

CITY OF OGALLALA, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2023

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Modified Cash Basis - Governmental Funds	16
Reconciliation of the Balance Sheet - Modified Cash Basis - Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis - Governmental Funds to the Statement of Activities	19
Statement of Fund Net Position - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Notes to Financial Statements	23
SUPPLEMENTARY AND OTHER INFORMATION	
Budgetary Comparison Schedules - Modified Cash Basis	
General Fund	59
Street Fund	60
Debt Service Fund	61
Combining Balance Sheet - Modified Cash Basis - Nonmajor Governmental Funds	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis - Nonmajor Governmental Funds	63
Combining Statement of Revenues and Expenditures - Modified Cash Basis - General Fund Departments	64
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities - modified cash basis, the business-type activities - accrual basis, the aggregate discretely presented component unit - accrual basis, each major fund - modified cash basis for the governmental funds and accrual basis for the proprietary funds, and the aggregate remaining fund information - modified cash basis for the governmental funds of the City of Ogallala, Nebraska, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's 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 - modified cash basis, the business-type activities - accrual basis, the aggregate discretely presented component unit - accrual basis, each major fund - modified cash basis for the governmental funds and accrual basis for the proprietary funds, and the aggregate remaining fund information - modified cash basis for the governmental funds of the City of Ogallala, Nebraska as of September 30, 2023, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with the basis of accounting described in Note A.

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 Ogallala, 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.

Emphasis of Matter—Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting for the governmental activities and governmental funds. The governmental financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

SHAREHOLDERS:

Robert D. Almquist
Phillip D. Maltzahn
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump
Kyle R. Overturf
Tracy A. Cannon
Jamie L. Clemans

1203 W 2nd Street
P.O. Box 1407
Grand Island, NE 68802
P 308-381-1810
F 308-381-4824
EMAIL cpa@gicpas.com

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash and accrual basis of accounting described in Note A, and for determining that the modified cash and accrual basis of accounting are acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Ogallala, Nebraska'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.

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 Ogallala, 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 Ogallala, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ogallala, Nebraska's financial statements. The nonmajor governmental funds combining statements and the statement of general fund departmental revenue and expenditures are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information described in the second sentence of this paragraph is fairly stated, in all material respects, in relation to the financial statements as a whole.

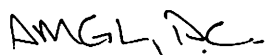
Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the management's discussion and analysis and budgetary comparison schedules, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2023, on our consideration of the City of Ogallala, 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 Ogallala'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 Ogallala, Nebraska's internal control over financial reporting and compliance.



Grand Island, Nebraska
November 9, 2023

**CITY OF OGALLALA, NEBRASKA
MANAGEMENT’S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2023**

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the City of Ogallala, we offer readers of the City of Ogallala financial statements this narrative overview and analysis of the financial activities of the City of Ogallala for the fiscal year ended September 30, 2023. For information on the Ogallala Community Redevelopment Authority component unit included in these financial statements, please see the separate audit report for the Authority.

Financial Highlights

- The assets of the City of Ogallala exceeded its liabilities at the close of the most recent fiscal year by \$29,340,909 (*net position*). Of this amount, \$7,564,416 (*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 Ogallala’s governmental funds reported combined ending net position of \$20,451,054. Approximately 21.0 percent of this total amount, \$4,300,388, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,705,334, or 57.0 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 Ogallala’s financial statements. The City of Ogallala’s 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 supplementary and other information in addition to the 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 Ogallala’s finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Ogallala’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 Ogallala 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.

CITY OF OGALLALA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2023

Both of the government-wide financial statements distinguish functions of the City of Ogallala that are principally supported by taxes and intergovernmental revenues (*governmental activities*) 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 Ogallala include general government, public safety, highways and streets, economic development, and culture and recreation. The business-type activities of the City of Ogallala include the Water and Sewer Enterprise Funds.

The government-wide financial statements include not only the City of Ogallala itself (known as the *primary government*), but also the Ogallala Community Redevelopment Authority, for which the City of Ogallala is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Ogallala, 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 Ogallala 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 Ogallala maintains seven 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, and the Debt Service Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

CITY OF OGALLALA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2023

The City of Ogallala adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General, Street, and Debt Service Funds to demonstrate compliance with this budget.

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

Proprietary funds. The City of Ogallala maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Ogallala uses enterprise funds to account for its Water and Sewer Funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Ogallala's various functions. The City of Ogallala uses an internal service fund to account for its employee health insurance. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

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 Water and Sewer Funds, both of which are considered to be major funds of the City of Ogallala.

The proprietary fund financial statements can be found on pages 20-22 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 23-58 of this report.

Other information. In addition to the financial statements and accompanying notes, this report also presents certain *supplementary and other information* concerning the City of Ogallala's budgetary comparison schedules, nonmajor combining statements, and general fund revenue and expenses by department can be found on pages 59-64 of this report.

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 Ogallala, assets exceeded liabilities by \$29,340,909 at the close of the most recent fiscal year.

CITY OF OGALLALA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2023

Summary Statements of Net Position

	2023	2022
Current and Other Assets	\$ 10,363,641	\$ 9,517,778
Capital Assets	30,848,724	31,735,858
Total Assets	41,212,365	41,253,636
Long-term Liabilities	10,485,911	11,662,977
Other Liabilities	1,385,545	1,371,538
Total Liabilities	11,871,456	13,034,515
Net Position:		
Net Investment in Capital Assets	19,190,325	18,919,216
Restricted	2,586,168	2,373,885
Unrestricted	7,564,416	6,926,020
Total Net Position	\$ 29,340,909	\$ 28,219,121

A large portion of the City of Ogallala's net position (65.4 percent) reflects its investment in capital assets (land, infrastructure, buildings, distribution systems, vehicles, and equipment), net of any related debt used to acquire those assets that is still outstanding. The City of Ogallala uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Ogallala'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 Ogallala's net position (8.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$7,564,416) 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 Ogallala is able to report positive balances in all three categories of net position, for the government as a whole as well as for its separate governmental and business-type activities.

CITY OF OGALLALA, NEBRASKA
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2023

Expenses and Program Revenues - Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2023</u>		<u>Year Ended September 30, 2022</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 515,181	\$ 1,153,655	\$ 343,095	\$ 1,083,548
Economic Development	-	51,130	-	251,000
Public Safety	182,964	1,494,312	400,128	1,379,709
Public Works	580,648	1,085,669	297,986	1,091,065
Environment and Leisure	646,054	1,804,554	2,183,262	1,673,851
Hospital Debt Service	-	183,679	-	181,811
Interest on Long-term Debt	95,523	124,108	97,073	116,059
Depreciation	-	1,564,308	-	1,486,103
	<u>\$ 2,020,370</u>	<u>\$ 7,461,415</u>	<u>\$ 3,321,544</u>	<u>\$ 7,263,146</u>

SOURCES OF REVENUE

	<u>Year Ended September 30, 2023</u>			<u>Year Ended September 30, 2022</u>		
Charges for Services	\$ 965,431	11.39	%	\$ 935,699	10.06	%
Operating Grants and Contributions	477,790	5.63		386,968	4.16	
Capital Grants and Contributions	577,149	6.81		1,998,877	21.48	
Property Taxes	1,530,900	18.05		1,396,052	15.00	
Motor Vehicle Taxes	109,134	1.29		111,422	1.20	
Sales Tax	2,400,412	28.31		2,310,666	24.83	
Franchise Taxes	1,157,981	13.66		1,177,688	12.66	
State Allocation	983,574	11.60		864,726	9.29	
Keno	157,937	1.86		81,260	0.87	
Interest	26,882	0.32		4,855	0.05	
Gain on Disposal of Assets	73,155	0.86		15,855	0.17	
Other	19,072	0.22		21,212	0.23	
Total	<u>\$ 8,479,417</u>	<u>100.00</u>	<u>%</u>	<u>\$ 9,305,280</u>	<u>100.00</u>	<u>%</u>

Net position increased \$1,018,002 in the governmental funds during the year ended September 30, 2023.

Business-type activities. Business-type activities increased the City of Ogallala’s net position by \$103,786.

CITY OF OGALLALA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2023

Expenses and Program Revenues - Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2023</u>		<u>Year Ended September 30, 2022</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Water	\$ 1,348,798	\$ 1,334,699	\$ 1,410,826	\$ 1,302,818
Sewer	1,028,251	990,700	971,980	1,021,346
Total	<u>\$ 2,377,049</u>	<u>\$ 2,325,399</u>	<u>\$ 2,382,806</u>	<u>\$ 2,324,164</u>

Revenues by Source - Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2023</u>		<u>Year Ended September 30, 2022</u>	
Charges for Services	\$ 2,377,049	97.85 %	\$ 2,321,449	103.64 %
Capital Grants and Contributions	-	-	61,357	2.74
Loss on Assets	-	-	(149,370)	(6.67)
Interest	52,136	2.15	6,571	0.29
Total	<u>\$ 2,429,185</u>	<u>100.00 %</u>	<u>\$ 2,240,007</u>	<u>100.00 %</u>

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City of Ogallala'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 Ogallala's financing requirements. In particular, *unreserved 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 Ogallala's governmental funds reported combined ending fund balances of \$6,384,894. Approximately 42.4 percent of this total amount (\$2,705,334) 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 is 1) restricted for Federal programs (\$718,680), 2) restricted to pay debt service (\$228,305), 3) restricted for street improvements (\$816,054), 4) restricted for economic development (\$519,993), 5) restricted for the library project (\$54,384), 6) nonspendable endowment to generate income to pay for the perpetual care of the municipal cemetery (\$187,395), 7) committed for community betterment (\$808,569), or 8) assigned for budgetary stabilization (\$346,180).

CITY OF OGALLALA, NEBRASKA
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2023

The General Fund is the chief operating fund of the City of Ogallala. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,705,334, while total fund balance reached \$4,529,247. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 57.0 percent of total General Fund expenditures, while total fund balance represents 95.4 percent of that same amount.

The fund balance of the City of Ogallala’s General Fund increased by \$499,163 during the current fiscal year.

Proprietary funds. The City of Ogallala’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: Water Fund - \$2,581,733 and Sewer Fund - \$682,295. The net position for the proprietary funds changed as follows: Water Fund - increase of \$54,824 and Sewer Fund – increase of \$48,962. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Ogallala’s business-type activities.

General Fund Budgetary Highlights

There was no difference between the original budget and the final adopted budget for the General, Street, and Debt Service Funds.

