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**CITY OF VALENTINE, NEBRASKA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**September 30, 2008**

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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, 2008, 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, 2008, 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 11, 2009, 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

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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 5 through 13 and 54 through 57 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 and the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 11, 2009

**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For The Year Ended September 30, 2008**

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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, 2008.

**Financial Highlights**

- The assets of the City of Valentine exceeded its liabilities at the close of the most recent fiscal year by \$13,094,739 (*net assets*). Of this amount, \$3,425,647 (*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 \$4,450,234. Approximately 14.5 percent of this total amount, \$646,242, is *unrestricted net assets*.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$563,539, or 18.0 percent of total General Fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of 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, 2008**

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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 14 and 15 of this report.

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

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

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

The City of Valentine maintains eight 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 five 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 16-19 of this report.

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

**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2008**

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-53 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 54-57 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 58-60 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 \$13,094,739 at the close of the most recent fiscal year.

### Summary of Net Assets

	September 30, 2008			September 30, 2007		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 1,827,871	\$ 4,113,766	\$ 5,941,637	\$ 2,483,558	\$ 3,625,868	\$ 6,109,426
Capital Assets	5,549,647	8,455,068	14,004,715	3,110,410	6,654,215	9,764,625
Total Assets	7,377,518	12,568,834	19,946,352	5,593,968	10,280,083	15,874,051
Long-term Liabilities	2,397,709	3,212,891	5,610,600	2,675,975	1,209,270	3,885,245
Other Liabilities	529,575	711,438	1,241,013	632,487	556,698	1,189,185
Total Liabilities	2,927,284	3,924,329	6,851,613	3,308,462	1,765,968	5,074,430
Net Assets:						
Invested in Capital Assets, net of related debt	2,947,409	5,570,336	8,517,745	184,759	5,682,727	5,867,486
Restricted	856,583	294,764	1,151,347	1,717,745	286,513	2,004,258
Unrestricted	646,242	2,779,405	3,425,647	383,002	2,544,875	2,927,877
Total Net Assets	<u>\$ 4,450,234</u>	<u>\$ 8,644,505</u>	<u>\$ 13,094,739</u>	<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, 2008**

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By far the largest portion of the City of Valentine's net assets (65.0 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 (8.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$3,425,647) 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, 2008</u>		<u>Year Ended September 30, 2007</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ -	\$ 362,395	\$ 5,489	\$ 439,910
Public Safety	-	497,552	-	466,094
Public Works	-	338,558	-	307,578
Recreation	264,068	225,137	70,304	187,484
Library	91,501	152,722	79,493	142,155
Cemetery	470,711	40,212	18,800	30,085
Airport	1,121,487	142,709	219,223	157,548
Community Development	23,126	-	17,346	12,880
Interest	-	101,963	-	88,171
Depreciation and Amortization	-	253,816	-	198,926
Total	<u>\$ 1,970,893</u>	<u>\$ 2,115,064</u>	<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, 2008**

**Revenues by Source – Governmental Activities**

**SOURCES OF REVENUE**

	<b><u>Year Ended September 30, 2008</u></b>		<b><u>Year Ended September 30, 2007</u></b>	
Charges for Services	\$ 313,527	7.33 %	\$ 297,561	11.27 %
Operating Grants and Contributions	707,718	16.54	46,279	1.75
Capital Grants and Contributions	949,648	22.19	66,815	2.53
Property Taxes	470,598	11.00	492,910	18.66
Motor Vehicle Taxes	49,579	1.16	49,794	1.89
Sales Tax	854,486	19.97	484,482	18.34
Franchise Taxes	20,588	0.48	20,425	0.77
State Allocation	487,595	11.39	477,716	18.09
Special Assessments	48,562	1.13	2,184	0.08
Miscellaneous	86,029	2.01	106,981	4.05
Interest	92,723	2.17	135,082	5.11
Disposal of equipment	(50,608)	(1.18)	-	-
Transfer from Other Funds	249,347	5.83	461,273	17.46
Total	<u>\$ 4,279,792</u>	<u>100.00 %</u>	<u>\$ 2,641,502</u>	<u>100.00 %</u>

Net assets increased \$2,164,728 in the governmental funds during the year ended September 30, 2008.

**Business-type activities.** Business-type activities increased the City of Valentine's net assets by \$130,390. Key elements of this increase are as follows:

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

<b><u>Function</u></b>	<b><u>Year Ended September 30, 2008</u></b>		<b><u>Year Ended September 30, 2007</u></b>	
	<b><u>Program Revenues</u></b>	<b><u>Program Expenses</u></b>	<b><u>Program Revenues</u></b>	<b><u>Program Expenses</u></b>
Electric	\$ 3,105,439	\$ 2,684,518	\$ 2,896,967	\$ 2,713,964
Water	306,264	333,487	322,900	329,906
Sewer	216,120	312,123	193,707	303,042
Landfill	242,332	274,250	395,376	190,428
Total	<u>3,870,155</u>	<u>3,604,378</u>	<u>3,808,950</u>	<u>3,537,340</u>
Interfund Transfer	-	249,347	-	461,273
	<u>\$ 3,870,155</u>	<u>\$ 3,853,725</u>	<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, 2008**

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

**SOURCES OF REVENUE**

	<u>Year Ended September 30, 2008</u>		<u>Year Ended September 30, 2007</u>	
Charges for Services	\$ 3,869,626	97.13 %	\$ 3,806,545	97.80 %
Operating Grants and Contributions	529	0.01	2,405	0.06
Interest	113,960	2.86	83,162	2.14
Total	<u>\$ 3,984,115</u>	<u>100.00 %</u>	<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 \$1,531,774. Approximately 39.3 percent of this total amount (\$601,933) 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 (\$337,587), 2) to pay for infrastructure (\$195,745), 3) for economic development (\$187,749), 4) for cemetery perpetual care (\$135,502), 5), or for street improvements (\$73,258).

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 \$563,539, while total fund balance reached \$901,126. 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 18.0 percent of total General Fund expenditures, while total fund balance represents 28.7 percent of the same amount.

The fund balance of the City of Valentine's General Fund decreased by \$831,353 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 - \$2,494,070, Water Fund - \$345,665, Sewer Fund - \$294,897, and Landfill Fund - \$(355,227). The Electric Fund net assets increased \$220,107 and the Water Fund net assets increased \$8,777. The Sewer Fund net assets decreased \$(79,723) and the Landfill Fund net

**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2008**

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assets decreased \$(18,771). 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, 2008, amounts to \$14,004,715 (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:

- Construction of aquatic center - \$1,529,731
- XT1600 excavator - \$68,059
- Roy Street improvements - \$146,759
- Papi lights for the airport - \$113,017
- Tractor and blade for the airport - \$35,000
- 12,000-gallon fuel tank with equipment for the airport - \$56,500
- Electric substation - \$2,158,492
- Construction in progress for taxiway and apron improvements - \$775,762

**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2008**

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

	<u>Year Ended September 30, 2008</u>			<u>Year Ended September 30, 2007</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
Land	\$ 79,462	\$ -	\$ 79,462	\$ 79,462	\$ -	\$ 79,462
Construction in Progress	775,762	-	775,762	440,994	75,264	516,258
Buildings and Improvements	4,245,286	856,678	5,101,964	2,181,265	885,549	3,066,814
Machinery and Equipment	356,317	3,658,405	4,014,722	277,391	3,885,672	4,163,063
Distribution Systems, Buildings, and Equipment	-	3,713,086	3,713,086	-	1,549,152	1,549,152
Vehicles	92,820	226,899	319,719	131,298	258,578	389,876
<b>Total</b>	<b>\$ 5,549,647</b>	<b>\$ 8,455,068</b>	<b>\$ 14,004,715</b>	<b>\$ 3,110,410</b>	<b>\$ 6,654,215</b>	<b>\$ 9,764,625</b>

Additional information on the City of Valentine's capital assets can be found in Note C4 on pages 41-43 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Valentine had total bonded debt and notes payable outstanding of \$5,562,494.

