
Sales	560,000	583,785	23,785
Intergovernmental	565,700	599,390	33,690
Grants	397,360	263,092	(134,268)
Charges for services	311,430	434,126	122,696
Interest income	50,000	29,229	(20,771)
Contributions	84,100	173,378	89,278
Insurance/sales proceeds	-	38,592	38,592
Other	110,000	25,719	(84,281)
Total resources	<u>3,294,148</u>	<u>3,411,398</u>	<u>117,250</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
General government:			
Administrative	502,637	448,691	(53,946)
Publicity	9,850	10,209	359
City Council	485,600	110,650	(374,950)
Health Operating	320,000	320,000	-
Total general government	<u>1,318,087</u>	<u>889,550</u>	<u>(428,537)</u>
Public safety:			
Fire	846,866	751,092	(95,774)
Ambulance	75,150	59,104	(16,046)
Police	1,408,902	1,248,147	(160,755)
Civil defense	48,980	46,688	(2,292)
Total public safety	<u>2,379,898</u>	<u>2,105,031</u>	<u>(274,867)</u>
Public works:			
Building and zoning	43,720	46,663	2,943
Street lights	110,850	115,346	4,496
Cemetery	143,520	146,123	2,603
Total public works	<u>298,090</u>	<u>308,132</u>	<u>10,042</u>
Environment and leisure:			
Public transportation	85,621	76,485	(9,136)
Senior Center	329,939	382,726	52,787
Library	288,479	278,827	(9,652)
Parks	236,063	225,911	(10,152)
Ballparks	139,471	158,486	19,015
Auditorium	51,715	50,569	(1,146)
Pool	93,400	79,047	(14,353)
Airport	132,063	116,612	(15,451)
Total environment and leisure	<u>1,356,751</u>	<u>1,368,663</u>	<u>11,912</u>
Total charges to appropriations	<u>5,352,826</u>	<u>4,671,376</u>	<u>(681,450)</u>

**CITY OF MCCOOK, NEBRASKA**

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

**Year ended September 30, 2009**

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
Resources over (under) charges to appropriations	(2,058,678)	(1,259,978)	798,700
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	817,500	812,874	(4,626)
Transfers out	-	(12,850)	(12,850)
Net transfers	<u>817,500</u>	<u>800,024</u>	<u>(17,476)</u>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ (1,241,178)</u>	<u>\$ (459,954)</u>	<u>\$ 781,224</u>

**CITY OF MCCOOK, NEBRASKA**

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

**Year ended September 30, 2009**

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
<b>RESOURCES (INFLOWS)</b>			
Sales Tax	\$ 100,000	\$ 143,395	\$ 43,395
Intergovernmental	661,000	715,138	54,138
Grants	-	815,374	815,374
	<hr/>	<hr/>	<hr/>
Total resources	761,000	1,673,907	912,907
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Public works	766,980	526,792	(240,188)
Capital outlay	130,000	993,071	863,071
Principal payments on debt	-	25,285	25,285
Interest on long-term debt	-	2,425	2,425
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	896,980	1,547,573	650,593
Resources over (under) charges to appropriations	(135,980)	126,334	262,314
<b>OTHER FINANCING USES</b>			
Transfers out	(6,000)	(6,000)	-
	<hr/>	<hr/>	<hr/>
<b>RESOURCES AND OTHER FINANCING USES OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ (141,980)</u>	<u>\$ 120,334</u>	<u>\$ 262,314</u>

**CITY OF MCCOOK, NEBRASKA**

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

**Year ended September 30, 2009**

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
<b>RESOURCES (INFLOWS)</b>			
Sales tax	\$ 330,000	\$ 363,617	\$ 33,617
Interest income	-	6,041	6,041
Bond proceeds	-	1,120,000	1,120,000
Other	-	32,111	32,111
Total resources	<u>330,000</u>	<u>1,521,769</u>	<u>1,191,769</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Economic development	330,000	1,060,707	730,707
Principal payments	-	80,000	80,000
Interest expense	-	11,923	11,923
Bond fees	-	25,400	25,400
Total charges to appropriations	<u>330,000</u>	<u>1,178,030</u>	<u>848,030</u>
<b>RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ -</u>	<u>\$ 343,739</u>	<u>\$ 343,739</u>