Capital Asset and Debt Administration

Capital Assets. The City of Ogallala’s investment in capital assets for its governmental and business-type activities as of September 30, 2023, amounts to \$30,848,724 (net of accumulated depreciation). This investment in capital assets includes land, streets, building and system improvements, vehicles, equipment, and construction in progress.

Major capital asset events (individually greater than \$25,000) during the current fiscal year included the following:

- Fyr-Tek ultra high pressure system - \$55,000
- Transit office and break room remodel - \$32,096
- Gutter replacement on cemetery street - \$28,850
- West 11th, West A, and West C overlay project - \$99,688
- Pony Express Lane extension donated by CRA - \$34,113
- Flansburg Subdivision infrastructure (\$341,793 donated by CRA) - \$381,793
- Diamond Springs Trail paving donated by CRA, KCAD and NPPD - \$36,000
- Two 2023 Dodge Durango vehicles for police - \$76,612
- Two skimmers for wastewater treatment plant - \$39,850
- Recirculating pump for wastewater treatment plant - \$51,639
- Boiler replacement at wastewater treatment plant - \$320,234

CITY OF OGALLALA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2023

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

	<u>Year Ended September 30, 2023</u>			<u>Year Ended September 30, 2022</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Land	\$ 513,405	\$ 307,916	\$ 821,321	\$ 513,405	\$ 307,916	\$ 821,321
Construction in progress	36,000	-	36,000	496,837	6,735	503,572
Infrastructure	11,838,085	-	11,838,085	11,605,838	-	11,605,838
Buildings and Improvements	5,779,586	-	5,779,586	6,051,068	-	6,051,068
Distribution Systems	-	10,452,562	10,452,562	-	10,863,848	10,863,848
Equipment	1,430,553	255,029	1,685,582	1,584,804	51,373	1,636,177
Vehicles	235,588	-	235,588	254,034	-	254,034
Total	<u>\$ 19,833,217</u>	<u>\$ 11,015,507</u>	<u>\$ 30,848,724</u>	<u>\$ 20,505,986</u>	<u>\$ 11,229,872</u>	<u>\$ 31,735,858</u>

Additional information on the City of Ogallala's capital assets can be found in Note C5 on pages 41-44 of this report.

Long-term debt. At the end of the current fiscal year, the City of Ogallala had the following long-term debt outstanding:

City of Ogallala's Outstanding Debt

	<u>Year Ended September 30, 2023</u>			<u>Year Ended September 30, 2022</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
General Obligation						
Bonds	\$ 5,724,800	\$ 345,199	\$ 6,069,999	\$ 6,363,111	\$ 391,889	\$ 6,755,000
Notes Payable	482,562	5,105,838	5,588,400	664,951	5,396,691	6,061,642
Total	<u>\$ 6,207,362</u>	<u>\$ 5,451,037</u>	<u>\$ 11,658,399</u>	<u>\$ 7,028,062</u>	<u>\$ 5,788,580</u>	<u>\$ 12,816,642</u>

The City of Ogallala's total debt decreased by \$1,158,243 (9.0 percent) due to scheduled principal payments.

The City of Ogallala does not have a bond rating.

Additional information on the City of Ogallala's long-term debt can be found in Note C6 on pages 44-51 of this report.

**CITY OF OGALLALA, NEBRASKA
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2023**

Economic Factors and Next Year’s Budgets and Rates

- The property tax asking for the year ending September 30, 2024 increased \$51,717 (3.6 percent) over the prior year.
- At September 30, 2023, the City had a \$135,000 contractual commitment for a wastewater treatment facility plan. The engineering project is expected to be completed by May 2024.

Request for Information

This financial report is designed to provide a general overview of the City of Ogallala’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 Ogallala, 411 East 2nd Street, Ogallala, NE 69153.

CITY OF OGALLALA, NEBRASKA

STATEMENT OF NET POSITION

September 30, 2023

	Primary Government			Component Unit (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,284,764	\$ 2,858,274	\$ 7,143,038	\$ 79,562
County treasurer cash	68,624	-	68,624	43,557
Accounts receivable	-	268,910	268,910	-
Unbilled revenue	-	143,096	143,096	-
Current portion of TIF receivables	-	-	-	699,100
Inventory	-	107,657	107,657	-
Total current assets	4,353,388	3,377,937	7,731,325	822,219
Noncurrent assets:				
Restricted cash	2,524,811	98,307	2,623,118	25,000
Note receivable	-	9,198	9,198	-
Noncurrent TIF receivables	-	-	-	5,067,600
Capital assets:				
Land	513,405	307,916	821,321	60,678
Construction in progress	36,000	-	36,000	-
Other capital assets, net of depreciation	19,283,812	10,707,591	29,991,403	-
Net capital assets	19,833,217	11,015,507	30,848,724	60,678
Total noncurrent assets	22,358,028	11,123,012	33,481,040	5,153,278
Total assets	26,711,416	14,500,949	41,212,365	5,975,497
LIABILITIES				
Current liabilities:				
Accounts payable	-	27,507	27,507	10
Accrued expenses	-	95,600	95,600	-
Claims incurred but not paid	53,000	-	53,000	-
Customer deposits	-	36,950	36,950	-
Current portion of long-term obligations	828,053	344,435	1,172,488	460,730
Total current liabilities	881,053	504,492	1,385,545	460,740
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	5,379,309	5,106,602	10,485,911	1,863,812
Total liabilities	6,260,362	5,611,094	11,871,456	2,324,552
NET POSITION				
Net investment in capital assets	13,625,855	5,564,470	19,190,325	60,678
Restricted for:				
Federal programs	718,680	-	718,680	-
Debt service	228,305	61,357	289,662	25,000
Economic development	519,993	-	519,993	-
Street improvements	816,054	-	816,054	-
Cemetery perpetual care	187,395	-	187,395	-
Library project	54,384	-	54,384	-
Unrestricted	4,300,388	3,264,028	7,564,416	3,565,267
Total net position	\$ 20,451,054	\$ 8,889,855	\$ 29,340,909	\$ 3,650,945

See notes to financial statements.

CITY OF OGALLALA, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary government:			
Governmental activities			
(modified cash basis):			
General government	\$ 1,153,655	\$ 357,820	\$ 157,361
Economic development	51,130	-	-
Public safety	1,494,312	148,269	34,695
Public works	1,085,669	110,300	-
Environment and leisure	1,804,554	349,042	190,211
Hospital debt service	183,679	-	-
Interest/fees on long-term debt	124,108	-	95,523
Depreciation - unallocated	1,564,308	-	-
Total governmental activities	7,461,415	965,431	477,790
Business-type activities			
(accrual basis):			
Water	1,334,699	1,348,798	-
Sewer	990,700	1,028,251	-
Total business-type activities	2,325,399	2,377,049	-
Total primary government	\$ 9,786,814	\$ 3,342,480	\$ 477,790
Component unit (accrual basis):			
Community Redevelopment Authority	\$ 820,258	\$ -	\$ 478,748

See notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position				
Capital Grants and Contributions	Primary Government			Component Unit (Accrual Basis)
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total	
\$ -	\$ (638,474)		\$ (638,474)	
-	(51,130)		(51,130)	
-	(1,311,348)		(1,311,348)	
470,348	(505,021)		(505,021)	
106,801	(1,158,500)		(1,158,500)	
-	(183,679)		(183,679)	
-	(28,585)		(28,585)	
-	(1,564,308)		(1,564,308)	
<u>577,149</u>	<u>(5,441,045)</u>	<u>\$ -</u>	<u>(5,441,045)</u>	
-	-	14,099	14,099	
-	-	37,551	37,551	
-	-	51,650	51,650	
<u>\$ 577,149</u>	<u>(5,441,045)</u>	<u>51,650</u>	<u>(5,389,395)</u>	
<u>\$ -</u>				\$ (341,510)
General revenues:				
Taxes:				
Property	1,530,900	-	1,530,900	69
Motor vehicle	109,134	-	109,134	-
Sales tax	2,400,412	-	2,400,412	-
Franchise	1,157,981	-	1,157,981	-
State allocation	983,574	-	983,574	-
Keno	157,937	-	157,937	-
Interest income	26,882	52,136	79,018	3,693
Gain on assets/insurance	73,155	-	73,155	-
Other	19,072	-	19,072	-
Total general revenues	<u>6,459,047</u>	<u>52,136</u>	<u>6,511,183</u>	<u>3,762</u>
Change in net position	1,018,002	103,786	1,121,788	(337,748)
Net position - September 30, 2022	<u>19,433,052</u>	<u>8,786,069</u>	<u>28,219,121</u>	<u>3,988,693</u>
Net position - September 30, 2023	<u>\$ 20,451,054</u>	<u>\$ 8,889,855</u>	<u>\$ 29,340,909</u>	<u>\$ 3,650,945</u>

CITY OF OGALLALA, NEBRASKA

**BALANCE SHEET - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS**

September 30, 2023

	<u>General Fund</u>	<u>Street Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 4,460,669	\$ 904,347	\$ 199,247	\$ 752,007	\$ 6,316,270
County treasurer cash	68,578	-	46	-	68,624
Total assets	<u><u>\$ 4,529,247</u></u>	<u><u>\$ 904,347</u></u>	<u><u>\$ 199,293</u></u>	<u><u>\$ 752,007</u></u>	<u><u>\$ 6,384,894</u></u>
 LIABILITIES AND FUND BALANCES					
Liabilities:	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:					
Nonspendable:					
Cemetery perpetual care	187,395	-	-	-	187,395
Restricted for:					
Debt service	-	-	199,293	29,012	228,305
Economic development	-	-	-	519,993	519,993
Federal programs	427,385	88,293	-	203,002	718,680
Street improvements	-	816,054	-	-	816,054
Library project	54,384	-	-	-	54,384
Committed for:					
Community betterment	808,569	-	-	-	808,569
Assigned for:					
Budgetary stabilization	346,180	-	-	-	346,180
Unassigned	2,705,334	-	-	-	2,705,334
Total fund balances	<u><u>4,529,247</u></u>	<u><u>904,347</u></u>	<u><u>199,293</u></u>	<u><u>752,007</u></u>	<u><u>6,384,894</u></u>
Total liabilities and fund balances	<u><u>\$ 4,529,247</u></u>	<u><u>\$ 904,347</u></u>	<u><u>\$ 199,293</u></u>	<u><u>\$ 752,007</u></u>	<u><u>\$ 6,384,894</u></u>

See notes to financial statements.

