

CITY OF VALENTINE, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Valentine, Nebraska, as of September 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Valentine, Nebraska, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Valentine's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Valentine, Nebraska's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Valentine, Nebraska's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 6-14 and 61-67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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.

Supplementary 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 combining nonmajor governmental funds financial statements, the statement of revenue and expenditures by General Fund department, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 by us and other auditors. In our opinion, the supplementary information described in the second sentence of this paragraph and the schedule of expenditures of federal awards are 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 6, 2023, on our consideration of the City of Valentine, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Valentine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Valentine, Nebraska's internal control over financial reporting and compliance.

AMGL, P.C.

Grand Island, Nebraska

March 6, 2023

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2022**

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, 2022.

Financial Highlights

- The assets of the City of Valentine exceeded its liabilities at the close of the most recent fiscal year by \$29,116,806 (*net position*). Of this amount, \$4,985,215 (*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 activities reported combined ending net position of \$18,635,402. Approximately 4.5 percent of this total amount, \$841,305, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$709,233, or 35.3 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, 2022

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 15 and 16 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 17-20 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, 2022**

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 21-24 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 25-60 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 61-67 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 68-70.

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 \$29,116,806 at the close of the most recent fiscal year.

Summary Statements of Net Position

	September 30, 2022			September 30, 2021		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 6,176,823	\$ 5,882,902	\$ 12,059,725	\$ 5,985,454	\$ 5,914,219	\$ 11,899,673
Capital Assets	16,988,175	9,297,457	26,285,632	12,909,826	7,674,845	20,584,671
Total Assets	<u>23,164,998</u>	<u>15,180,359</u>	<u>38,345,357</u>	<u>18,895,280</u>	<u>13,589,064</u>	<u>32,484,344</u>
Long-term Liabilities	2,799,621	3,953,963	6,753,584	2,095,989	3,351,000	5,446,989
Other Liabilities	1,729,975	744,992	2,474,967	549,009	1,014,540	1,563,549
Total Liabilities	<u>4,529,596</u>	<u>4,698,955</u>	<u>9,228,551</u>	<u>2,644,998</u>	<u>4,365,540</u>	<u>7,010,538</u>
Net Position:						
Net Investment in						
Capital Assets	14,025,154	6,337,494	20,362,648	10,656,683	4,997,596	15,654,279
Restricted	3,768,943	-	3,768,943	3,873,708	239,464	4,113,172
Unrestricted	841,305	4,143,910	4,985,215	1,719,891	3,986,464	5,706,355
Total Net Position	<u>\$ 18,635,402</u>	<u>\$ 10,481,404</u>	<u>\$ 29,116,806</u>	<u>\$ 16,250,282</u>	<u>\$ 9,223,524</u>	<u>\$ 25,473,806</u>

**CITY OF VALENTINE
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2022**

By far the largest portion of the City of Valentine’s net position (69.9 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 (12.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$4,985,215) 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, 2022</u>		<u>Year Ended September 30, 2021</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 12,422	\$ 470,772	\$ 10,723	\$ 357,036
Public Safety	30,276	659,793	126,789	616,299
Public Works	70,664	473,173	5,713	405,082
Recreation	640,443	920,678	534,790	770,215
Cemetery	16,350	45,110	28,688	33,857
Airport	2,732,206	503,403	484,961	387,861
Economic Development	-	1,000	-	-
Interest	-	50,193	-	45,541
Depreciation	-	770,734	-	761,740
Total	<u>3,502,361</u>	<u>3,894,856</u>	<u>1,191,664</u>	<u>3,377,631</u>
Transfers out	-	197,656	-	62,000
	<u>\$ 3,502,361</u>	<u>\$ 4,092,512</u>	<u>\$ 1,191,664</u>	<u>\$ 3,439,631</u>

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2022**

Revenues by Source – Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2022</u>		<u>Year Ended September 30, 2021</u>	
Charges for Services	\$ 1,183,562	18.27 %	\$ 920,942	22.35 %
Operating Grants and Contributions	46,693	0.72	260,722	6.33
Capital Grants and Contributions	2,272,106	35.08	10,000	0.24
Property Taxes	400,082	6.18	396,875	9.63
Motor Vehicle Taxes	62,303	0.96	62,092	1.51
Sales Tax	1,362,939	21.04	1,355,193	32.89
Franchise Taxes	429,803	6.64	403,096	9.78
State Allocation	545,847	8.43	562,518	13.65
Special Assessments	25,482	0.39	32,338	0.79
Miscellaneous	136,667	2.11	99,228	2.41
Loss on Disposal of Equipment	(1,700)	(0.03)	-	-
Interest	13,848	0.21	17,106	0.42
Total	<u>\$ 6,477,632</u>	<u>100.00 %</u>	<u>\$ 4,120,110</u>	<u>100.00 %</u>

Net position increased \$2,385,120 in the governmental activities during the year ended September 30, 2022.

Business-type activities. Business-type activities increased the City of Valentine's net position by \$1,257,880. Key elements of this increase are as follows:

Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2022</u>		<u>Year Ended September 30, 2021</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 4,478,957	\$ 3,773,744	\$ 4,446,744	\$ 4,038,677
Water	571,560	445,203	695,001	449,594
Sewer	565,449	408,750	316,462	391,709
Landfill	683,238	626,113	666,688	636,668
Total	<u>\$ 6,299,204</u>	<u>\$ 5,253,810</u>	<u>\$ 6,124,895</u>	<u>\$ 5,516,648</u>

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2022**

SOURCES OF REVENUE

	<u>Year Ended September 30, 2022</u>		<u>Year Ended September 30, 2021</u>	
Charges for Services	\$ 5,974,621	91.75 %	\$ 5,885,431	94.63 %
Grants and Contributions	324,583	4.98	239,464	3.85
Loss on Disposal of Equipment	(1,800)	(0.03)	(2,401)	(0.04)
Interest	16,630	0.26	35,170	0.56
Interfund Transfer	197,656	3.04	62,000	1.00
Total	<u>\$ 6,511,690</u>	<u>100.00 %</u>	<u>\$ 6,219,664</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 \$4,181,082. Approximately 0.1 percent of this total amount (\$5,893) 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 (\$805,651), 2) restricted to pay for infrastructure (\$1,582,769), 3) restricted for economic development (\$1,062,672), 4) restricted for community betterment (\$35,811), 5) nonspendable for cemetery perpetual care (\$147,652), 6) nonspendable for inventory and prepaids (\$69,844), 7) assigned for golf course operations (\$129,241), 8) assigned for budgetary stabilization (\$160,080), 9) assigned for airport operations (\$176,322), or 10) restricted for Federal programs (\$5,147).

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 \$709,233, while total fund balance was \$1,680,972. 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 35.3 percent of total General Fund expenditures, while total fund balance represents 83.7 percent of the same amount.

The fund balance of the City of Valentine's General Fund decreased by \$(38,194), the Street Fund decreased \$(1,177,373) and the Infrastructure Fund increased by \$172,448 during the current fiscal year.

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2022

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 - \$4,394,749, Water Fund – deficit of \$(155,844), Sewer Fund - \$47,337, and Landfill Fund - deficit of \$(142,332). The Electric Fund net position increased \$711,418, the Water Fund net position decreased \$(112,561), the Sewer Fund net position increased \$429,106, and the Landfill Fund net position increased \$229,917. 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, 2022.

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, 2022, amounts to \$26,285,632 (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:

- Airport runway rehabilitation construction in progress - \$2,241,597
- Storm sewer phase 2 construction in progress - \$2,365,266
- NH-83-4 street lighting - \$35,049
- Cemetery columbarium - \$99,849
- ProCore 648 aerator for the golf course - \$28,029
- 2 Ford Police Interceptor Utility vehicles - \$69,080
- New Holland Boomer 55 tractor for the airport - \$32,400
- Southeast sidewalk - \$54,128
- Phase 4 C&D site construction in progress - \$226,648
- Main Street sewer replacement construction in progress - \$845,451

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2022**

- Main Street water replacement construction in progress - \$772,055

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

	Year Ended September 30, 2022			Year Ended September 30, 2021		
	Governmental		Business-type	Governmental		Business-type
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Land	\$ 190,160	\$ -	\$ 190,160	\$ 190,160	\$ -	\$ 190,160
Construction in Progress	5,017,518	1,863,944	6,881,462	481,406	490,092	971,498
Buildings and Improvements	11,082,260	1,678,724	12,760,984	11,545,804	1,087,642	12,633,446
Machinery and Equipment	368,458	1,807,445	2,175,903	376,891	1,941,210	2,318,101
Distribution Systems, Buildings, and Equipment	-	3,896,135	3,896,135	-	4,086,265	4,086,265
Vehicles	329,779	51,209	380,988	315,565	69,636	385,201
Total	<u>\$ 16,988,175</u>	<u>\$ 9,297,457</u>	<u>\$ 26,285,632</u>	<u>\$ 12,909,826</u>	<u>\$ 7,674,845</u>	<u>\$ 20,584,671</u>

Additional information on the City of Valentine's capital assets can be found in Note C5 on pages 46-48 of this report.

