

CITY OF MCCOOK, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2014

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities - modified cash basis, the business-type activities - accrual basis, the aggregate discretely presented component units - accrual basis, each major fund - modified cash basis for the governmental funds and accrual basis for the proprietary funds, the aggregate remaining fund information - modified cash basis for the governmental funds, and the fiduciary funds - modified cash basis of the City of McCook, Nebraska, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

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and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities – modified cash basis, the business-type activities – accrual basis, the aggregate discretely presented component units - accrual basis, each major fund – modified cash basis for the governmental funds and accrual basis for the proprietary funds, the aggregate remaining fund information - modified cash basis for the governmental funds, and the fiduciary funds - modified cash basis of the City of McCook, Nebraska, as of September 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with the basis of accounting as described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting for the governmental activities, governmental funds, and fiduciary funds. The governmental and fiduciary fund financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of McCook, Nebraska's financial statements. The management's discussion and analysis and supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The management's discussion and analysis, budgetary comparison schedules, fiduciary funds combining statement, statement of general fund departmental revenue and expenditures, component unit combining statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying

accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information described in the first sentence of this paragraph and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2015, on our consideration of the City of McCook, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of McCook, Nebraska's internal control over financial reporting and compliance.

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

Grand Island, Nebraska
February 6, 2015

**CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2014**

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, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the 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 \$200,880 from motor vehicle sales restricted to Street Department use and \$775,100 for property tax relief to homeowners in the City of McCook and \$775,100 for infrastructure improvements. The taxable sales for the City of McCook were up 1.37 percent for the year. Sales tax revenues were used for carpeting at the Library, Ball Park renovations, \$24,500 for playground equipment at Felling Field, \$6,600 for the Kelley Park restroom/storage facility with an estimated finished project cost of \$95,000, and \$100,000 to buy down the State Revolving Loan for sewer improvements. The Council maintained the annual commitment of \$250,000 for the One & Six Year Street Plan Improvements, \$150,000 for annual street maintenance and \$40,000 for annual drainage maintenance.

The City was funded \$350,000 through the Community Development Block Grant program for Downtown Revitalization activities in the City of McCook. The City's match will be refunded through sales tax revenues.

In November 2010 the voters approved pledging sales tax revenue for a period of seven years for a \$3,750,000 bond to pay for the cost of constructing a new municipal fire, police, and administrative facility. The annual bond payments will average around \$600,000. The Guaranteed Maximum Price for completion of the facility was \$4,651,556, and the City's soft costs were \$713,444, for a total project cost of \$5,355,000. Funding for the project included the \$3,750,000 bond, sales tax dollars of \$1,500,000, interest earned on the bond dollars, and \$75,000 from the LB840 Fund. The third annual bond payment of \$605,643 was made using sales tax revenues.

An additional half percent City Sales and Use Tax with half of the receipts to be used for infrastructure improvements and half of the receipts to be used to fund an LB840 plan was enacted in July 2008. The half percent generated \$875,540 in revenue. A portion of the LB840 fund has been committed for funding of a \$1,120,000 bond use for development of the Keystone Business Center. Grants totaling \$10,000 were issued in the façade program, \$7,500 was used for a Hotel Marketing Study, and \$2,000 was used for marketing McCook.

At the May 15, 2006 meeting, the Council approved a six-year agreement with McCook Keno, LLC for the operation of Keno within the City of McCook. This action revived keno lottery operations in McCook that had been terminated in 1999. The original outlet closed down and

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2014

two new locations were opened. The annual revenue for fiscal year 2013/2014 was \$142,870. Revenues derived from the keno operation are to be used for "community betterment purposes." Funds were used to finance a portion of two trash disposal trailers for Transfer Station in the amount of \$70,000 and \$69,250 was used to fund an additional Firefighter/Paramedic. The balance due of \$90,000 on the trash trailers was financed through the City of McCook Sewer Department. These funds will be paid over five years.

The City's Professional Retail Operations Agreement with Nebraska Public Power leases its electric system to them for a term of not less than 15 years and not more than 25 years with the City being paid 12 percent of the retail revenues. The current year's lease generated \$1,397,840. Of this amount the City transferred \$375,000 to Self Insured Health Insurance Fund and \$1,022,840 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 of \$0.0090 was increased to \$0.018 per therm delivered in September 2014. The annual revenue received was \$31,360.

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. Employee premiums per two-week period are \$15.00 for a single member, \$35.00 for an employee and spouse, \$30.00 for an employee and children, and \$60.00 for an employee and family. This was an increase from \$20 for family coverage or \$10 for single coverage per pay period made in fiscal year 2011-2012 to help maintain costs. The fund covers up to \$35,000 in costs per employee. Any expenses over that amount are covered by an insurance carrier. The City uses a claims service to handle the insurance claims.

For the current fiscal year, the City estimated the cost per employee at \$1,379 per month. Having more claims just under the \$35,000 threshold, the monthly cost per employee averaged around \$1,475 per month. With the ever present risk of an increase in costs, an estimated reserve of \$120,000 remains to cover a "worst case year." The City continues to work with Hays Company to monitor these costs and for assistance in developing options to help contain these costs.

The City was awarded a Community Development Block Grant in the amount of \$108,000 for paving in the McCook Industrial Park. The total project cost is estimated at \$757,00. Matching fund sources are Booe Machinery & Salvage, LLC, McCook Economic Development Corporation, and the City of McCook. The City's match is an estimated \$26,000.

In 2006 the Water Department received a Nebraska Department of Environmental Quality Safe Water State Revolving Loan for \$9,922,000 to construct an Ion Exchange drinking water treatment facility to remove unsafe levels of Arsenic, Uranium, and Nitrate from the municipal water supply. This loan is to be repaid over 30 years.

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

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2014

improvements to the Wastewater Treatment Plant to meet Ammonia limits required by the National Pollutant Discharge Elimination System (NPDES) Permit. This loan is to be repaid over 20 years. An additional payment of \$100,000 was applied to this loan in June 2014 utilizing sales tax dollars.

There were no rate increases for either the water or sewer. 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 increase in operating costs.

Overview of the Financial Statements

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

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- 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.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2014

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

- *Governmental Funds.* The governmental funds are used to account for the financial activity of the City's basic services, similar to that described for the governmental activities in the government-wide financial statements. However, unlike the government-wide statements, which provide a long-term focus of the City, the fund financial statements focus on a short-term view of the inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year.
- *Proprietary Funds.* The proprietary funds are used to account for the financial activity of the City's operations for which customers are charged a user fee; they provide both a long- and short-term view of financial information. The City maintains four enterprise funds which are a type of proprietary fund - the electric, water, wastewater, and solid waste operations. These enterprise funds are the same as the business-type activities in the government-wide financial statements.
- *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 financial statements.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2014

Government-wide Financial Analysis

Summary Statements of Net Position

	Year Ended September 30, 2014			Year Ended September 30, 2013		
	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	\$ 6,219,075	\$ 7,866,357	\$ 14,085,432	\$ 5,452,078	\$ 7,321,062	\$ 12,773,140
Capital Assets	18,307,738	21,114,619	39,422,357	17,913,094	20,429,393	38,342,487
Total Assets	24,526,813	28,980,976	53,507,789	23,365,172	27,750,455	51,115,627
Long-term Liabilities	2,235,453	11,501,442	13,736,895	2,949,866	10,899,819	13,849,685
Other Liabilities	775,494	1,026,415	1,801,909	804,400	975,690	1,780,090
Total Liabilities	3,010,947	12,527,857	15,538,804	3,754,266	11,875,509	15,629,775
Net Position:						
Net Investment in						
Capital Assets	15,381,791	9,780,655	25,162,446	14,287,828	9,746,119	24,033,947
Restricted	3,052,031	432,946	3,484,977	3,211,131	425,387	3,636,518
Unrestricted	3,082,044	6,239,518	9,321,562	2,111,947	5,703,440	7,815,387
Total Net Position	\$ 21,515,866	\$ 16,453,119	\$ 37,968,985	\$ 19,610,906	\$ 15,874,946	\$ 35,485,852

Net position 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 \$37,968,985.

Capital assets (land, infrastructure, buildings, streets, improvements, and equipment), net of any debt issued to acquire these assets, comprise 66.3 percent of the City's net position. Although these capital assets assist the City in providing services to its citizens, they are generally not available to fund the operations of future periods.

An additional 9.2 percent of the City's net position is subject to external restrictions as to how it may be used. The remaining component of net position (\$9,321,562) is the unrestricted net position.

Changes in Net Position

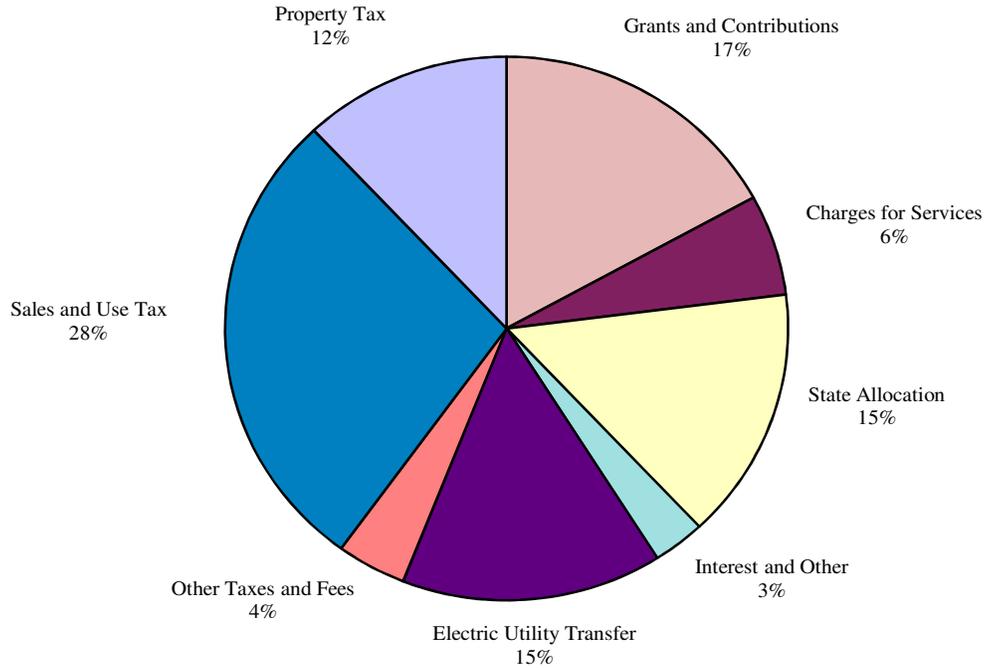
The following table presents a summary of revenues and expenses of the governmental and business-type activities:

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2014

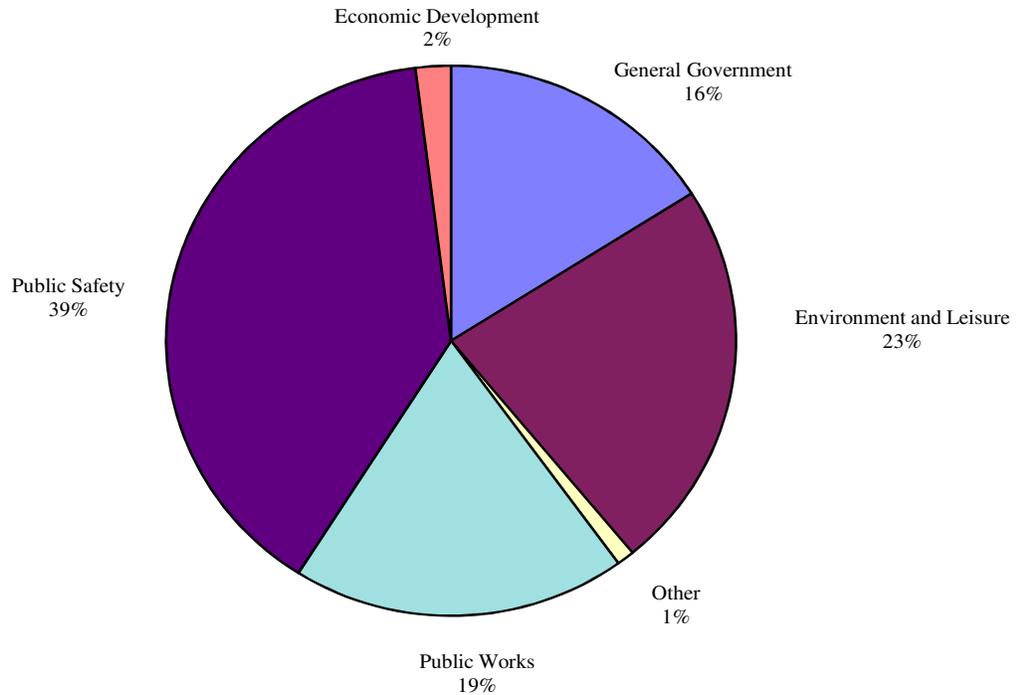
	<u>September 30, 2014</u>			<u>September 30, 2013</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 609,038	\$ 6,609,661	\$ 7,218,699	\$ 624,447	\$ 6,416,035	\$ 7,040,482
Operating Grants and Contributions	663,938	-	663,938	778,254	-	778,254
Capital Grants and Contributions	886,378	357,340	1,243,718	1,872,342	-	1,872,342
General Revenues:						
Property Taxes	1,076,938	-	1,076,938	1,044,813	-	1,044,813
Sales and Use Taxes	2,626,627	-	2,626,627	2,611,171	-	2,611,171
Other Taxes and Fees	370,118	-	370,118	365,601	-	365,601
State Allocation	1,394,228	-	1,394,228	1,362,598	-	1,362,598
Interest Income	46,860	47,122	93,982	43,229	48,537	91,766
Other	195,592	-	195,592	138,078	-	138,078
Total Revenues	<u>7,869,717</u>	<u>7,014,123</u>	<u>14,883,840</u>	<u>8,840,533</u>	<u>6,464,572</u>	<u>15,305,105</u>
Expenses						
General Government	1,191,547	-	1,191,547	1,706,401	-	1,706,401
Economic Development	136,804	-	136,804	146,398	-	146,398
Public Safety	2,827,581	-	2,827,581	2,864,416	-	2,864,416
Public Works	1,406,929	-	1,406,929	1,312,481	-	1,312,481
Environmental and Leisure	1,691,842	-	1,691,842	1,635,232	-	1,635,232
Interest Expense	93,640	-	93,640	103,296	-	103,296
Electric Utility	-	3,540	3,540	-	3,540	3,540
Water	-	2,076,041	2,076,041	-	2,175,336	2,175,336
Sewer	-	1,175,868	1,175,868	-	1,158,960	1,158,960
Solid Waste	-	1,796,915	1,796,915	-	1,514,200	1,514,200
Total Expenses	<u>7,348,343</u>	<u>5,052,364</u>	<u>12,400,707</u>	<u>7,768,224</u>	<u>4,852,036</u>	<u>12,620,260</u>
Increase in Net Position Before Transfers	521,374	1,961,759	2,483,133	1,072,309	1,612,536	2,684,845
Net Transfers	<u>1,383,586</u>	<u>(1,383,586)</u>	<u>-</u>	<u>1,399,459</u>	<u>(1,399,459)</u>	<u>-</u>
Increase in Net Position	<u>\$ 1,904,960</u>	<u>\$ 578,173</u>	<u>\$ 2,483,133</u>	<u>\$ 2,471,768</u>	<u>\$ 213,077</u>	<u>\$ 2,684,845</u>

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2014

2014 Revenues by Source - Governmental Activities

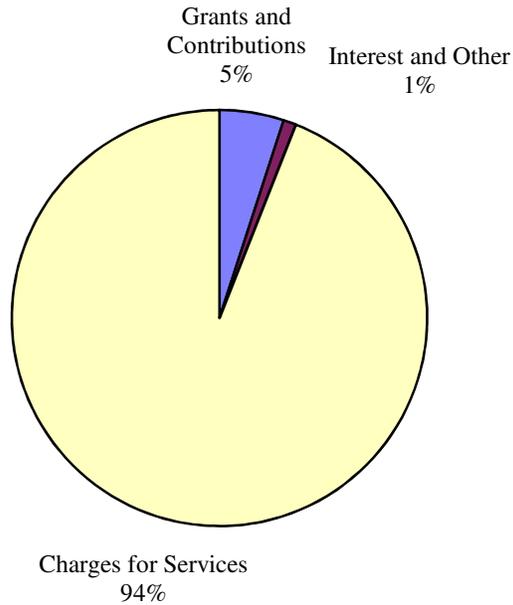


2014 Expenses - Governmental Activities

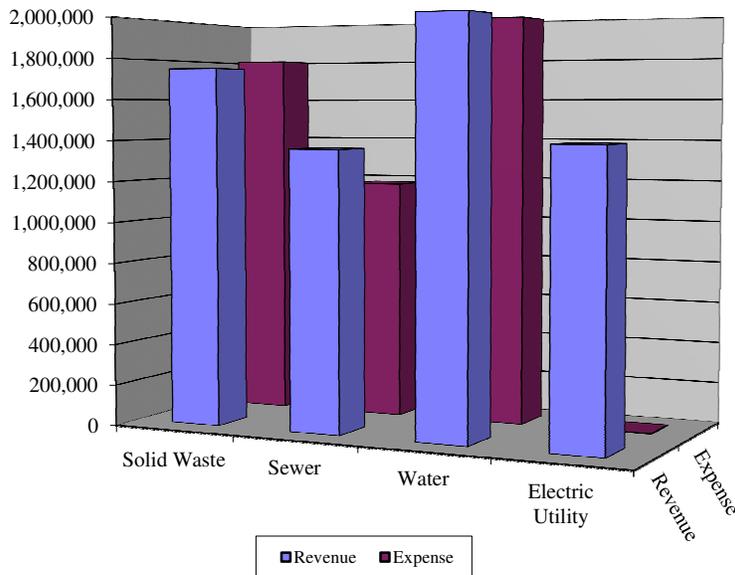


CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2014

2014 Revenues by Source - Business-type Activities



2014 Expenses and Program Revenues - Business-type Activities



CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2014

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of McCook's governmental funds reported combined ending fund balances of \$5,991,423. Approximately 17.5 percent of this total amount (\$1,046,932) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is not available for new spending because it has already been 1) restricted for street projects (\$35,210), 2) restricted to pay debt service (\$433,950), 3) restricted to fund capital projects (\$1,250,165), 4) endowed as nonspendable to fund perpetual care (\$111,682), 5) restricted for community betterment (\$120,032), 6) restricted to fund economic development projects (\$758,934), 7) restricted for federal projects (\$342,058), 8) committed for capital projects (\$103,116), 9) assigned for storm/hail repairs (\$852,926), or 10) assigned for budgetary stabilization (\$936,418).

The General Fund is the chief operating fund of the City of McCook. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,046,932, while total fund balance reached \$2,198,148. As a measure of the General Fund's liquidity, it may be useful to compare unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 18.9 percent of General Fund total expenditures, while total fund balance represents 39.7 percent of General Fund total expenditures.

The fund balance of the City of McCook's General Fund increased by \$49,142 during the current fiscal year due primarily to a \$1,022,838 transfer from the Electric and Emergency Fund.

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 position of the proprietary funds at the end of the year were as follows: Electric and Emergency Fund - \$0, Water Fund - \$5,374,695, Sewer Fund - \$1,185,121, and Solid Waste Fund - deficit of \$(320,298). The growth (decrease) in net position for the proprietary funds was as follows: Electric and Emergency Fund - decrease of \$(3,540), Water Fund - \$387,301, Sewer Fund - \$219,216, and Solid Waste Fund - decrease of \$(24,804). 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, continued
For The Year Ended September 30, 2014

Budgetary Highlights

No amendments to the Fiscal Year 2013-2014 budget were made.

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, 2014, amounts to \$39,422,357 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, 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:

- Construction in progress on Phase 3 of the walking trail - \$86,547
- Library shelving - \$56,586
- Library renovations - \$648,603
- Felling Field playground - \$24,226
- H Street project - \$68,671
- Construction in progress on East 7th Seminole project - \$276,760
- Groundmaster 3505D mower - \$26,105
- Thermal imager cameras - \$19,937
- 2014 Toyota Camry - \$18,831
- 2014 water meter replacement - \$51,448
- Water variable frequency drive for HSB pump #3 - \$24,863
- 16" water transmission main - \$553,888
- Cation waste disposal - \$879,170
- East golf course sewer lift - \$175,787
- Wastewater treatment plant bio and sludge pump - \$17,240
- 1993 McClain transfer trailer - \$24,800
- Two 2015 Peerless 53' live floor trailers - \$140,262
- 2012 Chevrolet Silverado - \$28,024
- 2014 trash container replacement - \$19,005

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2014

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

	<u>Year Ended September 30, 2014</u>			<u>Year Ended September 30, 2013</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Land	\$ 768,700	\$ 485,735	\$ 1,254,435	\$ 768,700	\$ 485,735	\$ 1,254,435
Construction in Progress	826,351	-	826,351	723,772	-	723,772
Infrastructure	6,169,142	-	6,169,142	6,304,089	-	6,304,089
Buildings and Improvements	9,260,039	3,642,635	12,902,674	8,578,144	3,782,061	12,360,205
Machinery and Equipment	201,302	813,333	1,014,635	215,245	787,120	1,002,365
Distribution Systems	-	16,172,916	16,172,916	-	15,374,477	15,374,477
Office Furniture and Equipment	355,607	-	355,607	459,377	-	459,377
Vehicles	726,597	-	726,597	863,767	-	863,767
Total	<u>\$ 18,307,738</u>	<u>\$ 21,114,619</u>	<u>\$ 39,422,357</u>	<u>\$ 17,913,094</u>	<u>\$ 20,429,393</u>	<u>\$ 38,342,487</u>

Additional information on the City of McCook's capital assets can be found in Note C4 on pages 50-52 of this report.

Long-term Debt

Outstanding Long-term Debt

	<u>Year Ended September 30, 2014</u>			<u>Year Ended September 30, 2013</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>
Notes Payable	\$ 68,356	\$ -	\$ 68,356	\$ 81,303	\$ 18,088	\$ 99,391
Economic Development Bonds	495,000	-	495,000	610,000	-	610,000
Capital Leases	2,362,591	-	2,362,591	2,933,963	-	2,933,963
Sewer SRF Loans	-	2,842,395	2,842,395	-	3,206,160	3,206,160
Water SRF Loan	-	8,491,569	8,491,569	-	7,459,026	7,459,026
Total Long-term Outstanding Debt	<u>\$ 2,925,947</u>	<u>\$ 11,333,964</u>	<u>\$ 14,259,911</u>	<u>\$ 3,625,266</u>	<u>\$ 10,683,274</u>	<u>\$ 14,308,540</u>

The City's long-term debt decreased \$48,629 (0.3 percent) during the year ended September 30, 2014, due primarily to scheduled principal payments and the issuance of a \$1,267,376 water DEQ note payable.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2014

Additional information on the City of McCook's long-term debt can be found in Note C5 on pages 52-57 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of McCook compares favorably to the State's average unemployment and the national average rate.
- Inflationary trends in the region compare favorably to national indices.
- Property tax asking for the year ending September 30, 2015, is \$1,089,379, an \$18,083 (1.7 percent) increase over the prior year.

All of these factors were considered in preparing the City of McCook's budget for the 2015 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, 505 West C Street, P.O. Box 1059, McCook, NE 69001-1059, or call (308) 345-2022.