**CITY OF MCCOOK, NEBRASKA**

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

**Year ended September 30, 2009**

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Sales tax	\$ 990,000	\$ 1,090,796	\$ 100,796
Interest income	12,000	15,194	3,194
Total resources	<u>1,002,000</u>	<u>1,105,990</u>	<u>103,990</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Public safety	-	12,817	12,817
Environment and leisure	-	2,079	2,079
Capital projects	840,000	492,320	(347,680)
Total charges to appropriations	<u>840,000</u>	<u>507,216</u>	<u>(332,784)</u>
Resources over charges to appropriations	162,000	598,774	436,774
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(150,000)</u>	<u>(300,000)</u>	<u>(150,000)</u>
<b>RESOURCES AND OTHER FINANCING USES OVER CHARGES TO APPROPRIATIONS</b>	<u>\$ 12,000</u>	<u>\$ 298,774</u>	<u>\$ 286,774</u>

**CITY OF MCCOOK, NEBRASKA**

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

**Year ended September 30, 2009**

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Intergovernmental	\$ -	\$ 13,103	\$ 13,103
Grants	1,302,620	227,295	(1,075,325)
Charges for services	70,000	62,511	(7,489)
Contributions	39,279	73,099	33,820
Interest income	-	973	973
Total resources	<u>1,411,899</u>	<u>376,981</u>	<u>(1,034,918)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Public safety	98,729	18,656	(80,073)
Environment and leisure	130,612	102,619	(27,993)
Capital outlay	1,196,855	174,070	(1,022,785)
Principal payments on debt	-	44,877	44,877
Interest on long-term debt	-	1,233	1,233
Total charges to appropriations	<u>1,426,196</u>	<u>341,455</u>	<u>(1,084,741)</u>
Resources over (under) charges to appropriations	(14,297)	35,526	49,823
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>12,600</u>	<u>12,600</u>	<u>-</u>
<b>RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ (1,697)</u>	<u>\$ 48,126</u>	<u>\$ 49,823</u>

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF MCCOOK, NEBRASKA**

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

**Year ended September 30, 2009**

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
<b>RESOURCES (INFLOWS)</b>			
Property tax	\$ 3	\$ 50	\$ 47
Interest	9,000	10,352	1,352
Special assessments	26,000	28,440	2,440
Total resources	<u>35,003</u>	<u>38,842</u>	<u>3,839</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Capital outlay	310,566	-	(310,566)
Interest expense	11,000	2,466	(8,534)
Other	2,141	-	(2,141)
Total charges to appropriations	<u>323,707</u>	<u>2,466</u>	<u>(321,241)</u>
<b>RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ (288,704)</u>	<u>\$ 36,376</u>	<u>\$ 325,080</u>

CITY OF MCCOOK, NEBRASKA

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

September 30, 2009

	Special <u>Fire</u>	Senior Center <u>Contributions</u>	<u>School</u>
<b>ASSETS</b>			
Cash	<u>\$ 2,288</u>	<u>\$ 36,455</u>	<u>\$ 264</u>
<b>LIABILITIES HELD FOR OTHERS</b>			
Held in trust for other purposes	<u>\$ 2,288</u>	<u>\$ 36,455</u>	<u>\$ 264</u>

<u>Library Memorial</u>	<u>Von Reissen Library</u>	<u>McCook Volunteer Fire and Rescue</u>	<u>Ambulance</u>	<u>Public Works</u>	<u>Police/ DARE</u>	<u>Total Agency Funds</u>
<u>\$ 10,075</u>	<u>\$ 1,419</u>	<u>\$ 2,958</u>	<u>\$ 975</u>	<u>\$ 2,435</u>	<u>\$ 1,111</u>	<u>\$ 57,980</u>
<u>\$ 10,075</u>	<u>\$ 1,419</u>	<u>\$ 2,958</u>	<u>\$ 975</u>	<u>\$ 2,435</u>	<u>\$ 1,111</u>	<u>\$ 57,980</u>

