

**CITY OF VALENTINE, NEBRASKA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**September 30, 2009**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valentine, Nebraska, as of and for the year ended September 30, 2009, 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, 2009, 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 February 5, 2010, on our consideration of the City of Valentine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control

over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and required supplementary information on pages 5 through 13 and 55 through 58 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  
February 5, 2010



**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For The Year Ended September 30, 2009**

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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, 2009.

**Financial Highlights**

- The assets of the City of Valentine exceeded its liabilities at the close of the most recent fiscal year by \$15,908,862 (*net assets*). Of this amount, \$3,469,354 (*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 \$7,672,826. Approximately 12.4 percent of this total amount, \$951,933, is *unrestricted net assets*.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$690,235, or 53.2 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, 2009**

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

**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2009**

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 24-54 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 55-58 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 59-61 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 \$15,908,862 at the close of the most recent fiscal year.

### **Summary of Net Assets**

	September 30, 2009			September 30, 2008		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 2,378,500	\$ 3,955,717	\$ 6,334,217	\$ 1,827,871	\$ 4,113,766	\$ 5,941,637
Capital Assets	7,937,033	8,148,432	16,085,465	5,549,647	8,455,068	14,004,715
Total Assets	10,315,533	12,104,149	22,419,682	7,377,518	12,568,834	19,946,352
Long-term Liabilities	2,113,915	3,297,460	5,411,375	2,397,709	3,212,891	5,610,600
Other Liabilities	528,792	570,653	1,099,445	529,575	711,438	1,241,013
Total Liabilities	2,642,707	3,868,113	6,510,820	2,927,284	3,924,329	6,851,613
Net Assets:						
Invested in Capital Assets, net of related debt	5,596,591	5,371,894	10,968,485	2,947,409	5,570,336	8,517,745
Restricted	1,124,302	346,721	1,471,023	856,583	294,764	1,151,347
Unrestricted	951,933	2,517,421	3,469,354	646,242	2,779,405	3,425,647
Total Net Assets	<u>\$ 7,672,826</u>	<u>\$ 8,236,036</u>	<u>\$ 15,908,862</u>	<u>\$ 4,450,234</u>	<u>\$ 8,644,505</u>	<u>\$ 13,094,739</u>

By far the largest portion of the City of Valentine's net assets (68.9 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Valentine



**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2009**

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 (9.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$3,469,354) 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**

<b><u>Function</u></b>	<b><u>Year Ended September 30, 2009</u></b>		<b><u>Year Ended September 30, 2008</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>
General Government	\$ 14,000	\$ 141,919	\$ -	\$ 362,395
Public Safety	-	492,691	-	497,552
Public Works	-	386,799	-	338,558
Recreation	147,939	208,853	264,068	225,137
Library	84,712	154,832	91,501	152,722
Cemetery	11,062	40,409	470,711	40,212
Airport	2,792,361	102,544	1,121,487	142,709
Community Development	13,438	-	23,126	-
Interest	-	89,607	-	101,963
Depreciation and Amortization	-	407,772	-	253,816
Total	<u>\$ 3,063,512</u>	<u>\$ 2,025,426</u>	<u>\$ 1,970,893</u>	<u>\$ 2,115,064</u>

**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued  
For The Year Ended September 30, 2009**

**Revenues by Source – Governmental Activities**

**SOURCES OF REVENUE**

	<b><u>Year Ended September 30, 2009</u></b>			<b><u>Year Ended September 30, 2008</u></b>		
Charges for Services	\$	268,721	5.12 %	\$	313,527	7.33 %
Operating Grants and Contributions		113,883	2.17		707,718	16.54
Capital Grants and Contributions		2,680,908	51.08		949,648	22.19
Property Taxes		402,969	7.68		470,598	10.99
Motor Vehicle Taxes		50,033	0.95		49,579	1.16
Sales Tax		775,900	14.79		854,486	19.96
Franchise Taxes		335,904	6.40		20,588	0.48
State Allocation		481,061	9.17		487,595	11.39
Special Assessments		119,583	2.28		48,562	1.13
Miscellaneous		62,488	1.19		86,029	2.01
Interest		43,438	0.83		92,723	2.17
Disposal of equipment		-	-		(50,608)	(1.18)
Transfer (to) from Other Funds		(86,870)	(1.66)		249,347	5.83
Total	\$	<u>5,248,018</u>	<u>100.00 %</u>	\$	<u>4,279,792</u>	<u>100.00 %</u>

Net assets increased \$3,222,592 in the governmental funds during the year ended September 30, 2009.

**Business-type activities.** Business-type activities decreased the City of Valentine's net assets by \$(408,469). Key elements of this decrease are as follows:

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

<b><u>Function</u></b>	<b><u>Year Ended September 30, 2009</u></b>		<b><u>Year Ended September 30, 2008</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	\$ 3,228,091	\$ 3,524,315	\$ 3,105,439	\$ 2,684,518
Water	351,873	355,175	306,264	333,487
Sewer	238,780	340,731	216,120	312,123
Landfill	238,046	387,914	242,332	274,250
Total	<u>4,056,790</u>	<u>4,608,135</u>	<u>3,870,155</u>	<u>3,604,378</u>
Interfund Transfer	-	-	-	249,347
	<u>\$ 4,056,790</u>	<u>\$ 4,608,135</u>	<u>\$ 3,870,155</u>	<u>\$ 3,853,725</u>

**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2009**

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

**SOURCES OF REVENUE**

	<b><u>Year Ended September 30, 2009</u></b>		<b><u>Year Ended September 30, 2008</u></b>	
Charges for Services	\$ 4,056,790	96.60 %	\$ 3,869,626	97.13 %
Operating Grants and Contributions	-	-	529	0.01
Interest	56,006	1.33	113,960	2.86
Interfund Transfer	86,870	2.07	-	-
Total	<u>\$ 4,199,666</u>	<u>100.00 %</u>	<u>\$ 3,984,115</u>	<u>100.00 %</u>

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

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

***Governmental Funds.*** The focus of the City of Valentine's *governmental* funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Valentine's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Valentine's governmental funds reported combined ending fund balances of \$2,037,337. Approximately 44.8 percent of this total amount (\$913,035) 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 debt service (\$425,639), 2) to pay for infrastructure (\$142,142), 3) for economic development (\$250,924), 4) for cemetery perpetual care (\$136,077), 5) for street improvements (\$165,314), or 6) for community betterment (\$4,206).

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 \$690,235, while total fund balance reached \$1,115,874. 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 53.2 percent of total General Fund expenditures, while total fund balance represents 85.9 percent of the same amount.

The fund balance of the City of Valentine's General Fund increased by \$214,748 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 - \$2,245,474, Water Fund - \$407,298, Sewer Fund - \$269,893, and Landfill Fund - \$(405,244). The Electric Fund net assets decreased \$(375,296), the Water Fund net assets

**CITY OF VALENTINE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued**  
**For The Year Ended September 30, 2009**

increased \$60,354, the Sewer Fund net assets decreased \$(105,119), and the Landfill Fund net assets increased \$11,672. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of Valentine's business-type activities.

