

CITY OF MCCOOK, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities - modified cash basis, the business-type activities - accrual basis, the aggregate discretely presented component units - accrual basis, each major fund - modified cash basis for the governmental funds and accrual basis for the proprietary funds, the aggregate remaining fund information - modified cash basis 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, 2017, 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.

Auditor's 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 auditor's 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

SHAREHOLDERS

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

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

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, 2017, 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 January 5, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of McCook, Nebraska's 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, Malthalm,
Galloway & Luth, P.C.

Grand Island, Nebraska
January 5, 2018

**CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2017**

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, 2017. 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

For FY 2016/2017 the City increased the General Fund levy by \$.03, to \$.349044. This was the first increase since 2002. The City does not have a levy for bonded debt.

Sales and Use Tax receipts generated \$185,335 from motor vehicle sales restricted to Street Department use, \$747,432 for property tax relief to homeowners in the City of McCook and \$747,432 for infrastructure improvements. Taxable sales for the City of McCook were down .25% for the year. Sales tax revenues were used for outfield fence replacement at the Jaycee Complex and a \$13,000 down payment was made on the installation of security windows in the Municipal Center. The windows will be installed at the Administration, Police, and Fire reception areas. The total cost of this project will be an estimated \$47,000 and will be completed in FY 17/18. 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 utilized \$483,700 of these funds for the completion of the 2016 One & Six Year Street Improvements. These projects included the repaving of two blocks of West "D" Street, overlaying East 11th from "J" Street to the north city limits, overlaying Airport Road from "C" Street to "H" Street, and improving drainage on East "J" Street.

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 \$4,641,556 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 sixth annual bond payment of \$602,540 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. Portions of the LB840 fund have been committed for the funding of a \$1,120,000 bond used for development of the Keystone Business Center. The final bond payment will be made in September 2018. The ½% generated \$747,432 in revenue. Grants totaling \$35,000 were issued in the facade program and a \$75,000 loan was made to American Ag Labs, Inc.

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. In May 2016 the voters approved a 15 year extension of the LB840 plan utilizing one-sixth (16%) of the sales tax collected, or an estimated \$400,000 for FY 18/19.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2017

In January 2016 the Council extended for another six-year term the agreement with McCook Keno, LLC for the operation of Keno within the City of McCook. The addition of a third kiosk was made in December 2016. The annual revenue for FY 16/17 was \$105,000, a 20% decrease from last year. Keno revenues across the state of Nebraska have been declining. Revenues derived from the keno operation are to be used for "community betterment purposes." \$105,000 was utilized for funding of a Firefighter/Paramedic in the General Fund.

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 \$1,307,500. Of this amount the City transferred \$375,000 to the Self Insured Health Insurance Fund and \$932,500 was transferred to the General Fund.

The natural gas franchise agreement with Black Hills Energy is for a term of 10 years with the franchise fee paid to the City quarterly. The franchise fee is \$0.018 per therm delivered. The annual revenue received was \$12,171, down from previous years, due to the fact that the provider is now making an annual payment, instead of quarterly payments.

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 \$20.00 for a single member, \$47.00 for an employee and spouse, \$40.00 for an employee and children, and \$80.00 for an employee and family. 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, and one potential \$650,000 laser claim, the monthly cost per employee averaged around \$2,130 per month. Because of this laser, it was necessary to utilize a portion of the \$300,000 reserve held for a "worst case year." The City continues to work with Hays Companies to monitor these costs and for assistance in developing options to help contain these costs.

Construction of a 6-place hangar at the McCook Ben Nelson Regional Airport was completed. The City received 90% of the total cost of the project from the Federal Aviation Administration, \$548,128, with the City's 10% match of \$53,000 coming from uncommitted airport hail storm insurance reimbursement.

In FY 15/16 the General Fund financed the purchase of several capital equipment items with a loan of \$295,567 from Water Fund Reserves. The loan has a term of five years with an annual lease payment of \$65,000.

In March 2015 the City approved a disability pension annuity distribution for a former police officer. The City will pay the former employee \$1,573 per month for the remainder of the individual's life, per the disability annuity agreement.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2017

During FY 16/17 the Community Development Agency authorized the Redevelopment Plan and Redevelopment Contract with Next Generation, Inc. for the construction of a \$9,000,000 rail served, agricultural chemical handling and distribution facility in the McCook Business Park.

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, to be repaid over thirty years and the Wastewater Treatment Department received a 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, to be repaid over twenty years. In October the City issued \$8,605,000 of Series 2016 Combined Utilities Revenue Refunding Bonds to refinance these loans. The S&P Global Ratings assigned its ‘A+’ long-term rating to these refunding bonds.

In 2014 and finalized in June 2015, the Water Department received a Nebraska Department of Environmental Quality Safe Water State Revolving Loan for \$1,320,072 for 16" transmission main replacement, East “H” Street water main replacement, and East “C” Street water main improvements. Total disbursements were \$1,650,090, loan forgiveness of \$330,018. This loan is to be repaid over twenty years and was not included in the refinance because of loan terms that allow for no prepayment within five years of the Loan Date for those receiving loan forgiveness.

Ordinance No. 2016-2941 provided for a \$1.00 per month increase to the base fee for both residential and commercial Sewer Use Charges. The last rate increase for the Sewer Enterprise was in 2012, and was on both the base and 100 cubic feet charge. There were no rate increases for the Water Enterprise. These rates are monitored and adjusted annually if necessary, to insure funds are available for payment of the State Revolving Loans for the sewer and water improvements and to offset any increases in operating costs. This annual monitoring will continue now that these loans have been refinanced with refunding bonds.

Ordinance No. 2016-2939 provided for a \$1.00 per month increase in the Residential Trash Collection Fee and a \$2.00 per ton increase in the fee for Household/Commercial Waste collected at the Transfer Station. The last rate increases for Solid Waste Collection occurred 2014.

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

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2017

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

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

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

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

- *Governmental Funds.* The governmental funds are used to account for the financial activity of the City's basic services, similar to that described for the governmental activities in the government-wide financial statements. However, unlike the government-wide statements, which provide a long-term focus of the City, the fund financial statements focus on a short-term view of the inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year.
- *Proprietary Funds.* The proprietary funds are used to account for the financial activity of the City's operations for which customers are charged a user fee; they provide both a long- and short-term view of financial information. The City maintains four enterprise funds which are a type of proprietary fund - the electric, water, wastewater, and solid waste operations. These enterprise funds are the same as the business-type activities in the government-wide financial statements.
- *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, 2017

Government-wide Financial Analysis

Summary Statements of Net Position

	<u>Year Ended September 30, 2017</u>			<u>Year Ended September 30, 2016</u>		
	<u>Governmental Activities (Modified Cash Basis)</u>	<u>Business-type Activities (Accrual Basis)</u>	<u>Total</u>	<u>Governmental Activities (Modified Cash Basis)</u>	<u>Business-type Activities (Accrual Basis)</u>	<u>Total</u>
Current and Other Assets	\$ 5,955,486	\$ 9,235,634	\$ 15,191,120	\$ 6,057,345	\$ 8,612,188	\$ 14,669,533
Capital Assets	19,648,714	18,730,794	38,379,508	19,367,464	19,711,040	39,078,504
Total Assets	<u>25,604,200</u>	<u>27,966,428</u>	<u>53,570,628</u>	<u>25,424,809</u>	<u>28,323,228</u>	<u>53,748,037</u>
Long-term Liabilities	14,740	10,022,236	10,036,976	774,677	10,519,263	11,293,940
Other Liabilities	891,180	1,006,894	1,898,074	726,768	1,030,574	1,757,342
Total Liabilities	<u>905,920</u>	<u>11,029,130</u>	<u>11,935,050</u>	<u>1,501,445</u>	<u>11,549,837</u>	<u>13,051,282</u>
Net Position:						
Net Investment in						
Capital Assets	18,899,794	8,866,320	27,766,114	17,884,119	9,351,659	27,235,778
Restricted	2,514,451	1,054,284	3,568,735	2,673,573	447,449	3,121,022
Unrestricted	<u>3,284,035</u>	<u>7,016,694</u>	<u>10,300,729</u>	<u>3,365,672</u>	<u>6,974,283</u>	<u>10,339,955</u>
Total Net Position	<u>\$ 24,698,280</u>	<u>\$ 16,937,298</u>	<u>\$ 41,635,578</u>	<u>\$ 23,923,364</u>	<u>\$ 16,773,391</u>	<u>\$ 40,696,755</u>

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 \$41,635,578.

Capital assets (land, infrastructure, buildings, streets, improvements, and equipment), net of any debt issued to acquire these assets, comprise 66.7 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 (\$10,300,729) is the unrestricted net position.

Changes in Net Position

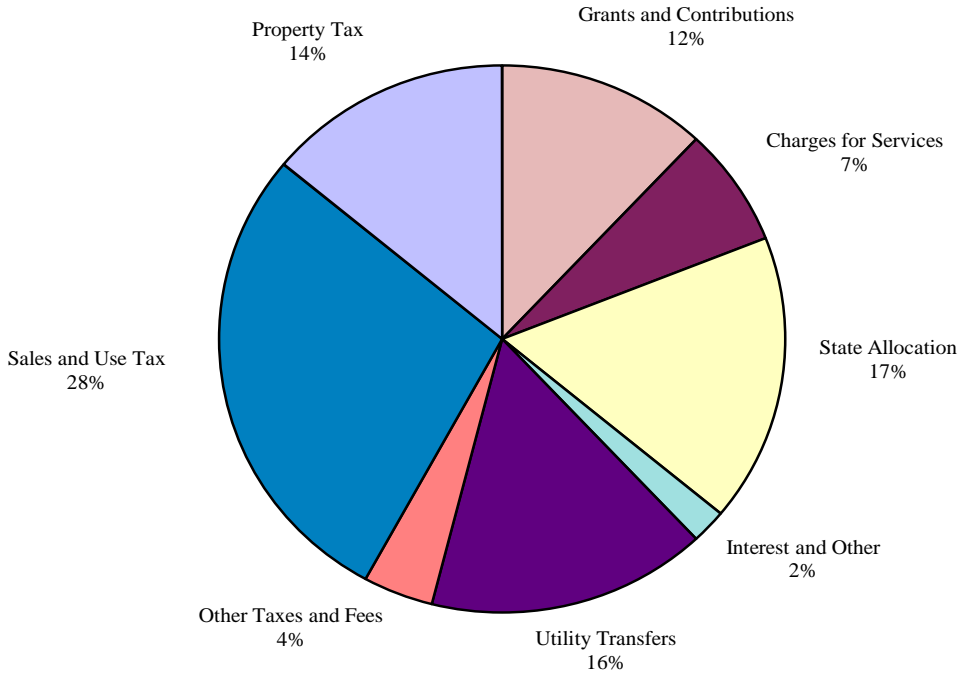
The following table presents a summary of revenues and expenses of the governmental and business-type activities:

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2017

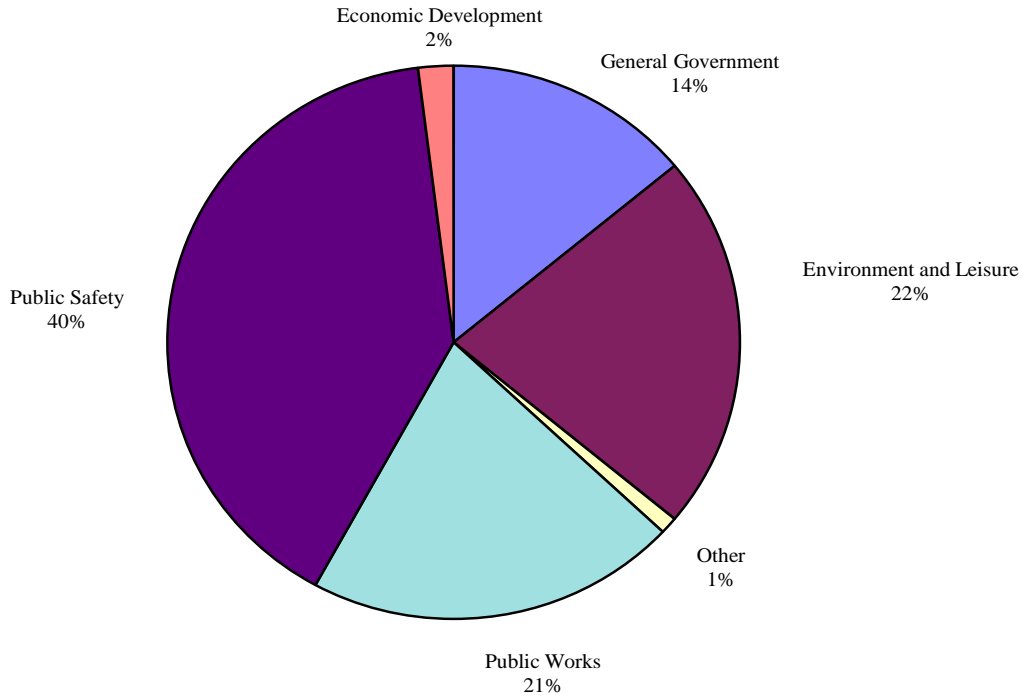
	<u>September 30, 2017</u>			<u>September 30, 2016</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 600,502	\$ 6,851,797	\$ 7,452,299	\$ 675,152	\$ 6,576,870	\$7,252,022
Operating Grants and Contributions	264,959	-	264,959	615,846	-	615,846
Capital Grants and Contributions	739,087	110,479	849,566	393,729	169,376	563,105
General Revenues:						
Property Taxes	1,248,679	-	1,248,679	1,136,982	-	1,136,982
Sales and Use Taxes	2,427,630	-	2,427,630	2,467,430	-	2,467,430
Other Taxes and Fees	368,008	-	368,008	402,072	-	402,072
State Allocation	1,452,777	-	1,452,777	1,398,468	-	1,398,468
Interest Income	55,729	74,906	130,635	47,989	59,561	107,550
Other	133,010	-	133,010	179,545	-	179,545
Total Revenues	<u>7,290,381</u>	<u>7,037,182</u>	<u>14,327,563</u>	<u>7,317,213</u>	<u>6,805,807</u>	<u>14,123,020</u>
Expenses						
General Government	1,132,224	-	1,132,224	1,142,732	-	1,142,732
Economic Development	184,881	-	184,881	152,351	-	152,351
Public Safety	3,123,117	-	3,123,117	2,940,701	-	2,940,701
Public Works	1,673,102	-	1,673,102	1,523,139	-	1,523,139
Environmental and Leisure	1,745,478	-	1,745,478	1,647,651	-	1,647,651
Interest Expense	45,465	-	45,465	65,942	-	65,942
Electric Utility	-	3,540	3,540	-	3,540	3,540
Water	-	2,362,773	2,362,773	-	2,293,502	2,293,502
Sewer	-	1,218,721	1,218,721	-	1,190,230	1,190,230
Solid Waste	-	1,899,439	1,899,439	-	1,771,476	1,771,476
Total Expenses	<u>7,904,267</u>	<u>5,484,473</u>	<u>13,388,740</u>	<u>7,472,516</u>	<u>5,258,748</u>	<u>12,731,264</u>
Increase (Decrease) in Net Position Before Transfers	(613,886)	1,552,709	938,823	(155,303)	1,547,059	1,391,756
Net Transfers	<u>1,388,802</u>	<u>(1,388,802)</u>	<u>-</u>	<u>1,478,527</u>	<u>(1,478,527)</u>	<u>-</u>
Increase in Net Position	<u>\$ 774,916</u>	<u>\$ 163,907</u>	<u>\$ 938,823</u>	<u>\$ 1,323,224</u>	<u>\$ 68,532</u>	<u>\$1,391,756</u>

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2017

2017 Revenues by Source - Governmental Activities

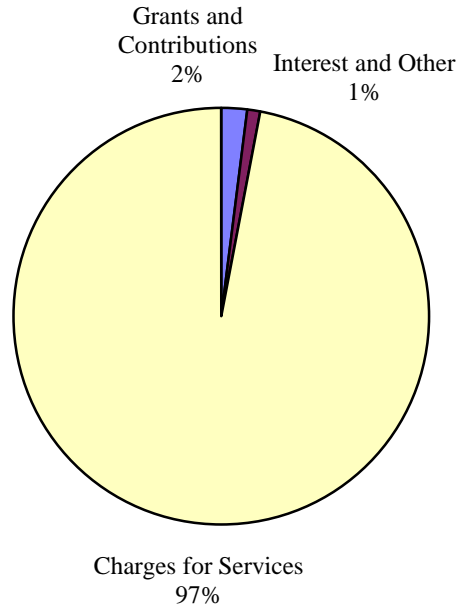


2017 Expenses - Governmental Activities

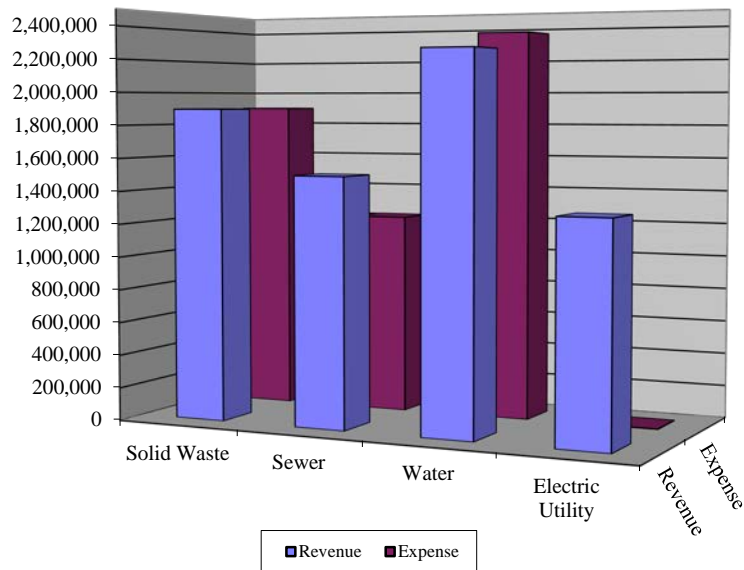


CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2017

2017 Revenues by Source - Business-type Activities



2017 Expenses and Program Revenues - Business-type Activities



CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2017

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 \$5,002,549. Approximately 9.7 percent of this total amount (\$484,752) 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 (\$445,525), 2) restricted to fund capital projects (\$873,923), 3) endowed as nonspendable to fund perpetual care (\$129,766), 4) restricted for community betterment (\$6,683), 5) restricted to fund economic development projects (\$518,716), 6) restricted for federal projects (\$539,838), 7) assigned for street projects (\$603,898), 8) committed for capital projects (\$97,092), 9) assigned for storm/hail repairs (\$426,263), or 10) assigned for budgetary stabilization (\$876,093).

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 \$484,752, while total fund balance reached \$1,587,703. 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 9.5 percent of General Fund total expenditures, while total fund balance represents 31.2 percent of General Fund total expenditures.

The fund balance of the City of McCook's General Fund decreased by \$187,056 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 - \$5,674,685, Sewer Fund - \$1,255,781, and Solid Waste Fund - \$86,228. The growth (decrease) in net position for the proprietary funds was as follows: Electric and Emergency Fund - decrease of \$(3,540), Water Fund - decrease of \$(25,833), Sewer Fund - \$237,132, and Solid Waste Fund - decrease of \$(43,852). 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, 2017

Budgetary Highlights

The 2016-2017 budget was amended to increase budgeted expenditures for the Enterprise Funds by \$8,825,000 for the Series 2016 Combined Utilities Revenue Refunding Bonds issued to refinance Water and Sewer Fund DEQ notes payable.

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, 2017, amounts to \$38,379,508 (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:

- Roof replacement at water treatment plant - \$82,980
- 2016 street improvements - \$483,709
- 6-Plex hangar - \$571,488
- 2000 International dump truck - \$20,623
- 2016 Dodge Charger - \$23,416
- 250 HP VFD pump - \$23,924
- 2017 water meter replacement – \$24,114
- Sewer extension at Quillan Courts - \$76,470
- Water extension at Quillan Courts - \$34,009

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2017

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

	<u>Year Ended September 30, 2017</u>			<u>Year Ended September 30, 2016</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	22,909	-	22,909	406,944	-	406,944
Infrastructure	8,310,041	-	8,310,041	7,700,508	-	7,700,508
Buildings and Improvements	9,708,722	3,355,679	13,064,401	9,462,143	3,413,013	12,875,156
Machinery and Equipment	156,688	613,881	770,569	208,394	722,956	931,350
Distribution Systems	-	14,275,499	14,275,499	-	15,089,336	15,089,336
Office Furniture and Equipment	203,750	-	203,750	259,293	-	259,293
Vehicles	477,904	-	477,904	561,482	-	561,482
Total	<u>\$ 19,648,714</u>	<u>\$ 18,730,794</u>	<u>\$ 38,379,508</u>	<u>\$ 19,367,464</u>	<u>\$ 19,711,040</u>	<u>\$ 39,078,504</u>

Additional information on the City of McCook's capital assets can be found in Note C4 on pages 51-53 of this report.

