

AGENDA
MCCOOK CITY COUNCIL
REGULAR MEETING
Monday - January 18, 2016
6:30 P.M. - City Council Chambers

- **Call to Order and Roll Call.**
 - **Open Meetings Act Announcement.**
**A copy of the Open Meetings Act is posted by the entrance to the Council Chambers and is available for public review.*
 - **Invocation.**
The McCook Ministerial Association - Doug Griger, United Methodist Church.
 - **Pledge of Allegiance.**
- 1. Citizen's Comments.**
**The Council welcomes your input. You may address the Council at this time on items that are not on tonight's agenda. According to Nebraska Open Meeting Laws no action may be taken by Council.*
- At the appropriate time during the meeting, citizens wishing to comment on tonight's Agenda items will be given an opportunity.*
- 2. Announcements & Recognitions.**
- 3. Presentation.**
- A. Accept the Financial Statements and Supplemental Information for Fiscal Year ending September 30, 2015 prepared by Almquist, Maltzahn, Galloway, & Luth, Certified Public Accountants.
011816 audit
AUDIT SEPT 30, 2015 Board Letter
AUDIT SEPT 30, 2015 FS
AUDIT SEPT 30, 2015 SD MW Letter
- 4. Consent Agenda.**
**The Consent Agenda is approved on one motion. Any item listed on the Consent Agenda may, by the request of any single Councilmember or public in attendance, be considered as a separate item under the Regular Agenda.*
- A. Approve the minutes of the January 4, 2016 regular City Council meeting.
011816 minutes
- B. Receive and file the claims for the month of December 2015 as published January 11, 2016.
011816 claims
- C. Award the bid for concessions at the Jaycees Ball Complex to Consolidated Management Co., in the amount of \$750.00 per year, for the calendar years 2016-2018.
011816 jaycee
- D. Award the bid for concessions at Felling field to Nancy Collins, in the amount of \$727.00 per year, for the calendar years 2016-2018.
011816 felling
- 5. Regular Agenda.**
- A. Adopt Resolution No. 2016-01 approving an agreement with McCook Keno, L.L.C for the operation of a keno-type lottery in the City of McCook for a period of five years.
011816 keno
- B. Adopt Resolution No. 2016-02 approving TJ's Family Fun Center as a Sales Outlet location for the operation of keno-type lottery.
- C. Approve Ordinance No. 2015-2926 approving the Final Planned Development District to be known as Quillan Courts Planned Development District upon its third and final reading.
011816 pud
- D. Council Comments.
- **Adjournment.**

**CITY MANAGER'S REPORT
JANUARY 18, 2016 CITY COUNCIL MEETING**

ITEM: 3

Accept the Financial Statements and Supplemental Information for Fiscal Year ending September 30, 2015 prepared by Almquist, Maltzahn, Galloway, & Luth, Certified Public Accountants.

BACKGROUND:

Terry Galloway of Almquist, Maltzahn, Galloway, & Luth, Certified Public Accountants, will be present at the meeting to review the audit report and address any questions from the Council.

FISCAL

IMPACT: None.

RECOMMENDATION:

Accept the Financial Statements and Supplemental Information for Fiscal Year ending September 30, 2015 prepared by Almquist, Maltzahn, Galloway, & Luth, Certified Public Accountants.

APPROVALS:



Lea Ann Doak, City Clerk

January 9, 2016



Nathan A. Schneider, City Manager

January 9, 2016



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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the fiduciary funds of the City of McCook for the year ended September 30, 2015, and have issued our report thereon dated December 11, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 27, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of McCook are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2015. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the collectability of accounts receivable is based on historical utility revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the collectability of accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

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Christine R. Shenk
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Joseph P. Stump

Management's estimate of the depreciation of capital assets is based on the estimated useful life of the capital asset. We evaluated the key factors and assumptions used to develop the depreciation of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Six audit adjustments decreased the fund balances of the City's governmental funds by \$93,513. Seventeen audit adjustments decreased the net position of the City's business-type funds by \$211,250. Two audit adjustments decreased the net position of the City's component units by \$169,874. The following material misstatements detected as a result of audit procedures were corrected by management:

1. Depreciation expense of \$1,343,905 was recorded in the business-type funds, decreasing capital assets and increasing expenses.
2. Unbilled revenue and utility revenue was increased \$64,273 on the business-type funds.
3. Capital asset additions of \$611,457 were reclassified in the business-type funds, increasing capital assets and decreasing expenses.
4. Accounts payable and various expenses were increased \$120,620 on the business-type funds.
5. County treasurer cash and property tax revenue were decreased \$66,399 in the General Fund.
6. Principal payments were reclassified, decreasing long-term debt and expenses \$609,713 in the business-type funds.
7. Inventory was decreased and expenses increased \$19,966 in the business-type funds.
8. Insurance claims payable and expense were both increased \$23,000 to adjust the year end accrual to estimated actual.

9. TIF receivables were increased \$212,869 with an offsetting decrease to CDA expenses.
10. TIF notes payable were increased \$382,743 with a \$388,000 decrease to bond proceed revenue and a \$5,257 decrease to TIF repayment expense on the CDA Fund.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 11, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In connection with our audit of the financial statements of the City of McCook as of September 30, 2015, we noted certain matters that we believe you should consider. Our observations were formed as a by-product of our audit procedures, which did not include a comprehensive review for the purpose of submitting detailed recommendations.

1. The Economic Development Fund made an LB840 loan to the McCook Economic Development Corporation (MEDC) to finance the \$180,000 bond that MEDC issued on the Clary Village TIF project. The LB840 loan is being advanced in monthly payments of \$4,190.30 to MEDC by the City, as there is currently not enough LB840 cash available to finance this loan. In the interim, MEDC obtained bank financing. We recommend obtaining an amortization schedule showing the total principal and

interest the MEDC will have to pay back to the bank in order to determine how many monthly advances should be made. The original promissory note from the Economic Development Fund to MEDC indicated that 48 monthly advances of \$4,190.30 would be made. This would total \$201,134.40, which appears to be more than the debt service that MEDC will have on the bank note. We recommend revising the note terms to clearly define the number of payments that the City should make to MEDC to fully cover their bank debt service costs.

2. We recommend removing the City owned lots from the special assessments receivable listing, as these assessments will not be collected.
3. We recommend that you continue working on annexation to get all adjacent property into the City limits.
4. We suggest that you continue to monitor the ambulance accounts receivable/billings that is handled by EMS Billing Services, Inc. regarding past due accounts for any additional collection efforts that might be needed (43.5 percent of your receivable balance is over 90 days old which amounts to \$38,990). In addition, the accounts should be reviewed to determine whether there are any uncollectible accounts that need to be written off.
5. During the audit we noted that language regarding the payment and accrual of vacation upon termination could cause future issues. We recommend that this section and the employee handbook be reviewed and updated.
6. While auditing inventory, we noted two team valve inventory items that were capitalized as of September 30, 2014 that are still on the inventory listing. We recommend that if items are going to be capitalized, that they be installed within a few months of the fiscal year end. We also recommend segregating items that have been capitalized into their own grouping on the inventory listing when counting.
7. While auditing accounts receivable, we noted a credit balance of \$736.18 in the Unapplied (Overpaid) account. Upon further investigation, it appears there are odds and ends of payments that have not been applied correctly in the past. We recommend reviewing this detail and applying the payments to the correct customers to get this account zeroed out.
8. At September 30, 2015, the escrow account for deep well closure/abandonment costs had a balance of \$75,241.45. The required escrow balance per DEQ calculations was \$77,024. We recommend funding the additional required amount of \$1,782.55 as soon as possible. Also, we recommend calculating this required deposit in a timely manner each year to stay in compliance with DEQ regulations.

Other Matters

We were engaged to report on the Management Discussion and Analysis, budgetary comparison schedules, Fiduciary Funds combining statement of assets and liabilities, General Fund departmental combining statement of revenues and expenditures, and component unit combining statements, which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City of McCook and is not intended to be and should not be used by anyone other than these specified parties.

*Almgvist, Malthalm,
Galloway & Luth, PC*

Grand Island, Nebraska
December 11, 2015

CITY OF MCCOOK, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2015

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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, 2015, 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, 2015, 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 management's discussion and analysis, budgetary comparison schedules, fiduciary funds combining statement, statement of general fund departmental revenue and expenditures, and component unit combining statements 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 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 December 11, 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.

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

Grand Island, Nebraska
December 11, 2015

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2015

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, 2015. 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 \$213,270 from motor vehicle sales restricted to Street Department use and \$800,800 for property tax relief to homeowners in the City of McCook and \$800,800 for infrastructure improvements. The taxable sales for the City of McCook were down 3.14% for the year. Sales Tax revenues were used for the Kelley Park restroom/storage facility with an estimated finished project cost of \$95,000 and \$75,000 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 fourth annual bond payment of \$604,825 was made using sales tax revenues.

An additional ½% City Sales and Use Tax with ½ of the receipts to be used for infrastructure improvements and ½ of the receipts to be used to fund an LB840 plan was enacted in July 2008. A portion of the LB840 fund have been committed for funding of a \$1,120,000 bond use for development of the Keystone Business Center. The ½% generated \$800,878 in revenue. Grants totaling \$15,500 were issued in the facade program, Clary Village Equity Loan issued in the amount of \$120,000, Clary Village Bridge Loans payments to date of \$25,000, and purchased the \$208,000 North Pointe Tax Increment Finance Bond.

In May 2015 the voters approved the continuation of the 1.5% City Sales and Use Tax which are scheduled to sunset in 2018, for an additional period of 15 years. The current 1% and ½% will be combined together at that point.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2015

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 two new locations were opened. The annual revenue for FY 14/15 was \$132,800. Revenues derived from the keno operation are to be used for "community betterment purposes." Funds were used to finance a portion of a trash disposal semi tractor for Transfer Station in the amount of \$65,000 and \$76,000 was used for funding of a Firefighter/Paramedic. The balance due of \$17,500 on the trash disposal semi tractor 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 fifteen years and not more than twenty-five years with the city being paid 12% of the retail revenues. The current year's lease generated \$1,397,840, which is down almost 5% from last fiscal year. Of this amount the City transferred \$375,000 to the Self Insured Health Insurance Fund and \$949,208 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 \$55,000.

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 FY 11/12 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 \$1,600 per month. Having more claims just under the \$35,000 threshold, the monthly cost per employee averaged around \$1,560 per month. With the ever present risk of an increase in costs, an estimated reserve of \$250,000 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 \$235,000. 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 thirty years.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2015

In 2006 the Wastewater Treatment Department received a Nebraska Department of Environmental Quality Clean Water State Revolving Loan for \$3,930,000 for construction and improvements to the Wastewater Treatment Plant to meet Ammonia limits required by the National Pollutant Discharge Elimination System (NPDES) Permit. This loan is to be repaid over 20 years. 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, 2015

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, 2015

Government-wide Financial Analysis

Summary Statements of Net Position

| | Year Ended September 30, 2015 | | | Year Ended September 30, 2014 | | |
|--------------------------|--|---|---------------|--|---|---------------|
| | 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 | \$ 6,179,107 | \$ 8,355,868 | \$ 14,534,975 | \$ 6,219,075 | \$ 7,866,357 | \$ 14,085,432 |
| Capital Assets | 18,739,940 | 20,382,174 | 39,122,114 | 18,307,738 | 21,114,619 | 39,422,357 |
| Total Assets | 24,919,047 | 28,738,042 | 53,657,089 | 24,526,813 | 28,980,976 | 53,507,789 |
| Long-term Liabilities | 1,508,416 | 10,900,703 | 12,409,119 | 2,235,453 | 11,501,442 | 13,736,895 |
| Other Liabilities | 810,491 | 1,132,480 | 1,942,971 | 775,494 | 1,026,415 | 1,801,909 |
| Total Liabilities | 2,318,907 | 12,033,183 | 14,352,090 | 3,010,947 | 12,527,857 | 15,538,804 |
| Net Position: | | | | | | |
| Net Investment in | | | | | | |
| Capital Assets | 16,529,033 | 9,657,923 | 26,186,956 | 15,381,791 | 9,780,655 | 25,162,446 |
| Restricted | 2,926,008 | 455,389 | 3,381,397 | 3,052,031 | 432,946 | 3,484,977 |
| Unrestricted | 3,145,099 | 6,591,547 | 9,736,646 | 3,082,044 | 6,239,518 | 9,321,562 |
| Total Net Position | \$ 22,600,140 | \$ 16,704,859 | \$ 39,304,999 | \$ 21,515,866 | \$ 16,453,119 | \$ 37,968,985 |

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 \$39,304,999.

Capital assets (land, infrastructure, buildings, streets, improvements, and equipment), net of any debt issued to acquire these assets, comprise 66.6 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 8.6 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 (\$9,736,646) is the unrestricted net position.

Changes in Net Position

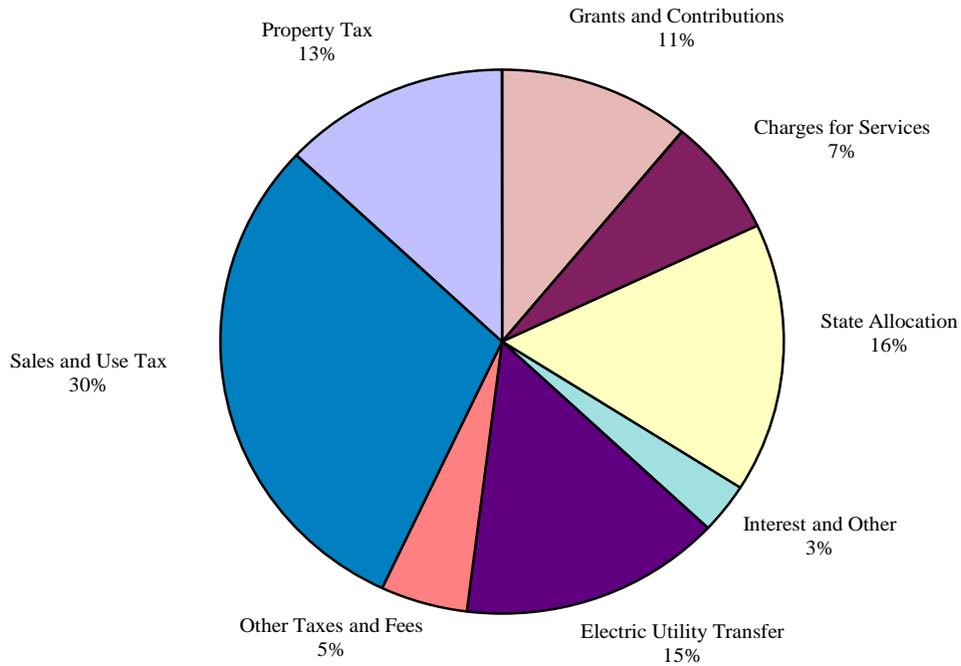
The following table presents a summary of revenues and expenses of the governmental and business-type activities:

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2015

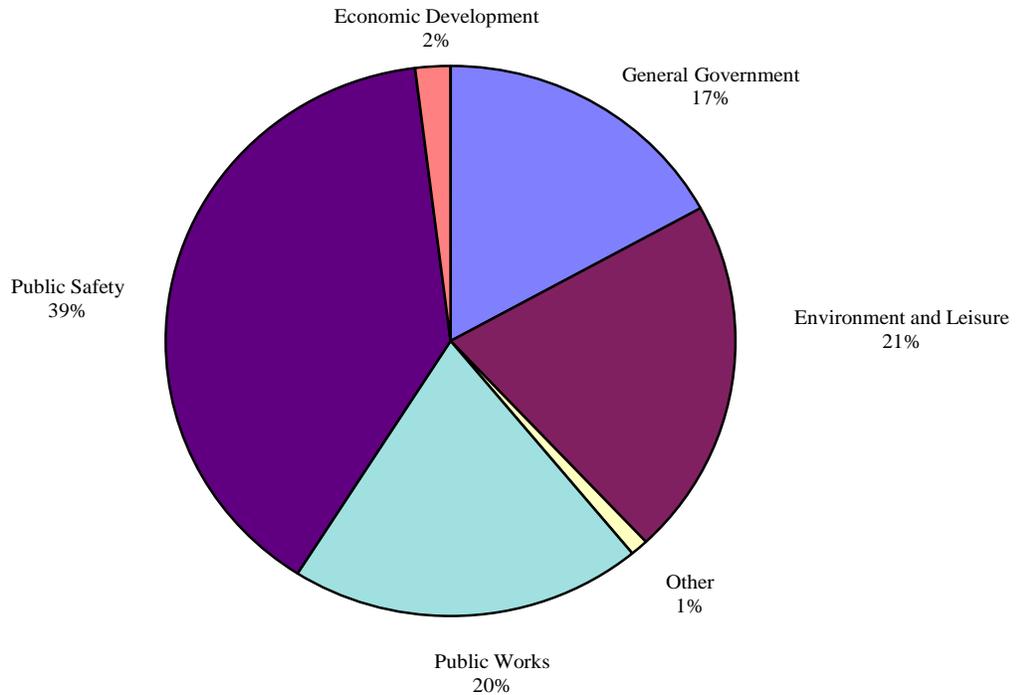
| | <u>September 30, 2015</u> | | | <u>September 30, 2014</u> | | |
|--|--|---|---------------------|--|---|---------------------|
| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Total</u> | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Total</u> |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 629,586 | \$ 6,793,022 | \$ 7,422,608 | \$ 609,038 | \$ 6,609,661 | \$ 7,218,699 |
| Operating Grants and Contributions | 294,689 | - | 294,689 | 663,938 | - | 663,938 |
| Capital Grants and Contributions | 677,292 | 2,124 | 679,416 | 886,378 | 357,340 | 1,243,718 |
| General Revenues: | | | | | | |
| Property Taxes | 1,090,170 | - | 1,090,170 | 1,076,938 | - | 1,076,938 |
| Sales and Use Taxes | 2,615,904 | - | 2,615,904 | 2,626,627 | - | 2,626,627 |
| Other Taxes and Fees | 408,311 | - | 408,311 | 370,118 | - | 370,118 |
| State Allocation | 1,398,910 | - | 1,398,910 | 1,394,228 | - | 1,394,228 |
| Interest Income | 50,149 | 56,986 | 107,135 | 46,860 | 47,122 | 93,982 |
| Other | 174,832 | - | 174,832 | 195,592 | - | 195,592 |
| Total Revenues | <u>7,339,843</u> | <u>6,852,132</u> | <u>14,191,975</u> | <u>7,869,717</u> | <u>7,014,123</u> | <u>14,883,840</u> |
| Expenses | | | | | | |
| General Government | 1,291,369 | - | 1,291,369 | 1,191,547 | - | 1,191,547 |
| Economic Development | 154,240 | - | 154,240 | 136,804 | - | 136,804 |
| Public Safety | 2,942,368 | - | 2,942,368 | 2,827,581 | - | 2,827,581 |
| Public Works | 1,492,743 | - | 1,492,743 | 1,406,929 | - | 1,406,929 |
| Environmental and Leisure | 1,604,045 | - | 1,604,045 | 1,691,842 | - | 1,691,842 |
| Interest Expense | 79,085 | - | 79,085 | 93,640 | - | 93,640 |
| Electric Utility | - | 3,539 | 3,539 | - | 3,540 | 3,540 |
| Water | - | 2,253,607 | 2,253,607 | - | 2,076,041 | 2,076,041 |
| Sewer | - | 1,126,520 | 1,126,520 | - | 1,175,868 | 1,175,868 |
| Solid Waste | - | 1,908,445 | 1,908,445 | - | 1,796,915 | 1,796,915 |
| Total Expenses | <u>7,563,850</u> | <u>5,292,111</u> | <u>12,855,961</u> | <u>7,348,343</u> | <u>5,052,364</u> | <u>12,400,707</u> |
| Increase (Decrease) in Net Position Before Transfers | (224,007) | 1,560,021 | 1,336,014 | 521,374 | 1,961,759 | 2,483,133 |
| Net Transfers | <u>1,308,281</u> | <u>(1,308,281)</u> | <u>-</u> | <u>1,383,586</u> | <u>(1,383,586)</u> | <u>-</u> |
| Increase in Net Position | <u>\$ 1,084,274</u> | <u>\$ 251,740</u> | <u>\$ 1,336,014</u> | <u>\$ 1,904,960</u> | <u>\$ 578,173</u> | <u>\$ 2,483,133</u> |

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2015

2015 Revenues by Source - Governmental Activities

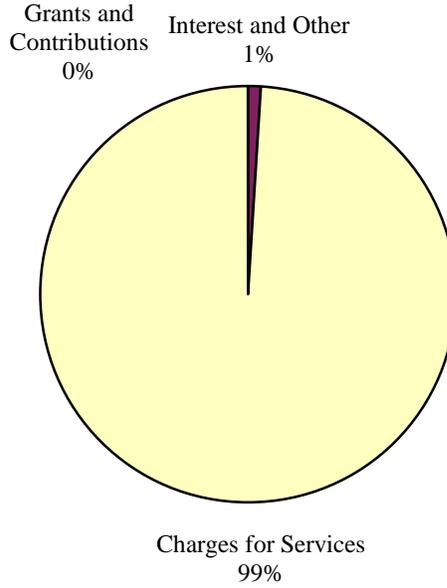


2015 Expenses - Governmental Activities

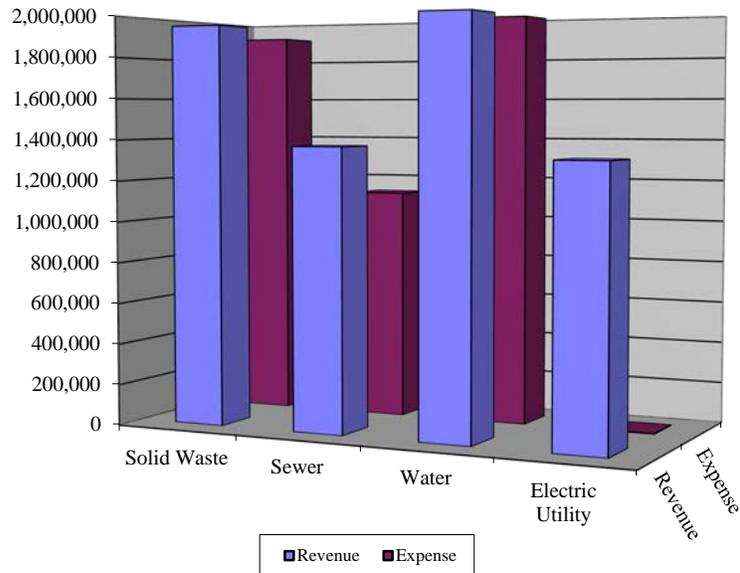


CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2015

2015 Revenues by Source - Business-type Activities



2015 Expenses and Program Revenues - Business-type Activities



CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2015

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 \$5,505,484. Approximately 22.8 percent of this total amount (\$1,255,117) 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 to pay debt service (\$437,992), 2) restricted to fund capital projects (\$1,118,548), 3) endowed as nonspendable to fund perpetual care (\$119,015), 4) restricted for community betterment (\$48,878), 5) restricted to fund economic development projects (\$569,199), 6) restricted for federal projects (\$447,372), 7) restricted for street improvements (\$185,004), 8) committed for capital projects (\$98,484), 9) assigned for storm/hail repairs (\$564,858), or 10) assigned for budgetary stabilization (\$661,017).

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 \$1,255,117, while total fund balance reached \$2,133,633. 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 25.3 percent of General Fund total expenditures, while total fund balance represents 43.1 percent of General Fund total expenditures.

The fund balance of the City of McCook's General Fund decreased by \$64,515 during the current fiscal year.

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

Unrestricted net position of the proprietary funds at the end of the year were as follows: Electric and Emergency Fund - \$0, Water Fund - \$5,654,024, Sewer Fund - \$1,130,965, and Solid Waste Fund - deficit of \$(193,442). The growth (decrease) in net position for the proprietary funds was as follows: Electric and Emergency Fund - decrease of \$(3,539), Water Fund - decrease of \$(118,374), Sewer Fund - \$284,012, and Solid Waste Fund -\$89,641. 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, 2015

Budgetary Highlights

No amendments to the Fiscal Year 2014-2015 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, 2015, amounts to \$39,122,114 (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:

- Phase 3 of the walking trail - \$18,357
- Recoat library roof - \$20,815
- Country club storm sewer - \$26,087
- Kelley Park restroom/storage – \$87,476
- East 7th/Seminole/East H to Park Avenue street project - \$974,541
- Construction in progress on the skatepark - \$13,824
- Construction in progress on Industrial Park paving - \$10,750
- GIS website - \$25,498
- Construction in progress on an 8-place hangar – \$11,809
- 2 Lucas devices - \$21,708
- Transfer station wall replacement - \$22,498
- Three 4" Instateam valves - \$14,742
- Two 8" Instateam valves - \$16,623
- 2015 water meter upgrades - \$33,892
- East golf course lift station - \$24,384
- Clarifier pump house valve - \$11,640
- Heat exchanger rehab and bio motor controls - \$294,014
- Day cab semi tractor - \$82,500
- 2015 container replacement - \$30,798

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2015

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

| | <u>Year Ended September 30, 2015</u> | | | <u>Year Ended September 30, 2014</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 | 36,383 | - | 36,383 | 826,351 | - | 826,351 |
| Infrastructure | 7,692,571 | - | 7,692,571 | 6,169,142 | - | 6,169,142 |
| Buildings and Improvements | 9,201,470 | 3,538,118 | 12,739,588 | 9,260,039 | 3,642,635 | 12,902,674 |
| Machinery and Equipment | 163,452 | 731,070 | 894,522 | 201,302 | 813,333 | 1,014,635 |
| Distribution Systems | - | 15,627,251 | 15,627,251 | - | 16,172,916 | 16,172,916 |
| Office Furniture and Equipment | 298,071 | - | 298,071 | 355,607 | - | 355,607 |
| Vehicles | 579,293 | - | 579,293 | 726,597 | - | 726,597 |
| Total | <u>\$ 18,739,940</u> | <u>\$ 20,382,174</u> | <u>\$ 39,122,114</u> | <u>\$ 18,307,738</u> | <u>\$ 21,114,619</u> | <u>\$ 39,422,357</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, 2015</u> | | | <u>Year Ended September 30, 2014</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 | \$ 55,668 | \$ - | \$ 55,668 | \$ 68,356 | \$ - | \$ 68,356 |
| Economic Development Bonds | 375,000 | - | 375,000 | 495,000 | - | 495,000 |
| Capital Leases | 1,780,239 | - | 1,780,239 | 2,362,591 | - | 2,362,591 |
| Sewer SRF Loans | - | 2,517,641 | 2,517,641 | - | 2,842,395 | 2,842,395 |
| Water SRF Loan | - | 8,206,610 | 8,206,610 | - | 8,491,569 | 8,491,569 |
| Total Long-term Outstanding Debt | <u>\$ 2,210,907</u> | <u>\$ 10,724,251</u> | <u>\$ 12,935,158</u> | <u>\$ 2,925,947</u> | <u>\$ 11,333,964</u> | <u>\$ 14,259,911</u> |

The City's long-term debt decreased \$1,324,753 (9.3 percent) during the year ended September 30, 2015, due primarily to scheduled principal payments.

Additional information on the City of McCook's long-term debt can be found in Note C5 on pages 52-58 of this report.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2015

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, 2016, is \$1,132,128, a \$42,749 (3.9 percent) increase over the prior year.