**Budgetary Highlights**

The budget was amended to increase Airport Fund infrastructure improvements \$860,000, increase Electric Fund expenditures \$46,000, and increase Street Fund expenditures \$400,000 for the refinancing of bonds.

**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, 2009, amounts to \$16,085,465 (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:

- Airport taxiway and apron rehab - \$2,763,403
- In-car cameras for police cars - \$19,580
- 2009 Dodge Ram 2500 - \$27,991
- Final costs on electric substation - \$27,678

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

	<b>Year Ended September 30, 2009</b>			<b>Year Ended September 30, 2008</b>		
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>		<b>Activities</b>	<b>Activities</b>	
Land	\$ 79,462	\$ -	\$ 79,462	\$ 79,462	\$ -	\$ 79,462
Construction in Progress	-	-	-	775,762	-	775,762
Buildings and Improvements	7,482,450	827,807	8,310,257	4,245,286	856,678	5,101,964
Machinery and Equipment	308,975	3,482,990	3,791,965	356,317	3,658,405	4,014,722
Distribution Systems, Buildings, and Equipment	-	3,604,272	3,604,272	-	3,713,086	3,713,086
Vehicles	66,146	233,363	299,509	92,820	226,899	319,719
<b>Total</b>	<b>\$ 7,937,033</b>	<b>\$ 8,148,432</b>	<b>\$ 16,085,465</b>	<b>\$ 5,549,647</b>	<b>\$ 8,455,068</b>	<b>\$ 14,004,715</b>

**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued  
For The Year Ended September 30, 2009**

Additional information on the City of Valentine's capital assets can be found in Note C5 on pages 42-44 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 \$5,190,649.

**City of Valentine's Outstanding Debt**

	Year Ended September 30, 2009			Year Ended September 30, 2008		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
General Obligation Bonds	\$ 1,760,000	\$ -	\$ 1,760,000	\$ 1,940,000	\$ -	\$ 1,940,000
Refunding Bonds	475,000	-	475,000	520,000	-	520,000
Revenue Bonds	-	2,280,000	2,280,000	-	2,350,000	2,350,000
Notes Payable	143,760	531,889	675,649	178,826	573,668	752,494
Total	<u>\$ 2,378,760</u>	<u>\$ 2,811,889</u>	<u>\$ 5,190,649</u>	<u>\$ 2,638,826</u>	<u>\$ 2,923,668</u>	<u>\$ 5,562,494</u>

The City of Valentine's total debt decreased by \$371,845 (6.7 percent) during the current fiscal year.

During the current fiscal year, the City issued \$415,000 of refunding bonds to refinance old refunding bonds.

The City of Valentine does not have a bond rating.

Additional information on the City of Valentine's long-term debt can be found in Note C7 on pages 45-48 of this report.

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

- Property tax asking for the year ending September 30, 2010, is \$430,999, a \$2,339 increase (0.5%) over the prior year.
- The City's property tax levy was .35 for 2009-2010, the same as 2008-2009.
- The City increased electric rates 3% effective October 1, 2009, and an additional 3% effective January 1, 2010.
- The City increased sewer rates effective October 1, 2009.

All of these factors were considered in preparing the City of Valentine's budget for the 2010 fiscal year.



**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued  
For The Year Ended September 30, 2009**

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**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, 2009**

	Primary Government		
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,142,456	\$ 1,441,334	\$ 2,583,790
Certificates of deposit	288,876	1,178,084	1,466,960
Investments	-	193,329	193,329
County treasurer cash	39,416	-	39,416
Receivables:			
Special assessments	185,047	32,505	217,552
Accounts, net of allowance for doubtful accounts	-	158,844	158,844
Unbilled revenue	-	231,323	231,323
Current portion of notes receivable	12,661	14,730	27,391
Property tax	19,231	-	19,231
Interest	705	6,415	7,120
Sales tax	139,592	-	139,592
Inventory	26,518	240,707	267,225
Prepaid expenses	8,345	5,294	13,639
Total current assets	<u>1,862,847</u>	<u>3,502,565</u>	<u>5,365,412</u>
Noncurrent assets:			
Restricted cash and cash equivalents	425,639	-	425,639
Restricted investments	-	346,721	346,721
Noncurrent portion of notes receivable	51,696	71,080	122,776
Unamortized bond costs	38,318	35,351	73,669
Capital assets:			
Land	79,462	-	79,462
Depreciable capital assets, net of depreciation	7,857,571	8,148,432	16,006,003
Net capital assets	<u>7,937,033</u>	<u>8,148,432</u>	<u>16,085,465</u>
Total noncurrent assets	<u>8,452,686</u>	<u>8,601,584</u>	<u>17,054,270</u>
<b>Total assets</b>	<u>10,315,533</u>	<u>12,104,149</u>	<u>22,419,682</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	55,579	228,392	283,971
Accrued expenses	53,198	117,058	170,256
Deferred revenue	129,711	25,624	155,335
Customer deposits	-	86,150	86,150
Current portion of long-term obligations	290,304	113,429	403,733
Total current liabilities	<u>528,792</u>	<u>570,653</u>	<u>1,099,445</u>
Noncurrent liabilities:			
Accrued closure and postclosure costs	-	599,000	599,000
Compensated absences	25,459	-	25,459
Noncurrent portion of long-term obligations	2,088,456	2,698,460	4,786,916
Total noncurrent liabilities	<u>2,113,915</u>	<u>3,297,460</u>	<u>5,411,375</u>
<b>Total liabilities</b>	<u>2,642,707</u>	<u>3,868,113</u>	<u>6,510,820</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,596,591	5,371,894	10,968,485
Restricted for:			
Landfill closure and postclosure costs	-	346,721	346,721
Debt service	425,639	-	425,639
Street	165,314	-	165,314
Infrastructure	142,142	-	142,142
Economic development	250,924	-	250,924
Community betterment	4,206	-	4,206
Cemetery perpetual care	136,077	-	136,077
Unrestricted	951,933	2,517,421	3,469,354
<b>Total net assets</b>	<u>\$ 7,672,826</u>	<u>\$ 8,236,036</u>	<u>\$ 15,908,862</u>

See notes to financial statements.