Long-term debt. At the end of the current fiscal year, the City of Valentine had total bonded debt and notes payable outstanding of \$5,922,984.

City of Valentine's Outstanding Debt

	Year Ended September 30, 2022			Year Ended September 30, 2021		
	Governmental		Business-type	Governmental		Business-type
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Refunding Bonds	\$ 1,240,000	\$ 2,225,000	\$ 3,465,000	\$ 1,355,000	\$ 2,325,000	\$ 3,680,000
Notes Payable	993,021	734,963	1,727,984	127,143	-	127,143
Financing Agreement	730,000	-	730,000	771,000	-	771,000
Total	<u>\$ 2,963,021</u>	<u>\$ 2,959,963</u>	<u>\$ 5,922,984</u>	<u>\$ 2,253,143</u>	<u>\$ 2,325,000</u>	<u>\$ 4,578,143</u>

The City of Valentine's total debt increased by \$1,344,841 (29.4 percent) during the current fiscal year, due to loan advances for the street, water and sewer projects.

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 49-53 of this report.

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2022**

Economic Factors and Next Year's Budgets and Rates

- Property tax asking for the year ending September 30, 2023, is \$430,000, the same as the prior year.
- The City's property tax levy is \$0.205466 for 2022-2023, a \$0.021032 decrease (9.3 percent) from the prior year.
- The City has commitments of \$1,747,307 for the storm sewer improvement project, \$816,003 for the Main Street water and sewer replacement project, \$354,461 for the runway rehabilitation project, and \$2,815,572 for the parallel taxiway project.

All of these factors were considered in preparing the City of Valentine's budget for the 2023 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, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,472,429	\$ 2,307,183	\$ 3,779,612	\$ -
Certificates of deposit	99,312	1,728,592	1,827,904	-
County treasurer cash	32,010	-	32,010	-
Receivables:				
Special assessments	11,298	-	11,298	-
Accounts, net of allowance for doubtful accounts	-	116,531	116,531	-
Unbilled revenue	-	399,043	399,043	-
Current portion of notes receivable	34,423	-	34,423	70,000
Property tax	5,299	-	5,299	-
Sales tax	238,915	-	238,915	-
Inventory	64,780	276,200	340,980	-
Prepaid expenses	5,064	-	5,064	-
Total current assets	1,963,530	4,827,549	6,791,079	70,000
Noncurrent assets:				
Restricted cash and cash equivalents	3,459,222	-	3,459,222	-
Restricted certificates of deposit	245,047	1,055,353	1,300,400	-
Noncurrent portion of notes receivable	463,740	-	463,740	660,000
Noncurrent portion of special assessments	45,284	-	45,284	-
Capital assets:				
Land	190,160	-	190,160	-
Construction in progress	5,017,518	1,863,944	6,881,462	-
Depreciable capital assets, net of depreciation	11,780,497	7,433,513	19,214,010	-
Net capital assets	16,988,175	9,297,457	26,285,632	-
Total noncurrent assets	21,201,468	10,352,810	31,554,278	660,000
Total assets	23,164,998	15,180,359	38,345,357	730,000
LIABILITIES				
Current liabilities:				
Accounts payable	1,384,867	302,975	1,687,842	-
Accrued expenses	67,427	117,589	185,016	-
Unavailable revenue	45,284	-	45,284	-
Customer deposits	-	154,428	154,428	-
Current portion of long-term obligations	232,397	170,000	402,397	70,000
Total current liabilities	1,729,975	744,992	2,474,967	70,000
Noncurrent liabilities:				
Accrued closure and postclosure costs	-	1,164,000	1,164,000	-
Compensated absences	68,997	-	68,997	-
Noncurrent portion of long-term obligations	2,730,624	2,789,963	5,520,587	660,000
Total noncurrent liabilities	2,799,621	3,953,963	6,753,584	660,000
Total liabilities	4,529,596	4,698,955	9,228,551	730,000
NET POSITION				
Net investment in capital assets	14,025,154	6,337,494	20,362,648	-
Restricted for:				
Debt service	805,651	-	805,651	-
Golf course improvements	129,241	-	129,241	-
Infrastructure	1,582,769	-	1,582,769	-
Economic development	1,062,672	-	1,062,672	-
Community betterment	35,811	-	35,811	-
Federal programs	5,147	-	5,147	-
Cemetery perpetual care	147,652	-	147,652	-
Unrestricted	841,305	4,143,910	4,985,215	-
Total net position	\$ 18,635,402	\$ 10,481,404	\$ 29,116,806	\$ -

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 470,772	\$ -	\$ 12,422
Public safety	659,793	-	30,276
Public works	473,173	5,450	-
Environment and leisure	920,678	636,548	3,895
Cemetery	45,110	16,250	100
Airport	503,403	525,314	-
Economic development	1,000	-	-
Interest and fees on long-term debt	50,193	-	-
Depreciation	770,734	-	-
Total governmental activities	<u>3,894,856</u>	<u>1,183,562</u>	<u>46,693</u>
Business-type activities:			
Electric	3,773,744	4,478,957	-
Water	445,203	486,441	-
Sewer	408,750	325,985	-
Landfill	626,113	683,238	-
Total business-type activities	<u>5,253,810</u>	<u>5,974,621</u>	<u>-</u>
Total primary government	<u>\$ 9,148,666</u>	<u>\$ 7,158,183</u>	<u>\$ 46,693</u>
Component unit:			
Valentine Community Education Agency	<u>\$ 26,029</u>	<u>\$ 26,029</u>	<u>\$ -</u>

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>	
\$ -	\$ (458,350)		\$ (458,350)	
-	(629,517)		(629,517)	
65,214	(402,509)		(402,509)	
-	(280,235)		(280,235)	
-	(28,760)		(28,760)	
2,206,892	2,228,803		2,228,803	
-	(1,000)		(1,000)	
-	(50,193)		(50,193)	
-	(770,734)		(770,734)	
<u>2,272,106</u>	<u>(392,495)</u>	<u>\$ -</u>	<u>(392,495)</u>	
-	-	705,213	705,213	
85,119	-	126,357	126,357	
239,464	-	156,699	156,699	
-	-	57,125	57,125	
<u>324,583</u>	<u>-</u>	<u>1,045,394</u>	<u>1,045,394</u>	
<u>\$ 2,596,689</u>	<u>(392,495)</u>	<u>1,045,394</u>	<u>652,899</u>	
<u>\$ -</u>				<u>\$ -</u>
General revenues:				
Taxes:				
Property	400,082	-	400,082	-
Motor vehicle	62,303	-	62,303	-
Sales tax	1,362,939	-	1,362,939	-
Franchise	429,803	-	429,803	-
State allocation	545,847	-	545,847	-
Special assessments	25,482	-	25,482	-
Miscellaneous	136,667	-	136,667	-
Loss on disposal of equipment	(1,700)	(1,800)	(3,500)	-
Interest income	13,848	16,630	30,478	-
Interfund transfers	(197,656)	197,656	-	-
Total general revenues	<u>2,777,615</u>	<u>212,486</u>	<u>2,990,101</u>	<u>-</u>
Change in net position	<u>2,385,120</u>	<u>1,257,880</u>	<u>3,643,000</u>	<u>-</u>
Net position - September 30, 2021	<u>16,250,282</u>	<u>9,223,524</u>	<u>25,473,806</u>	<u>-</u>
Net position - September 30, 2022	<u>\$ 18,635,402</u>	<u>\$ 10,481,404</u>	<u>\$ 29,116,806</u>	<u>\$ -</u>