**City of Valentine's Outstanding Debt**

	<u>Year Ended September 30, 2008</u>			<u>Year Ended September 30, 2007</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
General Obligation Bonds	\$ 1,940,000	\$ -	\$ 1,940,000	\$ 2,105,000	\$ -	\$ 2,105,000
Refunding Bonds	520,000	-	520,000	575,000	-	575,000
Revenue Bonds	-	2,350,000	2,350,000	30,000	360,000	390,000
Notes Payable	178,826	573,668	752,494	227,536	615,210	842,746
Leases Payable	-	-	-	29,429	-	29,429
<b>Total</b>	<b>\$ 2,638,826</b>	<b>\$ 2,923,668</b>	<b>\$ 5,562,494</b>	<b>\$ 2,966,965</b>	<b>\$ 975,210</b>	<b>\$ 3,942,175</b>

The City of Valentine's total debt increased by \$1,620,319 (41.1 percent) during the current fiscal year.

During the current fiscal year, the City issued \$2,350,000 of electric revenue bonds to finance the construction of a new substation.

The City of Valentine does not have a bond rating.

Additional information on the City of Valentine's long-term debt can be found in Note C6 on pages 44-47 of this report.

**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued  
For The Year Ended September 30, 2008**

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

- Property tax asking for the year ending September 30, 2009, is \$428,660 (11.0%) lower than the asking for the year ended September 30, 2008.
- The City expects to complete the following capital project during the next fiscal year:
  - Airport taxiway and apron improvements with estimated costs of approximately \$2,600,000
- The City's property tax levy was .35 for 2008-2009, down from .397282 in 2007-2008.
- The City increased the electric rates by 6 percent effective April 1, 2008. The City increased electric rates by 3 percent effective October 1, 2008.
- The City completed street improvements in August 2008. Assessments to property owners were \$111,043 in November 2008.

All of these factors were considered in preparing the City of Valentine's budget for the 2009 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, 2008

	Governmental Activities	Primary Government Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 773,819	\$ 2,639,034	\$ 3,412,853
Certificates of deposit	283,763	266,392	550,155
Investments	-	99,545	99,545
County treasurer cash	69,219	-	69,219
Receivables:			
Special assessments	136,434	43,510	179,944
Accounts, net of allowance for doubtful accounts	3,736	191,058	194,794
Unbilled revenue	-	188,402	188,402
Current portion of notes receivable	-	14,065	14,065
Property tax	15,311	-	15,311
Interest	1,720	1,655	3,375
Sales tax	143,812	-	143,812
Inventory	3,786	236,767	240,553
Prepaid expenses	22,096	13,828	35,924
Total current assets	<u>1,453,696</u>	<u>3,694,256</u>	<u>5,147,952</u>
Noncurrent assets:			
Restricted cash and cash equivalents	337,587	-	337,587
Restricted investments	-	294,764	294,764
Noncurrent portion of notes receivable	-	85,810	85,810
Unamortized bond costs	36,588	38,936	75,524
Capital assets:			
Land	79,462	-	79,462
Construction in progress	775,762	-	775,762
Depreciable capital assets, net of depreciation	4,694,423	8,455,068	13,149,491
Total noncurrent assets	<u>5,923,822</u>	<u>8,874,578</u>	<u>14,798,400</u>
<b>Total assets</b>	<u>7,377,518</u>	<u>12,568,834</u>	<u>19,946,352</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	95,822	390,931	486,753
Accrued expenses	38,589	96,915	135,504
Deferred revenue	125,098	29,010	154,108
Customer deposits	-	82,805	82,805
Current portion of long-term obligations	270,066	111,777	381,843
Total current liabilities	<u>529,575</u>	<u>711,438</u>	<u>1,241,013</u>
Noncurrent liabilities:			
Accrued closure and postclosure costs	-	401,000	401,000
Compensated absences	28,949	-	28,949
Noncurrent portion of long-term obligations	2,368,760	2,811,891	5,180,651
Total noncurrent liabilities	<u>2,397,709</u>	<u>3,212,891</u>	<u>5,610,600</u>
<b>Total liabilities</b>	<u>2,927,284</u>	<u>3,924,329</u>	<u>6,851,613</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,947,409	5,570,336	8,517,745
Restricted for:			
Landfill closure and postclosure costs	-	294,764	294,764
Pool	337,587	-	337,587
Infrastructure	195,745	-	195,745
Economic development	187,749	-	187,749
Cemetery perpetual care	135,502	-	135,502
Unrestricted	646,242	2,779,405	3,425,647
<b>Total net assets</b>	<u>\$ 4,450,234</u>	<u>\$ 8,644,505</u>	<u>\$ 13,094,739</u>

See notes to financial statements.

# CITY OF VALENTINE, NEBRASKA

## STATEMENT OF ACTIVITIES

For the year ended September 30, 2008

<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	\$ 362,395	\$ -	\$ -
Public safety	497,552	-	-
Public works	338,558	-	-
Recreation	225,137	52,248	211,820
Library	152,722	77,328	14,173
Cemetery	40,212	12,112	458,599
Airport	142,709	171,839	-
Community development	-	-	23,126
Interest on long-term debt	101,963	-	-
Depreciation and amortization	253,816	-	-
Total governmental activities	2,115,064	313,527	707,718
<b>Business-type activities:</b>			
Electric	2,684,518	3,105,439	-
Water	333,487	305,735	529
Sewer	312,123	216,120	-
Landfill	274,250	242,332	-
Total business-type activities	3,604,378	3,869,626	529
Total primary government	\$ 5,719,442	\$ 4,183,153	\$ 708,247

See notes to financial statements.