# CITY OF VALENTINE, NEBRASKA

## STATEMENT OF ACTIVITIES

For the year ended September 30, 2009

<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	\$ 141,919	\$ -	\$ 14,000
Public safety	492,691	-	-
Public works	386,799	-	-
Recreation	208,853	65,137	82,802
Library	154,832	81,069	3,643
Cemetery	40,409	11,062	-
Airport	102,544	111,453	-
Community development	-	-	13,438
Interest on long-term debt	89,607	-	-
Depreciation and amortization	407,772	-	-
Total governmental activities	2,025,426	268,721	113,883
<b>Business-type activities:</b>			
Electric	3,524,315	3,228,091	-
Water	355,175	351,873	-
Sewer	340,731	238,780	-
Landfill	387,914	238,046	-
Total business-type activities	4,608,135	4,056,790	-
<b>Total primary government</b>	<b>\$ 6,633,561</b>	<b>\$ 4,325,511</b>	<b>\$ 113,883</b>

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>
\$ -	\$ (127,919)		\$ (127,919)
-	(492,691)		(492,691)
-	(386,799)		(386,799)
-	(60,914)		(60,914)
-	(70,120)		(70,120)
-	(29,347)		(29,347)
2,680,908	2,689,817		2,689,817
-	13,438		13,438
-	(89,607)		(89,607)
-	(407,772)		(407,772)
<u>2,680,908</u>	<u>1,038,086</u>	<u>\$ -</u>	<u>1,038,086</u>
-	-	(296,224)	(296,224)
-	-	(3,302)	(3,302)
-	-	(101,951)	(101,951)
-	-	(149,868)	(149,868)
-	-	(551,345)	(551,345)
<u>\$ 2,680,908</u>	<u>1,038,086</u>	<u>(551,345)</u>	<u>486,741</u>
General revenues:			
Taxes:			
Property	402,969	-	402,969
Motor vehicle	50,033	-	50,033
Sales tax	775,900	-	775,900
Franchise	335,904	-	335,904
State allocation	481,061	-	481,061
Special assessments	119,583	-	119,583
Miscellaneous	62,488	-	62,488
Interest income	43,438	56,006	99,444
Transfer from (to) other funds	(86,870)	86,870	-
Total general revenues	<u>2,184,506</u>	<u>142,876</u>	<u>2,327,382</u>
Change in net assets	<u>3,222,592</u>	<u>(408,469)</u>	<u>2,814,123</u>
Net assets - September 30, 2008	<u>4,450,234</u>	<u>8,644,505</u>	<u>13,094,739</u>
Net assets - September 30, 2009	<u>\$ 7,672,826</u>	<u>\$ 8,236,036</u>	<u>\$ 15,908,862</u>

# CITY OF VALENTINE, NEBRASKA

## BALANCE SHEET - GOVERNMENTAL FUNDS

**September 30, 2009**

	<u>General</u>	<u>Street</u>	<u>Airport</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 622,986	\$ 49,026	\$ 36,326	\$ 434,118	\$ 1,142,456
Certificates of deposit	59,904	95,146	-	133,826	288,876
County treasurer cash	24,619	14,797	-	-	39,416
Receivables:					
Special assessments	-	185,047	-	-	185,047
Property tax	15,325	3,906	-	-	19,231
Interest	220	370	-	115	705
Sales tax	46,526	-	-	93,066	139,592
Inventory	-	-	26,518	-	26,518
Prepaid expenses	5,317	2,429	599	-	8,345
Restricted assets:					
Cash and cash equivalents	425,639	-	-	-	425,639
<b>Total assets</b>	<u><u>\$ 1,200,536</u></u>	<u><u>\$ 350,721</u></u>	<u><u>\$ 63,443</u></u>	<u><u>\$ 661,125</u></u>	<u><u>\$ 2,275,825</u></u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 33,615	\$ 18,593	\$ 3,371	\$ -	\$ 55,579
Accrued expenses	40,953	11,947	298	-	53,198
Deferred revenue	10,094	119,617	-	-	129,711
Total liabilities	84,662	150,157	3,669	-	238,488
Fund balances:					
Reserved for:					
Debt service	425,639	-	-	-	425,639
Street	-	140,130	-	25,184	165,314
Infrastructure	-	-	-	142,142	142,142
Economic development	-	-	-	250,924	250,924
Community betterment	-	-	-	4,206	4,206
Cemetery perpetual care	-	-	-	136,077	136,077
Unreserved	690,235	60,434	59,774	102,592	913,035
Total fund balances	<u>1,115,874</u>	<u>200,564</u>	<u>59,774</u>	<u>661,125</u>	<u>2,037,337</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 1,200,536</u></u>	<u><u>\$ 350,721</u></u>	<u><u>\$ 63,443</u></u>	<u><u>\$ 661,125</u></u>	<u><u>\$ 2,275,825</u></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, 2009**

**Total fund balances - governmental funds** \$ 2,037,337

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

Notes receivable are not recorded as an asset in the fund  
financial statements. 64,357

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 \$9,145,453,  
and the accumulated depreciation is \$1,208,420. 7,937,033

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  
\$56,442 and the accumulated amortization is \$18,124. 38,318

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	\$ (25,459)	
Bonds and notes payable	<u>(2,378,760)</u>	<u>(2,404,219)</u>

**Total net assets - governmental activities** \$ 7,672,826

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, 2009**

	<u>General</u>	<u>Street</u>	<u>Airport</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes:					
Property	\$ 402,899	\$ -	\$ 70	\$ -	\$ 402,969
Motor vehicle	-	50,033	-	-	50,033
Sales tax	261,302	-	-	514,598	775,900
Franchise	335,904	-	-	-	335,904
Intergovernmental	102,964	378,097	-	-	481,061
Special assessments	-	119,583	-	-	119,583
Licenses and permits	12,637	-	-	5,705	18,342
Charges for services	157,268	-	111,453	-	268,721
Grants and donations	100,445	-	2,680,908	13,438	2,794,791
Bond proceeds	-	415,000	-	-	415,000
Loan collections	-	-	-	643	643
Interest income	24,211	11,352	-	7,875	43,438
Other income	26,867	16,044	660	575	44,146
Total revenues	<u>1,424,497</u>	<u>990,109</u>	<u>2,793,091</u>	<u>542,834</u>	<u>5,750,531</u>
<b>EXPENDITURES</b>					
General government	149,830	-	-	6,375	156,205
Public safety	482,930	-	-	-	482,930
Public works	-	386,352	-	-	386,352
Recreation	208,931	-	-	-	208,931
Library	154,166	-	-	-	154,166
Cemetery	40,409	-	-	-	40,409
Airport	-	-	102,544	-	102,544
Economic development	-	-	-	65,000	65,000
Capital outlay	19,580	4,380	2,766,203	-	2,790,163
Bond issuance costs	-	6,725	-	-	6,725
Principal payments on debt	180,000	480,000	15,066	-	675,066
Interest on long-term debt	62,700	24,556	2,351	-	89,607
Total expenditures	<u>1,298,546</u>	<u>902,013</u>	<u>2,886,164</u>	<u>71,375</u>	<u>5,158,098</u>
<b>Excess (deficiency) of     revenues over expenditures</b>	125,951	88,096	(93,073)	471,459	592,433
<b>OTHER FINANCING SOURCES (USES)</b>					
Net transfers in (out)	<u>88,797</u>	<u>68,737</u>	<u>246,238</u>	<u>(490,642)</u>	<u>(86,870)</u>
<b>Net change in fund balances</b>	214,748	156,833	153,165	(19,183)	505,563
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>
Fund balances - September 30, 2009	<u>\$ 1,115,874</u>	<u>\$ 200,564</u>	<u>\$ 59,774</u>	<u>\$ 661,125</u>	<u>\$ 2,037,337</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, 2009**

<b>Total net change in fund balances - governmental funds</b>	\$ 505,563
Amounts reported for governmental <i>activities</i> in the statement of activities are different because:	
Payments on notes receivable are reported in the governmental funds as revenue, but the proceeds decrease notes receivable in the statement of activities.	(643)
Advances on notes receivable are reported in the governmental funds as expenditures, but the proceeds increase notes receivable in the statement of activities.	65,000
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$2,790,163) exceeds depreciation expense (\$402,777).	2,387,386
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 (\$6,725) exceeds amortization expense (\$4,995) in the period.	1,730
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.	3,490
Bond proceeds are reported as revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets.	(415,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	675,066
<b>Change in net assets of governmental activities</b>	<u><u>\$ 3,222,592</u></u>

See notes to financial statements.

