

**CITY OF VALENTINE, NEBRASKA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**September 30, 2007**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valentine, Nebraska, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valentine, Nebraska, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2008, on our consideration of the City of Valentine'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and required supplementary information on pages 4 through 12 and 59 through 62 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying other supplementary information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Almquist, Maltzahn  
Galloway & Lutz, P.C.*

Grand Island, Nebraska  
March 14, 2008

**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For The Year Ended September 30, 2007**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

As management of the City of Valentine, we offer readers of the City of Valentine financial statements this narrative overview and analysis of the financial activities of the City of Valentine for the fiscal year ended September 30, 2007. Due to significant restatements to prior year net assets/fund balances, a comparative presentation is not presented. The City of Valentine will provide comparative analysis in future years.

**Financial Highlights**

- The assets of the City of Valentine exceeded its liabilities at the close of the most recent fiscal year by \$10,799,621 (*net assets*). Of this amount, \$2,927,877 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Valentine governmental funds reported combined ending net assets of \$2,285,506. Approximately 16.8 percent of this total amount, \$383,002, is *unrestricted net assets*.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$331,082, or 17.3 percent of total General Fund expenditures.

**Overview of the Financial Statements**

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

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

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

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

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

**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2007**

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

The government-wide financial statements can be found on pages 13 and 14 of this report.

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

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

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

The City of Valentine maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Street Fund, and the Airport Fund, all of which are considered to be major funds. Data from the other six 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.

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

The basic governmental fund financial statements can be found on pages 15-18 of this report.

**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2007**

**Proprietary funds.** The City of Valentine maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Valentine uses enterprise funds to account for its Electric, Water, Sewer, and Landfill Funds.

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

The basic proprietary fund financial statements can be found on pages 19-22 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 basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Valentine's budgetary comparison schedules. Required supplementary information can be found on pages 59-62 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 63-65 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Valentine, assets exceeded liabilities by \$10,799,621 at the close of the most recent fiscal year.

#### **Summary of Net Assets**

	September 30, 2007		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current and Other Assets	\$ 2,483,558	\$ 3,625,868	\$ 6,109,426
Capital Assets	3,110,410	6,654,215	9,764,625
Total Assets	<u>5,593,968</u>	<u>10,280,083</u>	<u>15,874,051</u>
Long-term Liabilities	2,675,975	818,672	3,494,647
Other Liabilities	632,487	947,296	1,579,783
Total Liabilities	<u>3,308,462</u>	<u>1,765,968</u>	<u>5,074,430</u>
Net Assets:			
Invested in Capital Assets, net of related debt	184,759	5,682,727	5,867,486
Restricted	1,717,745	286,513	2,004,258
Unrestricted	383,002	2,544,875	2,927,877
Total Net Assets	<u>\$ 2,285,506</u>	<u>\$ 8,514,115</u>	<u>\$ 10,799,621</u>

**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2007**

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By far the largest portion of the City of Valentine's net assets (54.3 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Valentine uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Valentine's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Valentine's net assets (18.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2,927,877) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Expenses and Program Revenues – Governmental Activities**

<u>Function</u>	<u>Year Ended September 30, 2007</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 5,489	\$ 439,910
Public Safety	-	466,094
Public Works	-	307,578
Recreation	70,304	187,484
Library	79,493	142,155
Cemetery	18,800	30,085
Airport	219,223	157,548
Community Development	17,346	12,880
Interest	-	88,171
Depreciation and Amortization	-	198,926
Total	<u>\$ 410,655</u>	<u>\$ 2,030,831</u>



**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2007**

**Revenues by Source – Governmental Activities**

**SOURCES OF REVENUE**

	<b><u>Year Ended September 30, 2007</u></b>	
Charges for Services	\$ 297,561	11.27 %
Operating Grants and Contributions	46,279	1.75
Capital Grants and Contributions	66,815	2.53
Property Taxes	492,910	18.66
Motor Vehicle Taxes	49,794	1.89
Sales Tax	484,482	18.34
Franchise Taxes	20,425	0.77
State Allocation	477,716	18.09
Special Assessments	2,184	0.08
Miscellaneous	106,981	4.05
Interest	135,082	5.11
Transfer from Other Funds	461,273	17.46
Total	<u>\$ 2,641,502</u>	<u>100.00 %</u>

Net assets increased \$610,671 in the governmental funds during the year ended September 30, 2007.

**Business-type activities.** Business-type activities decreased the City of Valentine's net assets by \$106,501. Key elements of this decrease are as follows:

**Expenses and Program Revenues – Business-type Activities**

	<b><u>Year Ended September 30, 2007</u></b>	
<b><u>Function</u></b>	<b><u>Program Revenues</u></b>	<b><u>Program Expenses</u></b>
Electric	\$ 2,896,967	\$ 2,713,964
Water	322,900	329,906
Sewer	193,707	303,042
Landfill	395,376	190,428
Total	<u>3,808,950</u>	<u>3,537,340</u>
Interfund Transfer	-	461,273
	<u>\$ 3,808,950</u>	<u>\$ 3,998,613</u>

**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2007**

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**Revenues by Source – Business-type Activities**

**SOURCES OF REVENUE**

	<b><u>Year Ended September 30, 2007</u></b>	
Charges for Services	\$ 3,806,545	97.80 %
Operating Grants and Contributions	2,405	0.06
Interest	83,162	2.14
Total	<u>\$ 3,892,112</u>	<u>100.00 %</u>

**Financial Analysis of the Government's Funds**

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

**Governmental Funds.** The focus of the City of Valentine's *governmental* funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Valentine's financing requirements. In particular, *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 Valentine's governmental funds reported combined ending fund balances of \$2,117,897. Approximately 18.9 percent of this total amount (\$400,152) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is *reserved* to indicate that it is not available for new spending because it has already been committed 1) for pool construction (\$1,401,397), 2) to pay for infrastructure (\$81,169), 3) for economic development (\$67,386), 4) for cemetery perpetual care (\$134,927), 5), or for community betterment (\$32,866).

The General Fund is the chief operating fund of the City of Valentine. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$331,082, while total fund balance reached \$1,732,479. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and total fund balance to total fund expenditures. Unreserved fund balance represents 17.3 percent of total General Fund expenditures, while total fund balance represents 90.6 percent of the same amount.

The fund balance of the City of Valentine's General Fund increased by \$1,790,837 during the current fiscal year.

**Proprietary funds.** The City of Valentine's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at the end of the year were as follows: Electric Fund - \$2,294,951, Water Fund - \$311,447, Sewer Fund - \$287,169, and Landfill Fund - \$(348,692). The Landfill Fund net assets increased by \$126,663. The Electric Fund net assets

**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2007**

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decreased \$(91,443), the Water Fund net assets decreased \$(56,224), and the Sewer Fund net assets decreased \$(85,497). Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of Valentine's business-type activities.

**Budgetary Highlights**

There was no difference between the original budget and the final adopted budget for the City of Valentine.

**Capital Asset and Debt Administration**

**Capital Assets.** The City of Valentine's investment in capital assets for its governmental and business-type activities as of September 30, 2007, amounts to \$9,764,625 (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- 1996 model #644G loader for street department - \$24,000
- Walker mower with deck - \$6,778
- 2007 Warrior mower with collection system - \$8,800
- 2007 Ford Crown Victoria with equipment - \$21,750
- Share of Moosman Cherry County bridge - \$19,999
- Airport runway improvements - \$51,303
- Construction in progress for pool - \$440,994
- Construction in progress for electric substation - \$75,264

**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2007**

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

	Year Ended September 30, 2007		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Land	\$ 79,462	\$ -	\$ 79,462
Construction in Progress	440,994	75,264	516,258
Buildings and Improvements	2,181,265	885,549	3,066,814
Machinery and Equipment	277,391	3,885,672	4,163,063
Distribution Systems, Buildings, and Equipment	-	1,549,152	1,549,152
Vehicles	131,298	258,578	389,876
Total	<u>\$ 3,110,410</u>	<u>\$ 6,654,215</u>	<u>\$ 9,764,625</u>

Additional information on the City of Valentine's capital assets can be found in Note C4 on pages 45-47 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Valentine had total bonded debt and notes payable outstanding of \$3,942,175.

**City of Valentine's Outstanding Debt**

	Year Ended September 30, 2007		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
General Obligation Bonds	\$ 2,105,000	\$ -	\$ 2,105,000
Refunding Bonds	575,000	-	575,000
Revenue Bonds	30,000	360,000	390,000
Notes Payable	227,536	615,210	842,746
Leases Payable	29,429	-	29,429
Total	<u>\$ 2,966,965</u>	<u>\$ 975,210</u>	<u>\$ 3,942,175</u>

The City of Valentine's total debt increased by \$1,599,191 (68.3 percent) during the current fiscal year.

During the current fiscal year, the City issued \$1,875,000 of pool general obligation bonds to finance the construction of a pool.

The City also issued \$230,000 of general obligation bonds for paving districts.

The City of Valentine does not have a bond rating.

**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2007**

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Additional information on the City of Valentine's long-term debt can be found in Note C6 on pages 48-52 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- Property tax asking for the year ending September 30, 2008, is \$481,869 (0.2%) lower than the asking for the year ended September 30, 2007.
- The City expects to complete the following capital projects during the next fiscal year:
  - Aquatic center with estimated costs of approximately \$1,500,000
  - Airport runway with estimated costs of approximately \$3,100,000
  - Electric substation with estimated costs of approximately \$2,200,000
- The City's property tax levy was .397282 for 2006-2007, down from .45 in 2005-2006.
- A 1.5 percent local sales tax went into effect January 1, 2007. The tax revenue is used to fund the swimming pool construction, repay principal and interest on bonds, relieve property tax, purchase and maintain equipment and infrastructure, and fund the economic development program.
- The City expects to issue approximately \$1,350,000 of bonds to fund the electric substation project.
- The City increased the electric rates by 3 percent effective October 1, 2007. The City plans to increase the rates 6.5 percent April 1, 2008, with another 3 percent increase October , 2008.