<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ -	\$ (362,395)		\$ (362,395)
-	(497,552)		(497,552)
-	(338,558)		(338,558)
-	38,931		38,931
-	(61,221)		(61,221)
-	430,499		430,499
949,648	978,778		978,778
	23,126		23,126
-	(101,963)		(101,963)
-	(253,816)		(253,816)
<u>949,648</u>	<u>(144,171)</u>	<u>\$ -</u>	<u>(144,171)</u>
-	-	420,921	420,921
-	-	(27,223)	(27,223)
-	-	(96,003)	(96,003)
-	-	(31,918)	(31,918)
<u>-</u>	<u>-</u>	<u>265,777</u>	<u>265,777</u>
<u>\$ 949,648</u>	<u>(144,171)</u>	<u>265,777</u>	<u>121,606</u>
General revenues:			
Taxes:			
Property	470,598	-	470,598
Motor vehicle	49,579	-	49,579
Sales tax	854,486	-	854,486
Franchise	20,588	-	20,588
State allocation	487,595	-	487,595
Special assessments	48,562	-	48,562
Miscellaneous	86,029	-	86,029
Interest income	92,723	113,960	206,683
Loss on disposal of equipment	(50,608)	-	(50,608)
Transfer from (to) other funds	249,347	(249,347)	-
Total general revenues	<u>2,308,899</u>	<u>(135,387)</u>	<u>2,173,512</u>
Change in net assets	2,164,728	130,390	2,295,118
Net assets - September 30, 2007	<u>2,285,506</u>	<u>8,514,115</u>	<u>10,799,621</u>
Net assets - September 30, 2008	<u>\$ 4,450,234</u>	<u>\$ 8,644,505</u>	<u>\$ 13,094,739</u>

# CITY OF VALENTINE, NEBRASKA

## BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2008

	<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	\$ 326,715	\$ -	\$ -	\$ 447,104	\$ -	\$ 773,819
Certificates of deposit	57,006	92,931	-	133,826	-	283,763
County treasurer cash	41,528	27,691	-	-	-	69,219
Receivables:						
Special assessments	-	136,434	-	-	-	136,434
Accounts	-	3,736	-	-	-	3,736
Property tax	15,311	-	-	-	-	15,311
Interest	315	575	-	830	-	1,720
Sales tax	45,264	-	-	98,548	-	143,812
Due from other funds	155,393	-	-	-	(155,393)	-
Inventory	-	-	3,786	-	-	3,786
Prepaid expenses	14,727	5,876	1,493	-	-	22,096
Restricted assets:						
Cash and cash equivalents	337,587	-	-	-	-	337,587
<b>Total assets</b>	<u>\$ 993,846</u>	<u>\$ 267,243</u>	<u>\$ 5,279</u>	<u>\$ 680,308</u>	<u>\$ (155,393)</u>	<u>\$ 1,791,283</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 61,682	\$ 32,806	\$ 1,334	\$ -	\$ -	\$ 95,822
Accrued expenses	26,128	12,442	19	-	-	38,589
Due to other funds	-	58,076	97,317	-	(155,393)	-
Deferred revenue	4,910	120,188	-	-	-	125,098
<b>Total liabilities</b>	<u>92,720</u>	<u>223,512</u>	<u>98,670</u>	<u>-</u>	<u>(155,393)</u>	<u>259,509</u>
Fund balances (deficit):						
Reserved for:						
Pool	337,587	-	-	-	-	337,587
Street	-	18,815	-	54,443	-	73,258
Infrastructure	-	-	-	195,745	-	195,745
Economic development	-	-	-	187,749	-	187,749
Cemetery perpetual care	-	-	-	135,502	-	135,502
Unreserved	563,539	24,916	(93,391)	106,869	-	601,933
<b>Total fund balances</b>	<u>901,126</u>	<u>43,731</u>	<u>(93,391)</u>	<u>680,308</u>	<u>-</u>	<u>1,531,774</u>
<b>Total liabilities and fund balances</b>	<u>\$ 993,846</u>	<u>\$ 267,243</u>	<u>\$ 5,279</u>	<u>\$ 680,308</u>	<u>\$ (155,393)</u>	<u>\$ 1,791,283</u>

See notes to financial statements.

**CITY OF VALENTINE, NEBRASKA**

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

**September 30, 2008**

<b>Total fund balances - governmental funds</b>		<b>\$ 1,531,774</b>
Amounts reported for governmental <i>activities</i> 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 \$6,355,290, and the accumulated depreciation is \$805,643.		
		5,549,647
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 \$13,129.		
		36,588
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	\$ (28,949)	
Bonds and notes payable	<u>(2,638,826)</u>	<u>(2,667,775)</u>
<b>Total net assets - governmental activities</b>		<b><u>\$ 4,450,234</u></b>

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, 2008**

	<u>General</u>	<u>Street</u>	<u>Airport</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes:					
Property	\$ 470,240	\$ -	\$ 358	\$ -	\$ 470,598
Motor vehicle	-	49,579	-	-	49,579
Sales tax	282,179	-	-	572,307	854,486
Franchise	20,588	-	-	-	20,588
Intergovernmental	100,458	387,137	-	-	487,595
Special assessments	-	48,562	-	-	48,562
Licenses and permits	11,835	-	-	5,660	17,495
Charges for services	141,688	-	171,839	-	313,527
Grants and donations	684,592	-	949,648	23,126	1,657,366
Interest income	79,938	3,971	-	8,814	92,723
Other income	56,797	6,425	4,787	525	68,534
Total revenues	<u>1,848,315</u>	<u>495,674</u>	<u>1,126,632</u>	<u>610,432</u>	<u>4,081,053</u>
<b>EXPENDITURES</b>					
General government	353,214	-	-	5,560	358,774
Public safety	493,866	-	-	-	493,866
Public works	-	336,247	-	-	336,247
Recreation	225,060	-	-	-	225,060
Library	150,618	-	-	-	150,618
Cemetery	40,212	-	-	-	40,212
Airport	-	-	142,709	-	142,709
Capital outlay	1,579,223	170,933	988,779	-	2,738,935
Principal payments on debt	225,297	56,345	46,497	-	328,139
Interest on long-term debt	70,596	28,744	2,623	-	101,963
Total expenditures	<u>3,138,086</u>	<u>592,269</u>	<u>1,180,608</u>	<u>5,560</u>	<u>4,916,523</u>
Excess (deficiency) of revenues over expenditures	(1,289,771)	(96,595)	(53,976)	604,872	(835,470)
<b>OTHER FINANCING SOURCES (USES)</b>					
Net transfers in (out)	<u>458,418</u>	<u>18,270</u>	<u>69,131</u>	<u>(296,472)</u>	<u>249,347</u>
Net change in fund balances	(831,353)	(78,325)	15,155	308,400	(586,123)
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>
Fund balances - September 30, 2008	<u>\$ 901,126</u>	<u>\$ 43,731</u>	<u>\$ (93,391)</u>	<u>\$ 680,308</u>	<u>\$ 1,531,774</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, 2008**

<b>Total net change in fund balances - governmental funds</b>	\$ (586,123)
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Amounts reported for governmental *activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures.

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

This is the amount by which capitalized capital outlay (\$2,738,935) exceeds depreciation expense (\$249,090) and loss on disposal of equipment (\$50,608) in the period.

2,439,237

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 (\$0) exceeds amortization expense (\$4,726) in the period.

(4,726)

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 government funds.

(11,799)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

328,139

**Change in net assets of governmental activities**

\$ 2,164,728

See notes to financial statements.