CITY OF VALENTINE, NEBRASKA

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

September 30, 2022

	<u>General</u>	<u>Street</u>	<u>Airport</u>
ASSETS			
Cash and cash equivalents	\$ 1,734,140	\$ 117,409	\$ 394,675
Certificates of deposit	99,312	111,221	-
County treasurer cash	27,537	4,473	-
Receivables:			
Special assessments	-	-	-
Property tax	4,463	836	-
Sales tax	76,371	9,779	-
Inventory	-	-	64,780
Prepaid expenses	861	-	3,711
	<u>\$ 1,942,684</u>	<u>\$ 243,718</u>	<u>\$ 463,166</u>
Total assets	\$ 1,942,684	\$ 243,718	\$ 463,166
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 221,470	\$ 934,253	\$ 218,125
Accrued expenses	40,242	12,805	228
Unavailable revenue	-	-	-
Total liabilities	<u>261,712</u>	<u>947,058</u>	<u>218,353</u>
Fund balances:			
Nonspendable:			
Inventory and prepaids	861	-	68,491
Cemetery perpetual care	-	-	-
Restricted for:			
Debt service	805,651	-	-
Infrastructure	-	-	-
Economic development	-	-	-
Community betterment	-	-	-
Federal programs	5,147	-	-
Assigned for:			
Airport	-	-	176,322
Golf course	-	-	-
Budgetary stabilization	160,080	-	-
Unassigned	709,233	(703,340)	-
Total fund balances	<u>1,680,972</u>	<u>(703,340)</u>	<u>244,813</u>
Total liabilities and fund balances	\$ 1,942,684	\$ 243,718	\$ 463,166

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>
\$ 1,456,903	\$ 1,024,475	\$ 154,412	\$ 49,637	\$ 4,931,651
-	-	-	133,826	344,359
-	-	-	-	32,010
56,582	-	-	-	56,582
-	-	-	-	5,299
114,568	38,197	-	-	238,915
-	-	-	-	64,780
-	-	492	-	5,064
<u>\$ 1,628,053</u>	<u>\$ 1,062,672</u>	<u>\$ 154,904</u>	<u>\$ 183,463</u>	<u>\$ 5,678,660</u>
\$ -	\$ -	\$ 11,019	\$ -	\$ 1,384,867
-	-	14,152	-	67,427
45,284	-	-	-	45,284
<u>45,284</u>	<u>-</u>	<u>25,171</u>	<u>-</u>	<u>1,497,578</u>
-	-	492	-	69,844
-	-	-	147,652	147,652
-	-	-	-	805,651
1,582,769	-	-	-	1,582,769
-	1,062,672	-	-	1,062,672
-	-	-	35,811	35,811
-	-	-	-	5,147
-	-	-	-	176,322
-	-	129,241	-	129,241
-	-	-	-	160,080
-	-	-	-	5,893
<u>1,582,769</u>	<u>1,062,672</u>	<u>129,733</u>	<u>183,463</u>	<u>4,181,082</u>
<u>\$ 1,628,053</u>	<u>\$ 1,062,672</u>	<u>\$ 154,904</u>	<u>\$ 183,463</u>	<u>\$ 5,678,660</u>

CITY OF VALENTINE, NEBRASKA

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

September 30, 2022

Total fund balances - governmental funds		\$ 4,181,082
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:		
Notes receivable are not recorded as an asset in the fund financial statements.		498,163
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 \$24,963,150 and the accumulated depreciation is \$7,974,975.		16,988,175
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	\$ (68,997)	
Bonds, note and financing agreement payable	<u>(2,963,021)</u>	<u>(3,032,018)</u>
Total net position - governmental activities		<u><u>\$ 18,635,402</u></u>

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, 2022

	<u>General</u>	<u>Street</u>	<u>Airport</u>
REVENUES			
Taxes:			
Property	\$ 400,082	\$ -	\$ -
Motor vehicle	-	62,303	-
Sales tax	421,565	98,243	-
Franchise	429,803	-	-
Intergovernmental	48,014	497,833	-
Special assessments	-	-	-
Licenses and permits	12,432	-	-
Charges for services	193,932	5,450	525,314
Grants and donations	37,347	65,214	2,206,892
Loan collections	-	-	-
Interest income	10,130	777	-
Loan proceeds	-	906,877	-
Other income	39,013	250	1,639
Total revenues	<u>1,592,318</u>	<u>1,636,947</u>	<u>2,733,845</u>
EXPENDITURES			
General government	460,572	-	-
Public safety	659,793	-	-
Public works	-	470,458	-
Environment and leisure	522,974	-	-
Cemetery	45,110	-	-
Airport	-	-	503,403
Economic development	-	-	-
Capital outlay	249,142	2,415,615	2,273,997
Debt issuance costs	11,975	-	-
Principal payments on debt	41,000	40,999	-
Interest on long-term debt	17,980	3,248	-
Total expenditures	<u>2,008,546</u>	<u>2,930,320</u>	<u>2,777,400</u>
Excess (deficiency) of revenues over expenditures	(416,228)	(1,293,373)	(43,555)
OTHER FINANCING			
SOURCES (USES)			
Net transfers in (out)	<u>378,034</u>	<u>116,000</u>	<u>-</u>
Net change in fund balances	(38,194)	(1,177,373)	(43,555)
Fund balances - September 30, 2021	<u>1,719,166</u>	<u>474,033</u>	<u>288,368</u>
Fund balances - September 30, 2022	<u>\$ 1,680,972</u>	<u>\$ (703,340)</u>	<u>\$ 244,813</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>
\$ -	\$ -	\$ -	\$ -	\$ 400,082
-	-	-	-	62,303
632,348	210,783	-	-	1,362,939
-	-	-	-	429,803
-	-	-	-	545,847
25,482	-	-	-	25,482
-	-	-	5,360	17,792
-	-	458,866	-	1,183,562
-	-	-	9,346	2,318,799
-	64,100	-	-	64,100
2,400	541	-	-	13,848
-	-	-	-	906,877
-	49,236	8,286	1,300	99,724
<u>660,230</u>	<u>324,660</u>	<u>467,152</u>	<u>16,006</u>	<u>7,431,158</u>
-	-	-	5,050	465,622
-	-	-	-	659,793
-	-	-	-	470,458
-	-	396,523	-	919,497
-	-	-	-	45,110
-	-	-	-	503,403
-	71,000	-	-	71,000
-	-	28,029	-	4,966,783
-	-	-	-	11,975
-	-	115,000	-	196,999
-	-	16,990	-	38,218
<u>-</u>	<u>71,000</u>	<u>556,542</u>	<u>5,050</u>	<u>8,348,858</u>
660,230	253,660	(89,390)	10,956	(917,700)
(487,782)	(215,200)	132,292	(5,000)	(81,656)
172,448	38,460	42,902	5,956	(999,356)
<u>1,410,321</u>	<u>1,024,212</u>	<u>86,831</u>	<u>177,507</u>	<u>5,180,438</u>
<u>\$ 1,582,769</u>	<u>\$ 1,062,672</u>	<u>\$ 129,733</u>	<u>\$ 183,463</u>	<u>\$ 4,181,082</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, 2022

Total net change in fund balances - governmental funds	\$ (999,356)
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.	(44,949)
Advances on notes receivable are reported in the governmental funds as expenditures, but the advances increase notes receivable in the statement of activities.	70,000
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$4,966,783) exceeds depreciation expense (\$770,734) in the period.	4,196,049
Remaining basis on capital asset disposals does not impact the governmental funds. However, in the statement of activities, the remaining basis decreases sales proceeds.	(1,700)
Basis of capital assets transfers does not impact the fund financial statements. However, the basis is reported as a transfer in the statement of activities.	(116,000)
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.	(9,046)
Loan proceeds are reported as revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(906,877)
Repayment of bond, note and financing agreement principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	196,999
Change in net position of governmental activities	<u><u>\$ 2,385,120</u></u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
September 30, 2022