All of these factors were considered in preparing the City of Valentine's budget for the 2008 fiscal year:

**Request for Information**

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

## CITY OF VALENTINE, NEBRASKA

## STATEMENT OF NET ASSETS

September 30, 2007

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 346,266	\$ 2,207,344	\$ 2,553,610
Certificates of deposit	274,227	254,699	528,926
Investments	-	96,956	96,956
County treasurer cash	72,852	-	72,852
Receivables			
Special assessments	212,740	57,758	270,498
Accounts, net of allowance for doubtful accounts	-	177,772	177,772
Unbilled revenue	-	185,437	185,437
Current portion of notes receivable	-	13,431	13,431
Property tax	24,395	-	24,395
Interest	25,250	3,150	28,400
Sales tax	70,898	-	70,898
Inventory	-	229,211	229,211
Prepaid expenses	14,219	10,000	24,219
Total current assets	1,040,847	3,235,758	4,276,605
Noncurrent assets:			
Restricted cash and cash equivalents	325,158	-	325,158
Restricted certificates of deposit	1,076,239	-	1,076,239
Restricted investments	-	286,513	286,513
Noncurrent portion of notes receivable	-	99,875	99,875
Unamortized bond costs	41,314	3,722	45,036
Capital assets			
Land	79,462	-	79,462
Construction in progress	440,994	75,264	516,258
Other capital assets, net of depreciation	2,589,954	6,578,951	9,168,905
Net capital assets	3,110,410	6,654,215	9,764,625
Total noncurrent assets	4,553,121	7,044,325	11,597,446
<b>Total assets</b>	<b>5,593,968</b>	<b>10,280,083</b>	<b>15,874,051</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	91,303	209,462	300,765
Accrued expenses	61,353	66,423	127,776
Deferred revenue	171,691	44,260	215,951
Customer deposits	-	80,015	80,015
Accrued closure and post closure costs	-	390,598	390,598
Current portion of long-term obligations	308,140	156,538	464,678
Total current liabilities	632,487	947,296	1,579,783
Noncurrent liabilities:			
Compensated absences	17,150	-	17,150
Noncurrent portion of long-term obligations	2,658,825	818,672	3,477,497
Total noncurrent liabilities	2,675,975	818,672	3,494,647
<b>Total liabilities</b>	<b>3,308,462</b>	<b>1,765,968</b>	<b>5,074,430</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	184,759	5,682,727	5,867,486
Restricted for:			
Landfill closure and post closure costs	-	286,513	286,513
Pool	1,401,397	-	1,401,397
Infrastructure	81,169	-	81,169
Economic development	67,386	-	67,386
Cemetery perpetual care	134,927	-	134,927
Community betterment	32,866	-	32,866
Unrestricted	383,002	2,544,875	2,927,877
<b>Total net assets</b>	<b>\$ 2,285,506</b>	<b>\$ 8,514,115</b>	<b>\$ 10,799,621</b>

See notes to financial statements.

# CITY OF VALENTINE, NEBRASKA

## STATEMENT OF ACTIVITIES

For the year ended September 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ 439,910	\$ -	\$ 5,489
Public safety	466,094	-	-
Public works	307,578	-	-
Recreation	187,484	50,803	19,501
Library	142,155	75,550	3,943
Cemetery	30,085	18,800	-
Airport	157,548	152,408	-
Community Development	12,880	-	17,346
Interest on long-term debt	88,171	-	-
Depreciation and amortization	198,926	-	-
Total governmental activities	<u>2,030,831</u>	<u>297,561</u>	<u>46,279</u>
<b>Business-type activities:</b>			
Electric	2,713,964	2,896,967	-
Water	329,906	320,495	2,405
Sewer	303,042	193,707	-
Landfill	190,428	395,376	-
Total business-type activities	<u>3,537,340</u>	<u>3,806,545</u>	<u>2,405</u>
Total primary government	<u>\$ 5,568,171</u>	<u>\$ 4,104,106</u>	<u>\$ 48,684</u>

See notes to financial statements.

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (434,421)		\$ (434,421)
-	(466,094)		(466,094)
-	(307,578)		(307,578)
-	(117,180)		(117,180)
-	(62,662)		(62,662)
-	(11,285)		(11,285)
66,815	61,675		61,675
-	4,466		4,466
-	(88,171)		(88,171)
-	(198,926)		(198,926)
<u>66,815</u>	<u>(1,620,176)</u>	<u>\$ -</u>	<u>(1,620,176)</u>
-	-	183,003	183,003
-	-	(7,006)	(7,006)
-	-	(109,335)	(109,335)
-	-	204,948	204,948
<u>-</u>	<u>-</u>	<u>271,610</u>	<u>271,610</u>
<u>\$ 66,815</u>	<u>(1,620,176)</u>	<u>271,610</u>	<u>(1,348,566)</u>
General revenues:			
Taxes:			
Property	492,910	-	492,910
Motor vehicle	49,794	-	49,794
Sales tax	484,482	-	484,482
Franchise	20,425	-	20,425
State allocation	477,716	-	477,716
Special assessments	2,184	-	2,184
Miscellaneous	106,981	-	106,981
Interest income	135,082	83,162	218,244
Transfer (to)/from other funds	461,273	(461,273)	-
Total general revenues	<u>2,230,847</u>	<u>(378,111)</u>	<u>1,852,736</u>
Change in net assets	610,671	(106,501)	504,170
Net assets - September 30, 2006	1,428,785	8,620,616	10,049,401
Restatement of beginning net assets	<u>246,050</u>	<u>-</u>	<u>246,050</u>
Net assets - September 30, 2006, as restated	<u>1,674,835</u>	<u>8,620,616</u>	<u>10,295,451</u>
Net assets - September 30, 2007	<u>\$ 2,285,506</u>	<u>\$ 8,514,115</u>	<u>\$ 10,799,621</u>



# CITY OF VALENTINE, NEBRASKA

## BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2007

	<u>General</u>	<u>Street</u>	<u>Airport</u>	<u>Other Governmental Funds</u>	<u>Eliminations</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 157,173	\$ -	\$ -	\$ 189,093	\$ -	\$ 346,266
Certificates of deposit	51,550	88,851	-	133,826	-	274,227
County treasurer cash	29,552	43,300	-	-	-	72,852
Receivables						
Special assessments	-	212,740	-	-	-	212,740
Property tax	24,395	-	-	-	-	24,395
Interest	22,350	1,200	-	1,700	-	25,250
Sales tax	23,609	-	-	47,289	-	70,898
Due from other funds	108,883	-	-	-	(108,883)	-
Prepaid expenses	8,581	3,203	2,435	-	-	14,219
Restricted assets:						
Cash and cash equivalents	325,158	-	-	-	-	325,158
Certificates of deposit	1,076,239	-	-	-	-	1,076,239
<b>Total assets</b>	<b>\$ 1,827,490</b>	<b>\$ 349,294</b>	<b>\$ 2,435</b>	<b>\$ 371,908</b>	<b>\$ (108,883)</b>	<b>\$ 2,442,244</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 31,218	\$ 58,865	\$ 1,220	\$ -	\$ -	\$ 91,303
Accrued expenses	44,842	15,633	878	-	-	61,353
Due to other funds	-	-	108,883	-	(108,883)	-
Deferred revenue	18,951	152,740	-	-	-	171,691
<b>Total liabilities</b>	<b>95,011</b>	<b>227,238</b>	<b>110,981</b>	<b>-</b>	<b>(108,883)</b>	<b>324,347</b>
<b>Fund balances (deficit):</b>						
Reserved for:						
Pool	1,401,397	-	-	-	-	1,401,397
Infrastructure	-	-	-	81,169	-	81,169
Economic development	-	-	-	67,386	-	67,386
Cemetery perpetual care	-	-	-	134,927	-	134,927
Community betterment	-	-	-	32,866	-	32,866
Unreserved	331,082	122,056	(108,546)	55,560	-	400,152
<b>Total fund balances</b>	<b>1,732,479</b>	<b>122,056</b>	<b>(108,546)</b>	<b>371,908</b>	<b>-</b>	<b>2,117,897</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,827,490</b>	<b>\$ 349,294</b>	<b>\$ 2,435</b>	<b>\$ 371,908</b>	<b>\$ (108,883)</b>	<b>\$ 2,442,244</b>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

September 30, 2007

Total fund balances - governmental funds \$ 2,117,897

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

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 \$3,767,534,  
and the accumulated depreciation is \$657,124. 3,110,410

Bond issuance costs for governmental activities are not  
financial resources and therefore are not reported as assets  
in governmental funds. The bond issuance costs are  
\$49,717 and the accumulated amortization is \$8,403. 41,314

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:

Compensated absences	\$ (17,150)	
Bonds and notes payable	(2,966,965)	(2,984,115)

Total net assets - governmental activities \$ 2,285,506

See notes to financial statements.