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

**September 30, 2008**

	Enterprise Funds					
	Electric <u>Fund</u>	Water <u>Fund</u>	Sewer <u>Fund</u>	Landfill <u>Fund</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 2,273,022	\$ 96,012	\$ 270,000	\$ -	\$ -	\$ 2,639,034
Certificates of deposit	36,291	230,101	-	-	-	266,392
Investments	-	-	-	99,545	-	99,545
Receivables:						
Accounts, net of allowance for doubtful accounts	153,363	23,420	12,164	2,111	-	191,058
Unbilled revenue	155,529	18,758	12,308	1,807	-	188,402
Assessments	-	30,349	13,161	-	-	43,510
Current portion of notes receivable	14,065	-	-	-	-	14,065
Interest	330	1,325	-	-	-	1,655
Due from other funds	46,692	-	-	-	(46,692)	-
Inventory	212,381	21,562	2,824	-	-	236,767
Prepaid expenses	3,516	3,972	2,856	3,484	-	13,828
Total current assets	2,895,189	425,499	313,313	106,947	(46,692)	3,694,256
Noncurrent assets:						
Restricted investments	-	-	-	294,764	-	294,764
Noncurrent portion of notes receivable	85,810	-	-	-	-	85,810
Unamortized bond costs	38,936	-	-	-	-	38,936
Capital assets:						
Depreciable capital assets	6,305,866	1,228,900	2,952,086	1,497,575	-	11,984,427
Less accumulated depreciation	(1,661,091)	(424,646)	(1,037,711)	(405,911)	-	(3,529,359)
Net capital assets	4,644,775	804,254	1,914,375	1,091,664	-	8,455,068
Total noncurrent assets	4,769,521	804,254	1,914,375	1,386,428	-	8,874,578
Total assets	7,664,710	1,229,753	2,227,688	1,493,375	(46,692)	12,568,834
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	359,247	12,171	11,093	8,420	-	390,931
Due to other funds	-	-	-	46,692	(46,692)	-
Accrued payroll and vacation	16,235	11,009	4,662	4,732	-	36,638
Deferred revenue	-	26,349	2,661	-	-	29,010
Sales tax payable	17,097	-	-	-	-	17,097
Accrued interest payable	37,735	4,115	-	1,330	-	43,180
Customer deposits	56,615	26,190	-	-	-	82,805
Current portion of long-term obligations	70,000	19,695	-	22,082	-	111,777
Total current liabilities	556,929	99,529	18,416	83,256	(46,692)	711,438
Noncurrent liabilities:						
Accrued closure and postclosure costs	-	-	-	401,000	-	401,000
Noncurrent portion of long-term obligations	2,280,000	332,165	-	199,726	-	2,811,891
Total noncurrent liabilities	2,280,000	332,165	-	600,726	-	3,212,891
Total liabilities	2,836,929	431,694	18,416	683,982	(46,692)	3,924,329
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	2,333,711	452,394	1,914,375	869,856	-	5,570,336
Restricted for closure and postclosure costs	-	-	-	294,764	-	294,764
Unrestricted	2,494,070	345,665	294,897	(355,227)	-	2,779,405
Total net assets	\$ 4,827,781	\$ 798,059	\$ 2,209,272	\$ 809,393	\$ -	\$ 8,644,505

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, 2008

	Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	Total
<b>Operating revenues:</b>					
Charges for services	\$ 3,064,138	\$ 301,998	\$ 202,147	\$ 241,322	\$ 3,809,605
Other revenue	41,301	3,737	13,973	1,010	60,021
Total operating revenues	<u>3,105,439</u>	<u>305,735</u>	<u>216,120</u>	<u>242,332</u>	<u>3,869,626</u>
<b>Operating expenses:</b>					
Cost of power/gas	2,139,586	-	-	-	2,139,586
Personnel services	185,916	166,426	119,204	49,950	521,496
Insurance and bonds	14,248	15,780	11,878	16,310	58,216
Utilities and telephone	7,409	3,675	35,701	1,705	48,490
Repairs and maintenance	33,458	53,515	37,641	21,192	145,806
Contractual obligations	3,069	6,478	1,529	49,638	60,714
Supplies	79,193	6,393	8,984	1,844	96,414
Professional fees	12,809	2,133	1,364	1,428	17,734
Miscellaneous	18,287	1,706	4,350	79,591	103,934
Depreciation	160,558	50,906	80,675	38,068	330,207
Amortization	2,973	-	-	-	2,973
Total operating expenses	<u>2,657,506</u>	<u>307,012</u>	<u>301,326</u>	<u>259,726</u>	<u>3,525,570</u>
Operating income (loss)	447,933	(1,277)	(85,206)	(17,394)	344,056
<b>Nonoperating revenues (expenses):</b>					
Interest income	91,393	10,885	842	10,840	113,960
Interest expense	(4,852)	(14,463)	-	(11,026)	(30,341)
Loss on disposal of equipment	(22,160)	(12,012)	(10,797)	(3,498)	(48,467)
Grant revenue	-	529	-	-	529
Total nonoperating revenues (expenses)	<u>64,381</u>	<u>(15,061)</u>	<u>(9,955)</u>	<u>(3,684)</u>	<u>35,681</u>
Income (loss) before interfund transfers	512,314	(16,338)	(95,161)	(21,078)	379,737
<b>Interfund transfers:</b>					
Transfer from (to) other funds	<u>(292,207)</u>	<u>25,115</u>	<u>15,438</u>	<u>2,307</u>	<u>(249,347)</u>
Change in net assets	220,107	8,777	(79,723)	(18,771)	130,390
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>
Net assets - September 30, 2008	<u>\$ 4,827,781</u>	<u>\$ 798,059</u>	<u>\$ 2,209,272</u>	<u>\$ 809,393</u>	<u>\$ 8,644,505</u>

See notes to financial statements.

**CITY OF VALENTINE, NEBRASKA**

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS**

**For the year ended September 30, 2008**

	<u>Enterprise Funds</u>	
	<u>Electric Fund</u>	<u>Water Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 3,088,488	\$ 306,072
Payments to suppliers	(2,152,570)	(86,414)
Payments to employees	(187,222)	(164,875)
Net cash provided (used) by operating activities	<u>748,696</u>	<u>54,783</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Change in due to/from other funds	12,922	-
Transfers from (to) other funds	(292,207)	25,115
Net cash provided (used) by noncapital financing activities	<u>(279,285)</u>	<u>25,115</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of property and equipment	(2,120,757)	(17,014)
Grant proceeds	-	529
Payments received on notes receivable	13,431	-
Payments of bond issuance costs	(38,187)	-
Proceeds from issuance of bonds	2,350,000	-
Principal payments on capital debt	(360,000)	(20,463)
Interest paid on capital debt	(11,942)	(14,688)
Net cash used by capital and related financing activities	<u>(167,455)</u>	<u>(51,636)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Increase in certificates of deposit and investments	(1,589)	(10,104)
Interest received	91,663	12,110
Net cash provided by investing activities	<u>90,074</u>	<u>2,006</u>
Increase in cash and cash equivalents	392,030	30,268
Cash and cash equivalents - beginning of the year	<u>1,880,992</u>	<u>65,744</u>
Cash and cash equivalents - end of the year	<u><u>\$ 2,273,022</u></u>	<u><u>\$ 96,012</u></u>

See notes to financial statements



Enterprise Funds		
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
\$ 212,126	\$ 248,476	\$ 3,855,162
(95,562)	(155,176)	(2,489,722)
(119,432)	(50,280)	(521,809)
<u>(2,868)</u>	<u>43,020</u>	<u>843,631</u>
-	(12,922)	-
15,438	2,307	(249,347)
<u>15,438</u>	<u>(10,615)</u>	<u>(249,347)</u>
(4,020)	-	(2,141,791)
-	-	529
-	-	13,431
-	-	(38,187)
-	-	2,350,000
-	(21,079)	(401,542)
-	(11,326)	(37,956)
<u>(4,020)</u>	<u>(32,405)</u>	<u>(255,516)</u>
-	(10,840)	(22,533)
842	10,840	115,455
<u>842</u>	<u>-</u>	<u>92,922</u>
9,392	-	431,690
260,608	-	2,207,344
<u>\$ 270,000</u>	<u>\$ -</u>	<u>\$ 2,639,034</u>

# CITY OF VALENTINE, NEBRASKA

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, Continued

For the year ended September 30, 2008

	Enterprise Funds	
	Electric <u>Fund</u>	Water <u>Fund</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 447,933	\$ (1,277)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	160,558	50,906
Amortization expense	2,973	-
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	(19,121)	(2,283)
Assessments	-	3,716
Inventories	(7,638)	(195)
Prepaid expenses	(1,528)	(2,041)
Accounts payable	160,510	7,991
Accrued payroll and vacation	(1,306)	1,551
Deferred revenue	-	(1,716)
Other accrued expenses	4,145	(2,489)
Customer deposits	2,170	620
Net cash provided (used) by operating activities	<u>\$ 748,696</u>	<u>\$ 54,783</u>

See notes to financial statements.