	Enterprise Funds				Total
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,472,422	\$ (218,458)	\$ 51,725	\$ 1,494	\$ 2,307,183
Certificates of deposit	1,706,951	21,641	-	-	1,728,592
Receivables:					
Accounts, net of allowance for doubtful accounts	71,640	24,885	8,867	11,139	116,531
Unbilled revenue	310,698	60,925	27,338	82	399,043
Inventory	234,628	39,542	2,030	-	276,200
Total current assets	<u>4,796,339</u>	<u>(71,465)</u>	<u>89,960</u>	<u>12,715</u>	<u>4,827,549</u>
Noncurrent assets:					
Restricted certificates of deposit	-	-	-	1,055,353	1,055,353
Capital assets:					
Construction in progress	-	895,274	968,670	-	1,863,944
Other capital assets	8,024,868	1,779,056	3,327,262	2,842,590	15,973,776
Less accumulated depreciation	<u>(4,310,983)</u>	<u>(1,168,874)</u>	<u>(2,058,493)</u>	<u>(1,001,913)</u>	<u>(8,540,263)</u>
Net capital assets	<u>3,713,885</u>	<u>1,505,456</u>	<u>2,237,439</u>	<u>1,840,677</u>	<u>9,297,457</u>
Total noncurrent assets	<u>3,713,885</u>	<u>1,505,456</u>	<u>2,237,439</u>	<u>2,896,030</u>	<u>10,352,810</u>
Total assets	<u>8,510,224</u>	<u>1,433,991</u>	<u>2,327,399</u>	<u>2,908,745</u>	<u>15,180,359</u>
LIABILITIES					
Current liabilities:					
Accounts payable	220,703	25,442	19,629	37,201	302,975
Accrued payroll and vacation	29,804	18,570	22,994	9,199	80,567
Sales tax payable	28,173	-	-	-	28,173
Accrued interest payable	8,849	-	-	-	8,849
Customer deposits	114,061	40,367	-	-	154,428
Current portion of					
long-term obligations	<u>170,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,000</u>
Total current liabilities	<u>571,590</u>	<u>84,379</u>	<u>42,623</u>	<u>46,400</u>	<u>744,992</u>
Noncurrent liabilities:					
Accrued closure and postclosure costs	-	-	-	1,164,000	1,164,000
Noncurrent portion of					
long-term obligations	<u>2,055,000</u>	<u>340,475</u>	<u>394,488</u>	<u>-</u>	<u>2,789,963</u>
Total noncurrent liabilities	<u>2,055,000</u>	<u>340,475</u>	<u>394,488</u>	<u>1,164,000</u>	<u>3,953,963</u>
Total liabilities	<u>2,626,590</u>	<u>424,854</u>	<u>437,111</u>	<u>1,210,400</u>	<u>4,698,955</u>
NET POSITION					
Net investment in capital assets	1,488,885	1,164,981	1,842,951	1,840,677	6,337,494
Restricted	-	-	-	-	-
Unrestricted	<u>4,394,749</u>	<u>(155,844)</u>	<u>47,337</u>	<u>(142,332)</u>	<u>4,143,910</u>
Total net position	<u>\$ 5,883,634</u>	<u>\$ 1,009,137</u>	<u>\$ 1,890,288</u>	<u>\$ 1,698,345</u>	<u>\$ 10,481,404</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, 2022

	Enterprise Funds				Total
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	
Operating revenues:					
Charges for services	\$ 4,373,174	\$ 473,991	\$ 324,060	\$ 683,238	\$ 5,854,463
Other revenue	105,783	12,450	1,925	-	120,158
Total operating revenues	<u>4,478,957</u>	<u>486,441</u>	<u>325,985</u>	<u>683,238</u>	<u>5,974,621</u>
Operating expenses:					
Cost of power	2,562,516	-	-	-	2,562,516
Personnel services	282,587	242,199	197,206	96,610	818,602
Insurance and bonds	10,206	3,710	9,646	1,913	25,475
Utilities and telephone	23,494	22,796	52,856	1,864	101,010
Repairs and maintenance	114,631	95,467	41,566	30,583	282,247
Contractual obligations	3,103	8,513	1,220	397,298	410,134
Supplies	89,138	5,702	10,215	736	105,791
Licenses and fees	416,720	-	-	18,060	434,780
Professional fees	6,330	2,056	1,970	5,517	15,873
Miscellaneous	10,840	10,048	3,853	1,585	26,326
Landfill post-closure costs	-	-	-	3,000	3,000
Depreciation	193,184	54,712	90,218	68,947	407,061
Total operating expenses	<u>3,712,749</u>	<u>445,203</u>	<u>408,750</u>	<u>626,113</u>	<u>5,192,815</u>
Operating income (loss)	766,208	41,238	(82,765)	57,125	781,806
Nonoperating revenues (expenses):					
Interest income	6,205	898	-	9,527	16,630
Grant income	-	85,119	239,464	-	324,583
Loss on disposal of equipment	-	-	(1,800)	-	(1,800)
Bond issuance costs	(28,488)	-	-	-	(28,488)
Interest expense	(32,507)	-	-	-	(32,507)
Total nonoperating revenues (expenses)	<u>(54,790)</u>	<u>86,017</u>	<u>237,664</u>	<u>9,527</u>	<u>278,418</u>
Income before interfund transfers	711,418	127,255	154,899	66,652	1,060,224
Interfund transfers:					
Transfer from (to) other funds	-	(239,816)	274,207	163,265	197,656
Change in net position	711,418	(112,561)	429,106	229,917	1,257,880
Net position - September 30, 2021	<u>5,172,216</u>	<u>1,121,698</u>	<u>1,461,182</u>	<u>1,468,428</u>	<u>9,223,524</u>
Net position - September 30, 2022	<u>\$ 5,883,634</u>	<u>\$ 1,009,137</u>	<u>\$ 1,890,288</u>	<u>\$ 1,698,345</u>	<u>\$ 10,481,404</u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the Year Ended September 30, 2022

	Enterprise Funds	
	Electric Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 4,486,434	\$ 469,564
Payments to suppliers	(3,206,354)	(155,134)
Payments to employees	(276,985)	(239,063)
Net cash provided by operating activities	1,003,095	75,367
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from (to) other funds	-	(239,816)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(29,056)	(860,087)
Grant proceeds	-	85,119
Proceeds from issuance of capital debt	2,225,000	340,475
Principal payments on capital debt	(2,325,000)	-
Bond issuance costs paid	(28,488)	-
Interest paid on capital debt	(45,941)	-
Net cash used by capital and related financing activities	(203,485)	(434,493)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in certificates of deposit	(5,537)	(630)
Decrease in restricted cash and cash equivalents	-	239,464
Increase in restricted certificates of deposit	-	-
Interest received	6,205	898
Net cash provided (used) by investing activities	668	239,732
Increase (decrease) in cash and cash equivalents	800,278	(359,210)
Cash and cash equivalents - beginning of the year	1,672,144	140,752
Cash and cash equivalents - end of the year	\$ 2,472,422	\$ (218,458)

See notes to financial statements.

Enterprise Funds		
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
\$ 328,251	\$ 681,777	\$ 5,966,026
(132,835)	(453,155)	(3,947,478)
(192,747)	(94,910)	(803,705)
<u>2,669</u>	<u>133,712</u>	<u>1,214,843</u>
274,207	163,265	197,656
(915,682)	(578,897)	(2,383,722)
239,464	-	324,583
394,488	-	2,959,963
-	-	(2,325,000)
-	-	(28,488)
-	-	(45,941)
<u>(281,730)</u>	<u>(578,897)</u>	<u>(1,498,605)</u>
-	-	(6,167)
-	-	239,464
-	(68,206)	(68,206)
-	9,527	16,630
<u>-</u>	<u>(58,679)</u>	<u>181,721</u>
(4,854)	(340,599)	95,615
<u>56,579</u>	<u>342,093</u>	<u>2,211,568</u>
<u>\$ 51,725</u>	<u>\$ 1,494</u>	<u>\$ 2,307,183</u>

CITY OF VALENTINE, NEBRASKA

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

For the Year Ended September 30, 2022

	Enterprise Funds	
	Electric Fund	Water Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 766,208	\$ 41,238
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	193,184	54,712
Landfill closure and postclosure costs	-	-
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	3,596	(17,846)
Inventories	(8,453)	(16,045)
Accounts payable	39,574	9,203
Accrued payroll and vacation	5,602	3,136
Sales tax payable	(497)	-
Customer deposits	3,881	969
Net cash provided by operating activities	\$ 1,003,095	\$ 75,367

See notes to financial statements.