**CITY OF VALENTINE, NEBRASKA**

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

**For the year ended September 30, 2007**

	<u>General</u>	<u>Street</u>	<u>Airport</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes:					
Property	\$ 487,217	\$ -	\$ 5,693	\$ -	\$ 492,910
Motor vehicle	-	49,794	-	-	49,794
Sales tax	161,470	-	-	323,012	484,482
Franchise	20,425	-	-	-	20,425
Intergovernmental	101,561	376,155	-	-	477,716
Special assessments	-	2,184	-	-	2,184
Licenses and permits	10,672	-	-	4,690	15,362
Charges for services	145,153	-	152,408	-	297,561
Grants and donations	28,933	-	66,815	17,346	113,094
Interest income	124,532	7,806	-	2,744	135,082
Bond/loan proceeds	1,875,000	230,000	-	-	2,105,000
Other income	84,681	4,965	-	1,973	91,619
Total revenues	<u>3,039,644</u>	<u>670,904</u>	<u>224,916</u>	<u>349,765</u>	<u>4,285,229</u>
<b>EXPENDITURES</b>					
General government	433,325	-	-	4,615	437,940
Public safety	466,094	-	-	-	466,094
Public works	-	309,531	-	-	309,531
Recreation	187,484	-	-	-	187,484
Library	142,448	-	-	-	142,448
Cemetery	30,085	-	-	-	30,085
Airport	-	-	157,548	-	157,548
Community development	-	-	-	12,880	12,880
Bond issuance costs	30,516	4,500	-	-	35,016
Capital outlay	505,155	24,000	51,303	-	580,458
Principal payments on debt	60,633	271,308	28,837	-	360,778
Interest on long-term debt	56,594	29,764	1,813	-	88,171
Total expenditures	<u>1,912,334</u>	<u>639,103</u>	<u>239,501</u>	<u>17,495</u>	<u>2,808,433</u>
Excess (deficiency) of revenues over expenditures	1,127,310	31,801	(14,585)	332,270	1,476,796
<b>OTHER FINANCING SOURCES (USES)</b>					
Net transfers in (out)	<u>663,527</u>	<u>(80,940)</u>	<u>22,122</u>	<u>(143,436)</u>	<u>461,273</u>
Net change in fund balances	1,790,837	(49,139)	7,537	188,834	1,938,069
Fund balances - September 30, 2006	(165,628)	(29,301)	(144,878)	(70,256)	(410,063)
Restatement of beginning fund balance	<u>107,270</u>	<u>200,496</u>	<u>28,795</u>	<u>253,330</u>	<u>589,891</u>
Fund balances - September 30, 2006 - as restated	<u>(58,358)</u>	<u>171,195</u>	<u>(116,083)</u>	<u>183,074</u>	<u>179,828</u>
Fund balances - September 30, 2007	<u>\$ 1,732,479</u>	<u>\$ 122,056</u>	<u>\$ (108,546)</u>	<u>\$ 371,908</u>	<u>\$ 2,117,897</u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

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

For the year ended September 30, 2007

<b>Total net change in fund balances - governmental funds</b>	<b>\$ 1,938,069</b>
Amounts reported for governmental <i>activities</i> in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$580,458) exceeds depreciation expense (\$194,199) in the period.	
	386,259
Bond fees are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the lives of the related bonds as amortization expense. This is the amount by which capitalized bond fees (\$35,016) exceeds amortization expense (\$4,727) in the period.	
	30,289
The change in noncurrent compensated absences is reported as an expense in the statement of net assets. Noncurrent compensated absences are not reported in the governmental funds.	
	276
Issuance of bonds and notes payable is reported as revenue in the governmental funds, the issuance increases long-term liabilities in the statement of net assets.	
	(2,105,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	360,778
<b>Change in net assets of governmental activities</b>	<b>\$ 610,671</b>

See notes to financial statements.

**CITY OF VALENTINE, NEBRASKA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

**September 30, 2007**

	Enterprise Funds					
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	Eliminations	Total
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 1,880,992	\$ 65,744	\$ 260,608	\$ -	\$ -	\$ 2,207,344
Certificates of deposit	34,702	219,997	-	-	-	254,699
Investments	-	-	-	96,956	-	96,956
Receivables						
Accounts, net of allowance for						
doubtful accounts	139,361	19,249	10,852	8,310	-	177,772
Unbilled revenue	150,410	20,646	12,629	1,752	-	185,437
Assessments	-	34,065	23,693	-	-	57,758
Current portion of notes receivable	13,431	-	-	-	-	13,431
Interest	600	2,550	-	-	-	3,150
Due from other funds	59,614	-	-	-	(59,614)	-
Inventory	204,743	21,367	3,101	-	-	229,211
Prepaid expenses	1,988	1,931	1,920	4,161	-	10,000
Total current assets	2,485,841	385,549	312,803	111,179	(59,614)	3,235,758
Noncurrent assets:						
Restricted investments	-	-	-	286,513	-	286,513
Noncurrent portion of notes receivable	99,875	-	-	-	-	99,875
Unamortized bond costs	3,722	-	-	-	-	3,722
Capital assets						
Construction in progress	75,264	-	-	-	-	75,264
Depreciable capital assets	4,280,047	1,245,692	2,990,450	1,507,389	-	10,023,578
Less accumulated depreciation	(1,686,310)	(395,534)	(988,624)	(374,159)	-	(3,444,627)
Net capital assets	2,669,001	850,158	2,001,826	1,133,230	-	6,654,215
Total noncurrent assets	2,772,598	850,158	2,001,826	1,419,743	-	7,044,325
Total assets	5,258,439	1,235,707	2,314,629	1,530,922	(59,614)	10,280,083
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	198,737	4,180	3,578	2,967	-	209,462
Due to other funds	-	-	-	59,614	(59,614)	-
Accrued payroll and vacation	17,541	9,458	4,890	5,062	-	36,951
Deferred revenue	-	28,065	16,195	-	-	44,260
Sales tax payable	12,952	2,489	971	-	-	16,412
Accrued interest payable	7,090	4,340	-	1,630	-	13,060
Customer deposits	54,445	25,570	-	-	-	80,015
Accrued closure and postclosure costs	-	-	-	390,598	-	390,598
Current portion of						
long-term obligations	115,000	20,462	-	21,076	-	156,538
Total current liabilities	405,765	94,564	25,634	480,947	(59,614)	947,296
Noncurrent liabilities:						
Noncurrent portion of						
long-term obligations	245,000	351,861	-	221,811	-	818,672
Total noncurrent liabilities	245,000	351,861	-	221,811	-	818,672
Total liabilities	650,765	446,425	25,634	702,758	(59,614)	1,765,968
<b>NET ASSETS</b>						
Invested in capital assets, net						
of related debt	2,312,723	477,835	2,001,826	890,343	-	5,682,727
Restricted for closure and post closure costs	-	-	-	286,513	-	286,513
Unrestricted	2,294,951	311,447	287,169	(348,692)	-	2,544,875
Total net assets	\$ 4,607,674	\$ 789,282	\$ 2,288,995	\$ 828,164	\$ -	\$ 8,514,115

See notes to financial statements.

**CITY OF VALENTINE, NEBRASKA**

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

**For the year ended September 30, 2007**

	Enterprise Funds				
	Electric	Water	Sewer	Landfill	
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
<b>Operating revenues:</b>					
Charges for services	\$ 2,881,292	\$ 309,429	\$ 193,490	\$ 275,692	\$ 3,659,903
Other revenue	15,675	11,066	217	119,684	146,642
Total operating revenues	<u>2,896,967</u>	<u>320,495</u>	<u>193,707</u>	<u>395,376</u>	<u>3,806,545</u>
<b>Operating expenses:</b>					
Cost of power/gas	2,042,887	-	-	-	2,042,887
Personnel services	144,435	135,311	100,793	42,956	423,495
Insurance and bonds	10,646	8,598	11,814	10,329	41,387
Utilities and telephone	5,230	3,348	34,044	1,656	44,278
Repairs and maintenance	69,044	63,174	52,493	28,235	212,946
Contractual obligations	1,312	4,200	2,516	58,860	66,888
Supplies	191,033	33,178	13,767	1,263	239,241
Professional fees	6,352	897	705	688	8,642
Miscellaneous	62,033	17,481	6,327	4,758	90,599
Depreciation	161,173	49,521	80,583	38,416	329,693
Amortization	1,752	-	-	-	1,752
Total operating expenses	<u>2,695,897</u>	<u>315,708</u>	<u>303,042</u>	<u>187,161</u>	<u>3,501,808</u>
Operating income (loss)	201,070	4,787	(109,335)	208,215	304,737
<b>Nonoperating revenues (expenses):</b>					
Interest income	55,531	12,632	901	14,098	83,162
Interest expense	(18,067)	(14,198)	-	(3,267)	(35,532)
Grant revenue	-	2,405	-	-	2,405
Total nonoperating revenues (expenses)	<u>37,464</u>	<u>839</u>	<u>901</u>	<u>10,831</u>	<u>50,035</u>
Income (loss) before interfund transfers	238,534	5,626	(108,434)	219,046	354,772
<b>Interfund transfers:</b>					
Transfer from (to) other funds	<u>(329,977)</u>	<u>(61,850)</u>	<u>22,937</u>	<u>(92,383)</u>	<u>(461,273)</u>
Change in net assets	(91,443)	(56,224)	(85,497)	126,663	(106,501)
Net assets - September 30, 2006	<u>4,699,117</u>	<u>845,506</u>	<u>2,374,492</u>	<u>701,501</u>	<u>8,620,616</u>
Net assets - September 30, 2007	<u>\$ 4,607,674</u>	<u>\$ 789,282</u>	<u>\$ 2,288,995</u>	<u>\$ 828,164</u>	<u>\$ 8,514,115</u>

See notes to financial statements.