**CITY OF VALENTINE, NEBRASKA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**September 30, 2009**

	Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,029,788	\$ 143,987	\$ 256,851	\$ 10,708	\$ 1,441,334
Certificates of deposit	942,485	235,599	-	-	1,178,084
Investments	-	-	-	193,329	193,329
Receivables:					
Accounts, net of allowance for doubtful accounts	121,255	23,666	12,383	1,540	158,844
Unbilled revenue	186,280	27,684	15,731	1,628	231,323
Assessments	-	29,624	2,881	-	32,505
Current portion of notes receivable	14,730	-	-	-	14,730
Interest	5,575	840	-	-	6,415
Inventory	218,504	19,406	2,797	-	240,707
Prepaid expenses	1,423	1,616	872	1,383	5,294
Total current assets	2,520,040	482,422	291,515	208,588	3,502,565
Noncurrent assets:					
Restricted investments	-	-	-	346,721	346,721
Noncurrent portion of notes receivable	71,080	-	-	-	71,080
Unamortized bond costs	35,351	-	-	-	35,351
Capital assets:					
Depreciable capital assets	6,333,544	1,261,096	2,952,086	1,523,161	12,069,887
Less accumulated depreciation	(1,881,884)	(477,816)	(1,117,906)	(443,849)	(3,921,455)
Net capital assets	4,451,660	783,280	1,834,180	1,079,312	8,148,432
Total noncurrent assets	4,558,091	783,280	1,834,180	1,426,033	8,601,584
<b>Total assets</b>	7,078,131	1,265,702	2,125,695	1,634,621	12,104,149
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	203,240	6,308	12,576	6,268	228,392
Accrued payroll and vacation	28,588	13,622	9,046	7,344	58,600
Deferred revenue	-	25,624	-	-	25,624
Sales tax payable	17,238	-	-	-	17,238
Accrued interest payable	36,900	3,100	-	1,220	41,220
Customer deposits	59,680	26,470	-	-	86,150
Current portion of long-term obligations	70,000	20,291	-	23,138	113,429
Total current liabilities	415,646	95,415	21,622	37,970	570,653
Noncurrent liabilities:					
Accrued closure and postclosure costs	-	-	-	599,000	599,000
Noncurrent portion of long-term obligations	2,210,000	311,874	-	176,586	2,698,460
Total noncurrent liabilities	2,210,000	311,874	-	775,586	3,297,460
<b>Total liabilities</b>	2,625,646	407,289	21,622	813,556	3,868,113
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	2,207,011	451,115	1,834,180	879,588	5,371,894
Restricted for closure and postclosure costs	-	-	-	346,721	346,721
Unrestricted	2,245,474	407,298	269,893	(405,244)	2,517,421
<b>Total net assets</b>	\$ 4,452,485	\$ 858,413	\$ 2,104,073	\$ 821,065	\$ 8,236,036

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, 2009**

	Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	Total
<b>Operating revenues:</b>					
Charges for services	\$ 3,203,093	\$ 345,555	\$ 234,930	\$ 236,538	\$ 4,020,116
Other revenue	24,998	6,318	3,850	1,508	36,674
Total operating revenues	3,228,091	351,873	238,780	238,046	4,056,790
<b>Operating expenses:</b>					
Cost of power/gas	2,429,156	-	-	-	2,429,156
Personnel services	292,573	190,510	142,729	74,078	699,890
Insurance and bonds	14,857	16,855	9,813	14,507	56,032
Utilities and telephone	15,443	12,792	46,235	1,818	76,288
Repairs and maintenance	36,277	48,401	48,545	13,345	146,568
Contractual obligations	320,420	6,076	1,225	44,629	372,350
Supplies	69,090	9,684	8,945	709	88,428
Professional fees	10,125	922	733	41,456	53,236
Miscellaneous	13,126	3,901	2,311	149,224	168,562
Depreciation	220,793	53,170	80,195	37,938	392,096
Amortization	3,585	-	-	-	3,585
Total operating expenses	3,425,445	342,311	340,731	377,704	4,486,191
Operating income (loss)	(197,354)	9,562	(101,951)	(139,658)	(429,401)
<b>Nonoperating revenues (expenses):</b>					
Interest income	47,456	5,363	740	2,447	56,006
Interest expense	(98,870)	(12,864)	-	(10,210)	(121,944)
Total nonoperating revenues (expenses)	(51,414)	(7,501)	740	(7,763)	(65,938)
Income (loss) before interfund transfers	(248,768)	2,061	(101,211)	(147,421)	(495,339)
<b>Interfund transfers:</b>					
Transfer from (to) other funds	(126,528)	58,293	(3,988)	159,093	86,870
<b>Change in net assets</b>	(375,296)	60,354	(105,199)	11,672	(408,469)
Net assets - September 30, 2008	4,827,781	798,059	2,209,272	809,393	8,644,505
Net assets - September 30, 2009	\$ 4,452,485	\$ 858,413	\$ 2,104,073	\$ 821,065	\$ 8,236,036

See notes to financial statements.



**CITY OF VALENTINE, NEBRASKA**

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS**

**For the year ended September 30, 2009**

	<u>Enterprise Funds</u>	
	<u>Electric Fund</u>	<u>Water Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 3,232,513	\$ 342,981
Payments to suppliers	(3,068,390)	(99,982)
Payments to employees	(280,220)	(187,897)
Net cash provided (used) by operating activities	<u>(116,097)</u>	<u>55,102</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Change in due to/from other funds	46,692	-
Transfers from (to) other funds	(126,528)	58,293
Net cash provided (used) by noncapital financing activities	<u>(79,836)</u>	<u>58,293</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of property and equipment	(27,678)	(32,196)
Payments received on notes receivable	14,065	-
Principal payments on capital debt	(70,000)	(19,695)
Interest paid on capital debt	(99,705)	(13,879)
Net cash used by capital and related financing activities	<u>(183,318)</u>	<u>(65,770)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Increase in certificates of deposit and investments	(906,194)	(5,498)
Interest received	42,211	5,848
Net cash provided (used) by investing activities	<u>(863,983)</u>	<u>350</u>
Increase (decrease) in cash and cash equivalents	(1,243,234)	47,975
Cash and cash equivalents - beginning of the year	<u>2,273,022</u>	<u>96,012</u>
Cash and cash equivalents - end of the year	<u><u>\$ 1,029,788</u></u>	<u><u>\$ 143,987</u></u>