CITY OF MCCOOK, NEBRASKA
STATEMENT OF NET POSITION
September 30, 2014

	Primary Government			Component Units (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,983,023	\$ 6,628,036	\$ 9,611,059	\$ 67,026
County treasurer cash	108,029	-	108,029	-
Current portion of notes receivable	20,364	-	20,364	545,000
Accounts receivable	-	99,279	99,279	-
Unbilled revenue	-	539,567	539,567	-
Inventory	-	146,264	146,264	-
Total current assets	3,111,416	7,413,146	10,524,562	612,026
Noncurrent assets:				
Restricted cash and cash equivalents	3,052,031	453,211	3,505,242	-
Noncurrent portion of notes receivable	55,628	-	55,628	1,720,000
Capital assets:				
Land	768,700	485,735	1,254,435	-
Construction in progress	826,351	-	826,351	-
Other capital assets, net of depreciation	16,712,687	20,628,884	37,341,571	-
Net capital assets	18,307,738	21,114,619	39,422,357	-
Total noncurrent assets	21,415,397	21,567,830	42,983,227	1,720,000
Total assets	24,526,813	28,980,976	53,507,789	2,332,026
LIABILITIES				
Current liabilities:				
Accounts payable	-	119,900	119,900	-
Accrued expenses	-	181,674	181,674	-
Customer deposits	-	74,052	74,052	-
Accrued interest	-	83,002	83,002	-
Claims incurred not paid	85,000	-	85,000	-
Current portion of long-term obligations	690,494	567,787	1,258,281	550,257
Total current liabilities	775,494	1,026,415	1,801,909	550,257
Noncurrent liabilities:				
Accrued landfill closure costs	-	715,000	715,000	-
Accrued deep well abandonment costs	-	20,265	20,265	-
Noncurrent portion of long-term obligations	2,235,453	10,766,177	13,001,630	1,720,000
Total noncurrent liabilities	2,235,453	11,501,442	13,736,895	1,720,000
Total liabilities	3,010,947	12,527,857	15,538,804	2,270,257
NET POSITION				
Net investment in capital assets	15,381,791	9,780,655	25,162,446	-
Restricted for:				
Street improvements	35,210	-	35,210	-
Landfill postclosure	-	126,211	126,211	-
Deep injection well closure	-	54,886	54,886	-
Debt service	433,950	251,849	685,799	-
Economic development	758,934	-	758,934	-
Perpetual care	111,682	-	111,682	-
Capital projects	1,250,165	-	1,250,165	-
Federal projects	342,058	-	342,058	-
Community betterment	120,032	-	120,032	-
Unrestricted	3,082,044	6,239,518	9,321,562	61,769
Total net position	\$ 21,515,866	\$ 16,453,119	\$ 37,968,985	\$ 61,769

See notes to financial statements.

CITY OF MCCOOK, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary government:			
Governmental activities			
(modified cash basis):			
General government	\$ 1,057,275	\$ 33,717	\$ 286,311
Economic development	136,804	-	10,000
Public safety	2,609,032	393,507	-
Public works	1,139,650	72,063	-
Environment and leisure	1,433,570	109,751	367,627
Depreciation - unallocated	878,372	-	-
Interest and fees on long-term debt	93,640	-	-
Total governmental activities	7,348,343	609,038	663,938
Business-type activities			
(accrual basis):			
Electric and emergency	3,540	1,397,838	-
Water	2,076,041	2,139,646	-
Sewer	1,175,868	1,362,877	-
Solid waste	1,796,915	1,709,300	-
Total business-type activities	5,052,364	6,609,661	-
Total primary government	\$ 12,400,707	\$ 7,218,699	\$ 663,938
Component units:			
Community Development Agency	\$ 35,129	\$ -	\$ -
Municipal Facilities Corporation	68,343	68,343	-
Total component units	\$ 103,472	\$ 68,343	\$ -

See notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position				
Primary Government				
Capital Grants and Contributions	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	Component Units (Accrual Basis)
\$ 1,008	\$ (736,239)		\$ (736,239)	
-	(126,804)		(126,804)	
4,250	(2,211,275)		(2,211,275)	
339,867	(727,720)		(727,720)	
541,253	(414,939)		(414,939)	
-	(878,372)		(878,372)	
-	(93,640)		(93,640)	
<u>886,378</u>	<u>(5,188,989)</u>	\$ -	<u>(5,188,989)</u>	
-	-	1,394,298	1,394,298	
316,844	-	380,449	380,449	
-	-	187,009	187,009	
40,496	-	(47,119)	(47,119)	
<u>357,340</u>	<u>-</u>	<u>1,914,637</u>	<u>1,914,637</u>	
<u>\$ 1,243,718</u>	<u>(5,188,989)</u>	<u>1,914,637</u>	<u>(3,274,352)</u>	
\$ -				\$ (35,129)
-				-
<u>\$ -</u>				<u>(35,129)</u>
General revenues:				
Taxes:				
Property	1,076,938	-	1,076,938	-
Motor vehicle	164,827	-	164,827	-
Payments in lieu of taxes	102,481	-	102,481	-
Occupation	30,222	-	30,222	-
Sales tax	2,626,627	-	2,626,627	-
Franchise	70,745	-	70,745	-
Special assessments	1,843	-	1,843	-
State allocation	1,394,228	-	1,394,228	-
TIF proceeds	-	-	-	35,129
Keno proceeds	142,870	-	142,870	-
Miscellaneous	43,363	-	43,363	-
Gain on sale of property	9,359	-	9,359	-
Interest income	46,860	47,122	93,982	33
Net transfers	1,383,586	(1,383,586)	-	-
Total general revenues	<u>7,093,949</u>	<u>(1,336,464)</u>	<u>5,757,485</u>	<u>35,162</u>
Change in net position	1,904,960	578,173	2,483,133	33
Net position - September 30, 2013	<u>19,610,906</u>	<u>15,874,946</u>	<u>35,485,852</u>	<u>61,736</u>
Net position - September 30, 2014	<u>\$ 21,515,866</u>	<u>\$ 16,453,119</u>	<u>\$ 37,968,985</u>	<u>\$ 61,769</u>

CITY OF MCCOOK, NEBRASKA
BALANCE SHEET - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS

September 30, 2014

	General <u>Fund</u>	Street <u>Fund</u>	Economic Development <u>Fund</u>
ASSETS			
Cash and cash equivalents	\$ 2,090,119	\$ 35,210	\$ 758,934
County treasurer cash	108,029	-	-
	<u>2,198,148</u>	<u>35,210</u>	<u>758,934</u>
Total assets	<u>\$ 2,198,148</u>	<u>\$ 35,210</u>	<u>\$ 758,934</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Fund balances:			
Nonspendable:			
Perpetual care	111,682	-	-
Restricted for:			
Capital projects	-	-	-
Street improvements	-	35,210	-
Economic development	-	-	758,934
Debt service	-	-	-
Federal projects	-	-	-
Community betterment	-	-	-
Committed for:			
Capital projects	103,116	-	-
Assigned for:			
Budgetary stabilization	936,418	-	-
Storm/hail repairs	-	-	-
Unassigned	1,046,932	-	-
	<u>2,198,148</u>	<u>35,210</u>	<u>758,934</u>
Total fund balances	<u>2,198,148</u>	<u>35,210</u>	<u>758,934</u>
Total liabilities and fund balances	<u>\$ 2,198,148</u>	<u>\$ 35,210</u>	<u>\$ 758,934</u>

See notes to financial statements.

Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	Grant <u>Fund</u>	Other Governmental Fund (Keno)	Total Governmental <u>Funds</u>
\$ 433,950	\$ 1,250,165	\$ 1,194,984	\$ 120,032	\$ 5,883,394
-	-	-	-	108,029
<u>\$ 433,950</u>	<u>\$ 1,250,165</u>	<u>\$ 1,194,984</u>	<u>\$ 120,032</u>	<u>\$ 5,991,423</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	111,682
-	1,250,165	-	-	1,250,165
-	-	-	-	35,210
-	-	-	-	758,934
433,950	-	-	-	433,950
-	-	342,058	-	342,058
-	-	-	120,032	120,032
-	-	-	-	103,116
-	-	-	-	936,418
-	-	852,926	-	852,926
-	-	-	-	1,046,932
<u>433,950</u>	<u>1,250,165</u>	<u>1,194,984</u>	<u>120,032</u>	<u>5,991,423</u>
<u>\$ 433,950</u>	<u>\$ 1,250,165</u>	<u>\$ 1,194,984</u>	<u>\$ 120,032</u>	<u>\$ 5,991,423</u>

CITY OF MCCOOK, NEBRASKA

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

September 30, 2014

Total fund balances - governmental funds		\$ 5,991,423
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:		
The Internal Service Fund is included as a governmental activity in the statement of changes in net position.		
		66,660
LB840 notes receivables are not due in the current period and therefore are not reported as assets in the governmental funds.		
		75,992
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 \$34,151,915 and the accumulated depreciation is \$15,844,177.		
		18,307,738
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:		
Capital lease obligations	\$ (2,362,591)	
Bonds payable	(495,000)	
Note payable	(68,356)	(2,925,947)
		<u> </u>
Total net position - governmental activities		<u><u>\$ 21,515,866</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, 2014

	<u>General Fund</u>	<u>Street Fund</u>	<u>Economic Development Fund</u>
REVENUES			
Taxes:			
Property	\$ 1,076,938	\$ -	\$ -
Motor vehicle	164,827	200,873	-
Payments in lieu of taxes	102,481	-	-
Occupation	30,222	-	-
Sales tax	775,106	-	437,771
Franchise	70,745	-	-
Special assessments	-	-	-
Intergovernmental	519,933	874,295	-
Grants	174,857	-	10,000
Keno proceeds	-	-	-
Charges for services	508,937	-	-
Contributions	628,711	-	-
Interest income	13,817	-	1,744
Loan collections	-	-	30,534
Insurance proceeds	-	-	-
Property sales proceeds	-	-	-
Other revenue	38,586	-	-
Total revenues	<u>4,105,160</u>	<u>1,075,168</u>	<u>480,049</u>
EXPENDITURES			
General government	928,872	-	-
Economic development	-	-	136,804
Public safety	2,383,046	-	-
Public works	207,800	952,770	-
Environment and leisure	1,201,321	-	-
Capital outlay	780,300	92,911	-
Principal payments on debt	25,349	23,970	115,000
Interest on long-term debt	3,411	2,426	22,648
Bond fees	-	-	350
Total expenditures	<u>5,530,099</u>	<u>1,072,077</u>	<u>274,802</u>
Excess (deficiency) of revenues over expenditures	(1,424,939)	3,091	205,247
OTHER FINANCING SOURCES (USES)			
Transfers in	1,480,333	-	-
Transfers out	(6,252)	-	-
Net transfers	<u>1,474,081</u>	<u>-</u>	<u>-</u>
Net change in fund balances	49,142	3,091	205,247
Fund balances - September 30, 2013	<u>2,149,006</u>	<u>32,119</u>	<u>553,687</u>
Fund balances - September 30, 2014	<u>\$ 2,198,148</u>	<u>\$ 35,210</u>	<u>\$ 758,934</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>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,076,938
-	-	-	-	365,700
-	-	-	-	102,481
-	-	-	-	30,222
-	1,212,877	-	-	2,425,754
-	-	-	-	70,745
1,843	-	-	-	1,843
-	-	52,589	-	1,446,817
-	21,500	108,820	-	315,177
-	-	-	142,869	142,869
-	-	47,513	-	556,450
-	-	-	-	628,711
3,261	8,890	6,381	1,022	35,115
-	-	-	-	30,534
-	-	264,811	-	264,811
9,358	-	-	-	9,358
-	-	4,777	-	43,363
<u>14,462</u>	<u>1,243,267</u>	<u>484,891</u>	<u>143,891</u>	<u>7,546,888</u>
-	6,316	11,992	32,199	979,379
-	-	-	-	136,804
-	-	40,821	-	2,423,867
278	-	-	-	1,160,848
-	2,714	94,632	-	1,298,667
-	35,061	23,127	-	931,399
-	535,000	-	-	699,319
-	68,343	-	-	96,828
-	2,300	-	-	2,650
<u>278</u>	<u>649,734</u>	<u>170,572</u>	<u>32,199</u>	<u>7,729,761</u>
14,184	593,533	314,319	111,692	(182,873)
-	-	-	-	1,480,333
-	(241,398)	(84,847)	(139,250)	(471,747)
<u>-</u>	<u>(241,398)</u>	<u>(84,847)</u>	<u>(139,250)</u>	<u>1,008,586</u>
14,184	352,135	229,472	(27,558)	825,713
<u>419,766</u>	<u>898,030</u>	<u>965,512</u>	<u>147,590</u>	<u>5,165,710</u>
<u>\$ 433,950</u>	<u>\$ 1,250,165</u>	<u>\$ 1,194,984</u>	<u>\$ 120,032</u>	<u>\$ 5,991,423</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, 2014

Total net change in fund balances - governmental funds	\$ 825,713
Amounts reported for <i>governmental 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 (\$1,273,016) exceeded depreciation expense (\$878,372). A portion of capital asset additions (\$341,617) were funded directly by state grants and contributions.	394,644
Principal payments received on LB840 loans are reported as revenue in the governmental fund statements, but these payments decrease the note receivable balance in the statement of activities.	(19,821)
The increase in net position of the Internal Service Fund is included as a governmental activity in the government wide statements.	5,105
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>699,319</u>
Change in net position of governmental activities	<u><u>\$ 1,904,960</u></u>

See notes to financial statements.

