

CITY OF VALENTINE, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2020

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	16
Reconciliation of the Balance Sheet -	
Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
in Fund Balances - Governmental Funds to the Statement of Activities	19
Statement of Fund Net Position - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Net Position -	
Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Notes to Financial Statements	24
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
General Fund	59
Street Fund	60
Airport Fund	61
Infrastructure Fund	62
Economic Development Fund	63
Golf Fund	64
Note to Required Supplementary Information	65
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	66
Combining Statement of Revenues, Expenditures, and Changes	
in Fund Balances - Nonmajor Governmental Funds	67
Combining Statement of Revenues and Expenditures -	
General Fund Departments	68
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 <i>Government Auditing Standards</i>	69

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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, 2020, 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, 2020, 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 59-65 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 March 15, 2021, 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.

Am GL, PC.

Grand Island, Nebraska
March 15, 2021

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2020**

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, 2020.

Financial Highlights

- The assets of the City of Valentine exceeded its liabilities at the close of the most recent fiscal year by \$24,090,311 (*net position*). Of this amount, \$4,765,074 (*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 \$15,569,803. Approximately 8.9 percent of this total amount, \$1,382,329, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$867,370, or 50.9 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, 2020

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, the Economic Development Fund and the Golf Fund, all of which are considered to be major funds. Data from the other three 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, Economic Development and Golf 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, 2020

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 24-58 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 59-65 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 \$24,090,311 at the close of the most recent fiscal year.

Summary Statements of Net Position

	September 30, 2020			September 30, 2019		
	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	\$ 5,405,781	\$ 5,093,346	\$ 10,499,127	\$ 4,951,926	\$ 4,314,460	\$ 9,266,386
Capital Assets	13,162,611	7,597,763	20,760,374	13,388,109	8,010,438	21,398,547
Total Assets	18,568,392	12,691,109	31,259,501	18,340,035	12,324,898	30,664,933
Long-term Liabilities	2,313,030	3,486,000	5,799,030	2,497,895	3,621,000	6,118,895
Other Liabilities	685,559	684,601	1,370,160	539,198	751,417	1,290,615
Total Liabilities	2,998,589	4,170,601	7,169,190	3,037,093	4,372,417	7,409,510
Net Position:						
Net Investment in						
Capital Assets	10,689,632	5,137,763	15,827,395	10,742,047	5,420,438	16,162,485
Restricted	3,497,842	-	3,497,842	3,120,315	-	3,120,315
Unrestricted	1,382,329	3,382,745	4,765,074	1,440,580	2,532,043	3,972,623
Total Net Position	<u>\$ 15,569,803</u>	<u>\$ 8,520,508</u>	<u>\$ 24,090,311</u>	<u>\$ 15,302,942</u>	<u>\$ 7,952,481</u>	<u>\$ 23,255,423</u>

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2020

By far the largest portion of the City of Valentine's net position (65.7 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 (14.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$4,765,074) 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, 2020</u>		<u>Year Ended September 30, 2019</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 13,155	\$ 253,890	\$ 21,949	\$ 307,941
Public Safety	35	717,095	300	724,401
Public Works	5,013	360,788	702,275	392,231
Recreation	515,392	801,824	489,805	738,186
Cemetery	14,288	41,172	16,020	47,325
Airport	421,877	277,965	308,379	282,091
Economic Development	-	-	-	10,000
Interest	-	90,466	-	74,176
Depreciation	-	741,843	-	672,882
Total	<u>969,760</u>	<u>3,285,043</u>	<u>1,538,728</u>	<u>3,249,233</u>
Transfers out	-	34,405	-	172,388
	<u>\$ 969,760</u>	<u>\$ 3,319,448</u>	<u>\$ 1,538,728</u>	<u>\$ 3,421,621</u>

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2020**

Revenues by Source – Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2020</u>			<u>Year Ended September 30, 2019</u>		
Charges for Services	\$	814,449	22.71 %	\$	818,251	20.07 %
Operating Grants and Contributions		155,311	4.33		22,477	0.55
Capital Grants and Contributions		-	-		698,000	17.12
Property Taxes		399,256	11.13		397,166	9.74
Motor Vehicle Taxes		57,185	1.59		56,816	1.39
Sales Tax		1,140,835	31.81		1,056,116	25.90
Franchise Taxes		418,870	11.68		442,019	10.84
State Allocation		510,284	14.23		500,278	12.27
Special Assessments		24,916	0.70		18,075	0.44
Miscellaneous		43,689	1.22		49,723	1.22
Interest		21,514	0.60		18,771	0.46
Total	\$	<u>3,586,309</u>	<u>100.00 %</u>	\$	<u>4,077,692</u>	<u>100.00 %</u>

Net position increased \$266,861 in the governmental funds during the year ended September 30, 2020.

Business-type activities. Business-type activities increased the City of Valentine's net position by \$568,027. Key elements of this increase are as follows:

Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2020</u>		<u>Year Ended September 30, 2019</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 4,467,839	\$ 3,957,022	\$ 4,705,039	\$ 4,203,159
Water	404,368	420,181	335,348	420,812
Sewer	290,098	389,091	302,515	414,629
Landfill	643,371	581,580	629,363	697,962
Total	<u>\$ 5,805,676</u>	<u>\$ 5,347,874</u>	<u>\$ 5,972,265</u>	<u>\$ 5,736,562</u>

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2020

SOURCES OF REVENUE

	<u>Year Ended September 30, 2020</u>		<u>Year Ended September 30, 2019</u>			
Charges for Services	\$	5,805,676	98.14 %	\$	5,972,265	96.69 %
Loss on Disposal of Equipment		-	-		(12,478)	(0.20)
Interest		75,820	1.28		44,203	0.72
Interfund Transfer		34,405	0.58		172,388	2.79
Total	\$	<u>5,915,901</u>	<u>100.00 %</u>	\$	<u>6,176,378</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 \$4,680,245. Approximately 18.5 percent of this total amount (\$867,370) 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 (\$572,168), 2) restricted to pay for infrastructure (\$1,046,782), 3) restricted for economic development (\$1,092,556), 4) restricted for street improvements (\$485,180), 5) restricted for community betterment (\$71,277), 6) nonspendable for cemetery perpetual care (\$144,377), 7) nonspendable for inventory and prepaids (\$25,283), 8) assigned for golf course operations (\$83,402), 9) assigned for budgetary stabilization (\$115,083), 10) assigned for airport operations (\$174,667), or 11) restricted for Federal programs (\$2,100).

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 \$867,370, while total fund balance was \$1,557,582. 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 50.9 percent of total General Fund expenditures, while total fund balance represents 91.5 percent of the same amount.

The fund balance of the City of Valentine's General Fund increased by \$25,372, the fund balance of the Street Fund increased \$124,675, the fund balance of the Infrastructure Fund increased by \$127,654, and the fund balance of the Economic Development Fund increased \$164,165 during the current fiscal year.

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2020

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 - \$3,149,726, Water Fund - \$117,209, Sewer Fund - \$57,955, and Landfill Fund - \$57,855. The Electric Fund net position increased \$567,517, the Water Fund net position decreased \$(8,989), the Sewer Fund net position decreased \$(70,817), and the Landfill Fund net position increased \$80,316. 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, 2020.