All of these factors were considered in preparing the City of McCook's budget for the 2016 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, 2015

| | Primary Government | | | Component Units (Accrual Basis) |
|---|--|---|----------------------|--|
| | Governmental Activities (Modified Cash Basis) | Business-type Activities (Accrual Basis) | Total | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 2,827,275 | \$ 7,064,742 | \$ 9,892,017 | \$ 237,410 |
| County treasurer cash | 41,631 | - | 41,631 | - |
| Current portion of notes receivable | 17,558 | - | 17,558 | 560,000 |
| Accounts receivable | - | 82,802 | 82,802 | - |
| Unbilled revenue | - | 603,839 | 603,839 | - |
| Inventory | - | 126,298 | 126,298 | - |
| Total current assets | <u>2,886,464</u> | <u>7,877,681</u> | <u>10,764,145</u> | <u>797,410</u> |
| Noncurrent assets: | | | | |
| Restricted cash and cash equivalents | 2,926,008 | 478,187 | 3,404,195 | - |
| Noncurrent portion of notes receivable | 366,635 | - | 366,635 | 1,372,869 |
| Capital assets: | | | | |
| Land | 768,700 | 485,735 | 1,254,435 | - |
| Construction in progress | 36,383 | - | 36,383 | - |
| Other capital assets, net of depreciation | 17,934,857 | 19,896,439 | 37,831,296 | - |
| Net capital assets | <u>18,739,940</u> | <u>20,382,174</u> | <u>39,122,114</u> | <u>-</u> |
| Total noncurrent assets | <u>22,032,583</u> | <u>20,860,361</u> | <u>42,892,944</u> | <u>1,372,869</u> |
| Total assets | <u>24,919,047</u> | <u>28,738,042</u> | <u>53,657,089</u> | <u>2,170,279</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | - | 239,055 | 239,055 | - |
| Accrued expenses | - | 179,573 | 179,573 | - |
| Customer deposits | - | 69,936 | 69,936 | - |
| Accrued interest | - | 82,570 | 82,570 | - |
| Claims incurred not paid | 108,000 | - | 108,000 | - |
| Current portion of long-term obligations | 702,491 | 561,346 | 1,263,837 | 560,000 |
| Total current liabilities | <u>810,491</u> | <u>1,132,480</u> | <u>1,942,971</u> | <u>560,000</u> |
| Noncurrent liabilities: | | | | |
| Accrued landfill closure costs | - | 715,000 | 715,000 | - |
| Accrued deep well abandonment costs | - | 22,798 | 22,798 | - |
| Noncurrent portion of long-term obligations | 1,508,416 | 10,162,905 | 11,671,321 | 1,548,000 |
| Total noncurrent liabilities | <u>1,508,416</u> | <u>10,900,703</u> | <u>12,409,119</u> | <u>1,548,000</u> |
| Total liabilities | <u>2,318,907</u> | <u>12,033,183</u> | <u>14,352,090</u> | <u>2,108,000</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 16,529,033 | 9,657,923 | 26,186,956 | - |
| Restricted for: | | | | |
| Street improvements | 185,004 | - | 185,004 | - |
| Landfill postclosure | - | 126,211 | 126,211 | - |
| Deep injection well closure | - | 52,443 | 52,443 | - |
| Debt service | 437,992 | 276,735 | 714,727 | - |
| Economic development | 569,199 | - | 569,199 | - |
| Perpetual care | 119,015 | - | 119,015 | - |
| Capital projects | 1,118,548 | - | 1,118,548 | - |
| Federal projects | 447,372 | - | 447,372 | - |
| Community betterment | 48,878 | - | 48,878 | - |
| Unrestricted | <u>3,145,099</u> | <u>6,591,547</u> | <u>9,736,646</u> | <u>62,279</u> |
| Total net position | <u>\$ 22,600,140</u> | <u>\$ 16,704,859</u> | <u>\$ 39,304,999</u> | <u>\$ 62,279</u> |

See notes to financial statements.

CITY OF MCCOOK, NEBRASKA
STATEMENT OF ACTIVITIES
For the year ended September 30, 2015

| <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 | \$ 1,276,359 | \$ 49,891 | \$ 2,844 |
| Economic development | 154,240 | - | - |
| Public safety | 2,642,918 | 398,745 | 3,500 |
| Public works | 1,227,873 | 77,464 | - |
| Environment and leisure | 1,317,518 | 103,486 | 288,345 |
| Depreciation - unallocated | 865,857 | - | - |
| Interest and fees on long-term debt | 79,085 | - | - |
| Total governmental activities | 7,563,850 | 629,586 | 294,689 |
| Business-type activities | | | |
| (accrual basis): | | | |
| Electric and emergency | 3,539 | 1,324,208 | - |
| Water | 2,253,607 | 2,141,002 | - |
| Sewer | 1,126,520 | 1,373,025 | - |
| Solid waste | 1,908,445 | 1,954,787 | - |
| Total business-type activities | 5,292,111 | 6,793,022 | - |
| Total primary government | \$ 12,855,961 | \$ 7,422,608 | \$ 294,689 |
| Component units: | | | |
| Community Development Agency | \$ 27,221 | \$ - | \$ - |
| Municipal Facilities Corporation | 58,125 | 58,125 | - |
| Total component units | \$ 85,346 | \$ 58,125 | \$ - |

See notes to financial statements.

| Net (Expenses) Revenues and Changes in Net Position | | | | |
|---|--|---|----------------------|--|
| <u>Capital Grants and Contributions</u> | <u>Primary Government</u> | | | Component Units (Accrual Basis) |
| | Governmental Activities (Modified Cash Basis) | Business-type Activities (Accrual Basis) | Total | |
| \$ - | \$ (1,223,624) | | \$ (1,223,624) | |
| - | (154,240) | | (154,240) | |
| - | (2,240,673) | | (2,240,673) | |
| 573,029 | (577,380) | | (577,380) | |
| 104,263 | (821,424) | | (821,424) | |
| - | (865,857) | | (865,857) | |
| - | (79,085) | | (79,085) | |
| <u>677,292</u> | <u>(5,962,283)</u> | <u>\$ -</u> | <u>(5,962,283)</u> | |
| - | - | 1,320,669 | 1,320,669 | |
| 2,124 | - | (110,481) | (110,481) | |
| - | - | 246,505 | 246,505 | |
| - | - | 46,342 | 46,342 | |
| <u>2,124</u> | <u>-</u> | <u>1,503,035</u> | <u>1,503,035</u> | |
| <u>\$ 679,416</u> | <u>(5,962,283)</u> | <u>1,503,035</u> | <u>(4,459,248)</u> | |
| \$ - | | | | \$ (27,221) |
| - | | | | - |
| <u>\$ -</u> | | | | <u>(27,221)</u> |
| General revenues: | | | | |
| Taxes: | | | | |
| Property | 1,090,170 | - | 1,090,170 | - |
| Motor vehicle | 176,380 | - | 176,380 | - |
| Payments in lieu of taxes | 109,532 | - | 109,532 | - |
| Occupation | 28,822 | - | 28,822 | - |
| Sales tax | 2,615,904 | - | 2,615,904 | - |
| Franchise | 92,802 | - | 92,802 | - |
| Special assessments | 775 | - | 775 | - |
| State allocation | 1,398,910 | - | 1,398,910 | - |
| TIF proceeds | - | - | - | 27,221 |
| Keno proceeds | 132,777 | - | 132,777 | - |
| Miscellaneous | 42,055 | - | 42,055 | - |
| Interest income | 50,149 | 56,986 | 107,135 | 510 |
| Net transfers | 1,308,281 | (1,308,281) | - | - |
| Total general revenues | <u>7,046,557</u> | <u>(1,251,295)</u> | <u>5,795,262</u> | <u>27,731</u> |
| Change in net position | 1,084,274 | 251,740 | 1,336,014 | 510 |
| Net position - September 30, 2014 | <u>21,515,866</u> | <u>16,453,119</u> | <u>37,968,985</u> | <u>61,769</u> |
| Net position - September 30, 2015 | <u>\$ 22,600,140</u> | <u>\$ 16,704,859</u> | <u>\$ 39,304,999</u> | <u>\$ 62,279</u> |

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

September 30, 2015

| | General <u>Fund</u> | Street <u>Fund</u> | Economic Development <u>Fund</u> |
|--|----------------------------|--------------------------|--|
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,092,002 | \$ 185,004 | \$ 569,199 |
| County treasurer cash | 41,631 | - | - |
| | <u>2,133,633</u> | <u>185,004</u> | <u>569,199</u> |
| Total assets | <u>\$ 2,133,633</u> | <u>\$ 185,004</u> | <u>\$ 569,199</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | \$ - | \$ - | \$ - |
| Fund balances: | | | |
| Nonspendable: | | | |
| Perpetual care | 119,015 | - | - |
| Restricted for: | | | |
| Capital projects | - | - | - |
| Street improvements | - | 185,004 | - |
| Economic development | - | - | 569,199 |
| Debt service | - | - | - |
| Federal projects | - | - | - |
| Community betterment | - | - | - |
| Committed for: | | | |
| Capital projects | 98,484 | - | - |
| Assigned for: | | | |
| Budgetary stabilization | 661,017 | - | - |
| Storm/hail repairs | - | - | - |
| Unassigned | 1,255,117 | - | - |
| | <u>2,133,633</u> | <u>185,004</u> | <u>569,199</u> |
| Total fund balances | <u>2,133,633</u> | <u>185,004</u> | <u>569,199</u> |
| Total liabilities and fund balances | <u>\$ 2,133,633</u> | <u>\$ 185,004</u> | <u>\$ 569,199</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> |
|--------------------------------|------------------------------------|----------------------|---|---------------------------------------|
| \$ 437,992 | \$ 1,118,548 | \$ 1,012,230 | \$ 48,878 | \$ 5,463,853 |
| - | - | - | - | 41,631 |
| <u>\$ 437,992</u> | <u>\$ 1,118,548</u> | <u>\$ 1,012,230</u> | <u>\$ 48,878</u> | <u>\$ 5,505,484</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | 119,015 |
| - | 1,118,548 | - | - | 1,118,548 |
| - | - | - | - | 185,004 |
| - | - | - | - | 569,199 |
| 437,992 | - | - | - | 437,992 |
| - | - | 447,372 | - | 447,372 |
| - | - | - | 48,878 | 48,878 |
| - | - | - | - | 98,484 |
| - | - | - | - | 661,017 |
| - | - | 564,858 | - | 564,858 |
| - | - | - | - | 1,255,117 |
| <u>437,992</u> | <u>1,118,548</u> | <u>1,012,230</u> | <u>48,878</u> | <u>5,505,484</u> |
| <u>\$ 437,992</u> | <u>\$ 1,118,548</u> | <u>\$ 1,012,230</u> | <u>\$ 48,878</u> | <u>\$ 5,505,484</u> |

CITY OF MCCOOK, NEBRASKA

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

September 30, 2015

| | |
|---|-----------------------------|
| Total fund balances - governmental funds | \$ 5,505,484 |
| 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. | 181,430 |
| LB840 notes receivables are not due in the current period and therefore are not reported as assets in the governmental funds. | 384,193 |
| 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 \$35,449,974 and the accumulated depreciation is \$16,710,034. | 18,739,940 |
| 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 | \$ (1,780,239) |
| Bonds payable | (375,000) |
| Note payable | (55,668) |
| | <u>(2,210,907)</u> |
| Total net position - governmental activities | <u><u>\$ 22,600,140</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, 2015

| | <u>General Fund</u> | <u>Street Fund</u> | <u>Economic Development Fund</u> |
|--|-------------------------|------------------------|--|
| REVENUES | | | |
| Taxes: | | | |
| Property | \$ 1,090,170 | \$ - | \$ - |
| Motor vehicle | 176,380 | - | - |
| Payments in lieu of taxes | 109,532 | - | - |
| Occupation | 28,822 | - | - |
| Sales tax | 800,877 | 213,273 | 400,438 |
| Franchise | 92,802 | - | - |
| Special assessments | - | - | - |
| Intergovernmental | 504,821 | 894,088 | - |
| Grants | 191,054 | - | - |
| Keno proceeds | - | - | - |
| Charges for services | 544,746 | - | - |
| Contributions | 108,791 | - | - |
| Interest income | 16,171 | - | 1,772 |
| Loan collections | - | - | 54,697 |
| Insurance proceeds | - | - | - |
| Other revenue | 34,139 | - | - |
| Total revenues | <u>3,698,305</u> | <u>1,107,361</u> | <u>456,907</u> |
| EXPENDITURES | | | |
| General government | 968,927 | - | - |
| Economic development | - | - | 507,382 |
| Public safety | 2,446,061 | - | - |
| Public works | 219,837 | 1,052,365 | - |
| Environment and leisure | 1,195,571 | - | - |
| Capital outlay | 93,121 | 445,272 | - |
| Principal payments on debt | 25,485 | 24,555 | 120,000 |
| Interest on long-term debt | 3,274 | 1,841 | 18,910 |
| Bond fees | - | - | 350 |
| Total expenditures | <u>4,952,276</u> | <u>1,524,033</u> | <u>646,642</u> |
| Excess (deficiency) of revenues over expenditures | (1,253,971) | (416,672) | (189,735) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 1,195,708 | 566,466 | - |
| Transfers out | (6,252) | - | - |
| Net transfers | <u>1,189,456</u> | <u>566,466</u> | <u>-</u> |
| Net change in fund balances | (64,515) | 149,794 | (189,735) |
| Fund balances - September 30, 2014 | <u>2,198,148</u> | <u>35,210</u> | <u>758,934</u> |
| Fund balances - September 30, 2015 | <u>\$ 2,133,633</u> | <u>\$ 185,004</u> | <u>\$ 569,199</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> |
|----------------------------------|--------------------------------------|-----------------------|--|---|
| \$ - | \$ - | \$ - | \$ - | \$ 1,090,170 |
| - | - | - | - | 176,380 |
| - | - | - | - | 109,532 |
| - | - | - | - | 28,822 |
| - | 1,201,316 | - | - | 2,615,904 |
| - | - | - | - | 92,802 |
| 775 | - | - | - | 775 |
| - | - | 47,730 | - | 1,446,639 |
| - | - | 91,763 | - | 282,817 |
| - | - | - | 132,777 | 132,777 |
| - | - | 37,110 | - | 581,856 |
| - | - | 4,500 | - | 113,291 |
| 3,267 | 9,003 | 7,712 | 733 | 38,658 |
| - | - | - | - | 54,697 |
| - | - | 2,844 | - | 2,844 |
| - | - | 7,915 | - | 42,054 |
| <u>4,042</u> | <u>1,210,319</u> | <u>199,574</u> | <u>133,510</u> | <u>6,810,018</u> |
| - | - | 236,877 | 33,664 | 1,239,468 |
| - | - | - | - | 507,382 |
| - | - | 39,548 | - | 2,485,609 |
| - | - | 900 | - | 1,273,102 |
| - | 1,173 | 2,662 | - | 1,199,406 |
| - | 94,472 | 78,342 | 13,824 | 725,031 |
| - | 545,000 | - | - | 715,040 |
| - | 58,125 | - | - | 82,150 |
| - | 1,700 | - | - | 2,050 |
| <u>-</u> | <u>700,470</u> | <u>358,329</u> | <u>47,488</u> | <u>8,229,238</u> |
| 4,042 | 509,849 | (158,755) | 86,022 | (1,419,220) |
| - | - | 16,176 | - | 1,778,350 |
| - | (641,466) | (40,175) | (157,176) | (845,069) |
| <u>-</u> | <u>(641,466)</u> | <u>(23,999)</u> | <u>(157,176)</u> | <u>933,281</u> |
| 4,042 | (131,617) | (182,754) | (71,154) | (485,939) |
| <u>433,950</u> | <u>1,250,165</u> | <u>1,194,984</u> | <u>120,032</u> | <u>5,991,423</u> |
| <u>\$ 437,992</u> | <u>\$ 1,118,548</u> | <u>\$ 1,012,230</u> | <u>\$ 48,878</u> | <u>\$ 5,505,484</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, 2015

Total net change in fund balances - governmental funds \$ (485,939)

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$1,298,059) exceeded depreciation expense (\$865,857). A portion of capital asset additions (\$573,028) were funded directly by state grants and contributions.

432,202

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.

(44,941)

Principal advances on LB840 loans are reported as expenses in the governmental fund statements, but these advances increase the note receivable balance in the statement of activities.

353,142

The increase in net position of the Internal Service Fund is included as a governmental activity in the government wide statements.

114,770

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.

715,040

Change in net position of governmental activities

\$ 1,084,274

See notes to financial statements.

CITY OF MCCOOK, NEBRASKA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
September 30, 2015

| | Electric and Emergency Fund | Water Fund |
|---|-----------------------------------|---------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ - | \$ 5,407,175 |
| Accounts receivable | - | 7,981 |
| Unbilled revenue | - | 339,405 |
| Due (to) from other funds | - | - |
| Inventory | - | 126,298 |
| Total current assets | - | 5,880,859 |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents | - | 257,915 |
| Capital assets: | | |
| Land | - | 295,625 |
| Distribution systems | 170,000 | 20,944,363 |
| Buildings and improvements | - | 542,859 |
| Tools and equipment | - | 661,800 |
| Accumulated depreciation | (126,638) | (10,442,937) |
| Net capital assets | 43,362 | 12,001,710 |
| Total noncurrent assets | 43,362 | 12,259,625 |
| Total assets | 43,362 | 18,140,484 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | - | 36,085 |
| Sales tax payable | - | 11,917 |
| Claims incurred not paid | - | - |
| Accrued payroll | - | 16,635 |
| Accrued vacation | - | 15,375 |
| Accrued sick leave | - | 12,722 |
| Customer deposits | - | 69,936 |
| Accrued interest | - | 64,165 |
| Current portion of long-term obligations | - | 325,607 |
| Total current liabilities | - | 552,442 |
| Noncurrent liabilities: | | |
| Accrued landfill postclosure costs | - | - |
| Accrued deep well abandonment costs | - | 22,798 |
| Noncurrent portion of long-term obligations | - | 7,881,003 |
| Total noncurrent liabilities | - | 7,903,801 |
| Total liabilities | - | 8,456,243 |
| NET POSITION | | |
| Net investment in capital assets | 43,362 | 3,795,100 |
| Restricted for: | | |
| Landfill postclosure | - | - |
| Deep injection well closure | - | 52,443 |
| Debt service | - | 182,674 |
| Unrestricted | - | 5,654,024 |
| Total net position | \$ 43,362 | \$ 9,684,241 |

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> |
|-----------------------|-----------------------------|----------------------|---|
| \$ 1,069,360 | \$ 588,207 | \$ 7,064,742 | \$ 289,430 |
| 14,340 | 60,481 | 82,802 | - |
| 166,070 | 98,364 | 603,839 | - |
| 94,295 | (94,295) | - | - |
| - | - | 126,298 | - |
| <u>1,344,065</u> | <u>652,757</u> | <u>7,877,681</u> | <u>289,430</u> |
| 94,061 | 126,211 | 478,187 | - |
| - | 190,110 | 485,735 | - |
| 8,808,372 | - | 29,922,735 | - |
| 3,922,162 | 897,319 | 5,362,340 | - |
| 892,184 | 2,002,509 | 3,556,493 | - |
| (6,412,698) | (1,962,856) | (18,945,129) | - |
| <u>7,210,020</u> | <u>1,127,082</u> | <u>20,382,174</u> | <u>-</u> |
| <u>7,304,081</u> | <u>1,253,293</u> | <u>20,860,361</u> | <u>-</u> |
| 8,648,146 | 1,906,050 | 28,738,042 | 289,430 |
| 153,751 | 49,219 | 239,055 | - |
| 6,982 | - | 18,899 | - |
| - | - | - | 108,000 |
| 7,880 | 20,810 | 45,325 | - |
| 15,496 | 36,893 | 67,764 | - |
| 10,586 | 24,277 | 47,585 | - |
| - | - | 69,936 | - |
| 18,405 | - | 82,570 | - |
| 235,739 | - | 561,346 | - |
| <u>448,839</u> | <u>131,199</u> | <u>1,132,480</u> | <u>108,000</u> |
| - | 715,000 | 715,000 | - |
| - | - | 22,798 | - |
| 2,281,902 | - | 10,162,905 | - |
| <u>2,281,902</u> | <u>715,000</u> | <u>10,900,703</u> | <u>-</u> |
| <u>2,730,741</u> | <u>846,199</u> | <u>12,033,183</u> | <u>108,000</u> |
| 4,692,379 | 1,127,082 | 9,657,923 | - |
| - | 126,211 | 126,211 | - |
| - | - | 52,443 | - |
| 94,061 | - | 276,735 | - |
| 1,130,965 | (193,442) | 6,591,547 | 181,430 |
| <u>\$ 5,917,405</u> | <u>\$ 1,059,851</u> | <u>\$ 16,704,859</u> | <u>\$ 181,430</u> |

CITY OF MCCOOK, NEBRASKA

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

For the year ended September 30, 2015

| | <u>Electric and Emergency Fund</u> | <u>Water Fund</u> |
|--|--|-----------------------|
| Operating revenues: | | |
| Charges for services | \$ 1,324,208 | \$ 2,043,058 |
| Miscellaneous revenues | - | 97,944 |
| Total operating revenues | <u>1,324,208</u> | <u>2,141,002</u> |
| Operating expenses: | | |
| Salaries and benefits | - | 410,186 |
| Insurance and bonds | - | 50,626 |
| Utilities and telephone | - | 172,989 |
| Repairs and maintenance | - | 114,900 |
| Contracted services | - | 18,473 |
| Supplies | - | 12,077 |
| Plant chemicals | - | 179,903 |
| Transportation | - | 9,893 |
| Professional fees | - | 9,325 |
| Sales tax | - | 103,587 |
| Miscellaneous | - | 51,479 |
| Depreciation | 3,539 | 818,709 |
| Insurance claims and health premiums | - | - |
| Total operating expenses | <u>3,539</u> | <u>1,952,147</u> |
| Operating income (loss) | 1,320,669 | 188,855 |
| Nonoperating revenues (expenses): | | |
| Interest income | - | 41,653 |
| DEQ loan forgiveness | - | 2,124 |
| Interest expense | - | (223,568) |
| Loan fees | - | (77,892) |
| Total nonoperating revenues (expenses) | <u>-</u> | <u>(257,683)</u> |
| Income (loss) before transfers | 1,320,669 | (68,828) |
| Interfund transfers: | | |
| Transfers in | - | 10,454 |
| Transfers out | (1,324,208) | (60,000) |
| Net transfers | <u>(1,324,208)</u> | <u>(49,546)</u> |
| Change in net position | (3,539) | (118,374) |
| Net position - September 30, 2014 | <u>46,901</u> | <u>9,802,615</u> |
| Net position - September 30, 2015 | <u>\$ 43,362</u> | <u>\$ 9,684,241</u> |

See notes to financial statements.

Business-type Activities - Enterprise Funds

Governmental
Activities -
Internal Service
Fund

| <u>Sewer Fund</u> | <u>Solid Waste Fund</u> | <u>Total</u> | |
|-----------------------|-----------------------------|----------------------|-------------------|
| \$ 1,373,025 | \$ 1,954,137 | \$ 6,694,428 | \$ 1,503,436 |
| - | 650 | 98,594 | - |
| <u>1,373,025</u> | <u>1,954,787</u> | <u>6,793,022</u> | <u>1,503,436</u> |
| 385,853 | 647,626 | 1,443,665 | - |
| 29,771 | 49,452 | 129,849 | - |
| 96,590 | 7,691 | 277,270 | - |
| 42,018 | 123,153 | 280,071 | - |
| 12,058 | 744,169 | 774,700 | - |
| 15,125 | 9,597 | 36,799 | - |
| - | - | 179,903 | - |
| 5,428 | 139,634 | 154,955 | - |
| 7,384 | 6,088 | 22,797 | - |
| 79,691 | - | 183,278 | - |
| 11,205 | 2,841 | 65,525 | - |
| 345,364 | 176,293 | 1,343,905 | - |
| - | - | - | 1,765,402 |
| <u>1,030,487</u> | <u>1,906,544</u> | <u>4,892,717</u> | <u>1,765,402</u> |
| 342,538 | 48,243 | 1,900,305 | (261,966) |
| 10,676 | 4,657 | 56,986 | 1,736 |
| - | - | 2,124 | - |
| (68,229) | (1,901) | (293,698) | - |
| (27,804) | - | (105,696) | - |
| <u>(85,357)</u> | <u>2,756</u> | <u>(340,284)</u> | <u>1,736</u> |
| 257,181 | 50,999 | 1,560,021 | (260,230) |
| 92,677 | 89,142 | 192,273 | 375,000 |
| (65,846) | (50,500) | (1,500,554) | - |
| <u>26,831</u> | <u>38,642</u> | <u>(1,308,281)</u> | <u>375,000</u> |
| 284,012 | 89,641 | 251,740 | 114,770 |
| <u>5,633,393</u> | <u>970,210</u> | <u>16,453,119</u> | <u>66,660</u> |
| <u>\$ 5,917,405</u> | <u>\$ 1,059,851</u> | <u>\$ 16,704,859</u> | <u>\$ 181,430</u> |

CITY OF MCCOOK, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the year ended September 30, 2015

| | <u>Electric and Emergency Fund</u> |
|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Receipts from customers | \$ 1,324,208 |
| Receipts from other funds | - |
| Payments to suppliers | - |
| Payments to employees | - |
| Net cash provided (used) by operating activities | <u>1,324,208</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | |
| Transfers from other funds | - |
| Transfers to other funds | (1,324,208) |
| Change in due from/to other funds | - |
| Net cash provided (used) by noncapital financing activities | <u>(1,324,208)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Purchase of property and equipment | - |
| DEQ loan forgiveness | - |
| 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 in cash and cash equivalents | - |
| Cash and cash equivalents - beginning of the year | - |
| Cash and cash equivalents - end of the year | <u><u>\$ -</u></u> |
| Composition of cash and cash equivalents: | |
| Cash and cash equivalents | \$ - |
| Restricted cash and cash equivalents | - |
| Total cash and cash equivalents | <u><u>\$ -</u></u> |

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> | |
| \$ 2,080,126 | \$ 1,375,983 | \$ 1,960,734 | \$ 6,741,051 | \$ - |
| - | - | - | - | 1,503,436 |
| (702,193) | (313,502) | (1,093,615) | (2,109,310) | (1,742,402) |
| (415,812) | (388,001) | (641,893) | (1,445,706) | - |
| <u>962,121</u> | <u>674,480</u> | <u>225,226</u> | <u>3,186,035</u> | <u>(238,966)</u> |
| 10,454 | 92,677 | 89,142 | 192,273 | 375,000 |
| (60,000) | (65,846) | (50,500) | (1,500,554) | - |
| - | 767 | (767) | - | - |
| <u>(49,546)</u> | <u>27,598</u> | <u>37,875</u> | <u>(1,308,281)</u> | <u>375,000</u> |
| (105,818) | (223,280) | (139,078) | (468,176) | - |
| 2,124 | - | - | 2,124 | - |
| 2,533 | - | - | 2,533 | - |
| 8,494 | - | - | 8,494 | - |
| (293,453) | (324,754) | - | (618,207) | - |
| (221,217) | (71,012) | (1,901) | (294,130) | - |
| (77,892) | (27,804) | - | (105,696) | - |
| <u>(685,229)</u> | <u>(646,850)</u> | <u>(140,979)</u> | <u>(1,473,058)</u> | <u>-</u> |
| 41,653 | 10,676 | 4,657 | 56,986 | 1,736 |
| 268,999 | 65,904 | 126,779 | 461,682 | 137,770 |
| 5,396,091 | 1,097,517 | 587,639 | 7,081,247 | 151,660 |
| <u>\$ 5,665,090</u> | <u>\$ 1,163,421</u> | <u>\$ 714,418</u> | <u>\$ 7,542,929</u> | <u>\$ 289,430</u> |
| \$ 5,407,175 | \$ 1,069,360 | \$ 588,207 | \$ 7,064,742 | \$ 289,430 |
| 257,915 | 94,061 | 126,211 | 478,187 | - |
| <u>\$ 5,665,090</u> | <u>\$ 1,163,421</u> | <u>\$ 714,418</u> | <u>\$ 7,542,929</u> | <u>\$ 289,430</u> |

CITY OF MCCOOK, NEBRASKA

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

For the year ended September 30, 2015

| | <u>Electric and Emergency Fund</u> |
|---|--|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | \$ 1,320,669 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation expense | 3,539 |
| Change in assets and liabilities: | |
| Accounts receivable | - |
| Inventories | - |
| Customer deposits | - |
| Accounts payable | - |
| Claims incurred not paid | - |
| Sales tax payable | - |
| Accrued expenses | - |
| Net cash provided (used) by operating activities | <u>\$ 1,324,208</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> | |
| \$ 188,855 | \$ 342,538 | \$ 48,243 | \$ 1,900,305 | \$ (261,966) |
| 818,709 | 345,364 | 176,293 | 1,343,905 | - |
| (56,249) | 2,507 | 5,947 | (47,795) | - |
| 19,966 | - | - | 19,966 | - |
| (4,116) | - | - | (4,116) | - |
| 1,093 | (14,232) | (10,990) | (24,129) | - |
| - | - | - | - | 23,000 |
| (511) | 451 | - | (60) | - |
| (5,626) | (2,148) | 5,733 | (2,041) | - |
| <u>\$ 962,121</u> | <u>\$ 674,480</u> | <u>\$ 225,226</u> | <u>\$ 3,186,035</u> | <u>\$ (238,966)</u> |

CITY OF MCCOOK, NEBRASKA

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

September 30, 2015

| | <u>Agency Funds</u> |
|------------------------------------|-------------------------|
| ASSETS | |
| Cash | <u>\$ 72,685</u> |
| LIABILITIES HELD FOR OTHERS | |
| Held for other purposes | <u>\$ 72,685</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, 2015

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, 2015

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 are the discretely presented component units:

**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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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.

