

CITY OF VALENTINE, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council
City of Valentine, Nebraska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Valentine, Nebraska as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic 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 accounting principles generally accepted in the United States of America; this includes 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 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.

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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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Valentine, Nebraska, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-13 and 60-65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Valentine, Nebraska's basic financial statements. The nonmajor fund combining statements and statement of revenue and expenditures by General Fund department are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The nonmajor fund combining statements and the statement of revenue and expenditures by General Fund department are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2020, on our consideration of the City of Valentine, 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 Valentine'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 Valentine, Nebraska's internal control over financial reporting and compliance.

AMGL, P.C.

Grand Island, Nebraska
February 12, 2020

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2019**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the City of Valentine, we offer readers of the City of Valentine financial statements this narrative overview and analysis of the financial activities of the City of Valentine for the fiscal year ended September 30, 2019.

Financial Highlights

- The assets of the City of Valentine exceeded its liabilities at the close of the most recent fiscal year by \$23,255,423 (*net position*). Of this amount, \$3,972,623 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Valentine governmental funds reported combined ending net position of \$15,302,942. Approximately 9.4 percent of this total amount, \$1,440,580, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$821,289, or 47.2 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Valentine's basic financial statements. The City of Valentine's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Valentine's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Valentine's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Valentine is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Valentine that are principally supported by taxes and intergovernmental revenues (*governmental activities*)

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Valentine include general government, public safety, highways and streets, economic development, and culture and recreation. The business-type activities of the City of Valentine include the Electric, Water, Sewer, and Landfill Enterprise Funds.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Valentine, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Valentine can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Valentine maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Street Fund, the Airport Fund, the Infrastructure Fund, and the Economic Development Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of *combining statements* elsewhere in this report.

The City of Valentine adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General, Street, Airport, Infrastructure and Economic Development Funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds. The City of Valentine maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

government-wide financial statements. The City of Valentine uses enterprise funds to account for its Electric, Water, Sewer, and Landfill Funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water, Sewer, and Landfill Funds, all of which are considered to be major funds of the City of Valentine.

The basic proprietary fund financial statements can be found on pages 20-23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-59 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Valentine's budgetary comparison schedules. Required supplementary information can be found on pages 60-65 of this report.

The nonmajor governmental funds combining statements and the statement of General Fund revenue and expenditures by department can be found on pages 66-68.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Valentine, assets exceeded liabilities by \$23,255,423 at the close of the most recent fiscal year.

Summary Statements of Net Position

	September 30, 2019			September 30, 2018		
	Governmental	Business-type		Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current and Other Assets	\$ 4,951,926	\$ 4,314,460	\$ 9,266,386	\$ 5,015,591	\$ 4,766,094	\$ 9,781,685
Capital Assets	13,388,109	8,010,438	21,398,547	12,613,677	7,262,349	19,876,026
Total Assets	18,340,035	12,324,898	30,664,933	17,629,268	12,028,443	29,657,711
Long-term Liabilities	2,497,895	3,621,000	6,118,895	2,482,132	3,751,000	6,233,132
Other Liabilities	539,198	751,417	1,290,615	500,265	764,778	1,265,043
Total Liabilities	3,037,093	4,372,417	7,409,510	2,982,397	4,515,778	7,498,175
Net Position:						
Net Investment in						
Capital Assets	10,742,047	5,420,438	16,162,485	10,015,677	4,524,535	14,540,212
Restricted	3,120,315	-	3,120,315	3,172,815	-	3,172,815
Unrestricted	1,440,580	2,532,043	3,972,623	1,458,379	2,988,130	4,446,509
Total Net Position	<u>\$ 15,302,942</u>	<u>\$ 7,952,481</u>	<u>\$ 23,255,423</u>	<u>\$ 14,646,871</u>	<u>\$ 7,512,665</u>	<u>\$ 22,159,536</u>

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

By far the largest portion of the City of Valentine's net position (69.5 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Valentine uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Valentine's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Valentine's net position (13.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$3,972,623) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Valentine is able to report positive balances in all three categories of net position, both for the government as a whole and for its separate governmental and business-type activities.

Expenses and Program Revenues – Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2019</u>		<u>Year Ended September 30, 2018</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 21,949	\$ 307,941	\$ 15,078	\$ 315,054
Public Safety	300	724,401	3,012	650,218
Public Works	702,275	392,231	4,400	384,134
Recreation	489,805	738,186	481,518	693,481
Cemetery	16,020	47,325	16,650	31,998
Airport	308,379	282,091	330,302	297,765
Economic Development	-	10,000	-	122,750
Interest	-	74,176	-	72,661
Depreciation	-	672,882	-	661,197
Total	<u>1,538,728</u>	<u>3,249,233</u>	<u>850,960</u>	<u>3,229,258</u>
Transfers out	-	172,388	-	22,250
	<u>\$ 1,538,728</u>	<u>\$ 3,421,621</u>	<u>\$ 850,960</u>	<u>\$ 3,251,508</u>

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019**

Revenues by Source – Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2019</u>			<u>Year Ended September 30, 2018</u>		
Charges for Services	\$	818,251	20.07 %	\$	819,897	24.26 %
Operating Grants and Contributions		22,477	0.55		15,331	0.45
Capital Grants and Contributions		698,000	17.12		15,732	0.46
Property Taxes		397,166	9.74		406,112	12.02
Motor Vehicle Taxes		56,816	1.39		55,379	1.64
Sales Tax		1,056,116	25.90		1,054,601	31.21
Franchise Taxes		442,019	10.84		436,841	12.93
State Allocation		500,278	12.27		469,680	13.90
Special Assessments		18,075	0.44		33,513	0.99
Miscellaneous		49,723	1.22		59,732	1.77
Interest		18,771	0.46		12,391	0.37
Total	\$	<u>4,077,692</u>	<u>100.00 %</u>	\$	<u>3,379,209</u>	<u>100.00 %</u>

Net position increased \$656,071 in the governmental funds during the year ended September 30, 2019.

Business-type activities. Business-type activities increased the City of Valentine's net position by \$439,816. Key elements of this increase are as follows:

Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2019</u>		<u>Year Ended September 30, 2018</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 4,705,039	\$ 4,203,159	\$ 4,690,413	\$ 4,586,542
Water	335,348	420,812	359,197	410,038
Sewer	302,515	414,629	281,089	391,780
Landfill	629,363	697,962	676,480	704,512
Total	<u>\$ 5,972,265</u>	<u>\$ 5,736,562</u>	<u>\$ 6,007,179</u>	<u>\$ 6,092,872</u>

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

SOURCES OF REVENUE

	<u>Year Ended September 30, 2019</u>			<u>Year Ended September 30, 2018</u>		
Charges for Services	\$	5,972,265	96.69 %	\$	6,000,879	99.05 %
Grants and Contributions		-	-		6,300	0.10
Loss on Disposal of Equipment		(12,478)	(0.20)		(2,080)	(0.04)
Interest		44,203	0.72		31,325	0.52
Interfund Transfer		172,388	2.79		22,250	0.37
Total	\$	<u>6,176,378</u>	<u>100.00 %</u>	\$	<u>6,058,674</u>	<u>100.00 %</u>

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City of Valentine'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 Valentine'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 Valentine's governmental funds reported combined ending fund balances of \$4,323,831. Approximately 19.0 percent of this total amount (\$821,289) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is not available for new spending because it has already been 1) restricted for debt service (\$571,127), 2) restricted to pay for infrastructure (\$919,128), 3) restricted for economic development (\$928,391), 4) restricted for street improvements (\$360,415), 5) restricted for community betterment (\$64,684), 6) nonspendable for cemetery perpetual care (\$143,886), 7) nonspendable for inventory and prepaids (\$48,050), 8) assigned for golf course operations (\$121,262), 9) assigned for budgetary stabilization (\$127,502), 10) assigned for airport operations (\$206,675), or 11) restricted for Federal programs (\$11,422).

The General Fund is the chief operating fund of the City of Valentine. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$821,289, while total fund balance was \$1,532,210. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 47.2 percent of total General Fund expenditures, while total fund balance represents 88.0 percent of the same amount.

The fund balance of the City of Valentine's General Fund decreased by \$72,252 during the current fiscal year. The fund balance of the Street Fund decreased by \$209,365 during the current fiscal year.

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

Proprietary funds. The City of Valentine'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 Fund - \$2,488,775, Water Fund - \$76,613, Sewer Fund - \$57,057, and Landfill Fund - deficit of \$(90,402). The Electric Fund net position increased \$528,352, the Water Fund net position increased \$7,147, the Sewer Fund net position decreased \$(44,328), and the Landfill Fund net position decreased \$(51,355). Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of Valentine's business-type activities.

Budgetary Highlights

The City of Valentine did not amend its budget during the year ended September 30, 2019.