See notes to financial statements

Enterprise Funds		
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
\$ 242,757	\$ 238,796	\$ 4,057,047
(114,313)	(67,739)	(3,350,424)
(138,345)	(71,466)	(677,928)
<u>(9,901)</u>	<u>99,591</u>	<u>28,695</u>
-	(46,692)	-
(3,988)	159,093	86,870
<u>(3,988)</u>	<u>112,401</u>	<u>86,870</u>
-	(25,586)	(85,460)
-	-	14,065
-	(22,084)	(111,779)
-	(10,320)	(123,904)
<u>-</u>	<u>(57,990)</u>	<u>(307,078)</u>
-	(145,741)	(1,057,433)
740	2,447	51,246
<u>740</u>	<u>(143,294)</u>	<u>(1,006,187)</u>
(13,149)	10,708	(1,197,700)
270,000	-	2,639,034
<u>\$ 256,851</u>	<u>\$ 10,708</u>	<u>\$ 1,441,334</u>

**CITY OF VALENTINE, NEBRASKA**

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

**For the year ended September 30, 2009**

	Enterprise Funds	
	<u>Electric</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (197,354)	\$ 9,562
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	220,793	53,170
Amortization expense	3,585	-
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	1,357	(9,172)
Assessments	-	725
Inventories	(6,123)	2,156
Prepaid expenses	2,093	2,356
Accounts payable	(156,007)	(5,863)
Accrued payroll and vacation	12,353	2,613
Deferred revenue	-	(725)
Other accrued expenses	141	-
Customer deposits	3,065	280
Net cash provided (used) by operating activities	<u>\$ (116,097)</u>	<u>\$ 55,102</u>

See notes to financial statements.

Enterprise Funds			
<u>Sewer</u> <u>Fund</u>	<u>Landfill</u> <u>Fund</u>		<u>Total</u>
\$ (101,951)	\$ (139,658)		\$ (429,401)
80,195	37,938		392,096
-	-		3,585
(3,642)	750		(10,707)
10,280	-		11,005
27	-		(3,940)
1,984	2,101		8,534
1,483	(2,152)		(162,539)
4,384	2,612		21,962
(2,661)	-		(3,386)
-	198,000		198,141
-	-		3,345
<u>\$ (9,901)</u>	<u>\$ 99,591</u>		<u>\$ 28,695</u>

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

**September 30, 2009**

**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, 2009**

**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, 2009**

**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, 2009**

**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:

<b><u>Fund</u></b>	<b><u>Brief Description</u></b>
<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, 2009**

**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, 2009**

#### **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, 2009**

**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, 2009**

**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, 2009**

**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 governmental 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, 2009**

**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, 2009**

**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% – Pay principal and interest on bonds, relieve property tax, and purchase and maintain equipment and infrastructure
- 1/2% – Pool debt service
- 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 debt service. 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 August and September and received by the City in October and November have been accrued and are included in receivables. As of October 1, 2006, sales tax collected on the sale of motor vehicles is recorded in the Street Fund as required by LB904.

**Property Taxes**

The City has the power to levy taxes each year sufficient to pay any judgment existing against the City, the interest on bonded debt, and the principal on bonded debt maturing during the fiscal year or within 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, 2009**

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

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

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

Property taxes levied for 2008-2009 are recorded as revenue when expected to be collected within 60 days after September 30, 2009. 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 Funds – by Operating and Nonoperating

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

##### **Interfund Transfers**

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

## **CITY OF VALENTINE, NEBRASKA**

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

**September 30, 2009**

#### **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 \$250,000 for interest-bearing deposits and all non-interest-bearing deposits are insured by the Federal Deposit Insurance Corporation (FDIC). 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, 2009**

**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, 2009**

**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, 2009. The categories of collateral are defined as follows:

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

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

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

<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	\$ 4,512,904	\$ 1,215,686	\$ 3,297,218	\$ -	\$ <u>4,476,389</u>

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

Cash and Cash Equivalents –

Unrestricted \$ 2,583,790

Restricted 425,639

Certificates of Deposit –

Unrestricted 1,466,960

\$ 4,476,389

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

**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, 2009, are as follows:

<u>Types of Deposits</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government securities	\$ <u>540,050</u>	\$ <u>540,050</u>

Reconciliation to Government-wide Statement of Net Assets:

Primary Government –	
Unrestricted investments	\$ 193,329
Restricted investments	<u>346,721</u>
	\$ <u>540,050</u>

**2. Restricted Assets**

The restricted assets as of September 30, 2009, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 425,639	\$ -	\$ 425,639
Investments	-	346,721	346,721
	<u>\$ 425,639</u>	<u>\$ 346,721</u>	<u>\$ 772,360</u>

The governmental activities' restricted assets (\$425,639) relate to pool construction and are required by bond agreements. The business-type activities' restricted assets (\$346,721) are restricted to cover landfill closure costs.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

**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, 2009, is as follows:

	Business-type <u>Activities</u>
Accounts receivable	\$ 236,344
Allowance for doubtful accounts	<u>(77,500)</u>
Net accounts receivable	<u><u>\$ 158,844</u></u>

**4. Notes Receivable**

**Governmental Activities**

The Economic Development Fund has made two economic development loans. Notes receivable at September 30, 2009, consist of the following:

Note for \$40,000 dated May 20, 2009; principal to be forgiven in annual installments of \$8,000 over five years through May 20, 2014, and interest due in annual installments over five years through May 20, 2014; bearing interest at 4.0%.

\$ 40,000

Note for \$25,000 dated May 20, 2009; due in 60 monthly payments of \$462.56 through July 1, 2014; bearing interest at 4.0%.

24,357

Total government activities notes receivable

\$ 64,357

Current portion

\$ 12,661

Noncurrent portion

51,696

Total

\$ 64,357

**Business-type Activities**

The Electric Fund has made two loans. Notes receivable at September 30, 2009, consist of the following:

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.

\$ 36,970

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

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

**4. Notes Receivable, continued**

**Business-type Activities, continued**

In 2002 the Electric Fund loaned \$66,000 to the Airport Fund as part of a hangar 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%.

	<u>48,840</u>
Total business-type activities notes receivable	\$ <u>85,810</u>
Current portion	\$ 14,730
Noncurrent portion	<u>71,080</u>
Total	\$ <u>85,810</u>

**5. Capital Assets**

Capital asset activity for the year ended September 30, 2009, was as follows:

	<u>Balance at</u> <u>October 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	<u>Balance at</u> <u>September 30, 2009</u>
<b><u>Governmental Activities:</u></b>					
Capital assets not being depreciated:					
Land	\$ 79,462	\$ -	\$ -	\$ -	\$ 79,462
Construction in progress	<u>775,762</u>	<u>-</u>	<u>-</u>	<u>(775,762)</u>	<u>-</u>
Total capital assets not being depreciated	855,224	-	-	(775,762)	79,462
Other capital assets being depreciated:					
Buildings and improvements	4,650,883	2,763,403	-	775,762	8,190,048
Machinery and equipment	589,869	26,760	-	-	616,629
Vehicles	<u>259,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>259,314</u>
Total other capital assets at historical cost	5,500,066	2,790,163	-	775,762	9,065,991
Less accumulated depreciation for:					
Buildings and improvements	(405,597)	(302,001)	-	-	(707,598)
Machinery and equipment	(233,552)	(74,102)	-	-	(307,654)
Vehicles	<u>(166,494)</u>	<u>(26,674)</u>	<u>-</u>	<u>-</u>	<u>(193,168)</u>
Total accumulated depreciation	<u>(805,643)</u>	<u>(402,777) *</u>	<u>-</u>	<u>-</u>	<u>(1,208,420)</u>
Other capital assets, net	<u>4,694,423</u>	<u>2,387,386</u>	<u>-</u>	<u>775,762</u>	<u>7,857,571</u>
Governmental activities capital assets, net	<u>\$ 5,549,647</u>	<u>\$ 2,387,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,937,033</u>