5. Revenues, Expenditures, and Expenses

Sales and Use Tax

The City presently levies a 1.5 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 first cent of sales tax is split evenly between the General Fund and Capital Projects Fund and used for budgeted General Fund appropriations and capital projects. The additional 0.5 cent of sales tax is split evenly between the LB840 Fund and the Capital Projects Fund. As of October 1, 2006, sales tax collected on the sale of motor vehicles is recorded in the Street Fund as required by LB904.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

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 2014-2015 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.

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.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

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.

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.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

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, 2015

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 \$25,748 at September 30, 2015.
 - b) An amount equal to 1/6th of the next maturing semi-annual principal payments. The loan principal reserve was \$68,313 at September 30, 2015.

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 \$88,543 at September 30, 2015.
 - b) An amount equal to 1/6th of the next maturing semi-annual principal payments. The loan principal reserve was \$94,131 at September 30, 2015.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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, 2015

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, 2015. 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, 2015

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 | \$ 13,779,146 | \$ 250,000 | \$ 13,529,146 | \$ - | \$ <u>13,606,307</u> |

Reconciliation to Government-wide Statement of Net Position:

| | |
|--|----------------------|
| Primary Government – | |
| Unrestricted cash and cash equivalents | \$ 9,892,017 |
| Restricted cash and cash equivalents | 3,404,195 |
| Fiduciary Funds – | |
| Agency Funds cash | 72,685 |
| Component Unit – | |
| Unrestricted cash and cash equivalents | <u>237,410</u> |
| | <u>\$ 13,606,307</u> |

2. Restricted Assets

The restricted assets as of September 30, 2015, are as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|----------------------------|------------------------------------|-------------------------------------|---------------------|
| Type of Restricted Assets: | | | |
| Cash and cash equivalents | \$ <u>2,926,008</u> | \$ <u>478,187</u> | \$ <u>3,404,195</u> |

The General Fund has \$119,015 of cash restricted for cemetery perpetual care. The Street Fund has \$185,004 of cash restricted for street improvements. The Economic Development Fund has \$569,199 of cash restricted for economic development. The Debt Service Fund has \$437,992 of cash restricted for debt service. The Capital Projects Fund has \$1,118,548 of cash restricted for Capital Projects. The Grant Fund has \$447,372 of cash restricted for Federal programs. The Keno Fund has \$48,878 of cash restricted for community betterment.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

2. Restricted Assets, continued

The Water Fund has \$75,241 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 \$94,061 are restricted in the Sewer Fund for future principal and interest payments. Funds of \$182,674 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, 2015, is as follows:

| | <u>Business-type Activities</u> |
|---------------------------|-------------------------------------|
| Accounts receivable | \$ 82,802 |
| Unbilled revenue | <u>603,839</u> |
| Total accounts receivable | <u>\$ 686,641</u> |

As of September 30, 2015, the City had the following LB840 notes receivable:

| | <u>Balance</u> | <u>Terms</u> |
|--|-------------------|---|
| Clary Village | \$ 120,000 | 4%; due as TIF proceeds are collected; final maturity 3/31/31 |
| McCook Economic Development Corporation | 208,000 | 0%; due as TIF proceeds are collected over 15 years |
| McCook Economic Development Corporation | 25,142 | 0%; due as TIF proceeds are collected over 15 years |
| Linda Maiden d/b/a KDS Professional Building | 3,500 | 0%; 60 monthly payments of \$166.67 due 7/10/12 - 6/10/17 |
| Brian & Amanda Warren d/b/a Critterville Rentals, LLC | <u>27,551</u> | 3%; 60 monthly payments of \$1,347.65 due 7/15/12 - 6/15/17 |
| | <u>\$ 384,193</u> | |

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

| | Balance at October 1, <u>2014</u> | <u>Additions</u> | <u>Reclass</u> | Balance at September 30, <u>2015</u> |
|---|---|--------------------|------------------|--|
| <u>Governmental Activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 768,700 | \$ - | \$ - | \$ 768,700 |
| Construction in progress | 826,351 | 36,383 | (826,351) | 36,383 |
| Total capital assets not being depreciated | <u>1,595,051</u> | <u>36,383</u> | <u>(826,351)</u> | <u>805,083</u> |
| Other capital assets being depreciated: | | | | |
| Infrastructure | 9,231,927 | 900,006 | 826,351 | 10,958,284 |
| Buildings and improvements | 17,200,238 | 308,470 | - | 17,508,708 |
| Machinery and equipment | 812,957 | - | - | 812,957 |
| Furniture and equipment | 2,355,281 | 53,200 | - | 2,408,481 |
| Vehicles | 2,956,461 | - | - | 2,956,461 |
| Total other capital assets at historical cost | <u>32,556,864</u> | <u>1,261,676</u> | <u>826,351</u> | <u>34,644,891</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (3,062,785) | (202,928) | - | (3,265,713) |
| Buildings and improvements | (7,940,199) | (367,039) | - | (8,307,238) |
| Machinery and equipment | (611,655) | (37,850) | - | (649,505) |
| Furniture and equipment | (1,999,674) | (110,736) | - | (2,110,410) |
| Vehicles | (2,229,864) | (147,304) | - | (2,377,168) |
| Total accumulated depreciation | <u>(15,844,177)</u> | <u>(865,857) *</u> | <u>-</u> | <u>(16,710,034)</u> |
| Other capital assets, net | <u>16,712,687</u> | <u>395,819</u> | <u>826,351</u> | <u>17,934,857</u> |
| Governmental activities capital assets, net | <u>\$ 18,307,738</u> | <u>\$ 432,202</u> | <u>\$ -</u> | <u>\$ 18,739,940</u> |

* Depreciation expense was incurred by the following governmental activities:

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

4. Capital Assets, continued

General Fund:

General government:

| | |
|----------------|-----------|
| Administration | \$ 15,010 |
|----------------|-----------|

Public safety:

| | |
|---------------------|---------------|
| Fire | 60,693 |
| Civil defense | 5,243 |
| Ambulance | 61,224 |
| Municipal Center | 120,041 |
| Public Safety | 3,572 |
| Police | <u>48,677</u> |
| Total public safety | 299,450 |

Public works:

| | |
|---------------------|--------------|
| Cemetery | 9,534 |
| Building and zoning | <u>2,793</u> |
| Total public works | 12,327 |

Environment and leisure:

| | |
|-------------------------------|----------------|
| Airport | 88,007 |
| Library | 51,848 |
| Parks | 58,863 |
| Ball Park | 25,524 |
| Pool | 9,358 |
| Auditorium | 11,291 |
| Public Transportation | 6,730 |
| Senior Center | <u>34,906</u> |
| Total environment and leisure | <u>286,527</u> |

| | |
|--------------------|---------|
| Total General Fund | 613,314 |
|--------------------|---------|

Special Revenue Funds:

| | |
|--|-------------------|
| Street | <u>252,543</u> |
| Total Governmental Activities depreciation expense | \$ <u>865,857</u> |

Construction in progress at September 30, 2015, consists of \$13,824 of costs on the skatepark, \$10,750 of costs on the Industrial Park paving project, and \$11,809 of costs on the 8-place hangar project. See Note D3 for additional details on construction commitments.

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

4. Capital Assets, continued

| | Balance at October 1, <u>2014</u> | <u>Additions</u> | <u>Disposals</u> | Balance at September 30, <u>2015</u> |
|---|---|----------------------|------------------|--|
| <u>Business-type Activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 485,735 | \$ - | \$ - | \$ 485,735 |
| Other capital assets being depreciated: | | | | |
| Distribution systems | 29,476,158 | 446,577 | - | 29,922,735 |
| Buildings and improvements | 5,327,431 | 34,909 | - | 5,362,340 |
| Machinery and equipment | 3,426,521 | 129,972 | - | 3,556,493 |
| Total other capital assets at historical cost | <u>38,230,110</u> | <u>611,458</u> | - | <u>38,841,568</u> |
| Less accumulated depreciation for: | | | | |
| Distribution systems | (13,303,242) | (992,243) | 1 | (14,295,484) |
| Buildings and improvements | (1,684,796) | (139,427) | 1 | (1,824,222) |
| Machinery and equipment | (2,613,188) | (212,235) | - | (2,825,423) |
| Total accumulated depreciation | <u>(17,601,226)</u> | <u>(1,343,905) *</u> | <u>2</u> | <u>(18,945,129)</u> |
| Other capital assets, net | <u>20,628,884</u> | <u>(732,447)</u> | <u>2</u> | <u>19,896,439</u> |
| Business-type capital assets, net | <u>\$ 21,114,619</u> | <u>\$ (732,447)</u> | <u>\$ 2</u> | <u>\$ 20,382,174</u> |

* Depreciation expense was charged to functions as follows:

| | |
|---|---------------------|
| Electric and Emergency | \$ 3,539 |
| Water | 818,709 |
| Sewer | 345,364 |
| Solid Waste | <u>176,293</u> |
| Total Business-type Activities depreciation expense | <u>\$ 1,343,905</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, 2015

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, 2015:

| <u>Type of Debt</u> | Balance October 1, <u>2014</u> | <u>Additions</u> | <u>Deductions</u> | Balance September 30, <u>2015</u> | Amounts Due Within <u>One Year</u> |
|---------------------------------------|--------------------------------------|-------------------|---------------------|---|--|
| Governmental Activities: | | | | | |
| Bonds payable | \$ 495,000 | \$ - | \$ (120,000) | \$ 375,000 | \$ 120,000 |
| Note payable | 68,356 | - | (12,688) | 55,668 | 13,173 |
| Capital lease obligations | <u>2,362,591</u> | <u>-</u> | <u>(582,352)</u> | <u>1,780,239</u> | <u>569,318</u> |
| Total Governmental-type Activities | <u>\$ 2,925,947</u> | <u>\$ -</u> | <u>\$ (715,040)</u> | <u>\$ 2,210,907</u> | <u>\$ 702,491</u> |
| Business-type Activities: | | | | | |
| Notes payable | \$ 11,333,964 | \$ 8,494 | \$ (618,207) | \$ 10,724,251 | \$ 561,346 |
| Deep well abandonment costs | 20,265 | 2,533 | - | 22,798 | - |
| Landfill closure costs | <u>715,000</u> | <u>-</u> | <u>-</u> | <u>715,000</u> | <u>-</u> |
| Total Business-type Activities | <u>\$ 12,069,229</u> | <u>\$ 11,027</u> | <u>\$ (618,207)</u> | <u>\$ 11,462,049</u> | <u>\$ 561,346</u> |
| Component Units: | | | | | |
| CDA notes payable | \$ 5,257 | \$ 388,000 | \$ (5,257) | \$ 388,000 | \$ - |
| McCook Leasing Corp bonds | <u>2,265,000</u> | <u>-</u> | <u>(545,000)</u> | <u>1,720,000</u> | <u>560,000</u> |
| Total Component Units | <u>\$ 2,270,257</u> | <u>\$ 388,000</u> | <u>\$ (550,257)</u> | <u>\$ 2,108,000</u> | <u>\$ 560,000</u> |

Governmental Activities

As of September 30, 2015, 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.

\$ 375,000

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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. 1,720,000

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. 9,318

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. 50,921

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. 55,668
\$ 2,210,907

Current portion \$ 702,491
Noncurrent portion 1,508,416
Total \$ 2,210,907

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

5. Long-term Debt, continued

Business-type Activities

As of September 30, 2015, 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. \$ 175,390

\$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.) 2,342,251

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. 6,982,740

\$1,669,448 of Water DEQ Notes Payable with \$8,494 advanced during the year ended September 30, 2015, 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. 1,223,870

Total business-type activity notes payable \$ 10,724,251

Current portion \$ 561,346

Noncurrent portion 10,162,905

Total \$ 10,724,251

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

5. Long-term Debt, continued

Component Units:

Community Development Agency:

During the year ended September 30, 2015, the CDA issued a \$208,000 note payable to McCook Economic Development Corporation (MEDC) to finance North Pointe redevelopment expenses. This note is non-interest bearing and will be paid off as North Pointe TIF proceeds are collected over the next 15 years. \$ 208,000

During the year ended September 30, 2015, the CDA issued a \$180,000 note payable to MEDC to finance Clary Village redevelopment expenses. This note is non-interest bearing and will be paid off as Clary Village TIF proceeds are collected over the next 15 years. 180,000

Total Community Development Agency 388,000

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 has a capital lease obligation which will service the debt for the McCook Leasing Corporation (this is shown as an offsetting note receivable by the McCook Leasing Corporation). 1,720,000

Total component unit debt \$ 2,108,000

Current portion \$ 560,000

Noncurrent portion 1,548,000

Total \$ 2,108,000

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

5. Long-term Debt, continued

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2015, are as follows:

| Year Ending <u>September 30,</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | | <u>Component Units</u> | |
|-------------------------------------|--------------------------------|-------------------|---------------------------------|---------------------|---------------------|------------------------|------------------|
| | <u>Notes and Bonds Payable</u> | | <u>Notes Payable</u> | | | <u>Bonds Payable</u> | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Fees</u> | <u>Principal</u> | <u>Interest</u> |
| 2016 | \$ 702,491 | \$ 62,552 | \$ 561,346 | \$ 280,070 | \$ 105,973 | \$ 560,000 | \$ 45,400 |
| 2017 | 733,822 | 44,004 | 576,075 | 265,698 | 100,323 | 595,867 | 30,840 |
| 2018 | 759,948 | 21,050 | 591,196 | 250,577 | 94,525 | 615,867 | 14,012 |
| 2019 | 14,646 | 612 | 580,138 | 235,054 | 88,574 | 25,866 | - |
| 2020 | - | - | 568,290 | 220,321 | 82,868 | 25,867 | - |
| 2021-2025 | - | - | 3,070,051 | 873,001 | 325,528 | 129,333 | - |
| 2026-2030 | - | - | 2,351,226 | 498,182 | 180,646 | 129,333 | - |
| 2031-2035 | - | - | 1,992,990 | 217,271 | 77,597 | 25,867 | - |
| 2036-2040 | - | - | 432,939 | 9,113 | 3,254 | - | - |
| | <u>\$ 2,210,907</u> | <u>\$ 128,218</u> | <u>\$ 10,724,251</u> | <u>\$ 2,849,287</u> | <u>\$ 1,059,288</u> | <u>\$ 2,108,000</u> | <u>\$ 90,252</u> |

Municipal Solid Waste Landfill Postclosure

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

Under an agreement with the Nebraska Department of Environmental Quality, the City of McCook discontinued acceptance of solid waste after the completion of the current cell on September 1, 1996. According to the engineering study performed for the municipal solid waste landfill, the revised closure costs for the landfill were estimated at \$36,000. The postclosure care costs were estimated at \$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, 2015. 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, 2015, consisting of a landfill postclosure reserve of \$77,575 and a landfill remedial action reserve of \$48,636.

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

5. Long-term Debt, continued

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, 2015, of \$75,241 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 \$22,798 at September 30, 2015.

6. Interfund Transactions and Balances

Operating transfers:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------|---------------------|----------------------|
| General Fund: | | |
| Keno | \$ 76,000 | \$ - |
| Electric and Emergency | 949,208 | - |
| Water | 60,000 | (6,252) |
| Sewer | 60,000 | - |
| Solid Waste | <u>50,500</u> | <u>-</u> |
| Total General Fund | 1,195,708 | (6,252) |
| Street Fund: | | |
| Capital Projects | 566,466 | - |
| Keno Fund: | | |
| General | - | (76,000) |
| Sewer | - | (16,176) |
| Solid Waste | <u>-</u> | <u>(65,000)</u> |
| Total Keno Fund | - | (157,176) |
| Internal Service Fund: | | |
| Electric | 375,000 | - |
| Grant Fund: | | |
| Keno | 16,176 | - |
| Sewer | - | (17,677) |
| Solid Waste | <u>-</u> | <u>(22,498)</u> |
| Total Grant Fund | 16,176 | (40,175) |

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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 | - | (75,000) |
| Street | - | (566,466) |
| Total Capital Projects Fund | - | (641,466) |
| Water Fund: | | |
| General | 6,252 | (60,000) |
| Sewer | 4,202 | - |
| Total Water Fund | 10,454 | (60,000) |
| Electric Fund: | | |
| Internal Service Fund | - | (375,000) |
| General | - | (949,208) |
| Total Electric Fund | - | (1,324,208) |
| Sewer Fund: | | |
| General | - | (60,000) |
| Water Fund | - | (4,202) |
| Solid Waste | - | (1,644) |
| Keno | 17,677 | - |
| Capital Projects | 75,000 | - |
| Total Sewer Fund | 92,677 | (65,846) |
| Solid Waste Fund: | | |
| General | - | (50,500) |
| Keno | 65,000 | - |
| Grant | 22,498 | - |
| Sewer | 1,644 | - |
| Total Solid Waste Fund | 89,142 | (50,500) |
| Total Operating Transfers | \$ <u>2,345,623</u> | \$ <u>(2,345,623)</u> |

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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 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 uniformed personnel) in the year ended September 30, 2015, was \$2,519,408 and \$2,061,929, respectively. All contributions, including \$143,872 in employee contributions and \$121,115 in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2015.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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 \$3,837,811 at September 30, 2015.

City Manager Plan

The City Manager currently participates in the City General pension plan. No contributions were made to the City Manager Plan during the year ended September 30, 2015. The balance of \$232,620 in the plan at September 30, 2015 represents balances for former City Managers.

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.

The City's total payroll and eligible compensation for policemen and firemen in the year ended September 30, 2015, was \$834,595 and \$580,262, respectively. All contributions, including \$54,248 and \$37,718, respectively, in employee contributions and \$54,248 and \$75,434, respectively, in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2015. 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, 2015.

The policemen and firemen plans had plan assets with a market value of \$1,876,917 and \$1,723,726, respectively, at September 30, 2015.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE D – OTHER NOTES, continued

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.

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, 2015, 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, 2015.

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, 2015, the City's bank balances, totaling \$13,606,307, 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, 2015.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE D – OTHER NOTES, continued

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, 2015, will not be significant to the City’s financial statements.

Construction and Commitments

As of September 30, 2015, the City had the following construction obligations:

| <u>Project</u> | <u>Contract Amount</u> | <u>Paid Through 9/30/15</u> | <u>Remaining Commitment</u> | <u>Expected Date of Completion</u> |
|------------------------|----------------------------|---------------------------------|---------------------------------|--|
| Industrial Park Drive: | | | | |
| Engineering | \$ 19,250 | \$ 10,750 | \$ 8,500 | |
| Construction | <u>203,728</u> | <u>-</u> | <u>203,728</u> | |
| | 222,978 | 10,750 | 212,228 | December 2015 |
| 8-Place Hangar: | | | | |
| Engineering | 27,811 | 11,719 | 16,092 | October 2016 |
| Skatepark: | | | | |
| Construction | 130,000 | - | 130,000 | November 2015 |
| Heat Exchange Rehab: | | | | |
| Construction | <u>339,007</u> | <u>287,307</u> | <u>51,700</u> | December 2015 |
| | <u>\$ 719,796</u> | <u>\$ 309,776</u> | <u>\$ 410,020</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, 2015

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, 2015, future lease obligations are as follows:

| <u>Year Ended September 30,</u> | <u>Lease Commitments</u> |
|---------------------------------|------------------------------|
| 2016 | \$ 29,732 |
| 2017 | 29,756 |
| 2018 | 14,854 |
| 2019 | 2,993 |
| 2020 | 600 |
| Thereafter | <u>4,350</u> |
| | <u>\$ 82,285</u> |

Total rent expense was \$30,760 for the year ended September 30, 2015.

4. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2015:

| <u>Parties to Agreement</u> | <u>Term</u> | <u>Description</u> |
|---|----------------------|---|
| Red Willow County | 8/7/06-indefinite | 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 |
| Red Willow County | 4/1/05-indefinite | Fuel purchases |

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE D – OTHER NOTES, continued

5. Union Agreements

The City is subject to the following union contracts:

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

6. Subsequent Events

Management has evaluated subsequent events through December 11, 2015, the date on which the financial statements were available for issue.

On September 21, 2015, the Community Development Agency (CDA) entered into a Redevelopment Agreement with McCook Hotel Group, LLC (Redeveloper). Under terms of the agreement, the CDA issued \$335,000 of Tax Increment Development Revenue Bonds to fund the redevelopment project on October 5, 2015.

SUPPLEMENTARY INFORMATION

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2015

| | Budget (Original and <u>Final</u>) | <u>Actual</u> | Variances - Actual Over (Under) Final <u>Budget</u> |
|---|---|------------------|--|
| RESOURCES (INFLOWS) | | | |
| Taxes: | | | |
| Property | \$ 1,093,379 | \$ 1,090,170 | \$ (3,209) |
| Motor vehicle | 150,000 | 176,380 | 26,380 |
| Payments in lieu of taxes | 95,000 | 109,532 | 14,532 |
| Occupation | 19,500 | 28,822 | 9,322 |
| Franchise | 64,000 | 92,802 | 28,802 |
| Sales | 701,700 | 800,877 | 99,177 |
| Intergovernmental | 391,000 | 504,821 | 113,821 |
| Grants | 99,400 | 191,054 | 91,654 |
| Charges for services | 666,840 | 544,746 | (122,094) |
| Interest income | 12,000 | 16,171 | 4,171 |
| Contributions | 92,400 | 108,791 | 16,391 |
| Other | <u>110,000</u> | <u>34,139</u> | <u>(75,861)</u> |
| Total resources | <u>3,495,219</u> | <u>3,698,305</u> | <u>203,086</u> |
| CHARGES TO APPROPRIATIONS (OUTFLOWS) | | | |
| General government: | | | |
| Administrative | 524,953 | 360,147 | (164,806) |
| Publicity | 9,420 | 5,695 | (3,725) |
| City Council | 520,617 | 91,303 | (429,314) |
| Health operating | <u>527,400</u> | <u>527,400</u> | <u>-</u> |
| Total general government | <u>1,582,390</u> | <u>984,545</u> | <u>(597,845)</u> |
| Public safety: | | | |
| Fire | 943,717 | 913,165 | (30,552) |
| Ambulance | 102,748 | 99,591 | (3,157) |
| Police | 1,543,620 | 1,498,349 | (45,271) |
| Civil defense | <u>19,380</u> | <u>14,110</u> | <u>(5,270)</u> |
| Total public safety | <u>2,609,465</u> | <u>2,525,215</u> | <u>(84,250)</u> |
| Public works: | | | |
| Building and zoning | 70,676 | 82,644 | 11,968 |
| Cemetery | <u>152,832</u> | <u>137,196</u> | <u>(15,636)</u> |
| Total public works | <u>223,508</u> | <u>219,840</u> | <u>(3,668)</u> |
| Environment and leisure: | | | |
| Public transportation | 148,793 | 141,695 | (7,098) |
| Senior Center | 348,327 | 340,048 | (8,279) |
| Library | 292,785 | 280,865 | (11,920) |
| Parks | 163,839 | 153,694 | (10,145) |
| Ballparks | 96,135 | 96,543 | 408 |
| Auditorium | 38,845 | 33,294 | (5,551) |
| Pool | 91,295 | 77,856 | (13,439) |
| Airport | <u>110,770</u> | <u>98,681</u> | <u>(12,089)</u> |
| Total environment and leisure | <u>1,290,789</u> | <u>1,222,676</u> | <u>(68,113)</u> |
| Total charges to appropriations | <u>5,706,152</u> | <u>4,952,276</u> | <u>(753,876)</u> |

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2015

| | Budget (Original and Final) | <u>Actual</u> | Variances - Actual Over (Under) Final <u>Budget</u> |
|--|-----------------------------------|--------------------|--|
| Resources over (under) charges to appropriations | (2,210,933) | (1,253,971) | 956,962 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 1,246,500 | 1,195,708 | (50,792) |
| Transfers out | - | (6,252) | (6,252) |
| Net transfers | <u>1,246,500</u> | <u>1,189,456</u> | <u>(57,044)</u> |
| RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS | <u>\$ (964,433)</u> | <u>\$ (64,515)</u> | <u>\$ 899,918</u> |

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2015

| | Budget (Original and <u>Final</u>) | <u>Actual</u> | Variances - Actual Over (Under) Final <u>Budget</u> |
|---|---|--------------------------|--|
| RESOURCES (INFLOWS) | | | |
| Sales tax | \$ 190,000 | \$ 213,273 | \$ 23,273 |
| Intergovernmental | <u>877,000</u> | <u>894,088</u> | <u>17,088</u> |
| Total resources | 1,067,000 | 1,107,361 | 40,361 |
| CHARGES TO APPROPRIATIONS (OUTFLOWS) | | | |
| Public works | 1,012,485 | 1,052,365 | 39,880 |
| Capital outlay | - | 445,272 | 445,272 |
| Principal payments on debt | 24,600 | 24,555 | (45) |
| Interest expense | <u>1,900</u> | <u>1,841</u> | <u>(59)</u> |
| Total charges to appropriations | <u>1,038,985</u> | <u>1,524,033</u> | <u>485,048</u> |
| Resources over (under) charges to appropriations | 28,015 | (416,672) | (444,687) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | <u>-</u> | <u>566,466</u> | <u>566,466</u> |
| RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS | <u><u>\$ 28,015</u></u> | <u><u>\$ 149,794</u></u> | <u><u>\$ 121,779</u></u> |