CITY OF OGALLALA, NEBRASKA

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

September 30, 2023

Total fund balances - governmental funds	\$	6,384,894
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>		
<p>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 \$40,655,474, and the accumulated depreciation is \$20,822,257.</p>		19,833,217
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.</p>		440,305
<p>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 funds. Long-term liabilities at year end consist of:</p>		
General obligation bonds payable	\$ (5,724,800)	
Notes payable	<u>(482,562)</u>	<u>(6,207,362)</u>
Total net position - governmental activities		<u><u>\$ 20,451,054</u></u>

See notes to financial statements.

CITY OF OGALLALA, NEBRASKA

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

For the year ended September 30, 2023

	General <u>Fund</u>	Street <u>Fund</u>	Debt Service <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
REVENUES					
Taxes:					
Property	\$ 1,463,285	\$ 3,607	\$ 184	\$ 63,824	\$ 1,530,900
Motor vehicle	-	109,134	-	-	109,134
Sales tax	1,740,760	166,389	-	493,263	2,400,412
Franchise	1,109,180	-	-	48,801	1,157,981
Intergovernmental	182,229	857,904	95,523	5,374	1,141,030
Grants	236,016	-	-	171,356	407,372
Charges for services	865,527	59,371	-	40,534	965,432
Keno receipts	157,937	-	-	-	157,937
Contributions	19,763	-	-	-	19,763
Interest income	20,030	-	217	4,764	25,011
Sale of assets	62,537	31,820	-	4,135	98,492
Insurance proceeds	16,756	-	-	-	16,756
Other	17,887	52	-	1,133	19,072
Total revenues	<u>5,891,907</u>	<u>1,228,277</u>	<u>95,924</u>	<u>833,184</u>	<u>8,049,292</u>
EXPENDITURES					
General government	1,138,523	-	442	8,562	1,147,527
Economic development	-	-	-	51,130	51,130
Public safety	1,484,915	-	-	-	1,484,915
Public works	219,805	820,947	-	-	1,040,752
Environment and leisure	1,501,540	-	-	296,275	1,797,815
Capital outlay	331,721	171,562	-	-	503,283
Principal payments on debt	64,372	123,821	632,507	-	820,700
Interest on long-term debt	6,868	7,135	108,820	-	122,823
Bond fees	-	1,000	285	-	1,285
Other - Hospital debt service	-	-	-	183,679	183,679
Total expenditures	<u>4,747,744</u>	<u>1,124,465</u>	<u>742,054</u>	<u>539,646</u>	<u>7,153,909</u>
Excess (deficiency) of revenues over expenditures	1,144,163	103,812	(646,130)	293,538	895,383
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	<u>(645,000)</u>	<u>-</u>	<u>645,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	499,163	103,812	(1,130)	293,538	895,383
Fund balances - September 30, 2022	<u>4,030,084</u>	<u>800,535</u>	<u>200,423</u>	<u>458,469</u>	<u>5,489,511</u>
Fund balances - September 30, 2023	<u>\$ 4,529,247</u>	<u>\$ 904,347</u>	<u>\$ 199,293</u>	<u>\$ 752,007</u>	<u>\$ 6,384,894</u>

See notes to financial statements.

CITY OF OGALLALA, NEBRASKA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2023

Total net change in fund balances - governmental funds \$ 895,383

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capitalized capital outlay (\$933,631) was exceeded by depreciation expense (\$1,564,308) during the period.

The Ogallala CRA paid for \$403,348 of the asset additions and other organizations donated \$27,000 of the additions.

(630,677)

Remaining basis on capital asset disposals does not impact the governmental funds, but the remaining basis reduces the gain on sale of assets on the statement of activities.

(42,092)

Repayments of bond and loan principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.

820,700

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.

(25,312)

Change in net position of governmental activities

\$ 1,018,002

See notes to financial statements.

CITY OF OGALLALA, NEBRASKA

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS

September 30, 2023

	Enterprise Funds		Total	Governmental
	Water Fund	Sewer Fund		Activities - Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,305,131	\$ 553,143	\$ 2,858,274	\$ 493,305
Accounts receivable	163,357	105,553	268,910	-
Unbilled revenue	84,834	58,262	143,096	-
Inventory	107,657	-	107,657	-
Total current assets	2,660,979	716,958	3,377,937	493,305
Noncurrent assets:				
Restricted cash	98,307	-	98,307	-
Note receivable	9,198	-	9,198	-
Capital assets:				
Land	221,549	86,367	307,916	-
Distribution and collection systems	13,105,136	15,423,043	28,528,179	-
Equipment	437,523	591,519	1,029,042	-
Less accumulated depreciation	(8,243,170)	(10,606,460)	(18,849,630)	-
Net capital assets	5,521,038	5,494,469	11,015,507	-
Total noncurrent assets	5,628,543	5,494,469	11,123,012	-
Total assets	8,289,522	6,211,427	14,500,949	493,305
LIABILITIES				
Current liabilities:				
Accounts payable	18,190	9,317	27,507	-
Accrued payroll and vacation	45,214	15,743	60,957	-
Accrued interest	17,927	9,603	27,530	-
Sales tax payable	7,113	-	7,113	-
Claims incurred but not paid	-	-	-	53,000
Customer deposits	36,950	-	36,950	-
Current portion of long-term obligations	214,654	129,781	344,435	-
Total current liabilities	340,048	164,444	504,492	53,000
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	3,050,129	2,056,473	5,106,602	-
Total liabilities	3,390,177	2,220,917	5,611,094	53,000
NET POSITION				
Net investment in capital assets	2,256,255	3,308,215	5,564,470	-
Restricted for Federal programs	61,357	-	61,357	-
Unrestricted	2,581,733	682,295	3,264,028	440,305
Total net position	\$ 4,899,345	\$ 3,990,510	\$ 8,889,855	\$ 440,305

See notes to financial statements.

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

For the year ended September 30, 2023

	Enterprise Funds			Governmental Activities - Internal Service
	Water Fund	Sewer Fund	Total	Fund
Operating revenues:				
Sales to customers	\$ 1,276,944	\$ 1,027,510	\$ 2,304,454	\$ -
Tap fees	12,453	-	12,453	-
Health insurance premiums	-	-	-	572,473
Other revenue	59,401	741	60,142	1,092
Total operating revenues	<u>1,348,798</u>	<u>1,028,251</u>	<u>2,377,049</u>	<u>573,565</u>
Operating expenses:				
Salaries and benefits	384,368	242,671	627,039	-
Insurance and bonds	26,045	29,956	56,001	-
Utilities and telephone	111,805	85,073	196,878	-
Repairs and maintenance	80,002	105,276	185,278	-
Contracted services	141,765	132,493	274,258	-
Gas and oil	13,653	983	14,636	-
Supplies	56,694	10,365	67,059	-
Professional fees	7,110	4,333	11,443	-
Miscellaneous	22,636	18,459	41,095	11,730
Depreciation	393,597	314,422	708,019	-
Insurance claims and health premiums	-	-	-	589,018
Total operating expenses	<u>1,237,675</u>	<u>944,031</u>	<u>2,181,706</u>	<u>600,748</u>
Operating income (loss)	111,123	84,220	195,343	(27,183)
Nonoperating revenues (expenses):				
Interest income	40,725	11,411	52,136	1,871
Loan fees	(31,549)	(11,979)	(43,528)	-
Interest expense	(65,475)	(34,690)	(100,165)	-
Total nonoperating revenues (expenses)	<u>(56,299)</u>	<u>(35,258)</u>	<u>(91,557)</u>	<u>1,871</u>
Change in net position	54,824	48,962	103,786	(25,312)
Net position - September 30, 2022	<u>4,844,521</u>	<u>3,941,548</u>	<u>8,786,069</u>	<u>465,617</u>
Net position - September 30, 2023	<u>\$ 4,899,345</u>	<u>\$ 3,990,510</u>	<u>\$ 8,889,855</u>	<u>\$ 440,305</u>

See notes to financial statements.

CITY OF OGALLALA, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the year ended September 30, 2023

	Enterprise Funds			Governmental Activities - Internal Service
	Water Fund	Sewer Fund	Total	Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 1,344,018	\$ 1,018,994	\$ 2,363,012	\$ -
Receipts from employees and other funds	-	-	-	573,565
Payments to suppliers	(468,286)	(402,134)	(870,420)	(591,748)
Payments to employees	(377,114)	(243,805)	(620,919)	-
Net cash provided (used) by operating activities	498,618	373,055	871,673	(18,183)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of property and equipment	-	(493,653)	(493,653)	-
Principal payments on capital debt	(210,296)	(127,247)	(337,543)	-
Loan fees paid	(31,549)	(11,979)	(43,528)	-
Interest paid on capital debt	(66,543)	(35,220)	(101,763)	-
Net cash used by capital and related financing activities	(308,388)	(668,099)	(976,487)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Decrease in restricted cash	2,575	-	2,575	-
Decrease in note receivable	96,422	-	96,422	-
Interest received	40,725	11,411	52,136	1,871
Net cash provided by investing activities	139,722	11,411	151,133	1,871
Increase (decrease) in cash and cash equivalents	329,952	(283,633)	46,319	(16,312)
Cash and cash equivalents - beginning of the year	1,975,179	836,776	2,811,955	509,617
Cash and cash equivalents - end of the year	\$ 2,305,131	\$ 553,143	\$ 2,858,274	\$ 493,305
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 111,123	\$ 84,220	\$ 195,343	\$ (27,183)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	393,597	314,422	708,019	-
Change in assets and liabilities:				
Accounts receivable and unbilled revenue	(2,181)	(9,257)	(11,438)	-
Prepaid expenses	1,417	1,207	2,624	-
Inventory	(10,656)	-	(10,656)	-
Accounts payable	663	(16,403)	(15,740)	-
Accrued expenses	7,254	(1,134)	6,120	-
Sales tax payable	(24)	-	(24)	-
Claims incurred but not paid	-	-	-	9,000
Customer deposits	(2,575)	-	(2,575)	-
Net cash provided (used) by operating activities	\$ 498,618	\$ 373,055	\$ 871,673	\$ (18,183)

See notes to financial statements.