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

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

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

**5. Capital Assets, continued**

**Governmental Activities, continued:**

General Fund:

General government	\$ 8,019
Public safety:	
Police	13,327
Fire	<u>39,856</u>
Total public safety	53,183
Public works:	
Cemetery	7,498
Environment and leisure:	
Swimming Pool	65,900
Library	3,776
Parks and Recreation	12,352
Bookmobile	<u>2,041</u>
Total environment and leisure	<u>84,069</u>
Total General Fund	152,769
Street Fund	25,394
Airport Fund	<u>224,614</u>
Total governmental activities depreciation expense	\$ <u>402,777</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

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

**5. Capital Assets, continued**

	<u>Balance at October 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at September 30, 2009</u>
<b><u>Business-type Activities:</u></b>				
Capital assets being depreciated:				
Distribution systems, buildings, and equipment	\$ 4,398,451	\$ 27,678	\$ -	\$ 4,426,129
Buildings and improvements	1,280,298	-	-	1,280,298
Machinery and equipment	5,921,789	29,791	-	5,951,580
Vehicles	383,889	27,991	-	411,880
Total other capital assets at historical cost	11,984,427	85,460	-	12,069,887
Less accumulated depreciation for:				
Distribution systems, buildings, and equipment	(685,365)	(136,492)	-	(821,857)
Buildings and improvements	(423,620)	(28,871)	-	(452,491)
Machinery and equipment	(2,263,384)	(205,206)	-	(2,468,590)
Vehicles	(156,990)	(21,527)	-	(178,517)
Total accumulated depreciation	(3,529,359)	(392,096) *	-	(3,921,455)
Business-type activities capital assets, net	<u>\$ 8,455,068</u>	<u>\$ (306,636)</u>	<u>\$ -</u>	<u>\$ 8,148,432</u>

\* Depreciation expense was charged to functions as follows:

Electric	\$ 220,793
Water	53,170
Sewer	80,195
Landfill	37,938
Total business-type activities depreciation expense	\$ <u>392,096</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

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

**6. Accounts Payable**

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

**7. Long-term Debt**

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

**Changes in Long-term Debt**

The following is a summary of changes in long-term debt for the year ended September 30, 2009:

<u>Type of Debt</u>	<u>Balance at October 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2009</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable	<u>\$ 2,638,826</u>	<u>\$ 415,000</u>	<u>\$ (675,066)</u>	<u>\$ 2,378,760</u>	<u>\$ 290,304</u>
Business-type Activities:					
Bonds and notes payable	<u>\$ 2,923,668</u>	<u>\$ -</u>	<u>\$ (111,779)</u>	<u>\$ 2,811,889</u>	<u>\$ 113,429</u>

**Governmental Activities**

As of September 30, 2009, 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.

\$ 60,000

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.

1,550,000



**CITY OF VALENTINE, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2009**

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

**7. 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. 210,000

General obligation refunding bonds, Series 2009, with an original issue amount of \$415,000. Interest rates range from 1.30% to 3.00%. Interest is due in semiannual installments and principal is due in annual installments through October 15, 2015. 415,000

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%. 25,000

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. 69,920

In 2002, the Electric Fund loaned \$66,000 to the Airport Fund as part of a hangar 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%. 48,840

Total governmental activities bonds and notes payable \$ 2,378,760

Current portion \$ 290,304

Noncurrent portion 2,088,456

Total \$ 2,378,760

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

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

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

**Business-type Activities**

As of September 30, 2009, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds 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%. \$ 162,754

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. 332,165

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. 2,280,000

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

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

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

**Business-type Activities, continued:**

Bonds 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.

36,970

Total business-type activity bonds and notes payable \$ 2,811,889

Current portion \$ 113,429

Noncurrent portion 2,698,460

Total \$ 2,811,889

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2009, 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>
2010	\$ 290,304	\$ 91,011	\$ 113,429	\$ 114,586	\$ 3,271
2011	275,551	68,058	120,146	110,888	3,067
2012	285,808	59,244	126,936	106,895	2,856
2013	296,076	49,676	128,802	102,687	2,639
2014	306,354	39,454	125,258	98,255	2,416
2015-2019	924,667	52,229	708,002	413,421	8,482
2020-2024	-	-	719,316	266,403	2,015
2025-2029	-	-	770,000	97,003	-
	<u>\$2,378,760</u>	<u>\$ 359,672</u>	<u>\$ 2,811,889</u>	<u>\$ 1,310,138</u>	<u>\$ 24,746</u>

**8. 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, 2009**

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

**8. Special Assessments, continued**

**Governmental Activities, continued**

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

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

The City completed street improvements in August of 2008. The total construction and engineering costs totaled \$146,759, of this amount \$111,043 was assessed to property owners.

Principal collections from various special assessments outstanding are reported in the Street Fund. Special assessments receivable comprised the following assessments at September 30, 2009:

Current portion	\$ 68,000
Non-current portion	<u>117,047</u>
Total street improvement assessments	\$ <u>185,047</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, 2009:

	<u>Water</u>	<u>Sewer</u>
Current portion	\$ 4,000	\$ 2,881
Non-current portion	<u>25,624</u>	<u>-</u>
Total improvements assessments	\$ <u>29,624</u>	\$ <u>2,881</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

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

**9. Interfund Transactions**

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 88,797	\$ -
Street Fund	68,737	-
Airport Fund	246,238	-
Nonmajor Funds	-	(490,642)
Electric Fund	-	(126,528)
Water Fund	58,293	-
Sewer Fund	-	( 3,988)
Landfill Fund	<u>159,093</u>	<u>-</u>
Total operating transfers	\$ <u>621,158</u>	\$ <u>(621,158)</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 6 percent of their gross payroll and the City matches the 6 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, 2009, the City's total payroll and covered payroll under the plan was \$1,002,082 and \$751,502, respectively. Both the City's required contribution of \$45,090 and the covered employees' required contribution of \$45,090 were made for the year ended September 30, 2009.

## **CITY OF VALENTINE, NEBRASKA**

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

**September 30, 2009**

#### **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 \$5,140 under the plan for the year ended September 30, 2009.