Enterprise Funds		
Sewer <u>Fund</u>	Landfill <u>Fund</u>	<u>Total</u>
\$ (85,206)	\$ (17,394)	\$ 344,056
80,675	38,068	330,207
-	-	2,973
(992)	6,144	(16,252)
10,532	-	14,248
277	-	(7,556)
(936)	677	(3,828)
7,515	5,453	181,469
(228)	(330)	(313)
(13,534)	-	(15,250)
(971)	10,402	11,087
-	-	2,790
<u>\$ (2,868)</u>	<u>\$ 43,020</u>	<u>\$ 843,631</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS**

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# **CITY OF VALENTINE, NEBRASKA**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2008**

### **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 and Statement No. 39, 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, 2008**

#### **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, 2008**

**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.

*Permanent Funds*

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

**Proprietary Funds**

*Enterprise Funds*

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

# CITY OF VALENTINE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2008

### 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>	
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, 2008**

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

**2. Basis of Presentation, continued**

**Major and Nonmajor Funds, continued**

<b><u>Fund</u></b>	<b><u>Brief Description</u></b>
<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, 2008**

#### **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, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

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

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

**Long-term Debt, 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 their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net 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, 2008**

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

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

**Sales and Use Tax**

The City presently levies a one-and-one-half-cent sales tax on taxable sales within the City. The sales tax is 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.

Sales taxes collected by the State in September (which represent 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.

# **CITY OF VALENTINE, NEBRASKA**

## **NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2008**

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

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

##### **Property Taxes, continued**

Property taxes levied for 2007-2008 are recorded as revenue when expected to be collected within 60 days after September 30, 2008. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as deferred revenue on the fund balance sheets.

##### **Operating Revenues and Expenses**

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

##### **Expenditures/Expenses**

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

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

Governmental Funds – by Character and Function

Proprietary Fund – by Operating and Nonoperating

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



## CITY OF VALENTINE, NEBRASKA

### NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2008

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

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

##### **1. Fund Accounting Requirements**

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

##### **2. Deposit Laws and Regulations**

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The City's 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 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.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2008**

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

**5. Budgetary Data**

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

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

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

- a. On or before August 1, the City prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.
- b. The budget is published with subsequent public hearings to obtain taxpayer comments.
- c. Prior to September 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.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2008**

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

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

**1. Cash and 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, 2008. 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.

<b><u>Types of Deposits</u></b>	<b><u>Total Bank Balance</u></b>	<b><u>Category 1</u></b>	<b><u>Category 2</u></b>	<b><u>Category 3</u></b>	<b><u>Total Carrying Value</u></b>
Demand deposits, money market funds, and certificates of deposit	\$ 5,183,644	\$ 444,223	\$ 4,509,289	\$ 230,132	\$ <u>4,300,595</u>

**Reconciliation to Government-wide Statement of Net Assets:**

Cash and Cash Equivalents –

Unrestricted

\$ 3,412,853

Restricted

337,587

Certificates of Deposit –

Unrestricted

550,155

\$ 4,300,595

# CITY OF VALENTINE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2008

### 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 City's investments at September 30, 2008, are as follows:

<u>Types of Deposits</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government securities	\$ <u>394,309</u>	\$ <u>394,309</u>

Reconciliation to Government-wide Statement of Net Assets:

Primary Government –	
Unrestricted investments	\$ 99,545
Restricted investments	<u>294,764</u>
	\$ <u>394,309</u>

#### 2. Restricted Assets

The restricted assets as of September 30, 2008, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 337,587	\$ -	\$ 337,587
Investments	-	294,764	294,764
	<u>\$ 337,587</u>	<u>\$ 294,764</u>	<u>\$ 632,351</u>

The governmental activities' restricted assets (\$337,587) relate to pool construction and are required by bond agreements. The business-type activities' restricted assets (\$294,764) are restricted to cover landfill closure costs.

# CITY OF VALENTINE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2008

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

#### 3. Accounts Receivable

Accounts receivable of the business-type activities consist of utilities receivable. Receivables detail at September 30, 2008, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 264,958
Allowance for doubtful accounts	<u>(73,900)</u>
Net accounts receivable	<u><u>\$ 191,058</u></u>

#### 4. Capital Assets

Capital asset activity for the year ended September 30, 2008, was as follows:

	<u>Balance at October 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	<u>Balance at September 30, 2008</u>
<b><u>Governmental Activities:</u></b>					
Capital assets not being depreciated:					
Land	\$ 79,462	\$ -	\$ -	\$ -	\$ 79,462
Construction in progress	440,994	775,762	-	(440,994)	775,762
Total capital assets not being depreciated	520,456	775,762	-	(440,994)	855,224
Other capital assets being depreciated:					
Buildings and improvements	2,466,849	1,789,507	(46,467)	440,994	4,650,883
Machinery and equipment	498,790	173,666	(82,587)	-	589,869
Vehicles	281,439	-	(22,125)	-	259,314
Total other capital assets at historical cost	3,247,078	1,963,173	(151,179)	440,994	5,500,066
Less accumulated depreciation for:					
Buildings and improvements	(285,584)	(139,279)	19,266	-	(405,597)
Machinery and equipment	(221,399)	(76,951)	64,798	-	(233,552)
Vehicles	(150,141)	(32,860)	16,507	-	(166,494)
Total accumulated depreciation	<u>(657,124)</u>	<u>(249,090) *</u>	<u>100,571</u>	<u>-</u>	<u>(805,643)</u>
Other capital assets, net	2,589,954	1,714,083	(50,608)	440,994	4,694,423
Governmental activities capital assets, net	<u><u>\$ 3,110,410</u></u>	<u><u>\$ 2,489,845</u></u>	<u><u>\$ (50,608)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,549,647</u></u>

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

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2008**

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

**4. Capital Assets, continued**

**Governmental Activities, continued:**

General Fund:

General government	\$ 7,652
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Public safety:

Police	12,554
Fire	<u>45,351</u>
Total public safety	57,905

Public works:

Cemetery	6,474
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Environment and leisure:

Swimming Pool	32,806
Library	3,610
Parks and Recreation	13,598
Bookmobile	<u>2,041</u>
Total environment and leisure	<u>52,055</u>