**CITY OF MCCOOK, NEBRASKA**

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

**Year ended September 30, 2009**

	<u>Administrative</u>	<u>Publicity</u>	<u>Auditorium</u>	<u>City Council</u>	<u>Police</u>
<b>REVENUES</b>					
Taxes:					
General property tax	\$ 916,477	\$ -	\$ -	\$ -	\$ -
Motor vehicle tax	150,317	-	-	-	-
Payments in lieu of taxes	71,317	-	-	-	-
Occupation tax	37,098	-	-	-	-
Franchise	88,878	-	-	-	-
Sales	583,785	-	-	-	-
Intergovernmental revenue:					
State assistance	417,566	-	-	-	-
County assistance	-	-	-	-	34,730
Rural fire reimbursements	-	-	-	-	-
School resource officer reimbursement	-	-	-	-	56,000
Licenses and permits	1,400	-	-	-	-
Rental and fees	31,107	-	-	-	4,005
Admission fees and concessions	-	-	-	-	-
Grants	-	-	-	-	14,900
Contributions	5,000	-	-	-	-
Interest income	27,945	-	-	-	-
Insurance/sale proceeds	38,592	-	-	-	-
Other receipts	25,719	-	-	-	-
Total revenues	<u>2,395,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,635</u>
<b>EXPENDITURES</b>					
Personnel services:					
Salaries and benefits	293,067	-	10,363	9,608	1,033,891
Operating expenses:					
Insurance	3,486	-	6,989	2,139	46,268
Interlocal agreement	-	-	-	37,793	-
Contract services	14,001	1,440	195	-	2,018
Professional fees	47,730	-	-	-	1,079
Meetings, seminars, and dues	14,093	842	-	3,061	14,375
Repairs and maintenance	14,556	-	4,249	31,101	34,122
Printing, postage, and publications	8,679	-	-	-	-
Transportation	5,130	-	-	3,378	25,248
Utilities and telephone	8,343	-	19,084	-	16,645
Total operating expenses	<u>116,018</u>	<u>2,282</u>	<u>30,517</u>	<u>77,472</u>	<u>139,755</u>
Supplies	10,274	2,111	-	-	5,706
Other expenses	23,419	1,326	56	23,570	28,665
Capital outlay	-	4,490	9,633	-	40,130
Total expenditures	<u>442,778</u>	<u>10,209</u>	<u>50,569</u>	<u>110,650</u>	<u>1,248,147</u>
Excess (deficiency) of revenues over expenditures before transfers	1,952,423	(10,209)	(50,569)	(110,650)	(1,138,512)
<b>TRANSFERS FROM (TO)</b>					
<b>OTHER FUNDS</b>	<u>812,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AFTER TRANSFERS</b>	<u>\$ 2,765,297</u>	<u>\$ (10,209)</u>	<u>\$ (50,569)</u>	<u>\$ (110,650)</u>	<u>\$ (1,138,512)</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	3,798	-	-
-	-	-	-	-	-	-
63,131	-	-	-	-	-	-
-	-	-	31,443	-	-	2,010
4,200	203,220	-	-	8,506	-	35,325
-	-	-	-	-	-	-
102,458	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>169,789</u>	<u>203,220</u>	<u>-</u>	<u>31,443</u>	<u>12,304</u>	<u>-</u>	<u>37,335</u>
508,415	-	-	38,499	167,361	-	73,796
43,930	3,381	310	3,629	4,903	326	5,539
-	-	-	-	-	-	-
2,728	29,079	-	1,034	-	-	-
-	-	-	514	-	-	-
8,048	3,040	295	100	90	-	-
24,265	7,247	160	788	8,468	845	13,868
-	182	-	58	1,485	-	-
8,984	6,815	-	518	969	-	1,874
13,366	1,554	7,476	1,361	25,030	114,175	29,349
<u>101,321</u>	<u>51,298</u>	<u>8,241</u>	<u>8,002</u>	<u>40,945</u>	<u>115,346</u>	<u>50,630</u>
4,286	2,782	-	162	7,492	-	7,552
9,388	3,978	-	-	53,633	-	80
<u>127,682</u>	<u>1,046</u>	<u>38,447</u>	<u>-</u>	<u>9,396</u>	<u>-</u>	<u>14,065</u>
<u>751,092</u>	<u>59,104</u>	<u>46,688</u>	<u>46,663</u>	<u>278,827</u>	<u>115,346</u>	<u>146,123</u>
(581,303)	144,116	(46,688)	(15,220)	(266,523)	(115,346)	(108,788)
<u>(6,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (587,553)</u>	<u>\$ 144,116</u>	<u>\$ (46,688)</u>	<u>\$ (15,220)</u>	<u>\$ (266,523)</u>	<u>\$ (115,346)</u>	<u>\$ (108,788)</u>