<u>Enterprise Funds</u>		
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
\$ (82,765)	\$ 57,125	\$ 781,806
90,218	68,947	407,061
-	3,000	3,000
2,266	(1,461)	(13,445)
(216)	-	(24,714)
(11,293)	4,401	41,885
4,459	1,700	14,897
-	-	(497)
-	-	4,850
<u>\$ 2,669</u>	<u>\$ 133,712</u>	<u>\$ 1,214,843</u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

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CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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
Discretely Presented Component Unit:	Valentine Community Education Agency

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, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

Blended Component Units

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

Discretely Presented Component Units

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

Brief Description of Activities and Relationship
to the City:

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, 2022

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, 2022

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 28 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, 2022

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 29 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, 2022

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 and the discretely presented component unit 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, 2022

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 and the discretely presented component unit utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

4. Assets, Liabilities, and Equity

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, 2022

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, 2022

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 \$5,000 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, 2022

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, 2022

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, 2022

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 17). 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, 2022

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 2021-2022 are recorded as revenue when expected to be collected within 60 days after September 30, 2022. 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, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Expenditures/Expenses

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

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

Governmental Funds – by Character and Function

Proprietary Funds – by Operating and Nonoperating

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

Interfund Transfers

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

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component unit are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

1. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include: General, Special Revenue, and Permanent Funds.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

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, 2022

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 30, 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, 2022

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, 2022. 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	\$ 10,359,641	\$ 10,244,788	\$ 114,853	\$ -	\$ <u>10,367,138</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –

Unrestricted cash and cash equivalents	\$ 3,779,612
Restricted cash and cash equivalents	3,459,222
Unrestricted certificates of deposit	1,827,904
Restricted certificates of deposit	<u>1,300,400</u>
	\$ <u>10,367,138</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

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

2. Restricted Assets

The restricted assets as of September 30, 2022, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 3,459,222	\$ -	\$ 3,459,222
Certificates of deposit	245,047	1,055,353	1,300,400
	<u>\$ 3,704,269</u>	<u>\$ 1,055,353</u>	<u>\$ 4,759,622</u>

The governmental activities' restricted assets as of September 30, 2022, consisted of \$805,651 in the General Fund restricted for debt service, \$5,147 in the General Fund restricted for federal programs, \$228,630 in the Street Fund restricted for street improvements, \$1,456,903 in the Infrastructure Fund restricted for infrastructure, \$2,626 in the Fines and Fees Fund restricted for community betterment, \$1,024,475 in the Economic Development Fund restricted for economic development, \$147,652 in the Perpetual Care Fund restricted for cemetery perpetual care and \$33,185 in the Queen Jackson Memorial Fund restricted for community betterment.

The business-type activities' restricted assets as of September 30, 2022, consisted of \$1,055,353 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, 2022, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 207,481
Allowance for doubtful accounts	(90,950)
Net accounts receivable	<u>\$ 116,531</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

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

4. Notes Receivable

Governmental Activities

The Economic Development Fund has made eleven economic development loans. Notes receivable at September 30, 2022, 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.	\$ 59,632
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.	4,477
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.	24,202
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.	19,744
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.	20,697
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.	68,755
Note for \$15,800 dated October 9, 2020; due in 180 monthly payments of \$116.87 through October 9, 2035; bearing interest at 4.0 percent.	14,883

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

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

4. Notes Receivable, continued

Governmental Activities, continued

Note for \$84,000 dated January 22, 2021; due in 180 monthly payments of \$622.03 through February 1, 2036; bearing interest at 4.0 percent.	76,628
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Note for \$149,500 dated July 20, 2021; due in 180 monthly payments of \$1,469.59 through August 1, 2036; bearing interest at 4.0 percent.	141,651
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Note for \$30,000 dated December 13, 2021; due in 180 monthly payments of \$263.58 through December 1, 2036; bearing interest at 4.0 percent.	28,846
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Note for \$40,000 dated December 23, 2021; due in 180 monthly payments of \$521.22 through January 1, 2037; bearing interest at 4.0 percent.	<u>38,648</u>
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Total governmental activities notes receivable	\$ <u>498,163</u>
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Current portion	\$ 34,423
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Noncurrent portion	<u>463,740</u>
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Total	\$ <u>498,163</u>
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Component Unit

The Valentine Community Education Center has a financing agreement with the City for a building. The note receivable had a balance of \$730,000 at September 30, 2022, and is described in greater detail in Note C7.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

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

5. Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	<u>Balance at</u> <u>October 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>September 30, 2022</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 190,160	\$ -	\$ -	\$ 190,160
Construction in progress	481,406	4,652,112	(116,000)	5,017,518
Total capital assets not being depreciated	<u>671,566</u>	<u>4,652,112</u>	<u>(116,000)</u>	<u>5,207,678</u>
Other capital assets being depreciated:				
Buildings and improvements	17,430,326	169,277	-	17,599,603
Machinery and equipment	1,257,600	76,314	(28,025)	1,305,889
Vehicles	830,090	69,080	(49,190)	849,980
Total other capital assets at historical cost	<u>19,518,016</u>	<u>314,671</u>	<u>(77,215)</u>	<u>19,755,472</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,884,522)	(632,821)	-	(6,517,343)
Machinery and equipment	(880,709)	(83,047)	26,325	(937,431)
Vehicles	(514,525)	(54,866)	49,190	(520,201)
Total accumulated depreciation	<u>(7,279,756)</u>	<u>(770,734) *</u>	<u>75,515</u>	<u>(7,974,975)</u>
Other capital assets, net	<u>12,238,260</u>	<u>(456,063)</u>	<u>(1,700)</u>	<u>11,780,497</u>
Governmental activities capital assets, net	<u>\$ 12,909,826</u>	<u>\$ 4,196,049</u>	<u>\$ (117,700)</u>	<u>\$ 16,988,175</u>

* Depreciation expense was incurred by the following governmental activities:

General Fund:

General government \$ 84,408

Public safety:

 Police 19,715
 Fire 47,186
 Total public safety 66,901

Public works:

 Cemetery 3,507

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

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

5. Capital Assets, continued

General Fund, continued:

Environment and leisure:

Swimming pool	67,994
Library	13,203
Parks and recreation	<u>27,355</u>
Total environment and leisure	<u>108,552</u>

Total General Fund 263,368

Street Fund 171,376

Airport Fund 249,043

Golf Fund 86,947

Total governmental activities depreciation expense \$ 770,734

Construction in progress at September 30, 2022 consists of \$7,340 of City Hall schematic design costs, \$10,200 of City Hall exterior improvements design costs, \$2,467,402 of costs for the runway rehab project, \$2,455,527 of engineering on the storm sewer project, and \$77,049 of costs on the Highway 83 project. See Note D3 for more information on construction commitments.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

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

5. Capital Assets, continued

Business-type Activities:

	Balance at <u>October 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at <u>September 30, 2022</u>
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Construction in progress	\$ 490,092	\$ 1,984,616	\$ -	\$ (610,764)	\$ 1,863,944
Other capital assets being depreciated:					
Distribution systems	6,794,628	14,964	-	-	6,809,592
Buildings and improvements	1,902,776	14,092	-	610,764	2,527,632
Machinery and equipment	6,261,918	17,801	(45,243)	-	6,234,476
Vehicles	416,625	-	(14,549)	-	402,076
Total other capital assets at historical cost	15,375,947	46,857	(59,792)	610,764	15,973,776
Less accumulated depreciation for:					
Distribution systems	(2,708,363)	(205,094)	-	-	(2,913,457)
Buildings and improvements	(815,134)	(33,774)	-	-	(848,908)
Machinery and equipment	(4,320,708)	(149,766)	43,443	-	(4,427,031)
Vehicles	(346,989)	(18,427)	14,549	-	(350,867)
Total accumulated depreciation	(8,191,194)	(407,061) *	57,992	-	(8,540,263)
Other capital assets, net	7,184,753	(360,204)	(1,800)	610,764	7,433,513
Business-type activities capital assets, net	\$ 7,674,845	\$ 1,624,412	\$ (1,800)	\$ -	\$ 9,297,457

* Depreciation expense was charged to functions as follows:

Electric	\$ 193,184
Water	54,712
Sewer	90,218
Landfill	68,947
Total business-type activities depreciation expense	\$ <u>407,061</u>

Construction in progress at September 30, 2022 consists of \$1,839,482 of costs on the Main Street water and sewer replacement project, \$12,231 of engineering costs on the sewer interceptor project and \$12,231 of engineering costs on the Northeast water main extension project. See Note D3 for more information on construction commitments.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

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, 2022:

<u>Type of Debt</u>	<u>Balance at October 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2022</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes and financing agreement payable	<u>\$ 2,253,143</u>	<u>\$ 906,877</u>	<u>\$ (196,999)</u>	<u>\$ 2,963,021</u>	<u>\$ 232,397</u>
Business-type Activities:					
Bonds and note payable	<u>\$ 2,325,000</u>	<u>\$ 2,959,963</u>	<u>\$(2,325,000)</u>	<u>\$ 2,959,963</u>	<u>\$ 170,000</u>
Component Unit:					
Valentine Community Education Agency Bonds Payable	<u>\$ 771,000</u>	<u>\$ 730,000</u>	<u>\$ (771,000)</u>	<u>\$ 730,000</u>	<u>\$ 70,000</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

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

7. Long-term Debt, continued

Governmental Activities

As of September 30, 2022, the governmental long-term liabilities consisted of the following:

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. \$ 1,240,000

Financing agreement of \$999,000 due to Valentine Community Education Agency, with interest ranging from 0.75 to 1.60 percent. Interest is due in semi-annual installments and principal is due in annual installments through December 15, 2031. Paid from the General Fund. 730,000