Capital Asset and Debt Administration

Capital Assets. The City of Valentine's investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$21,398,547 (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events (individually greater than \$20,000) during the current fiscal year included the following:

- Voltage conversion and line rebuild - \$929,583
- Main Street water and sewer replacement construction in progress - \$70,998
- VX50 vac machine - \$35,000
- Water SCADA upgrade - \$57,122
- Sewer SCADA upgrade - \$67,578
- Police 2018 Ford Explorer - \$55,703
- Press box and crow's nest - \$36,817
- Storm sewer project - \$243,959
- 2019 Elgin street sweeper - \$206,062
- Cowboy Trail connection phase 1 - \$852,403

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019

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

	Year Ended September 30, 2019			Year Ended September 30, 2018		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Land	\$ 190,160	\$ -	\$ 190,160	\$ 190,160	\$ -	\$ 190,160
Construction in Progress	-	70,998	70,998	20,097	330,309	350,406
Buildings and Improvements	12,660,888	1,153,152	13,814,040	12,084,133	1,182,240	13,266,373
Machinery and Equipment	416,753	2,282,229	2,698,982	220,603	2,313,365	2,533,968
Distribution Systems, Buildings, and Equipment	-	4,424,245	4,424,245	-	3,332,827	3,332,827
Vehicles	120,308	79,814	200,122	98,684	103,608	202,292
Total	<u>\$ 13,388,109</u>	<u>\$ 8,010,438</u>	<u>\$ 21,398,547</u>	<u>\$ 12,613,677</u>	<u>\$ 7,262,349</u>	<u>\$ 19,876,026</u>

Additional information on the City of Valentine's capital assets can be found in Note C5 on pages 45-47 of this report.

Long-term debt. At the end of the current fiscal year, the City of Valentine had total bonded debt and notes payable outstanding of \$5,236,062.

City of Valentine's Outstanding Debt

	Year Ended September 30, 2019			Year Ended September 30, 2018		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
General Obligation Bonds	\$ 1,550,000	\$ -	\$ 1,550,000	\$ 1,650,000	\$ -	\$ 1,650,000
Refunding Bonds	-	2,590,000	2,590,000	-	2,720,000	2,720,000
Notes Payable	206,062	-	206,062	-	17,814	17,814
Capital Lease Payable	890,000	-	890,000	948,000	-	948,000
Total	<u>\$ 2,646,062</u>	<u>\$ 2,590,000</u>	<u>\$ 5,236,062</u>	<u>\$ 2,598,000</u>	<u>\$ 2,737,814</u>	<u>\$ 5,335,814</u>

The City of Valentine's total debt decreased by \$99,752 (1.9 percent) during the current fiscal year, due to scheduled payments that were partially offset by entering into a loan for the street sweeper.

The City of Valentine does not have a bond rating.

Additional information on the City of Valentine's long-term debt can be found in Note C7 on pages 48-51 of this report.

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2019**

Economic Factors and Next Year's Budgets and Rates

- Property tax asking for the year ending September 30, 2020, is \$433,319, the same as the prior year.
- The City's property tax levy is \$0.239270 for 2019-2020, a \$0.004199 decrease (1.7 percent) from the prior year.
- The City has commitments of \$16,902 for the Main Street water and sewer replacement project and \$59,985 for the Portland concrete project.

All of these factors were considered in preparing the City of Valentine's budget for the 2020 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the City of Valentine's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, City of Valentine, 323 N. Main Street, Valentine, NE 69201.

CITY OF VALENTINE, NEBRASKA

STATEMENT OF NET POSITION

September 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,288,492	\$ 1,026,124	\$ 2,314,616	\$ -
Certificates of deposit	91,717	1,644,876	1,736,593	-
County treasurer cash	31,092	-	31,092	-
Receivables:				
Special assessments	23,462	-	23,462	-
Accounts, net of allowance for doubtful accounts	-	142,832	142,832	-
Unbilled revenue	-	365,160	365,160	-
Current portion of notes receivable	26,842	-	26,842	59,000
Property tax	6,994	-	6,994	-
Interest	322	1,199	1,521	-
Sales tax	190,874	-	190,874	-
Inventory	45,083	276,486	321,569	-
Prepaid expenses	2,967	-	2,967	-
Total current assets	1,707,845	3,456,677	5,164,522	59,000
Noncurrent assets:				
Restricted cash and cash equivalents	2,637,841	-	2,637,841	-
Restricted certificates of deposit	239,583	857,783	1,097,366	-
Noncurrent portion of notes receivable	260,156	-	260,156	831,000
Noncurrent portion of special assessments	106,501	-	106,501	-
Capital assets:				
Land	190,160	-	190,160	-
Construction in progress	-	70,998	70,998	-
Depreciable capital assets, net of depreciation	13,197,949	7,939,440	21,137,389	-
Net capital assets	13,388,109	8,010,438	21,398,547	-
Total noncurrent assets	16,632,190	8,868,221	25,500,411	831,000
Total assets	18,340,035	12,324,898	30,664,933	890,000
LIABILITIES				
Current liabilities:				
Accounts payable	163,346	374,516	537,862	-
Accrued expenses	71,250	107,551	178,801	-
Unavailable revenue	106,501	-	106,501	-
Customer deposits	-	139,350	139,350	-
Current portion of long-term obligations	198,101	130,000	328,101	59,000
Total current liabilities	539,198	751,417	1,290,615	59,000
Noncurrent liabilities:				
Accrued closure and postclosure costs	-	1,161,000	1,161,000	-
Compensated absences	49,934	-	49,934	-
Noncurrent portion of long-term obligations	2,447,961	2,460,000	4,907,961	831,000
Total noncurrent liabilities	2,497,895	3,621,000	6,118,895	831,000
Total liabilities	3,037,093	4,372,417	7,409,510	890,000
NET POSITION				
Net investment in capital assets	10,742,047	5,420,438	16,162,485	-
Restricted for:				
Debt service	571,127	-	571,127	-
Street improvements	360,415	-	360,415	-
Golf course improvements	121,262	-	121,262	-
Infrastructure	919,128	-	919,128	-
Economic development	928,391	-	928,391	-
Community betterment	64,684	-	64,684	-
Federal programs	11,422	-	11,422	-
Cemetery perpetual care	143,886	-	143,886	-
Unrestricted	1,440,580	2,532,043	3,972,623	-
Total net position	\$ 15,302,942	\$ 7,952,481	\$ 23,255,423	\$ -

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 307,941	\$ -	\$ 21,949
Public safety	724,401	-	300
Public works	392,231	4,275	-
Environment and leisure	738,186	489,597	208
Cemetery	47,325	16,000	20
Airport	282,091	308,379	-
Economic development	10,000	-	-
Interest on long-term debt	74,176	-	-
Depreciation	672,882	-	-
Total governmental activities	<u>3,249,233</u>	<u>818,251</u>	<u>22,477</u>
Business-type activities:			
Electric	4,203,159	4,705,039	-
Water	420,812	335,348	-
Sewer	414,629	302,515	-
Landfill	697,962	629,363	-
Total business-type activities	<u>5,736,562</u>	<u>5,972,265</u>	<u>-</u>
Total primary government	<u>\$ 8,985,795</u>	<u>\$ 6,790,516</u>	<u>\$ 22,477</u>
Component unit:			
Valentine Community Education Agency	<u>\$ 25,253</u>	<u>\$ 25,253</u>	<u>\$ -</u>

See notes to financial statements.