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, 2020, amounts to \$20,760,374 (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:

- 2020 Freightliner fire truck chassis - \$95,692
- Cemetery well - \$26,196
- 1st and Government Street reconstruction - \$90,798
- Airport runway rehabilitation construction in progress - \$190,782
- 2013 Toro Reelmaster 5510 4WD - \$22,000
- Main Street water and sewer replacement construction in progress - \$27,702

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2020

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

	Year Ended September 30, 2020			Year Ended September 30, 2019		
	Governmental	Business-type		Governmental	Business-type	
	Activities	Activities	Total	Activities	Activities	Total
Land	\$ 190,160	\$ -	\$ 190,160	\$ 190,160	\$ -	\$ 190,160
Construction in Progress	293,814	98,700	392,514	-	70,998	70,998
Buildings and Improvements	12,164,431	1,120,328	13,284,759	12,660,888	1,153,152	13,814,040
Machinery and Equipment	433,391	2,109,905	2,543,296	416,753	2,282,229	2,698,982
Distribution Systems, Buildings, and Equipment	-	4,213,828	4,213,828	-	4,424,245	4,424,245
Vehicles	80,815	55,002	135,817	120,308	79,814	200,122
Total	<u>\$ 13,162,611</u>	<u>\$ 7,597,763</u>	<u>\$ 20,760,374</u>	<u>\$ 13,388,109</u>	<u>\$ 8,010,438</u>	<u>\$ 21,398,547</u>

Additional information on the City of Valentine's capital assets can be found in Note C5 on pages 44-46 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 \$4,932,979.

City of Valentine's Outstanding Debt

	Year Ended September 30, 2020			Year Ended September 30, 2019		
	Governmental	Business-type		Governmental	Business-type	
	Activities	Activities	Total	Activities	Activities	Total
General Obligation Bonds	\$ -	\$ -	\$ -	\$ 1,550,000	\$ -	\$ 1,550,000
Refunding Bonds	1,475,000	2,460,000	3,935,000	-	2,590,000	2,590,000
Notes Payable	166,979	-	166,979	206,062	-	206,062
Capital Lease Payable	831,000	-	831,000	890,000	-	890,000
Total	<u>\$ 2,472,979</u>	<u>\$ 2,460,000</u>	<u>\$ 4,932,979</u>	<u>\$ 2,646,062</u>	<u>\$ 2,590,000</u>	<u>\$ 5,236,062</u>

The City of Valentine's total debt decreased by \$303,083 (5.8 percent) during the current fiscal year, due to scheduled payments.

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 47-50 of this report.

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2020**

Economic Factors and Next Year's Budgets and Rates

- Property tax asking for the year ending September 30, 2021, is \$433,319, the same as the prior year.
- The City's property tax levy is \$0.237117 for 2020-2021, a \$0.002153 decrease (0.9 percent) from the prior year.
- The City has commitments of \$7,200 for the Main Street water and sewer replacement project and \$19,690 for the runway rehabilitation project.

All of these factors were considered in preparing the City of Valentine's budget for the 2021 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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,409,930	\$ 1,662,917	\$ 3,072,847	\$ -
Certificates of deposit	95,219	1,701,956	1,797,175	-
County treasurer cash	25,280	-	25,280	-
Receivables:				
Special assessments	17,051	-	17,051	-
Accounts, net of allowance for doubtful accounts	-	144,740	144,740	-
Unbilled revenue	-	378,452	378,452	-
Current portion of notes receivable	25,887	-	25,887	60,000
Property tax	4,116	-	4,116	-
Sales tax	221,556	-	221,556	-
Inventory	20,674	280,422	301,096	-
Prepaid expenses	4,609	-	4,609	-
Total current assets	1,824,322	4,168,487	5,992,809	60,000
Noncurrent assets:				
Restricted cash and cash equivalents	3,017,561	-	3,017,561	-
Restricted certificates of deposit	241,996	924,859	1,166,855	-
Noncurrent portion of notes receivable	233,925	-	233,925	771,000
Noncurrent portion of special assessments	87,977	-	87,977	-
Capital assets:				
Land	190,160	-	190,160	-
Construction in progress	293,814	98,700	392,514	-
Depreciable capital assets, net of depreciation	12,678,637	7,499,063	20,177,700	-
Net capital assets	13,162,611	7,597,763	20,760,374	-
Total noncurrent assets	16,744,070	8,522,622	25,266,692	771,000
Total assets	18,568,392	12,691,109	31,259,501	831,000
LIABILITIES				
Current liabilities:				
Accounts payable	318,586	283,901	602,487	-
Accrued expenses	59,161	120,960	180,121	-
Unavailable revenue	87,977	-	87,977	-
Customer deposits	-	144,740	144,740	-
Current portion of long-term obligations	219,835	135,000	354,835	60,000
Total current liabilities	685,559	684,601	1,370,160	60,000
Noncurrent liabilities:				
Accrued closure and postclosure costs	-	1,161,000	1,161,000	-
Compensated absences	59,886	-	59,886	-
Noncurrent portion of long-term obligations	2,253,144	2,325,000	4,578,144	771,000
Total noncurrent liabilities	2,313,030	3,486,000	5,799,030	771,000
Total liabilities	2,998,589	4,170,601	7,169,190	831,000
NET POSITION				
Net investment in capital assets	10,689,632	5,137,763	15,827,395	-
Restricted for:				
Debt service	572,168	-	572,168	-
Street improvements	485,180	-	485,180	-
Golf course improvements	83,402	-	83,402	-
Infrastructure	1,046,782	-	1,046,782	-
Economic development	1,092,556	-	1,092,556	-
Community betterment	71,277	-	71,277	-
Federal programs	2,100	-	2,100	-
Cemetery perpetual care	144,377	-	144,377	-
Unrestricted	1,382,329	3,382,745	4,765,074	-
Total net position	\$ 15,569,803	\$ 8,520,508	\$ 24,090,311	\$ -

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

<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	\$ 253,890	\$ -	\$ 13,155
Public safety	717,095	-	35
Public works	360,788	5,013	-
Environment and leisure	801,824	515,292	100
Cemetery	41,172	14,288	-
Airport	277,965	279,856	142,021
Interest on long-term debt	90,466	-	-
Depreciation	741,843	-	-
Total governmental activities	3,285,043	814,449	155,311
Business-type activities:			
Electric	3,957,022	4,467,839	-
Water	420,181	404,368	-
Sewer	389,091	290,098	-
Landfill	581,580	643,371	-
Total business-type activities	5,347,874	5,805,676	-
Total primary government	\$ 8,632,917	\$ 6,620,125	\$ 155,311
Component unit:			
Valentine Community Education Agency	\$ 24,258	\$ 24,258	\$ -

See notes to financial statements.