CITY OF MCCOOK, NEBRASKA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
September 30, 2014

	Electric and Emergency Fund	Water Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ 5,170,938
Accounts receivable	-	15,184
Unbilled revenue	-	275,953
Due (to) from other funds	-	-
Inventory	-	146,264
Total current assets	-	5,608,339
Noncurrent assets:		
Restricted cash and cash equivalents	-	225,153
Capital assets:		
Land	-	295,625
Distribution systems	170,000	20,843,772
Buildings and improvements	-	542,859
Tools and equipment	-	656,573
Accumulated depreciation	(123,099)	(9,624,228)
Net capital assets	46,901	12,714,601
Total noncurrent assets	46,901	12,939,754
Total assets	46,901	18,548,093
LIABILITIES		
Current liabilities:		
Accounts payable	-	34,992
Sales tax payable	-	12,428
Claims incurred not paid	-	-
Accrued payroll	-	15,429
Accrued vacation	-	21,270
Accrued sick leave	-	13,659
Customer deposits	-	74,052
Accrued interest	-	61,814
Current portion of long-term obligations	-	318,033
Total current liabilities	-	551,677
Noncurrent liabilities:		
Accrued landfill postclosure costs	-	-
Accrued deep well abandonment costs	-	20,265
Noncurrent portion of long-term obligations	-	8,173,536
Total noncurrent liabilities	-	8,193,801
Total liabilities	-	8,745,478
NET POSITION		
Net investment in capital assets	46,901	4,223,032
Restricted for:		
Landfill postclosure	-	-
Deep injection well closure	-	54,886
Debt service	-	150,002
Unrestricted	-	5,374,695
Total net position	\$ 46,901	\$ 9,802,615

See notes to financial statements.

Business-type Activities - Enterprise Funds

<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 995,670	\$ 461,428	\$ 6,628,036	\$ 151,660
17,417	66,678	99,279	-
165,500	98,114	539,567	-
95,062	(95,062)	-	-
-	-	146,264	-
<u>1,273,649</u>	<u>531,158</u>	<u>7,413,146</u>	<u>151,660</u>
101,847	126,211	453,211	-
-	190,110	485,735	-
8,462,386	-	29,476,158	-
3,909,751	874,821	5,327,431	-
884,018	1,885,930	3,426,521	-
<u>(6,067,335)</u>	<u>(1,786,564)</u>	<u>(17,601,226)</u>	<u>-</u>
<u>7,188,820</u>	<u>1,164,297</u>	<u>21,114,619</u>	<u>-</u>
<u>7,290,667</u>	<u>1,290,508</u>	<u>21,567,830</u>	<u>-</u>
<u>8,564,316</u>	<u>1,821,666</u>	<u>28,980,976</u>	<u>151,660</u>
24,699	60,209	119,900	-
6,531	-	18,959	-
-	-	-	85,000
8,139	19,286	42,854	-
16,384	34,162	71,816	-
11,587	22,799	48,045	-
-	-	74,052	-
21,188	-	83,002	-
249,754	-	567,787	-
<u>338,282</u>	<u>136,456</u>	<u>1,026,415</u>	<u>85,000</u>
-	715,000	715,000	-
-	-	20,265	-
<u>2,592,641</u>	<u>-</u>	<u>10,766,177</u>	<u>-</u>
<u>2,592,641</u>	<u>715,000</u>	<u>11,501,442</u>	<u>-</u>
<u>2,930,923</u>	<u>851,456</u>	<u>12,527,857</u>	<u>85,000</u>
4,346,425	1,164,297	9,780,655	-
-	126,211	126,211	-
-	-	54,886	-
101,847	-	251,849	-
1,185,121	(320,298)	6,239,518	66,660
<u>\$ 5,633,393</u>	<u>\$ 970,210</u>	<u>\$ 16,453,119</u>	<u>\$ 66,660</u>

CITY OF MCCOOK, NEBRASKA

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

For the year ended September 30, 2014

	Electric and Emergency Fund	Water Fund
Operating revenues:		
Charges for services	\$ 1,397,838	\$ 2,055,453
Insurance proceeds	-	-
Miscellaneous revenues	-	84,193
Total operating revenues	1,397,838	2,139,646
Operating expenses:		
Salaries and benefits	-	392,307
Insurance and bonds	-	45,750
Utilities and telephone	-	134,537
Repairs and maintenance	-	70,164
Equipment lease	-	-
Contracted services	-	16,709
Supplies	-	10,752
Plant chemicals	-	180,177
Transportation	-	11,950
Professional fees	-	4,021
Sales tax	-	110,336
Miscellaneous	-	45,066
Depreciation	3,540	772,146
Insurance claims and health premiums	-	-
Total operating expenses	3,540	1,793,915
Operating income (loss)	1,394,298	345,731
Nonoperating revenues (expenses):		
Interest income	-	33,395
DEQ loan forgiveness	-	316,844
Grant revenue	-	-
Interest expense	-	(208,119)
Loan fees	-	(74,007)
Total nonoperating revenues (expenses)	-	68,113
Income (loss) before transfers	1,394,298	413,844
Interfund transfers:		
Transfers in	-	25,957
Transfers out	(1,397,838)	(52,500)
Net transfers	(1,397,838)	(26,543)
Change in net position	(3,540)	387,301
Net position - September 30, 2013	50,441	9,415,314
Net position - September 30, 2014	\$ 46,901	\$ 9,802,615

See notes to financial statements.

Business-type Activities - Enterprise Funds

<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 1,354,536	\$ 1,680,139	\$ 6,487,966	\$ 1,009,284
-	28,024	28,024	-
8,341	1,137	93,671	-
<u>1,362,877</u>	<u>1,709,300</u>	<u>6,609,661</u>	<u>1,009,284</u>
362,805	596,444	1,351,556	-
29,584	38,119	113,453	-
139,172	8,279	281,988	-
76,222	104,679	251,065	-
-	14,000	14,000	-
12,171	687,978	716,858	-
14,697	9,178	34,627	-
-	-	180,177	-
7,061	167,677	186,688	-
1,663	9,101	14,785	-
79,023	-	189,359	-
11,238	3,210	59,514	-
332,825	158,250	1,266,761	-
-	-	-	1,380,212
<u>1,066,461</u>	<u>1,796,915</u>	<u>4,660,831</u>	<u>1,380,212</u>
296,416	(87,615)	1,948,830	(370,928)
9,380	4,347	47,122	1,033
-	-	316,844	-
-	40,496	40,496	-
(78,000)	-	(286,119)	-
(31,407)	-	(105,414)	-
<u>(100,027)</u>	<u>44,843</u>	<u>12,929</u>	<u>1,033</u>
196,389	(42,772)	1,961,759	(369,895)
100,000	70,000	195,957	375,000
(77,173)	(52,032)	(1,579,543)	-
<u>22,827</u>	<u>17,968</u>	<u>(1,383,586)</u>	<u>375,000</u>
219,216	(24,804)	578,173	5,105
<u>5,414,177</u>	<u>995,014</u>	<u>15,874,946</u>	<u>61,555</u>
<u>\$ 5,633,393</u>	<u>\$ 970,210</u>	<u>\$ 16,453,119</u>	<u>\$ 66,660</u>

CITY OF MCCOOK, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the year ended September 30, 2014

	<u>Electric and Emergency Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,397,838
Receipts from other funds	-
Payments to suppliers	-
Payments to employees	-
Net cash provided (used) by operating activities	<u>1,397,838</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers from other funds	-
Transfers to other funds	(1,397,838)
Change in due from/to other funds	-
Net cash provided (used) by noncapital financing activities	<u>(1,397,838)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of property and equipment	-
DEQ loan forgiveness	-
Grant income	-
Increase in accrued deep well abandonment costs	-
Proceeds from issuance of capital debt	-
Principal payments on capital debt	-
Interest paid on capital debt	-
Loan fees paid	-
Net cash used by capital and related financing activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	-
Increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents - beginning of the year	-
Cash and cash equivalents - end of the year	<u>\$ -</u>
Composition of cash and cash equivalents:	
Cash and cash equivalents	\$ -
Restricted cash and cash equivalents	-
Total cash and cash equivalents	<u>\$ -</u>

See notes to financial statements.

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	
\$ 2,223,091	\$ 1,364,669	\$ 1,685,510	\$ 6,671,108	\$ -
-	-	-	-	1,009,284
(690,422)	(358,454)	(1,031,438)	(2,080,314)	(1,424,212)
(385,663)	(359,453)	(589,373)	(1,334,489)	-
<u>1,147,006</u>	<u>646,762</u>	<u>64,699</u>	<u>3,256,305</u>	<u>(414,928)</u>
25,957	100,000	70,000	195,957	375,000
(52,500)	(77,173)	(52,032)	(1,579,543)	-
-	(95,062)	95,062	-	-
<u>(26,543)</u>	<u>(72,235)</u>	<u>113,030</u>	<u>(1,383,586)</u>	<u>375,000</u>
(1,545,441)	(194,455)	(212,091)	(1,951,987)	-
316,844	-	-	316,844	-
-	-	40,496	40,496	-
2,035	-	-	2,035	-
1,267,376	-	-	1,267,376	-
(234,833)	(363,765)	(18,088)	(616,686)	-
(207,220)	(80,923)	-	(288,143)	-
(74,007)	(31,407)	-	(105,414)	-
<u>(475,246)</u>	<u>(670,550)</u>	<u>(189,683)</u>	<u>(1,335,479)</u>	<u>-</u>
33,395	9,380	4,347	47,122	1,033
<u>678,612</u>	<u>(86,643)</u>	<u>(7,607)</u>	<u>584,362</u>	<u>(38,895)</u>
<u>4,717,479</u>	<u>1,184,160</u>	<u>595,246</u>	<u>6,496,885</u>	<u>190,555</u>
<u>\$ 5,396,091</u>	<u>\$ 1,097,517</u>	<u>\$ 587,639</u>	<u>\$ 7,081,247</u>	<u>\$ 151,660</u>
\$ 5,170,938	\$ 995,670	\$ 461,428	\$ 6,628,036	\$ 151,660
225,153	101,847	126,211	453,211	-
<u>\$ 5,396,091</u>	<u>\$ 1,097,517</u>	<u>\$ 587,639</u>	<u>\$ 7,081,247</u>	<u>\$ 151,660</u>

CITY OF MCCOOK, NEBRASKA

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

For the year ended September 30, 2014

	<u>Electric and Emergency Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 1,394,298
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	3,540
Change in assets and liabilities:	
Accounts receivable	-
Inventories	-
Prepaid expenses	-
Customer deposits	-
Accounts payable	-
Claims incurred not paid	-
Sales tax payable	-
Accrued expenses	-
Net cash provided (used) by operating activities	<u>\$ 1,397,838</u>

See notes to financial statements.