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

INDEX

	Page
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
1. Financial Reporting Entity	24
2. Basis of Presentation	25
3. Measurement Focus and Basis of Accounting	28
4. Assets, Liabilities, and Equity	30
5. Revenues, Expenditures, and Expenses	34
NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
1. Fund Accounting Requirements	35
2. Deposit Laws and Regulations	35
3. Revenue Restrictions	35
4. Debt Restrictions and Covenants	36
5. Budgetary Data	36
NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS	
1. Cash and Certificates of Deposit	37
2. Restricted Assets	38
3. TIF Receivables and Payables	39
4. Note Receivable	40
5. Capital Assets	41
6. Long-term Debt	44
7. Interfund Transactions and Balances	51
NOTE D – OTHER NOTES	
1. Employee Pension Plans	52
2. Risk Management	53
3. Commitments	54
4. Interlocal Agreements	55
5. Related Party Transactions	56
6. Tax Abatements	56
7. Subsequent Events	58

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Ogallala, Nebraska (City) are prepared in accordance with the modified cash basis of accounting for governmental funds and the accrual basis for the proprietary funds and discretely presented component unit. The City’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note.

1. Financial Reporting Entity

The City of Ogallala, Nebraska, was incorporated in 1884. The City operates under a City Manager form of government with an elected legislative body, Council, composed of five members. The Council President is elected by the Council bi-annually and the five members of the City Council are elected on four-year terms. The administration of the City government is performed under the direction of the Council by the City Manager. Services provided to residents include public safety, highways and streets, parks, recreation, water and sanitary sewer systems, and general administrative services.

The City’s financial reporting entity comprises the following:

Primary Government:	City of Ogallala
Discretely Presented Component Unit:	Ogallala Community Redevelopment Authority

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 OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

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**

Ogallala Community
Redevelopment Authority

Created by the City of Ogallala, the CRA's purpose is to prevent and eliminate blighted areas in the City of Ogallala.

2. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; 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 is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of principal and interest on the general long-term debt of the City other than debt-service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the City's general obligation bonds.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. **Basis of Presentation, continued**

Governmental Funds, continued

Internal Service Funds

The Internal Service Funds account for activities that provide goods and services to other funds, departments, or agencies of the primary government and its component unit on a cost-reimbursement basis.

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 Fund	See page 26 for description.
Street Fund	The Street Fund is a Special Revenue Fund that accounts for the City's share of highway allocation from the State of Nebraska.
Debt Service Fund	See page 26 for description.
Proprietary:	
Enterprise Water and Sewer	See above for description.
<i>Nonmajor:</i>	
Special Revenue:	
Hospital Community Improvement Fund	The Hospital Community Improvement Fund is a Special Revenue Fund that accounts for sales tax allocated to the hospital for capital improvements.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

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>Nonmajor, continued:</i>	
Special Revenue, continued:	
LB840 Fund	The LB840 Fund is a Special Revenue Fund that accounts for sales tax allocated to economic development.
Action/RSVP Fund	The Action/RSVP Fund is a Special Revenue Fund that accounts for Federal grant money used for the RSVP program.
Public Transportation	The Public Transportation Fund is a Special Revenue Fund that accounts for Federal and State grant money used for the City’s handibus.
Internal Service:	
Health Insurance	See page 27 for description.

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-type activities are presented using the economic resources measurement focus as defined in item b, below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Measurement Focus, continued

- b. The proprietary fund utilizes 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 activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. Under the modified cash basis of accounting, proceeds from the issuance of long-term debt increase liabilities and payment of long-term debt reduces liabilities. Capital assets are capitalized and depreciation is recognized over the estimated lives of the related assets. Right of use assets and related lease liabilities, as defined by GASB 87 and 96, are not reflected in the accompanying modified cash basis financial statements.

Business-type 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 as revenue when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified cash basis of accounting using a flow of current financial resources measurement focus. Proceeds from issuance of long-term debt are recognized when received and payment of long-term debt principal is reported as an expenditure when paid. Capital asset purchases are recorded as expenditures and depreciation is not recognized.

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

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Certificates of Deposit

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.

Certificates of deposit are carried at cost, which approximates fair market value. Additional cash and certificate of deposit disclosures are presented in Notes B2, C1, and D2.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Business-type activities report utility billings as their major receivables.

In the fund financial statements, proprietary fund receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. The City has recorded a \$30,000 allowance for uncollectible accounts receivable.

Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Restricted Assets

Restricted assets include cash and certificates of deposit that are legally restricted as to their use. The primary restricted assets are related to debt service, federal grants, and donor restrictions.

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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, property and equipment are accounted for as capital assets. 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 governmental capital assets is recorded as an unallocated expense in the Statement of Activities. Depreciation for 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:

Infrastructure	25 years
Buildings and Improvements	15-50 years
Equipment	5-15 years
Vehicles	5-7 years
Distribution and Collection Systems	20-50 years

Prior to July 1, 1980, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical 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 OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

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. Accumulated vacation time is accrued in the accompanying proprietary funds financial statement but not in the governmental funds.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable.

Fund Financial Statements

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

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.

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Government-wide Statements, continued

- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Effective October 1, 2010, the City adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws or externally imposed conditions by grantors or creditors.

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 City Manager for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 16). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the City Manager. 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.

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 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. Sales tax collected on the sale of motor vehicles is recorded in the Street Fund as required by LB904. One cent of the non-motor-vehicle sales tax is recorded in various governmental funds and used for budgeted appropriations. One-half cent of the non-motor-vehicle sales tax is allocated as follows: 25 percent to the Hospital Authority, 26.25 percent to the LB840 Fund, and 48.75 percent to the City for budgeted appropriations.

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 Keith 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 2022-2023 are recorded as revenue when received by the County.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

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 Fund – by Operating and Nonoperating

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

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Interfund Transfers

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

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Fund Accounting Requirements

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

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 interest-bearing deposits in excess of the FDIC limits are supposed to be 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.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

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.

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.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data, continued

- 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 Ogallala adopts a budget by appropriations ordinance for all funds.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

1. Cash 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, 2023. The categories of collateral are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name; or collateralized with no written or approved collateral agreement.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

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

1. Cash and Certificates of Deposit, continued

Deposits, continued

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits and certificates of deposit	\$ 10,097,462	\$ 9,803,494	\$ 284,558	\$ 9,410	\$ <u>9,870,718</u>
Reconciliation to Government-wide Statement of Net Position:					
Primary Government –					
Unrestricted cash and cash equivalents					\$ 7,143,038
Restricted cash and cash equivalents					<u>2,623,118</u>
Total primary government					9,766,156
Component Unit –					
Unrestricted cash and cash equivalents					79,562
Restricted cash and cash equivalents					<u>25,000</u>
Total component unit					<u>104,562</u>
Total					\$ <u>9,870,718</u>

2. Restricted Assets

The restricted assets as of September 30, 2023, are as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Primary Government Total</u>	<u>Discretely Presented Component Unit</u>
Type of Restricted Assets:				
Cash	\$ <u>2,524,811</u>	\$ <u>98,307</u>	\$ <u>2,623,118</u>	\$ <u>25,000</u>

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

2. Restricted Assets, continued

The General Fund has \$187,395 of cash restricted for cemetery perpetual care, \$427,385 of cash restricted for federal programs, and \$54,384 of cash restricted for the library project. The Street Fund has \$816,054 of cash restricted for street expenditures and \$88,293 of cash restricted for federal programs. The Debt Service Fund has \$199,293 of cash and the Hospital Community Improvement Fund has \$29,012 of cash restricted for debt service. The LB840 Fund has \$519,993 of cash restricted for economic development. The Action/RSVP Fund has \$60,159 of cash and the Public Transportation Fund has \$142,843 of cash restricted for federal programs.

The Water Fund has restricted cash of \$36,950 for customer utility deposits and \$61,357 of cash restricted for federal programs.

The component unit has \$25,000 of cash pledged on a City Highway Allocation bond issue.

3. TIF Receivables and Payables

The Ogallala Community Redevelopment Authority has undertaken a program for the redevelopment of blighted areas in the City. Under the program, various projects agree to create a minimum taxable valuation for real estate tax assessment purposes. The CRA receives the incremental real estate taxes paid by the projects and then returns a portion of the tax incremental financing (TIF) funds to the projects. Estimated future receivables and payables under TIF agreements were as follows as of September 30, 2023:

	<u>TIF Receivable</u>	<u>TIF Payable</u>
<u>Central/South Redevelopment Area:</u>		
Kennedy Hospitality	\$ 200,550	\$ -
Godfathers/Ashcore	26,000	-
21st Century	150,500	-
US Recycling	20,200	-
RIKNIK Inc.	69,000	-
Stauffer	118,800	-
Ogallala DNP VIII	132,000	-
Walmart	684,600	575,889
O'Reilly	141,300	-
Ogallala Lodging	988,200	351,593
Pony Express Retail	265,000	77,368
Khodiar Hospitality	775,000	327,256
Davis Land - 801 East 1st	84,700	-
Driftwood	116,600	33,044
First Insight Eyecare	122,100	23,113
Davis Land - 802 E 2nd	36,000	-
Davis Land - 804 E 2nd	34,800	-

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

3. TIF Receivables and Payables, continued

	<u>TIF Receivable</u>	<u>TIF Payable</u>
<u>Central/South Redevelopment Area, continued:</u>		
Fat Dogs Travel Center	354,900	319,410
Nutrien Ag Solutions Inc.	19,600	18,851
Ogallala Brewing	163,800	147,444
Fat Dogs Travel Center #2	99,000	89,100
Steph's Storage	7,500	6,750
 <u>Northern Redevelopment Area:</u>		
Tri-State	136,000	53,820
England	41,000	-
Western Resource Group	155,250	-
Lakeway Lodge - Phase 1	31,200	-
Lakeway Lodge - Phase 2	37,800	-
Lakeway Lodge - Phase 4	49,000	-
Progress Lot 2 - 516 West A	36,000	-
Progress Lot 4 - 514 West A	36,000	-
Davis Land - 513 West B	35,200	-
303 West 30th St	35,100	-
Lured In	255,600	142,594
Rally B - Project 1	105,600	72,230
Rally B - Project 2	105,600	71,230
307 West 30th St	46,200	-
Willow & Oak	10,500	9,450
403 Diamond Springs Trail	34,500	-
Flansburg Subdivision - Lot 1	4,500	4,050
Flansburg Subdivision - Lot 7	1,500	1,350
	<u>\$ 5,766,700</u>	<u>\$ 2,324,542</u>
 Current portion	 \$ 699,100	 \$ 460,730
Noncurrent portion	5,067,600	1,863,812
Total	<u>\$ 5,766,700</u>	<u>\$ 2,324,542</u>