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
\$ -	\$ (240,735)		\$ (240,735)	
-	(717,060)		(717,060)	
-	(355,775)		(355,775)	
-	(286,432)		(286,432)	
-	(26,884)		(26,884)	
-	143,912		143,912	
-	(90,466)		(90,466)	
-	(741,843)		(741,843)	
-	(2,315,283)	\$ -	(2,315,283)	
-	-	510,817	510,817	
-	-	(15,813)	(15,813)	
-	-	(98,993)	(98,993)	
-	-	61,791	61,791	
-	-	457,802	457,802	
\$ -	(2,315,283)	457,802	(1,857,481)	
\$ -				\$ -
General revenues:				
Taxes:				
Property	399,256	-	399,256	-
Motor vehicle	57,185	-	57,185	-
Sales tax	1,140,835	-	1,140,835	-
Franchise	418,870	-	418,870	-
State allocation	510,284	-	510,284	-
Special assessments	24,916	-	24,916	-
Miscellaneous	43,689	-	43,689	-
Interest income	21,514	75,820	97,334	-
Interfund transfers	(34,405)	34,405	-	-
Total general revenues	2,582,144	110,225	2,692,369	-
Change in net position	266,861	568,027	834,888	-
Net position - September 30, 2019	15,302,942	7,952,481	23,255,423	-
Net position - September 30, 2020	\$ 15,569,803	\$ 8,520,508	\$ 24,090,311	\$ -

CITY OF VALENTINE, NEBRASKA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2020

	<u>General</u>	<u>Street</u>	<u>Airport</u>
ASSETS			
Cash and cash equivalents	\$ 1,470,386	\$ 353,979	\$ 407,401
Certificates of deposit	95,219	108,170	-
County treasurer cash	22,229	3,051	-
Receivables:			
Special assessments	-	105,028	-
Property tax	3,487	629	-
Sales tax	65,916	23,788	-
Inventory	-	-	20,674
Prepaid expenses	861	-	2,967
	<hr/>	<hr/>	<hr/>
Total assets	\$ 1,658,098	\$ 594,645	\$ 431,042
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 64,595	\$ 9,566	\$ 232,556
Accrued expenses	35,921	11,922	178
Unavailable revenue	-	87,977	-
	<hr/>	<hr/>	<hr/>
Total liabilities	100,516	109,465	232,734
Fund balances:			
Nonspendable:			
Inventory and prepaids	861	-	23,641
Cemetery perpetual care	-	-	-
Restricted for:			
Debt service	572,168	-	-
Street improvements	-	485,180	-
Infrastructure	-	-	-
Economic development	-	-	-
Community betterment	-	-	-
Federal programs	2,100	-	-
Assigned for:			
Airport	-	-	174,667
Golf course	-	-	-
Budgetary stabilization	115,083	-	-
Unassigned	867,370	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	1,557,582	485,180	198,308
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and fund balances	\$ 1,658,098	\$ 594,645	\$ 431,042
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

<u>Infrastructure</u>	<u>Economic Development</u>	<u>Golf</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 947,898	\$ 1,059,588	\$ 106,411	\$ 81,828	\$ 4,427,491
-	-	-	133,826	337,215
-	-	-	-	25,280
-	-	-	-	105,028
-	-	-	-	4,116
98,884	32,968	-	-	221,556
-	-	-	-	20,674
-	-	781	-	4,609
<u>\$ 1,046,782</u>	<u>\$ 1,092,556</u>	<u>\$ 107,192</u>	<u>\$ 215,654</u>	<u>\$ 5,145,969</u>
\$ -	\$ -	\$ 11,869	\$ -	\$ 318,586
-	-	11,140	-	59,161
-	-	-	-	87,977
-	-	23,009	-	465,724
-	-	781	-	25,283
-	-	-	144,377	144,377
-	-	-	-	572,168
-	-	-	-	485,180
1,046,782	-	-	-	1,046,782
-	1,092,556	-	-	1,092,556
-	-	-	71,277	71,277
-	-	-	-	2,100
-	-	-	-	174,667
-	-	83,402	-	83,402
-	-	-	-	115,083
-	-	-	-	867,370
<u>1,046,782</u>	<u>1,092,556</u>	<u>84,183</u>	<u>215,654</u>	<u>4,680,245</u>
<u>\$ 1,046,782</u>	<u>\$ 1,092,556</u>	<u>\$ 107,192</u>	<u>\$ 215,654</u>	<u>\$ 5,145,969</u>

CITY OF VALENTINE, NEBRASKA

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

September 30, 2020

Total fund balances - governmental funds \$ 4,680,245

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. 259,812

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 \$19,689,026
and the accumulated depreciation is \$6,526,415. 13,162,611

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	\$ (59,886)	
Bonds, note and capital lease payable	<u>(2,472,979)</u>	<u>(2,532,865)</u>

Total net position - governmental activities \$ 15,569,803

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, 2020

	<u>General</u>	<u>Street</u>	<u>Airport</u>
REVENUES			
Taxes:			
Property	\$ 399,256	\$ -	\$ -
Motor vehicle	-	57,185	-
Sales tax	351,932	85,037	-
Franchise	418,870	-	-
Intergovernmental	44,291	465,993	-
Special assessments	-	-	-
Licenses and permits	9,669	-	-
Charges for services	176,836	5,013	279,856
Grants and donations	1,697	-	142,021
Loan collections	-	-	-
Interest income	12,835	2,642	-
Bond proceeds	-	-	-
Other income	12,789	3,872	616
Total revenues	<u>1,428,175</u>	<u>619,742</u>	<u>422,493</u>
EXPENDITURES			
General government	249,816	-	-
Public safety	709,670	-	-
Public works	-	359,838	-
Environment and leisure	472,929	-	-
Cemetery	41,172	-	-
Airport	-	-	277,964
Capital outlay	145,991	90,798	199,404
Principal payments on debt	59,000	39,083	-
Interest on long-term debt	24,258	5,258	-
Total expenditures	<u>1,702,836</u>	<u>494,977</u>	<u>477,368</u>
Excess (deficiency) of revenues over expenditures	(274,661)	124,765	(54,875)
OTHER FINANCING SOURCES (USES)			
Net transfers in (out)	<u>300,033</u>	<u>-</u>	<u>-</u>
Net change in fund balances	25,372	124,765	(54,875)
Fund balances - September 30, 2019	<u>1,532,210</u>	<u>360,415</u>	<u>253,183</u>
Fund balances - September 30, 2020	<u><u>\$ 1,557,582</u></u>	<u><u>\$ 485,180</u></u>	<u><u>\$ 198,308</u></u>

See notes to financial statements.