Total General Fund	124,086
--------------------	---------

<u>Street Fund</u>	24,580
--------------------	--------

<u>Airport Fund</u>	<u>100,424</u>
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Total governmental activities depreciation expense	\$ <u>249,090</u>
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Construction in progress consisted of \$775,762 of costs incurred through September 30, 2008, for taxiway and apron improvements. Additional disclosures related to construction commitments can be found in note D3.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2008**

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

**4. Capital Assets, continued**

	<u>Balance at</u> <u>October 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	<u>Balance at</u> <u>September 30, 2008</u>
<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	2,158,492	-	75,264	4,398,451
Buildings and improvements	1,280,298	-	-	-	1,280,298
Machinery and equipment	6,032,544	21,035	(131,786)	-	5,921,793
Vehicles	546,045	-	(162,156)	-	383,889
Total other capital assets at historical cost	10,023,582	2,179,527	(293,942)	75,264	11,984,431
Less accumulated depreciation for:					
Distribution systems, buildings, and equipment	(615,543)	(69,822)	-	-	(685,365)
Buildings and improvements	(394,749)	(28,871)	-	-	(423,620)
Machinery and equipment	(2,146,872)	(207,957)	91,441	-	(2,263,388)
Vehicles	(287,467)	(23,557)	154,034	-	(156,990)
Total accumulated depreciation	(3,444,631)	(330,207) *	245,475	-	(3,529,363)
Other capital assets, net	6,578,951	1,849,320	(48,467)	75,264	8,455,068
Business-type activities capital assets, net	\$ 6,654,215	\$ 1,849,320	\$ (48,467)	\$ -	\$ 8,455,068

\* Depreciation expense was charged to functions as follows:

Electric	\$ 160,558
Water	50,906
Sewer	80,675
Landfill	38,068
Total business-type activities depreciation expense	\$ <u>330,207</u>

# CITY OF VALENTINE, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2008

### 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, 2008:

<u>Type of Debt</u>	<u>Balance at October 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2008</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable	<u>\$ 2,966,965</u>	<u>\$ -</u>	<u>\$ (328,139)</u>	<u>\$ 2,638,826</u>	<u>\$ 270,066</u>
Business-type Activities:					
Bonds and notes payable	<u>\$ 975,210</u>	<u>\$ 2,350,000</u>	<u>\$ (401,542)</u>	<u>\$ 2,923,668</u>	<u>\$ 111,777</u>

#### Governmental Activities

As of September 30, 2008, the governmental long-term liabilities consisted of the following:

Bonds and notes 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.

\$ 520,000

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.

1,710,000



**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2008**

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

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

**Governmental Activities, continued**

Bonds and notes payable, 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 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%.

45,000

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.

79,040

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%.

54,786

Total governmental activities bonds and notes payable

\$ 2,638,826

Current portion

\$ 270,066

Noncurrent portion

2,368,760

Total

\$ 2,638,826

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2008**

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

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

**Business-type Activities**

As of September 30, 2008, the long-term debt payable from proprietary fund resources consisted of the following:

Bond and notes payable:

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%.

\$ 176,719

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.

351,860

Combined utilities system revenue and refunding bonds, series 2008, with an original issue amount of \$2,350,000. Interest rates range from 3.15% to 4.85%. Interest is due in semiannual installments and principal is due in annual installments through November 15, 2028.

2,350,000

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2008**

**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.

45,089

Total business-type activity bond and notes payable \$ 2,923,668

Current portion \$ 111,777

Noncurrent portion 2,811,891

Total \$ 2,923,668

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2008, are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Fees</u>
2009	\$ 270,066	\$ 93,950	\$ 111,777	\$ 118,069	\$ 3,469
2010	290,304	83,918	113,429	114,586	3,271
2011	270,551	73,771	120,146	110,888	3,067
2012	280,808	63,803	126,936	106,895	2,856
2013	296,076	53,143	128,802	102,687	2,639
2014-2018	1,231,021	95,858	691,600	440,509	9,706
2019-2023	-	-	725,978	296,951	3,207
2024-2028	-	-	735,000	133,499	-
2029-2033	-	-	170,000	4,123	-
	<u>\$2,638,826</u>	<u>\$ 464,443</u>	<u>\$ 2,923,668</u>	<u>\$ 1,428,207</u>	<u>\$ 28,215</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, 2008**

**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, 2008:

Current portion	\$ 19,555
Non-current portion	<u>116,879</u>
Total street improvement assessments	\$ <u>136,434</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, 2008:

	<u>Water</u>	<u>Sewer</u>
Current portion	\$ 4,000	\$ 10,500
Non-current portion	<u>26,349</u>	<u>2,661</u>
Total improvements assessments	\$ <u>30,349</u>	\$ <u>13,161</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2008**

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

**8. Interfund Transactions and Balances**

The \$97,317 balance due from the Airport Fund to the General Fund was created by negative pooled cash in the Airport Fund. The \$58,076 balance due from the Street Fund to the General Fund was created by negative pooled cash in the Street Fund. The \$46,692 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	\$ 458,418	\$ -
Street Fund	18,270	-
Airport Fund	69,131	-
Nonmajor Funds	-	(296,472)
Electric Fund	-	(292,207)
Water Fund	25,115	-
Sewer Fund	15,438	-
Landfill Fund	<u>2,307</u>	<u>-</u>
Total operating transfers	\$ <u>588,679</u>	\$ <u>(588,679)</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, 2008, the City's total payroll and covered payroll under the plan was \$926,110 and \$677,734, respectively. Both the City's required contribution of \$29,057 and the covered employees' required contribution of \$29,057 were made for the year ended September 30, 2008.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2008**

**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 \$3,956 under the plan for the year ended September 30, 2008.

**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, 2008, 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, 2008

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>
April 2009	<u>\$ 550,155</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, 2008, the City's cash deposits and investments consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
First National Bank of Valentine	\$ 4,843,727
Bank of the West	237,034
Union Bank & Trust	<u>497,192</u>
Totals	<u>\$ 5,577,953</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 the City held no investments denominated in foreign currency at September 30, 2008.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2008**

**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 9/30/2008</u>	<u>Obligation Pending</u>	<u>Expected Completion</u>
<u>Governmental:</u>				
Airport taxiway and apron	<u>\$ 1,780,372</u>	<u>\$ 574,830</u>	<u>\$ 2,621,442</u>	December 2008

**Closure and Postclosure Costs**

State and federal laws and regulations require the Valentine Landfill to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Valentine Landfill reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$401,000 reported as landfill closure and postclosure care liability at September 30, 2008, 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 postclosure care of \$814,234 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2008. 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 (FAM). 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 postclosure care. The Valentine Landfill is in compliance with these requirements, and, at September 30, 2008, investments totaled \$294,764 at Union Bank. The City of Valentine expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.