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position			Component Unit
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (285,992)		\$ (285,992)	
-	(724,101)		(724,101)	
698,000	310,044		310,044	
-	(248,381)		(248,381)	
-	(31,305)		(31,305)	
-	26,288		26,288	
-	(10,000)		(10,000)	
-	(74,176)		(74,176)	
-	(672,882)		(672,882)	
698,000	(1,710,505)	\$ -	(1,710,505)	
-	-	501,880	501,880	
-	-	(85,464)	(85,464)	
-	-	(112,114)	(112,114)	
-	-	(68,599)	(68,599)	
-	-	235,703	235,703	
\$ 698,000	(1,710,505)	235,703	(1,474,802)	
\$ -				\$ -
General revenues:				
Taxes:				
Property	397,166	-	397,166	-
Motor vehicle	56,816	-	56,816	-
Sales tax	1,056,116	-	1,056,116	-
Franchise	442,019	-	442,019	-
State allocation	500,278	-	500,278	-
Special assessments	18,075	-	18,075	-
Miscellaneous	49,723	-	49,723	-
Loss on disposal of equipment	-	(12,478)	(12,478)	-
Interest income	18,771	44,203	62,974	-
Interfund transfers	(172,388)	172,388	-	-
Total general revenues	2,366,576	204,113	2,570,689	-
Change in net position	656,071	439,816	1,095,887	-
Net position - September 30, 2018	14,646,871	7,512,665	22,159,536	-
Net position - September 30, 2019	\$ 15,302,942	\$ 7,952,481	\$ 23,255,423	\$ -

CITY OF VALENTINE, NEBRASKA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2019

	<u>General</u>	<u>Street</u>	<u>Airport</u>	<u>Infrastructure</u>	<u>Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 1,461,922	\$ 246,501	\$ 255,739	\$ 830,188	\$ 898,738	\$ 233,245	\$ 3,926,333
Certificates of deposit	91,717	105,757	-	-	-	133,826	331,300
County treasurer cash	27,401	3,691	-	-	-	-	31,092
Receivables:							
Special assessments	-	129,963	-	-	-	-	129,963
Property tax	6,043	951	-	-	-	-	6,994
Interest	138	-	-	-	-	184	322
Sales tax	59,287	12,994	-	88,940	29,653	-	190,874
Inventory	-	-	45,083	-	-	-	45,083
Prepaid expenses	870	-	1,425	-	-	672	2,967
Total assets	<u><u>\$ 1,647,378</u></u>	<u><u>\$ 499,857</u></u>	<u><u>\$ 302,247</u></u>	<u><u>\$ 919,128</u></u>	<u><u>\$ 928,391</u></u>	<u><u>\$ 367,927</u></u>	<u><u>\$ 4,664,928</u></u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 73,648	\$ 21,492	\$ 48,906	\$ -	\$ -	\$ 19,300	\$ 163,346
Accrued expenses	41,520	11,449	158	-	-	18,123	71,250
Unavailable revenue	-	106,501	-	-	-	-	106,501
Total liabilities	<u>115,168</u>	<u>139,442</u>	<u>49,064</u>	<u>-</u>	<u>-</u>	<u>37,423</u>	<u>341,097</u>
Fund balances:							
Nonspendable:							
Inventory and prepaids	870	-	46,508	-	-	672	48,050
Cemetery perpetual care	-	-	-	-	-	143,886	143,886
Restricted for:							
Debt service	571,127	-	-	-	-	-	571,127
Street improvements	-	360,415	-	-	-	-	360,415
Infrastructure	-	-	-	919,128	-	-	919,128
Economic development	-	-	-	-	928,391	-	928,391
Community betterment	-	-	-	-	-	64,684	64,684
Federal programs	11,422	-	-	-	-	-	11,422
Assigned for:							
Airport	-	-	206,675	-	-	-	206,675
Golf course	-	-	-	-	-	121,262	121,262
Budgetary stabilization	127,502	-	-	-	-	-	127,502
Unassigned	821,289	-	-	-	-	-	821,289
Total fund balances	<u>1,532,210</u>	<u>360,415</u>	<u>253,183</u>	<u>919,128</u>	<u>928,391</u>	<u>330,504</u>	<u>4,323,831</u>
Total liabilities and fund balances	<u><u>\$ 1,647,378</u></u>	<u><u>\$ 499,857</u></u>	<u><u>\$ 302,247</u></u>	<u><u>\$ 919,128</u></u>	<u><u>\$ 928,391</u></u>	<u><u>\$ 367,927</u></u>	<u><u>\$ 4,664,928</u></u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

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

September 30, 2019

Total fund balances - governmental funds \$ 4,323,831

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

Notes receivable are not recorded as an asset in the fund
financial statements. 286,998

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 \$19,215,914
and the accumulated depreciation is \$5,827,805. 13,388,109

Long-term liabilities, including bonds and notes payable,
are not due and payable in the current period and therefore
are not reported as liabilities in the fund financial statements.
Long-term liabilities at year end consist of:

Compensated absences	\$ (49,934)	
Bonds, note and capital lease payable	<u>(2,646,062)</u>	<u>(2,695,996)</u>

Total net position - governmental activities \$ 15,302,942

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2019

	<u>General</u>	<u>Street</u>	<u>Airport</u>	<u>Infrastructure</u>	<u>Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes:							
Property	\$ 397,166	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 397,166
Motor vehicle	-	56,816	-	-	-	-	56,816
Sales tax	328,779	69,779	-	493,169	164,389	-	1,056,116
Franchise	442,019	-	-	-	-	-	442,019
Intergovernmental	41,594	458,684	-	-	-	-	500,278
Special assessments	-	2,484	-	15,591	-	-	18,075
Licenses and permits	11,881	-	-	-	-	5,305	17,186
Charges for services	196,773	4,275	308,379	-	-	308,824	818,251
Grants and donations	2,096	-	-	-	-	20,381	22,477
Loan collections	-	-	-	-	49,837	-	49,837
Interest income	10,732	2,245	-	2,922	2,757	115	18,771
Loan proceeds	-	206,062	-	-	-	-	206,062
Other income	18,888	-	5,579	-	-	1,218	25,685
Total revenues	<u>1,449,928</u>	<u>800,345</u>	<u>313,958</u>	<u>511,682</u>	<u>216,983</u>	<u>335,843</u>	<u>3,628,739</u>
EXPENDITURES							
General government	302,636	-	-	-	-	5,305	307,941
Public safety	720,859	-	-	-	-	-	720,859
Public works	-	389,326	-	-	-	-	389,326
Environment and leisure	477,497	-	-	-	-	259,334	736,831
Cemetery	47,325	-	-	-	-	-	47,325
Airport	-	-	282,091	-	-	-	282,091
Economic development	-	-	-	-	110,000	-	110,000
Capital outlay	109,923	616,091	-	-	-	23,300	749,314
Principal payments on debt	58,000	-	-	-	-	100,000	158,000
Interest on long-term debt	25,253	4,293	-	-	-	44,630	74,176
Total expenditures	<u>1,741,493</u>	<u>1,009,710</u>	<u>282,091</u>	<u>-</u>	<u>110,000</u>	<u>432,569</u>	<u>3,575,863</u>
Excess (deficiency) of revenues over expenditures	(291,565)	(209,365)	31,867	511,682	106,983	(96,726)	52,876
OTHER FINANCING SOURCES (USES)							
Net transfers in (out)	<u>219,313</u>	<u>-</u>	<u>-</u>	<u>(435,255)</u>	<u>(59,456)</u>	<u>103,010</u>	<u>(172,388)</u>
Net change in fund balances	(72,252)	(209,365)	31,867	76,427	47,527	6,284	(119,512)
Fund balances - September 30, 2018	<u>1,604,462</u>	<u>569,780</u>	<u>221,316</u>	<u>842,701</u>	<u>880,864</u>	<u>324,220</u>	<u>4,443,343</u>
Fund balances - September 30, 2019	<u>\$ 1,532,210</u>	<u>\$ 360,415</u>	<u>\$ 253,183</u>	<u>\$ 919,128</u>	<u>\$ 928,391</u>	<u>\$ 330,504</u>	<u>\$ 4,323,831</u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Total net change in fund balances - governmental funds	\$ (119,512)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Payments on notes receivable are reported in the governmental funds as revenue, but the payments decrease notes receivable in the statement of activities.	(42,985)
Advances on notes receivable are reported in the governmental funds as expenditures, but the advances increase notes receivable in the statement of activities.	100,000
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 (\$749,314) and donated capital assets (\$698,000) exceed depreciation expense (\$672,882) in the period.	774,432
The change in noncurrent compensated absences is reported as an expense in the statement of activities. Noncurrent compensated absences are not reported in the governmental funds.	(7,802)
Loan proceeds are reported as revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(206,062)
Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	158,000
Change in net position of governmental activities	<u><u>\$ 656,071</u></u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
September 30, 2019

	Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 606,799	\$ 116,211	\$ 56,605	\$ 246,509	\$ 1,026,124
Certificates of deposit	1,625,068	19,808	-	-	1,644,876
Receivables:					
Accounts, net of allowance for doubtful accounts	108,274	14,877	8,495	11,186	142,832
Unbilled revenue	302,269	37,727	24,708	456	365,160
Interest	1,199	-	-	-	1,199
Inventory	253,692	21,875	919	-	276,486
Total current assets	2,897,301	210,498	90,727	258,151	3,456,677
Noncurrent assets:					
Restricted certificates of deposit	-	-	-	857,783	857,783
Capital assets:					
Construction in progress	-	35,499	35,499	-	70,998
Other capital assets	8,102,384	1,761,255	3,296,629	2,231,826	15,392,094
Less accumulated depreciation	(3,822,841)	(988,779)	(1,843,939)	(797,095)	(7,452,654)
Net capital assets	4,279,543	807,975	1,488,189	1,434,731	8,010,438
Total noncurrent assets	4,279,543	807,975	1,488,189	2,292,514	8,868,221
Total assets	7,176,844	1,018,473	1,578,916	2,550,665	12,324,898
LIABILITIES					
Current liabilities:					
Accounts payable	236,875	81,149	16,966	39,526	374,516
Accrued payroll and vacation	20,912	15,256	16,704	5,810	58,682
Sales tax payable	25,246	-	-	-	25,246
Accrued interest payable	23,623	-	-	-	23,623
Customer deposits	101,870	37,480	-	-	139,350
Current portion of long-term obligations	130,000	-	-	-	130,000
Total current liabilities	538,526	133,885	33,670	45,336	751,417
Noncurrent liabilities:					
Accrued closure and postclosure costs	-	-	-	1,161,000	1,161,000
Noncurrent portion of long-term obligations	2,460,000	-	-	-	2,460,000
Total noncurrent liabilities	2,460,000	-	-	1,161,000	3,621,000
Total liabilities	2,998,526	133,885	33,670	1,206,336	4,372,417
NET POSITION					
Net investment in capital assets	1,689,543	807,975	1,488,189	1,434,731	5,420,438
Unrestricted	2,488,775	76,613	57,057	(90,402)	2,532,043
Total net position	<u>\$ 4,178,318</u>	<u>\$ 884,588</u>	<u>\$ 1,545,246</u>	<u>\$ 1,344,329</u>	<u>\$ 7,952,481</u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

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

For the Year Ended September 30, 2019

	Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	Total
Operating revenues:					
Charges for services	\$ 4,633,306	\$ 323,827	\$ 288,429	\$ 629,363	\$ 5,874,925
Other revenue	71,733	11,521	14,086	-	97,340
Total operating revenues	4,705,039	335,348	302,515	629,363	5,972,265
Operating expenses:					
Cost of power	3,112,268	-	-	-	3,112,268
Personnel services	265,882	230,273	190,331	102,738	789,224
Insurance and bonds	11,621	8,549	10,005	3,694	33,869
Utilities and telephone	21,168	20,608	49,842	2,901	94,519
Repairs and maintenance	70,469	73,335	64,038	17,657	225,499
Contractual obligations	7,027	6,604	1,163	406,060	420,854
Supplies	26,697	842	6,527	486	34,552
Licenses and fees	420,582	-	-	19,870	440,452
Professional fees	7,293	8,515	1,030	74,154	90,992
Miscellaneous	13,186	12,173	4,406	2,285	32,050
Depreciation	183,660	59,913	87,287	67,888	398,748
Total operating expenses	4,139,853	420,812	414,629	697,733	5,673,027
Operating income (loss)	565,186	(85,464)	(112,114)	(68,370)	299,238
Nonoperating revenues (expenses):					
Interest income	26,472	487	-	17,244	44,203
Loss on disposal of equipment	-	-	(12,478)	-	(12,478)
Interest expense	(63,306)	-	-	(229)	(63,535)
Total nonoperating revenues (expenses)	(36,834)	487	(12,478)	17,015	(31,810)
Income (loss) before interfund transfers	528,352	(84,977)	(124,592)	(51,355)	267,428
Interfund transfers:					
Transfer from other funds	-	92,124	80,264	-	172,388
Change in net position	528,352	7,147	(44,328)	(51,355)	439,816
Net position - September 30, 2018	3,649,966	877,441	1,589,574	1,395,684	7,512,665
Net position - September 30, 2019	\$ 4,178,318	\$ 884,588	\$ 1,545,246	\$ 1,344,329	\$ 7,952,481

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the Year Ended September 30, 2019

	<u>Enterprise Funds</u>	
	<u>Electric Fund</u>	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 4,734,793	\$ 348,551
Payments to suppliers	(3,727,234)	(144,859)
Payments to employees	(262,219)	(226,251)
Net cash provided (used) by operating activities	<u>745,340</u>	<u>(22,559)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	-	92,124
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(981,921)	(38,715)
Principal payments on capital debt	(130,000)	-
Interest paid on capital debt	(63,890)	-
Net cash used by capital and related financing activities	<u>(1,175,811)</u>	<u>(38,715)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received on notes receivable	17,814	-
Increase in certificates of deposit	(39,930)	(487)
Increase in restricted certificates of deposit	-	-
Interest received	25,577	487
Net cash provided (used) by investing activities	<u>3,461</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(427,010)	30,850
Cash and cash equivalents - beginning of the year	<u>1,033,809</u>	<u>85,361</u>
Cash and cash equivalents - end of the year	<u><u>\$ 606,799</u></u>	<u><u>\$ 116,211</u></u>

See notes to financial statements.

Enterprise Funds		
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
\$ 304,064	\$ 631,575	\$ 6,018,983
(140,896)	(530,393)	(4,543,382)
(187,755)	(101,139)	(777,364)
<u>(24,587)</u>	<u>43</u>	<u>698,237</u>
80,264	-	172,388
(101,726)	(3,600)	(1,125,962)
-	(17,814)	(147,814)
-	(356)	(64,246)
<u>(101,726)</u>	<u>(21,770)</u>	<u>(1,338,022)</u>
-	-	17,814
-	-	(40,417)
-	(64,420)	(64,420)
-	17,244	43,308
<u>-</u>	<u>(47,176)</u>	<u>(43,715)</u>
(46,049)	(68,903)	(511,112)
<u>102,654</u>	<u>315,412</u>	<u>1,537,236</u>
<u>\$ 56,605</u>	<u>\$ 246,509</u>	<u>\$ 1,026,124</u>

CITY OF VALENTINE, NEBRASKA

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

For the Year Ended September 30, 2019

	<u>Enterprise Funds</u>	
	<u>Electric Fund</u>	<u>Water Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 565,186	\$ (85,464)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	183,660	59,913
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	26,998	12,538
Inventories	(1,706)	(13,024)
Accounts payable	(34,732)	(1,209)
Accrued payroll and vacation	3,663	4,022
Other accrued expenses	(485)	-
Customer deposits	2,756	665
Net cash provided (used) by operating activities	<u>\$ 745,340</u>	<u>\$ (22,559)</u>

See notes to financial statements.

Enterprise Funds		
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
\$ (112,114)	\$ (68,370)	\$ 299,238
87,287	67,888	398,748
1,549	2,212	43,297
(127)	-	(14,857)
(3,758)	(3,286)	(42,985)
2,576	1,599	11,860
-	-	(485)
-	-	3,421
<u>\$ (24,587)</u>	<u>\$ 43</u>	<u>\$ 698,237</u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

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CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Valentine, Nebraska (City) are prepared in accordance with generally accepted accounting principles (GAAP). 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 Valentine, Nebraska, was incorporated in 1884. The City operates under a Council-Manager form of government with an elected Council, composed of five members. The five members of the City Council are elected on alternating 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; planning and zoning; parks; recreation; urban development; electric, water, and sanitary sewer systems; landfill; and general administrative services.

The City's financial reporting entity comprises the following:

Primary Government:	City of Valentine
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Discretely Presented Component Unit:	Valentine Community Education Agency
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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 VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The following is the discretely presented component unit:

	<u>Brief Description of Activities and Relationship to the City:</u>
Valentine Community Education Agency	Established to construct and operate a community education facility with Mid-Plains Community College.

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 except for fiduciary funds. 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 VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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 ten percent of the corresponding total for all funds of that category or type; and
- 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 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.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Governmental Funds, continued

Permanent Funds

The Permanent Funds account for assets held in trust by the City. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

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.

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	See page 27 for description.
Street	The Street Fund is a Special Revenue Fund that accounts for the City's share of highway allocation from the State of Nebraska.
Airport	The Airport Fund is a Special Revenue Fund that accounts for airport operations.
Infrastructure	The Infrastructure Fund is a Special Revenue Fund that accounts for the collection of the City sales tax.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds, continued

<u>Fund</u>	<u>Brief Description</u>	
<i>Major, continued:</i>		
Governmental, continued:		
Economic Development	Accounts for various economic development programs.	
Proprietary:		
Enterprise:	See page 28 for description.	
Electric, Water, Sewer, and Landfill		
<i>Nonmajor:</i>		
Special Revenue:		
Fines and Fees	Accounts for local fines and fees collected.	
Golf	Accounts for revenues and expenditures of the golf course.	
Permanent:		
Perpetual Care	Accounts for the collection of receipts for cemetery perpetual care.	
Queen Jackson Memorial	Accounts for trust monies received for the direct benefit, welfare, and convenience of the public in projects and purposes such as improvement and maintenance of the city park, library, cemetery, and/or any other public project.	

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting

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

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like 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.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-like 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.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Basis of Accounting, continued

In the fund financial statements, governmental funds and fiduciary funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

All proprietary funds 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 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.

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.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

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. Major receivable balances for the governmental activities include special assessments and property taxes. Business-type activities report utility billings as their major receivables.