<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Fund</u>
<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	
\$ 345,731	\$ 296,416	\$ (87,615)	\$ 1,948,830	\$ (370,928)
772,146	332,825	158,250	1,266,761	-
84,278	1,978	(23,790)	62,466	-
(23,399)	-	-	(23,399)	-
-	-	-	-	-
1,632	-	-	1,632	-
(39,193)	12,377	10,783	(16,033)	-
-	-	-	-	(44,000)
(833)	(186)	-	(1,019)	-
6,644	3,352	7,071	17,067	-
<u>\$ 1,147,006</u>	<u>\$ 646,762</u>	<u>\$ 64,699</u>	<u>\$ 3,256,305</u>	<u>\$ (414,928)</u>

CITY OF MCCOOK, NEBRASKA

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

September 30, 2014

	Agency Funds
ASSETS	
Cash	\$ <u>60,563</u>
LIABILITIES HELD FOR OTHERS	
Held for other purposes	\$ <u>60,563</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, 2014

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.

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

The City’s financial reporting entity comprises the following:

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

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 61, and has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable, and, as such, should be included within the City’s financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading.

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

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 Development Agency	On February 20, 2006, the City Council passed an ordinance repealing the CRA and creating a CDA for the City of McCook. The Mayor and the members of the City Council shall constitute the Agency and the City Manager shall serve as the director of the CDA.
McCook Leasing Corporation	Created in 2011 to provide for the construction and issuance of bonds for the construction of the combined Administration and Public Safety building.

2. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position 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, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds

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

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

3. Measurement Focus and Basis of Accounting

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

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Measurement Focus

On the government-wide Statement of Net Position 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.

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 position (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 position.
- 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 Position and Statement of Activities, governmental activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, 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, 2014

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 Position, “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, 2014

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, 2014

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 Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

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

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

Fund Financial Statements

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

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications

Government-wide Statements

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position 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 position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

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

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

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

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

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Fund Financial Statements, continued

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

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

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 20). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses

Sales and Use Tax

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

Property Taxes

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

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

Property taxes levied for 2013-2014 are recorded as revenue when received by the County.

Electrical Distribution System Lease and Wholesale Power Contract

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

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Electrical Distribution System Lease and Wholesale Power Contract, continued

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

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

Governmental Funds – by Character and Function

Proprietary Funds – by Operating and Nonoperating

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

Interfund Transfers

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

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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 demand deposits are insured up to \$250,000 and certificates of deposit/savings accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits or certificates of deposit in excess of the FDIC limits are insured by collateral held by the pledging institution in the City's name.

3. Revenue Restrictions

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

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.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

4. Debt Restrictions and Covenants, continued

Sewer Loans

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

1. Dedicated Source of Revenue for Repayment of the Loans – The City pledges the sewer user charge as the dedicated source of revenue for repayment of the loans.
2. Loan Principal and Interest Redemption Account - Out of the McCook Sewer Fund there shall be credited monthly, on or before the 15th day of each month to the Loan Principal and Interest Redemption Account, the following amounts:
 - a) An amount equal to 1/6th of the next maturing semi-annual interest payments. The loan interest reserve was \$29,479 at September 30, 2014.
 - b) An amount equal to 1/6th of the next maturing semi-annual principal payments. The loan principal reserve was \$72,368 at September 30, 2014.

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.
2. Loan Principal and Interest Redemption Account - Out of the McCook Water Fund there shall be credited monthly, on or before the 15th day of each month to the Loan Principal and Interest Redemption Account, the following amounts:
 - a) An amount equal to 1/6th of the next maturing semi-annual interest payments. The loan interest reserve was \$80,068 at September 30, 2014.
 - b) An amount equal to 1/6th of the next maturing semi-annual principal payments. The loan principal reserve was \$69,934 at September 30, 2014.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

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.
- 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.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data, continued

- 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 October 15. 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 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, 2014. 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, 2014

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	\$ 13,452,120	\$ 250,000	\$ 13,202,120	\$ -	\$ <u>13,243,890</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –	
Unrestricted cash and cash equivalents	\$ 9,611,059
Restricted cash and cash equivalents	3,505,242
Fiduciary Funds –	
Agency Funds cash	60,563
Component Unit –	
Unrestricted cash and cash equivalents	<u>67,026</u>
	<u>\$ 13,243,890</u>

2. Restricted Assets

The restricted assets as of September 30, 2014, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ <u>3,052,031</u>	\$ <u>453,211</u>	\$ <u>3,505,242</u>

The General Fund has the following restricted cash: \$111,682 restricted for cemetery perpetual care. The Street Fund has \$35,210 of cash restricted for street improvements. The Economic Development Fund has \$758,934 of cash restricted for economic development. The Debt Service Fund has \$433,950 of cash restricted for debt service. The Capital Projects Fund has \$1,250,165 of cash restricted for Capital Projects. The Grant Fund has \$342,058 of cash restricted for Federal programs. The Keno Fund has \$120,032 of cash restricted for community betterment.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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

2. Restricted Assets, continued

The Water Fund has \$75,151 restricted for future closure costs on the deep injection well. The Solid Waste Fund has funds of \$126,211 that are restricted for the future landfill postclosure costs. Funds of \$101,847 are restricted in the Sewer Fund for future principal and interest payments. Funds of \$150,002 are restricted in the Water Fund for future principal and interest payments. See Note B4 for additional disclosures.

3. Accounts and Notes Receivable

Accounts receivable of the business-type activities consist of utilities receivables. Receivables detail at September 30, 2014, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 99,279
Unbilled revenue	<u>539,567</u>
Total accounts receivable	\$ <u>638,846</u>

As of September 30, 2014, the City had the following LB840 notes receivable:

	<u>Balance</u>	<u>Terms</u>
Douglas & Shellie Winder d/b/a Purple Moon Cookery	\$ 27,842	3%; 120 monthly payments of \$337.96 due 6/15/12 - 5/15/22
Linda Maiden d/b/a KDS Professional Building	5,500	0%; 60 monthly payments of \$166.67 due 7/10/12 - 6/10/17
Brian & Amanda Warren d/b/a Critterville Rentals, LLC	<u>42,650</u>	3%; 60 monthly payments of \$1,347.65 due 7/15/12 - 6/15/17
	\$ <u>75,992</u>	

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2014

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance at October 1, <u>2013</u>	<u>Additions</u>	<u>Reclass</u>	Balance at September 30, <u>2014</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 768,700	\$ -	\$ -	\$ 768,700
Construction in progress	723,772	369,907	(267,328)	826,351
Total capital assets not being depreciated	1,492,472	369,907	(267,328)	1,595,051
Other capital assets being depreciated:				
Infrastructure	9,163,256	68,671	-	9,231,927
Buildings and improvements	16,193,332	739,578	267,328	17,200,238
Machinery and equipment	786,852	26,105	-	812,957
Furniture and equipment	2,305,357	49,924	-	2,355,281
Vehicles	2,937,630	18,831	-	2,956,461
Total other capital assets at historical cost	31,386,427	903,109	267,328	32,556,864
Less accumulated depreciation for:				
Infrastructure	(2,859,167)	(203,618)	-	(3,062,785)
Buildings and improvements	(7,615,188)	(325,011)	-	(7,940,199)
Machinery and equipment	(571,607)	(40,048)	-	(611,655)
Furniture and equipment	(1,845,980)	(153,694)	-	(1,999,674)
Vehicles	(2,073,863)	(156,001)	-	(2,229,864)
Total accumulated depreciation	(14,965,805)	(878,372) *	-	(15,844,177)
Other capital assets, net	16,420,622	24,737	267,328	16,712,687
Governmental activities capital assets, net	<u>\$ 17,913,094</u>	<u>\$ 394,644</u>	<u>\$ -</u>	<u>\$ 18,307,738</u>

* Depreciation expense was incurred by the following governmental activities:

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2014

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

4. Capital Assets, continued

General Fund:

General government:

Administration	\$ 18,852
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Public safety:

Fire	77,755
Civil defense	5,655
Ambulance	61,722
Municipal Center	118,213
Public Safety	3,572
Police	<u>69,846</u>
Total public safety	336,763

Public works:

Cemetery	13,885
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Environment and leisure:

Airport	87,840
Library	30,269
Parks	54,428
Ball Park	21,564
Pool	9,546
Auditorium	11,206
Public Transportation	6,730
Senior Center	<u>36,689</u>
Total environment and leisure	<u>258,272</u>

Total General Fund	627,772
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Special Revenue Funds:

Street	<u>250,600</u>
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Total Governmental Activities depreciation expense	\$ <u>878,372</u>
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Construction in progress at September 30, 2014, consists of Phase 3 walking trail costs of \$86,547, East H/East 7th Street paving project costs of \$371,632, Kelley Park restroom costs of \$6,600, construction costs on East 7th/Seminole/H Street project of \$323,482, and \$38,090 of costs on the H Street/Norris Avenue project. See Note D3 for additional details on construction commitments.

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2014

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

4. Capital Assets, continued

	Balance at October 1, <u>2013</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2014</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 485,735	\$ -	\$ -	\$ 485,735
Other capital assets being depreciated:				
Distribution systems	27,748,442	1,727,716	-	29,476,158
Buildings and improvements	5,327,431	-	-	5,327,431
Machinery and equipment	3,202,250	224,271	-	3,426,521
Total other capital assets at historical cost	<u>36,278,123</u>	<u>1,951,987</u>	-	<u>38,230,110</u>
Less accumulated depreciation for:				
Distribution systems	(12,373,965)	(929,277)	-	(13,303,242)
Buildings and improvements	(1,545,370)	(139,426)	-	(1,684,796)
Machinery and equipment	(2,415,130)	(198,058)	-	(2,613,188)
Total accumulated depreciation	<u>(16,334,465)</u>	<u>(1,266,761) *</u>	<u>-</u>	<u>(17,601,226)</u>
Other capital assets, net	<u>19,943,658</u>	<u>685,226</u>	-	<u>20,628,884</u>
Business-type capital assets, net	<u>\$ 20,429,393</u>	<u>\$ 685,226</u>	<u>\$ -</u>	<u>\$ 21,114,619</u>

* Depreciation expense was charged to functions as follows:

Electric and Emergency	\$ 3,540
Water	772,146
Sewer	332,825
Solid Waste	<u>158,250</u>
Total Business-type Activities depreciation expense	<u>\$ 1,266,761</u>

5. Long-term Debt

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

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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, 2014:

<u>Type of Debt</u>	Balance October 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2014</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds payable	\$ 610,000	\$ -	\$ (115,000)	\$ 495,000	\$ 120,000
Note payable	81,303	-	(12,947)	68,356	12,697
Capital lease obligations	<u>2,933,963</u>	<u>-</u>	<u>(571,372)</u>	<u>2,362,591</u>	<u>557,797</u>
Total Governmental-type Activities	<u>\$ 3,625,266</u>	<u>\$ -</u>	<u>\$ (699,319)</u>	<u>\$ 2,925,947</u>	<u>\$ 690,494</u>
Business-type Activities:					
Notes payable	\$ 10,683,274	\$ 1,267,376	\$ (616,686)	\$ 11,333,964	\$ 567,787
Deep well abandonment costs	18,230	2,035	-	20,265	-
Landfill closure costs	<u>715,000</u>	<u>-</u>	<u>-</u>	<u>715,000</u>	<u>-</u>
Total Business-type Activities	<u>\$ 11,416,504</u>	<u>\$ 1,269,411</u>	<u>\$ (616,686)</u>	<u>\$ 12,069,229</u>	<u>\$ 567,787</u>
Component Units:					
CRA notes payable	\$ -	\$ 5,257	\$ -	\$ 5,257	\$ 5,257
McCook Leasing Corp bonds	<u>2,800,000</u>	<u>-</u>	<u>(535,000)</u>	<u>2,265,000</u>	<u>545,000</u>
Total Component Units	<u>\$ 2,800,000</u>	<u>\$ 5,257</u>	<u>\$ (535,000)</u>	<u>\$ 2,270,257</u>	<u>\$ 550,257</u>

Governmental Activities

As of September 30, 2014, the governmental long-term liabilities consisted of the following:

Bonds payable:

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

\$ 495,000

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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

5. Long-term Debt, continued

Governmental Activities, continued

Capital lease obligations:

Capital lease of \$3,750,000 due to McCook Leasing Corporation, with interest ranging from 1.0 to 3.20 percent. Semi-annual interest payments are due commencing September 15, 2011, through September 15, 2018. Principal is also due semi-annually, commencing September 15, 2012, through September 15, 2018. 2,265,000

Capital lease of \$60,000 for a fire truck through Wells Fargo Equipment Finance, bearing interest of 3.18 percent. Annual principal and interest payments of \$13,500 are due commencing September 26, 2012, through September 26, 2016. 22,115

Capital lease of \$123,944 for a street loader through Wells Fargo Equipment Finance, bearing interest of 2.44 percent. Annual principal and interest payments of \$26,396 are due commencing October 1, 2013, through October 1, 2017. 75,476

Note payable:

Note payable of \$81,303 due to First Central Bank, bearing interest of 3.75 percent. Annual principal and interest payments of \$15,259 are due commencing October 15, 2013, through October 15, 2018. The note is secured by three Zoll monitors/defibrillators. 68,356
\$ 2,925,947

Current portion \$ 690,494
Noncurrent portion 2,235,453
Total \$ 2,925,947

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2014

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

5. Long-term Debt, continued

Business-type Activities

As of September 30, 2014, the long-term debt payable from proprietary fund resources consisted of the following:

Notes payable:

Sewer Notes Payable:

\$1,712,600 of Sewer DEQ Notes Payable, due in semi-annual principal and interest payments of \$69,864 commencing June 15, 2001, through December 15, 2018. The note bears interest of 3.0 percent. \$ 317,266

\$4,200,000 of Sewer DEQ Notes Payable, due in semi-annual principal and interest payments of \$134,909 commencing December 15, 2007, through June 15, 2027. The note bears interest of 2.50 percent. (\$400,000 of these loan proceeds were used for the water project and were repaid by the Water Fund.) 2,525,129

Water Notes Payable:

\$9,922,000 of Water DEQ Notes Payable, due in semi-annual principal and interest payments of \$221,026 commencing December 15, 2006, through June 15, 2036. The note bears interest of 2.80 percent. 7,224,193

\$1,669,448 of Water DEQ Notes Payable with \$1,267,376 advanced during the year ended September 30, 2014, due in semi-annual principal and interest payments of \$50,844 commencing June 15, 2015, through December 15, 2034. The note bears interest of 2.0 percent. 1,267,376

Total business-type activity notes payable \$ 11,333,964

Current portion \$ 567,787

Noncurrent portion 10,766,177

Total \$ 11,333,964

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2014

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

5. Long-term Debt, continued

Component Units:

Community Development Agency:

TIF proceeds due to the Retro redeveloper. This note is non-interest bearing and will be paid off during the year ending September 30, 2015. \$ 5,257

McCook Leasing Corporation:

On March 15, 2011, the McCook Leasing Corporation issued \$3,750,000 of Lease Rent Revenue Bonds for the construction of the combined Administration/Public Safety Building. The bonds are due in semi-annual interest payments commencing September 15, 2011, through September 15, 2018. Principal is due in semi-annual payments commencing September 15, 2012, through September 15, 2018. The bonds bear interest ranging from 1.0 to 3.20 percent. The City will incur a capital lease obligation when the facility is built which will service the debt for the McCook Leasing Corporation. \$ 2,265,000

Total component unit debt \$ 2,270,257

Current portion \$ 550,257

Noncurrent portion 1,720,000

Total \$ 2,270,257

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2014, are as follows:

Year Ending September 30.	Governmental Activities		Business-type Activities			McCook Leasing Corp	
	Notes and Bonds Payable		Notes Payable			Bonds Payable	
	Principal	Interest	Principal	Interest	Fees	Principal	Interest
2015	\$ 690,494	\$ 80,300	\$ 567,787	\$ 296,719	\$ 112,000	\$ 550,257	\$ 58,125
2016	727,046	64,393	582,756	281,750	106,285	560,000	45,400
2017	733,822	44,004	598,125	266,381	100,419	570,000	30,840
2018	759,948	21,050	613,905	250,602	94,399	590,000	14,012
2019	14,637	622	592,157	234,401	88,220	-	-
2020-2024	-	-	2,996,873	946,179	353,465	-	-
2025-2029	-	-	2,590,017	560,511	203,974	-	-
2030-2034	-	-	1,938,337	271,924	97,116	-	-
2035-2039	-	-	854,007	30,098	10,749	-	-
	<u>\$ 2,925,947</u>	<u>\$ 210,369</u>	<u>\$ 11,333,964</u>	<u>\$ 3,138,565</u>	<u>\$ 1,166,627</u>	<u>\$ 2,270,257</u>	<u>\$ 148,377</u>

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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

5. Long-term Debt, continued

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 \$33,620 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 estimate is \$1,044,600. The cumulative liability, which is based on the capacity of the landfill used to date, was \$715,000 at September 30, 2014. The City of McCook considers this amount available through the normal annual budgeting process. The City has a restricted cash reserve of \$126,211 as of September 30, 2014, consisting of a landfill postclosure reserve of \$77,575 and a landfill remedial action reserve of \$48,636.

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.

Under an agreement with the Nebraska Department of Environmental Quality, the City of McCook established an escrow account with a balance at September 30, 2014, of \$75,151 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 \$20,265 at September 30, 2014.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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

6. Interfund Transactions and Balances

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Keno	\$ 69,250	\$ -
Capital Projects	141,398	-
Grant	84,847	-
Electric and Emergency	1,022,838	-
Water	52,500	(6,252)
Sewer	59,000	-
Solid Waste	<u>50,500</u>	<u>-</u>
Total General Fund	1,480,333	(6,252)
Keno Fund:		
General	-	(69,250)
Solid Waste	<u>-</u>	<u>(70,000)</u>
Total Keno Fund	-	(139,250)
Internal Service Fund:		
Electric	375,000	-
Grant Fund:		
General	-	(84,847)

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

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

6. Interfund Transactions and Balances, continued

Operating transfers, continued:

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Projects Fund:		
Sewer	-	(100,000)
General	-	(141,398)
Total Capital Projects Fund	-	(241,398)
Water Fund:		
General	6,252	(52,500)
Solid Waste	1,532	-
Sewer	18,173	-
Total Water Fund	25,957	(52,500)
Electric Fund:		
Internal Service Fund	-	(375,000)
General	-	(1,022,838)
Total Electric Fund	-	(1,397,838)
Sewer Fund:		
General	-	(59,000)
Water Fund	-	(18,173)
Capital Projects	100,000	-
Total Sewer Fund	100,000	(77,173)
Solid Waste Fund:		
General	-	(50,500)
Keno	70,000	-
Water	-	(1,532)
Total Solid Waste Fund	70,000	(52,032)
Total Operating Transfers	\$ <u>2,051,290</u>	\$ <u>(2,051,290)</u>

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

NOTE D – OTHER NOTES

1. Employee Pension and Other Benefit Plans

The City participates in three employee benefit plans as follows:

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

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

City General Plan

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

Public employees are eligible to participate on the first day of the month following the date on which the employee meets the eligibility requirements. The City contributes up to six percent of the participant's base salary and the employee contributes from six percent to 15 percent of his or her base salary. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after seven years of continuous service. The City's total payroll and eligible compensation (excluding the City Manager and uniformed personnel) in the year ended September 30, 2014, was \$2,405,208 and \$1,901,861, respectively. All contributions, including \$133,649 in employee contributions and \$111,299 in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2014.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

City General Plan, continued

The Public Employee Plan, which is administered by CPI Qualified Plan Consultants, Inc., had plan assets with a market value of \$3,694,659 at September 30, 2014.

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 13.5 percent of the Manager's salary and the Manager is eligible to contribute up to 19 percent of his salary. The City's contributions for the Manager (and interest allocated to his account) are fully vested after entrance into the plan. The City's payroll for the City Manager was \$38,531 in the year ended September 30, 2014. All contributions, including \$1,501 in employee contributions and \$5,202 in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2014.

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 6.5 percent to the policemen's fund and 13 percent to the firemen's fund while the policemen contribute 6.5 percent and the firemen contribute 6.5 percent. The City's contributions for each fire employee (and interest allocated to the employee's account) are fully vested after seven years of continuous service. The City contributions for each police employee (and interest allocated to the employee's account) vest as follows: 40 percent after 2 years, 60 percent after 4 years, 80 percent after 6 years, and 100 percent after 7 years.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

The City's total payroll and eligible compensation for policemen and firemen in the year ended September 30, 2014, was \$824,779 and \$537,241, respectively. All contributions, including \$53,745 and \$34,921, respectively, in employee contributions and \$53,611 and \$69,841, respectively, in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2014. 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, 2014.

The policemen and firemen plans had plan assets with a market value of \$1,854,893 and \$2,056,621, respectively, at September 30, 2014.

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, 2014

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, 2014, are held by the counterparties not in the name of the City. The underlying securities consist of cash, direct obligations of or guaranteed by the full faith and credit of the U.S. Government, and other similar obligations of the U.S. Government or its agencies.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires that market conditions and investment securities be analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates. The City had no certificates of deposit as of September 30, 2014.

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, 2014, the City's bank balances, totaling \$11,888,136, were all held at McCook National Bank.

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City's investments had no exposure to foreign currency risk and the City held no investments denominated in foreign currency at September 30, 2014.

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, 2014, will not be significant to the City's financial statements.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Construction and Commitments

As of September 30, 2014, the City had the following construction obligations:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/14</u>	<u>Remaining Commitment</u>	<u>Expected Date of Completion</u>
Kelley Park Restrooms: Construction	\$ 85,380	\$ -	\$ 85,380	October 2014
East Golf Course Lift Station: Construction	191,429	167,045	24,384	December 2014
Walking trail: Construction	<u>93,628</u>	<u>84,847</u>	<u>8,781</u>	October 2014
	<u>\$ 370,437</u>	<u>\$ 251,892</u>	<u>\$ 118,545</u>	

Self-Insurance Fund

The City provides medical and dental insurance for eligible employees using a self-insurance fund. The fund is reported in the Internal Service Fund and is financed by operating transfers from the Proprietary and General Funds of an average amount per employee, which is based on management's previous experience. The Self-Insurance Fund covers up to \$35,000 in costs per employee. Any expenses over that amount are covered by an insurance carrier. The City also uses a claims service to handle the insurance claims.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Operating Leases

The City is party to ten operating leases for five 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, 2014, future lease obligations are as follows:

<u>Year Ended September 30,</u>	<u>Lease Commitments</u>
2015	\$ 28,254
2016	26,822
2017	26,846
2018	12,676
2019	2,265
Thereafter	<u>4,950</u>
	<u>\$ 101,813</u>

Total rent expense was \$33,469 for the year ended September 30, 2014.

4. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2014:

<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	10/1/11 - indefinite	Joint grant writer services
Red Willow Western Rural Fire Protection District	3/2/02 - indefinite	Hazmat response team assistance
Red Willow County Fire Districts and Municipal Fire Departments	6/18/01 - indefinite	Mutual fire assistance
Red Willow County	1/1/96 - indefinite	Ambulance services
McCook Public Schools	11/19/10 - 11/19/14	School resource officer
Red Willow County	10/1/11 - indefinite	Snow removal
Public Alliance for Community Energy	2/19/98 - indefinite	Acquisition, management, distribution, and sale of energy

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

NOTE D – OTHER NOTES, continued

5. Union Agreements

The City is subject to the following union contracts:

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

6. Subsequent Events

Management has evaluated subsequent events through February 6, 2015, the date on which the financial statements were available for issue.

On November 19, 2014, the Community Development Agency (CDA) entered into a Redevelopment Agreement with North Pointe Properties, LLC (Redeveloper). Under terms of the agreement, the CDA will issue \$208,000 of Tax Increment Development Revenue Bonds to fund the redevelopment project.

SUPPLEMENTARY INFORMATION

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2014

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 1,075,296	\$ 1,076,938	\$ 1,642
Motor vehicle	150,000	164,827	14,827
Payments in lieu of taxes	90,000	102,481	12,481
Occupation	20,200	30,222	10,022
Franchise	66,000	70,745	4,745
Sales	630,700	775,106	144,406
Intergovernmental	678,870	519,933	(158,937)
Grants	4,400	174,857	170,457
Charges for services	549,020	508,937	(40,083)
Interest income	12,000	13,817	1,817
Contributions	405,880	628,711	222,831
Other	125,600	38,586	(87,014)
Total resources	<u>3,807,966</u>	<u>4,105,160</u>	<u>297,194</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government:			
Administrative	643,082	350,683	(292,399)
Publicity	9,320	6,758	(2,562)
City Council	538,564	78,787	(459,777)
Health operating	488,434	488,434	-
Total general government	<u>1,679,400</u>	<u>924,662</u>	<u>(754,738)</u>
Public safety:			
Fire	937,915	879,065	(58,850)
Ambulance	95,255	94,010	(1,245)
Police	1,504,976	1,481,470	(23,506)
Civil defense	19,334	8,803	(10,531)
Total public safety	<u>2,557,480</u>	<u>2,463,348</u>	<u>(94,132)</u>
Public works:			
Building and zoning	68,352	63,300	(5,052)
Cemetery	167,349	144,500	(22,849)
Total public works	<u>235,701</u>	<u>207,800</u>	<u>(27,901)</u>
Environment and leisure:			
Public transportation	139,923	140,138	215
Senior Center	344,342	335,662	(8,680)
Library	681,345	966,380	285,035
Parks	185,854	147,055	(38,799)
Ballparks	119,882	117,347	(2,535)
Auditorium	36,490	44,032	7,542
Pool	91,420	86,776	(4,644)
Airport	138,139	96,899	(41,240)
Total environment and leisure	<u>1,737,395</u>	<u>1,934,289</u>	<u>196,894</u>
Total charges to appropriations	<u>6,209,976</u>	<u>5,530,099</u>	<u>(679,877)</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2014

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
Resources over (under) charges to appropriations	(2,402,010)	(1,424,939)	977,071
OTHER FINANCING SOURCES (USES)			
Transfers in	1,231,250	1,480,333	249,083
Transfers out	-	(6,252)	(6,252)
Net transfers	<u>1,231,250</u>	<u>1,474,081</u>	<u>242,831</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (1,170,760)</u>	<u>\$ 49,142</u>	<u>\$ 1,219,902</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2014

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 166,000	\$ 200,873	\$ 34,873
Intergovernmental	<u>834,000</u>	<u>874,295</u>	<u>40,295</u>
Total resources	1,000,000	1,075,168	75,168
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	692,258	952,770	260,512
Capital outlay	44,770	92,911	48,141
Principal payments on debt	-	23,970	23,970
Interest expense	<u>-</u>	<u>2,426</u>	<u>2,426</u>
Total charges to appropriations	<u>737,028</u>	<u>1,072,077</u>	<u>335,049</u>
Resources over (under) charges to appropriations	262,972	3,091	(259,881)
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u><u>\$ 262,972</u></u>	<u><u>\$ 3,091</u></u>	<u><u>\$ (259,881)</u></u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2014

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 398,300	\$ 437,771	\$ 39,471
Grant revenue	-	10,000	10,000
Interest income	-	1,744	1,744
Loan collections	<u>22,227</u>	<u>30,534</u>	<u>8,307</u>
Total resources	420,527	480,049	59,522
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Economic development	823,060	136,804	(686,256)
Principal payments	115,000	115,000	-
Interest expense	22,648	22,648	-
Bond fees	<u>350</u>	<u>350</u>	<u>-</u>
Total charges to appropriations	<u>961,058</u>	<u>274,802</u>	<u>(686,256)</u>
Resources over (under) charges to appropriations	(540,531)	205,247	745,778
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>137,998</u>	<u>-</u>	<u>(137,998)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (402,533)</u>	<u>\$ 205,247</u>	<u>\$ 607,780</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2014

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Sales tax	\$ 1,195,000	\$ 1,212,877	\$ 17,877
Grant revenue	-	21,500	21,500
Interest income	-	8,890	8,890
Total resources	<u>1,195,000</u>	<u>1,243,267</u>	<u>48,267</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	-	6,316	6,316
Environment and leisure	-	2,714	2,714
Capital projects	1,553,717	35,061	(1,518,656)
Principal payments	535,000	535,000	-
Interest on long-term debt	68,343	68,343	-
Bond fees	-	2,300	2,300
Total charges to appropriations	<u>2,157,060</u>	<u>649,734</u>	<u>(1,507,326)</u>
Resources over charges to appropriations	(962,060)	593,533	1,555,593
OTHER FINANCING USES			
Transfers out	<u>(100,000)</u>	<u>(241,398)</u>	<u>(141,398)</u>
RESOURCES AND OTHER FINANCING USES OVER CHARGES TO APPROPRIATIONS	<u><u>\$ (1,062,060)</u></u>	<u><u>\$ 352,135</u></u>	<u><u>\$ 1,414,195</u></u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2014

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Intergovernmental	\$ 64,000	\$ 52,589	\$ (11,411)
Grants	206,665	108,820	(97,845)
Charges for services	407,000	47,513	(359,487)
Contributions	111,700	-	(111,700)
Interest income	-	6,381	6,381
Insurance proceeds	-	264,811	264,811
Other revenues	-	4,777	4,777
Total resources	<u>789,365</u>	<u>484,891</u>	<u>(304,474)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	610,831	11,992	(598,839)
Public safety	308,757	40,821	(267,936)
Environment and leisure	134,566	94,632	(39,934)
Capital outlay	617,340	23,127	(594,213)
Total charges to appropriations	<u>1,671,494</u>	<u>170,572</u>	<u>(1,500,922)</u>
Resources over (under) charges to appropriations	(882,129)	314,319	1,196,448
OTHER FINANCING SOURCES			
Transfers in (out)	<u>-</u>	<u>(84,847)</u>	<u>(84,847)</u>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u><u>\$ (882,129)</u></u>	<u><u>\$ 229,472</u></u>	<u><u>\$ 1,111,601</u></u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2014

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Special assessments	\$ 1,000	\$ 1,843	\$ 843
Property sales proceeds	-	9,358	9,358
Interest	2,000	3,261	1,261
Total resources	<u>3,000</u>	<u>14,462</u>	<u>11,462</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Capital outlay	345,274	-	(345,274)
Other	16,013	278	(15,735)
Total charges to appropriations	<u>361,287</u>	<u>278</u>	<u>(361,009)</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (358,287)</u>	<u>\$ 14,184</u>	<u>\$ 372,471</u>

CITY OF MCCOOK, NEBRASKA

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

September 30, 2014

	<u>Special Fire</u>	<u>Senior Center Contributions</u>	<u>School</u>	<u>Library Memorial</u>
ASSETS				
Cash	<u>\$ 1,158</u>	<u>\$ 33,689</u>	<u>\$ 1,214</u>	<u>\$ 14,181</u>
LIABILITIES HELD FOR OTHERS				
Held in trust for other purposes	<u>\$ 1,158</u>	<u>\$ 33,689</u>	<u>\$ 1,214</u>	<u>\$ 14,181</u>

<u>Von Reissen Library</u>	<u>McCook Volunteer Fire and Rescue</u>	<u>Public Works</u>	<u>Main Street Improvements</u>	<u>Police/ DARE</u>	<u>Total Agency Funds</u>
<u>\$ 90</u>	<u>\$ (1,426)</u>	<u>\$ 6,376</u>	<u>\$ 1,300</u>	<u>\$ 3,981</u>	<u>\$ 60,563</u>
<u>\$ 90</u>	<u>\$ (1,426)</u>	<u>\$ 6,376</u>	<u>\$ 1,300</u>	<u>\$ 3,981</u>	<u>\$ 60,563</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2014

	<u>Administrative</u>	<u>Publicity</u>	<u>Auditorium</u>	<u>City Council</u>	<u>Police</u>
REVENUES					
Taxes:					
General property tax	\$ 1,076,938	\$ -	\$ -	\$ -	\$ -
Motor vehicle tax	164,827	-	-	-	-
Payments in lieu of taxes	102,481	-	-	-	-
Occupation tax	30,222	-	-	-	-
Franchise	70,745	-	-	-	-
Sales	775,106	-	-	-	-
Intergovernmental revenue:					
State assistance	365,153	-	-	-	-
County assistance	-	-	-	-	40,902
Rural fire	-	-	-	-	-
School resource officer	-	-	-	-	34,000
Licenses and permits	3,165	-	-	-	-
Rental and fees	50,925	-	-	-	7,280
Admission fees and concessions	-	-	-	-	-
Grants	-	-	-	-	-
Contributions	2,500	-	-	-	-
Interest income	12,985	-	-	-	-
Other receipts	38,586	-	-	-	-
Total revenues	<u>2,693,633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,182</u>
EXPENDITURES					
Personnel services:					
Salaries and benefits	196,440	-	7,466	9,689	1,192,062
Operating expenses:					
Insurance	4,463	-	4,115	3,411	62,127
Interlocal agreement	-	-	-	46,401	-
Contract services	1,395	1,680	180	3,377	4,306
Professional fees	53,107	-	-	-	2,541
Meetings, seminars, and dues	17,822	367	-	3,940	11,145
Repairs and maintenance	15,702	-	15,991	-	13,776
Printing, postage, and publications	11,676	-	-	-	-
Transportation	7,918	-	-	2,457	58,726
Utilities and telephone	8,415	-	16,280	-	94,069
Total operating expenses	<u>120,498</u>	<u>2,047</u>	<u>36,566</u>	<u>59,586</u>	<u>246,690</u>
Supplies	8,083	2,233	-	440	3,290
Other expenses	15,147	2,478	-	9,072	20,597
Capital outlay	-	-	-	-	18,831
Principal payments	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-
Total expenditures	<u>340,168</u>	<u>6,758</u>	<u>44,032</u>	<u>78,787</u>	<u>1,481,470</u>
Excess (deficiency) of revenues over expenditures before transfers	2,353,465	(6,758)	(44,032)	(78,787)	(1,399,288)
TRANSFERS FROM (TO) OTHER FUNDS	<u>1,480,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AFTER TRANSFERS	<u>\$ 3,833,798</u>	<u>\$ (6,758)</u>	<u>\$ (44,032)</u>	<u>\$ (78,787)</u>	<u>\$ (1,399,288)</u>