The City entered into a loan agreement with the Nebraska Department of Environment and Energy on March 25, 2022, in the amount of \$3,350,000 for storm sewer and sewer projects. As of September 30, 2022, \$906,877 had been advanced for the storm sewer project. The loan is non-interest bearing and has no fees. The loan is due in semi-annual installments through June 15, 2054. Paid by the Street Fund. 906,877

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. 86,144

\$ 2,963,021

Current portion	\$ 232,397
Noncurrent portion	<u>2,730,624</u>
Total	\$ <u>2,963,021</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

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

7. Long-term Debt, continued

Business-type Activities

As of September 30, 2022, the long-term debt payable from proprietary fund resources consisted of the following:

Combined utilities system revenue refunding bonds, series 2021, with an original issue amount of \$2,225,000. Interest rates range from 0.35 percent to 1.85 percent. Interest is due in semi-annual installments and principal is due in annual installments through November 15, 2035. Paid from the Electric Fund. \$ 2,225,000

The City entered into a loan agreement with the Nebraska Department of Environment and Energy on March 25, 2022, in the amount of \$3,350,000 for storm sewer and sewer projects. As of September 30, 2022, \$394,488 had been advanced for the sewer project. The loan is non-interest bearing and has no fees. The loan is due in semi-annual installments through June 15, 2054. Paid by the Sewer Fund. 394,488

The City entered into a loan agreement with the Nebraska Department of Environment and Energy on March 25, 2022, in the amount of \$640,298 for a water project. As of September 30, 2022, \$340,475 had been advanced for the project. The loan is non-interest bearing and has no fees. The loan is due in semi-annual installments through June 15, 2054. Paid by the Water Fund. 340,475

\$ 2,959,963

Current portion	\$ 170,000
Noncurrent portion	<u>2,789,963</u>
Total	<u>\$ 2,959,963</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

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

7. Long-term Debt, continued

Component Unit

On February 22, 2022, the Valentine Community Education Agency issued \$730,000 of sales tax revenue refunding bonds, series 2022, to refund bonds issued to finance the construction of the public education facility. Interest rates range from 0.75 percent to 1.60 percent. Interest is due in semi-annual installments and principal is due in annual installments through December 15, 2031. The City has a financing agreement 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).

	<u>\$ 730,000</u>
Current portion	\$ 70,000
Noncurrent portion	<u>660,000</u>
Total	<u>\$ 730,000</u>

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2022, are as follows:

Year Ending September 30,	Governmental Activities				Business-type Activities			
	Direct Placement Debt		Other Debt Issue		Direct Placement Debt		Other Debt Issue	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 112,397	\$ 11,487	\$ 120,000	\$ 16,205	\$ -	\$ -	\$ 170,000	\$ 23,343
2024	113,747	9,626	120,000	15,035	-	-	170,000	22,705
2025	110,816	7,723	120,000	13,805	39,098	-	165,000	21,952
2026	110,816	7,040	120,000	12,485	39,098	-	165,000	21,045
2027	110,816	6,200	125,000	10,983	39,098	-	170,000	19,913
2028-2032	584,082	15,210	635,000	26,855	195,491	-	795,000	74,660
2033-2037	204,082	-	-	-	195,491	-	590,000	19,607
2038-2042	204,082	-	-	-	151,788	-	-	-
2043-2047	172,183	-	-	-	74,899	-	-	-
	<u>\$ 1,723,021</u>	<u>\$ 57,286</u>	<u>\$ 1,240,000</u>	<u>\$ 95,368</u>	<u>\$ 734,963</u>	<u>\$ -</u>	<u>\$ 2,225,000</u>	<u>\$ 203,225</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

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

7. Long-term Debt, continued

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2022, are as follows:

	Component Unit	
	Other Debt Issue	
	Principal	Interest
2023	\$ 70,000	\$ 8,773
2024	70,000	8,247
2025	70,000	7,723
2026	70,000	7,040
2027	70,000	6,200
2028-2032	380,000	15,210
	\$ 730,000	\$ 53,193

8. Special Assessments

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, 2022:

Current portion	\$ 11,298
Non-current portion	<u>45,284</u>
Total street improvement assessments	<u>\$ 56,582</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

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

9. Interfund Transactions

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 611,047	\$ 233,013
Infrastructure Fund	-	487,782
Economic Development Fund	-	215,200
Golf Fund	132,292	-
Nonmajor Governmental Funds	-	5,000
Water Fund	-	239,816
Sewer Fund	274,207	-
Landfill Fund	<u>163,265</u>	<u>-</u>
Total operating transfers	\$ <u>1,180,811</u>	\$ <u>1,180,811</u>

10. Fund Equity

The Street Fund had a deficit fund balance of \$703,340 as of September 30, 2022. The Village plans to increase this fund balance by receiving long-term financing for a project.

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, 2022, the City's total payroll and covered payroll under the plan was \$1,564,330 and \$1,189,150, respectively. Both the City's required contribution of \$71,349 and the covered employees' required contribution of \$71,349 were made for the year ended September 30, 2022.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

NOTE D – OTHER NOTES

1. Employee Pension and Other Benefit Plans, continued

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 \$28,803 under the plan for the year ended September 30, 2022.

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, 2022, 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.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

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>
October 2022	\$ 206,672
November 2022	111,221
December 2022	1,641,994
August 2023	95,578
September 2023	505,724
June 2024	85,860
September 2024	481,255
	<u>\$ 3,128,304</u>

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, 2022, the City’s investments and certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Security First Bank	\$ 2,910,420
Bank of the West	11,212
Union Bank & Trust	206,672
	<u>\$ 3,128,304</u>

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, 2022.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

NOTE D – OTHER NOTES, continued

3. Commitments

Construction Commitments

The City’s governmental activities had the following construction commitments as of September 30, 2022:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2022</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
Runway rehab engineering	\$ 335,800	\$ 204,419	\$ 131,381	Summer 2023
Runway rehab construction	2,064,302	1,841,222	223,080	Summer 2023
Storm sewer improvements	3,814,811	2,238,122	1,576,689	Summer 2023
Storm sewer engineering	378,194	206,576	171,618	Summer 2023
City Hall exterior improvement design	12,750	10,200	2,550	Fall 2022
Parallel taxiway project	2,815,572	-	2,815,572	Summer 2023
Total	<u>\$ 9,421,429</u>	<u>\$ 4,500,539</u>	<u>\$ 4,920,890</u>	

The City’s business-type activities had the following construction commitments as of September 30, 2022:

<u>Project</u>	<u>Contract Amount</u>	<u>Incurred Through 9/30/2022</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
Main Street water and sewer replacement	\$ 1,625,634	\$ 809,631	\$ 816,003	Spring 2023
4th Street additional wastewater design	18,000	12,600	5,400	Spring 2023
Sewer interceptor engineering	61,475	12,231	49,244	Winter 2022
Northeast water main extension engineering	61,475	12,231	49,244	Winter 2022
Total	<u>\$ 1,766,584</u>	<u>\$ 846,693</u>	<u>\$ 919,891</u>	

Other Commitment

The City has a contract for \$307,170 for the airport layout plan. As of September 30, 2022, the City had paid \$30,717 on the contract leaving a commitment of \$276,453. This project is expected to be completed in 2023.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

NOTE D – OTHER NOTES, continued

3. Commitments, continued

Lease

On February 28, 2022, the City entered into a sixty-three month lease for a postage machine from Quadient Leasing. Rent of \$135.30 is due monthly through May 2027.