**CITY OF VALENTINE, NEBRASKA**

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS**

**For the year ended September 30, 2007**

	<u>Enterprise Funds</u>	
	<u>Electric Fund</u>	<u>Water Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 2,921,836	\$ 322,416
Payments to suppliers	(2,096,414)	(99,466)
Payments to employees	(140,901)	(138,347)
Net cash provided (used) by operating activities	<u>684,521</u>	<u>84,603</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Change in due to/from other funds	(59,614)	-
Transfers from (to) other funds	(329,977)	(61,850)
Net cash provided (used) by noncapital financing activities	<u>(389,591)</u>	<u>(61,850)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of property and equipment	(75,264)	-
Grant proceeds	-	2,405
Payments received on notes receivable	12,827	-
Principal payments on capital debt	(105,000)	(19,864)
Interest paid on capital debt	(21,535)	(15,398)
Net cash used by capital and related financing activities	<u>(188,972)</u>	<u>(32,857)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Increase) decrease in certificates of deposit and investments	1,426,697	(24,305)
Interest received	64,004	10,082
Net cash provided (used) by investing activities	<u>1,490,701</u>	<u>(14,223)</u>
Increase (decrease) in cash and cash equivalents	1,596,659	(24,327)
Cash and cash equivalents - beginning of the year	<u>284,333</u>	<u>90,071</u>
Cash and cash equivalents - end of the year	<u><u>\$ 1,880,992</u></u>	<u><u>\$ 65,744</u></u>

See notes to financial statements

Enterprise Funds		
Sewer Fund	Landfill Fund	Total
\$ 182,357	\$ 399,621	\$ 3,826,230
(108,995)	(132,971)	(2,437,846)
(101,125)	(42,801)	(423,174)
<u>(27,763)</u>	<u>223,849</u>	<u>965,210</u>
-	7,558	(52,056)
22,937	(92,383)	(461,273)
<u>22,937</u>	<u>(84,825)</u>	<u>(513,329)</u>
-	-	(75,264)
-	-	2,405
-	-	12,827
-	(20,168)	(145,032)
-	(12,236)	(49,169)
<u>-</u>	<u>(12,236)</u>	<u>(49,169)</u>
-	(32,404)	(254,233)
233,880	(120,718)	1,515,554
901	14,098	89,085
<u>234,781</u>	<u>(106,620)</u>	<u>1,604,639</u>
229,955	-	1,802,287
30,653	-	405,057
<u>\$ 260,608</u>	<u>\$ -</u>	<u>\$ 2,207,344</u>



**CITY OF VALENTINE, NEBRASKA**

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

**For the year ended September 30, 2007**

	<u>Enterprise Funds</u>	
	<u>Electric Fund</u>	<u>Water Fund</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 201,070	\$ 4,787
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	161,173	49,521
Amortization expense	1,752	-
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	20,703	6,417
Assessments	-	(14,298)
Inventories	100,376	29,053
Prepaid expenses	(1,988)	(1,931)
Accounts payable	189,847	3,855
Accrued payroll and vacation	3,534	(3,036)
Deferred revenue	-	8,298
Other accrued expenses	3,888	433
Customer deposits	4,166	1,504
Net cash provided (used) by operating activities	<u>\$ 684,521</u>	<u>\$ 84,603</u>

See notes to financial statements.

Enterprise Funds		
Sewer <u>Fund</u>	Landfill <u>Fund</u>	<u>Total</u>
\$ (109,335)	\$ 208,215	\$ 304,737
80,583	38,416	329,693
-	-	1,752
1,424	4,245	32,789
3,956	-	(10,342)
11,038	-	140,467
(1,920)	(4,161)	(10,000)
3,578	447	197,727
(332)	155	321
(16,730)	-	(8,432)
(25)	(23,468)	(19,172)
-	-	5,670
<u>\$ (27,763)</u>	<u>\$ 223,849</u>	<u>\$ 965,210</u>

**CITY OF VALENTINE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**

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## CITY OF VALENTINE, NEBRASKA

### NOTES TO FINANCIAL STATEMENTS

September 30, 2007

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Valentine, Nebraska (City) are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

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

##### 1. Financial Reporting Entity

The City of Valentine, Nebraska, was incorporated in 1884. The City operates under a Council-Manager form of government with an elected Council, composed of five members. The five members of the City Council are elected on alternating four-year terms. The administration of the City government is performed under the direction of the Council by the City Manager. Services provided to residents include public safety, highways and streets, planning and zoning, parks, recreation, urban development, electric, water and sanitary sewer systems, landfill, and general administrative services.

The City's financial reporting entity comprises the following:

Primary Government:

City of Valentine

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and has included all organizations that make up the City's legal entity and all component units. Consistent with applicable guidance, the criteria used by the City to include component units within its reporting entity are financial accountability and the nature and significance of the relationship. The City includes organizations as component units under the following financial accountability criteria:

- (1) Organizations for which the City Council appoints a voting majority of the organization's governing body and for which (a) the City is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.
- (2) Organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the City.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

**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. Currently, the City has no discretely presented component units.

**2. Basis of Presentation**

**Government-wide Financial Statements**

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

**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

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**2. Basis of Presentation, continued**

**Fund Financial Statements, continued**

- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Special Revenue Funds*

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

*Debt Service Fund*

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

*Permanent Fund*

The Permanent Fund accounts for assets held by the City pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

**Proprietary Funds**

*Enterprise Funds*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
Governmental:	
General	See above for description.
Street	The Street Fund is a Special Revenue Fund that accounts for the City's share of highway allocation from the State of Nebraska.
Airport	The Airport Fund is a Special Revenue Fund that accounts for airport operations.
Proprietary:	
Enterprise	
Electric, water, sewer, and landfill	See above for description.
<i>Nonmajor:</i>	
Debt Service	See above for description.
Special Revenue:	
Fines and Fees	Accounts for local fines and fees collected.
Economic Development	Accounts for various economic development programs.
Infrastructure	Accounts for the collection of the City sales tax.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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>	
Permanent:	
Perpetual Care	Accounts for the collection of receipts for cemetery perpetual care.
Queen Jackson Memorial	Accounts for trust monies received for the direct benefit, welfare, and convenience of the public in projects and purposes such as improvement and maintenance of the city park, library, cemetery, and/or any other public project.

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 Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b, below.

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

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



CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Measurement Focus, continued

- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (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 assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

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

Estimates

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

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity**

**Cash and Investments**

For the purpose of the Statement of Net Assets, “cash and cash equivalents” include all demand accounts and savings accounts. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all cash on hand, demand accounts, savings accounts, and equity in pooled cash which has an original maturity of three months or less. The County Treasurer’s cash represents revenues collected not yet remitted to the City.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes B2, C1, and D2.

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

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include special assessments and property taxes. Business-type activities report utility billings as their major receivables.

In the fund financial statements, receivables in governmental funds include revenue accruals such as special assessments and property taxes since they are usually both measurable and available. Proprietary fund receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**Inventory**

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

**Prepaid Expenses**

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

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

**Restricted Assets**

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

**Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Statements*

In the government-wide financial statements, capital assets are capitalized and reported in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The City has elected the depreciation approach for reporting infrastructure.

Depreciation of general capital assets and all proprietary capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

Buildings	20-50 years
Improvements	10-50 years
Machinery and Equipment	3-20 years
Utility System	25-50 years

The governmental funds infrastructure assets are capitalized under the prospective method, valued at cost. The cost of normal maintenance, preservation, and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Capital Assets, continued**

*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.

**Unamortized Bond Discounts**

In the fund financial statements, bond issuance costs are recognized in the current period by governmental fund types. In proprietary fund types, bond issuance costs are capitalized and amortized over the terms of the respective bonds using the straight-line method. In the government-wide financial statements, both government and business-type activities capitalize and amortize bond issuance costs over the terms of the respective bonds using the straight-line method.

**Deferred Revenues**

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

**Compensated Absences**

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

**Long-term Debt**

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

*Government-wide Statements*

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

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

*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 assets and displayed in three components:

- a. Invested in capital assets, net of related debt – 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 assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund Financial Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Equity Classifications, continued**

*Fund Financial Statements, continued*

September 30, 2006, net assets and fund balances for the governmental activities/funds were restated to correct prior period errors as follows:

	<u>Governmental</u>	
	<u>Net</u>	<u>Fund</u>
	<u>Assets</u>	<u>Balances</u>
Beginning at September 30, 2006, as originally reported	\$ 1,428,785	\$ (410,063)
<u>General Fund:</u>		
Reclass Pool Fund from Nonmajor Fund to General Fund Department	(1,353)	(1,353)
Reclass Library Fund from Nonmajor Fund to General Fund Department	16,420	16,420
Reclass Cemetery Fund from Nonmajor Fund to General Fund Department	106,501	106,501
Reclass Park Fund from Nonmajor Fund to General Fund Department	(355,236)	(355,236)
Reclass Bookmobile Fund from Nonmajor Fund to General Fund Department	54,761	54,761
Reclass Time Capsule Fund from Fiduciary Fund to General Fund Department	9,770	9,770
Record September 30, 2006, investments	218,463	218,463
Adjust September 30, 2006, current portion of long-term obligations	-	60,663
Adjust September 30, 2006, accrued interest payable	-	(2,719)
Total General Fund restatement	<u>49,326</u>	<u>107,270</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Equity Classifications, continued**