In the fund financial statements, receivables in governmental funds include revenue accruals such as special assessments and property taxes, since they are usually both measurable and available. 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.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

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.

Government-wide Statements

In the government-wide financial statements, capital assets are capitalized and reported in the Statement of Net Position. 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 of general capital assets and all proprietary 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	20-50 years
Improvements	10-50 years
Machinery and Equipment	3-20 years
Utility System	25-50 years

The governmental funds infrastructure assets are capitalized under the prospective method, 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 VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Unavailable Revenue

Unavailable revenues consist of property taxes and special assessments expected to be collected after 60 days.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. In the event of termination, an employee is paid for all unused accumulated vacation time. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds do not report the compensated absence liability since it is not payable from expendable available financial resources. The proprietary funds report the total liability.

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 bonds and notes payable.

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 VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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 net position” 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 has 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 VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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 16). 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 one-and-one-half-cent sales tax on taxable sales within the City. The sales tax is to be used for the following purposes:

3/4 percent – Pay principal and interest on bonds, relieve property tax, and purchase and maintain equipment and infrastructure

1/2 percent – Operation, maintenance and debt service of the City's pool and financing of the construction, operation, and maintenance of recreation, capital improvement, economic development or community betterment projects.

1/4 percent – Economic Development Program

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Sales and Use Tax, continued

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. One-third of the sales tax is recorded in the General Fund and used for budgeted pool debt service. One-sixth of the sales tax is recorded in the Economic Development Fund and used for economic development. The remaining one-half is recorded in the infrastructure fund, a special revenue fund, and transfers are made to other funds as needed.

Sales taxes collected by the State in August and September and received by the City in October and November have been accrued and are included in receivables. As of October 1, 2006, sales tax collected on the sale of motor vehicles is recorded in the Street Fund as required by LB904.

Property Taxes

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

The tax levies for all political subdivisions in Cherry 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 2018-2019 are recorded as revenue when expected to be collected within 60 days after September 30, 2019. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as deferred revenue on the fund balance sheets.

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. They also include all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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 is 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: General, Special Revenue, and Permanent Funds.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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 bank deposits 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.

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.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data, continued

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. 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.
- f. 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.
- g. Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.
- h. The City of Valentine adopts a budget by resolution for all fund types.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, equity, revenues, and expenditures/expenses.

1. Cash and Certificates of Deposit

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, 2019. 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.

<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 and certificates of deposit	\$ 7,823,238	\$ 7,149,409	\$ 673,829	\$ -	\$ <u>7,786,416</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –

Unrestricted cash and cash equivalents	\$ 2,314,616
Restricted cash and cash equivalents	2,637,841
Unrestricted certificates of deposit	1,736,593
Restricted certificates of deposit	<u>1,097,366</u>
	\$ <u>7,786,416</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

2. Restricted Assets

The restricted assets as of September 30, 2019, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 2,637,841	\$ -	\$ 2,637,841
Certificates of deposit	239,583	857,783	1,097,366
	<u>\$ 2,877,424</u>	<u>\$ 857,783</u>	<u>\$ 3,735,207</u>

The governmental activities' restricted assets as of September 30, 2019, consisted of \$571,127 in the General Fund restricted for debt service, \$11,422 in the General Fund restricted for Federal programs, \$352,258 in the Street Fund restricted for street improvements, \$830,188 in the Infrastructure Fund restricted for infrastructure, \$7,621 in the Fines and Fees Fund restricted for community betterment, \$898,738 in the Economic Development Fund restricted for economic development, \$143,702 in the Perpetual Care Fund restricted for cemetery perpetual care and \$62,368 in the Queen Jackson Memorial Fund restricted for community betterment.

The business-type activities' restricted assets as of September 30, 2019, consisted of \$857,783 in the Landfill Fund restricted for landfill closure and post-closure costs.

3. Accounts Receivable

Accounts receivable of the business-type activities consist of utilities receivable. Receivables detail at September 30, 2019, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 210,732
Allowance for doubtful accounts	<u>(67,900)</u>
Net accounts receivable	<u>\$ 142,832</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

4. Notes Receivable

Governmental Activities

The Economic Development Fund has made ten economic development loans. Notes receivable at September 30, 2019, consisted of the following:

Note for \$100,000 dated July 17, 2015; due in 180 monthly payments of \$739.69 through August 1, 2030; bearing interest at 4.0 percent. \$ 78,427

Note for \$63,000 dated December 1, 2010; due in 120 monthly payments of \$642.10 through February 15, 2021; bearing interest at 4.0 percent. This note was collected in full during the year ending September 30, 2019. -

Note for \$34,000 dated November 14, 2012; due in 120 monthly payments of \$344.23 through November 14, 2022; bearing interest at 4.0 percent. 12,267

Note for \$100,000 dated May 30, 2013; due in 60 monthly payments of \$1,872.96 through November 1, 2018; bearing interest at 4.0 percent. This note was collected in full during the year ending September 30, 2019. -

Note for \$52,500 dated September 30, 2013; due in 60 monthly payments of \$975.46 through December 20, 2018; bearing interest at 4.0 percent. This note was collected in full during the year ending September 30, 2019. -

Note for \$30,000 dated September 30, 2013; due in 120 monthly payments of \$306.43 through December 20, 2023; bearing interest at 4.0 percent. 14,350

Note for \$34,000 dated December 28, 2016; due in 180 monthly payments of \$306.43 through January 20, 2032; bearing interest at 4.0 percent. 29,878

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

4. Notes Receivable, continued

Governmental Activities, continued

Note for \$31,000 dated May 12, 2017; due in 180 monthly payments of \$306.43 through May 15, 2032; bearing interest at 4.0 percent.	26,726
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Note for \$31,000 dated May 12, 2017; due in 180 monthly payments of \$306.43 through May 15, 2032; bearing interest at 4.0 percent.	26,710
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Note for \$100,000 dated July 1, 2019; due in 120 monthly payments of \$1,012.45 through July 20, 2029; bearing interest at 4.0 percent.	<u>98,640</u>
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Total governmental activities notes receivable	\$ <u>286,998</u>
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Current portion	\$ 26,842
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Noncurrent portion	<u>260,156</u>
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Total	\$ <u>286,998</u>
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Business-type Activities

The Electric Fund has made one loan. Notes receivable at September 30, 2019, consisted of the following:

In 2012, the Landfill Fund borrowed \$118,053 from the Electric Fund to refund bonds. Interest is at 2.00 percent and payments are due over a seven-year term. This note was collected in full during the year ending September 30, 2019.	\$ <u>-</u>
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Component Unit

The Valentine Community Education Center has a capital lease note receivable from the City for a building. The note receivable had a balance of \$890,000 at September 30, 2019, and is described in greater detail in Note C7.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

5. Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance at October 1, 2018	Additions	Disposals	Reclass	Balance at September 30, 2019
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 190,160	\$ -	\$ -	\$ -	\$ 190,160
Construction in progress	20,097	852,403	-	(872,500)	-
Total capital assets not being depreciated	210,257	852,403	-	(872,500)	190,160
Other capital assets being depreciated:					
Buildings and improvements	16,123,657	292,801	-	872,500	17,288,958
Machinery and equipment	949,847	246,407	(2,095)	-	1,194,159
Vehicles	486,934	55,703	-	-	542,637
Total other capital assets at historical cost	17,560,438	594,911	(2,095)	872,500	19,025,754
Less accumulated depreciation for:					
Buildings and improvements	(4,039,524)	(588,546)	-	-	(4,628,070)
Machinery and equipment	(729,244)	(50,257)	2,095	-	(777,406)
Vehicles	(388,250)	(34,079)	-	-	(422,329)
Total accumulated depreciation	(5,157,018)	(672,882) *	2,095	-	(5,827,805)
Other capital assets, net	12,403,420	(77,971)	-	872,500	13,197,949
Governmental activities capital assets, net	<u>\$ 12,613,677</u>	<u>\$ 774,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,388,109</u>

* Depreciation expense was incurred by the following governmental activities:

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

5. Capital Assets, continued

General Fund:

General government \$ 84,137

Public safety:

Police 25,556

Fire 18,329

Total public safety 43,885

Public works:

Cemetery 929

Environment and leisure:

Swimming pool 66,445

Library 12,707

Parks and recreation 28,088

Total environment and leisure 107,240

Total General Fund 236,191

Street Fund 123,930

Airport Fund 244,780

Golf Fund 67,981

Total governmental activities depreciation expense \$ 672,882

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

5. Capital Assets, continued

Business-type Activities:

	Balance at October 1, 2018	Additions	Disposals	Reclass	Balance at September 30, 2019
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Construction in progress	\$ 330,309	\$ 1,000,581	\$ -	\$ (1,259,892)	\$ 70,998
Other capital assets being depreciated:					
Distribution systems, buildings, and equipment	5,454,886	-	-	1,259,892	6,714,778
Buildings and improvements	1,899,176	3,600	-	-	1,902,776
Machinery and equipment	6,238,426	155,134	(86,375)	-	6,307,185
Vehicles	467,355	-	-	-	467,355
Total other capital assets at historical cost	14,059,843	158,734	(86,375)	1,259,892	15,392,094
Less accumulated depreciation for:					
Distribution systems, buildings, and equipment	(2,122,059)	(168,474)	-	-	(2,290,533)
Buildings and improvements	(716,936)	(32,688)	-	-	(749,624)
Machinery and equipment	(3,925,061)	(173,792)	73,897	-	(4,024,956)
Vehicles	(363,747)	(23,794)	-	-	(387,541)
Total accumulated depreciation	(7,127,803)	(398,748) *	73,897	-	(7,452,654)
Other capital assets, net	6,932,040	(240,014)	(12,478)	1,259,892	7,939,440
Business-type activities capital assets, net	<u>\$ 7,262,349</u>	<u>\$ 760,567</u>	<u>\$ (12,478)</u>	<u>\$ -</u>	<u>\$ 8,010,438</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 183,660
Water	59,913
Sewer	87,287
Landfill	67,888
Total business-type activities depreciation expense	<u>\$ 398,748</u>

Construction in progress at September 30, 2019 consists of \$70,998 of design costs on the Main Street water and sewer replacement project. See Note D3 for more information on construction commitments.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

6. Accounts Payable

Payables in the general, other governmental, and proprietary funds are primarily composed of payables to vendors.

7. 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.

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2019:

<u>Type of Debt</u>	<u>Balance at October 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2019</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, note and capital lease payable	<u>\$ 2,598,000</u>	<u>\$ 206,062</u>	<u>\$ (158,000)</u>	<u>\$ 2,646,062</u>	<u>\$ 198,101</u>
Business-type Activities:					
Bonds and note payable	<u>\$ 2,737,814</u>	<u>\$ -</u>	<u>\$ (147,814)</u>	<u>\$ 2,590,000</u>	<u>\$ 130,000</u>
Component Unit:					
Valentine Community Education Agency Bonds Payable	<u>\$ 948,000</u>	<u>\$ -</u>	<u>\$ (58,000)</u>	<u>\$ 890,000</u>	<u>\$ 59,000</u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

7. Long-term Debt, continued

Governmental Activities

As of September 30, 2019, the governmental long-term liabilities consisted of the following:

Bonds, note and capital lease payable:

General obligation bonds, Series 2015, with an original issue amount of \$1,750,000. Interest rates range from 1.00 percent to 3.50 percent. Interest is due in semi-annual installments and principal is due in annual installments through December 15, 2031. Paid from the Golf Fund. \$ 1,550,000

Capital lease of \$999,000 due to Valentine Community Education Agency, with interest ranging from 1.70 to 3.35 percent. Interest is due in semi-annual installments and principal is due in annual installments through December 15, 2031. Paid from the General Fund. 890,000

On February 28, 2019, the City entered into a loan agreement with Security First Bank in the amount of \$206,062 for a 2019 Elgin sweeper. The loan bears interest at 3.125 percent. The loan is due in five annual installments of \$45,111 with final maturity on February 1, 2024. This loan is paid from the Street Fund. 206,062

Total governmental activities bonds, note and capital lease payable \$ 2,646,062

Current portion \$ 198,101

Noncurrent portion 2,447,961

Total \$ 2,646,062

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

7. Long-term Debt, continued

Business-type Activities

As of September 30, 2019, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds and note payable:

Combined utilities system revenue refunding bonds, series 2016, with an original issue amount of \$2,850,000. Interest rates range from 1.10 percent to 3.20 percent. Interest is due in semi-annual installments and principal is due in annual installments through November 15, 2036. Paid from the Electric Fund. \$ 2,590,000

In 2012, the Landfill Fund borrowed \$118,053 from the Electric Fund to refund bonds. Interest is at 2.00 percent and payments are due over a seven-year term. This loan was paid in full during the year ending September 30, 2019. -

Total business-type activity bonds and note payable \$ 2,590,000

Current portion \$ 130,000

Noncurrent portion 2,460,000

Total \$ 2,590,000

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

7. Long-term Debt, continued

Component Unit

Bond payable:

On January 26, 2017, the Valentine Community Education Agency issued \$999,000 of sales tax revenue bonds, series 2017, for the construction of the public education facility. Interest rates range from 1.70 percent to 3.35 percent. Interest is due in semi-annual installments and principal is due in annual installments through December 15, 2031. The City has a capital lease obligation which will service the debt for the Valentine Community Education Agency (this is shown as an offsetting note receivable by the Valentine Community Education Agency).

\$ 890,000

Current portion

\$ 59,000

Noncurrent portion

831,000

Total

\$ 890,000

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2019, are as follows:

Year Ending September 30,	Governmental Activities				Business-type Activities		Component Unit	
	Direct Placement Debt		Other Debt Issue		Other Debt Issue		Other Debt Issue	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 98,101	\$ 30,268	\$ 105,000	\$ 43,546	\$ 130,000	\$ 62,265	\$ 59,000	\$ 24,258
2021	99,836	28,372	105,000	41,788	135,000	60,475	60,000	23,097
2022	102,106	25,772	105,000	39,793	135,000	58,518	61,000	21,766
2023	105,401	23,112	110,000	37,505	140,000	56,385	63,000	20,402
2024	107,618	20,235	110,000	34,948	140,000	54,005	64,000	18,861
2025-2029	348,000	65,931	605,000	124,276	730,000	216,615	348,000	65,931
2030-2034	235,000	11,900	410,000	21,700	700,000	132,713	235,000	11,900
2035-2037	-	-	-	-	480,000	23,360	-	-
	<u>\$ 1,096,062</u>	<u>\$ 205,590</u>	<u>\$ 1,550,000</u>	<u>\$ 343,556</u>	<u>\$ 2,590,000</u>	<u>\$ 664,336</u>	<u>\$ 890,000</u>	<u>\$ 186,215</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

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

8. Special Assessments

The City completed street improvements in October of 1996. The total project construction and engineering costs totaled \$398,951. Of this amount, \$278,547 was assessed to property owners.

The City completed street improvements in August of 2000. The total construction and engineering costs totaled \$659,645. Of this amount, \$385,393 was assessed to property owners.

In 2006, additional assessments of \$192,875 were assessed to property owners for recently developed land.

The City completed street improvements in August of 2008. The total construction and engineering costs totaled \$146,759. Of this amount \$111,043 was assessed to property owners.

The City completed street improvements in September of 2012. The total construction and engineering costs totaled \$548,401. Of this amount \$373,172 was assessed to property owners.

Principal collections from various special assessments outstanding are reported in the Street Fund. Special assessments receivable comprised the following assessments at September 30, 2019:

Current portion	\$ 23,462
Non-current portion	<u>106,501</u>
Total street improvement assessments	\$ <u>129,963</u>

9. Interfund Transactions

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 447,576	\$ 228,263
Infrastructure Fund	-	435,255
Economic Development Fund	-	59,456
Nonmajor Funds	145,010	42,000
Water Fund	92,124	-
Sewer Fund	<u>80,264</u>	<u>-</u>
Total operating transfers	\$ <u>764,974</u>	\$ <u>764,974</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES

1. Employee Pension and Other Benefit Plans

City General Pension Plan

The City of Valentine has a contributory defined contribution employees' pension plan in which the employees of the City participate. Eligible employees contribute six percent of their gross payroll and the City matches the six percent. Employees are eligible to participate after one year of continuous service and after attaining age 18.

All employees are fully vested in their own contributions and become vested in the City's contribution after seven years' participation in the plan.

For the year ended September 30, 2019, the City's total payroll and covered payroll under the plan was \$1,440,226 and \$1,033,485, respectively. Both the City's required contribution of \$62,009 and the covered employees' required contribution of \$62,009 were made for the year ended September 30, 2019.

Deferred Compensation Plan

The City has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all City employees. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, unforeseeable emergency, or permanent disability.

As of January 1, 1997, these funds were placed in trust, in accordance with IRS Code Section 457(g)(1). IRS Code Section 457(g)(1), applicable for plan year beginning January 1, 1997, states that "a plan maintained by an eligible employer shall not be treated as an eligible deferred compensation plan unless all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries." The deferred compensation plan as placed in trust is not subject to any creditors of the City.

The employees contributed \$21,181 under the plan for the year ended September 30, 2019.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

2. Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. 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, 2019, are held by the counterparties not in the name of the City. The underlying securities consist of cash, certificates of deposit, and insured money market funds.