Long-term Debt

Outstanding Long-term Debt

	<u>Year Ended September 30, 2017</u>			<u>Year Ended September 30, 2016</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	\$ 28,920	\$ -	\$ 28,920	\$ 42,578	\$ -	\$ 42,578
Revenue Bonds	-	8,605,000	8,605,000	-	-	-
Economic Dev Bonds	130,000	-	130,000	255,000	-	255,000
Capital Leases	590,000	107,373	697,373	1,185,767	132,475	1,318,242
Sewer SRF Loans	-	-	-	-	2,281,902	2,281,902
Water SRF Loan	-	1,152,101	1,152,101	-	7,945,004	7,945,004
Total Long-term Outstanding Debt	<u>\$ 748,920</u>	<u>\$ 9,864,474</u>	<u>\$ 10,613,394</u>	<u>\$ 1,483,345</u>	<u>\$ 10,359,381</u>	<u>\$ 11,842,726</u>

The City's long-term debt decreased \$1,229,332 (10.4 percent) during the year ended September 30, 2017, due primarily to scheduled principal payments. The City issued \$8,605,000 of Series 2016 Combined Utilities Revenue Refunding Bonds to refinance three Water and Sewer DEQ notes payable.

CITY OF MCCOOK, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For The Year Ended September 30, 2017

Additional information on the City of McCook's long-term debt can be found in Note C5 on pages 53-61 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of McCook compares favorably to the State's average unemployment and the national average rate.
- Inflationary trends in the region compare favorably to national indices.
- Property tax asking for the year ending September 30, 2018, is \$1,390,781, a \$147,621 (11.9 percent) increase over the prior year.

All of these factors were considered in preparing the City of McCook's budget for the 2018 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, 2017

	Primary Government			Component Units (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,079,293	\$ 7,106,406	\$ 10,185,699	\$ 85,699
County treasurer cash	56,389	-	56,389	-
Current portion of notes receivable	20,936	-	20,936	675,077
Accounts receivable	-	75,123	75,123	-
Unbilled revenue	-	582,635	582,635	-
Due from (to) other funds	(218,809)	218,809	-	-
Prepaid insurance	-	3,323	3,323	-
Inventory	-	166,914	166,914	-
Total current assets	2,937,809	8,153,210	11,091,019	760,776
Noncurrent assets:				
Restricted cash and cash equivalents	2,514,451	1,082,424	3,596,875	-
Noncurrent portion of notes receivable	503,226	-	503,226	1,240,513
Capital assets:				
Land	768,700	485,735	1,254,435	-
Construction in progress	22,909	-	22,909	-
Other capital assets, net of depreciation	18,857,105	18,245,059	37,102,164	-
Net capital assets	19,648,714	18,730,794	38,379,508	-
Total noncurrent assets	22,666,391	19,813,218	42,479,609	1,240,513
Total assets	25,604,200	27,966,428	53,570,628	2,001,289
LIABILITIES				
Current liabilities:				
Accounts payable	-	72,314	72,314	-
Accrued expenses	-	211,320	211,320	-
Customer deposits	-	79,011	79,011	-
Accrued interest	-	58,871	58,871	-
Claims incurred not paid	157,000	-	157,000	-
Current portion of long-term obligations	734,180	585,378	1,319,558	675,077
Total current liabilities	891,180	1,006,894	1,898,074	675,077
Noncurrent liabilities:				
Accrued landfill closure costs	-	715,000	715,000	-
Accrued deep well abandonment costs	-	28,140	28,140	-
Noncurrent portion of long-term obligations	14,740	9,279,096	9,293,836	1,252,313
Total noncurrent liabilities	14,740	10,022,236	10,036,976	1,252,313
Total liabilities	905,920	11,029,130	11,935,050	1,927,390
NET POSITION				
Net investment in capital assets	18,899,794	8,866,320	27,766,114	-
Restricted for:				
Landfill postclosure	-	80,522	80,522	-
Deep injection well closure	-	49,181	49,181	-
Debt service	445,525	924,581	1,370,106	-
Economic development	518,716	-	518,716	-
Perpetual care	129,766	-	129,766	-
Capital projects	873,923	-	873,923	-
Federal projects	539,838	-	539,838	-
Community betterment	6,683	-	6,683	-
Unrestricted	3,284,035	7,016,694	10,300,729	73,899
Total net position	\$ 24,698,280	\$ 16,937,298	\$ 41,635,578	\$ 73,899

See notes to financial statements.

CITY OF MCCOOK, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2017

<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	\$ 1,116,352	\$ 30,347	\$ 4,135
Economic development	184,881	-	-
Public safety	2,849,442	385,570	-
Public works	1,341,055	65,624	-
Environment and leisure	1,435,830	118,961	260,824
Depreciation - unallocated	931,242	-	-
Interest and fees on long-term debt	45,465	-	-
Total governmental activities	7,904,267	600,502	264,959
Business-type activities			
(accrual basis):			
Electric and emergency	3,540	1,307,534	-
Water	2,362,773	2,218,343	-
Sewer	1,218,721	1,428,036	-
Solid waste	1,899,439	1,897,884	-
Total business-type activities	5,484,473	6,851,797	-
Total primary government	\$ 13,388,740	\$ 7,452,299	\$ 264,959
Component units:			
Community Development Agency	\$ 26,935	\$ -	\$ -
Municipal Facilities Corporation	30,840	30,840	-
Total component units	\$ 57,775	\$ 30,840	\$ -

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	
\$ -	\$ (1,081,870)		\$ (1,081,870)	
-	(184,881)		(184,881)	
-	(2,463,872)		(2,463,872)	
187,257	(1,088,174)		(1,088,174)	
551,830	(504,215)		(504,215)	
-	(931,242)		(931,242)	
-	(45,465)		(45,465)	
<u>739,087</u>	<u>(6,299,719)</u>	<u>\$ -</u>	<u>(6,299,719)</u>	
-	-	1,303,994	1,303,994	
34,009	-	(110,421)	(110,421)	
76,470	-	285,785	285,785	
-	-	(1,555)	(1,555)	
<u>110,479</u>	<u>-</u>	<u>1,477,803</u>	<u>1,477,803</u>	
<u>\$ 849,566</u>	<u>(6,299,719)</u>	<u>1,477,803</u>	<u>(4,821,916)</u>	
\$ -				\$ (26,935)
-				-
<u>\$ -</u>				<u>(26,935)</u>
General revenues:				
Taxes:				
Property	1,248,679	-	1,248,679	-
Motor vehicle	171,299	-	171,299	-
Payments in lieu of taxes	124,084	-	124,084	-
Occupation	22,373	-	22,373	-
Sales tax	2,427,630	-	2,427,630	-
Franchise	50,252	-	50,252	-
State allocation	1,452,777	-	1,452,777	-
TIF proceeds	-	-	-	37,516
Keno proceeds	105,752	-	105,752	-
Loss on disposal of capital assets	(84)	-	(84)	-
Miscellaneous	27,342	-	27,342	-
Interest income	55,729	74,906	130,635	569
Net transfers	1,388,802	(1,388,802)	-	-
Total general revenues	<u>7,074,635</u>	<u>(1,313,896)</u>	<u>5,760,739</u>	<u>38,085</u>
Change in net position	774,916	163,907	938,823	11,150
Net position - September 30, 2016	<u>23,923,364</u>	<u>16,773,391</u>	<u>40,696,755</u>	<u>62,749</u>
Net position - September 30, 2017	<u>\$ 24,698,280</u>	<u>\$ 16,937,298</u>	<u>\$ 41,635,578</u>	<u>\$ 73,899</u>

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

September 30, 2017

	General <u>Fund</u>	Street <u>Fund</u>	Economic Development <u>Fund</u>
ASSETS			
Cash and cash equivalents	\$ 1,750,123	\$ 603,898	\$ 518,716
County treasurer cash	56,389	-	-
	<u>1,806,512</u>	<u>603,898</u>	<u>518,716</u>
Total assets	<u><u>\$ 1,806,512</u></u>	<u><u>\$ 603,898</u></u>	<u><u>\$ 518,716</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 218,809	\$ -	\$ -
Fund balances:			
Nonspendable:			
Perpetual care	129,766	-	-
Restricted for:			
Capital projects	-	-	-
Economic development	-	-	518,716
Debt service	-	-	-
Federal projects	-	-	-
Community betterment	-	-	-
Committed for:			
Capital projects	97,092	-	-
Assigned for:			
Budgetary stabilization	876,093	-	-
Street projects	-	603,898	-
Storm/hail repairs	-	-	-
Unassigned	484,752	-	-
	<u>1,587,703</u>	<u>603,898</u>	<u>518,716</u>
Total fund balances	<u><u>1,587,703</u></u>	<u><u>603,898</u></u>	<u><u>518,716</u></u>
Total liabilities and fund balances	<u><u>\$ 1,806,512</u></u>	<u><u>\$ 603,898</u></u>	<u><u>\$ 518,716</u></u>

See notes to financial statements.

Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	Grant <u>Fund</u>	Other Governmental Fund (Keno)	Total Governmental <u>Funds</u>
\$ 445,525	\$ 873,923	\$ 966,101	\$ 6,683	\$ 5,164,969
-	-	-	-	56,389
<u>\$ 445,525</u>	<u>\$ 873,923</u>	<u>\$ 966,101</u>	<u>\$ 6,683</u>	<u>\$ 5,221,358</u>
\$ -	\$ -	\$ -	\$ -	\$ 218,809
-	-	-	-	129,766
-	873,923	-	-	873,923
-	-	-	-	518,716
445,525	-	-	-	445,525
-	-	539,838	-	539,838
-	-	-	6,683	6,683
-	-	-	-	97,092
-	-	-	-	876,093
-	-	-	-	603,898
-	-	426,263	-	426,263
-	-	-	-	484,752
<u>445,525</u>	<u>873,923</u>	<u>966,101</u>	<u>6,683</u>	<u>5,002,549</u>
<u>\$ 445,525</u>	<u>\$ 873,923</u>	<u>\$ 966,101</u>	<u>\$ 6,683</u>	<u>\$ 5,221,358</u>

CITY OF MCCOOK, NEBRASKA

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

September 30, 2017

Total fund balances - governmental funds	\$ 5,002,549
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.	271,775
LB840 notes receivables are not due in the current period and therefore are not reported as assets in the governmental funds.	524,162
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 \$37,212,347 and the accumulated depreciation is \$17,563,633.	19,648,714
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	\$ (590,000)
Bonds payable	(130,000)
Note payable	(28,920)
	<u>(748,920)</u>
Total net position - governmental activities	<u><u>\$ 24,698,280</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, 2017

	<u>General Fund</u>	<u>Street Fund</u>	<u>Economic Development Fund</u>
REVENUES			
Taxes:			
Property	\$ 1,248,679	\$ -	\$ -
Motor vehicle	171,299	-	-
Payments in lieu of taxes	124,084	-	-
Occupation	22,373	-	-
Sales tax	747,432	185,336	373,716
Franchise	50,252	-	-
Intergovernmental	515,192	937,585	-
Grants	162,402	143,509	-
Keno proceeds	-	-	-
Charges for services	508,585	-	-
Contributions	103,422	-	-
Interest income	17,799	2,000	1,301
Loan collections	-	-	27,330
Insurance proceeds	-	-	-
Other revenue	16,517	-	-
Total revenues	<u>3,688,036</u>	<u>1,268,430</u>	<u>402,347</u>
EXPENDITURES			
General government	964,827	-	-
Economic development	-	-	310,165
Public safety	2,557,790	-	-
Public works	215,599	1,137,932	-
Environment and leisure	1,262,544	-	-
Capital outlay	75,855	518,969	-
Principal payments on debt	13,658	25,767	125,000
Interest on long-term debt	1,601	629	10,330
Bond fees	-	-	365
Total expenditures	<u>5,091,874</u>	<u>1,683,297</u>	<u>445,860</u>
Excess (deficiency) of revenues over expenditures	(1,403,838)	(414,867)	(43,513)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,223,034	706,143	-
Transfers out	(6,252)	-	-
Net transfers	<u>1,216,782</u>	<u>706,143</u>	<u>-</u>
Net change in fund balances	(187,056)	291,276	(43,513)
Fund balances - September 30, 2016	<u>1,774,759</u>	<u>312,622</u>	<u>562,229</u>
Fund balances - September 30, 2017	<u>\$ 1,587,703</u>	<u>\$ 603,898</u>	<u>\$ 518,716</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>
\$ -	\$ -	\$ -	\$ -	\$ 1,248,679
-	-	-	-	171,299
-	-	-	-	124,084
-	-	-	-	22,373
-	1,121,147	-	-	2,427,631
-	-	-	-	50,252
-	-	51,942	-	1,504,719
-	38,748	550,078	-	894,737
-	-	-	105,752	105,752
-	-	39,975	-	548,560
-	-	3,702	-	107,124
3,871	8,152	8,368	190	41,681
-	-	-	-	27,330
-	-	2,185	-	2,185
-	-	10,825	-	27,342
<u>3,871</u>	<u>1,168,047</u>	<u>667,075</u>	<u>105,942</u>	<u>7,303,748</u>
-	-	8,596	31,659	1,005,082
-	-	-	-	310,165
-	-	32,021	-	2,589,811
-	1,855	-	-	1,355,386
-	-	(2)	-	1,262,542
-	31,401	586,351	-	1,212,576
-	570,000	-	-	734,425
-	30,840	-	-	43,400
-	1,700	-	-	2,065
<u>-</u>	<u>635,796</u>	<u>626,966</u>	<u>31,659</u>	<u>8,515,452</u>
3,871	532,251	40,109	74,283	(1,211,704)
-	-	-	-	1,929,177
-	(706,143)	(97,980)	(105,000)	(915,375)
<u>-</u>	<u>(706,143)</u>	<u>(97,980)</u>	<u>(105,000)</u>	<u>1,013,802</u>
3,871	(173,892)	(57,871)	(30,717)	(197,902)
<u>441,654</u>	<u>1,047,815</u>	<u>1,023,972</u>	<u>37,400</u>	<u>5,200,451</u>
<u>\$ 445,525</u>	<u>\$ 873,923</u>	<u>\$ 966,101</u>	<u>\$ 6,683</u>	<u>\$ 5,002,549</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, 2017

Total net change in fund balances - governmental funds	\$ (197,902)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$1,212,576) exceeded depreciation expense (\$931,242).	281,334
Basis remaining on capital asset disposals does not impact the fund financial statements. However, the remaining basis is reported as a loss on disposal of capital assets in the statement of activities.	(84)
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.	(18,040)
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.	125,283
The decrease in net position of the Internal Service Fund is included as a governmental activity in the government wide statements.	(150,100)
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>734,425</u>
Change in net position of governmental activities	<u><u>\$ 774,916</u></u>

See notes to financial statements.

CITY OF MCCOOK, NEBRASKA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
September 30, 2017

	Electric and Emergency Fund	Water Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ 5,210,595
Accounts receivable	-	9,081
Unbilled revenue	-	291,134
Due (to) from other funds	-	218,809
Prepaid insurance	-	3,323
Inventory	-	166,914
Total current assets	-	5,899,856
Noncurrent assets:		
Restricted cash and cash equivalents	-	768,608
Capital assets:		
Land	-	295,625
Distribution systems	170,000	21,304,742
Buildings and improvements	-	625,839
Tools and equipment	-	600,111
Accumulated depreciation	(133,718)	(11,996,298)
Net capital assets	36,282	10,830,019
Total noncurrent assets	36,282	11,598,627
Total assets	36,282	17,498,483
LIABILITIES		
Current liabilities:		
Accounts payable	-	23,031
Sales tax payable	-	13,098
Claims incurred not paid	-	-
Accrued payroll	-	20,442
Accrued vacation	-	24,417
Accrued sick leave	-	16,109
Customer deposits	-	79,011
Accrued interest	-	49,063
Current portion of long-term obligations	-	359,598
Total current liabilities	-	584,769
Noncurrent liabilities:		
Accrued landfill postclosure costs	-	-
Accrued deep well abandonment costs	-	28,140
Noncurrent portion of long-term obligations	-	7,392,503
Total noncurrent liabilities	-	7,420,643
Total liabilities	-	8,005,412
NET POSITION		
Net investment in capital assets	36,282	3,077,918
Restricted for:		
Landfill postclosure	-	-
Deep injection well closure	-	49,181
Debt service	-	691,287
Unrestricted	-	5,674,685
Total net position	\$ 36,282	\$ 9,493,071

See notes to financial statements.

Business-type Activities - Enterprise Funds

<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 1,060,915	\$ 834,896	\$ 7,106,406	\$ 428,775
19,226	46,816	75,123	-
187,159	104,342	582,635	-
57,693	(57,693)	218,809	-
-	-	3,323	-
-	-	166,914	-
<u>1,324,993</u>	<u>928,361</u>	<u>8,153,210</u>	<u>428,775</u>
233,294	80,522	1,082,424	-
-	190,110	485,735	-
9,146,732	-	30,621,474	-
3,922,162	900,445	5,448,446	-
849,054	1,645,676	3,094,841	-
(7,038,416)	(1,751,270)	(20,919,702)	-
<u>6,879,532</u>	<u>984,961</u>	<u>18,730,794</u>	<u>-</u>
<u>7,112,826</u>	<u>1,065,483</u>	<u>19,813,218</u>	<u>-</u>
8,437,819	1,993,844	27,966,428	428,775
14,638	34,645	72,314	-
7,224	-	20,322	-
-	-	-	157,000
10,468	26,760	57,670	-
16,746	39,697	80,860	-
11,432	24,927	52,468	-
-	-	79,011	-
8,704	1,104	58,871	-
200,000	25,780	585,378	-
<u>269,212</u>	<u>152,913</u>	<u>1,006,894</u>	<u>157,000</u>
-	715,000	715,000	-
-	-	28,140	-
1,805,000	81,593	9,279,096	-
<u>1,805,000</u>	<u>796,593</u>	<u>10,022,236</u>	<u>-</u>
<u>2,074,212</u>	<u>949,506</u>	<u>11,029,130</u>	<u>157,000</u>
4,874,532	877,588	8,866,320	-
-	80,522	80,522	-
-	-	49,181	-
233,294	-	924,581	-
1,255,781	86,228	7,016,694	271,775
<u>\$ 6,363,607</u>	<u>\$ 1,044,338</u>	<u>\$ 16,937,298</u>	<u>\$ 271,775</u>

CITY OF MCCOOK, NEBRASKA

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

For the year ended September 30, 2017

	Electric and Emergency Fund	Water Fund
Operating revenues:		
Charges for services	\$ 1,307,534	\$ 2,101,415
Miscellaneous revenues	-	116,928
Total operating revenues	1,307,534	2,218,343
Operating expenses:		
Salaries and benefits	-	439,368
Insurance and bonds	-	46,903
Utilities and telephone	-	162,292
Repairs and maintenance	-	100,138
Contracted services	-	20,392
Supplies	-	14,101
Plant chemicals	-	205,581
Transportation	-	10,036
Professional fees	-	8,677
Sales tax	-	110,334
Miscellaneous	-	70,295
Depreciation	3,540	835,097
Insurance claims and health premiums	-	-
Total operating expenses	3,540	2,023,214
Operating income (loss)	1,303,994	195,129
Nonoperating revenues (expenses):		
Interest income	-	54,762
Contribution in aid of construction	-	34,009
Interest expense	-	(174,820)
Loan fees	-	(164,739)
Total nonoperating revenues (expenses)	-	(250,788)
Income (loss) before transfers	1,303,994	(55,659)
Interfund transfers:		
Transfers in	-	89,826
Transfers out	(1,307,534)	(60,000)
Net transfers	(1,307,534)	29,826
Change in net position	(3,540)	(25,833)
Net position - September 30, 2016	39,822	9,518,904
Net position - September 30, 2017	\$ 36,282	\$ 9,493,071

See notes to financial statements.