*Fund Financial Statements, continued*

	<u>Governmental</u>	
	<u>Net</u>	<u>Fund</u>
	<u>Assets</u>	<u>Balances</u>
<u>Street Fund:</u>		
Reclass Street Fund assets reported in the Nonmajor Funds	108,651	108,651
Record September 30, 2006, deferred revenue	(152,740)	(152,740)
Adjust September 30, 2006, prepaid interest	(12,517)	(12,517)
Adjust September 30, 2006, current portion of long-term obligations	-	271,307
Adjust September 30, 2006, accrued interest payable	-	(14,205)
Total Street Fund restatement	<u>(56,606)</u>	<u>200,496</u>
<u>Airport Fund:</u>		
Adjust September 30, 2006, current portion of long-term obligations	-	29,597
Adjust September 30, 2006, accrued interest payable	-	(802)
Total Airport Fund restatement	<u>-</u>	<u>28,795</u>
<u>Pool Fund:</u>		
Reclass Pool Fund from Nonmajor Fund to General Fund Department	1,353	1,353

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Equity Classifications, continued**

*Fund Financial Statements, continued*

	<u>Governmental</u>	
	<u>Net</u>	<u>Fund</u>
	<u>Assets</u>	<u>Balances</u>
<u>Library Fund:</u>		
Reclass Library Fund from Nonmajor Fund to General Fund Department	(16,420)	(16,420)
<u>Cemetery Fund:</u>		
Reclass Cemetery Fund from Nonmajor Fund to General Fund Department	(106,501)	(106,501)
<u>Park Fund:</u>		
Reclass Park Fund from Nonmajor Fund to General Fund Department	355,236	355,236
<u>Bookmobile Fund:</u>		
Reclass Bookmobile Fund from Nonmajor Fund to General Fund Department	(54,761)	(54,761)
<u>Street Reserve Fund:</u>		
Reclass Street Fund assets reported in the Nonmajor Funds	(108,651)	(108,651)
<u>Debt Service Fund:</u>		
Reclass Debt Service Fund from Fiduciary Fund to Nonmajor Fund	6,282	6,282
<u>Fines and Fees Fund:</u>		
Reclass Fines and Fees Fund from Fiduciary Fund to Special Revenue Fund	6,446	6,446



# CITY OF VALENTINE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### 4. Assets, Liabilities, and Equity, continued

##### Equity Classifications, continued

*Fund Financial Statements, continued*

	Governmental	
	Net	Fund
	<u>Assets</u>	<u>Balances</u>
<u>Perpetual Care Fund:</u>		
Reclass Perpetual Care Fund from Fiduciary Fund to Permanent Fund	134,826	134,826
<u>Queen Jackson Memorial Fund:</u>		
Reclass Queen Jackson Memorial Fund from Fiduciary Fund to Permanent Fund	35,520	35,520
Total Restatements	<u>246,050</u>	<u>589,891</u>
Balance at September 30, 2006, as restated	<u>\$ 1,674,835</u>	<u>\$ 179,828</u>

#### 5. Revenues, Expenditures, and Expenses

##### Sales and Use Tax

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

- 3/4% – Principal and interest on bonds, relieve property tax, and purchase and maintain equipment and infrastructure
- 1/2% – Construction of pool
- 1/4% – Economic Development Program

The sales tax is collected by the Nebraska Department of Revenue and remitted to the City in the month following receipt. The Nebraska Department of Revenue receives the sales tax approximately one month after collection by vendors. One-third of the sales tax is recorded in the General Fund and used for budgeted pool construction. The remaining two-thirds is recorded in the infrastructure fund, a special revenue fund, and transfers are made to other funds as needed.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**5. Revenues, Expenditures, and Expenses, continued**

**Sales and Use Tax, continued**

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

**Property Taxes**

The City has the power to levy taxes each year sufficient to pay any judgment existing against the City, the interest on bonded debt, and the principal on bonded debt maturing during the fiscal year or within 6 months thereafter, as well as taxes authorized by state law.

The tax levies for all political subdivisions in Cherry County are certified by the County Board on or before October 15. Real estate taxes are due on December 31 and attach as an enforceable lien and become delinquent in two equal installments on May 1 and September 1. Personal property taxes are due in the same manner as real estate taxes. Delinquent taxes bear 14% interest.

Property taxes levied for 2006-2007 are recorded as revenue when expected to be collected within 60 days after September 30, 2007. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as deferred revenue on the fund balance sheets.

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. 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.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**5. Revenues, Expenditures, and Expenses, continued**

**Expenditures/Expenses, continued**

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 use of economic resources.

**Interfund Transfers**

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

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

**1. Fund Accounting Requirements**

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

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

2. Deposit Laws and Regulations, continued

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 cash deposits, including certificates of deposit, are insured up to \$200,000 by the Federal Deposit Insurance Corporation (FDIC) (\$100,000 for interest-bearing deposits and \$100,000 for non-interest-bearing deposits). Any cash deposits or certificates of deposit in excess of the \$100,000 FDIC limits are insured by collateral held by the pledging institution in the City's name.

3. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources are described in Note A2 for the various funds.

4. Debt Restrictions and Covenants

*Bonds Payable*

The various bond ordinances relating to the bonds payable contain some restrictions or covenants that are financial-related. These include covenants such as debt service coverage requirements and required reserve account balances. The City is in compliance with the bond restrictions and covenants.

5. Budgetary Data

The City is required by state laws to adopt annual budgets for all fund types. Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act.

The Nebraska Budget Act provides the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditure and/or tax levy limitations.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued**

**5. Budgetary Data, continued**

The City follows these procedures in establishing the budgetary data reflected in the accompanying financial statements.

- a. On or before August 1, the City prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.
- b. The budget is published with subsequent public hearings to obtain taxpayer comments.
- c. Prior to September 20, the City Council adopts the budget, which is then filed with the appropriate state and county officials.
- d. Total expenditures may not legally exceed total appropriations. Appropriations lapse at year end and any revisions require board approval.
- e. The County Clerk certifies a preliminary property tax levy for each fund of the City which levied property taxes in the county the previous year based on the combined valuation and amount required for the City the prior year. The preliminary levy becomes the final levy unless the governing board passes, by a majority vote, a resolution setting the levy at a different amount.
- f. The property tax requirements resulting from the budget process are utilized by the County Assessor to establish the tax levy. Taxes are levied annually on or before November 1. Real property taxes and personal property taxes are due December 31 with the first half delinquent May 1 and the second half delinquent September 1.
- g. Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.
- h. The City of Valentine adopts a budget by resolution for all fund types.

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

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

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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

1. Cash and Investments

**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, 2007. The categories of insurance/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.

Types of Deposits	Total Bank Balance	Category 1	Category 2	Category 3	Total Carrying Value
Demand deposits, money market funds, and certificates of deposit	\$ 4,519,120	\$ 629,146	\$ 3,889,974	\$ -	\$ <u>4,483,933</u>

Reconciliation to Government-wide Statement of Net Assets:

Cash and Cash Equivalents –

Unrestricted \$ 2,553,610

Restricted 325,158

Certificates of Deposit –

Unrestricted 528,926

Restricted 1,076,239

\$ 4,483,933

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

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

**1. Cash and Investments, continued**

**Investments**

The City's policies and applicable laws regarding investments are discussed in Note A4. The table presented below is designed to disclose how the City's investments are insured or registered and who holds the security at September 30, 2007. The categories of insurance/registration are defined as follows:

Category 1 – Insured or registered with securities held by the entity or its agent in the City's name.

Category 2 – Uninsured and unregistered with securities held by counterparty's trust department or agent in the City's name.

Category 3 – Uninsured and unregistered with securities held by the counterparty or by its trust department or agent, but not in the City's name.

<b>Types of Deposits</b>	<b>Category 1</b>	<b>Category 2</b>	<b>Category 3</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
U.S. Government securities	\$ -	\$ 383,469	\$ -	\$ <u>383,469</u>	\$ <u>383,469</u>

Reconciliation to Government-wide Statement of Net Assets:

Primary Government –	
Unrestricted investments	\$ 96,956
Restricted investments	<u>286,513</u>
	\$ <u>383,469</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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

2. Restricted Assets

The restricted assets as of September 30, 2007, are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 325,158	\$ -	\$ 325,158
Certificates of deposit	1,076,239	-	1,076,239
Investments	-	286,513	286,513
	<u>\$ 1,401,397</u>	<u>\$ 286,513</u>	<u>\$ 1,687,910</u>

The majority of the restricted assets (\$1,401,397) relates to pool construction required by bond agreements. The remaining \$286,513 restricted investment is restricted to cover landfill closure costs.

3. Accounts Receivable

Accounts receivable of the business-type activities consist of utilities receivable. Receivables detail at September 30, 2007, is as follows:

	Business-type <u>Activities</u>
Accounts receivable	\$ 242,187
Allowance for doubtful accounts	<u>(64,415)</u>
Net accounts receivable	<u>\$ 177,772</u>



**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

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

**4. Capital Assets**

Capital asset activity for the year ended September 30, 2007, was as follows:

	<u>Balance at</u> <u>October 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	<u>Balance at</u> <u>September 30, 2007</u>
<b><u>Governmental Activities:</u></b>					
Capital assets not being depreciated:					
Land	\$ 79,462	\$ -	\$ -	\$ -	\$ 79,462
Construction in progress	-	440,994	-	-	440,994
Total capital assets not being depreciated	79,462	440,994	-	-	520,456
Other capital assets being depreciated:					
Buildings and improvements	3,307,882	74,500	-	(915,533)	2,466,849
Machinery and equipment	1,524,431	43,214	-	(1,068,855)	498,790
Vehicles	564,539	21,750	-	(304,850)	281,439
Total other capital assets at historical cost	5,396,852	139,464	-	(2,289,238)	3,247,078
Less accumulated depreciation for:					
Buildings and improvements	(1,097,012)	(104,110)	-	915,538	(285,584)
Machinery and equipment	(1,237,115)	(59,134)	-	1,074,850	(221,399)
Vehicles	(418,036)	(30,955)	-	298,850	(150,141)
Total accumulated depreciation	(2,752,163)	(194,199) *	-	2,289,238	(657,124)
Other capital assets, net	2,644,689	(54,735)	-	-	2,589,954
Governmental activities capital assets, net	<u>\$ 2,724,151</u>	<u>\$ 386,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,110,410</u>

\* Depreciation expense was incurred by the following governmental activities:

General Fund:

General government	\$ 6,917
Public safety	
Police	10,771
Fire	45,353
Total public safety	56,124

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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

4. Capital Assets, continued

General Fund, continued:

Public works	
Cemetery	1,938
Environment and leisure:	
Swimming Pool	10,717
Library	1,503
Parks and Recreation	11,367
Bookmobile	<u>2,041</u>
Total environment and leisure	<u>25,628</u>
Total General Fund	90,607
<u>Street Fund</u>	23,400
<u>Airport Fund</u>	<u>80,192</u>
Total governmental activities depreciation expense	\$ <u>194,199</u>

Construction in progress consisted of \$440,994 of costs incurred through September 30, 2007, on the construction of the pool.