<u>Infrastructure</u>	<u>Economic Development</u>	<u>Golf</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 399,256
-	-	-	-	57,185
527,899	175,967	-	-	1,140,835
-	-	-	-	418,870
-	-	-	-	510,284
24,916	-	-	-	24,916
-	-	-	4,075	13,744
-	-	352,744	-	814,449
-	-	-	11,593	155,311
-	38,361	-	-	38,361
3,242	2,979	-	(184)	21,514
-	-	1,475,000	-	1,475,000
-	-	818	675	18,770
<u>556,057</u>	<u>217,307</u>	<u>1,828,562</u>	<u>16,159</u>	<u>5,088,495</u>
-	-	-	4,075	253,891
-	-	-	-	709,670
-	-	-	-	359,838
-	-	327,318	-	800,247
-	-	-	-	41,172
-	-	-	-	277,964
-	-	80,152	-	516,345
-	-	1,550,000	-	1,648,083
-	-	60,950	-	90,466
<u>-</u>	<u>-</u>	<u>2,018,420</u>	<u>4,075</u>	<u>4,697,676</u>
556,057	217,307	(189,858)	12,084	390,819
<u>(428,403)</u>	<u>(53,142)</u>	<u>152,107</u>	<u>(5,000)</u>	<u>(34,405)</u>
127,654	164,165	(37,751)	7,084	356,414
<u>919,128</u>	<u>928,391</u>	<u>121,934</u>	<u>208,570</u>	<u>4,323,831</u>
<u>\$ 1,046,782</u>	<u>\$ 1,092,556</u>	<u>\$ 84,183</u>	<u>\$ 215,654</u>	<u>\$ 4,680,245</u>

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, 2020

Total net change in fund balances - governmental funds	\$ 356,414
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.	(27,186)
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 (\$516,345) is exceeded by depreciation expense (\$741,843) in the period.	(225,498)
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.	(9,952)
Bond proceeds are reported as revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(1,475,000)
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.	<u>1,648,083</u>
Change in net position of governmental activities	<u><u>\$ 266,861</u></u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
September 30, 2020

	Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,228,055	\$ 62,516	\$ 49,979	\$ 322,367	\$ 1,662,917
Certificates of deposit	1,681,553	20,403	-	-	1,701,956
Receivables:					
Accounts, net of allowance for doubtful accounts	103,414	21,642	9,083	10,601	144,740
Unbilled revenue	300,509	52,311	25,343	289	378,452
Inventory	246,167	32,650	1,605	-	280,422
Total current assets	3,559,698	189,522	86,010	333,257	4,168,487
Noncurrent assets:					
Restricted certificates of deposit	-	-	-	924,859	924,859
Capital assets:					
Construction in progress	-	49,350	49,350	-	98,700
Other capital assets	8,019,384	1,761,255	3,296,477	2,231,826	15,308,942
Less accumulated depreciation	(3,963,275)	(1,052,215)	(1,929,353)	(865,036)	(7,809,879)
Net capital assets	4,056,109	758,390	1,416,474	1,366,790	7,597,763
Total noncurrent assets	4,056,109	758,390	1,416,474	2,291,649	8,522,622
Total assets	7,615,807	947,912	1,502,484	2,624,906	12,691,109
LIABILITIES					
Current liabilities:					
Accounts payable	227,641	16,583	7,558	32,119	283,901
Accrued payroll and vacation	23,345	17,400	20,497	7,142	68,384
Sales tax payable	29,585	-	-	-	29,585
Accrued interest payable	22,991	-	-	-	22,991
Customer deposits	106,410	38,330	-	-	144,740
Current portion of long-term obligations	135,000	-	-	-	135,000
Total current liabilities	544,972	72,313	28,055	39,261	684,601
Noncurrent liabilities:					
Accrued closure and postclosure costs	-	-	-	1,161,000	1,161,000
Noncurrent portion of long-term obligations	2,325,000	-	-	-	2,325,000
Total noncurrent liabilities	2,325,000	-	-	1,161,000	3,486,000
Total liabilities	2,869,972	72,313	28,055	1,200,261	4,170,601
NET POSITION					
Net investment in capital assets	1,596,109	758,390	1,416,474	1,366,790	5,137,763
Unrestricted	3,149,726	117,209	57,955	57,855	3,382,745
Total net position	<u>\$ 4,745,835</u>	<u>\$ 875,599</u>	<u>\$ 1,474,429</u>	<u>\$ 1,424,645</u>	<u>\$ 8,520,508</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, 2020

	Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	Total
Operating revenues:					
Charges for services	\$ 4,445,092	\$ 396,295	\$ 289,623	\$ 643,259	\$ 5,774,269
Other revenue	22,747	8,073	475	112	31,407
Total operating revenues	4,467,839	404,368	290,098	643,371	5,805,676
Operating expenses:					
Cost of power	2,789,120	-	-	-	2,789,120
Personnel services	263,078	238,479	186,163	94,772	782,492
Insurance and bonds	10,751	3,944	9,206	2,143	26,044
Utilities and telephone	22,531	22,432	55,283	2,458	102,704
Repairs and maintenance	81,174	61,694	37,106	10,639	190,613
Contractual obligations	4,624	9,929	1,020	387,004	402,577
Supplies	75,760	8,014	9,882	676	94,332
Licenses and fees	401,866	-	-	11,447	413,313
Professional fees	13,080	3,618	869	3,123	20,690
Miscellaneous	9,972	8,635	3,996	1,377	23,980
Depreciation	223,434	63,436	85,566	67,941	440,377
Total operating expenses	3,895,390	420,181	389,091	581,580	5,286,242
Operating income (loss)	572,449	(15,813)	(98,993)	61,791	519,434
Nonoperating revenues (expenses):					
Interest income	56,700	595	-	18,525	75,820
Interest expense	(61,632)	-	-	-	(61,632)
Total nonoperating revenues (expenses)	(4,932)	595	-	18,525	14,188
Income (loss) before interfund transfers	567,517	(15,218)	(98,993)	80,316	533,622
Interfund transfers:					
Transfer from other funds	-	6,229	28,176	-	34,405
Change in net position	567,517	(8,989)	(70,817)	80,316	568,027
Net position - September 30, 2019	4,178,318	884,588	1,545,246	1,344,329	7,952,481
Net position - September 30, 2020	\$ 4,745,835	\$ 875,599	\$ 1,474,429	\$ 1,424,645	\$ 8,520,508

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the Year Ended September 30, 2020

	Enterprise Funds	
	<u>Electric Fund</u>	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 4,478,999	\$ 383,869
Payments to suppliers	(3,406,248)	(128,034)
Payments to employees	(260,645)	(236,335)
Net cash provided (used) by operating activities	<u>812,106</u>	<u>19,500</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	-	6,229
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	-	(79,424)
Principal payments on capital debt	(130,000)	-
Interest paid on capital debt	(62,264)	-
Net cash used by capital and related financing activities	<u>(192,264)</u>	<u>(79,424)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in certificates of deposit	(56,485)	(595)
Increase in restricted certificates of deposit	-	-
Interest received	57,899	595
Net cash provided (used) by investing activities	<u>1,414</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	621,256	(53,695)
Cash and cash equivalents - beginning of the year	<u>606,799</u>	<u>116,211</u>
Cash and cash equivalents - end of the year	<u><u>\$ 1,228,055</u></u>	<u><u>\$ 62,516</u></u>

See notes to financial statements.