Business-type Activities - Enterprise Funds

<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 1,428,036	\$ 1,897,434	\$ 6,734,419	\$ 1,598,308
-	450	117,378	-
<u>1,428,036</u>	<u>1,897,884</u>	<u>6,851,797</u>	<u>1,598,308</u>
397,487	693,743	1,530,598	-
40,689	34,093	121,685	-
124,453	7,638	294,383	-
72,563	143,084	315,785	-
13,594	713,321	747,307	-
17,015	9,917	41,033	-
-	-	205,581	-
4,687	105,196	119,919	-
7,504	6,658	22,839	-
80,620	-	190,954	-
10,225	8,980	89,500	-
372,660	171,967	1,383,264	-
-	-	-	2,128,166
<u>1,141,497</u>	<u>1,894,597</u>	<u>5,062,848</u>	<u>2,128,166</u>
286,539	3,287	1,788,949	(529,858)
12,086	8,058	74,906	4,758
76,470	-	110,479	-
(33,769)	(4,842)	(213,431)	-
(43,455)	-	(208,194)	-
<u>11,332</u>	<u>3,216</u>	<u>(236,240)</u>	<u>4,758</u>
297,871	6,503	1,552,709	(525,100)
-	145	89,971	375,000
(60,739)	(50,500)	(1,478,773)	-
<u>(60,739)</u>	<u>(50,355)</u>	<u>(1,388,802)</u>	<u>375,000</u>
237,132	(43,852)	163,907	(150,100)
<u>6,126,475</u>	<u>1,088,190</u>	<u>16,773,391</u>	<u>421,875</u>
<u>\$ 6,363,607</u>	<u>\$ 1,044,338</u>	<u>\$ 16,937,298</u>	<u>\$ 271,775</u>

CITY OF MCCOOK, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the year ended September 30, 2017

	Electric and Emergency Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,307,534
Receipts from other funds	-
Payments to suppliers	-
Payments to employees	-
Net cash provided (used) by operating activities	1,307,534
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers from other funds	-
Transfers to other funds	(1,307,534)
Change in due from/to other funds	-
Net cash provided (used) by noncapital financing activities	(1,307,534)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of property and equipment	-
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	-
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	-
Increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents - beginning of the year	-
Cash and cash equivalents - end of the year	\$ -
Composition of cash and cash equivalents:	
Cash and cash equivalents	\$ -
Restricted cash and cash equivalents	-
Total cash and cash equivalents	\$ -

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>	
\$ 2,236,767	\$ 1,393,540	\$ 1,906,226	\$ 6,844,067	\$ -
-	-	-	-	1,598,308
(793,110)	(395,752)	(1,030,851)	(2,219,713)	(1,989,266)
(430,451)	(395,412)	(688,169)	(1,514,032)	-
<u>1,013,206</u>	<u>602,376</u>	<u>187,206</u>	<u>3,110,322</u>	<u>(390,958)</u>
89,826	-	145	89,971	375,000
(60,000)	(60,739)	(50,500)	(1,478,773)	-
52,047	18,482	(18,482)	52,047	-
<u>81,873</u>	<u>(42,257)</u>	<u>(68,837)</u>	<u>(1,336,755)</u>	<u>375,000</u>
(228,554)	(40,961)	(23,024)	(292,539)	-
2,558	-	-	2,558	-
6,730,000	2,095,000	-	8,825,000	-
(6,922,903)	(2,371,902)	(25,102)	(9,319,907)	-
(187,817)	(41,889)	(5,100)	(234,806)	-
(164,739)	(43,455)	-	(208,194)	-
<u>(771,455)</u>	<u>(403,207)</u>	<u>(53,226)</u>	<u>(1,227,888)</u>	<u>-</u>
54,762	12,086	8,058	74,906	4,758
378,386	168,998	73,201	620,585	(11,200)
<u>5,600,817</u>	<u>1,125,211</u>	<u>842,217</u>	<u>7,568,245</u>	<u>439,975</u>
<u>\$ 5,979,203</u>	<u>\$ 1,294,209</u>	<u>\$ 915,418</u>	<u>\$ 8,188,830</u>	<u>\$ 428,775</u>
\$ 5,210,595	\$ 1,060,915	\$ 834,896	\$ 7,106,406	\$ 428,775
768,608	233,294	80,522	1,082,424	-
<u>\$ 5,979,203</u>	<u>\$ 1,294,209</u>	<u>\$ 915,418</u>	<u>\$ 8,188,830</u>	<u>\$ 428,775</u>

CITY OF MCCOOK, NEBRASKA

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

For the year ended September 30, 2017

	<u>Electric and Emergency Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 1,303,994
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	3,540
Change in assets and liabilities:	
Accounts receivable	-
Prepaid insurance	-
Inventories	-
Customer deposits	-
Accounts payable	-
Claims incurred not paid	-
Sales tax payable	-
Accrued expenses	-
Net cash provided (used) by operating activities	<u>\$ 1,307,534</u>
Supplemental cash flow information:	
Acquisition of capital assets through developers' aid of construction	<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>	
\$ 195,129	\$ 286,539	\$ 3,287	\$ 1,788,949	\$ (529,858)
835,097	372,660	171,967	1,383,264	-
16,209	(34,496)	8,342	(9,945)	-
(3,323)	-	-	(3,323)	-
(41,640)	-	-	(41,640)	-
2,101	-	-	2,101	-
602	(25,766)	(1,963)	(27,127)	-
-	-	-	-	138,900
114	1,364	-	1,478	-
8,917	2,075	5,573	16,565	-
<u>\$ 1,013,206</u>	<u>\$ 602,376</u>	<u>\$ 187,206</u>	<u>\$ 3,110,322</u>	<u>\$ (390,958)</u>
<u>\$ 34,009</u>	<u>\$ 76,470</u>	<u>\$ -</u>	<u>\$ 110,479</u>	<u>\$ -</u>

CITY OF MCCOOK, NEBRASKA

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

September 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 87,112</u>
LIABILITIES HELD FOR OTHERS	
Held for other purposes	<u>\$ 87,112</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, 2017

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, 2017

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, 2017

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, 2017

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 ten 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, 2017

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, 2017

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, 2017

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 units 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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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 2016-2017 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, 2017

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 units 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, 2017

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, 2017

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 \$8,704 at September 30, 2017.
 - b) An amount equal to 1/6th of the next maturing semi-annual principal payments. The loan principal reserve was \$58,333 at September 30, 2017.
3. Debt Service Reserve – The debt service reserve was \$166,257 at September 30, 2017.

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 \$69,719 at September 30, 2017.
 - b) An amount equal to 1/6th of the next maturing semi-annual principal payments. The loan principal reserve was \$87,500 at September 30, 2017.
3. Debt Service Reserve – The debt service reserve was \$534,068 at September 30, 2017.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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, 2017

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, 2017. 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, 2017

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	\$ 14,214,934	\$ 250,000	\$ 13,964,934	\$ -	\$ <u>13,955,385</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –	
Unrestricted cash and cash equivalents	\$ 10,185,699
Restricted cash and cash equivalents	3,596,875
Fiduciary Funds –	
Agency Funds cash	87,112
Component Unit –	
Unrestricted cash and cash equivalents	<u>85,699</u>
	<u>\$ 13,955,385</u>

2. Restricted Assets

The restricted assets as of September 30, 2017, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ <u>2,514,451</u>	\$ <u>1,082,424</u>	\$ <u>3,596,875</u>

The General Fund has \$129,766 of cash restricted for cemetery perpetual care. The Economic Development Fund has \$518,716 of cash restricted for economic development. The Debt Service Fund has \$445,525 of cash restricted for debt service. The Capital Projects Fund has \$873,923 of cash restricted for Capital Projects. The Grant Fund has \$539,838 of cash restricted for Federal programs. The Keno Fund has \$6,683 of cash restricted for community betterment.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

2. Restricted Assets, continued

The Water Fund has \$77,321 restricted for future closure costs on the deep injection well. The Solid Waste Fund has funds of \$80,522 that are restricted for the future landfill postclosure costs. Funds of \$233,294 are restricted in the Sewer Fund for debt service. Funds of \$691,287 are restricted in the Water Fund for debt service. 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, 2017, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 75,123
Unbilled revenue	<u>582,635</u>
Total accounts receivable	<u>\$ 657,758</u>

As of September 30, 2017, 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	125,709	0%; due as TIF proceeds are collected over 15 years
American Agricultural Laboratory	<u>70,453</u>	2%; 120 monthly payments of \$690.10 due 2/5/17 – 1/5/27
	<u>\$ 524,162</u>	

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

3. Accounts and Notes Receivable, continued

The Community Development Agency had the following TIF receivables and payables as of September 30, 2017:

	<u>TIF Receivable</u>	<u>TIF Payable</u>
North Pointe	\$ 208,000	\$ 208,000
Clary Village	163,195	163,195
Cobblestone	628,875	628,875
Quillan Courts	98,200	110,000
Holiday Inn	<u>227,320</u>	<u>227,320</u>
	<u>\$ 1,325,590</u>	<u>\$ 1,337,390</u>
Current portion	\$ 85,077	\$ 85,077
Long-term portion	<u>1,240,513</u>	<u>1,252,313</u>
	<u>\$ 1,325,590</u>	<u>\$ 1,337,390</u>

The McCook Leasing Corporation has a capital lease note receivable from the City for the Administration/Public Safety Building. The note receivable had a balance of \$590,000 at September 30, 2017, and is described in greater detail in Note C5.

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance at October 1, <u>2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2017</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 768,700	\$ -	\$ -	\$ -	\$ 768,700
Construction in progress	406,944	22,909	-	(406,944)	22,909
Total capital assets not being depreciated	1,175,644	22,909	-	(406,944)	791,609
Other capital assets being depreciated:					
Infrastructure	11,195,612	490,617	-	377,148	12,063,377
Buildings and improvements	18,152,627	629,119	(154,506)	29,796	18,657,036
Machinery and equipment	904,006	-	(196,305)	-	707,701
Furniture and equipment	2,470,680	46,515	(383,143)	-	2,134,052
Vehicles	3,084,767	23,416	(249,611)	-	2,858,572
Total other capital assets at historical cost	35,807,692	1,189,667	(983,565)	406,944	36,420,738
Less accumulated depreciation for:					
Infrastructure	(3,495,104)	(258,232)	-	-	(3,753,336)
Buildings and improvements	(8,690,484)	(412,335)	154,505	-	(8,948,314)
Machinery and equipment	(695,612)	(51,706)	196,305	-	(551,013)
Furniture and equipment	(2,211,387)	(102,058)	383,143	-	(1,930,302)
Vehicles	(2,523,285)	(106,911)	249,528	-	(2,380,668)
Total accumulated depreciation	(17,615,872)	(931,242) *	983,481	-	(17,563,633)
Other capital assets, net	18,191,820	258,425	(84)	406,944	18,857,105
Governmental activities capital assets, net	<u>\$ 19,367,464</u>	<u>\$ 281,334</u>	<u>\$ (84)</u>	<u>\$ -</u>	<u>\$ 19,648,714</u>

* Depreciation expense was incurred by the following governmental activities:

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

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

4. Capital Assets, continued

General Fund:

General government:

Administration	\$ 15,872
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Public safety:

Fire	60,057
Civil defense	3,183
Ambulance	29,554
Municipal Center	121,006
Public Safety	3,508
Police	<u>56,366</u>
Total public safety	273,674

Public works:

Cemetery	13,361
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Environment and leisure:

Airport	99,980
Library	51,564
Parks	77,849
Ball Park	19,375
Pool	9,296
Auditorium	10,895
Public Transportation	6,169
Senior Center	<u>34,520</u>
Total environment and leisure	<u>309,649</u>

Total General Fund	612,556
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Special Revenue Funds:

Street	<u>318,686</u>
Total Governmental Activities depreciation expense	\$ <u>931,242</u>

Construction in progress at September 30, 2017, consists of \$9,880 of costs on the 2017 street improvement project, and \$13,029 of costs on the security service window project. See Note D3 for additional details on construction commitments.