# CITY OF VALENTINE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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

#### 4. Capital Assets, continued

	Balance at October 1, 2006	Additions	Disposals	Reclass	Balance at September 30, 2007
<b><u>Business-type Activities:</u></b>					
Capital assets not being depreciated:					
Construction in progress	\$ -	\$ 75,264	\$ -	\$ -	\$ 75,264
Other capital assets being depreciated:					
Distribution systems, buildings, and equipment	-	-	-	2,164,695	2,164,695
Buildings and improvements	3,476,229	-	-	(2,195,931)	1,280,298
Machinery and equipment	6,549,101	-	-	(516,557)	6,032,544
Vehicles	-	-	-	546,045	546,045
Total other capital assets at historical cost	10,025,330	-	-	(1,748)	10,023,582
Less accumulated depreciation for:					
Distribution systems, buildings, and equipment	-	(69,821)	-	(545,722)	(615,543)
Buildings and improvements	(840,360)	(28,871)	-	474,482	(394,749)
Machinery and equipment	(2,276,326)	(207,403)	-	336,857	(2,146,872)
Vehicles	-	(23,598)	-	(263,869)	(287,467)
Total accumulated depreciation	(3,116,686)	(329,693) *	-	1,748	(3,444,631)
Other capital assets, net	6,908,644	(329,693)	-	-	6,578,951
Business-type activities capital assets, net	<u>\$ 6,908,644</u>	<u>\$ (254,429)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,654,215</u>

\* Depreciation expense was charged to functions as follows:

Electric	\$ 161,173
Water	49,521
Sewer	80,583
Landfill	38,416
Total business-type activities depreciation expense	<u>\$ 329,693</u>

Construction in progress consisted of \$75,264 of engineering costs incurred through September 30, 2007, on the construction of the electric substation.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

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

**5. Accounts Payable**

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

**6. Long-term Debt**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

**Changes in Long-term Debt:**

The following is a summary of changes in long-term debt for the year ended September 30, 2007:

<u>Type of Debt</u>	<u>Balance at October 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2007</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes, and leases payable	<u>\$ 1,222,743</u>	<u>\$ 2,105,000</u>	<u>\$ (360,778)</u>	<u>\$ 2,966,965</u>	<u>\$ 308,140</u>
Business-type Activities:					
Bonds and notes payable	<u>\$ 1,120,242</u>	<u>\$ -</u>	<u>\$ (145,032)</u>	<u>\$ 975,210</u>	<u>\$ 156,538</u>

**Governmental Activities:**

As of September 30, 2007, the governmental long-term liabilities consisted of the following:

Bonds, notes, and leases payable:

Various purpose refunding bonds, series 2003, with an original issue amount of \$735,000. Interest rates range from 1.25% to 4.20%. Interest is due in semiannual installments and principal is due in annual installments through October 15, 2015.

\$ 575,000

General obligation pool bonds, series 2007, with an original issue amount of \$1,875,000. Interest rates range from 3.70% to 4.00%. Interest is due in semiannual installments and principal is due in annual installments through December 15, 2016.

1,875,000

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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

6. Long-term Debt, continued

Governmental Activities, continued:

General obligation allocation fund pledge bonds - paving districts, series 2007, with an original issue amount of \$230,000. Interest rates range from 3.70% to 4.00%. Interest is due in semiannual installments and principal is due in annual installments through December 15, 2017.

230,000

The City also issued \$1,100,000 in Combined Utility Revenue Bonds. Of that amount, \$1,000,000 is for the electric fund (for further details see the business activity long-term debt note). \$100,000 of the bond issue was to cover the cost of the airport runway improvements. Final payment on the airport portion is due November 15, 2009. Interest rates range from 4.25% to 5.35%.

30,000

The City entered into a loan agreement with the State of Nebraska Department of Aeronautics for the repayment of funds borrowed under the Department of Aeronautics State Fuel Storage program funds. The funds were advanced for 70% or \$50,000 maximum toward the construction of a Fuel Storage System. The repayment schedule is 1 payment of \$615 and 119 payments of \$415. Final payment will be made in December of 2007.

1,660

The City entered into a tax anticipation note covering the cost of the Fire Department pumper truck for \$180,000. The final payment is due November 15, 2009. Interest rates range from 4.35% to 5.45%.

65,000

The City entered into a loan agreement with the State of Nebraska Department of Aeronautics for the repayment of funds borrowed under the State of Nebraska Department of Aeronautics Revolving Hangar Loan Program. The total project cost was \$233,090. The State loaned the City \$137,115 to be repaid over a period of 180 months at \$760 per month.

88,160

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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

6. Long-term Debt, continued

Governmental Activities, continued:

On April 27, 2003, the City entered into a loan together with the Water Fund covering the cost of a New Holland tractor. Loan payments of \$2,768 are due annually beginning April 28, 2006, with the final payment due April 28, 2008. The loan bears an interest rate of 2.9%.

1,345

The City entered into a loan covering the purchase of two new 2006 Ford Crown Victoria police cruisers. Loan payments of \$1,106.18 are due monthly beginning August 1, 2006, with the final payment due July 1, 2008. The loan bears interest at 3.75%.

10,868

In 2002, the Electric Fund loaned \$66,000 to the Airport Fund as part of a hanger project. Loan payments of \$8,137 are due annually beginning August 31, 2007, with the final payment due August 31, 2016. The loan bears an interest rate of 4%.

60,503

The City entered into a Fire Station lease purchase agreement on June 18, 1998. The proceeds of the agreement were used to fund an addition to the fire building. The lease is due in semi-annual payments of \$15,252, with the final payment due June 1, 2008. The lease bears interest at 4.85%.

29,429

Total bonds, notes, and leases payable

\$ 2,966,965

Current portion

\$ 308,140

Noncurrent portion

2,658,825

Total

\$ 2,966,965

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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

6. Long-term Debt, continued

Business-type Activities:

As of September 30, 2007, the long-term debt payable from proprietary fund resources consisted of the following:

Bond and notes payable:

On November 15, 1999, the City issued \$1,100,000 of Combined Utilities Revenue Bonds. Of that amount, \$1,000,000 is for electric realignment and \$100,000 of the bond issue was for the airport fund. Interest rates range from 4.25% to 5.35%. Final maturity is November 15, 2009. \$ 360,000

On December 22, 1994, the City entered into a loan agreement with the U.S. Department of Agriculture Rural Economic & Community Development for the construction of a new landfill. The loan payments of \$21,918 are due annually, with the final payment due August 1, 2019, in the amount of \$5,425. The loan bears an interest rate of 4.5%. 190,084

On April 27, 2003, the City entered into a loan together with the Street Fund covering the cost of a New Holland tractor. Loan payments of \$1,384 are due annually beginning April 28, 2006, with the final payment due April 28, 2008. The loan bears an interest rate of 2.9%. 1,345

During the year ending September 30, 2003, the City borrowed \$104,390 from the Nebraska Department of Environmental Quality for the purpose of repairing and improving the City public water supply system. The project was complete at the end of the 2003 fiscal year, and funds borrowed were \$450,000. The term of the loan is twenty years and it bears interest at 3% and a 1% fee for a total carryover cost of 4%. Payments are semiannual in June and December. The first payment was June 15, 2003, and the last payment is December 2022. 370,978

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

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

**6. Long-term Debt, continued**

**Business-type Activities, continued:**

Bond and notes payable, continued:

In 2001 the Landfill Fund borrowed \$80,000 from the Electric Fund for purchase of a loader. Interest is at 5.25% and payments are due over a 10-year term.

52,803

Total business-type activity bond and notes payable \$ 975,210

Current portion \$ 156,538

Noncurrent portion 818,672

Total \$ 975,210

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2007, are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities		
	Principal	Interest	Principal	Interest	Loan Fees
2008	\$ 308,140	\$ 105,656	\$ 156,538	\$ 35,531	\$ 3,662
2009	280,066	94,748	161,777	28,202	3,469
2010	300,304	84,186	168,429	20,483	3,271
2011	270,551	73,771	45,146	15,871	3,067
2012	280,808	63,803	46,936	14,553	2,856
2013-2017	1,502,096	148,495	218,903	51,175	10,893
2018-2022	25,000	506	162,652	15,161	4,585
2023-2027	-	-	14,829	222	74
	<u>\$2,966,965</u>	<u>\$ 571,165</u>	<u>\$ 975,210</u>	<u>\$ 181,198</u>	<u>\$ 31,877</u>

**7. Special Assessments**

**Governmental Activities**

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



CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

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

7. Special Assessments, continued

**Governmental Activities, continued**

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

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

Principal collections from various special assessments outstanding are reported in the street fund. Special assessments receivable comprised the following assessments at September 30, 2007:

Current Portion	\$ 60,000
Non-current Portion	<u>152,740</u>
Total Street Improvements Assessments	\$ <u>212,740</u>

**Business-type Activities**

The City completed water service improvements in 1996 and 2004. Assessments to property owners were \$60,227.