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2015

| | Budget (Original and <u>Final</u>) | <u>Actual</u> | Variances - Actual Over (Under) Final <u>Budget</u> |
|--|---|---------------------|--|
| RESOURCES (INFLOWS) | | | |
| Sales tax | \$ 398,300 | \$ 400,438 | \$ 2,138 |
| Interest income | - | 1,772 | 1,772 |
| Loan collections | <u>22,227</u> | <u>54,697</u> | <u>32,470</u> |
| Total resources | 420,527 | 456,907 | 36,380 |
| CHARGES TO APPROPRIATIONS (OUTFLOWS) | | | |
| Economic development | 916,279 | 507,382 | (408,897) |
| Principal payments | 120,000 | 120,000 | - |
| Interest expense | 18,910 | 18,910 | - |
| Bond fees | <u>350</u> | <u>350</u> | <u>-</u> |
| Total charges to appropriations | <u>1,055,539</u> | <u>646,642</u> | <u>(408,897)</u> |
| Resources over (under) charges to appropriations | (635,012) | (189,735) | 445,277 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | <u>139,259</u> | <u>-</u> | <u>(139,259)</u> |
| RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS | <u>\$ (495,753)</u> | <u>\$ (189,735)</u> | <u>\$ 306,018</u> |

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2015

| | Budget (Original and Final) | Actual | Variances - Actual Over (Under) Final Budget |
|--|-----------------------------------|---------------------|---|
| RESOURCES (INFLOWS) | | | |
| Sales tax | \$ 1,100,000 | \$ 1,201,316 | \$ 101,316 |
| Interest income | - | 9,003 | 9,003 |
| Total resources | <u>1,100,000</u> | <u>1,210,319</u> | <u>110,319</u> |
| CHARGES TO APPROPRIATIONS (OUTFLOWS) | | | |
| Environment and leisure | - | 1,173 | 1,173 |
| Capital projects | 1,624,215 | 94,472 | (1,529,743) |
| Principal payments | 545,000 | 545,000 | - |
| Interest on long-term debt | 58,125 | 58,125 | - |
| Bond fees | - | 1,700 | 1,700 |
| Total charges to appropriations | <u>2,227,340</u> | <u>700,470</u> | <u>(1,526,870)</u> |
| Resources over charges to appropriations | (1,127,340) | 509,849 | 1,637,189 |
| OTHER FINANCING USES | | | |
| Transfers out | - | (641,466) | (641,466) |
| RESOURCES AND OTHER FINANCING USES OVER CHARGES TO APPROPRIATIONS | <u>\$ (1,127,340)</u> | <u>\$ (131,617)</u> | <u>\$ 995,723</u> |

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2015

| | Budget (Original and Final) | Actual | Variances - Actual Over (Under) Final Budget |
|---|-----------------------------------|---------------------|---|
| RESOURCES (INFLOWS) | | | |
| Intergovernmental | \$ 57,000 | \$ 47,730 | \$ (9,270) |
| Grants | 664,665 | 91,763 | (572,902) |
| Charges for services | 47,000 | 37,110 | (9,890) |
| Contributions | 732,459 | 4,500 | (727,959) |
| Interest income | - | 7,712 | 7,712 |
| Insurance proceeds | - | 2,844 | 2,844 |
| Other revenues | - | 7,915 | 7,915 |
| Total resources | <u>1,501,124</u> | <u>199,574</u> | <u>(1,301,550)</u> |
| CHARGES TO APPROPRIATIONS (OUTFLOWS) | | | |
| General government | 1,059,730 | 236,877 | (822,853) |
| Public safety | 396,987 | 39,548 | (357,439) |
| Public works | 759,923 | 900 | (759,023) |
| Environment and leisure | 285,246 | 2,662 | (282,584) |
| Capital outlay | - | 78,342 | 78,342 |
| Total charges to appropriations | <u>2,501,886</u> | <u>358,329</u> | <u>(2,143,557)</u> |
| Resources over (under) charges to appropriations | (1,000,762) | (158,755) | 842,007 |
| OTHER FINANCING SOURCES | | | |
| Transfers in (out) | <u>46,000</u> | <u>(23,999)</u> | <u>(69,999)</u> |
| RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS | <u>\$ (954,762)</u> | <u>\$ (182,754)</u> | <u>\$ 772,008</u> |

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2015

| | Budget (Original and Final) | <u>Actual</u> | Variances - Actual Over (Under) Final Budget |
|---|-----------------------------------|-----------------|---|
| RESOURCES (INFLOWS) | | | |
| Special assessments | \$ 1,000 | \$ 775 | \$ (225) |
| Interest | - | 3,267 | 3,267 |
| Total resources | <u>1,000</u> | <u>4,042</u> | <u>3,042</u> |
| CHARGES TO APPROPRIATIONS (OUTFLOWS) | | | |
| Judgments | 483 | - | (483) |
| Other | 433,739 | - | (433,739) |
| Total charges to appropriations | <u>434,222</u> | <u>-</u> | <u>(434,222)</u> |
| RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS | <u>\$ (433,222)</u> | <u>\$ 4,042</u> | <u>\$ 437,264</u> |

CITY OF MCCOOK, NEBRASKA

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

September 30, 2015

| | <u>Special Fire</u> | <u>Senior Center Contributions</u> | <u>School</u> | <u>Library Memorial</u> |
|------------------------------------|-------------------------|--|-----------------|-----------------------------|
| ASSETS | | | | |
| Cash | <u>\$ 1,158</u> | <u>\$ 44,191</u> | <u>\$ 1,214</u> | <u>\$ 15,641</u> |
| LIABILITIES HELD FOR OTHERS | | | | |
| Held in trust for other purposes | <u>\$ 1,158</u> | <u>\$ 44,191</u> | <u>\$ 1,214</u> | <u>\$ 15,641</u> |

| <u>Von Reissen Library</u> | <u>McCook Volunteer Fire and Rescue</u> | <u>Ambulance</u> | <u>Public Works</u> | <u>Police/ DARE</u> | <u>Total Agency Funds</u> |
|--------------------------------|---|------------------|-------------------------|-------------------------|-----------------------------------|
| <u>\$ 1</u> | <u>\$ 1,825</u> | <u>\$ 439</u> | <u>\$ 3,876</u> | <u>\$ 4,340</u> | <u>\$ 72,685</u> |
| <u>\$ 1</u> | <u>\$ 1,825</u> | <u>\$ 439</u> | <u>\$ 3,876</u> | <u>\$ 4,340</u> | <u>\$ 72,685</u> |

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2015

| | <u>Administrative</u> | <u>Publicity</u> | <u>Auditorium</u> | <u>City Council</u> |
|--|-----------------------|-------------------|--------------------|-------------------------|
| REVENUES | | | | |
| Taxes: | | | | |
| General property tax | \$ 1,090,170 | \$ - | \$ - | \$ - |
| Motor vehicle tax | 176,380 | - | - | - |
| Payments in lieu of taxes | 109,532 | - | - | - |
| Occupation tax | 28,822 | - | - | - |
| Franchise | 92,802 | - | - | - |
| Sales | 800,877 | - | - | - |
| Intergovernmental revenue: | | | | |
| State assistance | 338,562 | - | - | - |
| County assistance | - | - | - | - |
| Rural fire | - | - | - | - |
| School resource officer | - | - | - | - |
| Licenses and permits | 4,489 | - | - | - |
| Rental and fees | 50,734 | - | - | - |
| Admission fees and concessions | - | - | - | - |
| Grants | - | - | - | - |
| Contributions | 2,500 | - | - | - |
| Interest income | 15,288 | - | - | - |
| Other receipts | 34,139 | - | - | - |
| Total revenues | <u>2,744,295</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Personnel services: | | | | |
| Salaries and benefits | 206,050 | - | 9,873 | 9,689 |
| Operating expenses: | | | | |
| Insurance | 3,936 | - | 3,846 | 3,225 |
| Interlocal agreement | - | - | - | 46,651 |
| Contract services | 188 | 1,695 | 240 | - |
| Professional fees | 38,368 | - | - | - |
| Meetings, seminars, and dues | 18,060 | 367 | - | 5,802 |
| Repairs and maintenance | 8,134 | - | 1,609 | - |
| Printing, postage, and publications | 11,600 | - | - | - |
| Transportation | 7,110 | - | - | 4,861 |
| Utilities and telephone | 7,625 | - | 14,119 | - |
| Total operating expenses | <u>95,021</u> | <u>2,062</u> | <u>19,814</u> | <u>60,539</u> |
| Supplies | 9,483 | 1,739 | - | 300 |
| Other expenses | 21,633 | 1,894 | - | (7,396) |
| Capital outlay | 15,651 | - | 3,607 | 28,171 |
| Principal payments | - | - | - | - |
| Interest on long-term debt | - | - | - | - |
| Total expenditures | <u>347,838</u> | <u>5,695</u> | <u>33,294</u> | <u>91,303</u> |
| Excess (deficiency) of revenues over expenditures before transfers | 2,396,457 | (5,695) | (33,294) | (91,303) |
| TRANSFERS FROM (TO) OTHER FUNDS | <u>1,195,708</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AFTER TRANSFERS | <u>\$ 3,592,165</u> | <u>\$ (5,695)</u> | <u>\$ (33,294)</u> | <u>\$ (91,303)</u> |

| Police | Fire | Ambulance | Civil Defense | Building and Zoning | Library | Cemetery |
|-----------------------|---------------------|-------------------|--------------------|------------------------|---------------------|---------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 2,435 | - |
| 48,338 | - | - | - | - | - | - |
| - | 49,926 | - | - | - | - | - |
| 34,000 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 5,285 | 5,651 | 302,670 | - | 42,805 | - | - |
| - | - | - | - | - | 8,768 | 1,410 |
| 3,500 | - | - | - | - | - | 30,480 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 10,000 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>91,123</u> | <u>55,577</u> | <u>302,670</u> | <u>-</u> | <u>42,805</u> | <u>21,203</u> | <u>31,890</u> |
| 1,209,755 | 718,215 | - | - | 47,082 | 168,477 | 86,117 |
| 58,666 | 104,861 | 3,505 | 282 | 2,526 | 6,442 | 5,225 |
| - | - | - | - | - | - | - |
| 3,627 | 5,589 | 45,143 | - | 29,154 | - | - |
| 12,794 | - | - | - | 558 | - | - |
| 8,967 | 6,707 | 1,839 | 4,125 | 125 | 240 | - |
| 61,744 | 31,806 | 12,695 | 738 | 1,103 | 8,751 | (1,212) |
| - | - | 185 | - | 497 | 767 | - |
| 27,852 | 7,213 | 5,340 | - | 733 | 1,152 | 2,469 |
| 70,983 | 5,943 | 1,685 | 8,965 | 738 | 21,211 | 35,230 |
| <u>244,633</u> | <u>162,119</u> | <u>70,392</u> | <u>14,110</u> | <u>35,434</u> | <u>38,563</u> | <u>41,712</u> |
| 3,728 | 3,968 | 5,669 | - | 128 | 5,026 | 9,367 |
| 21,773 | 9,099 | 8,271 | - | - | 55,417 | - |
| 18,460 | 6,264 | - | - | - | 13,382 | - |
| - | 12,797 | 12,688 | - | - | - | - |
| - | 703 | 2,571 | - | - | - | - |
| <u>1,498,349</u> | <u>913,165</u> | <u>99,591</u> | <u>14,110</u> | <u>82,644</u> | <u>280,865</u> | <u>137,196</u> |
| (1,407,226) | (857,588) | 203,079 | (14,110) | (39,839) | (259,662) | (105,306) |
| - | (6,252) | - | - | - | - | - |
| <u>\$ (1,407,226)</u> | <u>\$ (863,840)</u> | <u>\$ 203,079</u> | <u>\$ (14,110)</u> | <u>\$ (39,839)</u> | <u>\$ (259,662)</u> | <u>\$ (105,306)</u> |

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2015

| | <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 | - | - | - | 62,655 |
| Admission fees and concessions | - | - | 19,749 | - |
| Grants | - | - | - | - |
| Contributions | - | - | - | - |
| Interest income | - | - | - | - |
| Other receipts | - | - | - | - |
| Total revenues | <u>-</u> | <u>-</u> | <u>19,749</u> | <u>62,655</u> |
| EXPENDITURES | | | | |
| Personnel services: | | | | |
| Salaries and benefits | 101,209 | 48,778 | 48,212 | 62,682 |
| Operating expenses: | | | | |
| Insurance | 6,756 | 3,640 | 2,427 | 12,976 |
| Interlocal agreement | - | - | - | - |
| Contract services | - | - | - | 400 |
| Professional fees | - | - | - | 220 |
| Meetings, seminars, and dues | 60 | - | - | 795 |
| Repairs and maintenance | 3,257 | 12,145 | 3,411 | (12,142) |
| Printing, postage, and publications | - | - | - | - |
| Transportation | 1,328 | 899 | - | 2,209 |
| Utilities and telephone | 32,679 | 23,649 | 6,023 | 15,729 |
| Total operating expenses | <u>44,080</u> | <u>40,333</u> | <u>11,861</u> | <u>20,187</u> |
| Supplies | 8,405 | 5,872 | 13,657 | 970 |
| Other expenses | - | 1,560 | 4,126 | 7,256 |
| Capital outlay | - | - | - | 7,586 |
| Principal payments | - | - | - | - |
| Interest on long-term debt | - | - | - | - |
| Total expenditures | <u>153,694</u> | <u>96,543</u> | <u>77,856</u> | <u>98,681</u> |
| Excess (deficiency) of revenues over expenditures before transfers | (153,694) | (96,543) | (58,107) | (36,026) |
| TRANSFERS FROM (TO) OTHER FUNDS | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AFTER TRANSFERS | <u>\$ (153,694)</u> | <u>\$ (96,543)</u> | <u>\$ (58,107)</u> | <u>\$ (36,026)</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> |
|---------------------|------------------------------|--------------------------|--------------------|-----------------------------|---------------------------|--------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,090,170 |
| - | - | - | - | - | - | 176,380 |
| - | - | - | - | - | - | 109,532 |
| - | - | - | - | - | - | 28,822 |
| - | - | - | - | - | - | 92,802 |
| - | - | - | - | - | - | 800,877 |
| - | - | 3,853 | 27,707 | - | - | 372,557 |
| - | - | - | - | - | - | 48,338 |
| - | - | - | - | - | - | 49,926 |
| - | - | - | - | - | - | 34,000 |
| - | - | - | - | - | - | 47,294 |
| - | - | - | 3,600 | - | 6,450 | 447,223 |
| - | - | - | - | - | - | 50,229 |
| - | - | 110,839 | 76,715 | - | - | 191,054 |
| - | - | 86,949 | 9,342 | - | - | 108,791 |
| - | - | - | - | - | 883 | 16,171 |
| - | - | - | - | - | - | 34,139 |
| - | - | <u>201,641</u> | <u>117,364</u> | - | <u>7,333</u> | <u>3,698,305</u> |
| 976 | - | 169,383 | 123,350 | 527,400 | - | 3,537,248 |
| - | - | 7,022 | 6,229 | - | - | 231,564 |
| - | - | 3,828 | - | - | - | 50,479 |
| - | - | 312 | - | - | - | 86,348 |
| - | - | 2,000 | 1,000 | - | - | 54,940 |
| - | - | 919 | 50 | - | - | 48,056 |
| - | - | 8,049 | 1,263 | - | - | 141,351 |
| - | - | 703 | 73 | - | - | 13,825 |
| - | - | 1,723 | 3,332 | - | - | 66,221 |
| - | - | <u>16,256</u> | <u>2,210</u> | - | - | <u>263,045</u> |
| - | - | 40,812 | 14,157 | - | - | 955,829 |
| - | - | 16,167 | 373 | - | - | 84,852 |
| - | 11,333 | 113,686 | 3,815 | - | - | 252,467 |
| - | - | - | - | - | - | 93,121 |
| - | - | - | - | - | - | 25,485 |
| - | - | - | - | - | - | 3,274 |
| <u>976</u> | <u>11,333</u> | <u>340,048</u> | <u>141,695</u> | <u>527,400</u> | - | <u>4,952,276</u> |
| (976) | (11,333) | (138,407) | (24,331) | (527,400) | 7,333 | (1,253,971) |
| - | - | - | - | - | - | <u>1,189,456</u> |
| <u>\$ (976)</u> | <u>\$ (11,333)</u> | <u>\$ (138,407)</u> | <u>\$ (24,331)</u> | <u>\$ (527,400)</u> | <u>\$ 7,333</u> | <u>\$ (64,515)</u> |

CITY OF MCCOOK, NEBRASKA

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

September 30, 2015

| | <u>Community Development Agency</u> | <u>McCook Leasing Corporation</u> | <u>Total</u> |
|---|---|---|------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 237,410 | \$ - | \$ 237,410 |
| Current portion of note receivable | <u>-</u> | <u>560,000</u> | <u>560,000</u> |
| Total current assets | 237,410 | 560,000 | 797,410 |
| Noncurrent assets: | | | |
| Noncurrent portion of note receivable | <u>212,869</u> | <u>1,160,000</u> | <u>1,372,869</u> |
| Total assets | 450,279 | 1,720,000 | 2,170,279 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Current portion of long-term obligations | - | 560,000 | 560,000 |
| Noncurrent liabilities: | | | |
| Noncurrent portion of long-term obligations | <u>388,000</u> | <u>1,160,000</u> | <u>1,548,000</u> |
| Total liabilities | <u>388,000</u> | <u>1,720,000</u> | <u>2,108,000</u> |
| NET POSITION | | | |
| Unrestricted | <u>\$ 62,279</u> | <u>\$ -</u> | <u>\$ 62,279</u> |

See notes to financial statements.

CITY OF MCCOOK, NEBRASKA

**COMBINING STATEMENT OF ACTIVITIES -
COMPONENT UNITS**

For the year ended September 30, 2015

| <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 | \$ 27,221 | \$ - | \$ - |
| McCook Leasing Corporation | 58,125 | 58,125 | - |
| Total component units | \$ 85,346 | \$ 58,125 | \$ - |

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> |
| \$ - | \$ (27,221) | \$ - | \$ (27,221) |
| - | - | - | - |
| <u>\$ -</u> | <u>(27,221)</u> | <u>-</u> | <u>(27,221)</u> |
| General revenues: | | | |
| TIF proceeds | 27,221 | - | 27,221 |
| Interest income | 510 | - | 510 |
| Change in net position | 510 | - | 510 |
| Net position - September 30, 2014 | 61,769 | - | 61,769 |
| Net position - September 30, 2015 | <u>\$ 62,279</u> | <u>\$ -</u> | <u>\$ 62,279</u> |



**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, 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 11, 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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Phillip D. Maltzahn
Terry T. Galloway
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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, described below, that we consider to be significant deficiencies.

Segregation of Duties

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

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 that due to the small size of the City, it is impractical to further segregate duties. 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.

Almquist, Mathylin.
Galloway & Luth, P.C.

Grand Island, Nebraska
December 11, 2015

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary funds of the City of McCook as of and for the year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the City of McCook's internal control to be significant deficiencies:

The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This lack of segregation of duties creates an opportunity for employees to commit fraud that may go undetected. This situation suggests that the City Council remain involved in the financial affairs of the City to provide oversight and independent review functions.

SHAREHOLDERS

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Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump

This communication is intended solely for the information and use of management, the City Council, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

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

Grand Island, Nebraska
December 11, 2015

**CITY MANAGER'S REPORT
JANUARY 18, 2016 CITY COUNCIL MEETING**

ITEM: **4A**

Approve the minutes of the January 4, 2016 regular City Council meeting.

BACKGROUND:

Receive and approve the minutes.

**FISCAL
IMPACT:** None.

RECOMMENDATION:

Approve the minutes of the January 4, 2016 regular City Council meeting.

APPROVALS:



Lea Ann Doak, City Clerk

January 14, 2016

MCCOOK CITY COUNCIL
January 4, 2016
6:30 P.M.

A MEETING OF THE MAYOR AND COUNCIL OF THE CITY OF MCCOOK, NEBRASKA convened in open, regular, and public session at 6:30 o'clock P.M. in the City Council Chambers.

Present: Mayor Gonzales, Councilmembers Hepp, Calvin, McDowell, Weedin.

Absent: None.

City Officials present: City Manager Schneider, City Attorney Mustion, City Clerk Doak, Police Chief Brown, Utilities Director Dutcher, Fire Chief Harpham, Public Works Director Potthoff, and Senior Services Director Siegfried.

Notice of the meeting was given in advance thereof by publication in the McCook Daily Gazette on December 31, 2015, the designated method of giving notice, a copy of the proof of publication being attached to these minutes. Advance notice of the meeting was also given to the Mayor and members of the City Council and a copy of the Acknowledgment of Receipt of such notice is attached to these minutes. Availability of the agenda was communicated in the advance notice to the Mayor and Council. All proceedings hereafter shown were taken while the meeting was open to the attendance of the public.

Mayor Gonzales announced that a copy of the Open Meetings Act was posted by the entrance to the Council Chambers and available for public review. Following the Pledge of Allegiance to the flag of the United States of America, Mayor Gonzales called the meeting to order.

1. Citizen's comments.

No one was present for citizen's comments.

2. Announcements & Recognitions.

There were no announcements or recognitions.

3. Consent Agenda.

A. Approve the minutes of the December 21, 2015 regular City Council meeting.

Upon a motion by Councilmember Calvin, seconded by Councilmember Hepp, the Council voted to approve the minutes of the December 21, 2015 regular City Council meeting. The motion passed upon the following roll call vote: YEA: Gonzales, Hepp, Calvin, McDowell, Weedin. NAY: None.

B. Receive and file claim for damages from Daryl Banzet and instruct that it be submitted to the City's insurance carrier for review and appropriate action.

Upon a motion by Councilmember Calvin, seconded by Councilmember Hepp, the Council voted to receive and file claim for damages from Daryl Banzet and instruct that it be submitted to the City's insurance carrier for review and appropriate action. The motion passed upon the following roll call vote: YEA: Gonzales, Hepp, Calvin, McDowell, Weedin. NAY: None.

- C. Receive and file claim for damages from Chris Wagner - Wagner Chevrolet Buick and instruct that it be submitted to the City's insurance carrier for review and appropriate action.

Upon a motion by Councilmember Calvin, seconded by Councilmember Hepp, the Council voted to receive and file claim for damages from Chris Wagner - Wagner Chevrolet Buick and instruct that it be submitted to the City's insurance carrier for review and appropriate action. The motion passed upon the following roll call vote: YEA: Gonzales, Hepp, Calvin, McDowell, Weedin. NAY: None.

- D. Approve the bid specifications for twenty (20) sets of Firefighter Bunker Gear, including Coats and Pants, and set the date to receive bids as January 26, 2016 at 2:00 P.M.

Upon a motion by Councilmember Calvin, seconded by Councilmember Hepp, the Council voted to approve the bid specifications for twenty (20) sets of Firefighter Bunker Gear, including Coats and Pants, and set the date to receive bids as January 26, 2016 at 2:00 P.M. The motion passed upon the following roll call vote: YEA: Gonzales, Hepp, Calvin, McDowell, Weedin. NAY: None.

- E. Approve the request from the Republican River Runners to utilize city streets and hike/bike trail for their 34 mile road race to be held on Saturday, February 20, 2016, between the hours of 1:00 P.M. and 4:00 P.M.

Upon a motion by Councilmember Calvin, seconded by Councilmember Hepp, the Council voted to approve the request from the Republican River Runners to utilize city streets and hike/bike trail for their 34 mile road race to be held on Saturday, February 20, 2016, between the hours of 1:00 P.M. and 4:00 P.M. The motion passed upon the following roll call vote: YEA: Gonzales, Hepp, Calvin, McDowell, Weedin. NAY: None.

4. Regular Agenda.

- A. Approve Ordinance No. 2015-2926 approving the Final Planned Development District to be known as Quillan Courts Planned Development District upon its second reading.

Ordinance No. 2015-2926 entitled, "AN ORDINANCE AMENDING ZONING ORDINANCE NO. 2013-2897 BY DESIGNATING A TRACT OF LAND AS A PLANNED DEVELOPMENT DISTRICT TO BE KNOWN AS "QUILLAN COURTS"; REPEALING CONFLICTING ORDINANCES OR PARTS OF ORDINANCES; AND PROVIDING FOR A TIME AND DATE FROM AND AFTER WHICH THIS ORDINANCE SHALL TAKE EFFECT AND BE IN FORCE.", was considered upon its second reading.

Ordinance No. 2015-2926 was read by title only. Motion was made by Councilmember Hepp, seconded by Councilmember Weedin, to approve Ordinance No. 2015-2926 on its second reading. Upon roll call vote the following Councilmembers voted YEA: Gonzales, Hepp, Calvin, McDowell, Weedin. NAY: None. Motion carried. Whereupon the Mayor declared said Ordinance No. 2015-2926 approved on its second reading.

- B. Council Comments.

Barb Ostrum, representing McCook Toy Box giveaway and Coat Closet, thanked the City Council for the payment of the Auditorium rental fee for these two events. Both were a success. An estimated 360 area children received toys, 156 bikes were given out, and more than 1000 people received clothing donations during the Coat Closet event.

▪ **Adjournment.**

There being no further business to come before the Council, Mayor Gonzales declared the meeting adjourned at 6:34 P.M.

Michael D. Gonzales, Mayor

ATTEST:

Lea Ann Doak, City Clerk

**CITY MANAGER'S REPORT
JANUARY 18, 2016 CITY COUNCIL MEETING**

ITEM: **4B**

Receive and file the claims for the month of December 2015 as published January 11, 2016.

BACKGROUND:

Claims are presented to the Council and published each month as outlined in City Code Ordinances.

Staff is always available to address any questions that the Council may have regarding a specific claim.

**FISCAL
IMPACT:** None.

RECOMMENDATION:

Receive and file the claims for the month of December 2015 as published January 11, 2016.