**CITY OF VALENTINE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2008**

**NOTE D – OTHER NOTES, continued**

**4. Interlocal Agreements**

The City has the following Interlocal agreements in effect as of September 30, 2008:

<b>Parties to Agreement</b>	<b>Term</b>	<b>Description</b>
Cherry County	October 1, 2008 - September 30, 2009	Agreement for law enforcement and fire dispatch
Cherry County	September 12, 2008 - September 12, 2009	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, 2008**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Taxes:			
Property	\$ 571,104	\$ 465,283	\$ (105,821)
Sales	232,850	260,524	27,674
Franchise	20,000	20,588	588
Intergovernmental	84,805	100,458	15,653
Licenses and permits	11,800	11,835	35
Charges for services	144,355	141,688	(2,667)
Donations	287,000	684,592	397,592
Interest income	20,620	101,973	81,353
Other	<u>12,900</u>	<u>56,797</u>	<u>43,897</u>
Total resources	1,385,434	1,843,738	458,304
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
General government	387,150	341,828	(45,322)
Public safety	533,001	493,866	(39,135)
Recreation	213,330	229,199	15,869
Library	181,981	150,179	(31,802)
Cemetery	45,650	39,704	(5,946)
Capital outlay	1,629,872	1,579,223	(50,649)
Principal payments on debt	225,297	225,297	-
Interest payments on debt	<u>73,176</u>	<u>73,186</u>	<u>10</u>
Total charges to appropriations	<u>3,289,457</u>	<u>3,132,482</u>	<u>(156,975)</u>
Resources under charges to appropriations	(1,904,023)	(1,288,744)	615,279
<b>OTHER FINANCING SOURCES</b>			
Net transfers	<u>851,449</u>	<u>458,418</u>	<u>(393,031)</u>
<b>RESOURCES AND OTHER FINANCING SOURCES UNDER CHARGES TO APPROPRIATIONS</b>	<u>\$ (1,052,574)</u>	<u>\$ (830,326)</u>	<u>\$ 222,248</u>

**CITY OF VALENTINE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
STREET FUND**

**Year ended September 30, 2008**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Motor vehicle tax	\$ 48,000	\$ 49,579	\$ 1,579
Intergovernmental	326,225	387,137	60,912
Special assessments	65,347	92,316	26,969
Interest income	7,000	4,596	(2,404)
Bond/loan proceeds	230,000	-	(230,000)
Other income	<u>9,600</u>	<u>2,689</u>	<u>(6,911)</u>
Total resources	686,172	536,317	(149,855)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Public works	351,230	368,170	16,940
Capital outlay	280,000	170,933	(109,067)
Principal payments on debt	56,345	56,345	-
Interest payments on debt	<u>28,735</u>	<u>28,744</u>	<u>9</u>
Total charges to appropriations	<u>716,310</u>	<u>624,192</u>	<u>(92,118)</u>
Resources under charges to appropriations	(30,138)	(87,875)	(57,737)
<b>OTHER FINANCING SOURCES</b>			
Net transfers in	<u>54,800</u>	<u>18,270</u>	<u>(36,530)</u>
<b>RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ 24,662</u>	<u>\$ (69,605)</u>	<u>\$ (94,267)</u>

**CITY OF VALENTINE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
AIRPORT FUND**

**Year ended September 30, 2008**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Property tax	\$ 1,797	\$ 358	\$ (1,439)
Charges for services	160,000	171,839	11,839
Grant income	3,037,559	949,648	(2,087,911)
	<u>-</u>	<u>4,787</u>	<u>4,787</u>
Total resources	3,199,356	1,126,632	(2,072,724)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Operating expenditures	136,052	146,298	10,246
Capital outlay	3,140,201	988,779	(2,151,422)
Principal payments on debt	30,932	46,497	15,565
Interest on long-term debt	<u>2,623</u>	<u>2,623</u>	<u>-</u>
Total charges to appropriations	<u>3,309,808</u>	<u>1,184,197</u>	<u>(2,125,611)</u>
Resources under charges to appropriations	(110,452)	(57,565)	52,887
<b>OTHER FINANCING SOURCES</b>			
Net transfers in	<u>128,342</u>	<u>69,131</u>	<u>(59,211)</u>
<b>RESOURCES AND OTHER FINANCING SOURCES OVER CHARGES TO APPROPRIATIONS</b>	<u>\$ 17,890</u>	<u>\$ 11,566</u>	<u>\$ (6,324)</u>

**CITY OF VALENTINE, NEBRASKA**

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

**Year ended September 30, 2008**

**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	\$ 1,843,738	\$ 536,317	\$ 1,126,632
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>4,577</u>	<u>(40,643)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,848,315</u></u>	<u><u>\$ 495,674</u></u>	<u><u>\$ 1,126,632</u></u>
<b>Uses/outflows of resources:</b>			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 3,132,482	\$ 624,192	\$ 1,184,197
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>5,604</u>	<u>(31,923)</u>	<u>(3,589)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 3,138,086</u></u>	<u><u>\$ 592,269</u></u>	<u><u>\$ 1,180,608</u></u>

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF VALENTINE, NEBRASKA**  
**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2008**

	Special Revenue Funds		
	Fines and <u>Fees</u>	<u>Infrastructure</u>	Economic <u>Development</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,491	\$ 250,188	\$ 187,749
Certificates of deposit	-	-	-
Interest receivable	-	-	-
Sales tax receivable	-	75,909	22,639
<b>Total assets</b>	<u>\$ 7,491</u>	<u>\$ 326,097</u>	<u>\$ 210,388</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Fund balances:			
Reserved for:			
Economic development	\$ -	\$ -	\$ 187,749
Cemetery perpetual care	-	-	-
Street	-	54,443	-
Infrastructure	-	195,745	-
Unreserved	7,491	75,909	22,639
Total fund balances	<u>7,491</u>	<u>326,097</u>	<u>210,388</u>
<b>Total liabilities and fund balances</b>	<u>\$ 7,491</u>	<u>\$ 326,097</u>	<u>\$ 210,388</u>



Permanent Funds		
Perpetual Care	Queen Jackson Memorial	Total Nonmajor Governmental Funds
\$ 1,676	\$ -	\$ 447,104
133,826	-	133,826
830	-	830
-	-	98,548
<u>\$ 136,332</u>	<u>\$ -</u>	<u>\$ 680,308</u>
\$ -	\$ -	\$ 187,749
135,502	-	135,502
-	-	54,443
-	-	195,745
830	-	106,869
<u>136,332</u>	<u>-</u>	<u>680,308</u>
<u>\$ 136,332</u>	<u>\$ -</u>	<u>\$ 680,308</u>

**CITY OF VALENTINE, NEBRASKA**

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

**For the year ended September 30, 2008**

	<u>Special Revenue Funds</u>	
	Fine and <u>Fees</u>	<u>Infrastructure</u>
<b>REVENUES</b>		
Sales tax	\$ -	\$ 431,246
Licenses and permits	5,660	-
Contributions	-	-
Interest income	-	5,483
Other	-	-
Total revenues	<u>5,660</u>	<u>436,729</u>
<b>EXPENDITURES</b>		
General government	<u>4,690</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	970	436,729
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from other funds	<u>-</u>	<u>(227,250)</u>
<b>Net change in fund balances</b>	970	209,479
Fund balances - September 30, 2007	<u>6,521</u>	<u>116,618</u>
Fund balances - September 30, 2008	<u><u>\$ 7,491</u></u>	<u><u>\$ 326,097</u></u>

	Permanent Funds		
<u>Economic Development</u>	<u>Perpetual Care</u>	<u>Queen Jackson Memorial</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 141,061	\$ -	\$ -	\$ 572,307
-	-	-	5,660
-	-	23,126	23,126
3,331	-	-	8,814
-	525	-	525
<u>144,392</u>	<u>525</u>	<u>23,126</u>	<u>610,432</u>
-	870	-	5,560
144,392	(345)	23,126	604,872
<u>(13,230)</u>	<u>-</u>	<u>(55,992)</u>	<u>(296,472)</u>
131,162	(345)	(32,866)	308,400
<u>79,226</u>	<u>136,677</u>	<u>32,866</u>	<u>371,908</u>
<u>\$ 210,388</u>	<u>\$ 136,332</u>	<u>\$ -</u>	<u>\$ 680,308</u>