4. Note Receivable

On August 12, 2002, the City entered into an installment sale of real estate with Keith County Area Development, Inc. (KCAD). Under terms of the promissory note, principal is due immediately when any lots are sold by KCAD. The entire balance of the note is due upon the earlier of the sale of the last of the lots or on August 12, 2032. The note is non-interest-bearing until maturity, whether by acceleration or otherwise, after which it shall bear interest of eight percent. The note is secured by the related real estate and had a balance of \$9,198 at September 30, 2023.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

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

5. Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	Balance at October 1, <u>2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2023</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 513,405	\$ -	\$ -	\$ -	\$ 513,405
Construction in progress	496,837	36,000	-	(496,837)	36,000
Total capital assets not being depreciated	1,010,242	36,000	-	(496,837)	549,405
Other capital assets being depreciated:					
Infrastructure	20,298,311	558,036	-	479,837	21,336,184
Buildings and improvements	12,146,432	78,947	(2,820)	-	12,222,559
Equipment	4,613,572	158,448	(152,803)	17,000	4,636,217
Vehicles	2,131,412	102,200	(322,503)	-	1,911,109
Total other capital assets at historical cost	39,189,727	897,631	(478,126)	496,837	40,106,069
Less accumulated depreciation for:					
Infrastructure	(8,692,473)	(805,626)	-	-	(9,498,099)
Buildings and improvements	(6,095,364)	(350,194)	2,585	-	(6,442,973)
Equipment	(3,028,768)	(293,109)	116,213	-	(3,205,664)
Vehicles	(1,877,378)	(115,379)	317,236	-	(1,675,521)
Total accumulated depreciation	(19,693,983)	(1,564,308)*	436,034	-	(20,822,257)
Other capital assets, net	19,495,744	(666,677)	(42,092)	496,837	19,283,812
Governmental activities capital assets, net	<u>\$ 20,505,986</u>	<u>\$ (630,677)</u>	<u>\$ (42,092)</u>	<u>\$ -</u>	<u>\$ 19,833,217</u>

* Depreciation expense was incurred by the following governmental activities:

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

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

5. Capital Assets, continued

Governmental Activities, continued:

General Fund:

General government:

Administration	\$ 27,315
Community development	39,084
Planning	<u>2,200</u>
Total general government	68,599

Public safety:

Fire	103,474
Ambulance	45,827
Police	<u>34,728</u>
Total public safety	184,029

Public works:

Cemetery	14,463
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Environment and leisure:

Airport	202,555
Library	116,713
Park	85,184
Recreation center	47,447
Pool	<u>12,542</u>
Total environment and leisure	<u>464,441</u>

Total General Fund 731,532

Special Revenue Funds:

Street	792,586
Public transportation	<u>40,190</u>
Total Special Revenue Funds	<u>832,776</u>

Total Governmental Activities
Depreciation Expense \$ 1,564,308

Construction in progress at September 30, 2023 consists of \$36,000 of engineering costs on the Diamond Springs Trail paving project. The City has no contractual commitments on this project as of September 30, 2023.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

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

5. Capital Assets, continued

	Balance at October 1, <u>2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2023</u>
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 307,916	\$ -	\$ -	\$ -	\$ 307,916
Construction in progress	6,735	-	-	(6,735)	-
Total capital assets not being depreciated	314,651	-	-	(6,735)	307,916
Other capital assets being depreciated:					
Distribution and collection systems	28,055,585	476,628	(10,769)	6,735	28,528,179
Equipment	1,015,260	17,026	(3,244)	-	1,029,042
Total other capital assets at historical cost	29,070,845	493,654	(14,013)	6,735	29,557,221
Less accumulated depreciation for:					
Distribution and collection systems	(17,191,737)	(617,756)	10,769	(276,893)	(18,075,617)
Equipment	(963,887)	(90,263)	3,244	276,893	(774,013)
Total accumulated depreciation	(18,155,624)	(708,019) *	14,013	-	(18,849,630)
Other capital assets, net	10,915,221	(214,365)	-	6,735	10,707,591
Business-type capital assets, net	<u>\$ 11,229,872</u>	<u>\$ (214,365)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,015,507</u>

* Depreciation expense was charged to functions as follows:

Water	\$ 393,597
Sewer	314,422
Total Business-type Activities Depreciation Expense	<u>\$ 708,019</u>

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

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

5. Capital Assets, continued

	Balance at October 1, <u>2022</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2023</u>
<u>Discretely Presented Component Unit:</u>				
Capital assets not being depreciated:				
Land held for redevelopment	\$ <u>60,678</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>60,678</u>

6. Long-term Debt

The reporting entity’s long-term debt is segregated among the amounts to be repaid from governmental activities, business-type activities, and the discretely presented component unit.

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended September 30, 2023:

<u>Type of Debt</u>	Balance at October 1, <u>2022</u>	<u>Additions</u>	<u>Payments</u>	Balance at September 30, <u>2023</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds and notes payable	\$ <u>7,028,062</u>	\$ <u>-</u>	\$ <u>(820,700)</u>	\$ <u>6,207,362</u>	\$ <u>828,053</u>
Business-type Activities:					
Bond and note payables	\$ <u>5,788,580</u>	\$ <u>-</u>	\$ <u>(337,543)</u>	\$ <u>5,451,037</u>	\$ <u>344,435</u>
Discretely Presented Component Unit:					
TIF payables (see Note C3 for details)	\$ <u>2,337,494</u>	\$ <u>318,838</u>	\$ <u>(331,790)</u>	\$ <u>2,324,542</u>	\$ <u>460,730</u>

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

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

6. Long-term Debt, continued

Governmental Activities:

All bonds are paid by the Debt Service Fund, except for the 2014 general obligation refunding bonds described at the bottom of page 46, which are paid by the airport department of the General Fund. As of September 30, 2023, the governmental long-term liabilities consisted of the following:

Bonds and notes payable:

The City issued \$680,000 of general obligation refunding bonds on October 18, 2016, to refinance the 2011 refunding street improvement bonds (15 percent of these bond proceeds were for the Water Fund and 15 percent were for the Sewer Fund.) The bonds bear interest ranging from 0.85 percent to 1.90 percent and are payable over 10 years with the final principal payment due September 15, 2026. \$ 168,000

The City issued general obligation refunding bonds in the amount of \$1,100,000 on May 6, 2020, to refinance \$1,080,000 of Series 2015 general obligation various purpose bonds. The bonds bear interest ranging from 1.3 percent to 1.9 percent and are payable over 10 years with the final principal payment due December 15, 2029. 765,000

The City issued \$250,000 of highway allocation bonds on February 27, 2013, to fund street improvement projects. The bonds bear interest ranging from 1.40 percent to 3.75 percent and are payable over 11 years with the final principal payment due December 15, 2024. The Ogallala Community Redevelopment Authority has pledged to make these bond payments. 50,000

The City issued \$1,625,000 of Series 2020B general obligation refunding bonds on October 9, 2020, to refinance the Series 2015B bond anticipation notes. (The Debt Service Fund received \$1,461,298 of the proceeds.) The bonds bear interest ranging from 0.55 to 1.55 percent and are payable over 12 years with the final principal payment due September 15, 2032. 1,182,527

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

6. Long-term Debt, continued

Governmental Activities, continued:

Bonds and notes payable, continued:

The City issued \$500,000 general obligation various purpose bonds on September 26, 2017, to fund street improvement projects. The bonds bear interest ranging from 1.00 percent to 3.10 percent and are payable over 15 years with the final principal payment due September 15, 2032. 345,000

The City issued \$1,400,000 of Series 2021 highway allocation bonds on July 27, 2021, to refinance the Series 2016 highway allocation bonds. (The Debt Service Fund received \$1,253,473 of the proceeds.) The bonds bear interest ranging from 0.4 to 1.45 percent and are payable over 12 years with the final principal payment due September 15, 2033. 1,137,079

The City issued \$725,000 of general obligation refunding bonds on December 17, 2013, to refinance the 2008 various purpose bonds. The bonds bear interest ranging from 0.4 percent to 2.85 percent and are payable over 15 years with the final principal payment due December 1, 2023. 90,000

The City issued \$1,135,000 of general obligation refunding bonds on December 30, 2014, to refinance two 2009 bond issues and the airport building bonds (with the Street Fund receiving \$826,076 of the bond proceeds). The bonds bear interest ranging from 0.45 percent to 2.6 percent and are payable over 10 years with the final principal payment due September 15, 2024. 36,391

The City issued \$1,135,000 of general obligation refunding bonds on December 30, 2014, to refinance two 2009 bond issues and the airport building bonds (with the General Fund (airport department) receiving \$131,739 of the bond proceeds). The bonds bear interest ranging from 0.45 percent to 2.6 percent and are payable over 10 years with the final principal payment due September 15, 2024. 5,803

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

6. Long-term Debt, continued

Governmental Activities, continued:

Bonds and notes payable, continued:

The City issued \$600,000 of Series 2018 highway allocation bonds on August 22, 2018, to fund street improvement projects. The bonds bear interest ranging from 1.70 to 3.60 percent and are payable over 15 years with the final principal payment due August 15, 2033. 425,000

The City issued \$635,000 of Series 2019 highway allocation bonds on August 14, 2019, to fund street improvement projects. The bonds bear interest ranging from 1.75 to 2.90 percent and are payable over 15 years with the final principal payment due July 1, 2034. 485,000

The City issued \$700,000 of Series 2021 highway allocation bonds on June 29, 2021, to fund street improvement projects. The bonds bear interest ranging from 0.5 to 1.75 percent and are payable over 15 years with the final principal payment due June 15, 2036. 610,000

The City issued \$450,000 of Series 2022 highway allocation bonds on August 15, 2022, to fund street improvement projects. The bonds bear interest ranging from 2.40 to 3.75 percent and are payable over 15 years with the final principal payment due August 1, 2037. 425,000

During the year ended September 30, 2019, the City received \$9,118 of loan proceeds from the Nebraska Department of Transportation – Division of Aeronautics. The loan agreement states that \$22,000 is the maximum amount available for this loan. This fuel storage revolving loan is due in monthly payments of \$200 for 53 months, through May 2024. The unsecured loan bears no interest and is paid by the General Fund. 200