##### **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, 2009, 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, 2009**

**NOTE D – OTHER NOTES, continued**

**2. Risk Management, continued**

**Deposits and Investments, continued**

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

<u>Maturities by Month</u>	<u>Amount</u>
April 2010	\$ 561,630
May 2010	905,330
	<u>\$ 1,466,960</u>

The investment maturities are as follows:

<u>Maturities by Month</u>	<u>Amount</u>
February 2014	<u>\$ 540,050</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, 2009, the City's cash deposits and investments consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
First National Bank of Valentine	\$ 3,784,073
Bank of the West	56,697
Union Bank & Trust	1,212,184
Totals	<u>\$ 5,052,954</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, 2009.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2009**

**NOTE D – OTHER NOTES, continued**

**3. Commitments and Contingencies**

**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 \$599,000 reported as landfill closure and postclosure care liability at September 30, 2009, represents the cumulative amount reported to date based on the use of approximately 37.0 percent of the estimated capacity of the landfill. The Valentine Landfill will recognize the remaining estimated cost of closure and postclosure care of \$1,021,973 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2009. 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, 2009, investments totaled \$346,721 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, 2009**

**NOTE D – OTHER NOTES, continued**

**4. Interlocal Agreements**

The City has the following Interlocal agreements in effect as of September 30, 2009:

<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
Cherry County	February 12, 2009 - perpetual	Cherry County Justice Center Exchange

**5. Subsequent Events**

Management has evaluated subsequent events through February 5, 2010, the date on which the financial statements were available for issue.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF VALENTINE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND**

**Year ended September 30, 2009**

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Taxes:			
Property	\$ 414,597	\$ 408,069	\$ (6,528)
Sales	249,500	260,040	10,540
Franchise	320,000	335,904	15,904
Intergovernmental	83,160	102,964	19,804
Licenses and permits	12,000	12,637	637
Charges for services	157,950	157,268	(682)
Donations	31,000	100,445	69,445
Interest income	16,030	24,306	8,276
Other	<u>16,300</u>	<u>26,867</u>	<u>10,567</u>
Total resources	1,300,537	1,428,500	127,963
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
General government	210,959	159,478	(51,481)
Public safety	490,345	482,930	(7,415)
Recreation	238,519	203,363	(35,156)
Library	189,415	151,537	(37,878)
Cemetery	49,050	40,635	(8,415)
Capital outlay	83,500	19,580	(63,920)
Principal payments on debt	180,000	180,000	-
Interest payments on debt	<u>64,836</u>	<u>64,855</u>	<u>19</u>
Total charges to appropriations	<u>1,506,624</u>	<u>1,302,378</u>	<u>(204,246)</u>
Resources over (under) charges to appropriations	(206,087)	126,122	332,209
<b>OTHER FINANCING SOURCES (USES)</b>			
Net transfers	<u>176,806</u>	<u>88,797</u>	<u>(88,009)</u>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ (29,281)</u>	<u>\$ 214,919</u>	<u>\$ 244,200</u>

# CITY OF VALENTINE, NEBRASKA

## BUDGETARY COMPARISON SCHEDULE - STREET FUND

Year ended September 30, 2009

	Budget (Original)	Budget (Final)	Actual	Variances - Actual Over (Under) Final Budget
<b>RESOURCES (INFLOWS)</b>				
Motor vehicle tax	\$ 48,000	\$ 48,000	\$ 50,033	\$ 2,033
Intergovernmental	366,227	366,227	378,097	11,870
Special assessments	51,825	51,825	70,399	18,574
Interest income	4,500	4,500	11,557	7,057
Bond/loan proceeds	150,000	415,000	415,000	-
Other income	5,100	5,100	15,874	10,774
	<u>625,652</u>	<u>890,652</u>	<u>940,960</u>	<u>50,308</u>
Total resources	625,652	890,652	940,960	50,308
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>				
Public works	430,909	430,909	391,303	(39,606)
Capital outlay	50,000	50,000	4,380	(45,620)
Bond issuance costs	-	-	6,725	6,725
Principal payments on debt	75,000	475,000	480,000	5,000
Interest payments on debt	26,924	26,924	30,866	3,942
	<u>582,833</u>	<u>982,833</u>	<u>913,274</u>	<u>(69,559)</u>
Total charges to appropriations	582,833	982,833	913,274	(69,559)
Resources over (under) charges to appropriations	42,819	(92,181)	27,686	119,867
<b>OTHER FINANCING SOURCES (USES)</b>				
Net transfers in	5,502	5,502	68,737	63,235
	<u>5,502</u>	<u>5,502</u>	<u>68,737</u>	<u>63,235</u>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ 48,321</u>	<u>\$ (86,679)</u>	<u>\$ 96,423</u>	<u>\$ 183,102</u>

**CITY OF VALENTINE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
AIRPORT FUND**

**Year ended September 30, 2009**

	Budget (Original)	Budget (Final)	Actual	Variances - Actual Over (Under) Final Budget
<b>RESOURCES (INFLOWS)</b>				
Property tax	\$ -	\$ -	\$ 70	\$ 70
Charges for services	197,945	197,945	111,453	(86,492)
Grant income	1,842,954	2,702,954	2,680,908	(22,046)
Other income	<u>-</u>	<u>-</u>	<u>660</u>	<u>660</u>
Total resources	2,040,899	2,900,899	2,793,091	(107,808)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>				
Operating expenditures	187,165	187,165	122,066	(65,099)
Capital outlay	1,899,953	2,759,953	2,766,203	6,250
Principal payments on debt	10,780	10,780	15,066	4,286
Interest on long-term debt	<u>-</u>	<u>-</u>	<u>2,351</u>	<u>2,351</u>
Total charges to appropriations	<u>2,097,898</u>	<u>2,957,898</u>	<u>2,905,686</u>	<u>(52,212)</u>
Resources over (under) charges to appropriations	(56,999)	(56,999)	(112,595)	(55,596)
<b>OTHER FINANCING SOURCES (USES)</b>				
Net transfers in	<u>56,999</u>	<u>56,999</u>	<u>246,238</u>	<u>189,239</u>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 133,643</u></u>	<u><u>\$ 133,643</u></u>

**CITY OF VALENTINE, NEBRASKA**

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

**Year ended September 30, 2009**

**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	\$ 1,428,500	\$ 940,960	\$ 2,793,091
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>(4,003)</u>	<u>49,149</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,424,497</u>	<u>\$ 990,109</u>	<u>\$ 2,793,091</u>
<b>Uses/outflows of resources:</b>			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 1,302,378	\$ 913,274	\$ 2,905,686
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>(3,832)</u>	<u>(11,261)</u>	<u>(19,522)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,298,546</u>	<u>\$ 902,013</u>	<u>\$ 2,886,164</u>

## **OTHER SUPPLEMENTARY INFORMATION**

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

**September 30, 2009**

	Special Revenue Funds		
	Fines and <u>Fees</u>	<u>Infrastructure</u>	Economic <u>Development</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,536	\$ 167,846	\$ 252,279
Certificates of deposit	-	-	-
Interest receivable	-	-	-
Sales tax recievable	-	69,796	23,270
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 7,536</b>	<b>\$ 237,642</b>	<b>\$ 275,549</b>
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	\$ -	\$ -	\$ -
Fund balances:			
Reserved for:			
Economic development	-	-	250,924
Cemetery perpetual care	-	-	-
Community betterment	-	-	-
Street	-	25,184	-
Infrastructure	-	142,142	-
Unreserved	7,536	70,316	24,625
	<hr/>	<hr/>	<hr/>
Total fund balances	7,536	237,642	275,549
	<hr/>	<hr/>	<hr/>
<b>Total liabilities and fund balances</b>	<b>\$ 7,536</b>	<b>\$ 237,642</b>	<b>\$ 275,549</b>
	<hr/>	<hr/>	<hr/>