Fire	Ambulance	Civil Defense	Building and Zoning	Library	Street Lights	Cemetery
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	2,801	-	-
-	-	-	-	-	-	-
51,217	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	28,566	-	-	-
5,050	280,551	-	-	8,176	-	1,140
-	-	-	-	-	-	27,620
-	-	-	-	-	-	-
-	-	-	-	527,519	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>56,267</u>	<u>280,551</u>	<u>-</u>	<u>28,566</u>	<u>538,496</u>	<u>-</u>	<u>28,760</u>
677,166	-	-	56,794	167,964	-	85,277
77,872	3,453	300	3,450	7,189	-	6,031
-	-	-	-	-	-	-
6,456	39,071	-	-	-	-	-
1,029	-	-	-	-	-	-
9,391	1,470	-	125	442	-	-
37,297	9,131	130	957	9,912	-	1,988
-	145	-	-	172	-	-
10,177	8,480	-	1,152	967	-	2,844
4,358	1,725	8,373	716	21,274	-	39,932
<u>146,580</u>	<u>63,475</u>	<u>8,803</u>	<u>6,400</u>	<u>39,956</u>	<u>-</u>	<u>50,795</u>
4,094	3,919	-	106	5,827	-	8,428
9,281	7,090	-	-	51,679	-	-
28,444	4,266	-	-	700,954	-	-
12,402	12,947	-	-	-	-	-
1,098	2,313	-	-	-	-	-
<u>879,065</u>	<u>94,010</u>	<u>8,803</u>	<u>63,300</u>	<u>966,380</u>	<u>-</u>	<u>144,500</u>
(822,798)	186,541	(8,803)	(34,734)	(427,884)	-	(115,740)
<u>(6,252)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (829,050)</u>	<u>\$ 186,541</u>	<u>\$ (8,803)</u>	<u>\$ (34,734)</u>	<u>\$ (427,884)</u>	<u>\$ -</u>	<u>\$ (115,740)</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2014

	<u>Parks</u>	<u>Ballparks</u>	<u>Pool</u>	<u>Airport</u>
REVENUES				
Taxes:				
General property tax	\$ -	\$ -	\$ -	\$ -
Motor vehicle tax	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Occupation tax	-	-	-	-
Franchise	-	-	-	-
Sales	-	-	-	-
Intergovernmental revenue:				
State assistance	-	-	-	-
County assistance	-	-	-	-
Rural fire	-	-	-	-
School resource officer	-	-	-	-
Licenses and permits	-	-	-	-
Rental and fees	-	-	-	69,471
Admission fees and concessions	-	-	19,793	-
Grants	-	-	-	-
Contributions	-	-	-	-
Interest income	-	-	-	-
Other receipts	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>19,793</u>	<u>69,471</u>
EXPENDITURES				
Personnel services:				
Salaries and benefits	93,053	45,356	53,964	59,953
Operating expenses:				
Insurance	5,888	3,949	2,451	14,642
Interlocal agreement	-	-	-	-
Contract services	550	-	-	66
Professional fees	-	-	-	1,455
Meetings, seminars, and dues	315	-	-	617
Repairs and maintenance	773	10,677	10,087	(7,134)
Printing, postage, and publications	-	-	-	-
Transportation	2,454	1,420	-	2,523
Utilities and telephone	34,564	23,389	5,672	16,118
Total operating expenses	<u>44,544</u>	<u>39,435</u>	<u>18,210</u>	<u>28,287</u>
Supplies	7,700	4,915	10,310	1,284
Other expenses	58	1,536	4,292	7,375
Capital outlay	1,700	26,105	-	-
Principal payments	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	<u>147,055</u>	<u>117,347</u>	<u>86,776</u>	<u>96,899</u>
Excess (deficiency) of revenues over expenditures before transfers	(147,055)	(117,347)	(66,983)	(27,428)
TRANSFERS FROM (TO) OTHER FUNDS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AFTER TRANSFERS	<u>\$ (147,055)</u>	<u>\$ (117,347)</u>	<u>\$ (66,983)</u>	<u>\$ (27,428)</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,076,938
-	-	-	-	-	-	164,827
-	-	-	-	-	-	102,481
-	-	-	-	-	-	30,222
-	-	-	-	-	-	70,745
-	-	-	-	-	-	775,106
-	-	2,162	23,698	-	-	393,814
-	-	-	-	-	-	40,902
-	-	-	-	-	-	51,217
-	-	-	-	-	-	34,000
-	-	-	-	-	-	31,731
-	-	-	3,600	-	3,600	429,793
-	-	-	-	-	-	47,413
-	-	120,642	54,215	-	-	174,857
-	-	89,283	9,409	-	-	628,711
-	-	-	-	-	832	13,817
-	-	-	-	-	-	38,586
-	-	<u>212,087</u>	<u>90,922</u>	-	<u>4,432</u>	<u>4,105,160</u>
-	-	161,417	120,507	488,434	-	3,415,542
-	-	7,104	5,544	-	-	211,989
-	-	3,828	-	-	-	50,229
-	-	208	-	-	-	57,289
-	-	2,000	1,000	-	-	61,132
-	-	317	347	-	-	46,298
-	-	8,904	1,478	-	-	129,669
-	-	544	9	-	-	12,546
-	-	2,786	5,681	-	-	107,585
-	-	<u>16,001</u>	<u>1,796</u>	-	-	<u>292,682</u>
-	-	41,692	15,855	-	-	969,419
-	-	13,161	106	-	-	73,896
-	10,515	119,392	3,670	-	-	262,182
-	-	-	-	-	-	780,300
-	-	-	-	-	-	25,349
-	-	-	-	-	-	3,411
-	<u>10,515</u>	<u>335,662</u>	<u>140,138</u>	<u>488,434</u>	-	<u>5,530,099</u>
-	(10,515)	(123,575)	(49,216)	(488,434)	4,432	(1,424,939)
-	-	-	-	-	-	1,474,081
<u>\$ -</u>	<u>\$ (10,515)</u>	<u>\$ (123,575)</u>	<u>\$ (49,216)</u>	<u>\$ (488,434)</u>	<u>\$ 4,432</u>	<u>\$ 49,142</u>

CITY OF MCCOOK, NEBRASKA
COMBINING STATEMENT OF NET POSITION -
COMPONENT UNITS

September 30, 2014

	<u>Community Development Agency</u>	<u>McCook Leasing Corporation</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 67,026	\$ -	\$ 67,026
Current portion of note receivable	<u>-</u>	<u>545,000</u>	<u>545,000</u>
Total current assets	67,026	545,000	612,026
Noncurrent assets:			
Noncurrent portion of note receivable	<u>-</u>	<u>1,720,000</u>	<u>1,720,000</u>
Total assets	67,026	2,265,000	2,332,026
LIABILITIES			
Current liabilities:			
Current portion of long-term obligations	5,257	545,000	550,257
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	<u>-</u>	<u>1,720,000</u>	<u>1,720,000</u>
Total liabilities	<u>5,257</u>	<u>2,265,000</u>	<u>2,270,257</u>
NET POSITION			
Unrestricted	<u>\$ 61,769</u>	<u>\$ -</u>	<u>\$ 61,769</u>

See notes to financial statements.

CITY OF MCCOOK, NEBRASKA

**COMBINING STATEMENT OF ACTIVITIES -
COMPONENT UNITS**

For the year ended September 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Component units:			
Community Development Agency	\$ 35,129	\$ -	\$ -
McCook Leasing Corporation	68,343	68,343	-
Total component units	<u>\$ 103,472</u>	<u>\$ 68,343</u>	<u>\$ -</u>

See notes to financial statements.

	Net (Expenses) Revenues and Changes in Net Position		
	Primary Government		
<u>Capital Grants and Contributions</u>	<u>Community Development Agency</u>	<u>McCook Leasing Corporation</u>	<u>Total</u>
\$ -	\$ (35,129)	\$ -	\$ (35,129)
-	-	-	-
<u>\$ -</u>	<u>(35,129)</u>	<u>-</u>	<u>(35,129)</u>
General revenues:			
TIF proceeds	35,129	-	35,129
Interest income	33	-	33
	<u>33</u>	<u>-</u>	<u>33</u>
Change in net position	33	-	33
Net position - September 30, 2013	<u>61,736</u>	<u>-</u>	<u>61,736</u>
Net position - September 30, 2014	<u>\$ 61,769</u>	<u>\$ -</u>	<u>\$ 61,769</u>

CITY OF MCCOOK, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended September 30, 2014

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Transportation</u>		
Passed Through Nebraska Department of Roads: Public Transportation for Nonurbanized Areas	20.509	\$ 117,896
Passed Through Nebraska Game and Parks: Recreational Trails Program	20.219	81,978
Passed Through Nebraska Department of Aeronautics: Airport Improvement Program	20.106	<u>2,434</u>
Total Department of Transportation		202,308
<u>Department of Health and Human Services</u>		
Passed Through West Central Nebraska Area Agency on Aging: Title III, Part D - Special Programs for the Aging	93.043	400
Aging Cluster:		
Title III, Part B - Supportive Services and Senior Centers	93.044	20,110
Title III, Part C - Nutrition Services	93.045	53,295
Nutrition Services Incentive Program	93.053	<u>22,849</u>
Total Aging Cluster		<u>96,254</u>
Total Department of Health and Human Services		96,654
<u>Environmental Protection Agency</u>		
Passed Through Nebraska Department of Environmental Quality:		
Federal Clean Water State Revolving Fund	66.458	175,787
Federal Drinking Water State Revolving Fund	66.468	<u>1,438,537</u> *
Total Environmental Protection Agency		<u>1,614,324</u>
Total Federal Awards		<u><u>\$ 1,913,286</u></u>

*Major Program

NOTE A - BASIS OF PRESENTATION

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



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities - modified cash basis, the business-type activities - accrual basis, the aggregate discretely presented component units - accrual basis, each major fund - modified cash basis for the governmental funds and accrual basis for the proprietary funds, the aggregate remaining fund information - modified cash basis for the governmental funds, and the fiduciary funds - modified cash basis of the City of McCook, Nebraska, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated February 6, 2015. Our report on the financial statements disclosed that, as described in Note A to the financial statements, the City of McCook, Nebraska, prepares its financial statements for the governmental funds on 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 of the financial statements, we considered the City of McCook's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of

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and offers wealth management and investment advisory services.

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deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, in the accompanying schedule of findings and questioned costs as 2014-001 that we consider to be significant deficiencies.

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*.

City of McCook's Response to Findings

The City of McCook's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Grand Island, Nebraska
February 6, 2015

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of McCook, Nebraska’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended September 30, 2014. 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.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of the City of McCook, Nebraska’s major federal programs based on our audit of the types of compliance requirements referred to above. 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’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 in compliance for each major federal program. However, our audit does not provide a legal determination of the City of McCook, Nebraska’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City of McCook, Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal programs for the year ended September 30, 2014.

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Report on Internal Control over Compliance

Management of the City of McCook, Nebraska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and to report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirements of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirements of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

August Malthalm.
Galloway & Luth, P.C.

Grand Island, Nebraska
February 6, 2015

CITY OF MCCOOK, NEBRASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2014

1. A summary of auditors' results:
 - (i) An unmodified opinion was issued on the financial statements of the City of McCook, Nebraska, as of September 30, 2014.
 - (ii) One significant deficiency disclosed during the audit of the financial statements is reported in the "Independent Auditors' 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 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, Nebraska.
 - (v) An unmodified 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 #66.468 – Federal Drinking Water State Revolving Fund.
 - (viii) The dollar of threshold used to distinguish between Type A and Type B programs was \$300,000.
 - (ix) The City of McCook, Nebraska, did not qualify as a low-risk auditee under § ____.530.

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

2014-001 Due to a limited number of personnel, there is not adequate segregation of duties to ensure internal control over cash receipts, disbursements, and recording of transactions.

Management's response – It is impractical to further segregate duties due to the limited number of accounting personnel.

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, 2014

There were no prior audit findings for the year ended September 30, 2013.