**CITY OF MCCOOK, NEBRASKA**

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

**Year ended September 30, 2009**

	<u>Parks</u>	<u>Ballparks</u>	<u>Pool</u>	<u>Airport</u>
<b>REVENUES</b>				
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	-	-	-	86,567
Admission fees and concessions	-	-	17,703	-
Grants	-	-	-	-
Contributions	1,541	-	-	-
Interest income	-	-	-	-
Insurance/sales proceeds	-	-	-	-
Other receipts	-	-	-	-
Total revenues	<u>1,541</u>	<u>-</u>	<u>17,703</u>	<u>86,567</u>
<b>EXPENDITURES</b>				
Personnel services:				
Salaries and benefits	84,704	36,273	44,828	43,353
Operating expenses:				
Insurance	7,221	4,062	3,691	15,983
Interlocal agreement	-	-	-	-
Contract services	-	-	-	103
Professional fees	540	-	-	786
Meetings, seminars, and dues	761	-	-	35
Repairs and maintenance	26,583	25,230	2,431	20,640
Printing, postage, and publications	-	-	-	-
Transportation	2,367	361	-	1,630
Utilities and telephone	28,777	13,980	6,061	20,245
Total operating expenses	<u>66,249</u>	<u>43,633</u>	<u>12,183</u>	<u>59,422</u>
Supplies	8,241	3,563	18,357	1,439
Other expenses	411	1,416	3,679	11,378
Capital outlay	66,306	73,601	-	1,020
Total expenditures	<u>225,911</u>	<u>158,486</u>	<u>79,047</u>	<u>116,612</u>
Excess (deficiency) of revenues over expenditures before transfers	(224,370)	(158,486)	(61,344)	(30,045)
<b>TRANSFERS FROM (TO) OTHER FUNDS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,600)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AFTER TRANSFERS</b>	<u>\$ (224,370)</u>	<u>\$ (158,486)</u>	<u>\$ (61,344)</u>	<u>\$ (36,645)</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 916,477
-	-	-	-	-	-	150,317
-	-	-	-	-	-	71,317
-	-	-	-	-	-	37,098
-	-	-	-	-	-	88,878
-	-	-	-	-	-	583,785
-	-	2,740	21,425	-	-	445,529
-	-	-	-	-	-	34,730
-	-	-	-	-	-	63,131
-	-	-	-	-	-	56,000
-	-	-	-	-	-	34,853
-	-	240	-	-	8,400	381,570
-	-	-	-	-	-	17,703
-	-	99,818	45,916	-	-	263,092
-	-	161,321	5,516	-	-	173,378
-	-	-	-	-	1,284	29,229
-	-	-	-	-	-	38,592
-	-	-	-	-	-	25,719
-	-	264,119	72,857	-	9,684	3,411,398
197	-	145,841	58,375	320,000	-	2,868,571
-	-	5,706	4,214	-	-	161,777
-	-	4,120	-	-	-	41,913
-	-	423	-	-	-	51,021
-	-	2,000	1,000	-	-	53,649
-	-	150	885	-	-	45,775
-	-	6,426	3,410	-	-	224,389
-	-	919	12	-	-	11,335
-	-	2,700	6,395	-	-	66,369
-	-	15,123	1,674	-	-	322,243
-	-	37,567	17,590	-	-	978,471
-	-	19,417	202	-	-	91,584
-	5,716	109,987	318	-	-	277,020
-	-	69,914	-	-	-	455,730
197	5,716	382,726	76,485	320,000	-	4,671,376
(197)	(5,716)	(118,607)	(3,628)	(320,000)	9,684	(1,259,978)
-	-	-	-	-	-	800,024
<u>\$ (197)</u>	<u>\$ (5,716)</u>	<u>\$ (118,607)</u>	<u>\$ (3,628)</u>	<u>\$ (320,000)</u>	<u>\$ 9,684</u>	<u>\$ (459,954)</u>

**SINGLE AUDIT REPORTS**

**CITY OF MCCOOK, NEBRASKA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended September 30, 2009**

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b><u>Department of Transportation</u></b>		
Passed Through Nebraska Department of Roads		
Public Transportation for Nonurbanized Areas	20.509	\$ 202,415
Highway Planning and Construction	20.205	985,518 *
Passed Through Nebraska Office of Highway Safety		
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	<u>14,900</u>
Total Department of Transportation		1,202,833
<b><u>Department of Health and Human Services</u></b>		
Passed Through West Central Nebraska Area Agency on Aging		
Title III, Part C - Nutrition Services	93.045	99,818
<b><u>Department of Homeland Security</u></b>		
Assistance to Firefighters Grant	97.044	<u>102,458</u>
<b>Total Federal Awards</b>		<b><u><u>\$ 1,405,109</u></u></b>

\*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**

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, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2009-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

#### 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 29, 2009.

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.

*Amquist, Malmgren,  
Galloway : Luth, D.C.*

Grand Island, Nebraska  
December 29, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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, 2009. 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, 2009.

1203 W 2nd Street  
PO Box 1407  
Grand Island, NE 68802  
Ph. 308-381-1810  
Fax 308-381-4824  
Email: cpa@gicpas.com

## Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

*Amquist, Maltzahn,  
Galloway & Lusk, PC*

Grand Island, Nebraska  
December 29, 2009

**CITY OF MCCOOK, NEBRASKA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended September 30, 2009**

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, 2009.
  - (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 #20.205 – Highway Planning and Construction.
  - (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

2009-1 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, 2009**

Program

Findings for the year ended September 30, 2008

There were no prior audit findings.