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 certificate of deposit maturities are as follows:

<u>Maturities by Month</u>	<u>Amount</u>
November 2019	\$ 105,757
June 2020	1,088,330
August 2020	11,074
September 2020	413,251
June 2021	570,393
September 2021	191,391
September 2022	253,231
October 2022	200,532
	<u><u>\$ 2,833,959</u></u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

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 and money market funds, minimizing credit risk associated with the City's investment portfolio.

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, 2019.

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, 2019, the City's investments and certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Security First Bank	\$ 2,102,444
Bank of the West	11,074
Sandhills State Bank	519,909
Union Bank & Trust	200,532
	<u>\$ 2,833,959</u>

3. Commitments and Contingencies

Construction Commitments

The City's governmental activities had the following construction commitments as of September 30, 2019:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2019</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
Portland concrete project	<u>\$ 59,985</u>	<u>\$ -</u>	<u>\$ 59,985</u>	Winter 2019

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Construction Commitments, continued

The City's business-type activities had the following construction commitments as of September 30, 2019:

<u>Project</u>	<u>Contract Amount</u>	<u>Incurred Through 9/30/2019</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
Main St. water and sewer replacement				
Survey	\$ 11,989	\$ 9,591	\$ 2,398	November 2019
Water design	36,260	29,008	7,252	November 2019
Sewer design	36,260	29,008	7,252	November 2019
Total	<u>\$ 84,509</u>	<u>\$ 67,607</u>	<u>\$ 16,902</u>	

Closure and Postclosure Costs

State and federal laws and regulations require the Valentine Landfill to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Valentine Landfill reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,161,000 reported as landfill closure and postclosure care liability at September 30, 2019, represents the cumulative amount reported to date based on the use of approximately 42.9 percent of the estimated capacity of the landfill. The Valentine Landfill will recognize the remaining estimated cost of closure and postclosure care of \$1,043,462 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2019. The Valentine Landfill expects to close the landfill in the year 2041. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Closure and Postclosure Costs, continued

In accordance with the State of Nebraska Title 132 Solid Waste Regulations, the City of Valentine must satisfy the requirements for a financial assurance mechanism (FAM). During the year ended September 30, 1996, the City Council passed Resolution 96-13 to make annual contributions to a special fund to finance closure and postclosure care. The Valentine Landfill is in compliance with these requirements, and, at September 30, 2019, investments totaled \$857,783 at Union Bank. The City of Valentine expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

4. Tax Abatements

The City has created a Community Development Agency (CDA) to provide for development of blighted areas. The City Council constitutes the Agency. Because the CDA does not maintain a separate bank account and all transactions are accounted for in the General Fund of the City, the CDA is not reported separately in the financial statements.

The 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.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

4. Tax Abatements, continued

Information relevant to the abatements granted by the CDA for the year ended September 30, 2019 is as follows:

<u>TIF Project:</u>	<u>Years Remaining on TIF Agreements</u>	<u>2019 TIF Valuation</u>	<u>TIF Proceeds Received during the year 9-30-2019</u>
KTJ 231, LLC	10	\$ 2,560,402	\$ 31,650
Western Oil	5	950,180	11,745
Ranchland Foods	6	1,040,451	<u>12,861</u>
			<u>\$ 56,256</u>

5. Interlocal Agreements

The City had the following Interlocal agreements in effect as of September 30, 2019:

<u>Parties to Agreement</u>	<u>Term</u>	<u>Description</u>
Cherry County	October 1, 2011 - perpetual	Agreement for law enforcement and fire dispatch
City of Gordon, City of Rushville, City of Hay Springs, City of Chadron, City of Crawford, County of Sheridan, County of Dawes, and County of Cherry	November 12, 2002 - perpetual	Provide for intergovernmental law enforcement
Middle Niobrara Natural Resources District	June 20, 2000 - perpetual	Joint ownership of Mill Pond property
Cherry County	February 12, 2009 - perpetual	Cherry County Justice Center Exchange
Cherry County	October 1, 2018 - October 1, 2019	Library/Bookmobile services
Mid-Plains Community College	October 8, 2015 - perpetual	Valentine Community Education Agency

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

NOTE D – OTHER NOTES, continued

6. Subsequent Events

Management has evaluated subsequent events through February 12, 2020, the date on which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

Year Ended September 30, 2019

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 429,030	\$ 397,433	\$ (31,597)
Sales	320,000	329,702	9,702
Franchise	442,000	442,019	19
Intergovernmental	43,884	41,594	(2,290)
Licenses and permits	11,800	11,881	81
Charges for services	185,855	196,773	10,918
Grants and contributions	30,300	2,096	(28,204)
Interest income	7,224	10,691	3,467
Other	<u>11,510</u>	<u>18,888</u>	<u>7,378</u>
Total resources	1,481,603	1,451,077	(30,526)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	327,015	329,148	2,133
Public safety	710,216	713,791	3,575
Leisure and environment	552,702	460,730	(91,972)
Cemetery	143,060	47,348	(95,712)
Capital outlay	176,000	109,923	(66,077)
Principal payments on debt	58,000	58,000	-
Interest payments on debt	<u>25,253</u>	<u>25,253</u>	<u>-</u>
Total charges to appropriations	<u>1,992,246</u>	<u>1,744,193</u>	<u>(248,053)</u>
Resources under charges to appropriations	(510,643)	(293,116)	217,527
OTHER FINANCING SOURCES			
Net transfers	<u>366,210</u>	<u>219,313</u>	<u>(146,897)</u>
RESOURCES AND OTHER FINANCING SOURCES UNDER CHARGES TO APPROPRIATIONS	<u>\$ (144,433)</u>	<u>\$ (73,803)</u>	<u>\$ 70,630</u>

CITY OF VALENTINE, NEBRASKA

BUDGETARY COMPARISON SCHEDULE -

STREET FUND

Year Ended September 30, 2019

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Motor vehicle tax	\$ 55,000	\$ 56,821	\$ 1,821
Sales tax	70,000	70,609	609
Intergovernmental	464,660	458,684	(5,976)
Special assessments	2,000	2,326	326
Charges for services	5,200	4,275	(925)
Interest income	650	2,324	1,674
Loan proceeds	-	206,062	206,062
	<hr/>	<hr/>	<hr/>
Total resources	597,510	801,101	203,591
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	472,331	421,876	(50,455)
Capital outlay	454,000	616,091	162,091
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	926,331	1,037,967	111,636
	<hr/>	<hr/>	<hr/>
RESOURCES UNDER CHARGES TO APPROPRIATIONS	<u>\$ (328,821)</u>	<u>\$ (236,866)</u>	<u>\$ 91,955</u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
AIRPORT FUND**

Year Ended September 30, 2019

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Charges for services	\$ 310,000	\$ 308,379	\$ (1,621)
Other income	<u>3,937</u>	<u>5,579</u>	<u>1,642</u>
Total resources	313,937	313,958	21
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Operating expenditures	<u>292,010</u>	<u>247,470</u>	<u>(44,540)</u>
RESOURCES OVER CHARGES TO APPROPRIATIONS	<u>\$ 21,927</u>	<u>\$ 66,488</u>	<u>\$ 44,561</u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
INFRASTRUCTURE FUND**

Year Ended September 30, 2019

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 480,000	\$ 494,553	\$ 14,553
Special assessments	19,842	15,591	(4,251)
Interest income	<u>1,500</u>	<u>2,922</u>	<u>1,422</u>
Total resources	501,342	513,066	11,724
OTHER FINANCING USES			
Net transfers	<u>(1,142,910)</u>	<u>(435,255)</u>	<u>707,655</u>
RESOURCES OVER (UNDER) OTHER FINANCING USES	<u><u>\$ (641,568)</u></u>	<u><u>\$ 77,811</u></u>	<u><u>\$ 719,379</u></u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
ECONOMIC DEVELOPMENT FUND**

Year Ended September 30, 2019

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 155,000	\$ 164,850	\$ 9,850
Loan collections	67,092	49,837	(17,255)
Interest income	25,500	2,757	(22,743)
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total resources	247,592	217,444	(30,148)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Economic development	<u>900,000</u>	<u>110,000</u>	<u>(790,000)</u>
Resources over (under) charges to appropriations	(652,408)	107,444	759,852
OTHER FINANCING USES			
Net transfers	<u>(50,000)</u>	<u>(59,456)</u>	<u>(9,456)</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS AND OTHER FINANCING USES	<u><u>\$ (702,408)</u></u>	<u><u>\$ 47,988</u></u>	<u><u>\$ 750,396</u></u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