APPROVALS:



Lea Ann Doak, City Clerk

January 9, 2016

CITY OF MCCOOK
CLAIMS FOR DECEMBER, 2015

ABBREVIATIONS FOR LEGALS: PS - PERSONAL SERVICES; S- SUPPLIES; SC - SERVICES & CHARGES; CO - CAPITAL OUTLAY; BT - BUDGET TRANSFERS

20/20 TECH-SC 3000.00; 7-D-S 2.50; ACME-SC 160.96; ADOBE-SC 14.98; AMAZON-SC 103.71; AM AG LAB-SC 1201.11; AMERICAN ELEC-S 608.09; ARBOR DAY FOUND-SC 20.00; ARROW CAR WASH-S 14.40; ARROW INT'L-S 560.39; AS CENTRAL SVC-SC 896.00; ATLANTIC TIME SYS-SC 12.65; BAIRD HOLM-SC 480.00; BAKER & TAYLOR-S 370.65; BARNETT'S-S 26.06; BIRCH-SC 2931.62; BONAR, L-S 8.59; BSB CONST-CO 6641.50; BW TELCOM-SC 124.56; C&K-S 326.08; CAMBRIDGE TELE-SC 1086.30; CARQUEST-S 1026.01; CASH WA-S 4031.41; CENTER POINT-S 542.52; CENTRAL CITY SCALE-CO 11800.00; CENTRAL HYDRAULIC-S 3173.90; CENTRAL STATES WIRE PROD-S 1488.25; CENTURION HOLDINGS-SC 50.64; CENTURY LINK-SC 891.54; CITY OF MCCOOK-PS 454771.83; COMMON SCENTS-S 564.71; COMPUTER SUPPLIES & SVC-S 259.73; CONSOLIDATED MGMT-SC 435.50; CORNHUSKER STATE IND-S 2449.00; CPI-SC 29680.33; CRAWFORD SUPPLY-S 42.99; CROCKER, J-SC 54.90; CULLIGAN WATER-S 3329.43; D&L PEST-S 197.00; D&S-S 826.47; DEMCO-S 341.34; DEVENY-SC 307.40; DIAMOND VOGEL-101.51; DOUBLE D-S 393.25; DOYLE AUTO REPAIR-SC 73.45; DVOR-S 96.98; EAKES-S 2448.16; EDWARDS MACH-S 240.90; EMS BILLING-SC 3111.67; ENGINEERED CONTROLS-S 1446.24; ESCHLIMAN TRAILER-S 106.82; ETS CORP-S 326.94; FASTENAL-S 416.97; FICA-PS 22925.01; FBI-SC 50.00; FIRE DEPT CLOTHING-S 149.35; FV CO-OP-S 17108.75; GALE GRP-S 203.91; GALLS-S 26.43; GERHOLD-S 863.27; GILLEN'S CARPET-S 260.00; GOOGLE*SVCS-SC 270.83; GP COMM-SC 357.48; GT DIST-S 39.99; HASLER-SC 1000.00; HAYS GRP-SC 7500.00; HENNING BROS-SC 59.00; HIGH PLAINS RADIO-SC 50.00; HOBBY LOBBY-S 97.01; HTM SALES-CO 278.12; ICOMPASS TECH-SC 2700.00; IDEAL LINEN-S 388.83; INDUSTRIAL PROCESS TECH-CO 11009.73; J BAR J-SC 34907.16; JR LIBRARY GUILD-S 882.00; K&C GRAIN-S 12499.43; KIDS REFERENCE-S 458.37; KILDARE-S 77.03; KOHL AUTOMOTIVE-S 57.69; KULLY PIPE & STEEL-S 118.31; LAW ENFORCEMENT SYS-S 60.00; LEAK SPECIALISTS-SC 135.00; LIFE-ASSIST-S 767.38; MAILFINANCE-SC 1890.00; MARC-S 617.46; MC CHAMBER OF COMMERCE-SC 372.50; MC GAZETTE-SC 1140.46; MC

HUMANE SOC-S 3496.42; MPPD-SC 867.43; MC UTILITIES-SC 5750.07; CITY OF MCCOOK
SELF HEALTH INSURANCE-BT 120,000.00; MCCOOKNET-SC 406.60; MEDC-SC 14261.05;
MEDICARE-PS 6314.06; MICHAEL TODD-SC 4501.85; MICROMARKETING-S 2971.69; MID
AM PAY PHONES-SC 40.00; MIDWEST CONNECT-S 43.00; MIDWEST LAB-SC 5648.27;
MILCO-SC 2594.25; MILLER & ASSOC-SC 344.00, S 350.00, CO 533.40; MNB INS-S 100.00;
MOUSEL LAW-SC 5945.45; MUNICIPAL SUPPLY-S 2491.20; MUTUAL OF OMAHA-SC
2388.93; NE DEPT OF ENVIRO QUALITY-SC 464849.67; NE DEPT OF HEATH LABS-SC
164.00; NE DEPT OF HHS-SC 690.00; NE DEPT OF REVENUE-SC 16880.44; NMCA-SC 70.00;
NE SEC OF STATE-S 60.00; NE STATE FIRE MARSHAL-SC 120.00; NE SUPREME COURT-
SC 64.50; NE TRUCK CENTER-S 112.21; NEMSA-SC 210.00; NICK'S DIST-SC 366.31; NE
MACHINERY-S 140.16; NORFOLK LODGE-SC 197.98; NORTHERN SAFETY-S 135.52;
NPPD-SC 30516.04; ONE CALL CONCEPTS-SC 60.75; ORSCHELN-S 232.15; OUR DESIGNS-
SC 199.60; PAVEMENT REPAIR-CO 1177.00; PLAINS EQUIP GRP-S 1004.26; PLATTE
VALLEY COMM-S 1978.97; POWERBLANKET-S 1004.50; POWERCALL SIRENS-SC 461.18;
PRAISE WINDOWS-S 775.00; PROTECTED IMAGES-S 110.00; QUILL-S 581.62; RBC
SERVICES-CO 1107.30; RW CO COURT-SC 17.00; RW TREASURER-SC 176.46; REWARD-
SC 2500.00; RR DONNELLEY-S 199.11; ROBERTS CO-SC 178.90; SCHAMEL'S-S 662.02;
SCHINDLER ELEVATOR-S 319.44; SCHMICKS-S 6.58; SNELL SVC-S 305.00; SOFTWARE
KING-SC 369.98; SOURCEGAS-SC 4669.71; SOUTHWEST EQUIP-S 123.01; SUPERIOR
SIGNALS-S 1020.92; SWANSON SIGN-SC 140.00; THOMPSON CO-S 1567.93; TITAN MACH-
S 16.00; TJ'S FAMILY FUN CTR-SC 375.00; TOP OFFICE-S 53.76; TOTAL TURF-CO 60.00;
TRANSUNION-S 1.75; TREE REBATE-SC 75.00; TYLER TECH-SC 2600.00; U-SAVE-S
182.50; ULINE-S 396.15; UMR-SC 242208.64; UNL-SC 480.00; USPS-SC 1612.10; USI-SC
102830.00; UTILITY REFUNDS-SC 579.54; VERIZON-SC 3132.04; VK ELECTRONICS-S
65.00; VOLZ-S 117.63; W DESIGN-SC 6472.10; WPCI-SC 28.5; WAGNER CHEVY-S 226.09;
WAGNER FORD-S 180.26; WALMART-S 1829.55; WALTER PLUMGING-S 328.87;
WEATHERCRAFT-SC 790.00; WESTERN ENGINEERING-CO 883.00; WESTERN TIRE-S
2993.22; WOODS & AITKEN-SC 220.00; YAGER, S-S 500.00; ZOLL MEDICAL-S 1229.36.

-s- Lea Ann Doak
City Clerk

**CITY MANAGER'S REPORT
JANUARY 18, 2016 CITY COUNCIL MEETING**

ITEM: 4C

RECOMMENDATION:

AWARD THE BID FOR CONCESSIONS AT THE JAYCEES BALL COMPLEX TO CONSOLIDATED MANAGEMENT CO. IN THE AMOUNT OF \$750.00 PER YEAR FOR THE CALENDAR YEARS 2016-2018.

BACKGROUND:

On Tuesday, December 29, 2015 sealed bids were opened for concessions at the Jaycees Ball Complex. We received one bid which was submitted by Consolidated Management Co. In the amount of \$750.00 per year. Consolidated Management Co. has operated the concessions at the Jaycees Ball Complex the past several years. The concessions for the ballparks are bid out every 3 years.

During this contract period, Consolidated Management Co. will be responsible for concessions from May 1st to October 31st each year instead of the entire calendar year. McCook Community College has agreed to provide concessions between November 1st and April 30th.

The bid for the previous 3 years was \$1,605.00 per year.

**FISCAL
IMPACT:** None.

RECOMMENDATION:

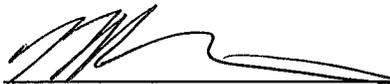
AWARD THE BID FOR CONCESSIONS AT THE JAYCEES BALL COMPLEX TO CONSOLIDATED MANAGEMENT CO. IN THE AMOUNT OF \$750.00 PER YEAR FOR THE CALENDAR YEARS 2016-2018.

APPROVALS:



Kyle Potthoff, Public Works Director

January 12, 2016



Nate Schneider, City Manager

January 12, 2016

BID FORM FOR BALLPARK CONCESSIONS
City of McCook, Nebraska
Three (3) Year Term

MCCOOK JAYCEE COMPLEX

| | 2016 | 2017 | 2018 |
|------------------------|---------------|-----------------|-----------------|
| Bid for Concessions \$ | <u>750.00</u> | <u>\$750.00</u> | <u>\$750.00</u> |

Operated by: Consolidated Management Company
2670 106th St, Des Moines, IA 50322

Randy Prymek 515.278.9774
Local contact: Jamie Mockry 308.345.8178
1205 E. 3rd Street, McCook, NE 69001

FELLING FIELD

| | 2016 | 2017 | 2018 |
|------------------------|---------------|------|------|
| Bid for Concessions \$ | <u>No Bid</u> | | |

Operated by: _____

The City of McCook reserves the right to reject any or all bids and to waive any irregularities and to exercise its own judgement as to the best bids received.

**CITY MANAGER'S REPORT
JANUARY 18, 2016 CITY COUNCIL MEETING**

ITEM: 4D

RECOMMENDATION:

AWARD THE BID FOR CONCESSIONS AT FELLING FIELD TO NANCY COLLINS IN THE AMOUNT OF \$727.00 PER YEAR FOR THE CALENDAR YEARS 2016-2018.

BACKGROUND:

On Tuesday, November 29, 2015 sealed bids were opened for concessions at the Felling Field. We received one bid which was submitted by Nancy Collins in the amount of \$727.00 per year. Nancy has operated the concessions at the Felling Field the past several years. The concessions for the ballparks are bid out every 3 years.

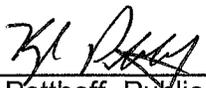
The bid for the previous 3 years was \$701.00 per year.

**FISCAL
IMPACT:** None.

RECOMMENDATION:

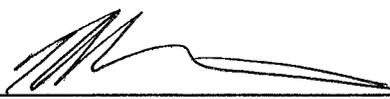
AWARD THE BID FOR CONCESSIONS AT FELLING FIELD TO NANCY COLLINS IN THE AMOUNT OF \$727.00 PER YEAR FOR THE CALENDAR YEARS 2016-2018.

APPROVALS:



Kyle Potthoff, Public Works Director

January 12, 2016



Nate Schneider, City Manager

January 12, 2016

BID FORM FOR BALLPARK CONCESSIONS
City of McCook, Nebraska
Three (3) Year Term

MCCOOK JAYCEE COMPLEX

| | 2016 | 2017 | 2018 |
|------------------------|-------|------|------|
| Bid for Concessions \$ | _____ | | |
| Operated by: | _____ | | |
| / | _____ | | |

FELLING FIELD

| | 2016 | 2017 | 2018 |
|------------------------|----------------------|------------|------------|
| Bid for Concessions \$ | <u>727</u> | <u>727</u> | <u>727</u> |
| Operated by: | <u>Nancy Collins</u> | | |
| | _____ | | |

The City of McCook reserves the right to reject any or all bids and to waive any irregularities and to exercise its own judgement as to the best bids received.

**CITY MANAGER'S REPORT
JANUARY 18, 2016 MCCOOK CITY COUNCIL MEETING**

ITEM NO 5A Adopt Resolution No. 2016-01 approving an agreement with McCook Keno, L.L.C. for the operation of a keno-type lottery in the City of McCook for a period of five years.

ITEM NO 5B Adopt Resolution No. 2016-02 approving TJ's Family Fun Center as a Sales Outlet location for the operation of a keno-type lottery.

BACKGROUND:

In past meetings, particularly around budget time, Staff and Council have discussed the need to renew our keno contract. The current contract with McCook Keno, L.L.C. expired in 2012. The City has been operating under the 2006 contract with McCook Keno, L.L.C. over the course of the past 3 years without a change in the contractual terms. The keno funds received by the City have been utilized for community betterment purposes such as adding an additional firefighter to the McCook Fire Department and purchasing a trash trailer. It has been mentioned that the City would like to review different contractual terms in order to increase its keno receipts to help fund other projects. A couple of the possible tweaks considered were to increase the City's monthly payment percentage and review alternate keno locations. As a result of this goal, Staff has been in discussions with Mike Nevriy, managing member of McCook Keno, L.L.C., to determine what options are best for the City. The City currently receives receipts potentially equaling 10% of the total receipt, depending on whether special or promotional games are being run, but in no case are the receipts below a minimum amount of 6%. We originally talked about increasing our percentage receipt amount. During conversations with Mr. Nevriy, we learned that in order to increase the City's receipt percentage, the pay table would have to be lowered. Currently, the pay table is based at 78%, with 4% of that amount to be used for special games and promotional games at the discretion of McCook Keno, L.L.C. Staff is concerned that if the City were to change the payout rate, keno may be less attractive to play and individuals would reduce and/or quit playing decreasing our keno receipts. Also, on review McCook Keno, L.L.C. increased its typical percentage payout in 2006 by 1% at the City's request. Mr. Nevriy informed Staff that the City is on the high end of the payout range for McCook Keno, L.L.C. Staff contacted the Nebraska Gaming Commission for a summary of keno activity throughout the state for comparison purposes. For its size, McCook has seen pretty competitive Keno activity when compared to other towns of similar size. Attached to this report is a history of County/City Keno Activity from October 1, 2013 through September 30, 2015. Due to our competitive receipts and concerns about modifying the pay table, Staff, at this time, recommends keeping the City's percent payout at the same rate.

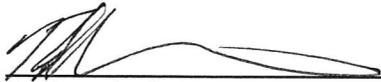
The second way Staff believes we could increase keno receipts would be to add another keno site. Last year, the City was contacted by TJ's Fun Center about the possibility of becoming a keno operator. Through our discussions with Mike Nevriy and Terry Sides, Staff believes that adding TJ's as a permitted keno location would potentially increase receipts. TJ's has recently expanded and added a new bar and restaurant. Further, TJ's Fun Center is a game oriented business, with bowling and games already present. Keno would seem to be a natural fit. Staff's hope is that the additional location would not adversely affect the other keno sites (Old Sarge's Bar and Loop's Brewery).

RECOMMENDATIONS:

ITEM NO. 5A Adopt Resolution No. 2016-01 approving an agreement with McCook Keno, L.L.C. for the operation of a keno-type lottery in the City of McCook for a period of five years.

ITEM NO. 5B Adopt Resolution No. 2016-02 approving TJ's Family Fun Center as a Sales Outlet location for the operation of a keno-type lottery.

APPROVALS:



Nathan A. Schneider, City Manager

January 13, 2016



Lea Ann Doak, City Clerk

January 13, 2016

RESOLUTION NO. 2016-01

WHEREAS, the City Council of the City of McCook finds and determines that it is in the best interests of the City to continue to operate a municipal keno-type lottery in the City; and

WHEREAS, it is further in the best interests of the City to extend the contract with McCook Keno, L.L.C., a Nebraska limited liability company, to operate the keno-type lottery on behalf of the City for an additional five (5) year period.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF MCCOOK, NEBRASKA.

SECTION 1. That the Agreement providing for the operation of a keno-type lottery in the City for an additional period of five (5) years between the City of McCook, Nebraska, a municipal corporation, and McCook Keno, L.L.C., a Nebraska limited liability company, marked as Exhibit "A ", attached hereto and incorporated herein by this reference, is hereby approved, and the Mayor is hereby authorized to execute such agreement.

SECTION 2. That this resolution shall be in full force and effect immediately upon its passage and adoption.

SECTION 3. That all resolutions or parts of resolutions in conflict herewith are hereby repealed.

PASSED AND APPROVED THIS 18th day of January, 2016.

Michael D. Gonzales, Mayor

ATTEST:

Lea Ann Doak, City Clerk

AGREEMENT

This Agreement is made and entered into on this ____ day of January, 2016, by and between McCook Keno, L.L.C., a Nebraska limited liability company, hereinafter called "Operator," and the City of McCook, Nebraska, a municipal corporation, hereinafter called the "City."

WHEREAS, Operator is authorized to conduct business pursuant to the statutes of the United States and of the State of Nebraska;

WHEREAS, a majority of the vote by the registered voters of the City of McCook, Nebraska were cast in favor of authorizing the establishment of a municipal lottery;

WHEREAS, the City Council of McCook, Nebraska authorized such a lottery to be established and requested proposals for a keno-type lottery to be operated by an independent contractor lottery operator;

WHEREAS, the Operator's proposal for operating a lottery was accepted by the City of McCook, Nebraska; and

WHEREAS, ~~in May 2006 the Operator and the City are desirous of conferring~~ **conferred** upon Operator the exclusive right to operate for the City, a legal keno-type lottery, within the City for a period of six (6) years. ~~from the date of this Agreement.~~

WHEREAS, ~~the Operator and the City are now agreeable to entering into a contract extension for an additional five-year term commencing on the date of this Agreement.~~

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

1. DEFINITIONS

- A. Gross Proceeds. "Gross Proceeds" shall mean the total aggregate receipts received from the conduct of the lottery without any reduction for prizes, discounts, taxes or expenses and shall include receipts from admissions costs, any consideration necessary for participation, and the value of any free tickets, games or plays used; but shall not include any amounts received from the sale of concessions or any other legitimate business operations as authorized hereinbelow.
- B. Expenses. "Expenses" shall mean:
- (1) all costs associated with the purchasing, printing, or manufacturing of any items to be used or distributed in the lottery;
 - (2) all office or clerical expense in connection with the lottery;
 - (3) all promotional expenses for the lottery;
 - (4) all salaries of persons employed to operate, conduct, or supervise the lottery;
 - (5) any rental or lease expense related to the lottery;
 - (6) any fee or commission paid to any person associated with the lottery;

- (7) license fees paid to the department; and
 - (8) any other costs associated with the conduct of the lottery, but not including taxes paid pursuant to Neb. Rev. Stat. §9-648 or prizes awarded to participants.
- C. Keno Lottery or Keno-Type Lottery. "Keno Lottery" or "Keno-Type Lottery" shall mean any lottery as permitted by Neb. Rev. Stat. §9-607(1)(c)(ii).
 - D. Others. For the purposes of this Agreement and except for those definitions expressly set forth herein, unless the context otherwise requires, the definitions found in the Nebraska County and City Lottery Act, Neb. Rev. Stat. §9-601 et seq., and any rules and regulations promulgated thereunder shall be used.
2. **RIGHT TO OPERATE.** The City herewith grants to the Operator the exclusive right to operate, for and on behalf of the City, a legal, keno-type lottery, as authorized by the Nebraska County and City Lottery Act, Section 9-601 et seq., R.R.S. (Reissue, 1997), and pursuant to Rules and Regulations duly promulgated by the Nebraska Department of Revenue. Such operation shall be controlled directly by the Operator and be located within the Corporate boundaries of the City; provided, any transfer of ownership rights in Operator shall void this Agreement automatically, unless the transfer is first approved in writing by the City.
3. **RENEWAL OF AGREEMENT OPTION.** The term of Operator's exclusive right to operate said lottery shall be **extended for an additional five (5) ~~six (6)~~** year from the date of this Agreement and shall terminate on **January 18, 2021. ~~May 15, 2012.~~** This agreement may be renewed for subsequent terms under the same conditions set forth herein upon mutual consent of both parties. The City shall retain the right to review the operation at least yearly and it may promulgate necessary and appropriate rules and regulations for the operation consistent with those of the Nebraska Department of Revenue for gaming operations.
4. **LOTTERY FACILITIES.**
- A. The Operator agrees to operate a keno-type lottery from one or more locations, referred to as a Sales Outlet location(s). Initially the Operator agrees to operate at **Old Sarge's Bar, Inc., Loop Brewing Company, LLC, and TJ's Family Fun Center, Inc.**, but may, with approval of the City Council, open other locations within the City.
 - B. The Operator may not change the Sales Outlet location(s), or establish additional locations without the prior approval of the City Council, which approval shall not be unreasonably withheld.
 - C. The parties recognize that the liquor operations will be conducted separately by the Sales Outlet location. In the event the location should discontinue liquor operations for any reason, then this Agreement may, upon application by either party, be amended to provide a different location of play or such other changes as may be required to continue the operation of the keno lottery.
 - D. The Operator shall require the Sales Outlet location to maintain the premises in a clean and sanitary condition and in conformance with all applicable

health and safety laws and regulations. Repeated failure to maintain the premises as required may result in revocation of the premises as the approved location for the keno lottery. Such revocation must be approved by the City.

5. **COMPLIANCE WITH LAW.** The Operator agrees to strictly comply with and conform to the requirements, provisions, and conditions of the Nebraska County and City Lottery Act. Neb. Rev. Stat. § 9-601 et seq., together with any and all other federal, state, and local laws and administrative rules and regulations promulgated by the Nebraska Department of Revenue.
6. **LICENSING.**
 - A. The Operator agrees to have the keno-type lottery game or games in operation promptly as licensing allows following notification of the City's acceptance of the Operator's proposal. ~~The City Council may, in its discretion, grant an extension of the time to commence operation of the keno-type lottery game or games if the Operator demonstrates to the City Council that it cannot meet the above stated timetable due to conditions of hardship. Prior to commencing operation, The Operator shall not permit any participation in the keno lottery in exchange for any consideration without actual possession of the required lottery operator's license from the State of Nebraska.~~
 - B. ~~The Operator agrees to submit to the Nebraska Department of Revenue an application for a license as a lottery operator and all required documentation and information as soon as reasonably possible after final approval of this Agreement, and to promptly complete all acts necessary to obtain such operator's license. The Operator shall maintain a valid operator's license, as required by Neb. Rev. Stat. § 9-630, at all times during the term of this Agreement.~~
 - C. This Agreement shall be specifically conditional upon the Operator ~~receiving~~ maintaining all of the necessary licenses and approval from the Nebraska Department of Revenue and any other governmental agencies or authorities which are necessary in order to conduct a keno-lottery pursuant to the Nebraska County and City Lottery Act.
7. **LOTTERY TICKETS.** The Operator shall provide the expertise, equipment, services, supplies, locations; and financing necessary to operate the keno-type lottery on behalf of the City. Each outside ticket used in the keno lottery shall have the City's name printed clearly thereon, and shall bear numbers, which numbers shall be in sequence. No such ticket shall be sold unless the name of the City and number are printed thereon.
8. **DIVISION OF OPERATION PROCEEDS.**
 - A. The gross amount of monthly proceeds shall be divided and turned over as follows after the winning tickets have been paid, to wit:
 - (1) Paytable is based on 74% payout; Payout is based on 78% with the additional 4% to be used for special games and promotional games at the discretion of the Operator.

- (2) Two percent (2%) of the gross to the Nebraska State Tax Commissioner, paid by Operator to the City for transmittal by the City Treasurer.
 - (3) The Operator's total receipt shall be limited to fourteen percent (14%) of the gross.
 - (4) The remaining monies (that being up to 10%, depending on whether special or promotional games are run) will be paid to the City; provided, it is understood and agreed that the minimum amount paid to the City each month shall be six percent (6%) of the gross amount of the monthly proceeds.
- B. It is further agreed that the City shall not be held liable for any expenses of said operation and the City's exposure; if any, shall be limited to its share of the total gross receipts.
- C. From its share of the total gross receipts, the Operator shall be responsible for any and all necessary expenses of operations and it shall pay the same on a timely basis, holding the City completely harmless for said payments. Operator's expenses include, but are not limited to, all those necessary for daily operation of the keno-style lottery as set forth in Paragraph 1B (1-8) herein.
- D. It is understood by the City that the City's share of up to ten percent (10%) set forth in this paragraph is based on statistical odds over an infinite period of time.
- E. For each month where the total prize payout is less than the target payout percentage, the difference between the target payout percentage and the actual percentage paid, together with the uncollected winnings, shall be retained in a bank account hereinafter referred to as the "keno proceeds account". For each month where the total prize payout is greater than the target payout percentage, the Operator shall utilize any funds in the keno proceeds account to pay the total prize payout.
- F. During any month in which the prizes paid to players exceeds the amount needed to pay the state's 2%, the City's minimum 6%, and the Operator's 14%, to the extent that additional funds are needed to pay these specified amounts, the Operator may, from time to time, be required to loan money to the keno proceeds account. In such event, the Operator shall be repaid, without interest, from the keno proceeds account for all loans, which were made to the account for the purpose of paying the winners, the state, the city's minimum 6% or itself in subsequent months. In the event this occurs, proceeds in subsequent months shall be applied in the following order of priority:
- (1) Winners and State Tax;
 - (2) City - For Current Month's minimum payment (Six percent [6%]).
 - (3) Operator - For Current Month's payment (Fourteen percent [14%]);
 - (4) Operator - For unpaid Operator's payments due to the payment of prizes in a previous month(s). Said money shall be paid to Operator in

subsequent months until the difference is fully satisfied, without interest;

- (5) Operator - For loans made by the Operator, without interest.
- (6) City - Balance...not more than (ten percent [10%]), for current month.

In no event shall the Operator pay to the City with respect to any calendar month, or portion thereof, an amount less than six percent (6%) of the gross proceeds as City's share, plus an additional two percent (2%), to be used by the City to pay the state tax pursuant to Neb. Rev. Stat. §9-648 for said period, or such other amount as the City is required to pay to others.

- G. The payment of proceeds to the City shall be made no later than fifteen (15) days following the last day of the keno lottery operations for each month and shall be accompanied by the monthly financial report as provided for in Paragraph 9 of this Agreement. The date of mailing of said remittance shall be deemed the date of payment thereof.

9. **RECORD KEEPING AND AUDITING.**

- A. The Operator agrees to maintain or cause to be maintained complete books and records of all operations associated with the operation of the keno lottery, including, but not limited to, all costs and proceeds associated with the keno lottery and concession sales at the Operator's expense. All books and records must be sufficient to comply with the provisions of the Nebraska County and City Lottery Act, Neb. Rev. Stat. §9-601 et seq., and the rules and regulations promulgated thereunder. The Operator shall submit to the City monthly financial reports for said operation no later than fifteen (15) days following the last day of each month's operation. Such monthly reports shall contain all information necessary to complete any report required by law, rules or regulations, including information related to proceeds, expenses, taxes, fees, maintenance, and commissions for the month reported. The City may, at its option, request that any report be submitted weekly.
- B. The City shall have the right, upon reasonable notice, to review and examine all books and records of the Operator relating to the keno lottery operations, sales of concessions, and other legitimate business operations conducted at the keno lottery locations. Additionally, the City shall have the right to conduct or cause to be conducted an audit of the Operator's books and records at any other time as well. If the City elects to retain outside auditors in the performance of such audit, the City shall pay for such audit.
- C. At the City's request, the Operator agrees to provide to the City, and keep current, financial statements of the Operator, each officer or director of the Operator, each member of the Operator, and all shareholders of the Operator owning greater than five percent (5%) of the outstanding equity of the Operator. The financial statements of the Operator shall be prepared by an independent certified public accountant. The Operator shall prohibit the transfer of its shares or equity interest to anyone not disclosed to the City at the time of submission of its proposal without prior approval of the City.
- D. The Operator agrees to notify the City within thirty (30) days of the commencement of any litigation, whether civil or criminal, involving the Operator, any officer, director, or member of the Operator, any shareholder

of the Operator, or any keno manager. In addition, the Operator agrees to notify the City of any violation of the applicable laws, rules and regulations governing keno lottery operations committed by an employee of the Operator within twenty-four (24) hours of the time the Operator knows of the violation.

- E. The Operator shall be responsible for all federal, state, and local taxes, licensing, and reporting requirements for itself, the City, and lottery winners as provided or permitted by law; except that the City shall be responsible for payment of the two percent (2 %) lottery tax imposed upon it pursuant to Neb. Rev. Stat. §9-648, but the Operator shall remit to the City the funds necessary for payment of the tax, and prepare any report therefor. The Operator shall register with the Internal Revenue Service pursuant to §4412 of the IRS Code, and pay the required occupation tax, unless the keno lottery operation conducted by the Operator is not subject to the federal excise tax on wagering imposed under §§4401 et seq of the Internal Revenue Code of 1954. The Operator shall submit to the City a copy of all reports of any kind filed with the Nebraska Department of Revenue or the Internal Revenue Service within ten (10) days of such filing.
 - F. All gross proceeds of the keno lottery, except that portion paid out in cash prizes of Five Hundred Dollars (\$500.00) or less, shall be deposited in a separate bank account maintained at a bank of the City's choosing. All expenses and prizes, except cash prize payouts of Five Hundred Dollars (\$500.00) or less, shall be paid by check drawn on said bank account.
 - G. Any change or adjustment of the tax percentage due by the State or Federal government shall require the Operator and the City to recalculate the percentages paid to the parties out of the remaining gross proceeds after winning tickets. Recalculations shall take effect as of the date the modified tax requirements are imposed.
 - H. In the event this Agreement is terminated or forfeited prior to the expiration of its term, the Operator shall immediately submit to the City a financial report prepared as would otherwise be required showing all required information for the time which has elapsed since the period for which the payment was made. Payment for said period shall be due to the City with fifteen (15) days following the termination.
10. **CITY RULES AND REGULATIONS.** Operator agrees to comply with all City rules and regulations that are in addition to State requirements. Said rules and regulations shall be available to Operator in printed form.
11. **INSURANCE.** The Operator shall carry and certify to the City: (1), Public Liability insurance coverage with a minimum limit of \$1,000,000 per occurrence with the City being named as an additional insured thereunder; (2) Property Coverage against perils of loss designated as "special form" to the value determined by Operator for "Keno Type Equipment," at any location where the Keno game is operated in the City; and (3) Worker's Compensation and Employers Liability for any employees other than employees exempt from such coverage.
12. **OWNERSHIP OF SYSTEM.** The City acknowledges Operator's proprietary rights in and to the complete system's specifications as set out herein. Full right, title and interest to all aspects and components of the lottery system installed pursuant to this Agreement including its business practices and trade secrets will remain in

Operator, and Operator will be entitled to reclaim the same after termination of the Agreement.