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

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

4. Capital Assets, continued

	Balance at October 1, <u>2016</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2017</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 485,735	\$ -	\$ -	\$ 485,735
Other capital assets being depreciated:				
Distribution systems	30,432,903	228,970	(40,399)	30,621,474
Buildings and improvements	5,374,852	82,981	(9,387)	5,448,446
Machinery and equipment	3,739,743	91,067	(735,969)	3,094,841
Total other capital assets at historical cost	<u>39,547,498</u>	<u>403,018</u>	<u>(785,755)</u>	<u>39,164,761</u>
Less accumulated depreciation for:				
Distribution systems	(15,343,567)	(1,042,807)	40,399	(16,345,975)
Buildings and improvements	(1,961,839)	(140,315)	9,387	(2,092,767)
Machinery and equipment	(3,016,787)	(200,142)	735,969	(2,480,960)
Total accumulated depreciation	<u>(20,322,193)</u>	<u>(1,383,264) *</u>	<u>785,755</u>	<u>(20,919,702)</u>
Other capital assets, net	<u>19,225,305</u>	<u>(980,246)</u>	<u>-</u>	<u>18,245,059</u>
Business-type capital assets, net	<u>\$ 19,711,040</u>	<u>\$ (980,246)</u>	<u>\$ -</u>	<u>\$ 18,730,794</u>

* Depreciation expense was charged to functions as follows:

Electric and Emergency	\$ 3,540
Water	835,097
Sewer	372,660
Solid Waste	<u>171,967</u>
Total Business-type Activities depreciation expense	<u>\$ 1,383,264</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, 2017

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, 2017:

<u>Type of Debt</u>	Balance October 1, 2016	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2017	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds payable	\$ 255,000	\$ -	\$ (125,000)	\$ 130,000	\$ 130,000
Note payable	42,578	-	(13,658)	28,920	14,180
Capital lease obligations	1,185,767	-	(595,767)	590,000	590,000
Total Governmental-type Activities	<u>\$ 1,483,345</u>	<u>\$ -</u>	<u>\$ (734,425)</u>	<u>\$ 748,920</u>	<u>\$ 734,180</u>
Business-type Activities:					
Bonds payable	\$ -	\$ 8,825,000	\$ (220,000)	\$ 8,605,000	\$ 500,000
Notes payable	10,226,906	-	(9,074,805)	1,152,101	59,598
Capital lease obligations	132,475	-	(25,102)	107,373	25,780
Deep well abandonment costs	25,582	2,558	-	28,140	-
Landfill closure costs	715,000	-	-	715,000	-
Total Business-type Activities	<u>\$ 11,099,963</u>	<u>\$ 8,827,558</u>	<u>\$ (9,319,907)</u>	<u>\$ 10,607,614</u>	<u>\$ 585,378</u>
Component Units:					
CDA notes payable	\$ 1,029,337	\$ 337,320	\$ (29,267)	\$ 1,337,390	\$ 85,077
McCook Leasing Corp bonds	1,160,000	-	(570,000)	590,000	590,000
Total Component Units	<u>\$ 2,189,337</u>	<u>\$ 337,320</u>	<u>\$ (599,267)</u>	<u>\$ 1,927,390</u>	<u>\$ 675,077</u>

Governmental Activities

As of September 30, 2017, 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.

\$ 130,000

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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.

590,000

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.

-

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.

28,920

\$ 748,920

Current portion

\$ 734,180

Noncurrent portion

14,740

Total

\$ 748,920

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

5. Long-term Debt, continued

Business-type Activities

As of September 30, 2017, 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. The loan was refinanced November 2016.

\$ -

\$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.) The loan was refinanced November 2016.

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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. The loan was refinanced November 2016.

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CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

5. Long-term Debt, continued

Business-type Activities, continued

Water Notes Payable, continued:

\$1,669,448 of Water DEQ Notes Payable with \$44,202 advanced during the year ended September 30, 2016, 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.

1,152,101

Bonds payable:

On November 15, 2016, the City issued \$8,825,000 of Series 2016 Combined Utility Revenue Refunding Bonds to refinance three Water and Sewer DEQ notes payable. The bonds are due in annual principal payments commencing June 15, 2017 through June 15, 2036. Interest ranging from 0.85 percent to 3.0 percent is due in semi-annual payments on December 15 and June 15. At September 30, 2017, the Water Fund owed \$6,600,000 and the Sewer Fund owed \$2,005,000 of the outstanding bonds.

8,605,000

Capital lease:

Capital lease of \$132,475 for a caterpillar loader for solid waste through Caterpillar Financial Services Corporation, bearing interest of 2.70 percent. Annual principal and interest payments of \$28,679 are due commencing May 14, 2017 through May 14, 2021.

107,373

Total business-type activity notes payable

\$ 9,864,474

Current portion

\$ 585,378

Noncurrent portion

9,279,096

Total

\$ 9,864,474

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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. 163,195

During the year ended September 30, 2016, the CDA entered into a TIF agreement with McCook Hotel Group, LLC for the Cobblestone Hotel Project. This note is non-interest bearing and will be paid to the redeveloper as TIF proceeds are collected over the next 15 years. 628,875

During the year ended September 30, 2016, the CDA issued a \$110,000 note payable to MEDC to finance the Quillan Courts Project. This note is non-interest bearing and will be paid to the redeveloper as Quillan Courts TIF proceeds are collected over the next 15 years. 110,000

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

5. Long-term Debt, continued

Component Units, continued:

Community Development Agency, continued:

During the year ended September 30, 2016, the CDA entered into a TIF agreement with McCook Lodging, LLC to finance up to \$1,400,000 on the Holiday Inn project. During the year ended September 30, 2017, the redeveloper incurred \$227,320 of qualified expenses. This note is non-interest bearing and will be paid to the redeveloper as Holiday Inn TIF proceeds are collected over the next 15 years.

227,320

Total Community Development Agency

1,337,390

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).

590,000

Total component unit debt

\$ 1,927,390

Current portion

\$ 675,077

Noncurrent portion

1,252,313

Total

\$ 1,927,390

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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, 2017, 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>
2018	\$ 734,180	\$ 20,421	\$ 585,378	\$ 200,660	\$ 10,774	\$ 675,077	\$ 14,013
2019	14,740	519	587,272	193,766	10,163	106,003	-
2020	-	-	594,209	186,329	9,540	106,131	-
2021	-	-	596,191	178,288	8,904	106,260	-
2022	-	-	574,536	169,697	8,255	106,391	-
2023-2027	-	-	2,877,668	704,715	31,081	533,966	-
2028-2032	-	-	2,003,519	452,022	12,796	293,562	-
2033-2037	-	-	2,045,701	171,618	201	-	-
	<u>\$ 748,920</u>	<u>\$ 20,940</u>	<u>\$ 9,864,474</u>	<u>\$ 2,257,095</u>	<u>\$ 91,714</u>	<u>\$ 1,927,390</u>	<u>\$ 14,013</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 \$40,261 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 \$1,243,830. The cumulative liability, which is based on the capacity of the landfill used to date, was \$715,000 at September 30, 2017. The City of McCook considers this amount available through the normal annual budgeting process. The City has a restricted cash reserve of \$80,522 as of September 30, 2017, consisting of a landfill postclosure reserve of \$80,522. The City was released from its landfill remedial action reserve in December 2016, so it no longer restricts cash for the remedial action reserve.

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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, 2017, of \$77,321 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 \$28,140 at September 30, 2017.

6. Interfund Transactions and Balances

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Keno	\$ 105,000	\$ -
Grant	15,000	-
Electric and Emergency	932,534	-
Water	60,000	(6,252)
Sewer	60,000	-
Solid Waste	<u>50,500</u>	<u>-</u>
Total General Fund	1,223,034	(6,252)
Street Fund:		
Capital Projects	706,143	-
Keno Fund:		
General	-	(105,000)
Internal Service Fund:		
Electric	375,000	-
Grant Fund:		
General	-	(15,000)
Water	<u>-</u>	<u>(82,980)</u>
Total Grant Fund	-	(97,980)
Capital Projects Fund:		
Street	-	(706,143)

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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>
Water Fund:		
General	6,252	(60,000)
Grant	82,980	-
Sewer	<u>594</u>	<u>-</u>
Total Water Fund	89,826	(60,000)
Electric Fund:		
Internal Service Fund	-	(375,000)
General	<u>-</u>	<u>(932,534)</u>
Total Electric Fund	-	(1,307,534)
Sewer Fund:		
General	-	(60,000)
Water	-	(594)
Solid Waste	<u>-</u>	<u>(145)</u>
Total Sewer Fund	-	(60,739)
Solid Waste Fund:		
General	-	(50,500)
Sewer	<u>145</u>	<u>-</u>
Total Solid Waste Fund	<u>145</u>	<u>(50,500)</u>
Total Operating Transfers	\$ <u>2,394,148</u>	\$ <u>(2,394,148)</u>

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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, 2017, was \$2,640,689 and \$2,286,426, respectively. All contributions, including \$158,095 in employee contributions and \$131,924 in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2017.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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 \$4,912,216 at September 30, 2017.

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, 2017. The balance of \$284,037 in the plan at September 30, 2017 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 7 percent to the policemen's fund and 13 percent to the firemen's fund while the policemen contribute 7 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, 2017, was \$871,918 and \$604,884, respectively. All contributions, including \$61,034 and \$39,318, respectively, in employee contributions and \$61,034 and \$78,635, respectively, in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2017. 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, 2017.