Enterprise Funds		
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
\$ 288,875	\$ 644,123	\$ 5,795,866
(119,005)	(426,274)	(4,079,561)
(182,370)	(93,440)	(772,790)
<u>(12,500)</u>	<u>124,409</u>	<u>943,515</u>
28,176	-	34,405
(22,302)	-	(101,726)
-	-	(130,000)
-	-	(62,264)
<u>(22,302)</u>	<u>-</u>	<u>(293,990)</u>
-	-	(57,080)
-	(67,076)	(67,076)
-	18,525	77,019
<u>-</u>	<u>(48,551)</u>	<u>(47,137)</u>
(6,626)	75,858	636,793
<u>56,605</u>	<u>246,509</u>	<u>1,026,124</u>
<u>\$ 49,979</u>	<u>\$ 322,367</u>	<u>\$ 1,662,917</u>

CITY OF VALENTINE, NEBRASKA

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

For the Year Ended September 30, 2020

	Enterprise Funds	
	Electric Fund	Water Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 572,449	\$ (15,813)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	223,434	63,436
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	6,620	(21,349)
Inventories	7,525	(10,775)
Accounts payable	(9,234)	1,007
Accrued payroll and vacation	2,433	2,144
Sales tax payable	4,339	-
Customer deposits	4,540	850
Net cash provided (used) by operating activities	<u>\$ 812,106</u>	<u>\$ 19,500</u>

See notes to financial statements.

Enterprise Funds			
<u>Sewer</u> <u>Fund</u>	<u>Landfill</u> <u>Fund</u>		<u>Total</u>
\$ (98,993)	\$ 61,791		\$ 519,434
85,566	67,941		440,377
(1,223)	752		(15,200)
(686)	-		(3,936)
(957)	(7,407)		(16,591)
3,793	1,332		9,702
-	-		4,339
-	-		5,390
<u>\$ (12,500)</u>	<u>\$ 124,409</u>		<u>\$ 943,515</u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

INDEX

	Page
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
1. Financial Reporting Entity	25
2. Basis of Presentation	26
3. Measurement Focus and Basis of Accounting	30
4. Assets, Liabilities, and Equity	31
5. Revenues, Expenditures, and Expenses	36
NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
1. Fund Accounting Requirements	38
2. Deposit Laws and Regulations	39
3. Revenue Restrictions	39
4. Debt Restrictions and Covenants	39
5. Budgetary Data	39
NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS	
1. Cash and Certificates of Deposit	41
2. Restricted Assets	42
3. Accounts Receivable	42
4. Notes Receivable	43
5. Capital Assets	44
6. Accounts Payable	47
7. Long-term Debt	47
8. Special Assessments	51
9. Interfund Transactions	51
NOTE D – OTHER NOTES	
1. Employee Pension and Other Benefit Plans	52
2. Risk Management	53
3. Commitments and Contingencies	54
4. Tax Abatements	56
5. Interlocal Agreements	57
6. Subsequent Events	58

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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.
Golf	Accounts for revenues and expenditures of the golf course.
Proprietary:	
Enterprise:	
Electric, Water, Sewer, and Landfill	See page 28 for description.
<i>Nonmajor:</i>	
Special Revenue:	
Fines and Fees	Accounts for local fines and fees collected.
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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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 2019-2020 are recorded as revenue when expected to be collected within 60 days after September 30, 2020. 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, 2020

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, 2020

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, 2020

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, 2020

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, 2020. 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	\$ 9,065,190	\$ 7,465,459	\$ 1,599,731	\$ -	\$ <u>9,054,438</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –

Unrestricted cash and cash equivalents	\$ 3,072,847
Restricted cash and cash equivalents	3,017,561
Unrestricted certificates of deposit	1,797,175
Restricted certificates of deposit	<u>1,166,855</u>
	\$ <u>9,054,438</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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

2. Restricted Assets

The restricted assets as of September 30, 2020, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 3,017,561	\$ -	\$ 3,017,561
Certificates of deposit	241,996	924,859	1,166,855
	<u>\$ 3,259,557</u>	<u>\$ 924,859</u>	<u>\$ 4,184,416</u>

The governmental activities' restricted assets as of September 30, 2020, consisted of \$572,168 in the General Fund restricted for debt service, \$2,100 in the General Fund restricted for Federal programs, \$462,149 in the Street Fund restricted for street improvements, \$947,898 in the Infrastructure Fund restricted for infrastructure, \$2,316 in the Fines and Fees Fund restricted for community betterment, \$1,059,588 in the Economic Development Fund restricted for economic development, \$144,377 in the Perpetual Care Fund restricted for cemetery perpetual care and \$68,961 in the Queen Jackson Memorial Fund restricted for community betterment.

The business-type activities' restricted assets as of September 30, 2020, consisted of \$924,859 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, 2020, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 460,702
Allowance for doubtful accounts	<u>(82,250)</u>
Net accounts receivable	<u>\$ 378,452</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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

4. Notes Receivable

Governmental Activities

The Economic Development Fund has made seven economic development loans. Notes receivable at September 30, 2020, 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.	\$ 72,589
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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.	8,560
--	-------

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.	11,190
---	--------

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.	27,718
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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.	24,744
--	--------

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.	24,727
--	--------

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>90,284</u>
--	---------------

Total governmental activities notes receivable	\$ <u>259,812</u>
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CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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

4. Notes Receivable, continued

Governmental Activities, continued

Current portion	\$ 25,887
Noncurrent portion	<u>233,925</u>
Total	<u>\$ 259,812</u>

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 \$831,000 at September 30, 2020, and is described in greater detail in Note C7.

5. Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	<u>Balance at October 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at September 30, 2020</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 190,160	\$ -	\$ -	\$ 190,160
Construction in progress	<u>-</u>	<u>293,814</u>	<u>-</u>	<u>293,814</u>
Total capital assets not being depreciated	<u>190,160</u>	<u>293,814</u>	<u>-</u>	<u>483,974</u>
Other capital assets being depreciated:				
Buildings and improvements	17,288,958	129,928	-	17,418,886
Machinery and equipment	1,194,159	92,603	(43,233)	1,243,529
Vehicles	<u>542,637</u>	<u>-</u>	<u>-</u>	<u>542,637</u>
Total other capital assets at historical cost	<u>19,025,754</u>	<u>222,531</u>	<u>(43,233)</u>	<u>19,205,052</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,628,070)	(626,385)	-	(5,254,455)
Machinery and equipment	(777,406)	(75,965)	43,233	(810,138)
Vehicles	<u>(422,329)</u>	<u>(39,493)</u>	<u>-</u>	<u>(461,822)</u>
Total accumulated depreciation	<u>(5,827,805)</u>	<u>(741,843) *</u>	<u>43,233</u>	<u>(6,526,415)</u>
Other capital assets, net	<u>13,197,949</u>	<u>(519,312)</u>	<u>-</u>	<u>12,678,637</u>
Governmental activities capital assets, net	<u>\$ 13,388,109</u>	<u>\$ (225,498)</u>	<u>\$ -</u>	<u>\$ 13,162,611</u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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

5. Capital Assets, continued

* Depreciation expense was incurred by the following governmental activities:

General Fund:

General government	\$ 84,369
Public safety:	
Police	31,747
Fire	<u>18,827</u>
Total public safety	50,574
Public works:	
Cemetery	1,802
Environment and leisure:	
Swimming pool	66,599
Library	12,707
Parks and recreation	<u>29,940</u>
Total environment and leisure	<u>109,246</u>
Total General Fund	245,991
Street Fund	169,354
Airport Fund	244,962
Golf Fund	<u>81,536</u>
Total governmental activities depreciation expense	\$ <u>741,843</u>