13. **NONDISCLOSURE OF OPERATOR'S METHODS.** The City agrees that it will not disclose to any other person or entity any information concerning the production, computer programming, security methods, or any other method of process purchased or developed by the Operator to establish or operate the keno-style lottery operation pursuant to this Agreement.
14. **COMPLIANCE WITH LAWS.** The Operator agrees to maintain a state operator's license at its expense, and to cause said keno-type lottery operation to conform to the laws of the State of Nebraska, the ordinances of the City, and any all applicable federal statutes. In the event any law, rule or regulation or ordinance, not in effect at the date of this Agreement shall change and adversely affect operations of the keno-type lottery, the Operator shall have a reasonable time to revise said keno-type lottery to conform to said changes. In the event any law is passed or a rule, regulation, or ordinance is adopted to cause said operation to become economically impossible, the Operator shall have the right to cancel this Agreement without cost or penalty. The Operator shall be responsible for the operation of the keno lottery at each location in strict compliance with this Agreement and all laws, rules and regulations governing keno lottery operations.
15. **HOURS OF OPERATION.** The available hours of operation that the Operator may conduct the keno lottery are between 6:00 A.M. and 1:00 A.M. Sunday through Saturday. The actual hours of operation will be determined by mutual consent between the City and the Operator by considering the most effective and efficient times to operate.
16. **APPROVAL OF EQUIPMENT AND SECURITY.**
 - A. Prior to commencing operation, the Operator shall, if requested, submit for inspection, testing, and approval all lottery equipment proposed to be used in the keno lottery operation. Said inspections and tests shall be conducted by the City or its designate(s), including but not limited to, the Nebraska Department of Revenue, Federal Bureau of Investigation (FBI), other governmental or law enforcement agencies, or independent testing or auditing firms. Any such inspection may be in addition to any required by state law. Inspections or tests may also be conducted at any time during the course of this Agreement by the City or its designate(s) without prior notice. The City retains the right to reject any lottery equipment not meeting its approval. In the event of rejection, the Operator shall immediately discontinue use of such lottery equipment and provide sufficient lottery equipment to perform its duties under this Agreement.
 - B. The Operator shall be required to install and maintain security devices and measures to ensure the integrity, honesty and fairness of the keno lottery operation. Such security system is subject to the approval of the City, which approval shall not be unreasonably withheld. The security system is subject to inspection and testing at any time without prior notice in the same manner described in 16A.
 - C. One (1) copy of the detailed plans, drawings, and specifications of the security system, outlining in specific detail the system and devices to be used shall be kept on file, in a secured place, in the office of the Keno Administrator (or other City official). The same shall be available only to

individuals authorized by the Keno Administrator, as well as a representative of the City Council, with the concurrence of the Operator, to have access to the same for the purpose of ensuring compliance with this Agreement, and in particular Paragraph 16B above. Any such material shall not be construed to be a public record. The Operator shall keep this information continually current.

17. **NOTICE OF INTERRUPTION.** In the event that the Operator shuts down or intends to shut down the whole keno-type lottery operation for longer than seven (7) days, other than for legal holidays, Operator shall notify the City of the interruption as soon as possible, and advise the City of the anticipated length of interruption.
18. **PLAY OF EMPLOYEES.** The Operator shall be prohibited from participating in the keno-type Lottery. Employees of the Sales Outlet location shall be prohibited from playing keno while they are writing keno at the location.
19. **OTHER GAMING.** In the event that the State of Nebraska expands the nature and type of gaming which can be authorized by City government, the City agrees that Operator shall be given the right to conduct such gaming on behalf of City upon mutually agreeable terms and conditions, said terms being based on the then usual and customary terms being offered to Operators by County and City governments.
20. **DEFAULT.** The Operator shall be deemed in default of this Agreement upon happening of any of the following events:
 - A. Insolvency of the Operator;
 - B. The filing of a petition of bankruptcy for the protection, under chapters 7, 11, or 13 of the Bankruptcy Code, of the Operator, any officer, director, or member of the Operator, or any shareholder of the Operator owning greater than five percent (5%) of the outstanding equity of the Operator;
 - C. The conviction of the Operator, any officer, director, partner, or employee of the Operator, or any shareholder of the Operator of a felony relating to the honesty or trustworthiness of the Operator in performance of this Agreement or in the performance of any other gaming operation. Convictions of other crimes involving moral turpitude or of such a nature as, in the opinion of the City, may in any way adversely reflect upon the keno lottery operation or the City, or in any way give the appearance of impropriety, shall give the City, by and through the City Council, the right to request the removal of any such person. Failure to honor such request will constitute breach of this Agreement;
 - D. The failure to comply with any federal, state, or local law, or rules and regulations pertaining to the operation of the keno-type lottery;
 - E. The failure to commence operation as required by this Agreement or the interruption or cessation of operations at any keno lottery location for:
 - (1) A continuous period of more than seven (7) days without written approval from the City; or

- (2) Twenty-one (21) days of interruption accumulated during any six (6) month period without approval of the City; excluding any regularly scheduled closed days;
 - F. The failure to provide material information, the furnishing of false information, or the omission of material information as required to be disclosed by the Operator under this Agreement, the Specifications for Lottery, or the Operator's proposal, all incorporated and made a part hereof by reference;
 - G. Any attempt to evade any material provision of the Agreement, or the practice of any fraud or deceit upon the City or patrons of the keno lottery operation;
 - H. The failure to cooperate with any certified public accountant performing audit functions provided for by this Agreement, the City Council, officials of the Department of Revenue, or any other public authority empowered to monitor or enforce this Agreement; or
 - I. Any breach of this Agreement, all terms of which are stipulated as being material.
21. **PERFORMANCE BOND.** The Operator shall provide a performance and payment bond in the form of a corporate surety acceptable to the City in the penal sum of Twenty-five Thousand Dollars (\$25,000.00); such bond to guarantee the Operator's full and complete performance of this Agreement, including payment to the City of all sums due hereunder and payment of all prize claims. Such bond shall provide that any termination or cancellation during the term of the Lottery Operator Agreement shall not be effective unless and until a replacement bond in form and surety satisfactory to the City has been filed with the City. Failure of the Operator to continuously maintain such bond during the term of this Agreement shall be deemed a material breach thereof. In lieu of said bond, the Operator may file with the City an irrevocable letter of credit issued by a local bank or other financial institution in the amount of Twenty-five Thousand Dollars (\$25,000.00). The form of the letter of credit and institution upon which it is drawn must be approved by the City.
22. **LIABILITY AND INDEMNIFICATION.**
- A. The Operator shall bear sole responsibility and shall hold harmless and indemnify the City from all claims, including all sums reasonably expended for attorney's fees in the defenses of any claims or loss arising from the operation of or failure to operate the keno lottery. Such claims shall include, but not be limited to, claims regarding the ownership, selection, possession, use, leasing, renting, operation, control, maintenance, delivery, and installation of equipment provided by the Operator. The Operator further agrees to hold harmless and indemnify the City for any and all loss, damage, injury and claims arising and/or resulting from the conduct of keno lottery, including, but not limited to, bodily injury to third parties or damage to property, financial loss by reason of entitlement to or settlement of prizes exceeding net proceeds, failure by the Operator or its employees and agents to comply with the terms of this Agreement, and all injury or damage that may result from any operations or services rendered under the terms and conditions of this Agreement whether or not resulting from a negligent act or omission of the Operator.

- B. The Operator shall bear full responsibility and liability for any and all prizes in the operation of the keno lottery and shall be solely responsible for honoring and paying all prize claims. The Operator shall pay all prizes in the manner and at the time required by this Agreement or applicable law, rule, or regulation. As specific and primary security for the Operator's performance of this obligation:
- (1) Prior to commencing operation, the Operator shall comply with Paragraph 21 herein. In the event the Operator offers a progressive keno game with a prize exceeding the maximum possible prize in a regular game, the Operator must maintain the cash reserve or alternative security in an amount not less than the sum of the maximum prize possible to be won in the regular game plus the amount available to be won in the progressive game.
 - (2) The City, by and through the City Council shall have the right to withdraw amounts from the reserve or security in the event the Operator fails for any reason to pay legitimate claims or prizes.
 - (3) The Operator shall maintain and replenish the cash reserve or security as necessary to maintain the required reserve. After any drawing upon the reserve security, the Operator shall replenish the reserve to the required amount before conducting any keno lottery game.
 - (4) The City shall bear no responsibility or liability whatsoever for any prize claims and the cash reserve or security is to be maintained solely for the purpose of ensuring a fair and honest keno lottery and to assure the financial responsibility of the Operator.
 - (5) Such reserve shall be invested and maintained by the City subject to the City's withdrawal in a separate FDIC insured bank account, which shall be interest bearing, the interest of which shall be credited to the reserve balance. The City alone shall have authority to withdraw funds from such account and shall pay interest earned to the Operator on a quarterly basis as long as the proper reserve balance is maintained.
 - (6) The cash reserve for security shall be returned to the Operator after all prizes and claims have been paid and settled at the termination of this Agreement.

23. TERMINATION.

- A. The City may terminate this Agreement upon thirty (30) days notice to the Operator at any time the Operator breaches any of the terms of this Agreement, all of which are stipulated as being material, or is otherwise in default of the Agreement and shall have failed to cure such breach or default within the thirty (30) day period after notice is given of such default or breach from the City.
- B. This Agreement may also be terminated by the City upon thirty (30) days notice to the Operator if the keno-type lottery has been discontinued by an election under Neb. Rev. Stat. §9-626 or §9-627.

24. **REMEDIES.** In the event of any breach of this Agreement, and in addition to all remedies available under this Agreement, or at law or in equity, the City shall be entitled to affirmative or negative injunctive relief.
25. **WAIVER.** Failure of the City upon any one (1) or more occasions to insist upon or seek compliance with any condition or provision of this Agreement shall not be deemed to be a waiver of compliance with any similar or dissimilar provisions or conditions.
26. **SEVERABILITY.** Any invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, nor shall the invalidity or unenforceability of a portion of any provision of this Agreement affect the validity and enforceability of the balance of such provision. All other provisions and parts of provisions shall remain in full force and effect; provided however, if in the sole opinion of the City, the removal or inoperative effect of any such provision or part of provision so declared invalid or unenforceable shall materially affect the City's right hereunder, the City may terminate this Agreement.
27. **CONSTRUCTION.** This Agreement incorporates and integrates all terms and conditions of all documents and law mentioned herein or incidental hereto and constitutes the entire Agreement between the parties hereto superseding any prior Agreement or understanding whether oral or written, express or implied. This Agreement may not be discharged or modified except as provided herein or permitted by law. Any and all such amendments or modifications to this Agreement shall be binding upon the Operator's surety without notice to the surety. All bid specifications soliciting bids for this Agreement are incorporated herein by this reference.
28. **APPLICABLE LAW.** This Agreement shall be governed by and construed in accordance with the laws of the State of Nebraska. Any legal action to enforce or declare any rights or obligations created or imposed by this Agreement shall be commenced in a court of the State of Nebraska.
29. **ADVERTISING AND PROMOTION**
- A. The Operator and Sales Outlet location(s) shall be responsible for all advertising and promotion of all keno lottery operations. In the event that federal or state law precludes the Operator from engaging in any type of desired advertising, such advertising may be proposed and placed by the Operator and purchased by the City, if permitted by law, subject to prompt and complete reimbursement by the Operator.
- B. The City, by and through the City Council, reserves the right to reject any advertising or other promotional activity for the keno lottery operation for any reason, and require its discontinuance.
30. **FORCE MAJEURE.** If the Operator's ability to perform under this Agreement is, in the opinion of the City Council, substantially impaired by reason of any cause which is unforeseeable and beyond the Operator's control, including, but not limited to, fire, casualty, catastrophe, unavoidable accident, riot, war, strike, or act of God, the Operator shall have the right to terminate this Agreement; provided, however, that upon that termination, the City shall have the right to retain any cash reserve and/or performance bond for a period not to exceed six (6) months to insure that all outstanding valid claims against the Operator are honored or paid

in whole. Alternatively, the Operator may, in lieu of terminating this Agreement, seek the City's approval of a proposed plan to remedy the impairment within a specified time, which plan may include modifications of the terms of this Agreement. Any modifications must be mutually agreed upon and expressed in writing. The Operator shall give the City written notice of an intent to invoke the provisions of this paragraph within forty-eight (48) hours of the event impairing the Operator's ability to perform.

31. **NOTICES.** Any notice required to be sent hereunder, shall be deemed given upon its deposit in the United States mail; postage prepaid, and addressed as follows or at such other address as specified by either party by written notice to the other party:

A. To the City:
City Manager
City of McCook, Nebraska
P.O. Box 1059
McCook, Nebraska 69001

B. To the Operator:
Michael J. Nevriy
McCook Keno, L.L.C.
P.O. Box 1001
Hastings, Nebraska 68902

32. **INTEGRATED AGREEMENT.** The parties hereto stipulate that this Agreement constitutes a total integration of all of the parties' covenants and agreements and terms hereof shall not be modified, except in writing, and upon agreement of the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on this date and year first written.

CITY OF MCCOOK, NEBRASKA,
a municipal corporation

MCCOOK KENO, L.L.C.,
a Nebraska limited liability company

By: _____
Michael D. Gonzales, Mayor

By: _____
Michael J. Nevriy, Member

ATTEST:

Lea Ann Doak, City Clerk

Nebraska Department Of Revenue
 Summary of County/City Lottery Activity Reported by Licensee
 October 1, 2013 through September 30, 2015

| County/City | 10/01/13 through 12/31/13 | 01/01/14 through 03/31/14 | 04/01/14 through 06/30/14 | 07/01/14 through 09/30/14 | 10/01/14 through 12/31/14 | 01/01/15 through 03/31/15 | 04/01/15 through 06/30/15 | 07/01/15 through 09/30/15 |
|---------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Albion | \$26,305 | \$42,828 | \$57,043 | \$59,492 | \$60,512 | \$71,720 | \$78,317 | \$62,898 |
| Alliance | 48,670 | 51,545 | 37,378 | 41,887 | 32,983 | 34,901 | 41,772 | 57,088 |
| Ashland | 180,573 | 199,056 | 198,662 | 180,836 | 175,067 | 196,448 | 187,137 | 169,374 |
| Auburn | 30,508 | 31,806 | 36,180 | 19,576 | 16,559 | 24,101 | 20,477 | 19,254 |
| Bancroft | 7,577 | 7,548 | 9,665 | 11,733 | 23,514 | 25,085 | 26,296 | 27,717 |
| Battle Creek | 69,573 | 68,571 | 71,275 | 68,301 | 63,241 | 55,322 | 54,086 | 54,952 |
| Bayard | 19,700 | 14,587 | 11,318 | 9,953 | 14,738 | 10,085 | 3,148 | 3,499 |
| Beatrice | 152,565 | 168,846 | 167,429 | 161,719 | 154,282 | 153,522 | 166,269 | 222,483 |
| Beaver Crossing | N/L | N/L | N/L | N/L | 16,098 | 14,518 | 2,975 | 0 ¹ |
| Beemer | 8,798 | 13,697 | 7,876 | 9,004 | 12,777 | 12,610 | 18,129 | 13,524 |
| Bellevue | 1,934,445 | 2,066,000 | 2,040,206 | 2,011,390 | 2,242,487 | 2,341,691 | 2,572,830 | 2,426,698 |
| Bellwood | 39,359 | 40,479 | 27,731 | 22,599 | 4,313 | 0 ¹ | 0 ¹ | 0 ¹ |
| Bennington | 58,821 | 60,263 | 42,537 | 13,980 | 26,578 | 5,088 | 0 ¹ | 0 ³ |
| Big Springs | 87,485 | 30,056 | 29,214 | 22,054 | 25,404 | 30,774 | 33,083 | 24,034 |
| Blair | 261,066 | 283,413 | 299,144 | 397,762 | 343,557 | 347,688 | 338,660 | 282,474 |
| Bloomfield | N/L | N/L | 6,434 | 18,678 | 16,712 | 9,799 | 7,398 | 7,800 |
| Blue Hill | N/L | N/L | N/L | N/L | N/L | 53,010 | 75,463 | 49,556 |
| Blue Springs | 98,008 | 168,730 | 146,178 | 154,438 | 145,892 | 173,703 | 163,759 | 164,407 |
| Bridgeport | 97,768 | 118,613 | 121,163 | 97,286 | 132,548 | 161,680 | 142,604 | 103,279 |
| Broken Bow | 0 ¹ | 0 ¹ | 42,675 | 52,506 | 76,527 | 98,224 | 70,889 | 53,639 |
| Cass Co. | 58,956 | 66,230 | 72,376 | 73,766 | 71,660 | 86,511 | 101,521 | 50,904 |
| Cedar Creek | 23,314 | 23,227 | 24,444 | 27,707 | 40,678 | 37,612 | 30,804 | 28,680 |
| Chadron | 74,386 | 29,049 | 9,933 | 14,197 | 28,911 | 20,819 | 13,246 | 5,077 |
| Chase Co. | 7,110 | 4,986 | 9,503 | 11,253 | 5,538 | 4,852 | 6,381 | 8,083 |
| Cheyenne Co. | 158,422 | 210,107 | 170,272 | 155,852 | 193,960 | 192,016 | 204,904 | 190,743 |
| Cody | 21,356 | 15,148 | 13,245 | 10,660 | 17,810 | 19,481 | 17,360 | 16,493 |
| Columbus | 1,179,279 | 1,219,791 | 1,114,363 | 1,169,069 | 1,230,698 | 1,289,285 | 1,206,328 | 1,186,780 |
| Cortland | 3,665 | 0 ¹ | 0 ¹ | N/L | N/L | N/L | N/L | N/L |
| Crawford | 126,871 | 138,027 | 151,925 | 170,210 | 87,960 | 90,787 | 81,323 | 64,453 |
| Crete | 184,315 | 161,322 | 137,125 | 138,657 | 137,651 | 119,059 | 186,169 | 235,316 |
| Dannebrog | 32,354 | 45,618 | 48,742 | 44,754 | 62,928 | 75,608 | 38,405 | 26,051 |
| David City | 19,550 | 18,943 | 18,242 | 18,694 | 27,032 | 29,982 | 25,394 | 21,926 |
| Dawson Co. | 308,440 | 460,124 | 277,138 | 228,613 | 246,915 | 252,375 | 290,397 | 289,818 |
| Denton ² | 1,278,302 | 1,050,911 | 1,096,844 | 1,192,973 | 1,042,104 | 1,300,879 | 1,257,644 | 1,140,872 |
| Deuel Co. | 15,079 | 18,822 | 21,533 | 16,984 | 15,452 | 12,732 | 7,610 | 9,546 |
| Doniphan | 57,683 | 64,613 | 64,625 | 67,105 | 74,003 | 82,954 | 85,891 | 86,589 |
| Dorchester | 87,429 | 163,847 | 176,790 | 61,792 | 46,801 | 46,303 | 39,931 | 94,061 |
| Eagle | 63,522 | 53,917 | 54,435 | 42,071 | 57,761 | 65,100 | 50,240 | 36,647 |
| Elm Creek | 60,778 | 74,747 | 63,764 | 66,524 | 60,988 | 73,731 | 70,930 | 60,940 |
| Ericson | 2,026 | 38,178 | 35,940 | 33,399 | 56,965 | 43,989 | 29,773 | 34,037 |
| Ewing | 72,491 | 49,545 | 46,766 | 40,493 | 154,740 | 173,637 | 185,713 | 154,483 |
| Exeter | 104,694 | 155,588 | 110,631 | 72,380 | 99,187 | 63,554 | 87,998 | 33,515 |
| Fairbury | 133,402 | 133,852 | 99,445 | 102,833 | 87,972 | 78,268 | 96,911 | 80,573 |
| Filley | N/L | N/L | N/L | N/L | N/L | 134,562 | 105,495 | 10,798 |
| Fort Calhoun | 39,494 | 37,453 | 29,535 | 47,236 | 49,552 | 47,917 | 40,730 | 36,981 |
| Franklin | 9,807 | 14,459 | 9,749 | 12,923 | 12,812 | 8,799 | 11,659 | 15,414 |
| Fremont | 1,158,206 | 1,436,659 | 1,160,800 | 1,090,647 | 1,198,045 | 1,274,364 | 1,182,000 | 1,109,340 |
| Friend | N/L | N/L | N/L | N/L | N/L | 23,293 | 25,352 | 20,776 |
| Fullerton | 9,875 | 9,988 | 5,462 | 8,348 | 7,623 | 12,515 | 12,282 | 9,208 |
| Garden Co. | 7,097 | 6,278 | 8,447 | 7,624 | 8,581 | 6,811 | 4,256 | 5,081 |
| Geneva | 12,866 | 27,396 | 16,630 | 15,484 | 20,731 | 17,086 | 16,644 | 13,222 |
| Genoa | 28,636 | 37,941 | 25,053 | 22,188 | 28,662 | 53,705 | 49,155 | 32,644 |
| Gering | 526,240 | 547,305 | 482,497 | 439,231 | 456,530 | 514,706 | 400,096 | 356,296 |

¹City/County licensed but not carrying Keno at this time.

²Reflects December 2014 amended return Denton.

³Bennington now has an interlocal agreement with Omaha and proceeds are reported by Omaha.

N/L Not Licensed

Nebraska Department Of Revenue
Summary of County/City Lottery Activity Reported by Licensee
October 1, 2013 through September 30, 2015

| County/City | 10/01/13 through 12/31/13 | 01/01/14 through 03/31/14 | 04/01/14 through 06/30/14 | 07/01/14 through 09/30/14 | 10/01/14 through 12/31/14 | 01/01/15 through 03/31/15 | 04/01/15 through 06/30/15 | 07/01/15 through 09/30/15 |
|--------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Gosper Co. | 0 ¹ | \$9,923 | \$31,961 | \$21,892 | \$26,676 | \$23,937 | \$16,851 | 0 ¹ |
| Grant | 16,816 | 15,615 | 19,810 | 8,850 | 9,941 | 10,744 | 7,545 | 7,406 |
| Greenwood | 21,434 | 21,185 | 22,478 | 16,589 | 19,948 | 35,677 | 49,410 | 51,931 |
| Gretna | 170,811 | 231,770 | 318,986 | 534,383 | 619,415 | 563,442 | 493,981 | 403,967 |
| Hadar | 81,872 | 46,270 | 45,036 | 45,921 | 46,987 | 50,286 | 62,197 | 70,212 |
| Hall Co. | 1,536,118 | 1,690,302 | 1,399,479 | 1,337,239 | 1,399,262 | 1,764,223 | 1,834,845 | 1,683,985 |
| Harlan Co. | 49,647 | 51,138 | 50,032 | 65,214 | 51,016 | 40,777 | 46,166 | 50,018 |
| Hartington | N/L | N/L | N/L | 20,307 | 793 | 2,014 | 28,089 | 15,933 |
| Harvard | 127,124 | 94,442 | 100,045 | 48,930 | 13,517 | 42,501 | 41,323 | 41,889 |
| Hastings | 717,575 | 827,477 | 697,351 | 772,483 | 785,605 | 805,499 | 787,693 | 835,092 |
| Hebron | 5,275 | 0 ¹ |
| Hemingford | 37,393 | 42,592 | 37,362 | 36,477 | 39,720 | 42,664 | 42,303 | 41,694 |
| Hershey | 13,870 | 8,592 | 14,844 | 11,008 | 2,192 | 3,675 | 0 ¹ | 0 ¹ |
| Hickman | 21,297 | 23,558 | 25,362 | 31,481 | 28,719 | 42,294 | 34,995 | 39,640 |
| Holdrege | 72,917 | 89,528 | 69,582 | 41,899 | 48,483 | 58,220 | 52,950 | 39,851 |
| Hooper | 14,394 | 22,643 | 2,604 | 0 ¹ | N/L | N/L | N/L | N/L |
| Howells | 12,767 | 15,773 | 2,449 | 3,223 | 3,503 | 4,600 | 502 | 667 |
| Humphrey | 7,480 | 7,080 | 13,882 | 9,364 | 7,182 | 10,010 | 13,242 | 13,577 |
| Jackson | 11,108 | 14,843 | 15,466 | 12,541 | 16,888 | 20,998 | 18,917 | 4,095 |
| Johnson Co. | 25,251 | 73,989 | 56,946 | 57,541 | 48,407 | 94,944 | 58,673 | 51,596 |
| Johnstown | 3,922 | 2,038 | 2,803 | 2,405 | 3,657 | 3,700 | 6,327 | 2,237 |
| Kearney | 1,678,341 | 1,746,416 | 1,402,098 | 1,426,283 | 1,347,747 | 1,556,632 | 1,457,985 | 1,458,371 |
| Keith Co. | 287,095 | 250,251 | 275,286 | 276,190 | 283,845 | 328,437 | 345,289 | 369,891 |
| Kimball | 144,487 | 117,278 | 121,508 | 124,420 | 92,041 | 157,855 | 137,647 | 162,571 |
| Knox Co. | 45,466 | 34,078 | 51,984 | 46,917 | 25,342 | 17,767 | 18,116 | 27,265 |
| LaVista | 4,281,351 | 4,468,992 | 4,128,648 | 4,041,349 | 4,259,616 | 4,626,277 | 4,220,744 | 4,025,254 |
| Leigh | 976 | 1,751 | 253 | 741 | 651 | 221 | 40 | 119 |
| Lincoln | 7,224,569 | 7,590,870 | 7,002,668 | 7,349,008 | 7,519,084 | 7,906,937 | 7,512,582 | 7,284,346 |
| Lindsay | 12,294 | 13,813 | 30,951 | 15,416 | 40,212 | 20,908 | 19,446 | 15,531 |
| Long Pine | 95,709 | 103,885 | 86,170 | 74,500 | 84,456 | 87,400 | 98,642 | 86,139 |
| Lorton | 39,618 | 42,943 | 33,285 | 32,353 | 28,738 | 39,767 | 23,176 | 25,013 |
| Louisville | 25,579 | 22,418 | 11,479 | 1,540 | 491 | 21,304 | 19,021 | 21,257 |
| Loup City | 23,455 | 23,756 | 28,188 | 31,185 | 31,040 | 40,317 | 30,010 | 34,341 |
| Lyman | 51,871 | 41,755 | 29,238 | 25,993 | 37,951 | 35,388 | 45,382 | 36,834 |
| Lyons | N/L | 1,193 | 8,021 | N/L | N/L | N/L | N/L | N/L |
| Madrid | 6,861 | 11,875 | 15,050 | 5,182 | 13,629 | 22,231 | 20,221 | 4,833 |
| Marquette | N/L | N/L | N/L | 1,535 | 14,583 | 16,377 | 20,853 | 18,926 |
| McCook | 418,498 | 409,519 | 365,465 | 361,429 | 400,799 | 484,999 | 320,927 | 359,165 |
| McGrew | 27,541 | 57,567 | 43,689 | 27,548 | 40,681 | 63,445 | 39,693 | 28,136 |
| Memphis | 36,042 | 23,749 | 16,964 | 16,143 | 12,780 | 34,247 | 15,985 | 14,313 |
| Milligan | 78,325 | 46,423 | 53,218 | 35,015 | 36,684 | 55,701 | 61,281 | 62,613 |
| Minatare | 45,501 | 39,231 | 58,843 | 26,790 | 45,342 | 16,709 | 12,586 | 13,316 |
| Monroe | 56,187 | 23,830 | 23,152 | 9,251 | 5,059 | 8,967 | 21,183 | 2,374 |
| Morse Bluff | 13,325 | 11,411 | 9,749 | 12,398 | 19,183 | 28,024 | 17,448 | 14,206 |
| Murdock | 12,067 | 8,495 | 7,966 | 12,153 | 9,047 | 1,720 | 0 ¹ | 0 ¹ |
| Naponee | 965 | 6,229 | 2,875 | 2,599 | 1,688 | 1,588 | 1,555 | 2,939 |
| Neligh | 47,481 | 35,589 | 37,421 | 72,543 | 76,701 | 99,249 | 53,075 | 57,253 |
| Niobrara | 1,143 | 1,731 | 2,113 | 1,697 | 624 | 155 | 7 | 29 |
| Norfolk | 1,117,106 | 1,315,917 | 1,044,669 | 1,098,701 | 1,193,903 | 1,378,613 | 1,185,037 | 1,136,367 |
| North Bend | 4,296 | 4,498 | 2,086 | 2,906 | 3,369 | 2,099 | 2,734 | 1,230 |
| North Loup | 13,294 | 5,825 | 7,065 | 24,081 | 14,050 | 2,459 | 0 ¹ | 13,127 |
| North Platte | 1,415,823 | 1,578,103 | 1,314,618 | 1,310,299 | 1,874,974 | 1,575,516 | 1,638,670 | 1,329,471 |
| Oak | 0 ¹ | 15,328 | 10,515 | 8,930 |
| Omaha | 15,072,733 | 15,280,842 | 14,466,012 | 14,234,175 | 15,023,282 | 15,282,264 | 15,725,161 | 14,491,642 |

¹City/County licensed but not carrying Keno at this time.