The policemen and firemen plans had plan assets with a market value of \$2,523,037 and \$2,100,907, respectively, at September 30, 2017.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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, 2017, 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, 2017.

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, 2017, the City's bank balances, totaling \$13,955,385, 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, 2017.

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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, 2017, will not be significant to the City's financial statements.

Construction and Commitments

As of September 30, 2017, the City had the following construction obligations:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/17</u>	<u>Remaining Commitment</u>	<u>Expected Date of Completion</u>
2017 Street Improvements: Construction	\$ 269,604	\$ -	\$ 269,604	September 2018
South 9 th Water Main: Construction	<u>101,427</u>	<u>-</u>	<u>101,427</u>	November 2017
	<u>\$ 371,031</u>	<u>\$ -</u>	<u>\$ 371,031</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.

Disability Pension Annuity

On March 16, 2015, the City approved a disability pension annuity distribution for a former police officer. Under terms of the disability annuity agreement, the City will pay the former employee \$1,573 per month for the rest of the individual's life.

CITY OF MCCOOK, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2017

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Operating Leases

The City is party to nine operating leases for five copiers, Senior Center equipment, land for a telecommunications tower, postage meter, land for the ballparks, and tower space from McCook Public Power District. As of September 30, 2017, future lease obligations are as follows:

<u>Year Ended September 30,</u>	<u>Lease Commitments</u>
2018	\$ 14,854
2019	2,993
2020	600
2021	600
2022	600
Thereafter	<u>3,150</u>
	<u>\$ 22,797</u>

Total rent expense was \$28,999 for the year ended September 30, 2017.

4. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2017:

<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	11/19/15 - 11/19/16	School resource officer
Red Willow County	10/1/11 - indefinite	Snow removal

CITY OF MCCOOK, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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. Tax Abatements

The Community Development Agency (CDA), who is authorized by Nebraska statutes to enter into property tax abatement agreements for the purpose of developing properties in blighted areas, has entered into tax increment financing (TIF) agreements with various redevelopers. The TIF program has the stated purpose of increasing valuation, business activity and employment in the community.

Under the TIF program, redevelopers can apply for TIF financing whereby the property tax they pay on the increased valuation of property under a TIF agreement is returned to the redeveloper by the CDA to finance the project for a period of up to 15 years.

Information relevant to the abatements granted by the CDA for the year ended September 30, 2017 is as follows:

<u>TIF Project:</u>	<u>Date of TIF Agreement</u>	<u>2017 TIF Valuation</u>	<u>TIF Proceeds Received during the year ended 9-30-2017</u>
Keystone	May 2009	\$ 1,500,000	\$ 26,935
North Pointe	July 2014	745,631	2,918
Clary Village	March 2015	370,302	7,663
Cobblestone Hotel	May 2015	2,738,437	-
Quillan Courts	June 2016	126,156	-
Holiday Inn	March 2016	27,653	-
Next Generation, Inc.	February 2017	-	-
			<u>\$ 37,516</u>

7. Subsequent Events

Management has evaluated subsequent events through January 5, 2018, the date on which the financial statements were available for issue.

SUPPLEMENTARY INFORMATION

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2017

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 1,247,160	\$ 1,248,679	\$ 1,519
Motor vehicle	160,000	171,299	11,299
Payments in lieu of taxes	100,000	124,084	24,084
Occupation	22,000	22,373	373
Franchise	65,000	50,252	(14,748)
Sales	736,667	747,432	10,765
Intergovernmental	500,690	515,192	14,502
Grants	248,900	162,402	(86,498)
Charges for services	459,950	508,585	48,635
Interest income	12,000	17,799	5,799
Contributions	86,000	103,422	17,422
Other	110,000	16,517	(93,483)
Total resources	<u>3,748,367</u>	<u>3,688,036</u>	<u>(60,331)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government:			
Administrative	619,452	414,949	(204,503)
Publicity	9,420	8,311	(1,109)
City Council	590,587	94,755	(495,832)
Health operating	452,400	452,400	-
Total general government	<u>1,671,859</u>	<u>970,415</u>	<u>(701,444)</u>
Public safety:			
Fire	1,079,607	923,182	(156,425)
Ambulance	109,283	95,344	(13,939)
Police	1,705,044	1,601,473	(103,571)
Civil defense	21,714	17,393	(4,321)
Total public safety	<u>2,915,648</u>	<u>2,637,392</u>	<u>(278,256)</u>
Public works:			
Building and zoning	71,454	64,554	(6,900)
Cemetery	179,244	151,045	(28,199)
Total public works	<u>250,698</u>	<u>215,599</u>	<u>(35,099)</u>
Environment and leisure:			
Public transportation	146,735	133,854	(12,881)
Senior Center	347,045	333,934	(13,111)
Library	307,525	286,563	(20,962)
Parks	204,790	173,990	(30,800)
Ballparks	101,746	103,162	1,416
Auditorium	44,875	35,617	(9,258)
Pool	92,213	91,691	(522)
Airport	148,164	109,657	(38,507)
Total environment and leisure	<u>1,393,093</u>	<u>1,268,468</u>	<u>(124,625)</u>
Total charges to appropriations	<u>6,231,298</u>	<u>5,091,874</u>	<u>(1,139,424)</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2017

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
Resources over (under) charges to appropriations	(2,482,931)	(1,403,838)	1,079,093
OTHER FINANCING SOURCES (USES)			
Transfers in	1,419,409	1,223,034	(196,375)
Transfers out	-	(6,252)	(6,252)
Net transfers	<u>1,419,409</u>	<u>1,216,782</u>	<u>(202,627)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (1,063,522)</u>	<u>\$ (187,056)</u>	<u>\$ 876,466</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2017

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 190,000	\$ 185,336	\$ (4,664)
Intergovernmental	930,000	937,585	7,585
Grants	120,000	143,509	23,509
Interest income	-	2,000	2,000
	<hr/>	<hr/>	<hr/>
Total resources	1,240,000	1,268,430	28,430
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	1,020,785	1,137,932	117,147
Capital outlay	284,016	518,969	234,953
Principal payments on debt	-	25,767	25,767
Interest expense	-	629	629
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	1,304,801	1,683,297	378,496
Resources over (under) charges to appropriations	(64,801)	(414,867)	(350,066)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	706,143	706,143
	<hr/>	<hr/>	<hr/>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (64,801)</u>	<u>\$ 291,276</u>	<u>\$ 356,077</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2017

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 368,333	\$ 373,716	\$ 5,383
Interest income	-	1,301	1,301
Loan collections	<u>25,000</u>	<u>27,330</u>	<u>2,330</u>
Total resources	393,333	402,347	9,014
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Economic development	580,810	310,165	(270,645)
Principal payments	125,000	125,000	-
Interest expense	10,330	10,330	-
Bond fees	<u>350</u>	<u>365</u>	<u>15</u>
Total charges to appropriations	<u>716,490</u>	<u>445,860</u>	<u>(270,630)</u>
Resources over (under) charges to appropriations	(323,157)	(43,513)	279,644
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>135,680</u>	<u>-</u>	<u>(135,680)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (187,477)</u>	<u>\$ (43,513)</u>	<u>\$ 143,964</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2017

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Sales tax	\$ 1,105,000	\$ 1,121,147	\$ 16,147
Grants	-	38,748	38,748
Interest income	-	8,152	8,152
Total resources	<u>1,105,000</u>	<u>1,168,047</u>	<u>63,047</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	386,698	1,855	(384,843)
Capital projects	530,316	31,401	(498,915)
Principal payments	570,000	570,000	-
Interest on long-term debt	30,840	30,840	-
Bond fees	-	1,700	1,700
Total charges to appropriations	<u>1,517,854</u>	<u>635,796</u>	<u>(882,058)</u>
Resources over (under) charges to appropriations	(412,854)	532,251	945,105
OTHER FINANCING USES			
Transfers out	-	(706,143)	(706,143)
RESOURCES AND OTHER FINANCING USES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (412,854)</u>	<u>\$ (173,892)</u>	<u>\$ 238,962</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2017

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Intergovernmental	\$ 50,000	\$ 51,942	\$ 1,942
Grants	559,000	550,078	(8,922)
Charges for services	45,000	39,975	(5,025)
Contributions	-	3,702	3,702
Interest income	-	8,368	8,368
Insurance proceeds	58,125	2,185	(55,940)
Other revenues	-	10,825	10,825
Total resources	<u>712,125</u>	<u>667,075</u>	<u>(45,050)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	494,028	8,596	(485,432)
Public safety	(10,149)	32,021	42,170
Environment and leisure	38,625	(2)	(38,627)
Capital outlay	812,589	586,351	(226,238)
Total charges to appropriations	<u>1,335,093</u>	<u>626,966</u>	<u>(708,127)</u>
Resources over (under) charges to appropriations	(622,968)	40,109	663,077
OTHER FINANCING SOURCES			
Transfers in (out)	<u>(58,125)</u>	<u>(97,980)</u>	<u>(39,855)</u>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (681,093)</u>	<u>\$ (57,871)</u>	<u>\$ 623,222</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2017

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Interest	\$ -	\$ 3,871	\$ 3,871
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	483	-	(483)
Other improvements	362,120	-	(362,120)
Total charges to appropriations	<u>362,603</u>	<u>-</u>	<u>(362,603)</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (362,603)</u>	<u>\$ 3,871</u>	<u>\$ 366,474</u>

CITY OF MCCOOK, NEBRASKA

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

September 30, 2017

	<u>Special Fire</u>	<u>Senior Center Contributions</u>	<u>School</u>	<u>Library Memorial</u>
ASSETS				
Cash	<u>\$ 1,158</u>	<u>\$ 50,903</u>	<u>\$ 1,214</u>	<u>\$ 20,065</u>
LIABILITIES HELD FOR OTHERS				
Held in trust for other purposes	<u>\$ 1,158</u>	<u>\$ 50,903</u>	<u>\$ 1,214</u>	<u>\$ 20,065</u>

<u>Von Reissen Library</u>	<u>McCook Volunteer Fire and Rescue</u>	<u>Ambulance</u>	<u>Public Works</u>	<u>Community Paramedic Program</u>	<u>Police/ DARE</u>	<u>Total Agency Funds</u>
<u>\$ 1</u>	<u>\$ 256</u>	<u>\$ 760</u>	<u>\$ 3,876</u>	<u>\$ 5,021</u>	<u>\$ 3,858</u>	<u>\$ 87,112</u>
<u>\$ 1</u>	<u>\$ 256</u>	<u>\$ 760</u>	<u>\$ 3,876</u>	<u>\$ 5,021</u>	<u>\$ 3,858</u>	<u>\$ 87,112</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2017