Construction in progress at September 30, 2020 consists of \$7,340 of City Hall schematic design costs, \$95,692 of costs for a fire truck, and \$190,782 of design costs for the runway rehab project. See Note D3 for more information on construction commitments.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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

5. Capital Assets, continued

Business-type Activities:

	Balance at October 1, 2019	Additions	Disposals	Balance at September 30, 2020
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Construction in progress	\$ 70,998	\$ 27,702	\$ -	\$ 98,700
Other capital assets being depreciated:				
Distribution systems	6,714,778	-	(1,422)	6,713,356
Buildings and improvements	1,902,776	-	-	1,902,776
Machinery and equipment	6,307,185	-	-	6,307,185
Vehicles	467,355	-	(81,730)	385,625
Total other capital assets at historical cost	15,392,094	-	(83,152)	15,308,942
Less accumulated depreciation for:				
Distribution systems	(2,290,533)	(210,417)	1,422	(2,499,528)
Buildings and improvements	(749,624)	(32,824)	-	(782,448)
Machinery and equipment	(4,024,956)	(172,324)	-	(4,197,280)
Vehicles	(387,541)	(24,812)	81,730	(330,623)
Total accumulated depreciation	(7,452,654)	(440,377) *	83,152	(7,809,879)
Other capital assets, net	7,939,440	(440,377)	-	7,499,063
Business-type activities capital assets, net	<u>\$ 8,010,438</u>	<u>\$ (412,675)</u>	<u>\$ -</u>	<u>\$ 7,597,763</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 223,434
Water	63,436
Sewer	85,566
Landfill	67,941
Total business-type activities depreciation expense	<u>\$ 440,377</u>

Construction in progress at September 30, 2020 consists of \$98,700 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, 2020

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, 2020:

<u>Type of Debt</u>	<u>Balance at October 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2020</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, note and capital lease payable	<u>\$ 2,646,062</u>	<u>\$ 1,475,000</u>	<u>\$ (1,648,083)</u>	<u>\$ 2,472,979</u>	<u>\$ 219,835</u>
Business-type Activities:					
Bonds and note payable	<u>\$ 2,590,000</u>	<u>\$ -</u>	<u>\$ (130,000)</u>	<u>\$ 2,460,000</u>	<u>\$ 135,000</u>
Component Unit:					
Valentine Community Education Agency Bonds Payable	<u>\$ 890,000</u>	<u>\$ -</u>	<u>\$ (59,000)</u>	<u>\$ 831,000</u>	<u>\$ 60,000</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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

7. Long-term Debt, continued

Governmental Activities

As of September 30, 2020, the governmental long-term liabilities consisted of the following:

Bonds, note and capital lease payable:

General obligation refunding bonds, Series 2020, with an original issue amount of \$1,475,000. Interest rates range from 0.85 percent to 1.80 percent. Interest is due in semi-annual installments and principal is due in annual installments through December 15, 2031. Paid from the Golf Fund. \$ 1,475,000

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. -

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. 831,000

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. 166,979

Total governmental activities bonds, note and capital lease payable \$ 2,472,979

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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

7. Long-term Debt, continued

Governmental Activities, continued

Current portion	\$ 219,835
Noncurrent portion	<u>2,253,144</u>
Total	\$ <u>2,472,979</u>

Business-type Activities

As of September 30, 2020, 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

Current portion	\$ 135,000
Noncurrent portion	<u>2,325,000</u>
Total	\$ <u>2,460,000</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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).

\$ 831,000

Current portion \$ 60,000

Noncurrent portion 771,000

Total \$ 831,000

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2020, 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	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 99,835	\$ 28,373	\$ 120,000	\$ 16,751	\$ 135,000	\$ 60,475	\$ 60,000	\$ 23,097
2022	102,105	25,772	115,000	17,293	135,000	58,518	61,000	21,766
2023	105,401	23,113	120,000	16,205	140,000	56,385	63,000	20,402
2024	107,638	20,236	120,000	15,035	140,000	54,005	64,000	18,861
2025	66,000	17,138	120,000	13,805	140,000	51,380	66,000	17,138
2026-2030	358,000	55,316	625,000	45,750	720,000	200,188	358,000	55,317
2031-2035	159,000	5,377	255,000	4,573	725,000	110,640	159,000	5,377
2036-2037	-	-	-	-	325,000	10,480	-	-
	<u>\$ 997,979</u>	<u>\$ 175,325</u>	<u>\$ 1,475,000</u>	<u>\$ 129,412</u>	<u>\$ 2,460,000</u>	<u>\$ 602,071</u>	<u>\$ 831,000</u>	<u>\$ 161,958</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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, 2020:

Current portion	\$ 17,051
Non-current portion	<u>87,977</u>
Total street improvement assessments	\$ <u>105,028</u>

9. Interfund Transactions

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 535,398	\$ 235,365
Infrastructure Fund	-	428,403
Economic Development Fund	-	53,142
Golf Fund	152,107	-
Nonmajor Funds	-	5,000
Water Fund	6,229	-
Sewer Fund	<u>28,176</u>	<u>-</u>
Total operating transfers	\$ <u>721,910</u>	\$ <u>721,910</u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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, 2020, the City's total payroll and covered payroll under the plan was \$1,488,904 and \$1,289,846, respectively. Both the City's required contribution of \$75,605 and the covered employees' required contribution of \$75,605 were made for the year ended September 30, 2020.

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 \$24,492 under the plan for the year ended September 30, 2020.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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, 2020, 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>
June 2021	\$ 1,698,881
August 2021	29,597
September 2021	196,742
November 2021	108,170
September 2022	728,117
October 2022	202,523
	<u>\$ 2,964,030</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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, 2020.

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, 2020, the City's investments and certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Security First Bank	\$ 1,637,861
Bank of the West	11,198
Sandhills State Bank	1,112,449
Union Bank & Trust	202,522
	<u>\$ 2,964,030</u>

3. Commitments and Contingencies

Construction Commitments

The City's governmental activities had the following construction commitments as of September 30, 2020:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2020</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
Runway rehabilitation design	<u>\$ 196,900</u>	<u>\$ 177,210</u>	<u>\$ 19,690</u>	Winter 2020

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2020

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, 2020:

<u>Project</u>	<u>Contract Amount</u>	<u>Incurred Through 9/30/2020</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
Main St. water and sewer replacement				
Water design	\$ 9,000	\$ 5,400	\$ 3,600	Winter 2020
Sewer design	9,000	5,400	3,600	Winter 2020
Total	<u>\$ 18,000</u>	<u>\$ 10,800</u>	<u>\$ 7,200</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, 2020, represents the cumulative amount reported to date based on the use of approximately 44.7 percent of the estimated capacity of the landfill. The Valentine Landfill will recognize the remaining estimated cost of closure and postclosure care of \$1,082,040 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2020. 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, 2020

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, 2020, investments totaled \$924,859 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.

Contingencies

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen worldwide. While the disruption this pandemic is causing is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, the financial impact to the City that could occur as a result of this issue is unknown and cannot be reasonably estimated at this time.