N/L Not Licensed

Nebraska Department Of Revenue
Summary of County/City Lottery Activity Reported by Licensee
October 1, 2013 through September 30, 2015

| County/City | 10/01/13 through 12/31/13 | 01/01/14 through 03/31/14 | 04/01/14 through 06/30/14 | 07/01/14 through 09/30/14 | 10/01/14 through 12/31/14 | 01/01/15 through 03/31/15 | 04/01/15 through 06/30/15 | 07/01/15 through 09/30/15 |
|------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Orchard | \$31,397 | \$44,442 | \$34,018 | \$32,961 | \$51,873 | \$52,143 | \$39,130 | \$46,357 |
| Ord | 121,383 | 136,858 | 170,391 | 128,872 | 175,213 | 127,560 | 122,157 | 130,782 |
| Osceola | 17,140 | 26,863 | 48,293 | 36,804 | 26,078 | 26,630 | 21,981 | 20,455 |
| Osmond | 45,611 | 58,897 | 34,607 | 35,191 | 70,208 | 59,649 | 59,477 | 69,294 |
| Otoe Co. | 38,679 | 44,064 | 21,862 | 25,695 | 26,765 | 56,162 | 140,273 | 117,763 |
| Oxford | 23,455 | 14,914 | 15,606 | 16,235 | 18,041 | 11,808 | 19,552 | 18,890 |
| Papillion | 1,447,953 | 1,464,067 | 1,568,059 | 1,525,460 | 1,687,805 | 1,892,738 | 2,007,575 | 2,048,751 |
| Petersburg | 3,814 | 3,861 | 4,373 | 6,998 | 5,134 | 5,707 | 5,961 | 4,242 |
| Pierce | 59,676 | 49,126 | 66,314 | 79,286 | 93,022 | 95,359 | 123,195 | 116,841 |
| Plainview | 43,094 | 39,925 | 26,274 | 38,476 | 79,721 | 90,482 | 69,099 | 80,981 |
| Plattsmouth | 286,515 | 326,013 | 313,934 | 285,424 | 294,580 | 327,954 | 323,189 | 329,028 |
| Pleasant Dale | 13,405 | 7,500 | 943 | N/L | N/L | N/L | N/L | N/L |
| Potter | 31,552 | 46,576 | 43,705 | 42,985 | 46,105 | 66,500 | 62,087 | 59,194 |
| Ralston | 4,377,222 | 4,809,425 | 4,834,690 | 5,131,816 | 5,017,724 | 5,337,339 | 5,044,803 | 5,561,807 |
| Ravenna | 26,844 | 32,984 | 30,464 | 20,327 | 19,379 | 19,402 | 19,683 | 18,376 |
| Raymond | 38,964 | 65,941 | 79,004 | 72,403 | 116,143 | 78,654 | 73,985 | 67,042 |
| Roca | N/L | 101,888 | 93,559 | 53,181 | 62,286 | 100,092 | 118,903 | 70,416 |
| Rulo | 148,048 | 86,788 | 95,406 | 83,929 | 84,217 | 96,021 | 133,933 | 97,613 |
| Rushville | 0 ¹ | 0 ¹ | 7,602 | 5,718 | 0 ¹ | 0 ¹ | 9,427 | 9,915 |
| Sargent | 5,488 | 5,248 | 5,988 | 9,100 | 398 | 0 ¹ | 0 ¹ | 0 ¹ |
| Sarpy Co. | 478,663 | 497,561 | 580,559 | 562,062 | 543,422 | 557,942 | 542,277 | 590,765 |
| Schuyler | 128,733 | 148,575 | 138,730 | 124,569 | 134,962 | 162,417 | 165,102 | 168,859 |
| Scotts Bluff Co. | 1,024,646 | 1,011,163 | 868,338 | 763,668 | 984,097 | 975,719 | 991,132 | 906,728 |
| Shelby | 5,827 | 6,544 | 7,550 | 3,971 | 5,593 | 7,251 | 6,354 | 4,295 |
| Shelton | 47,821 | 46,627 | 49,482 | 37,908 | 43,588 | 62,995 | 42,053 | 37,520 |
| Silver Creek | 57,675 | 69,676 | 81,551 | 49,375 | 60,978 | 58,599 | 53,257 | 54,218 |
| South Sioux City | 176,675 | 167,151 | 183,952 | 151,997 | 194,321 | 200,036 | 159,537 | 149,103 |
| Spalding | 142,693 | 162,180 | 160,695 | 100,712 | 125,845 | 131,488 | 118,589 | 126,795 |
| Sprague | 47,201 | 85,817 | 74,997 | 52,503 | 70,669 | 83,655 | 62,063 | 50,656 |
| Springfield | 49,945 | 80,994 | 95,397 | 47,526 | 68,714 | 96,964 | 113,928 | 120,882 |
| St. Edward | 32,560 | 36,668 | 21,652 | 10,348 | 9,412 | 14,916 | 14,797 | 9,842 |
| St. Paul | 104,706 | 91,876 | 156,175 | 172,499 | 130,930 | 164,488 | 161,432 | 180,011 |
| Sterling | 29,610 | 30,087 | 26,823 | 29,047 | 32,149 | 30,613 | 35,822 | 52,733 |
| Superior | 50,717 | 55,777 | 53,521 | 66,968 | 63,406 | 55,347 | 59,095 | 59,565 |
| Surprise | 42,359 | 45,189 | 35,673 | 37,930 | 37,346 | 35,184 | 32,544 | 38,580 |
| Sutherland | 31,053 | 39,575 | 50,614 | 41,638 | 51,527 | 55,398 | 70,649 | 52,314 |
| Sutton | 45,159 | 200,206 | 75,828 | 196,377 | 104,266 | 88,598 | 158,860 | 176,843 |
| Syracuse | 80,202 | 78,104 | 89,012 | 91,202 | 88,101 | 62,777 | 63,793 | 48,823 |
| Tecumseh | 141,162 | 89,786 | 108,440 | 98,937 | 105,961 | 118,913 | 163,259 | 118,959 |
| Terrytown | 88,285 | 117,741 | 83,404 | 125,657 | 123,607 | 116,986 | 125,072 | 120,990 |
| Tilden | 26,079 | 34,771 | 36,930 | 27,287 | 26,802 | 26,972 | 25,946 | 28,917 |
| Trenton | 4,389 | 0 ¹ | 7,170 | 52,770 | 19,708 | 10,628 | 23,531 | 23,759 |
| Unadilla | 61,281 | 84,628 | 81,715 | 91,617 | 93,327 | 95,794 | 87,441 | 106,940 |
| Utica | N/L | 18,414 | 49,455 | 131,936 | 120,166 | 155,402 | 174,954 | 163,382 |
| Valparaiso | 8,391 | 11,715 | 8,588 | 11,156 | 9,347 | 9,520 | 5,540 | 3,802 |
| Waco | 58,634 | 56,688 | 48,860 | 53,749 | 46,292 | 52,579 | 71,875 | 56,649 |
| Valley | 96,639 | 93,450 | 99,136 | 104,228 | 93,833 | 73,717 | 66,810 | 80,498 |
| Wahoo | 44,906 | 34,811 | 27,679 | 30,784 | 34,004 | 21,752 | 30,928 | 26,427 |
| Waterloo | 15,663 | 0 ¹ | N/L | N/L | 17,426 | 51,912 | 57,653 | 81,515 |
| Wauneta | 54,110 | 48,429 | 31,278 | 38,104 | 45,126 | 40,835 | 43,509 | 56,663 |
| Waverly | 669,801 | 790,533 | 832,560 | 778,922 | 864,168 | 1,025,535 | 1,065,539 | 1,060,396 |
| Wilber | 7,789 | 6,582 | 10,817 | 10,237 | 11,787 | 13,687 | 14,428 | 10,193 |
| Wolbach | 34,274 | 39,004 | 49,176 | 34,937 | 31,222 | 29,727 | 32,715 | 24,186 |
| Wymore | 31,728 | 47,608 | 39,462 | 48,056 | 57,542 | 53,037 | 54,027 | 50,866 |
| York | 18,528 | 24,485 | 24,306 | 14,492 | 10,820 | 27,369 | 16,336 | 15,613 |
| Yutan | N/L | N/L | N/L | N/L | 16,823 | 68,263 | 70,624 | 56,030 |
| TOTALS | \$54,910,080 | \$58,006,895 | \$54,300,189 | \$54,358,978 | \$57,275,521 | \$60,903,582 | \$60,012,735 | \$57,449,679 |

¹ City/County licensed but not carrying Keno at this time.

N/L Not Licensed



COUNTY/CITY LOTTERY OPERATOR CONTRACTS

Provisions to Consider

Recitals

- Reference vote authorizing establishment of lottery
- Reference authorization by governing officials

Definitions

Rights and Responsibilities of Lottery Operator

- Nonexclusive or exclusive grant of authority
- Relationship with county, city, or village (e.g., independent contractor)
- Lottery operator liability (expenses, prizes, prize reserve, federal taxes, etc.)
- Limitations, if any, on other lotteries
 - within county, city, or village
 - by lottery operator in any other county, city, or village
- Performance standards

Type of Lottery Conducted and Detailed Description of How It Will Be Conducted

Lottery Locations and Requirements

- Main location qualification requirements
- Approval of additional main locations
- Sales outlet location (satellite or independent game) qualification requirements (Adopt by ordinance or resolution pursuant to section 9-642.01 of the Nebraska County and City Lottery Act)
- Change of locations
- Hours of operation
- Concessions
- Pickle card sales
- Security requirements (location and lottery equipment)
- Start-up date
- Cessation or interruption of operations
- Inspections by county, city, village

Allocation of Lottery Proceeds

- Prize payout percentages and changes to prize payout percentages
 - Prize reserve account funding
 - Progressive jackpot account funding
- Lottery operator compensation
- Operating account
 - Funding
 - Joint control by lottery operator and county, city, or village
- Minimum guarantee to county, city, or village
 - Monthly reports and allocation of lottery proceeds
 - Permitted draws from prize reserve account by lottery operator
 - Details of payment arrangement
 - Annual or periodic reconciliation of allocation of lottery proceeds, if necessary
- Payment of state lottery taxes

Term of Contract

- Probationary period, if applicable
- Renewal options
- Extension options

Record Keeping/Reporting/Auditing

- Separate bank account
- Audits (optional)
 - Selection of independent certified public accountant (performance of annual compliance procedures)
 - Other audit requirements, if any
 - Payment of audit costs
- Financial reports and statements
- Ticket reporting requirements
- Reporting of civil or criminal litigation related to lottery operation
- Record retention (must meet minimum requirements of Schedule 59 - County/City Lottery Records Retention Schedule)

Default

- Statement of circumstances deemed to be default by contractor or material breach of lottery operator agreement
- Remedies
- Liquidated damages

Lottery Operator Compliance with Governing Laws, Rules, and Regulations

- Change of laws

Insurance**Performance Bond, Cash Reserve, or Irrevocable Letter of Credit****Lottery Operator's Employees**

- Training and supervision
- Bonding or other security requirements
- Background investigation and criminal history checks

Liability and Indemnification**Representations of Parties**

- Conflicts of interest

Termination of Contract

- Ability for county, city, or village to terminate contract if lottery has been discontinued by an election authorized under section 9-626 or 9-627 of the Nebraska County and City Lottery Act.

Player Ineligibility

- Lottery operator and immediate family members
- Governing officials, governing board members, and their immediate family members (Adopt by ordinance or resolution pursuant to section 9-646 of the Nebraska County and City Lottery Act)

Severability**Complete Contract and Contract Amendments****Applicable Law****Assignment of Contract****Notice to Either Party****Advertising and Promotion****Waiver of Contract Provisions****Force Majeure (i.e. Acts of God)**

For further information, please contact the Charitable Gaming Division of the Nebraska Department of Revenue, 1800 "O" Street, Suite 101, PO Box 94855, Lincoln, NE 68509-4855, telephone 402-471-5937, or 877-564-1315.

This form contains a list of provisions commonly found in lottery operator contracts that have been submitted to the Nebraska Department of Revenue. The information contained in this form is for informational purposes only and is not intended as legal advice.

Choosing the Type of Lottery

The Act provides for the conduct of the following two types of lotteries:

- 1 A traditional ticket drawing lottery where sequentially-numbered tickets are sold and a drawing is held to determine the winners; and
- 2 Keno, a game in which the participants choose from one to 20 numbers from a pool of 80 numbers, and the winner and the corresponding prize are determined on the basis of correctly matching the numbers selected by the participants to the 20 numbers drawn or generated for each game.

Only one type of lottery may be conducted by a county, city, or village at one time.

Keno. There are two authorized methods of winning number selection: a manual or automated ball draw that incorporates the use of numbered keno balls which are agitated in a glass receptacle and chosen one at a time; or a random number generator of winning number selection, where the keno computer system determines the winning numbers. A combination of both methods is permitted; however, the method of winning number selection can only be changed once each business day. A written schedule must be submitted to the Department identifying the days and times each method of winning number selection will be used. No deviations may be made from the daily schedule on file with the Department unless otherwise authorized in writing by the Department based upon a written request from the county, city, or village. In the event of an emergency, an automated ball draw method may be changed to either a random number generator or manual ball draw method provided the emergency situation is reported by the county, city, or village to the Department within 24 hours of its occurrence.

Implementing Keno

A county, city, or village must decide whether to conduct keno on its own or contract with an individual or business, known as a lottery operator, to run keno on its behalf. Most communities choose to contract with a lottery operator. A lottery operator generally handles everything that needs to be done to start up keno operations. The lottery operator typically has overall responsibility for the daily operation of keno, including hiring and training the lottery workers and selecting the sites (with the county's, city's, or village's approval) where keno will be played. The lottery operator usually obtains the keno equipment, performs the record keeping requirements, and pays prizes to the winners.

Choosing and Contracting with a Lottery Operator

To qualify as a lottery operator, an individual or sole proprietor must be a resident of Nebraska; a partnership must be organized under the laws of Nebraska; and a limited liability company (LLC) must be formed under the Nebraska Uniform Limited Liability Company Act. A corporation must be incorporated under the Business Corporation Act. A nonprofit organization or nonprofit corporation is not eligible to obtain a license as a lottery operator. A county, city, or village may develop contract specifications in a Request for Proposal and invite interested parties to submit proposals or negotiate directly with an individual or business that has expressed an interest in conducting keno.

Once a lottery operator has been selected, the terms and conditions of the lottery operator contract or agreement are negotiated and finalized. The Department has developed a list of provisions that should be considered in a lottery operator contract or agreement. A list of these considerations can be found on the Department's website in County/City Lottery Operator Contracts: Provisions to Consider. The Department also has copies of agreements that have been executed by other counties, cities, and villages that are available upon request. Although it is not required, the county, city, or village may submit a draft copy of its proposed lottery operator agreement to the Department prior to its execution. The Department will review the agreement for compliance with the Act.

Conflicts of Interest

No member of the governing board or governing official of a county, city, or village conducting a lottery may have any ownership interest, directly or indirectly, in the lottery operator conducting the lottery on behalf of the county, city, or village or in any licensed manufacturer-distributor of lottery equipment. The definition of "connected, interested, or otherwise concerned, directly or indirectly" in Reg-35-600.02RR of the Nebraska County and City Lottery Regulations governs unauthorized ownership interest.

No manufacturer-distributor of lottery equipment or any employee, agent, or spouse of any manufacturer-distributor may play in any lottery conducted under the Act. Additionally, they cannot participate in the conduct or operation of any county, city, or village lottery, except to the exclusive extent of their duties as a licensed manufacturer-distributor.

No sole proprietor, partner in a partnership, member in a LLC, officer or director of a corporation licensed as a lottery operator may be connected with or interested in, directly or indirectly, any licensed manufacturer-distributor of lottery equipment.

Sales Outlet Locations

A sales outlet location is a location other than the lottery operator location, where keno wagers are placed. A county, city, or village conducting keno may offer the game at more than one location. There are several types of locations:

- 1 A **lottery operator location** is the principal location of the lottery operator where keno wagers are placed.
- 2 An **independent game location** is a location where keno wagers are placed and separate winning number selection is performed but is not the lottery operator location. An independent game location must be licensed as a sales outlet.
- 3 A **main location** is a location where keno wagers may be placed, winning number selection is performed, and from which the selected numbers are electronically transmitted to satellite locations. A main location can also be a lottery operator location. If a main location is not a lottery operator location, the main location must be licensed as a sales outlet location.
- 4 A **satellite location** accepts wagers and receives electronically transmitted numbers selected at the main location. No winning number selection can be conducted at a satellite location. A satellite location must be licensed as a sales outlet location.

If keno is conducted at a location other than the lottery operator location, the county, city, or village must establish by ordinance or resolution, qualification standards that must be met by any individual or business seeking to have its location licensed by the Department as an authorized sales outlet location. The county, city, or village must approve each sales outlet location based upon standards which they adopt by ordinance or resolution. Each county, city, or village establishes their own sales outlet location standards. The qualification standards must be in writing and submitted to the Department within 30 days of their adoption. In addition, the Department must be notified in writing of each approved sales outlet location within 30 days of its approval. The lottery operator and sales outlet location typically negotiate a contract called a 'site agreement.'

Applying for the Lottery License

Once the lottery operator agreement and site agreements, if applicable, have been signed by all parties, the county, city, or village can submit the license applications and required documentation to the Department. License application forms for the county, city, or village, the lottery operator, and the sales outlet locations can be printed from the Department's website. A Licensing Checklist is also available to assist in submitting all of the required information. To expedite the licensing process, the license applications of the county, city, or village, lottery operator, any sales outlet locations, and all of the required attachments should be submitted at the same time.

License Application Review Process

The Department will review the license applications submitted to make sure all of the required information has been included. No action will be taken regarding the issuance of the licenses until the background investigations required by the Act are completed. Lottery operator license applicants and sales outlet location license applicants must have fingerprinting done for criminal background investigation purposes through the Nebraska State Patrol (NSP) and the Federal Bureau of Investigation (FBI). Fingerprinting is not required if a criminal background investigation was performed by the Nebraska Liquor Control Commission in conjunction with an application for a liquor license. In addition to the criminal background investigation conducted by the NSP and the FBI, the Department also conducts a personal and financial background investigation of lottery operator license applicants. The amount of time required to complete this investigation is contingent upon the current workload of the investigative staff and the complexity of the required investigation. For these reasons, **it is not advisable for a county, city, or village to announce or**

plan a specific start-up date for the lottery until it has received the licenses. Any provisions in a lottery operator agreement relating to time frames for game start-up should allow for these licensing contingencies.

License Issuance

After the Department has completed its investigation and has determined that all requirements have been met, the licenses are printed and issued. All of the licenses will be sent to the mailing address which the county, city, or village indicated on its license application. All required licenses must be posted before the lottery can begin operation. The lottery operator's license must be posted at the main location where keno is conducted. Each sales outlet location must post its license. The county, city, or village should keep its license where other keno records are maintained.

Lottery Worker Licensing

Prior to start-up of the lottery, any individual who will be performing work directly related to the conduct of the lottery, except for an individual whose duties are solely those of a keno writer as defined in 9-606.03, must apply with the Department for a lottery worker license. Work directly related to the conduct of the lottery means any work involving the actual day-to-day conduct of the lottery including, but not limited to, winning number selection, record keeping, shift checkout, review of keno writer banks, and security. An individual employed by the county, city, or village who will perform any work related to the lottery must also complete and submit a lottery worker license application. The lottery worker license application forms may be printed from revenue.nebraska.gov/gaming, or copies can be obtained upon request from the Department.

A properly completed and signed application must be filed with the Department prior to the individual beginning his or her duties as a lottery worker. An application is considered filed with the Department upon its receipt, or as of the date the application is postmarked or faxed. The original application must be received by the Department within 10 days of the fax date. The application must be signed by a governing official or the county's, city's, or village's authorized representative as defined in 9-603.02 as evidence of their approval to submit the application to the Department. If the application is approved by an authorized representative, a copy of the approved application must be filed with the county, city, or village. The applicant will be granted probationary license status, for up to 120 days after the license application has been filed. If the Department has not initiated proceedings to deny the license application within the 120-day probationary period, the Department is required to grant the applicant a regular license. A printed license is not issued.

Keno Managers

Each sales outlet location, other than a satellite location, must have a person licensed as a Keno Manager. In the case of a sales outlet location which is an independent game location, an owner or officer of the sales outlet location who has been fingerprinted through the Nebraska Liquor Control Commission may be designated as the keno manager upon filing a Nebraska Schedule III - County/City Lottery Worker Application, Form 50G.

Lottery Equipment

All lottery equipment must be obtained by the county, city, village, or lottery operator, from a licensed manufacturer-distributor of lottery equipment. Manufacturer-distributors of lottery equipment must apply for and obtain a license from the Department prior to marketing, selling, or distributing lottery equipment in Nebraska. Nebraska Application for Manufacturers, Distributors and Manufacturer-Distributors, Form 50A, must be completed to apply for the license.

Lottery equipment used in and essential to the conduct of the lottery must be tested by a certified laboratory and approved by the Department. This includes, but is not limited to, keno balls, keno ball selection devices including electrically operated blower machines, automated ball draw systems, and other electronic selection devices, random number generator (internal and external), and keno systems. It is the responsibility of the licensed manufacturer-distributor of the equipment to receive approval for the equipment prior to marketing it in Nebraska. In addition, the Nebraska County and City Lottery Regulations require the use of camera surveillance equipment in all manual ball draw operations to record the winning number selection process for subsequent use in winner verifications. The camera surveillance system and video or digital recording devices and monitors **must** be inspected and approved by the Department before keno can begin operation.

Items that do not directly affect the outcome of the game are not subject to approval by the Department. This includes: display boards and monitors; rabbit ears used in conjunction with electrically operated blower machines; magnetic, electronic, and digital storage media; and other supply items.

If a county, city, or village would like to conduct a ticket drawing type of lottery, it must submit a sample of the proposed ticket to the Department for review and approval prior to the sale of any tickets.

Hours of Operation

A county, city, or village lottery cannot be conducted between the hours of 1:00 a.m. and 6:00 a.m. daily. This includes, but is not limited to: selling, paying, or voiding tickets; selecting winning numbers; or closing the game. If a city, county, or village allows alcohol to be sold later than 1:00 a.m., then the lottery cannot be conducted between the established closing time and 6:00 a.m. (Neb. Rev. Stat. § 53-179).

Participation and Age Restrictions

An individual must be at least 19 years of age to play or participate in any way in a county, city, or village lottery.

In addition, a county, city, or village must establish by ordinance or resolution the limitations, if any, on the playing of the lottery by any member of the governing board, a governing official, or the immediate family of the member or official. The owners and officers of a lottery operator with whom the county, city, or village contracts with to conduct its lottery cannot play that lottery. Lottery workers and keno writers cannot play the lottery while they are on duty. A county, city, or village may prohibit, by ordinance or resolution, an owner or officer of an authorized sales outlet location from playing the lottery. Copies of any ordinances or resolutions regarding participation prohibitions must be submitted to the Department.

Lottery Tickets

The purchase price of a ticket to participate in a ticket drawing lottery cannot exceed \$100. The maximum amount a player can wager on a single game of keno is \$100. Each lottery ticket in a ticket drawing, and each outside keno ticket must contain the name of the county, city, or village conducting the lottery. In the case of ticket drawing lotteries, the tickets must be sequentially-numbered. In the case of a keno lottery, additional ticket requirements are found in the Nebraska County and City Lottery Regulations.

Prize Payout Percentages

At least 65% of the gross proceeds of the lottery activity must be returned to the players in prizes. In the case of keno, the 65% prize payout requirement must be realized during the annual period from July 1 to June 30.

Allowable Expense Limitation

A county, city, or village conducting a lottery cannot use more than 14% of its lottery gross proceeds for allowable expenses. Compliance with the 14% expense limitation is based on the lottery expenses incurred by a county, city, or village during an annual period corresponding to the fiscal year of the county, city, or village. Allowable expenses are defined and specified by both the Act and the Nebraska County and City Lottery Regulations.

License fees paid to the Department and audit or legal expenses, including the cost of fingerprinting any individual required to be licensed which is incurred by a county, city, or village directly related to the operation of the lottery are considered expenses; however, they are not required to be included in determining compliance with the 14% limitation. While license fees are entirely excluded from the 14% limitation, audit and legal expenses are limited to 1% of the lottery gross proceeds or \$5,000, whichever is greater, during the annual period from July 1 to June 30. Prizes and the state lottery tax of 2% are also excluded from the 14% limitation. One of the expenses that must be applied against the limitation is the amount of salary, commission, or fee that is paid to a lottery operator to conduct the lottery on behalf of the county, city, or village. Any federal excise tax imposed on the gross proceeds of the lottery must also be applied against the 14% expense limitation, if paid for by the county, city, or village.

Unclaimed Lottery Prizes

All unclaimed lottery prizes are the property of the county, city, or village on whose behalf the lottery is conducted. Lottery prizes that are not claimed by a player are exempt from the Uniform Disposition of Unclaimed Property Act, Reg-35-613.03J requires a statement indicating any time restriction for redeeming a winning ticket be visibly posted at each location where keno is played or printed on the ticket or schedule of prize payouts.

Record Keeping and Audit

The gross proceeds of the lottery less prizes paid in cash must be deposited in a separate bank account of the county, city, village, lottery operator, or sales outlet location. All records of the lottery activity must be maintained and disposed of in accordance with the records retention and disposition schedule for Nebraska County/City Lottery Records, Schedule 59, published by the Nebraska Records Management Division. The Department, any law enforcement agency, or any other government agency may inspect the records relating to the lottery at any time.