Rent expense was \$1,492 for the year ended September 30, 2022. The following payments are due under the leases:

Year Ending <u>September 30,</u>	
2023	\$ 1,624
2024	1,624
2025	1,624
2026	1,624
2027	1,084
	<u>\$ 7,580</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 \$1,164,000 reported as landfill closure and postclosure care liability at September 30, 2022, represents the cumulative amount reported to date based on the use of approximately 49.2 percent of the estimated capacity of the landfill. The Valentine Landfill will recognize the remaining estimated cost of closure and postclosure care of \$1,200,166 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2022. 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, 2022

NOTE D – OTHER NOTES, continued

3. Commitments, 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, 2022, investments totaled \$1,055,353 at Union Bank. The City of Valentine expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

4. Tax Abatements

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

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

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

Information relevant to the abatements granted by the CDA for the year ended September 30, 2022 is as follows:

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2022

NOTE D – OTHER NOTES, continued

4. Tax Abatements, continued

<u>TIF Project:</u>	<u>Years Remaining on TIF Agreements</u>	<u>2022 TIF Valuation</u>	<u>TIF Proceeds Received during the year 9-30-2022</u>
KTJ 231, LLC	7	\$ 2,736,822	\$ 33,407
Ranchland Foods	3	1,113,081	<u>13,587</u>
			<u>\$ 46,994</u>

5. Interlocal Agreements

The City had the following Interlocal agreements in effect as of September 30, 2022:

<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, 2021 - October 1, 2022	Library/Bookmobile services
Mid-Plains Community College	October 8, 2015 - perpetual	Valentine Community Education Agency
Central Nebraska Economic Development	January 1, 2018 - perpetual	Economic development services

6. Subsequent Events

Management has evaluated subsequent events through March 6, 2023, 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, 2022

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 425,935	\$ 400,086	\$ (25,849)
Sales	340,000	420,967	80,967
Franchise	440,500	429,803	(10,697)
Intergovernmental	47,373	48,014	641
Licenses and permits	11,800	12,432	632
Charges for services	185,974	193,932	7,958
Grants and donations	2,242,879	37,347	(2,205,532)
Interest income	8,237	10,130	1,893
Other	19,510	39,013	19,503
	<hr/>	<hr/>	<hr/>
Total resources	3,722,208	1,591,724	(2,130,484)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	433,475	423,620	(9,855)
Public safety	746,517	627,018	(119,499)
Leisure and environment	737,291	515,424	(221,867)
Cemetery	264,150	43,531	(220,619)
Capital outlay	2,795,379	180,062	(2,615,317)
Bond issuance costs	-	11,975	11,975
Principal payments on debt	710,000	41,000	(669,000)
Interest payments on debt	5,598	17,980	12,382
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	5,692,410	1,860,610	(3,831,800)
Resources under charges to appropriations	(1,970,202)	(268,886)	1,701,316
OTHER FINANCING SOURCES			
Net transfers	1,347,300	378,034	(969,266)
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (622,902)</u>	<u>\$ 109,148</u>	<u>\$ 732,050</u>

CITY OF VALENTINE, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
STREET FUND

Year Ended September 30, 2022

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Motor vehicle tax	\$ 55,000	\$ 62,298	\$ 7,298
Sales tax	75,000	108,703	33,703
Intergovernmental	456,210	497,833	41,623
Special assessments	-	12,807	12,807
Charges for services	5,000	5,450	450
Grants and contributions	1,875,655	65,214	(1,810,441)
Interest income	1,050	777	(273)
Loan proceeds	1,380,220	906,877	(473,343)
Other income	200	250	50
	<hr/>	<hr/>	<hr/>
Total resources	3,848,335	1,660,209	(2,188,126)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	849,975	427,469	(422,506)
Capital outlay	3,168,233	1,581,811	(1,586,422)
Principal payments on debt	40,999	40,999	-
Interest payments on debt	4,112	4,113	1
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	4,063,319	2,054,392	(2,008,927)
Resources under charges to appropriations	(214,984)	(394,183)	(179,199)
OTHER FINANCING SOURCES			
Net transfers	-	116,000	116,000
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES UNDER CHARGES TO APPROPRIATIONS	<u>\$ (214,984)</u>	<u>\$ (278,183)</u>	<u>\$ (63,199)</u>

CITY OF VALENTINE, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
AIRPORT FUND

Year Ended September 30, 2022

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Charges for services	\$ 293,315	\$ 525,314	\$ 231,999
Grants and donations	2,328,669	2,206,892	(121,777)
Other income	<u>500</u>	<u>1,639</u>	<u>1,139</u>
Total resources	2,622,484	2,733,845	111,361
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Operating expenditures	325,618	480,043	154,425
Capital outlay	<u>2,328,669</u>	<u>2,178,407</u>	<u>(150,262)</u>
Total charges to appropriations	<u>2,654,287</u>	<u>2,658,450</u>	<u>4,163</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (31,803)</u>	<u>\$ 75,395</u>	<u>\$ 107,198</u>

CITY OF VALENTINE, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
INFRASTRUCTURE FUND

Year Ended September 30, 2022

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 480,000	\$ 631,450	\$ 151,450
Special assessments	15,000	14,184	(816)
Interest income	<u>3,000</u>	<u>2,400</u>	<u>(600)</u>
Total resources	498,000	648,034	150,034
 OTHER FINANCING USES			
Net transfers	<u>(1,480,862)</u>	<u>(487,782)</u>	<u>993,080</u>
RESOURCES OVER (UNDER) OTHER FINANCING USES	<u>\$ (982,862)</u>	<u>\$ 160,252</u>	<u>\$ 1,143,114</u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
ECONOMIC DEVELOPMENT FUND**

Year Ended September 30, 2022

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 165,000	\$ 210,484	\$ 45,484
Loan collections	55,361	64,100	8,739
Interest income	2,500	541	(1,959)
Other	-	49,236	49,236
	<hr/>	<hr/>	<hr/>
Total resources	222,861	324,361	101,500
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Economic development	450,000	71,000	(379,000)
	<hr/>	<hr/>	<hr/>
Resources over (under) charges to appropriations	(227,139)	253,361	480,500
OTHER FINANCING USES			
Net transfers	(412,892)	(215,200)	197,692
	<hr/>	<hr/>	<hr/>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS AND OTHER FINANCING USES	<u>\$ (640,031)</u>	<u>\$ 38,161</u>	<u>\$ 678,192</u>

CITY OF VALENTINE, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
GOLF FUND

Year Ended September 30, 2022

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Charges for services	\$ 363,000	\$ 458,866	\$ 95,866
Other income	2,000	8,286	6,286
	<hr/>	<hr/>	<hr/>
Total resources	365,000	467,152	102,152
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Environment and leisure	354,491	392,873	38,382
Capital outlay	38,200	28,029	(10,171)
Principal payments on debt	115,000	115,000	-
Interest payments on debt	17,293	17,293	-
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	524,984	553,195	28,211
Resources under charges to appropriations	(159,984)	(86,043)	73,941
OTHER FINANCING SOURCES			
Net transfers	132,293	132,292	(1)
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (27,691)</u>	<u>\$ 46,249</u>	<u>\$ 73,940</u>

CITY OF VALENTINE, NEBRASKA

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

Year Ended September 30, 2022

**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	\$1,591,724	\$1,660,209	\$2,733,845	\$ 648,034	\$ 324,361	\$ 467,152
Differences - budget to GAAP:						
Cash to accrual adjustments	<u>594</u>	<u>(23,262)</u>	<u>-</u>	<u>12,196</u>	<u>299</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$1,592,318</u></u>	<u><u>\$1,636,947</u></u>	<u><u>\$2,733,845</u></u>	<u><u>\$ 660,230</u></u>	<u><u>\$ 324,660</u></u>	<u><u>\$ 467,152</u></u>
Uses/outflows of resources:						
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$1,860,610	\$2,054,392	\$2,658,450	\$ -	\$ 71,000	\$ 553,195
Differences - budget to GAAP:						
Cash to accrual adjustments	<u>147,936</u>	<u>875,928</u>	<u>118,950</u>	<u>-</u>	<u>-</u>	<u>3,347</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$2,008,546</u></u>	<u><u>\$2,930,320</u></u>	<u><u>\$2,777,400</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 71,000</u></u>	<u><u>\$ 556,542</u></u>

SUPPLEMENTARY INFORMATION

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

September 30, 2022

	Special Revenue			Total Nonmajor Governmental Funds
	Fund	Permanent Funds		
	Fines and Fees	Perpetual Care	Queen Jackson Memorial	
ASSETS				
Cash and cash equivalents	\$ 2,626	\$ 13,826	\$ 33,185	\$ 49,637
Certificates of deposit	-	133,826	-	133,826
Total assets	\$ 2,626	\$ 147,652	\$ 33,185	\$ 183,463
LIABILITIES AND FUND BALANCES				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund balances:				
Nonspendable for:				
Cemetery perpetual care	-	147,652	-	147,652
Restricted for:				
Community betterment	2,626	-	33,185	35,811
Total fund balances	2,626	147,652	33,185	183,463
Total liabilities and fund balances	\$ 2,626	\$ 147,652	\$ 33,185	\$ 183,463