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, 2020

NOTE D – OTHER NOTES, continued

4. Tax Abatements, continued

Information relevant to the abatements granted by the CDA for the year ended September 30, 2020 is as follows:

<u>TIF Project:</u>	<u>Years Remaining on TIF Agreements</u>	<u>2020 TIF Valuation</u>	<u>TIF Proceeds Received during the year 9-30-2020</u>
KTJ 231, LLC	9	\$ 2,736,822	\$ 33,512
Western Oil	4	1,026,617	12,571
Ranchland Foods	5	1,113,186	<u>13,631</u>
			<u>\$ 59,714</u>

5. Interlocal Agreements

The City had the following Interlocal agreements in effect as of September 30, 2020:

<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, 2019 - October 1, 2020	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, 2020

NOTE D – OTHER NOTES, continued

6. Subsequent Events

Management has evaluated subsequent events through March 15, 2021, 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, 2020

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 429,222	\$ 401,812	\$ (27,410)
Sales	301,755	345,303	43,548
Franchise	442,200	418,870	(23,330)
Intergovernmental	39,113	44,291	5,178
Licenses and permits	11,800	9,669	(2,131)
Charges for services	187,255	176,836	(10,419)
Grants and contributions	10,200	1,697	(8,503)
Interest income	9,559	12,973	3,414
Other	<u>10,510</u>	<u>12,789</u>	<u>2,279</u>
Total resources	1,441,614	1,424,240	(17,374)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	327,995	261,926	(66,069)
Public safety	724,774	701,848	(22,926)
Leisure and environment	655,921	482,671	(173,250)
Cemetery	144,060	41,785	(102,275)
Capital outlay	581,450	145,991	(435,459)
Principal payments on debt	59,000	59,000	-
Interest payments on debt	<u>24,258</u>	<u>24,258</u>	<u>-</u>
Total charges to appropriations	<u>2,517,458</u>	<u>1,717,479</u>	<u>(799,979)</u>
Resources under charges to appropriations	(1,075,844)	(293,239)	782,605
OTHER FINANCING SOURCES			
Net transfers	<u>900,423</u>	<u>300,033</u>	<u>(600,390)</u>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (175,421)</u>	<u>\$ 6,794</u>	<u>\$ 182,215</u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
STREET FUND**

Year Ended September 30, 2020

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Motor vehicle tax	\$ 55,000	\$ 57,507	\$ 2,507
Sales tax	65,800	74,243	8,443
Intergovernmental	458,313	465,993	7,680
Special assessments	1,155	6,411	5,256
Charges for services	5,200	5,013	(187)
Interest income	250	2,642	2,392
Other income	-	3,872	3,872
	<hr/>	<hr/>	<hr/>
Total resources	585,718	615,681	29,963
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	492,055	370,520	(121,535)
Capital outlay	31,000	90,798	59,798
Principal payments on debt	39,083	39,083	-
Interest payments on debt	6,028	6,029	1
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	568,166	506,430	(61,736)
	<hr/>	<hr/>	<hr/>
RESOURCES OVER CHARGES TO APPROPRIATIONS	<u>\$ 17,552</u>	<u>\$ 109,251</u>	<u>\$ 91,699</u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
AIRPORT FUND**

Year Ended September 30, 2020

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Charges for services	\$ 314,635	\$ 279,856	\$ (34,779)
Grant income	2,939,000	142,021	(2,796,979)
Other income	<u>400</u>	<u>616</u>	<u>216</u>
Total resources	3,254,035	422,493	(2,831,542)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Operating expenditures	296,418	262,209	(34,209)
Capital outlay	<u>3,260,000</u>	<u>8,622</u>	<u>(3,251,378)</u>
Total charges to appropriations	<u>3,556,418</u>	<u>270,831</u>	<u>(3,285,587)</u>
Resources over (under) charges to appropriations	(302,383)	151,662	454,045
OTHER FINANCING SOURCES			
Net transfers	<u>97,760</u>	<u>-</u>	<u>(97,760)</u>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u><u>\$ (204,623)</u></u>	<u><u>\$ 151,662</u></u>	<u><u>\$ 356,285</u></u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
INFRASTRUCTURE FUND**

Year Ended September 30, 2020

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 452,633	\$ 517,955	\$ 65,322
Special assessments	15,679	24,916	9,237
Interest income	<u>3,000</u>	<u>3,242</u>	<u>242</u>
Total resources	471,312	546,113	74,801
OTHER FINANCING USES			
Net transfers	<u>(1,207,794)</u>	<u>(428,403)</u>	<u>779,391</u>
RESOURCES OVER (UNDER) OTHER FINANCING USES	<u><u>\$ (736,482)</u></u>	<u><u>\$ 117,710</u></u>	<u><u>\$ 854,192</u></u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
ECONOMIC DEVELOPMENT FUND**

Year Ended September 30, 2020

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 150,878	\$ 172,652	\$ 21,774
Loan collections	37,355	38,361	1,006
Interest income	<u>2,800</u>	<u>2,979</u>	<u>179</u>
Total resources	191,033	213,992	22,959
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Economic development	<u>1,060,000</u>	<u>-</u>	<u>(1,060,000)</u>
Resources over (under) charges to appropriations	(868,967)	213,992	1,082,959
OTHER FINANCING USES			
Net transfers	<u>-</u>	<u>(53,142)</u>	<u>(53,142)</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS AND OTHER FINANCING USES	<u><u>\$ (868,967)</u></u>	<u><u>\$ 160,850</u></u>	<u><u>\$ 1,029,817</u></u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
GOLF FUND**

Year Ended September 30, 2020

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Charges for services	\$ 341,200	\$ 352,744	\$ 11,544
Bond proceeds	-	1,475,000	1,475,000
Other income	<u>2,000</u>	<u>818</u>	<u>(1,182)</u>
Total resources	343,200	1,828,562	1,485,362
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Environment and leisure	323,643	327,515	3,872
Capital outlay	89,500	80,152	(9,348)
Principal payments on debt	105,000	1,550,000	1,445,000
Interest payments on debt	<u>43,546</u>	<u>69,971</u>	<u>26,425</u>
Total charges to appropriations	<u>561,689</u>	<u>2,027,638</u>	<u>1,465,949</u>
Resources under charges to appropriations	(218,489)	(199,076)	19,413
OTHER FINANCING SOURCES			
Net transfers	<u>148,546</u>	<u>152,107</u>	<u>3,561</u>
RESOURCES AND OTHER FINANCING SOURCES UNDER CHARGES TO APPROPRIATIONS	<u><u>\$ (69,943)</u></u>	<u><u>\$ (46,969)</u></u>	<u><u>\$ 22,974</u></u>

CITY OF VALENTINE, NEBRASKA

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

Year Ended September 30, 2020

**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>	<u>Golf Fund</u>
Sources/inflows of resources:						
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$1,424,240	\$ 615,681	\$ 422,493	\$ 546,113	\$ 213,992	\$1,828,562
Differences - budget to GAAP:						
Cash to accrual adjustments	<u>3,935</u>	<u>4,061</u>	<u>-</u>	<u>9,944</u>	<u>3,315</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$1,428,175</u></u>	<u><u>\$ 619,742</u></u>	<u><u>\$ 422,493</u></u>	<u><u>\$ 556,057</u></u>	<u><u>\$ 217,307</u></u>	<u><u>\$1,828,562</u></u>
Uses/outflows of resources:						
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$1,717,479	\$ 506,430	\$ 270,831	\$ -	\$ -	\$2,027,638
Differences - budget to GAAP:						
Cash to accrual adjustments	<u>(14,643)</u>	<u>(11,453)</u>	<u>206,537</u>	<u>-</u>	<u>-</u>	<u>(9,218)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$1,702,836</u></u>	<u><u>\$ 494,977</u></u>	<u><u>\$ 477,368</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$2,018,420</u></u>