On June 24, 2022, the City issued a \$170,000 note payable to Adams Bank for the purchase of a John Deere wheel loader. The note is due in three annual principal and interest payments of \$60,974 commencing October 15, 2023, with a final payment due October 15, 2025. The note bears interest of 3.20 percent and is paid by the Street Fund. 111,323

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

6. Long-term Debt, continued

Governmental Activities, continued:

Bonds and notes payable, continued:

On December 1, 2021, the City issued a \$292,107 note payable to Sandhills Bank for the purchase of a fire truck. The note is due in five annual principal and interest payments of \$62,740 commencing October 15, 2022, with a final payment due October 15, 2026. The note bears interest of 2.50 percent and is paid by the General Fund. 235,939

On February 24, 2021, the City issued a \$132,000 note payable to Pinnacle Bank for the purchase of a motor grader. The note is due in four annual principal and interest payments of \$34,709 commencing October 15, 2021, with a final payment due October 15, 2024. The note bears interest of 2.37 percent and is paid by the Street Fund. 67,006

On February 24, 2021, the City issued a \$134,144 note payable to Pinnacle Bank for the purchase of a 2021 street sweeper. The note is due in four annual principal and interest payments of \$35,273 commencing October 15, 2021, with a final payment due October 15, 2024. The note bears interest of 2.37 percent and is paid by the Street Fund. 68,094

Total bonds and notes payable \$ 6,207,362

Current portion \$ 828,053

Noncurrent portion 5,379,309

Total \$ 6,207,362

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

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

6. Long-term Debt, continued

Business-type Activities:

As of September 30, 2023, the long-term debt payable from proprietary fund resources consisted of the following:

The City issued \$1,625,000 of Series 2020B general obligation refunding bonds on October 9, 2020, to refinance the Series 2015B bond anticipation notes. (The Water Fund received \$84,029 of the proceeds and the Sewer Fund received \$79,674 of the proceeds.) The bonds bear interest ranging from 0.55 to 1.55 percent and are payable over 12 years with the final principal payment due September 15, 2032. \$ 132,473

The City issued \$680,000 of general obligation refunding bonds on October 18, 2016, to refinance the 2011 refunding street improvement bonds (15 percent of these bond proceeds were for the Water Fund and 15 percent were for the Sewer Fund). The bonds bear interest ranging from 0.85 percent to 1.90 percent and are payable over 10 years with the final principal payment due September 15, 2026. (The Water and Sewer Funds each owe 50 percent of the balance shown). 72,000

The City issued \$1,400,000 of Series 2021 highway allocation bonds on July 27, 2021, to refinance the Series 2016 highway allocation bonds. (The Water Fund received \$146,527 of the proceeds.) The bonds bear interest ranging from 0.4 to 1.45 percent and are payable over 12 years with the final principal payment due September 15, 2033. 132,921

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

6. Long-term Debt, continued

Business-type Activities, continued:

<p>The City issued \$1,135,000 of general obligation refunding bonds on December 30, 2014, to refinance two 2009 bond issues and the airport building bonds (with the Water Fund receiving \$177,185 of the proceeds). The bonds bear interest ranging from 1.25 percent to 4.50 percent and are payable over 15 years with the final principal payment due September 15, 2024.</p>	7,805
<p>NDEE note for a water project with total available principal of \$1,741,347. The note is due semi-annually including interest and matures in 2040. Interest is 2.0 percent.</p>	1,506,466
<p>NDEE note for a water project with original amount of \$2,175,295. The note is due semi-annually including interest and matures in 2035. Interest is 2.0 percent.</p>	1,513,592
<p>NDEE note for a wastewater treatment plant project with total available principal of \$1,612,465. The note is due semi-annually including interest and matures in 2040. Interest is 1.5 percent.</p>	1,875,351
<p>NDEE note for a wastewater treatment plant project with original amount of \$422,832. The note is due semi-annually including interest and matures in 2031. Interest is at 2.0 percent.</p>	<u>210,429</u>
<p>Total business-type activity bonds and note payable</p>	\$ <u>5,451,037</u>
<p>Current portion</p>	\$ 344,435
<p>Noncurrent portion</p>	<u>5,106,602</u>
<p>Total</p>	<u>\$ 5,451,037</u>

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

6. Long-term Debt, continued

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2023, are as follows:

Year Ending September 30,	Governmental Activities			
	Other Debt Issues		Direct Placement Debt	
	Principal	Interest	Principal	Interest
2024	\$ 646,810	\$ 99,374	\$ 181,243	\$ 12,654
2025	609,454	89,682	180,495	7,865
2026	619,912	81,461	59,725	3,015
2027	560,237	72,569	61,099	1,641
2028	583,686	64,235	-	-
2029-2033	2,364,701	173,239	-	-
2034-2037	340,000	19,825	-	-
	<u>\$5,724,800</u>	<u>\$ 600,385</u>	<u>\$ 482,562</u>	<u>\$ 25,175</u>

Year Ending September 30,	Business-type Activities				
	Other Debt Issues		Direct Placement Debt		
	Principal	Interest	Principal	Interest	Loan Fees
2024	\$ 48,190	\$ 4,378	\$ 296,245	\$ 91,380	\$ 41,058
2025	50,545	3,694	301,738	85,886	38,541
2026	55,087	3,072	307,334	80,290	35,976
2027	29,764	2,356	313,036	74,588	33,362
2028	31,314	2,080	318,846	68,778	30,697
2029-2033	130,299	4,666	1,658,489	252,990	111,764
2034-2038	-	-	1,358,711	106,004	44,839
2039-2041	-	-	551,439	14,270	5,601
	<u>\$ 345,199</u>	<u>\$ 20,246</u>	<u>\$5,105,838</u>	<u>\$ 774,186</u>	<u>\$341,838</u>

7. Interfund Transactions and Balances

During the year ended September 30, 2023, the General Fund transferred \$645,000 to the Debt Service Fund.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

NOTE D – OTHER NOTES

1. Employee Pension Plans

The City of Ogallala has the following pension plans for all eligible employees:

General service employees participate in the Money Accumulated Pension Plan. To be eligible, an employee must be at least 21 years of age and have completed six months of service. Effective October 1, 2015, each eligible participant shall make a basic monthly contribution of 7 percent of his or her monthly compensation and the City shall contribute an equal 7 percent.

Firefighters and police officers participate in a defined contribution plan, restated January 1, 1984. Employees become eligible to participate in these plans when they have reached the age of 21 years. Eligible firefighters shall make a basic contribution of 6.5 percent of their monthly compensation and the City shall contribute 13 percent of compensation. Eligible police officers shall make basic contributions of 7 percent of their monthly compensation and the City shall contribute 7 percent.

Employees shall be fully vested in the employer contributions when they have completed 7 years of service.

The following information is provided for each plan for the year ended September 30, 2023:

	<u>General Service</u>	<u>Fire- Fighters</u>	<u>Police</u>
Total wages	\$ 2,209,406	\$ -	\$ 579,729
Covered wages	1,527,659	-	579,726
Employee contribution	106,936	-	40,581
City contribution	106,936	-	40,581
Voluntary employee contributions	24,634	-	-

Future contributions are not expected to increase materially for the fiscal year ending September 30, 2024.

The City also has a Volunteer Emergency Responders Plan, where participants become fully vested after seven years of service. This Plan is funded half by the City and half by the Rural Fire District.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

NOTE D – OTHER NOTES, continued

2. **Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to minimize the effect of possible exposure to these risks. There have been no significant reductions in insurance coverage from coverage in the prior year. During the past three fiscal years, there have been no settlements exceeding the amount of the City's insurance coverage.

Employees of the City are covered by the City's medical insurance plan, which self-insures employees' deductible out-of-pocket expenses. The City is protected against catastrophic losses by stop-loss insurance coverage. Stop-loss coverage is in effect for claims exceeding \$25,000 per employee.

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, 2023, are held by banks in the name of the City. The City's investments consist only of bank money market and demand deposits.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires that market conditions and investment securities be analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates. The City had no certificates of deposit or other investments with maturity dates at September 30, 2023.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's investments consist of certificates of deposit, money market funds, and other securities backed by U.S. Government obligations, minimizing credit risk associated with the City's investment portfolio.

Concentration of Credit Risk. The City's investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2023, the City's cash and cash equivalents consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Pinnacle Bank and Trust	\$ 6,064,469
Sandhills State Bank	537,015
Adams Bank and Trust	<u>3,163,690</u>
	\$ <u>9,765,174</u>

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

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, 2023.

3. Commitments

Contractual Commitments

The City is a party to contracts relating to capital outlay projects. The City intends to fund the construction through operations or long-term financing.

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2023</u>	<u>Obligation Pending</u>	<u>Expected Completion</u>
Wastewater treatment plant: Facility plan	\$ <u>135,000</u>	\$ <u>-</u>	\$ <u>135,000</u>	May 2024

Lease Commitment

The City leases a mail machine from Quadient Leasing under a 63 month lease for \$135.30 per month commencing April 8, 2022 through July 8, 2027.

LB840 Grant Commitments

On October 26, 2021, the City Council approved the issuance of a \$300,000 forgivable grant to VK Designs. The City disbursed \$150,000 of the grant during the year ended September 30, 2023 when VK Designs closed on its property. An additional \$75,000 is committed upon the hiring of 10 full-time employees, and the final \$75,000 is committed upon hiring an additional 10 full-time employees.

On June 28, 2022, the City Council approved the issuance of a \$300,000 forgivable grant to Ogallala Multi-Family, LLC. The City has not disbursed any of the grant as of September 30, 2023. The first \$125,000 grant will be made when documentation is submitted showing construction on the multi-family apartment has begun. An additional \$100,000 is committed upon completion of construction, and \$75,000 is committed after the apartments have been open for one year.

CITY OF OGALLALA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

NOTE D – OTHER NOTES, continued

3. Commitments, continued

LB840 Grant Commitment

On August 9, 2022, the City Council approved the issuance of a \$125,000 forgivable grant to Second Chapter Brewing, LLC. The City disbursed \$40,000 of the grant during the year ended September 30, 2022 upon execution of the Economic Development Assistance Agreement. The City disbursed \$45,000 of the grant during the year ended September 30, 2023 when construction was completed. An additional \$40,000 is committed after the brewery has been open for one year.

Airport Management Agreement

The City entered into an airport management agreement with Candy Aerotech Services. Under terms of the month-to-month agreement, monthly payments of \$1,000 are due.

4. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2023:

<u>Party to Agreement</u>	<u>Term of Agreement</u>	<u>Description</u>
Village of Brule	2/12/02 – until terminated	Operation of Brule’s municipal wastewater system
Ogallala Rural Fire Protection District	2/28/06 – until terminated	Fire protection
Ogallala Rural Fire Protection District	2/28/07 – until terminated	Ambulance service
Keith County	9/26/06 – until terminated	Emergency Management Operations and Public Safety Answering Point
West Central Nebraska Development District	Perpetual – 30 day termination notice	Planning and Development District
Ogallala Public Schools	9/11/07 – until terminated	Water/Sewer Services
Keith County	10/9/07 – until terminated	Financial Support of the Ogallala Airport, Searle Field
Keith County	6/9/15 – until terminated	Sharing of respective Zoning Administrator & Building Inspector Services
Keith County	10/1/09 - until terminated	Keith County Emergency Response Team
Southwest Mutual Aid First District	1/1/22 - 12/31/23	Mutual Aid for Fire/Emergency Services
Ogallala Rural Fire Protection District	2/24/15 – until terminated	Building maintenance and operating
Keith County	5/27/03 – until terminated	Animal impound
Community Redevelopment Authority	12/22/15 – 12/22/25	Ogallala Public Infrastructure Agency

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

NOTE D – OTHER NOTES, continued

4. Interlocal Agreements, continued

<u>Party to Agreement</u>	<u>Term of Agreement</u>	<u>Description</u>
Ogallala Community Redevelopment Authority	3/27/18 – until terminated	Administrative services to the CRA
Villages of Brule and Paxton and Keith County	11/5/91 – until terminated	Operate a lottery
Village of Brule	7/28/15 – until terminated	Application of pesticides for control of mosquitoes and other pests
Keith County	2/24/20 – 2/24/25	Ambulance service
Keith County	3/17/04 – until terminated	Burial of indigent persons
Keith County	11/23/04 – until terminated	Equipment sharing

5. Related Party Transactions

The City paid \$18,118 for office supplies, furniture and equipment, and computer consulting services to Office Service, Inc., a business that employs the City Clerk/Treasurer’s spouse.

The City paid \$29,258 for fire department equipment and repairs to FR Customs, LLC, a business owned by the fire chief.

6. Tax Abatements

The Ogallala Community Redevelopment Authority (CRA), 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 (see projects listed in Note C3). 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 CRA to finance the project for a period of up to 15 years. TIF proceeds collected under these agreements during the year ended September 30, 2023 totaled \$600,077.

The CRA has approved the following new TIF agreements:

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

NOTE D – OTHER NOTES, continued

6. Tax Abatements, continued

On February 22, 2022, the Authority entered into a redevelopment contract with Flans5, LLC (Redeveloper). The contract states that the Redeveloper will create a taxable real property valuation of not less than \$2,500,000 on the project and project site no later than January 1, 2027. The project is expected to be completed in five phases effective annually on January 1, 2023 for Phase 1 through January 1, 2027 for Phase 5. Under terms of the agreement, the Authority will receive the proceeds of the TIF revenues for a period of 15 years. Ten percent of the TIF revenue will be retained by the CRA as an administrative fee. The excess TIF revenue will be used by the Authority to service \$446,000 of debt to be issued by the City of Ogallala for public improvements for the Flansburg Subdivision.

On December 19, 2022, the Authority entered into a redevelopment contract with Andrew Cole and Bryan Cole, dba Rankin Sales and service (Redeveloper) on the Rankin project. The contract states that the Redeveloper will incur project costs of at least \$205,000 on the project site no later than January 1, 2024. (The 2023 valuation reflected no excess TIF valuation.) Under terms of the agreement, the Authority will provide a grant of \$20,000 to the Redeveloper to cover Redeveloper expenses for public improvements. The Authority will receive the proceeds of the TIF revenues for a period of 15 years. Ten percent of the TIF revenue will be retained by the CRA as an administrative fee and 90 percent of the TIF revenue will be retained by the CRA to recover the amount of the grant. Any excess TIF revenue will be retained by the Authority to assist in the payment of the cost of the public improvements made by the CRA and/or the City of Ogallala. The CRA had paid \$15,834 of the grant to the redeveloper as of September 30, 2023.

On November 10, 2022, the Authority entered into a redevelopment contract with Gretna Properties, LLC (Redeveloper) on the Runza project. The contract states that the Redeveloper will incur project costs of at least \$195,000 on the project site no later than January 1, 2024. (The 2023 valuation reflected no excess TIF valuation.) Under terms of the agreement, the Authority will receive the proceeds of the TIF revenues for a period of 15 years. Ten percent of the TIF revenue will be retained by the CRA as an administrative fee. The excess TIF revenue will be used to reimburse the redeveloper \$165,000 (including an up-front grant to the Redeveloper of \$10,000) toward project expenses and costs of public improvements. Any excess TIF revenue will be retained by the Authority to assist in the payment of the cost of the public improvements made by the CRA and/or the City of Ogallala. The CRA had paid the \$10,000 grant to the redeveloper as of September 30, 2023.

CITY OF OGALLALA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

NOTE D – OTHER NOTES, continued

6. Tax Abatements, continued

On June 24, 2022, the Authority entered into a redevelopment contract with Ogallala Multi-Family, LLC (Redeveloper). The contract states that the Redeveloper will create a taxable real property valuation of not less than \$6,630,000 on the project and project site no later than January 1, 2023. The redeveloper has the right to delay the effective date to January 1, 2024 if there is no increase in assessed property valuation for the 2023 tax year. Under terms of the agreement, the Authority will receive the proceeds of the TIF revenues for a period of 15 years. Ten percent of the TIF revenue will be retained by the CRA as an administrative fee. The excess TIF revenue will be used to reimburse the redeveloper \$1,359,000 toward project expenses and costs of public improvements. Any excess TIF revenue will be retained by the Authority to assist in the payment of the cost of the public improvements made by the CRA and/or the City of Ogallala.

On June 24, 2022, the Authority entered into a redevelopment contract with Ogallala Lodging 2, LLC (Redeveloper). The contract states that the Redeveloper will create a taxable real property valuation of not less than \$6,800,000 on the project and project site no later than January 1, 2023. The redeveloper has the right to delay the effective date to January 1, 2024 if there is no increase in assessed property valuation for the 2023 tax year. Under terms of the agreement, the Authority will receive the proceeds of the TIF revenues for a period of 15 years. Ten percent of the TIF revenue will be retained by the CRA as an administrative fee. The excess TIF revenue will be used to reimburse the redeveloper \$1,390,000 toward project expenses and costs of public improvements. Any excess TIF revenue will be retained by the Authority to assist in the payment of the cost of the public improvements made by the CRA and/or the City of Ogallala.

7. Subsequent Events

Management has evaluated subsequent events through November 9, 2023, the date on which the financial statements were available for issue.

SUPPLEMENTARY AND OTHER INFORMATION

CITY OF OGALLALA, NEBRASKA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
GENERAL FUND

Year ended September 30, 2023

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 1,447,931	\$ 1,463,285	\$ 15,354
Sales tax	2,053,280	1,740,760	(312,520)
Franchise	1,120,210	1,109,180	(11,030)
Intergovernmental	151,910	182,229	30,319
Grants	1,394,000	236,016	(1,157,984)
Charges for services	1,044,650	865,527	(179,123)
Keno receipts	80,000	157,937	77,937
Contributions	-	19,763	19,763
Interest income	2,970	20,030	17,060
Sale of assets	12,500	62,537	50,037
Insurance proceeds	-	16,756	16,756
Bond/loan proceeds	450,000	-	(450,000)
Other	13,750	17,887	4,137
Total resources	7,771,201	5,891,907	(1,879,294)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government:			
Administrative	756,125	730,188	(25,937)
Community development	1,910,150	352,338	(1,557,812)
Planning	141,930	118,403	(23,527)
Total general government	2,808,205	1,200,929	(1,607,276)
Public safety:			
Fire	369,135	253,193	(115,942)
Ambulance	194,110	166,434	(27,676)
Police	1,446,907	1,305,872	(141,035)
Total public safety	2,010,152	1,725,499	(284,653)
Public works:			
Cemetery	380,230	267,740	(112,490)
Environment and leisure:			
Airport	242,060	191,552	(50,508)
Library	493,399	380,645	(112,754)
Park	1,181,540	503,304	(678,236)
Recreation center	298,985	305,932	6,947
Pool	165,350	172,143	6,793
Total environment and leisure	2,381,334	1,553,576	(827,758)
Total charges to appropriations	7,579,921	4,747,744	(2,832,177)
Resources over charges to appropriations	191,280	1,144,163	952,883
OTHER FINANCING USES			
Transfers out	(645,000)	(645,000)	-
Resources over (under) charges to appropriations and other financing uses	\$ (453,720)	\$ 499,163	\$ 952,883

CITY OF OGALLALA, NEBRASKA

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

Year ended September 30, 2023

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 3,200	\$ 3,607	\$ 407
Motor vehicle	112,000	109,134	(2,866)
Sales tax	175,000	166,389	(8,611)
Intergovernmental	832,742	857,904	25,162
Charges for services	21,064	59,371	38,307
Sale of assets	-	31,820	31,820
Bond proceeds	400,000	-	(400,000)
Other	-	52	52
	<hr/>	<hr/>	<hr/>
Total resources	1,544,006	1,228,277	(315,729)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Street operations and maintenance	1,166,382	820,947	(345,435)
Capital outlay	505,300	171,562	(333,738)
Principal payments on debt	-	123,821	123,821
Interest on long-term debt	-	7,135	7,135
Loan fees	-	1,000	1,000
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Total charges to appropriations	1,671,682	1,124,465	(547,217)
Resources over (under) charges to appropriations	<u><u>\$ (127,676)</u></u>	<u><u>\$ 103,812</u></u>	<u><u>\$ 231,488</u></u>

CITY OF OGALLALA, NEBRASKA

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

Year ended September 30, 2023

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Property tax	\$ -	\$ 184	\$ 184
Intergovernmental	95,523	95,523	-
Bond proceeds	375,000	-	(375,000)
Interest income	-	217	217
	<hr/>	<hr/>	<hr/>
Total resources	470,523	95,924	(374,599)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	450	442	(8)
Principal payments on debt	1,007,507	632,507	(375,000)
Interest payments on debt	108,821	108,820	(1)
Bond fees	300	285	(15)
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Total charges to appropriations	1,117,078	742,054	(375,024)
Resources under charges to appropriations	(646,555)	(646,130)	425
OTHER FINANCING SOURCES			
Transfers in	645,000	645,000	-
	<hr/>	<hr/>	<hr/>
Resources under charges to appropriations and other financing sources	<u>\$ (1,555)</u>	<u>\$ (1,130)</u>	<u>\$ 425</u>