The City completed sewer service improvements in 2000. Assessments to property owners were \$82,311. Special assessments receivable comprised the following assessments at September 30, 2007:

	<u>Water</u>	<u>Sewer</u>
Current Portion	\$ 6,000	\$ 7,500
Non-current Portion	<u>28,065</u>	<u>16,193</u>
Total Improvements Assessments	\$ <u>34,065</u>	\$ <u>23,693</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

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

**8. Interfund Transactions and Balances**

The \$108,883 balance due from the Airport Fund to the General Fund was created by negative pooled cash in the Airport Fund. The \$59,614 balance due from the Landfill Fund to the Electric Fund was created by negative pooled cash in the Landfill Fund.

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 663,527	\$ -
Street Fund	-	( 80,940)
Airport Fund	22,122	-
Nonmajor Funds	-	(143,436)
Electric Fund	-	(329,977)
Water Fund	-	( 61,850)
Sewer Fund	22,937	-
Landfill Fund	-	( 92,383)
Total Operating Transfers	\$ <u>708,586</u>	\$ <u>(708,586)</u>

**NOTE D – OTHER NOTES**

**1. Employee Pension and Other Benefit Plans**

**City General Pension Plan**

The City of Valentine has a contributory defined contribution employees' pension plan in which the employees of the City participate. Eligible employees contribute 4 percent of their gross payroll and the City matches the 4 percent. Employees are eligible to participate after one month of continuous service and after attaining age 18.

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

For the year ended September 30, 2007, the City's total payroll and covered payroll under the plan was \$506,303 and \$418,611, respectively. Both the City's required contribution of \$16,745 and the covered employees' required contribution of \$16,745 were made for the year ended September 30, 2007.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

**Deferred Compensation Plan**

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

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

The employees contributed \$3,861 under the plan for the year ended September 30, 2007.

2. Risk Management

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

**Deposits and Investments**

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the City’s investments at September 30, 2007, are held by the counterparties not in the name of the City. The underlying securities consist of cash, certificates of deposit, and insured money market funds.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires that market conditions and investment securities be analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates. The investment maturities are as follows:

<u>Maturities by Month</u>	<u>Amount</u>
October 2007	\$ 481,239
January 2008	595,000
April 2008	528,926
	<u>\$ 1,605,165</u>

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

**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, 2007, the City's cash deposits and investments consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
First National Bank of Valentine	\$ 2,504,359
Bank of the West	1,404,376
Union Bank & Trust	464,196
Wells Fargo Bank	481,238
Pioneer Bank	48,420
Totals	<u>\$ 4,902,589</u>

**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 held no investments denominated in foreign currency at September 30, 2007.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2007

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies

Construction

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

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2007</u>	<u>Obligation Pending</u>	<u>Expected Completion</u>
<u>Governmental:</u>				
Aquatic center	\$ 1,780,372	\$ 302,334	\$ 1,478,038	May 2008
<u>Enterprise Funds:</u>				
Electric substation	1,269,300	75,264	1,194,036	June 2008
	<u>\$ 3,049,672</u>	<u>\$ 377,598</u>	<u>\$ 2,672,074</u>	

Closure and Postclosure Costs

State and federal laws and regulations require the Valentine Landfill to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Valentine Landfill reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$390,598 reported as landfill closure and post-closure care liability at September 30, 2007, represents the cumulative amount reported to date based on the use of approximately 33.0 percent of the estimated capacity of the landfill. The Valentine Landfill will recognize the remaining estimated cost of closure and post-closure care of \$793,033 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2007. The Valentine Landfill expects to close the landfill in the year 2041. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

In accordance with the State of Nebraska Title 132 Solid Waste Regulations, the City of Valentine must satisfy the requirements for a financial assurance mechanism (F.A.M.). During the year ending September 30, 1996, the City Council passed Resolution 96-13 to make annual contributions to a special fund to finance closure and post-closure care. The Valentine Landfill is in compliance with these requirements, and, at September 30, 2007, investments totaled \$286,513 at Union Bank. The City of Valentine expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements re determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2007**

**NOTE D – OTHER NOTES, continued**

**4. Interlocal Agreements**

The City has the following Interlocal agreements in effect as of September 30, 2007:

<b>Parties to Agreement</b>	<b>Term</b>	<b>Description</b>
Cherry County	October 1, 2006 - September 30, 2007	Agreement for law enforcement and fire dispatch
Cherry County	September 12, 2005 - September 12, 2008	Provide for Valentine/Cherry County Economic Development Board
City of Gordon, City of Rushville, City of Hay Springs, City of Chadron, City of Crawford, County of Sheridan, County of Dawes, and County of Cherry	November 12, 2002 - perpetual	Provide for intergovernmental law enforcement
Middle Niobrara Natural Resources District	June 20, 2000 - perpetual	Joint ownership of Mill Pond property

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF VALENTINE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND**

**Year ended September 30, 2007**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Taxes:			
Property	\$ 551,707	\$ 491,754	\$ (59,953)
Sales	-	137,861	137,861
Franchise	20,000	20,425	425
Intergovernmental	93,776	101,561	7,785
Licenses and permits	9,800	10,672	872
Charges for services	141,230	145,153	3,923
Donations	10,000	28,933	18,933
Interest income	6,420	102,182	95,762
Bond/loan proceeds	1,870,000	1,875,000	5,000
Other	11,500	84,681	73,181
	<hr/>	<hr/>	<hr/>
Total resources	2,714,433	2,998,222	283,789
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
General government	399,300	419,752	20,452
Public safety	558,010	466,094	(91,916)
Recreation	191,820	180,109	(11,711)
Library	185,876	142,749	(43,127)
Cemetery	57,000	26,451	(30,549)
Bond issuance costs	-	30,516	30,516
Capital outlay	1,846,612	505,155	(1,341,457)
Principal payments on debt	48,055	60,633	12,578
Interest payments on debt	49,460	33,892	(15,568)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	3,336,133	1,865,351	(1,470,782)
Resources over (under) charges to appropriations	(621,700)	1,132,871	1,754,571
<b>OTHER FINANCING SOURCES (USES)</b>			
Net transfers	1,178,523	663,527	(514,996)
	<hr/>	<hr/>	<hr/>
<b>RESOURCES AND OTHER FINANCING SOURCES/(USES) OVER CHARGES TO APPROPRIATIONS</b>	<u>\$ 556,823</u>	<u>\$ 1,796,398</u>	<u>\$ 1,239,575</u>



**CITY OF VALENTINE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
STREET FUND**

**Year ended September 30, 2007**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Motor vehicle tax	\$ 45,000	\$ 49,794	\$ 4,794
Intergovernmental	326,619	376,155	49,536
Special assessments	56,510	62,269	5,759
Interest income	6,500	6,606	106
Bond/loan proceeds	215,000	230,000	15,000
Other income	<u>5,600</u>	<u>4,965</u>	<u>(635)</u>
Total resources	655,229	729,789	74,560
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Public works	391,450	253,984	(137,466)
Bond issuance costs	-	4,500	4,500
Capital outlay	50,000	24,000	(26,000)
Principal payments on debt	293,000	271,308	(21,692)
Interest payments on debt	<u>31,024</u>	<u>32,574</u>	<u>1,550</u>
Total charges to appropriations	<u>765,474</u>	<u>586,366</u>	<u>(179,108)</u>
Resources over (under) charges to appropriations	(110,245)	143,423	253,668
<b>OTHER FINANCING SOURCES (USES)</b>			
Net transfers in (out)	<u>80,060</u>	<u>(80,940)</u>	<u>(161,000)</u>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER/(UNDER) CHARGES TO APPROPRIATIONS</b>	<u><u>\$ (30,185)</u></u>	<u><u>\$ 62,483</u></u>	<u><u>\$ 92,668</u></u>

**CITY OF VALENTINE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
AIRPORT FUND**

**Year ended September 30, 2007**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Property tax	\$ 7,616	\$ 5,693	\$ (1,923)
Charges for services	125,500	152,408	26,908
Grant income	<u>400,000</u>	<u>66,815</u>	<u>(333,185)</u>
Total resources	533,116	224,916	(308,200)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Operating expenditures	216,645	173,592	(43,053)
Capital outlay	315,000	51,303	(263,697)
Principal payments on debt	24,100	28,837	4,737
Interest on long-term debt	<u>2,320</u>	<u>1,813</u>	<u>(507)</u>
Total charges to appropriations	<u>558,065</u>	<u>255,545</u>	<u>(302,520)</u>
Resources over (under) charges to appropriations	(24,949)	(30,629)	(5,680)
<b>OTHER FINANCING USES</b>			
Net transfers in (out)	<u>25,000</u>	<u>22,122</u>	<u>(2,878)</u>
<b>RESOURCES OVER/(UNDER) CHARGES TO APPROPRIATIONS AND OTHER FINANCING USES</b>	<u>\$ 51</u>	<u>\$ (8,507)</u>	<u>\$ (8,558)</u>