SUPPLEMENTARY INFORMATION

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

September 30, 2020

	Special Revenue			
	Fund	Permanent Funds		
	Fines and <u>Fees</u>	Perpetual <u>Care</u>	Queen Jackson <u>Memorial</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,316	\$ 10,551	\$ 68,961	\$ 81,828
Certificates of deposit	-	133,826	-	133,826
Total assets	<u>\$ 2,316</u>	<u>\$ 144,377</u>	<u>\$ 68,961</u>	<u>\$ 215,654</u>
LIABILITIES AND FUND BALANCES				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund balances:				
Nonspendable for:				
Cemetery perpetual care	-	144,377	-	144,377
Restricted for:				
Community betterment	2,316	-	68,961	71,277
Total fund balances	<u>2,316</u>	<u>144,377</u>	<u>68,961</u>	<u>215,654</u>
Total liabilities and fund balances	<u>\$ 2,316</u>	<u>\$ 144,377</u>	<u>\$ 68,961</u>	<u>\$ 215,654</u>

CITY OF VALENTINE, NEBRASKA

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

For the Year Ended September 30, 2020

	Special Revenue			
	Fund	Permanent Funds		
	Fine and	Perpetual	Queen	Total Nonmajor
	<u>Fees</u>	<u>Care</u>	<u>Jackson</u>	<u>Governmental</u>
			<u>Memorial</u>	<u>Funds</u>
REVENUES				
Licenses and permits	\$ 4,075	\$ -	\$ -	\$ 4,075
Grants and contributions	-	-	11,593	11,593
Interest income	-	(184)	-	(184)
Other	-	675	-	675
Total revenues	<u>4,075</u>	<u>491</u>	<u>11,593</u>	<u>16,159</u>
EXPENDITURES				
General government	<u>4,075</u>	<u>-</u>	<u>-</u>	<u>4,075</u>
Excess of revenues over expenditures	-	491	11,593	12,084
OTHER FINANCING USES				
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>
Net change in fund balances	-	491	6,593	7,084
Fund balances - September 30, 2019	<u>2,316</u>	<u>143,886</u>	<u>62,368</u>	<u>208,570</u>
Fund balances - September 30, 2020	<u><u>\$ 2,316</u></u>	<u><u>\$ 144,377</u></u>	<u><u>\$ 68,961</u></u>	<u><u>\$ 215,654</u></u>

CITY OF VALENTINE, NEBRASKA

COMBINING STATEMENT OF REVENUES AND EXPENDITURES -

GENERAL FUND DEPARTMENTS

Year Ended September 30, 2020

	<u>Administrative</u>	<u>Police</u>	<u>Fire</u>
REVENUES			
Taxes:			
General property tax	\$ 209,338	\$ -	\$ -
Sales tax	-	-	-
Franchise	418,870	-	-
Intergovernmental revenue:			
State assistance	42,034	-	-
Licenses and permits	9,669	-	-
Charges for services	-	-	-
Grants and donations	1,562	35	-
Interest income	3,795	-	-
Other receipts	4,449	-	-
Total revenues	<u>689,717</u>	<u>35</u>	<u>-</u>
EXPENDITURES			
Personnel services:			
Salaries and benefits	160,737	481,847	3,084
Operating expenses:			
Insurance	9,444	12,082	8,558
Professional fees	971	1,231	326
Contracted services	-	113,863	18,191
Meetings, seminars, and dues	9,244	180	300
Repairs and maintenance	5,260	26,986	20,097
Printing, postage, and publications	278	200	55
Utilities and telephone	8,521	-	10,364
Total operating expenses	<u>33,718</u>	<u>154,542</u>	<u>57,891</u>
Supplies	3,621	3,971	399
Other expenses	51,740	5,462	2,474
Capital outlay	7,340	9,366	95,692
Principal payments on debt	59,000	-	-
Interest payments	24,258	-	-
Total expenditures	<u>340,414</u>	<u>655,188</u>	<u>159,540</u>
Excess (deficiency) of revenues over expenditures before transfers	349,303	(655,153)	(159,540)
TRANSFERS FROM (TO) OTHER FUNDS	<u>484,398</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u><u>\$ 833,701</u></u>	<u><u>\$ (655,153)</u></u>	<u><u>\$ (159,540)</u></u>

<u>Pool</u>	<u>Library</u>	<u>Cemetery</u>	<u>Park</u>	<u>Bookmobile</u>	<u>Time Capsule</u>	<u>Total</u>
\$ -	\$ 80,816	\$ 24,245	\$ 84,857	\$ -	\$ -	\$ 399,256
351,932	-	-	-	-	-	351,932
-	-	-	-	-	-	418,870
-	2,257	-	-	-	-	44,291
-	-	-	-	-	-	9,669
21,880	3,683	14,288	40,742	96,243	-	176,836
-	100	-	-	-	-	1,697
1,604	137	5,597	4	1,574	124	12,835
2,850	3,650	100	1,740	-	-	12,789
<u>378,266</u>	<u>90,643</u>	<u>44,230</u>	<u>127,343</u>	<u>97,817</u>	<u>124</u>	<u>1,428,175</u>
57,009	87,987	-	43,409	71,770	-	905,843
3,527	3,908	204	6,175	453	-	44,351
266	282	199	732	202	-	4,209
-	-	-	-	-	-	132,054
-	18	-	-	-	-	9,742
43,886	9,640	38,545	18,525	3,099	-	166,038
-	194	-	200	194	-	1,121
<u>7,486</u>	<u>7,965</u>	<u>2,076</u>	<u>40,468</u>	<u>306</u>	<u>-</u>	<u>77,186</u>
55,165	22,007	41,024	66,100	4,254	-	434,701
18,171	12,072	72	2,662	11,877	-	52,845
1,946	1,006	76	17,130	364	-	80,198
3,085	-	26,196	4,312	-	-	145,991
-	-	-	-	-	-	59,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,258</u>
<u>135,376</u>	<u>123,072</u>	<u>67,368</u>	<u>133,613</u>	<u>88,265</u>	<u>-</u>	<u>1,702,836</u>
242,890	(32,429)	(23,138)	(6,270)	9,552	124	(274,661)
<u>(235,365)</u>	<u>33,000</u>	<u>-</u>	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>300,033</u>
<u>\$ 7,525</u>	<u>\$ 571</u>	<u>\$ (23,138)</u>	<u>\$ 11,730</u>	<u>\$ 9,552</u>	<u>\$ 124</u>	<u>\$ 25,372</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, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 15, 2021.

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
Michael E. Hoback
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**A PROFESSIONAL
CORPORATION**

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
March 15, 2021