	<u>Administrative</u>	<u>Publicity</u>	<u>Auditorium</u>	<u>City Council</u>
REVENUES				
Taxes:				
General property tax	\$ 1,248,679	\$ -	\$ -	\$ -
Motor vehicle tax	171,299	-	-	-
Payments in lieu of taxes	124,084	-	-	-
Occupation tax	22,373	-	-	-
Franchise	50,252	-	-	-
Sales	747,432	-	-	-
Intergovernmental revenue:				
State assistance	352,636	-	-	-
County assistance	-	-	-	-
Rural fire	-	-	-	-
School resource officer	-	-	-	-
Licenses and permits	3,622	-	-	-
Rental and fees	41,519	-	-	-
Admission fees and concessions	-	-	-	-
Grants	-	-	-	-
Contributions	5,000	-	-	-
Interest income	16,649	-	-	-
Other receipts	16,517	-	-	-
Total revenues	<u>2,800,062</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Personnel services:				
Salaries and benefits	240,869	-	10,109	9,689
Operating expenses:				
Insurance	5,457	-	6,717	3,206
Interlocal agreement	-	-	-	43,499
Contract services	2,890	1,695	256	4,558
Professional fees	56,895	-	-	-
Meetings, seminars, and dues	19,211	500	-	4,890
Repairs and maintenance	26,678	-	3,270	-
Printing, postage, and publications	9,528	-	-	-
Transportation	4,634	-	-	4,552
Utilities and telephone	4,962	-	15,265	-
Total operating expenses	<u>130,255</u>	<u>2,195</u>	<u>25,508</u>	<u>60,705</u>
Supplies	10,177	1,395	-	135
Other expenses	15,975	4,721	-	24,226
Capital outlay	5,588	-	-	-
Principal payments	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	<u>402,864</u>	<u>8,311</u>	<u>35,617</u>	<u>94,755</u>
Excess (deficiency) of revenues over expenditures before transfers	2,397,198	(8,311)	(35,617)	(94,755)
TRANSFERS FROM (TO) OTHER FUNDS	<u>1,208,034</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AFTER TRANSFERS	<u>\$ 3,605,232</u>	<u>\$ (8,311)</u>	<u>\$ (35,617)</u>	<u>\$ (94,755)</u>

Police	Fire	Ambulance	Civil Defense	Building and Zoning	Library	Cemetery
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	4,409	-
44,620	-	-	-	-	-	-
-	54,530	-	-	-	-	-
34,000	-	-	-	-	-	-
-	-	-	-	27,874	-	-
4,975	6,645	281,583	-	-	7,561	1,050
-	-	-	-	-	-	26,505
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>83,595</u>	<u>61,175</u>	<u>281,583</u>	<u>-</u>	<u>27,874</u>	<u>11,970</u>	<u>27,555</u>
1,287,288	742,230	-	-	58,038	187,463	100,947
49,329	87,742	2,476	3,237	1,732	5,491	5,790
-	-	-	-	-	-	-
3,102	5,477	41,242	-	-	-	-
2,403	125	-	-	120	-	-
9,109	10,866	2,742	-	499	465	-
76,560	36,292	12,801	5,149	1,426	9,439	(3,824)
-	-	236	-	-	1,003	-
28,040	8,690	5,764	-	819	210	1,930
66,022	4,478	2,842	9,007	1,144	18,978	36,689
<u>234,565</u>	<u>153,670</u>	<u>68,103</u>	<u>17,393</u>	<u>5,740</u>	<u>35,586</u>	<u>40,585</u>
4,355	2,476	4,352	-	702	6,221	8,955
23,963	11,765	7,630	-	74	57,293	8
51,302	13,041	-	-	-	-	-
-	-	13,658	-	-	-	-
-	-	1,601	-	-	-	-
<u>1,601,473</u>	<u>923,182</u>	<u>95,344</u>	<u>17,393</u>	<u>64,554</u>	<u>286,563</u>	<u>150,495</u>
(1,517,878)	(862,007)	186,239	(17,393)	(36,680)	(274,593)	(122,940)
15,000	(6,252)	-	-	-	-	-
<u>\$ (1,502,878)</u>	<u>\$ (868,259)</u>	<u>\$ 186,239</u>	<u>\$ (17,393)</u>	<u>\$ (36,680)</u>	<u>\$ (274,593)</u>	<u>\$ (122,940)</u>

CITY OF MCCOOK, NEBRASKA

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

Year ended September 30, 2017

	<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	-	-	-	79,894
Admission fees and concessions	-	-	17,682	-
Grants	-	-	-	-
Contributions	-	-	-	-
Interest income	-	-	-	-
Other receipts	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>17,682</u>	<u>79,894</u>
EXPENDITURES				
Personnel services:				
Salaries and benefits	105,005	51,285	53,898	64,369
Operating expenses:				
Insurance	14,221	10,746	3,230	17,915
Interlocal agreement	-	-	-	-
Contract services	-	-	-	-
Professional fees	-	-	-	2,022
Meetings, seminars, and dues	60	-	-	642
Repairs and maintenance	3,559	6,358	2,203	(8,399)
Printing, postage, and publications	-	-	-	-
Transportation	927	1,527	-	1,870
Utilities and telephone	35,359	25,379	6,957	16,716
Total operating expenses	<u>54,126</u>	<u>44,010</u>	<u>12,390</u>	<u>30,766</u>
Supplies	14,859	6,259	20,909	1,163
Other expenses	-	1,608	4,494	7,435
Capital outlay	-	-	-	5,924
Principal payments	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	<u>173,990</u>	<u>103,162</u>	<u>91,691</u>	<u>109,657</u>
Excess (deficiency) of revenues over expenditures before transfers	(173,990)	(103,162)	(74,009)	(29,763)
TRANSFERS FROM (TO) OTHER FUNDS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AFTER TRANSFERS	<u>\$ (173,990)</u>	<u>\$ (103,162)</u>	<u>\$ (74,009)</u>	<u>\$ (29,763)</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,248,679
-	-	-	-	-	-	171,299
-	-	-	-	-	-	124,084
-	-	-	-	-	-	22,373
-	-	-	-	-	-	50,252
-	-	-	-	-	-	747,432
-	-	3,587	21,410	-	-	382,042
-	-	-	-	-	-	44,620
-	-	-	-	-	-	54,530
-	-	-	-	-	-	34,000
-	-	-	-	-	-	31,496
-	-	-	3,600	-	6,075	432,902
-	-	-	-	-	-	44,187
-	-	96,310	66,092	-	-	162,402
-	-	89,994	8,428	-	-	103,422
-	-	-	-	-	1,150	17,799
-	-	-	-	-	-	16,517
-	-	<u>189,891</u>	<u>99,530</u>	-	<u>7,225</u>	<u>3,688,036</u>
-	-	155,906	117,289	452,400	-	3,636,785
-	-	8,153	4,122	-	-	229,564
-	-	4,306	-	-	-	47,805
-	-	312	-	-	-	59,532
-	-	2,000	1,000	-	-	64,565
-	-	715	145	-	-	49,844
-	-	14,825	2,189	-	550	189,076
-	-	548	41	-	-	11,356
-	-	1,037	3,293	-	-	63,293
-	-	<u>15,373</u>	<u>1,757</u>	-	-	<u>260,928</u>
-	-	47,269	12,547	-	550	975,963
-	-	12,682	83	-	-	94,723
-	12,085	118,077	3,935	-	-	293,289
-	-	-	-	-	-	75,855
-	-	-	-	-	-	13,658
-	-	-	-	-	-	1,601
-	<u>12,085</u>	<u>333,934</u>	<u>133,854</u>	<u>452,400</u>	<u>550</u>	<u>5,091,874</u>
-	(12,085)	(144,043)	(34,324)	(452,400)	6,675	(1,403,838)
-	-	-	-	-	-	<u>1,216,782</u>
<u>\$ -</u>	<u>\$ (12,085)</u>	<u>\$ (144,043)</u>	<u>\$ (34,324)</u>	<u>\$ (452,400)</u>	<u>\$ 6,675</u>	<u>\$ (187,056)</u>

CITY OF MCCOOK, NEBRASKA

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

September 30, 2017

	<u>Community Development Agency</u>	<u>McCook Leasing Corporation</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 85,699	\$ -	\$ 85,699
Current portion of note receivable	<u>85,077</u>	<u>590,000</u>	<u>675,077</u>
Total current assets	170,776	590,000	760,776
Noncurrent assets:			
Noncurrent portion of note receivable	<u>1,240,513</u>	<u>-</u>	<u>1,240,513</u>
Total assets	1,411,289	590,000	2,001,289
LIABILITIES			
Current liabilities:			
Current portion of long-term obligations	85,077	590,000	675,077
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	<u>1,252,313</u>	<u>-</u>	<u>1,252,313</u>
Total liabilities	<u>1,337,390</u>	<u>590,000</u>	<u>1,927,390</u>
NET POSITION			
Unrestricted	<u><u>\$ 73,899</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 73,899</u></u>

See notes to financial statements.

CITY OF MCCOOK, NEBRASKA

**COMBINING STATEMENT OF ACTIVITIES -
COMPONENT UNITS**

For the year ended September 30, 2017

<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	\$ 26,935	\$ -	\$ -
McCook Leasing Corporation	30,840	30,840	-
Total component units	\$ 57,775	\$ 30,840	\$ -

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>
\$ -	\$ (26,935)	\$ -	\$ (26,935)
-	-	-	-
<u>\$ -</u>	<u>(26,935)</u>	<u>-</u>	<u>(26,935)</u>
General revenues:			
TIF proceeds	37,516	-	37,516
Interest income	569	-	569
	<u>11,150</u>	<u>-</u>	<u>11,150</u>
Change in net position	11,150	-	11,150
Net position - September 30, 2016	<u>62,749</u>	<u>-</u>	<u>62,749</u>
Net position - September 30, 2017	<u>\$ 73,899</u>	<u>\$ -</u>	<u>\$ 73,899</u>



**INDEPENDENT AUDITOR'S 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, 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 5, 2018. 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

SHAREHOLDERS

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

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

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.

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

Grand Island, Nebraska
January 5, 2018