CITY OF VALENTINE, NEBRASKA

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

For the Year Ended September 30, 2022

	Special Revenue			Total Nonmajor Governmental Funds
	Fund	Permanent Funds		
	Fine and Fees	Perpetual Care	Queen Jackson Memorial	
REVENUES				
Licenses and permits	\$ 5,360	\$ -	\$ -	\$ 5,360
Grants and contributions	-	-	9,346	9,346
Other	-	1,300	-	1,300
Total revenues	5,360	1,300	9,346	16,006
EXPENDITURES				
General government	5,050	-	-	5,050
Excess of revenues over expenditures	310	1,300	9,346	10,956
OTHER FINANCING USES				
Transfer to other funds	-	-	(5,000)	(5,000)
Net change in fund balances	310	1,300	4,346	5,956
Fund balances - September 30, 2021	2,316	146,352	28,839	177,507
Fund balances - September 30, 2022	\$ 2,626	\$ 147,652	\$ 33,185	\$ 183,463

CITY OF VALENTINE, NEBRASKA

COMBINING STATEMENT OF REVENUES AND EXPENDITURES -

GENERAL FUND DEPARTMENTS

Year Ended September 30, 2022

	<u>Administrative</u>	<u>Police</u>	<u>Fire</u>
REVENUES			
Taxes:			
General property tax	\$ 216,820	\$ -	\$ -
Sales tax	-	-	-
Franchise	429,803	-	-
Intergovernmental revenue:			
State assistance	45,718	-	-
Licenses and permits	12,432	-	-
Charges for services	-	-	-
Grants and donations	3,076	30,276	-
Interest income	3,822	-	-
Other receipts	36,907	-	-
Total revenues	<u>748,578</u>	<u>30,276</u>	<u>-</u>
EXPENDITURES			
Personnel services:			
Salaries and benefits	170,723	416,921	3,584
Operating expenses:			
Insurance	9,969	10,676	10,148
Professional fees	2,172	960	521
Contracted services	-	110,756	19,496
Meetings, seminars, and dues	10,469	295	325
Repairs and maintenance	8,273	32,524	22,367
Printing, postage, and publications	295	313	58
Utilities and telephone	9,631	-	16,128
Total operating expenses	<u>40,809</u>	<u>155,524</u>	<u>69,043</u>
Supplies	3,311	2,338	103
Other expenses	245,729	7,676	4,604
Capital outlay	64,328	69,080	-
Bond issuance costs	11,975	-	-
Principal payments on debt	41,000	-	-
Interest payments	17,980	-	-
Total expenditures	<u>595,855</u>	<u>651,539</u>	<u>77,334</u>
Excess (deficiency) of revenues over expenditures before transfers	152,723	(621,263)	(77,334)
TRANSFERS FROM (TO) OTHER FUNDS	<u>495,416</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 648,139</u>	<u>\$ (621,263)</u>	<u>\$ (77,334)</u>

<u>Pool</u>	<u>Library</u>	<u>Cemetery</u>	<u>Park</u>	<u>Bookmobile</u>	<u>Time Capsule</u>	<u>Total</u>
\$ -	\$ 77,984	\$ 23,395	\$ 81,883	\$ -	\$ -	\$ 400,082
421,565	-	-	-	-	-	421,565
-	-	-	-	-	-	429,803
-	2,296	-	-	-	-	48,014
-	-	-	-	-	-	12,432
24,123	5,746	16,250	44,021	103,792	-	193,932
-	3,895	100	-	-	-	37,347
1,112	141	4,762	4	287	2	10,130
500	-	-	1,606	-	-	39,013
<u>447,300</u>	<u>90,062</u>	<u>44,507</u>	<u>127,514</u>	<u>104,079</u>	<u>2</u>	<u>1,592,318</u>
62,235	131,789	-	48,352	78,395	-	911,999
3,472	4,736	249	6,355	511	-	46,116
703	250	189	346	208	-	5,349
-	-	-	-	-	-	130,252
-	18	-	-	18	-	11,125
5,158	11,784	40,039	21,083	7,472	-	148,700
-	175	-	250	175	-	1,266
9,645	8,349	3,681	53,424	658	-	101,516
<u>18,978</u>	<u>25,312</u>	<u>44,158</u>	<u>81,458</u>	<u>9,042</u>	<u>-</u>	<u>444,324</u>
23,169	11,248	952	3,314	11,388	-	55,823
1,506	6,283	-	9,986	519	-	276,303
-	-	99,849	15,885	-	-	249,142
-	-	-	-	-	-	11,975
-	-	-	-	-	-	41,000
-	-	-	-	-	-	17,980
<u>105,888</u>	<u>174,632</u>	<u>144,959</u>	<u>158,995</u>	<u>99,344</u>	<u>-</u>	<u>2,008,546</u>
341,412	(84,570)	(100,452)	(31,481)	4,735	2	(416,228)
<u>(233,013)</u>	<u>84,561</u>	<u>-</u>	<u>31,070</u>	<u>-</u>	<u>-</u>	<u>378,034</u>
<u>\$ 108,399</u>	<u>\$ (9)</u>	<u>\$ (100,452)</u>	<u>\$ (411)</u>	<u>\$ 4,735</u>	<u>\$ 2</u>	<u>\$ (38,194)</u>

SINGLE AUDIT REPORTS

CITY OF VALENTINE, NEBRASKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal AL Number</u>	<u>Pass-Through Identifying Number</u>	<u>Expenditures</u>
<u>Department of Transportation:</u>			
Passed Through Nebraska Department of Transportation:			
Airport Improvement Program	20.106	3-31-0084	\$ 2,229,548 *
COVID-19 - Airport Improvement Program	20.106	3-31-0084	16,918 *
Total AL #20.106			<u>2,246,466</u>
<u>National Endowment for the Humanities:</u>			
Passed Through Nebraska Library Commission:			
COVID-19 - Grants to States	45.310	47-6006395	3,400
<u>Department of Commerce:</u>			
Direct award:			
Economic Adjustment Assistance	11.307	n/a	707,399
<u>Department of the Treasury:</u>			
Direct award:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	<u>478,929</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,436,194</u></u>

* Major programs

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant of the City of Valentine, Nebraska, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

The City has not elected to use the 10 percent de minimis cost rate.

**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 aggregate 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, 2022, and the related notes to the financial statements, which collectively comprise the City’s financial statements, and have issued our report thereon dated March 6, 2023.

Report on 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) as a basis for designing 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.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2022-001 that we consider to be a significant deficiency.

Report on 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 are required to be reported under *Government Auditing Standards*.

City of Valentine's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Valentine's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

AMCL, P.C.

Grand Island, Nebraska
March 6, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Valentine, Nebraska's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2022. The City of Valentine, Nebraska's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Valentine, Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Valentine, Nebraska and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Valentine, Nebraska's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statues, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Valentine, Nebraska's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Valentine, Nebraska's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Valentine, Nebraska's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Valentine, Nebraska's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Valentine, Nebraska's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Valentine, Nebraska's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

AMGLP.C.

Grand Island, Nebraska
March 6, 2023

CITY OF VALENTINE, NEBRASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2022

1. A summary of auditor's results:
 - (i) Unmodified opinions were issued on all opinion units of the City of Valentine, Nebraska, as of September 30, 2022.
 - (ii) One significant deficiency disclosed during the audit of the financial statements is reported in the "Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*." The deficiency is not reported as a material weakness.
 - (iii) The audit disclosed no instances of noncompliance which are material to the financial statements of the City of Valentine, Nebraska.
 - (iv) The audit did not disclose any significant deficiencies in the internal control over major programs for the City of Valentine, Nebraska.
 - (v) An unmodified opinion was issued on compliance for major programs.
 - (vi) The audit did not disclose any audit findings which are required to be reported under 2 CFR section 200.516(a).
 - (vii) Major Program: 20.106 – Airport Improvement Program and COVID 19 – Airport Improvement Program.
 - (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
 - (ix) The City of Valentine, Nebraska, qualified as a low-risk auditee.

CITY OF VALENTINE, NEBRASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

Year ended September 30, 2022

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

2022-001

Condition: There is not adequate segregation of duties.

Criteria: Adequate segregation of duties should be in place to ensure internal control over cash receipts, disbursements, and recording of transactions.

Cause: There are a limited number of accounting personnel.

Effect: Because of the lack of segregation, the same employees may participate in multiple facets of a transaction.

Recommendation: Management should remain aware of this lack of segregation and continue diligence in oversight and review of transactions.

Views of Responsible Officials and Planned Corrective Actions: It is impractical to further segregate duties due to the limited number of accounting personnel. However, management will continue to review/oversight of transactions.

3. Findings and questioned costs for Federal awards which shall include audit findings as defined in 2 CFR section 200.516(a).

None

CITY OF VALENTINE, NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended September 30, 2022

There were no prior audit findings for the year ended September 30, 2021.