On an annual basis, coinciding with the fiscal year of the county, city, or village, keno compliance procedures prescribed by the Department must be conducted by the county, city, or village or by a person which has contracted with the county, city, or village. A report outlining the findings from the performance of the compliance procedures must be submitted to the Department within 90 days of the end of the fiscal year of the county, city, or village.

Lottery Tax and Reporting Requirements

A state lottery tax of 2% of the gross proceeds of the lottery is due to the Department on a quarterly basis. The tax must be remitted on Nebraska County/City Lottery Tax Return, Form 51C, with accompanying Nebraska Schedule I - County/City Lottery Activity Report, Form 51C. The tax return and schedule are due by the 30th of the month following the end of each calendar quarter. The county, city, or village is also required to complete and submit with the tax return a County/City Lottery Activity Report, detailing the distribution of the gross proceeds of the lottery for the reporting quarter. These forms are supplied by the Department.

Each county, city, or village must also file with the Department an annual report of its keno lottery activity. The report must be on Nebraska County/City Lottery Annual Report, Form 35K, and cover the fiscal year of the county, city, or village. The report must be filed within 90 days of the end of the reporting period.

Keno lottery winnings of \$1,500 or more (reduced by the wager) require the payer of the winnings to complete and file a Certain Gambling Winnings, Form W-2G, with the IRS. In addition, a federal excise tax on wagering may apply to a portion of the lottery gross proceeds. For more information on these requirements, contact the IRS.

Inactive and Discontinued Lotteries

If a lottery authorized by an election held on or after October 1, 1989, is not in operation for any ten consecutive years, the lottery is no longer authorized and cannot be reactivated without its approval in another election.

An existing lottery may also be discontinued if the question of whether to continue the lottery is placed, by governing board or petition, on the ballot of a regularly-scheduled election or special election, and a majority of those voting on the issue vote to discontinue the lottery. An election to discontinue a lottery cannot be held within two years of the election which originally authorized the lottery. If a lottery is discontinued in this manner, another election to approve a subsequent lottery activity cannot be held within two years of the election which discontinued the previous lottery. A lottery may also be effectively discontinued if the Department suspends, cancels, revokes, or does not renew a city's, county's, or village's license for cause. Cause to take any of these actions includes not complying with the statutes, rules, and regulations of the Act.

revenue.nebraska.gov/gaming

877-564-1315, 402-471-5737

Charitable Gaming Division, 1800 "O" Street, Suite 101, PO Box 94855, Lincoln, NE 68509-4855

RESOLUTION NO. 2016-02

WHEREAS, the City of McCook has entered into a contract with McCook Keno, L.L.C., a Nebraska limited liability company, hereinafter referred to as "Operator ", to operate the keno-type lottery on behalf of the City for a five (5) year period.

WHEREAS, Operator has the exclusive right to conduct a keno-type lottery pursuant to that Agreement and desires to establish a sales outlet location for the operation of a keno-type lottery.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF MCCOOK, NEBRASKA.

SECTION 1. The City Council hereby approves TJ's Family Fun Center as a Sales Outlet location for the operation of a keno-type lottery.

SECTION 2. That this resolution shall be in full force and effect immediately upon its passage and adoption.

SECTION 3. That all resolutions or parts of resolutions in conflict herewith are hereby repealed.

PASSED AND APPROVED THIS 18th day of January, 2016.

Michael D. Gonzales, Mayor

ATTEST:

Lea Ann Doak, City Clerk

**CITY MANAGER'S REPORT
JANUARY 18, 2016 CITY COUNCIL MEETING**

ITEM: 5C

Approve Ordinance No. 2015-2926 approving the Final Planned Development District to be known as Quillan Courts Planned Development District upon its third and final reading.

BACKGROUND:

Please refer to the attached City Manager's Report prepared for the December 21, 2015 City Council meeting.

**FISCAL
IMPACT:** None.

RECOMMENDATION:

Approve Ordinance No. 2015-2926 approving the Final Planned Development District to be known as Quillan Courts Planned Development District upon its third and final reading.

APPROVALS:



Lea Ann Doak, City Clerk

January 14, 2016

**CITY MANAGER'S REPORT
DECEMBER 21, 2015 MCCOOK CITY COUNCIL MEETING**

ITEM NO. ___ Public Hearing - Consider the final Planned Unit Development District to be known as Quillan Courts Planned Unit Development District, said District to be located between West 10th Street and West 8 ½ Street and West R Street and West Q Street (as diagramed in Replat Clary Subdivision Replat No. 3, Clary Subdivision to the City of McCook, Red Willow County, Nebraska).

ITEM NO. ___ Introduce and approve Ordinance No. 2015-2926 approving the Final Planned Unit Development District to be known as Quillan Courts Planned Unit Development District (as diagramed in Proposed Replat Clary Subdivision Replat No. 3, Clary Subdivision to the City of McCook, Red Willow County, Nebraska).

BACKGROUND:

This agenda item refers to a final zoning issue necessary to accommodate the Quillan Courts project. The location of this project is in the Clary Subdivision to the City of McCook. The City is running this request simultaneous to a Replat and Subdivision request from the developer, Quillan Courts, L.L.C. As such, the designations used for this report will refer to Clary Subdivision Replat No. 3. Clary Subdivision is in the Residential Medium (RM) District. The developer wishes to construct six residential buildings on Proposed Block 1 and four residential buildings on Proposed Block 2 in Proposed Clary Subdivision Replat No. 3. Diagrams depicting the location of the units are included with this report. The Planned Development District includes improvements such as sanitary sewer, water, sidewalk, and drainage improvements. No streets are being considered as part of this project. The City has been petitioned by the Economic Development Corporation to find that West 9th Street meets City standards. After review, the City has found that West 9th Street between West R and West Q Streets meets City standards.

The need for the Planned Unit Development District is necessary due to the nature of the residential structures and the proposed lots located on this site. The developer is proposing that the duplex units be placed on individual lots as opposed to one lot for each of the two units. The request would violate lot size and setback requirements. The only practical way to achieve the desired development is to create a Planned Unit Development District. By creating a Planned Unit Development, exceptions can be made to the Residential Medium Density District zoning requirements, assuring enough flexibility to construct the duplexes.

A Planned Unit Development District agreement is attached. The preliminary agreement was reviewed and approved by the Planning Commission on November 9, 2015. The City Council approved the preliminary agreement on November 16, 2015. The final agreement was reviewed and recommended for approval on December 14, 2015 by the Planning Commission.

The planned unit development would be consistent with the proposed future land use of the Comprehensive Plan.

ORDINANCE NO. 2015-2926

AN ORDINANCE AMENDING ZONING ORDINANCE NO. 2013-2897 BY DESIGNATING A TRACT OF LAND AS A PLANNED DEVELOPMENT DISTRICT TO BE KNOWN AS "QUILLAN COURTS"; REPEALING CONFLICTING ORDINANCES OR PARTS OF ORDINANCES; AND PROVIDING FOR A TIME AND DATE FROM AND AFTER WHICH THIS ORDINANCE SHALL TAKE EFFECT AND BE IN FORCE.

NOW, THEREFORE BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF MCCOOK, NEBRASKA:

SECTION 1. In accordance with Article 20 of Ordinance No. 2013-2897 of the City of McCook, Red Willow County, Nebraska, the following described tract of land shall be and is hereby designated as a Planned Development District to be known as "Quillan Courts", to wit:

Clary Subdivision Replat No. 3, Lots One (1) through Ten (10), Block One (1), Lots One (1) through Seven (7), Block Two (2), and West 9th Street, of the City of McCook, Red Willow County, Nebraska.

SECTION 2. The City Clerk of the City of McCook, Nebraska is hereby directed to change the official zoning map of the City of McCook, Nebraska to show the above - described tracts of property to have a zoning classification of a Planned Development District as so designated.

SECTION 3. The provisions of Ordinance No. 2013-2897 are hereby amended as provided herein.

SECTION 4. This ordinance shall be in full force and effect from and after its passage, approval and publication in pamphlet form as required by law.

PASSED AND APPROVED this 21st day of December, 2015.

-s- Michael D. Gonzales, Mayor

ATTEST:

-s- Lea Ann Doak, City Clerk

Publish:

Planned Unit Development Agreement For
Quillan Courts Project
A Planned Unit Development
in the City of McCook, Red Willow County, Nebraska

WHEREAS, the McCook Economic Development Corporation ("Owner") and Quillan Courts L.L.C. ("Developer"), being the sole owner and developer for the following described tract of land: A tract of land legally described as Lot 2 in Block 1, Clary Subdivision and Lot 2B a Replat of Part of Lot 1, Block 1, Clary Subdivision, Excepting the east 60 feet of Lot 2B which has been dedicated as West 8 ½ Street to the City of McCook with the recording of Clary Subdivision Replat No. 2, all in the City of McCook, Red Willow County, Nebraska.

WHEREAS, the Owner and Developer desire to subdivide the property and to do so, a Planned Unit Development is required;

WHEREAS, the Owner and Developer have met with the City of McCook to review the Planned Unit Development;

WHEREAS, public improvements are necessary to develop the property properly in accordance with the requirements of the City of McCook;

WHEREAS, the Owner and Developer desire to utilize the Planned Development - Overlay District of the McCook City Zoning Regulations for a Planned development District;

WHEREAS, for platting purposes, the Developer and Owner have presented Clary Subdivision Replat No. 3 to the City of McCook for consideration as a major subdivision. The Clary Subdivision Replat No. 3 is attached to this Preliminary Agreement, as evidence of the proposed planned unit development deviations, and is marked as Exhibit "A";

WHEREAS, the area to be developed is located in the City of McCook's Residential Medium Density District (RM) and is subject to the City of McCook zoning regulations;

NOW, THEREFORE, the undersigned Owner, Developer and City of McCook, Nebraska (hereinafter referred to as the "City"), in consideration of the mutual covenants and agreements herein contained, agree as follows.

OWNER, DEVELOPER AND CITY AGREE AS FOLLOWS:

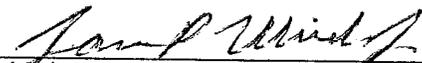
1. That by signing this Planned Unit Development Agreement the Owner and Developer agree to the following:
 - a) That the lots upon which the duplex units are to be located are narrower than the required 50 Feet lots in a Residential Medium Density District. The City agrees to the creation of these narrow lots, none of the lots to be less than 36.17 feet in width. The specific lots contemplated by this agreement are Proposed Lots 1, 2, 4, 5, 6 and 7 of proposed Block 1 and Lots 1, 2, 3 and 4 of proposed Block 2, as described in Exhibit "A".
 - b) That the proposed side yard setbacks located on the south side of Proposed Lot 1 and the proposed side yard setback located on the north side of Proposed Lot 2 in Proposed Block 1 shall be 0 feet, as the duplex unit will be located

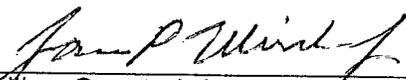
* Include
Lot 9

immediately on the proposed lot line to separate the units. A similar agreement is made for Lot 4 and Lot 5 of proposed Block 1, Lot 6 and Lot 7 of proposed Block 1, Lot 9 and 10 of proposed Block 1 and Lot 1 and Lot 2 of Proposed Block 2, and Lot 3 and Lot 4 of Proposed Block 2.

- c) On Block 2, the backyard setback requirements shall be eliminated for Lots 1 through 7, as platted West 10th Street will more than likely not be developed in the future. The City acknowledges the extreme topographic and cost considerations that would be required to develop West 10th Street. As a result, the parties to this agreement stipulate that the Developer shall not construct any of the structures to extend west beyond the West 10th Street east right-of-way line extending from West Q Street to West K Street.
 - d) That the RM District requirement that the maximum lot coverage for all buildings shall not be more than fifty-five (55) percent of the total lot area is waived for all lots which will contain duplex units. Those lots are: Lot 1, 2, 4, 5, 6, 7, 9 and 10 of Block 1 and Lot 1, 2, 3 and 4 of Block 2.
 - e) There shall be a 10 foot (5 foot on each respective lot) utility easement between Lot 2 and Lot 3, Lot 5 and Lot 6 and Lot 8 and Lot 9 of Block 1 and Lot 2 and Lot 3, Lot 4 and Lot 5 and Lot 6 and Lot 7 of Block 2.
2. This Preliminary Planned Unit Development Agreement contains the entire subdivision agreement between the parties, and no statements, promises or inducements made by either party or agent of either party that are not contained in this written contract shall be valid or binding; this contract may not be enlarged, modified, or altered except in writing signed by both parties and endorsed on this agreement.
3. This agreement shall run with the land and be binding upon and inure to the benefit of the parties hereto and shall be binding upon heirs, executors, administrators, and subsequent title owners in interest, devisees, assignees, and successors of the Owner hereto.

Dated this ____ day of _____, 2015.

By: 
Jim Ulrich, President of the McCook
Economic Development Corporation


Quillan Courts L.L.C., President

Mike Gonzales, Mayor of the City of McCook

CLARY SUBDIVISION REPLAT NO. 3

LOTS 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10 BLOCK 1, LOTS 1, 2, 3, 4, 5, 6 and 7 BLOCK 2, and WEST 9TH STREET

A REPLAT OF PART OF LOT 2, BLOCK 1, CLARY SUBDIVISION, AND LOT 2B, A REPLAT OF PART OF LOT 1, BLOCK 1, CLARY SUBDIVISION; EXCEPTING THE EAST 60 FEET OF LOT 2B, WHICH HAS BEEN DEDICATED AS WEST 8 1/2 STREET TO THE CITY OF MCCOOK WITH THE RECORDING OF CLARY SUBDIVISION REPLAT NO. 2, ALL IN THE CITY OF MCCOOK, RED WILLOW COUNTY, NEBRASKA

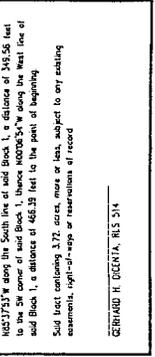
SURVEYORS CERTIFICATE

I hereby state and certify that on the 14th day of April, 2015, I surveyed a tract of land in the City of McCook, Nebraska, known as CLARY SUBDIVISION REPLAT NO. 3, and I more particularly described as follows:

Beginning at the NW corner of Lot 2, Block 1, CLARY SUBDIVISION to the City of McCook, Red Willow County, Nebraska, thence S65°30'30"E along the North line of said Block 1, a distance of 346.63 feet to a point, thence S00°02'24"E a distance of 468.70 feet to a point on the South line of said Block 1, thence S102°27'53"W along the South line of said Block 1, a distance of 346.58 feet to the SW corner of said Block 1, thence N00°05'54"W along the West line of said Block 1, a distance of 468.39 feet to the point of beginning.

Said tract containing 3.72 acres, more or less, subject to any existing easements, rights-of-way or reservations of record.

CIRIACIO H. GUERRA, M.S. 314

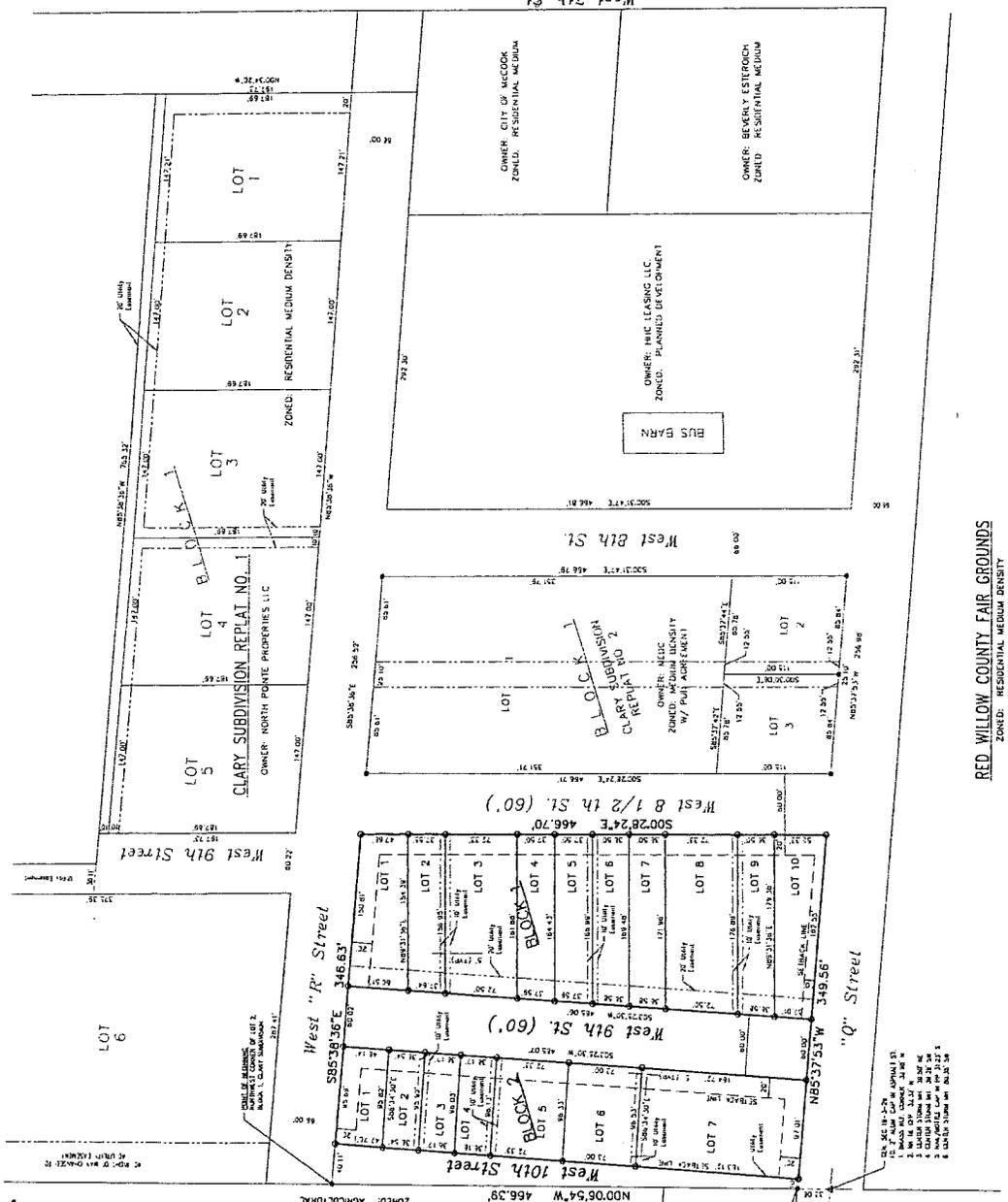


OWNER
McCook Economic Development Corporation
James P. Ulrich, Jr. (President)
1000 S. 10th Street
MCCOOK, NEBRASKA 68001

**PLANNED UNIT DEVELOPMENT
RESIDENTIAL MEDIUM DENSITY DISTRICT**

SURVEYOR:
Miller and Associates
1000 S. 10th Street
MCCOOK, Nebraska
308-345-3710

DEVELOPER:
Munich Development, LLC
Central City, Nebraska
(w/ Windhaven Estates, LLC & MEDCO)



DEDICATION

McCook Economic Development Corporation, as it appears on the foregoing Plat and as shown in the Surveyor's Certificate to which the true content and a copy of the same are attached hereto, do hereby dedicate to the City of McCook, Nebraska, the herein described streets, easements and other open areas to the Public, use and benefit.

By: _____ JAMES P. ULRICH, JR. (PRESIDENT) _____ 2015

ACKNOWLEDGEMENT

Personally appeared before me as Notary Public in and for the State of Nebraska, _____, the undersigned, who being duly sworn, depose and say that the foregoing instrument and the acknowledgment thereon are the voluntary act and deed.

Witness my hand and official seal this _____ day of _____, 2015.

My commission expires _____ 2015.

Notary Public _____

PLANNING COMMISSION APPROVAL

This Plat was duly approved by the City of McCook, Red Willow County, Nebraska Planning Commission on this _____ day of _____, 2015.

OWNER: JOHN D. AELIC
ZONED: AGRICULTURAL

Neil Schaefer, Secretary
Kurt Voths, Chairman

MUNICIPAL APPROVAL

This Plat was duly approved by the City of McCook, Red Willow County, Nebraska on this _____ day of _____, 2015.

Leslan Ibach, City Clerk
Mike Condon, Mayor

RECORDING INFORMATION

State of Nebraska) County of Red Willow)

Substant No. _____

DATE _____

TIME _____

Regular of Omaha, Laury Lee

NOTE: This plat shall be recorded in the public records of the State of Nebraska in the name of the County of Red Willow, Nebraska, and shall be subject to the provisions of the Nebraska Uniform Gifts to Minors Act, Nebraska Revised Statutes, Chapter 30, Section 3-301, et seq.

Legend:
 1 - FOUND CORNER (NEW)
 2 - FOUND CORNER (OLD)
 3 - FOUND CORNER (OLD)
 4 - FOUND CORNER (OLD)
 5 - FOUND CORNER (OLD)
 6 - FOUND CORNER (OLD)

West 10th St.
West 9th St. (60')
West 8 1/2 St. (60')
West 7 1/2 St.
West 'R' Street
West 'Q' Street

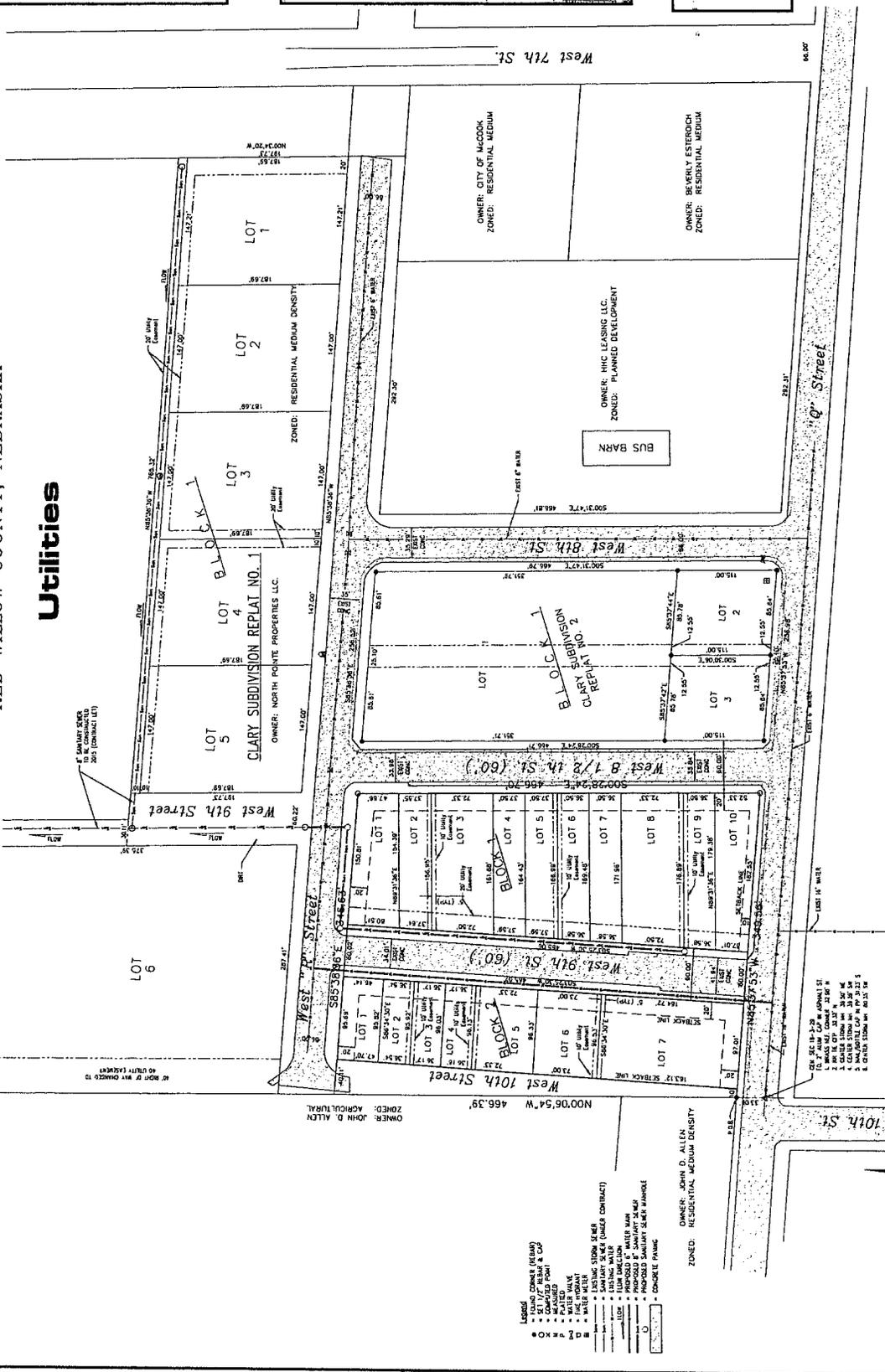
Scale 1" = 111.1'

McCook Economic Development Corporation
1000 S. 10th Street
MCCOOK, NEBRASKA 68001
308-345-3710

CLARY SUBDIVISION REPLAT NO. 3

CLARY SUBDIVISION TO THE CITY OF MCCOOK RED WILLOW COUNTY, NEBRASKA

Utilities



RED WILLOW COUNTY FAIR GROUNDS
ZONED: RESIDENTIAL MEDIUM DENSITY

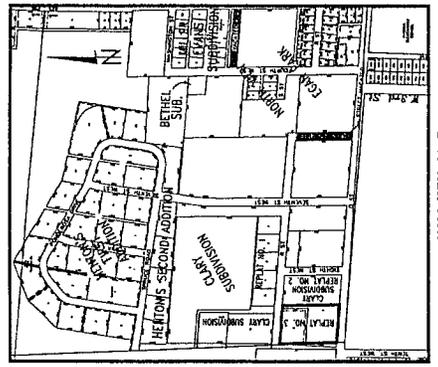
SURVEYORS CERTIFICATE

I hereby state that during the month of August, 2015, I surveyed a tract of land within the City of McCook, Nebraska, and the same is shown on the attached plat. The tract of land is located in the City of McCook, Nebraska, and is more particularly described as follows:

Reference is made to the plat of Block 1, Clary Subdivision, in the City of McCook, Red Willow County, Nebraska, thence S85°35'55" along the North line of said Block 1, a distance of 246.63 feet to a point, thence S00°20'24"E a distance of 486.70 feet to a point on the South line of said Block 1, thence N83°37'57"W along the South line of said Block 1, a distance of 245.55 feet to the SW corner of said Block 1, thence N00°06'54"W along the West line of said Block 1, a distance of 466.39 feet to the point of beginning.

Said tract containing 3.72 acres, more or less, subject to any existing easements, right-of-ways or reservations of record.

GERHARD H. DICERIA, RLS 514



OWNER
McCook Economic Development Corporation
James P. Ulrich, Jr. (President)
402 Norris Ave. Suite 301
MCCOOK, NEBRASKA 68001

**PLANNED UNIT DEVELOPMENT
RESIDENTIAL MEDIUM DENSITY DISTRICT**

SURVEYOR
Miller and Associates Engineering P.C.
109 East 2nd Street
Mccook, Nebraska
505-345-3710

DEVELOPER:
McCook Economic Development Corporation
(w/MEDC)

MEDC
McCook Economic Development Corporation, P.C.
109 E. 2nd St., McCook, NE 68001
TEL: 505-345-3710 FAX: 505-345-3710
WWW.MCCOOKNEBRASKA.COM

- Legend:**
- EXISTING CONCRETE (FIELD)
 - EXISTING CONCRETE (CONTRACT)
 - EXISTING STUCCO (FIELD)
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 - EXISTING BRICK (CONTRACT)
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