Year Ended September 30, 2019

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenue and Expenditures**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Airport Fund</u>	<u>Infrastructure Fund</u>	<u>Economic Development Fund</u>
Sources/inflows of resources:					
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 1,451,077	\$ 801,101	\$ 313,958	\$ 513,066	\$ 217,444
Differences - budget to GAAP:					
Cash to accrual adjustments	<u>(1,149)</u>	<u>(756)</u>	<u>-</u>	<u>(1,384)</u>	<u>(461)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,449,928</u></u>	<u><u>\$ 800,345</u></u>	<u><u>\$ 313,958</u></u>	<u><u>\$ 511,682</u></u>	<u><u>\$ 216,983</u></u>
Uses/outflows of resources:					
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 1,744,193	\$ 1,037,967	\$ 247,470	\$ -	\$ 110,000
Differences - budget to GAAP:					
Cash to accrual adjustments	<u>(2,700)</u>	<u>(28,257)</u>	<u>34,621</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,741,493</u></u>	<u><u>\$ 1,009,710</u></u>	<u><u>\$ 282,091</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 110,000</u></u>

SUPPLEMENTARY INFORMATION

CITY OF VALENTINE, NEBRASKA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2019

	<u>Special Revenue Funds</u>		<u>Permanent Funds</u>		
	<u>Fines and</u>	<u>Golf</u>	<u>Perpetual</u>	<u>Queen</u>	<u>Total Nonmajor</u>
	<u>Fees</u>		<u>Care</u>	<u>Jackson</u>	<u>Governmental</u>
				<u>Memorial</u>	<u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 7,621	\$ 153,380	\$ 9,876	\$ 62,368	\$ 233,245
Certificates of deposit	-	-	133,826	-	133,826
Interest receivable	-	-	184	-	184
Prepaid expenses	-	672	-	-	672
Total assets	<u>\$ 7,621</u>	<u>\$ 154,052</u>	<u>\$ 143,886</u>	<u>\$ 62,368</u>	<u>\$ 367,927</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 5,305	\$ 13,995	\$ -	\$ -	\$ 19,300
Accrued expenses	-	18,123	-	-	18,123
Total liabilities	5,305	32,118	-	-	37,423
Fund balances:					
Nonspendable for:					
Prepays	-	672	-	-	672
Cemetery perpetual care	-	-	143,886	-	143,886
Restricted for:					
Community betterment	2,316	-	-	62,368	64,684
Assigned for:					
Golf course operations	-	121,262	-	-	121,262
Total fund balances	2,316	121,934	143,886	62,368	330,504
Total liabilities and fund					
balances	<u>\$ 7,621</u>	<u>\$ 154,052</u>	<u>\$ 143,886</u>	<u>\$ 62,368</u>	<u>\$ 367,927</u>

CITY OF VALENTINE, NEBRASKA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2019

	<u>Special Revenue Funds</u>		<u>Permanent Funds</u>		Total Nonmajor Governmental Funds
	<u>Fine and Fees</u>	<u>Golf</u>	<u>Perpetual Care</u>	<u>Queen Jackson Memorial</u>	
REVENUES					
Licenses and permits	\$ 5,305	\$ -	\$ -	\$ -	\$ 5,305
Charges for services	-	308,824	-	-	308,824
Grants and contributions	-	-	-	20,381	20,381
Interest income	-	-	115	-	115
Other	-	343	875	-	1,218
Total revenues	<u>5,305</u>	<u>309,167</u>	<u>990</u>	<u>20,381</u>	<u>335,843</u>
EXPENDITURES					
General government	5,305	-	-	-	5,305
Environment and leisure	-	259,334	-	-	259,334
Capital outlay	-	23,300	-	-	23,300
Principal on long-term debt	-	100,000	-	-	100,000
Interest on long-term debt	-	44,630	-	-	44,630
Total expenditures	<u>5,305</u>	<u>427,264</u>	<u>-</u>	<u>-</u>	<u>432,569</u>
Excess (deficiency) of revenues over expenditures	-	(118,097)	990	20,381	(96,726)
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds	<u>-</u>	<u>145,010</u>	<u>-</u>	<u>(42,000)</u>	<u>103,010</u>
Net change in fund balances	-	26,913	990	(21,619)	6,284
Fund balances - September 30, 2018	<u>2,316</u>	<u>95,021</u>	<u>142,896</u>	<u>83,987</u>	<u>324,220</u>
Fund balances - September 30, 2019	<u>\$ 2,316</u>	<u>\$ 121,934</u>	<u>\$ 143,886</u>	<u>\$ 62,368</u>	<u>\$ 330,504</u>

CITY OF VALENTINE, NEBRASKA

COMBINING STATEMENT OF REVENUES AND EXPENDITURES -

GENERAL FUND DEPARTMENTS

Year Ended September 30, 2019

	<u>Administrative</u>	<u>Police</u>	<u>Fire</u>
REVENUES			
Taxes:			
General property tax	\$ 213,609	\$ -	\$ -
Sales tax	-	-	-
Franchise	442,019	-	-
Intergovernmental revenue:			
State assistance	39,629	-	-
Licenses and permits	11,881	-	-
Charges for services	-	-	-
Grants and donations	1,568	300	-
Interest income	1,745	-	-
Other receipts	17,948	-	-
Total revenues	<u>728,399</u>	<u>300</u>	<u>-</u>
EXPENDITURES			
Personnel services:			
Salaries and benefits	180,743	488,359	3,584
Operating expenses:			
Insurance	9,779	18,545	9,837
Professional fees	995	1,091	267
Meetings, seminars, and dues	12,411	282	300
Repairs and maintenance	8,596	40,184	15,366
Printing, postage, and publications	318	250	55
Utilities and telephone	8,195	-	12,956
Total operating expenses	<u>40,294</u>	<u>60,352</u>	<u>38,781</u>
Supplies	6,114	3,245	428
Other expenses	75,485	105,899	20,211
Capital outlay	12,025	58,361	2,720
Principal payments on debt	58,000	-	-
Interest payments	25,253	-	-
Total expenditures	<u>397,914</u>	<u>716,216</u>	<u>65,724</u>
Excess (deficiency) of revenues over expenditures before transfers	330,485	(715,916)	(65,724)
TRANSFERS FROM (TO) OTHER FUNDS	<u>354,755</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u><u>\$ 685,240</u></u>	<u><u>\$ (715,916)</u></u>	<u><u>\$ (65,724)</u></u>

<u>Pool</u>	<u>Library</u>	<u>Cemetery</u>	<u>Park</u>	<u>Bookmobile</u>	<u>Time Capsule</u>	<u>Total</u>
\$ -	\$ 78,109	\$ 23,433	\$ 82,015	\$ -	\$ -	\$ 397,166
328,779	-	-	-	-	-	328,779
-	-	-	-	-	-	442,019
-	1,965	-	-	-	-	41,594
-	-	-	-	-	-	11,881
28,859	5,664	16,000	52,520	93,730	-	196,773
-	165	20	43	-	-	2,096
1,591	113	5,651	4	1,628	-	10,732
250	-	300	390	-	-	18,888
<u>359,479</u>	<u>86,016</u>	<u>45,404</u>	<u>134,972</u>	<u>95,358</u>	<u>-</u>	<u>1,449,928</u>
55,770	111,801	-	47,971	73,876	-	962,104
5,149	5,508	221	7,448	574	-	57,061
278	262	171	349	186	-	3,599
-	51	-	-	51	-	13,095
4,728	6,998	43,592	25,405	4,203	-	149,072
-	299	-	250	299	-	1,471
8,906	8,610	2,796	46,108	307	-	87,878
<u>19,061</u>	<u>21,728</u>	<u>46,780</u>	<u>79,560</u>	<u>5,620</u>	<u>-</u>	<u>312,176</u>
16,009	13,127	545	4,384	11,751	-	55,603
2,259	949	-	13,157	474	-	218,434
-	-	-	36,817	-	-	109,923
-	-	-	-	-	-	58,000
-	-	-	-	-	-	25,253
<u>93,099</u>	<u>147,605</u>	<u>47,325</u>	<u>181,889</u>	<u>91,721</u>	<u>-</u>	<u>1,741,493</u>
266,380	(61,589)	(1,921)	(46,917)	3,637	-	(291,565)
<u>(228,263)</u>	<u>55,821</u>	<u>-</u>	<u>37,000</u>	<u>-</u>	<u>-</u>	<u>219,313</u>
<u>\$ 38,117</u>	<u>\$ (5,768)</u>	<u>\$ (1,921)</u>	<u>\$ (9,917)</u>	<u>\$ 3,637</u>	<u>\$ -</u>	<u>\$ (72,252)</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 Members of the City Council
City of Valentine, 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Valentine, Nebraska, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated February 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Valentine'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 deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

SHAREHOLDERS:

Robert D. Almquist
Phillip D. Maltzahn
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
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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 Valentine'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 is required to be reported under *Government Auditing Standards*.

City of Valentine's Response to Findings

The City of Valentine'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.

AMGL, P.C.

Grand Island, Nebraska
February 12, 2020