**CITY OF VALENTINE, NEBRASKA**

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

**Year ended September 30, 2007**

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

	<u>General Fund</u>	<u>Street Fund</u>	<u>Airport Fund</u>
<b>Sources/inflows of resources:</b>			
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 2,998,222	\$ 729,789	\$ 224,916
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>41,422</u>	<u>(58,885)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 3,039,644</u></u>	<u><u>\$ 670,904</u></u>	<u><u>\$ 224,916</u></u>
<b>Uses/outflows of resources:</b>			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 1,865,351	\$ 586,366	\$ 255,545
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>46,983</u>	<u>52,737</u>	<u>(16,044)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,912,334</u></u>	<u><u>\$ 639,103</u></u>	<u><u>\$ 239,501</u></u>

## **OTHER SUPPLEMENTARY INFORMATION**

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

September 30, 2007

	Special Revenue Funds		
	Fines and <u>Fees</u>	<u>Infrastructure</u>	Economic <u>Development</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,521	\$ 81,169	\$ 67,386
Certificates of deposit	-	-	-
Interest receivable	-	-	-
Sales tax recievable	-	35,449	11,840
	<u>-</u>	<u>35,449</u>	<u>11,840</u>
<b>Total assets</b>	<u><u>\$ 6,521</u></u>	<u><u>\$ 116,618</u></u>	<u><u>\$ 79,226</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Fund balances:			
Reserved for:			
Economic development	\$ -	\$ -	\$ 67,386
Cemetery perpetual care	-	-	-
Community betterment	-	-	-
Infrastructure	-	81,169	-
Unreserved	6,521	35,449	11,840
	<u>6,521</u>	<u>116,618</u>	<u>79,226</u>
<b>Total fund balances</b>	<u><u>6,521</u></u>	<u><u>116,618</u></u>	<u><u>79,226</u></u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 6,521</u></u>	<u><u>\$ 116,618</u></u>	<u><u>\$ 79,226</u></u>

<u>Permanent Funds</u>		Total Nonmajor Governmental <u>Funds</u>
<u>Perpetual Care</u>	<u>Queen Jackson Memorial</u>	
\$ 1,151	\$ 32,866	\$ 189,093
133,826	-	133,826
1,700	-	1,700
-	-	47,289
<u>\$ 136,677</u>	<u>\$ 32,866</u>	<u>\$ 371,908</u>
\$ -	\$ -	\$ 67,386
134,927	-	134,927
-	32,866	32,866
-	-	81,169
1,750	-	55,560
<u>136,677</u>	<u>32,866</u>	<u>371,908</u>
<u>\$ 136,677</u>	<u>\$ 32,866</u>	<u>\$ 371,908</u>

**CITY OF VALENTINE, NEBRASKA**

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

**For the year ended September 30, 2007**

		<u>Special Revenue Funds</u>		
	<u>Debt Service</u>	<u>Fine and Fees</u>	<u>Infrastructure</u>	
<b>REVENUES</b>				
Sales Tax	\$ -	\$ -	\$ 242,241	
Licenses and permits	-	4,690	-	
Endowment funds received	-	-	-	
Interest income	-	-	648	
Other	-	-	1,173	
Total revenues	<u>-</u>	<u>4,690</u>	<u>244,062</u>	
<b>EXPENDITURES</b>				
General government	-	4,615	-	
Community development	-	-	-	
Total expenditures	<u>-</u>	<u>4,615</u>	<u>-</u>	
<b>Excess of revenues over expenditures</b>	-	75	244,062	
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from (to) other funds	<u>(6,282)</u>	<u>-</u>	<u>(127,444)</u>	
<b>Net change in fund balances</b>	<u>(6,282)</u>	<u>75</u>	<u>116,618</u>	
Fund balances - September 30, 2006	<u>6,282</u>	<u>6,446</u>	<u>-</u>	
Fund balances - September 30, 2007	<u><u>\$ -</u></u>	<u><u>\$ 6,521</u></u>	<u><u>\$ 116,618</u></u>	

<u>Economic Development</u>	<u>Permanent Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Perpetual Care</u>	<u>Queen Jackson Memorial</u>	
\$ 80,771	\$ -	\$ -	\$ 323,012
-	-	-	4,690
-	-	17,346	17,346
396	1,700	-	2,744
-	800	-	1,973
<u>81,167</u>	<u>2,500</u>	<u>17,346</u>	<u>349,765</u>
-	-	-	4,615
12,880	-	-	12,880
<u>12,880</u>	<u>-</u>	<u>-</u>	<u>17,495</u>
68,287	2,500	17,346	332,270
10,939	(649)	(20,000)	(143,436)
79,226	1,851	(2,654)	188,834
-	134,826	35,520	183,074
<u>\$ 79,226</u>	<u>\$ 136,677</u>	<u>\$ 32,866</u>	<u>\$ 371,908</u>



# CITY OF VALENTINE, NEBRASKA

## COMBINING STATEMENT OF REVENUES AND EXPENDITURES

### GENERAL FUND DEPARTMENTS

Year ended September 30, 2007

	<u>Administrative</u>	<u>Police</u>	<u>Fire</u>
<b>REVENUES</b>			
Taxes			
General property tax	\$ 294,798	\$ -	\$ 4,557
Sales tax	-	-	-
Franchise	20,425	-	-
Intergovernmental revenue			
State assistance	101,561	-	-
Licenses and permits	10,672	-	-
Charges for services	-	-	-
Grants and donations	5,489	-	-
Interest income	66,312	-	-
Bond/loan proceeds	-	-	-
Other receipts	43,491	-	30,505
Total revenues	<u>542,748</u>	<u>-</u>	<u>35,062</u>
<b>EXPENDITURES</b>			
Personnel services:			
Salaries and benefits	238,886	279,593	1,000
Operating expenses:			
Insurance	8,565	15,074	8,913
Professional fees	1,949	1,069	125
Meetings, seminars, and dues	12,729	3,247	5,763
Repairs and maintenance	31,044	30,820	18,864
Printing, postage, and publications	590	576	-
Utilities and telephone	15,513	4,017	14,198
Total operating expenses	<u>70,390</u>	<u>54,803</u>	<u>47,863</u>
Supplies	6,717	4,746	497
Other expenses	117,332	77,592	-
Bond issuance costs	-	-	-
Capital outlay	-	21,750	-
Principal payments on debt	12,580	-	48,053
Interest payments	-	621	5,572
Total expenditures	<u>445,905</u>	<u>439,105</u>	<u>102,985</u>
Excess (deficit) of revenues over expenditures before transfers	96,843	(439,105)	(67,923)
<b>TRANSFERS FROM (TO) OTHER FUNDS</b>	<u>(180,203)</u>	<u>-</u>	<u>82,196</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (83,360)</u>	<u>\$ (439,105)</u>	<u>\$ 14,273</u>

<u>Pool</u>	<u>Library</u>	<u>Cemetery</u>	<u>Park</u>	<u>Bookmobile</u>	<u>Time Capsule</u>	<u>Total</u>
\$ 27,532	\$ 68,641	\$ 19,431	\$ 72,258	\$ -	\$ -	\$ 487,217
161,470	-	-	-	-	-	161,470
-	-	-	-	-	-	20,425
-	-	-	-	-	-	101,561
-	-	-	-	-	-	10,672
13,604	5,050	18,800	37,199	70,500	-	145,153
1,000	3,943	-	18,501	-	-	28,933
47,257	207	7,856	36	2,471	393	124,532
1,875,000	-	-	-	-	-	1,875,000
2,485	37	1,080	7,083	-	-	84,681
<u>2,128,348</u>	<u>77,878</u>	<u>47,167</u>	<u>135,077</u>	<u>72,971</u>	<u>393</u>	<u>3,039,644</u>
24,978	46,134	-	48,614	40,813	-	680,018
2,086	4,507	1,360	6,273	3,012	-	49,790
178	212	79	391	173	-	4,176
579	738	-	-	738	-	23,794
3,864	9,940	25,800	31,729	7,841	-	159,902
153	532	-	300	394	-	2,545
9,509	6,923	2,271	30,660	69	-	83,160
<u>16,369</u>	<u>22,852</u>	<u>29,510</u>	<u>69,353</u>	<u>12,227</u>	<u>-</u>	<u>323,367</u>
9,211	10,351	572	4,995	9,355	-	46,444
125	197	3	13,839	519	-	209,607
30,516	-	-	-	-	-	30,516
443,087	1,544	-	38,774	-	-	505,155
-	-	-	-	-	-	60,633
50,401	-	-	-	-	-	56,594
<u>574,687</u>	<u>81,078</u>	<u>30,085</u>	<u>175,575</u>	<u>62,914</u>	<u>-</u>	<u>1,912,334</u>
1,553,661	(3,200)	17,082	(40,498)	10,057	393	1,127,310
<u>412,634</u>	<u>(5,344)</u>	<u>(40,290)</u>	<u>397,808</u>	<u>(3,274)</u>	<u>-</u>	<u>663,527</u>
<u>\$ 1,966,295</u>	<u>\$ (8,544)</u>	<u>\$ (23,208)</u>	<u>\$ 357,310</u>	<u>\$ 6,783</u>	<u>\$ 393</u>	<u>\$ 1,790,837</u>

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valentine, Nebraska, as of and for the year ended September 30, 2007, which collectively comprise the City of Valentine, Nebraska's basic financial statements, and have issued our report thereon dated March 14, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Valentine's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

#### 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.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Valentine's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Valentine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Council of the City of Valentine, in a separate letter dated March 14, 2008.

This report is intended solely for the information and use of management, the State of Nebraska Auditor of Public Accounts and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Almquist, Naltzahn  
Dalloway & Lutz, P.C.*

Grand Island, Nebraska  
March 14, 2008