CITY OF OGALLALA, NEBRASKA

**COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2023

	Special Revenue Funds				
	Hospital Community Improvement <u>Fund</u>	LB840 <u>Fund</u>	Action/ RSVP <u>Fund</u>	Public Transportation <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 29,012	\$ 519,993	\$ 60,159	\$ 142,843	\$ 752,007
LIABILITIES AND FUND BALANCES					
Fund balances:					
Restricted for:					
Debt service	\$ 29,012	\$ -	\$ -	\$ -	\$ 29,012
Economic development	-	519,993	-	-	519,993
Federal programs	-	-	60,159	142,843	203,002
Total fund balances	<u>\$ 29,012</u>	<u>\$ 519,993</u>	<u>\$ 60,159</u>	<u>\$ 142,843</u>	<u>\$ 752,007</u>

CITY OF OGALLALA, NEBRASKA

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

For the year ended September 30, 2023

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Hospital Community Improvement Fund	LB840 Fund	Action/ RSVP Fund	Public Transportation Fund	
REVENUES					
Taxes:					
Property	\$ -	\$ -	\$ 15,526	\$ 48,298	\$ 63,824
Sales tax	185,271	230,231	18,917	58,844	493,263
Franchise	-	-	12,018	36,783	48,801
Intergovernmental	-	-	1,308	4,066	5,374
Grants	-	-	50,000	121,356	171,356
Licenses, fees, and fines	7,563	-	-	-	7,563
Charges for services	-	-	16	32,955	32,971
Interest income	-	4,764	-	-	4,764
Sale of capital assets	-	-	-	4,135	4,135
Other	-	-	70	1,063	1,133
Total revenues	192,834	234,995	97,855	307,500	833,184
EXPENDITURES					
General government	8,562	-	-	-	8,562
Economic development	-	51,130	-	-	51,130
Environment and leisure	-	-	90,704	205,571	296,275
Other - Hospital debt service	183,679	-	-	-	183,679
Total expenditures	192,241	51,130	90,704	205,571	539,646
Net change in fund balances	593	183,865	7,151	101,929	293,538
Fund balances - September 30, 2022	28,419	336,128	53,008	40,914	458,469
Fund balances - September 30, 2023	\$ 29,012	\$ 519,993	\$ 60,159	\$ 142,843	\$ 752,007

CITY OF OGALLALA, NEBRASKA
COMBINING STATEMENT OF REVENUES AND EXPENDITURES -
MODIFIED CASH BASIS - GENERAL FUND DEPARTMENTS

Year ended September 30, 2023

	<u>General</u>	<u>Fire</u>	<u>Cemetery</u>	<u>Ambulance</u>	<u>Airport</u>
REVENUES					
Taxes:					
General property tax	\$ 367,165	\$ 50,544	\$ 135,004	\$ -	\$ -
Sales tax	436,833	61,580	132,965	-	-
Franchise	280,291	39,132	84,064	-	-
Intergovernmental revenue:					
State assistance	30,189	4,256	9,188	-	-
Keith County	-	-	-	-	-
Rural Fire reimbursements	-	15,524	-	17,109	-
CRA reimbursement	-	-	-	-	-
Licenses, permits, and fines	23,120	260	-	-	1,600
Rental and fees	269,711	-	50,929	119,037	174,580
Admission fees and concessions	-	-	-	-	-
Grants	-	-	-	-	96,463
Keno receipts	-	-	-	-	-
Contributions	-	-	-	-	-
Interest income	12,326	-	3,513	-	-
Sale of assets	-	35,162	-	-	-
Insurance proceeds	-	-	-	-	16,756
Other revenues	4,443	-	-	495	-
Total revenues	<u>1,424,078</u>	<u>206,458</u>	<u>415,663</u>	<u>136,641</u>	<u>289,399</u>
EXPENDITURES					
Personnel services:					
Salaries and benefits	560,832	14,147	152,602	11,885	11,598
Operating expenses:					
Insurance	9,169	8,986	4,056	5,639	20,844
Contracted services	21,010	16,808	1,768	113,443	113,612
Professional fees	7,698	1,448	464	4,135	614
Meetings, seminars, and dues	38,339	5,457	3,133	3,395	1,844
Transportation	525	2,380	8,228	2,291	1,678
Repairs and maintenance	3,403	38,282	11,757	1,760	11,441
Rent expense	-	-	-	-	6,222
Printing, postage, and publications	3,452	34	54	12	156
Utilities and telephone	9,563	7,084	6,799	2,439	13,696
Total operating expenses	<u>93,159</u>	<u>80,479</u>	<u>36,259</u>	<u>133,114</u>	<u>170,107</u>
Supplies	8,428	23,707	19,029	21,435	1,347
Community development grants	-	-	-	-	-
Other expenses	5,366	500	11,915	-	-
Capital outlay	62,403	71,620	47,935	-	-
Debt service:					
Principal	-	56,168	-	-	8,204
Interest	-	6,572	-	-	296
Total expenditures	<u>730,188</u>	<u>253,193</u>	<u>267,740</u>	<u>166,434</u>	<u>191,552</u>
Excess (deficiency) of revenues over expenditures	693,890	(46,735)	147,923	(29,793)	97,847
OTHER FINANCING SOURCES (USES)					
Transfers out	(645,000)	-	-	-	-
Net change in fund balances	<u>\$ 48,890</u>	<u>\$ (46,735)</u>	<u>\$ 147,923</u>	<u>\$ (29,793)</u>	<u>\$ 97,847</u>

Recreation Center	Pool	Park	Library	Community Development	Planning	Police	Total
\$ 60,949	\$ 42,824	\$ 183,696	\$ 9,286	\$ 181,659	\$ 12,756	\$ 419,402	\$ 1,463,285
74,255	52,173	223,804	11,314	221,323	15,541	510,972	1,740,760
47,059	33,175	142,653	8,936	140,442	10,038	323,390	1,109,180
5,131	3,606	15,466	781	15,294	1,074	35,311	120,296
-	-	-	15,665	-	-	-	15,665
-	-	-	-	-	-	-	32,633
-	-	-	-	13,635	-	-	13,635
-	-	-	643	-	55,246	28,972	109,841
-	260	1,736	1,100	930	-	-	618,283
102,029	35,374	-	-	-	-	-	137,403
-	-	-	2,490	135,000	-	2,063	236,016
-	-	-	-	157,937	-	-	157,937
1,472	-	8,865	700	8,726	-	-	19,763
-	-	-	4,124	67	-	-	20,030
-	-	5,563	-	-	-	21,812	62,537
-	-	-	-	-	-	-	16,756
8,050	-	2,050	205	-	1,000	1,644	17,887
<u>298,945</u>	<u>167,412</u>	<u>583,833</u>	<u>55,244</u>	<u>875,013</u>	<u>95,655</u>	<u>1,343,566</u>	<u>5,891,907</u>
146,095	84,437	281,278	259,565	-	100,173	955,382	2,577,994
11,206	4,680	10,503	13,628	3,808	1,355	17,631	111,505
11,299	2,243	34,099	22,433	92,879	4,738	147,067	581,399
507	442	442	441	5,307	2,630	1,392	25,520
1,084	437	971	1,473	93,507	3,215	10,398	163,253
50	-	10,229	-	32	437	17,185	43,035
21,444	23,732	29,184	1,059	374	142	9,704	152,282
-	-	-	-	-	-	-	6,222
1,268	24	268	133	2,848	1,594	1,673	11,516
61,179	19,229	97,878	13,255	3,961	669	12,238	247,990
<u>108,037</u>	<u>50,787</u>	<u>183,574</u>	<u>52,422</u>	<u>202,716</u>	<u>14,780</u>	<u>217,288</u>	<u>1,342,722</u>
24,416	27,995	34,377	6,963	4,357	914	14,822	187,790
-	-	-	-	141,500	-	-	141,500
7,738	2,032	4,075	44,695	3,765	2,536	12,155	94,777
19,646	6,892	-	17,000	-	-	106,225	331,721
-	-	-	-	-	-	-	64,372
-	-	-	-	-	-	-	6,868
<u>305,932</u>	<u>172,143</u>	<u>503,304</u>	<u>380,645</u>	<u>352,338</u>	<u>118,403</u>	<u>1,305,872</u>	<u>4,747,744</u>
(6,987)	(4,731)	80,529	(325,401)	522,675	(22,748)	37,694	1,144,163
-	-	-	-	-	-	-	(645,000)
<u>\$ (6,987)</u>	<u>\$ (4,731)</u>	<u>\$ 80,529</u>	<u>\$ (325,401)</u>	<u>\$ 522,675</u>	<u>\$ (22,748)</u>	<u>\$ 37,694</u>	<u>\$ 499,163</u>

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities - modified cash basis, the business-type activities - accrual basis, the aggregate discretely presented component unit - accrual basis, each major fund - modified cash basis for the governmental funds and accrual basis for the proprietary funds, and the aggregate remaining fund information - modified cash basis for the governmental funds of the City of Ogallala, Nebraska, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s financial statements, and have issued our report thereon dated November 9, 2023. Our report on the financial statements disclosed that, as described in Note A to the financial statements, the City of Ogallala, Nebraska, prepares its financial statements for the governmental funds on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Ogallala’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

SHAREHOLDERS:
Robert D. Almquist
Phillip D. Maltzahn
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump
Kyle R. Overturf
Tracy A. Cannon
Jamie L. Clemans

1203 W 2nd Street
P.O. Box 1407
Grand Island, NE 68802
P 308-381-1810
F 308-381-4824
EMAIL cpa@gicpas.com

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.

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 below that we consider to be a significant deficiency.

Segregation of Duties

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ogallala'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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Bank balances at one financial institution exceeded FDIC coverage and pledged securities by \$9,410 at September 30, 2023.

City of Ogallala's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Ogallala's response to the findings identified in our audit and described above. The City of Ogallala's response to the findings identified in our audit is that due to the small size of the City, it is impractical to further segregate duties. Also, the City will monitor bank balances and will request financial institutions to assign additional collateral, if necessary, in the future. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

AMGL, PC,

Grand Island, Nebraska
November 9, 2023