# CITY OF VALENTINE, NEBRASKA

## COMBINING STATEMENT OF REVENUES AND EXPENDITURES

### GENERAL FUND DEPARTMENTS

Year ended September 30, 2008

	<u>Administrative</u>	<u>Police</u>	<u>Fire</u>
<b>REVENUES</b>			
Taxes:			
General property tax	\$ 283,632	\$ -	\$ 108
Sales tax	-	-	-
Franchise	20,588	-	-
Intergovernmental revenue:			
State assistance	100,458	-	-
Licenses and permits	11,835	-	-
Charges for services	-	-	-
Grants and donations	-	-	-
Interest income	3,173	-	-
Other receipts	46,734	-	-
Total revenues	<u>466,420</u>	<u>-</u>	<u>108</u>
<b>EXPENDITURES</b>			
Personnel services:			
Salaries and benefits	238,735	282,561	3,584
Operating expenses:			
Insurance	9,249	17,199	11,025
Professional fees	1,784	2,112	410
Meetings, seminars, and dues	12,632	4,384	3,822
Repairs and maintenance	7,236	20,724	19,868
Printing, postage, and publications	557	434	41
Utilities and telephone	8,113	4,364	14,339
Total operating expenses	<u>39,571</u>	<u>49,217</u>	<u>49,505</u>
Supplies	3,269	4,223	721
Other expenses	71,639	97,450	6,605
Capital outlay	5,511	-	-
Principal payments on debt	-	10,868	49,429
Interest payments	-	194	3,187
Total expenditures	<u>358,725</u>	<u>444,513</u>	<u>113,031</u>
Excess (deficiency) of revenues over expenditures before transfers	107,695	(444,513)	(112,923)
<b>TRANSFERS FROM (TO) OTHER FUNDS</b>	<u>726,362</u>	<u>-</u>	<u>53,472</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u><u>\$ 834,057</u></u>	<u><u>\$ (444,513)</u></u>	<u><u>\$ (59,451)</u></u>

<u>Pool</u>	<u>Library</u>	<u>Cemetery</u>	<u>Park</u>	<u>Bookmobile</u>	<u>Time Capsule</u>	<u>Total</u>
\$ 1,625	\$ 89,974	\$ 2,015	\$ 92,886	\$ -	\$ -	\$ 470,240
282,179	-	-	-	-	-	282,179
-	-	-	-	-	-	20,588
-	-	-	-	-	-	100,458
-	-	-	-	-	-	11,835
27,128	5,328	12,112	25,120	72,000	-	141,688
205,960	14,173	458,599	5,860	-	-	684,592
50,865	206	23,337	49	1,929	379	79,938
1,362	50	1,200	7,451	-	-	56,797
<u>569,119</u>	<u>109,731</u>	<u>497,263</u>	<u>131,366</u>	<u>73,929</u>	<u>379</u>	<u>1,848,315</u>
45,974	49,042	-	47,905	45,707	-	713,508
3,456	6,972	1,443	6,758	3,830	-	59,932
2,361	451	125	938	377	-	8,558
-	150	-	-	149	-	21,137
884	6,635	35,819	33,201	7,001	-	131,368
-	523	-	300	508	-	2,363
8,806	7,982	2,520	48,016	377	-	94,517
<u>15,507</u>	<u>22,713</u>	<u>39,907</u>	<u>89,213</u>	<u>12,242</u>	<u>-</u>	<u>317,875</u>
15,229	10,279	294	8,632	9,834	-	52,481
1,298	286	11	1,302	515	-	179,106
1,529,731	9,952	34,029	-	-	-	1,579,223
165,000	-	-	-	-	-	225,297
67,215	-	-	-	-	-	70,596
<u>1,839,954</u>	<u>92,272</u>	<u>74,241</u>	<u>147,052</u>	<u>68,298</u>	<u>-</u>	<u>3,138,086</u>
(1,270,835)	17,459	423,022	(15,686)	5,631	379	(1,289,771)
<u>(333,330)</u>	<u>(17,574)</u>	<u>8,707</u>	<u>19,046</u>	<u>1,735</u>	<u>-</u>	<u>458,418</u>
<u>\$ (1,604,165)</u>	<u>\$ (115)</u>	<u>\$ 431,729</u>	<u>\$ 3,360</u>	<u>\$ 7,366</u>	<u>\$ 379</u>	<u>\$ (831,353)</u>

## **SINGLE AUDIT REPORTS**

**CITY OF VALENTINE, NEBRASKA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended September 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Transportation</u></b>		
Passed Through the Nebraska Department of Aeronautics		
Airport Improvement Program	20.106	595,760 *
Airport Improvement Program	20.106	<u>141,330</u>
Total U.S. Department of Transportation		737,090
<b><u>Institute of Museum &amp; Library Services</u></b>		
Passed Through Nebraska Library Commission		
Grants to States	45.310	<u>10,260</u>
<b>Total Expenditures of Federal Awards</b>		<b><u>\$ 747,350</u></b>

\* Major programs

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant and loan activity of the City of North Platte, Nebraska, and is presented on the cash basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**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, 2008, which collectively comprise the City of Valentine, Nebraska's basic financial statements, and have issued our report thereon dated March 11, 2009. 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 in the accompanying schedule of findings and questioned costs as 2008-1 to be a significant deficiency in internal control over financial reporting.

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 11, 2009.

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, Maltzahn  
Galloway & Luth, P.C.*

Grand Island, Nebraska  
March 11, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of the City of Valentine, Nebraska, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Valentine, Nebraska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Valentine, Nebraska, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

## Internal Control Over Compliance

The management of the City of Valentine, Nebraska, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, Maltzahn  
Galloway & Lutz, P.C.*

Grand Island, Nebraska  
March 11, 2009

**CITY OF VALENTINE, NEBRASKA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year ended September 30, 2008**

1. A summary of auditor's results:

- (i) An unqualified opinion was issued on the financial statements of the City of Valentine, Nebraska, as of September 30, 2008.
- (ii) One significant deficiency disclosed during the audit of the financial statements is reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*." The deficiency is not reported as a material weakness.
- (iii) The audit disclosed no instances of noncompliance which are material to the financial statements of the City of Valentine, Nebraska.
- (iv) The audit did not disclose any significant deficiencies in the internal control over major programs for the City of Valentine.
- (v) An unqualified opinion was issued on compliance for major programs.
- (vi) The audit did not disclose any audit findings which we are required to report under § \_\_.510(a).
- (vii) Major Program: CFDA #20.106 - Airport Improvement Program.
- (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (ix) The City of Valentine, Nebraska, did not qualify as a low-risk auditee under § \_\_.530.

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

Reportable Condition

2008-1 Incompatible segregation of accounting duties consistent with appropriate control objectives due to the limited number of employees.

3. Findings and questioned costs for Federal awards which shall include audit findings as defined in § \_\_.510(a).

None

**CITY OF VALENTINE, NEBRASKA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year ended September 30, 2008**

There were no prior audit findings.