Permanent Funds		
Perpetual <u>Care</u>	Queen Jackson <u>Memorial</u>	Total Nonmajor Governmental <u>Funds</u>
\$ 2,251	\$ 4,206	\$ 434,118
133,826	-	133,826
115	-	115
-	-	93,066
<u>\$ 136,192</u>	<u>\$ 4,206</u>	<u>\$ 661,125</u>
\$ -	\$ -	\$ -
-	-	250,924
136,077	-	136,077
-	4,206	4,206
-	-	25,184
-	-	142,142
115	-	102,592
<u>136,192</u>	<u>4,206</u>	<u>661,125</u>
<u>\$ 136,192</u>	<u>\$ 4,206</u>	<u>\$ 661,125</u>

**CITY OF VALENTINE, NEBRASKA**

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

**For the year ended September 30, 2009**

	<u>Special Revenue Funds</u>	
	<u>Fine and Fees</u>	<u>Infrastructure</u>
<b>REVENUES</b>		
Sales tax	\$ -	\$ 383,947
Licenses and permits	5,705	-
Contributions	-	-
Interest income	-	3,778
Loan collections	-	-
Other	-	-
Total revenues	<u>5,705</u>	<u>387,725</u>
<b>EXPENDITURES</b>		
General government	5,660	-
Economic development	-	-
Total expenditures	<u>5,660</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	45	387,725
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers to other funds	<u>-</u>	<u>(476,180)</u>
<b>Net change in fund balances</b>	45	(88,455)
Fund balances - September 30, 2008	<u>7,491</u>	<u>326,097</u>
Fund balances - September 30, 2009	<u><u>\$ 7,536</u></u>	<u><u>\$ 237,642</u></u>

	Permanent Funds		
<u>Economic Development</u>	<u>Perpetual Care</u>	<u>Queen Jackson Memorial</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 130,651	\$ -	\$ -	\$ 514,598
-	-	-	5,705
-	-	13,438	13,438
4,097	-	-	7,875
643	-	-	643
-	575	-	575
<u>135,391</u>	<u>575</u>	<u>13,438</u>	<u>542,834</u>
-	715	-	6,375
<u>65,000</u>	<u>-</u>	<u>-</u>	<u>65,000</u>
<u>65,000</u>	<u>715</u>	<u>-</u>	<u>71,375</u>
70,391	(140)	13,438	471,459
<u>(5,230)</u>	<u>-</u>	<u>(9,232)</u>	<u>(490,642)</u>
65,161	(140)	4,206	(19,183)
<u>210,388</u>	<u>136,332</u>	<u>-</u>	<u>680,308</u>
<u>\$ 275,549</u>	<u>\$ 136,192</u>	<u>\$ 4,206</u>	<u>\$ 661,125</u>

# CITY OF VALENTINE, NEBRASKA

## COMBINING STATEMENT OF REVENUES AND EXPENDITURES -

### GENERAL FUND DEPARTMENTS

**Year ended September 30, 2009**

	<u>Administrative</u>	<u>Police</u>	<u>Fire</u>
<b>REVENUES</b>			
Taxes:			
General property tax	\$ 227,075	\$ -	\$ 85
Sales tax	-	-	-
Franchise	335,904	-	-
Intergovernmental revenue:			
State assistance	102,964	-	-
Licenses and permits	12,637	-	-
Charges for services	-	-	-
Grants and donations	14,000	-	-
Interest income	2,712	-	-
Other receipts	16,021	-	-
Total revenues	<u>711,313</u>	<u>-</u>	<u>85</u>
<b>EXPENDITURES</b>			
Personnel services:			
Salaries and benefits	55,836	313,089	3,584
Operating expenses:			
Insurance	9,516	17,495	11,341
Professional fees	1,806	793	226
Meetings, seminars, and dues	8,495	275	1,600
Repairs and maintenance	7,012	22,076	14,711
Printing, postage, and publications	431	370	44
Utilities and telephone	11,728	-	24,258
Total operating expenses	<u>38,988</u>	<u>41,009</u>	<u>52,180</u>
Supplies	6,547	2,959	374
Other expenses	48,459	65,854	3,881
Capital outlay	-	19,580	-
Principal payments on debt	-	-	20,000
Interest payments	-	-	1,498
Total expenditures	<u>149,830</u>	<u>442,491</u>	<u>81,517</u>
Excess (deficiency) of revenues over expenditures before transfers	561,483	(442,491)	(81,432)
<b>TRANSFERS FROM (TO) OTHER FUNDS</b>	<u>36,601</u>	<u>-</u>	<u>21,918</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u><u>\$ 598,084</u></u>	<u><u>\$ (442,491)</u></u>	<u><u>\$ (59,514)</u></u>

<u>Pool</u>	<u>Library</u>	<u>Cemetery</u>	<u>Park</u>	<u>Bookmobile</u>	<u>Time Capsule</u>	<u>Total</u>
\$ 78	\$ 86,717	\$ 39	\$ 88,905	\$ -	\$ -	\$ 402,899
261,302	-	-	-	-	-	261,302
-	-	-	-	-	-	335,904
-	-	-	-	-	-	102,964
-	-	-	-	-	-	12,637
26,425	5,319	11,062	38,712	75,750	-	157,268
75,000	3,643	-	7,802	-	-	100,445
6,126	107	13,796	29	1,178	263	24,211
922	-	-	9,924	-	-	26,867
<u>369,853</u>	<u>95,786</u>	<u>24,897</u>	<u>145,372</u>	<u>76,928</u>	<u>263</u>	<u>1,424,497</u>
29,021	52,455	-	40,835	48,969	-	543,789
2,939	4,947	887	6,327	3,663	-	57,115
3,359	238	110	394	171	-	7,097
-	183	-	-	183	-	10,736
5,324	7,253	37,340	41,583	4,102	-	139,401
-	461	-	350	480	-	2,136
9,782	5,737	1,742	34,792	51	-	88,090
<u>21,404</u>	<u>18,819</u>	<u>40,079</u>	<u>83,446</u>	<u>8,650</u>	<u>-</u>	<u>304,575</u>
11,858	10,572	264	11,236	10,354	-	54,164
4,220	3,077	66	6,911	1,270	-	133,738
-	-	-	-	-	-	19,580
160,000	-	-	-	-	-	180,000
<u>61,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,700</u>
<u>287,705</u>	<u>84,923</u>	<u>40,409</u>	<u>142,428</u>	<u>69,243</u>	<u>-</u>	<u>1,298,546</u>
82,148	10,863	(15,512)	2,944	7,685	263	125,951
<u>(26)</u>	<u>15,743</u>	<u>-</u>	<u>15,680</u>	<u>(1,119)</u>	<u>-</u>	<u>88,797</u>
<u>\$ 82,122</u>	<u>\$ 26,606</u>	<u>\$ (15,512)</u>	<u>\$ 18,624</u>	<u>\$ 6,566</u>	<u>\$ 263</u>	<u>\$ 214,748</u>

## **SINGLE AUDIT REPORTS**

**CITY OF VALENTINE, NEBRASKA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year ended September 30, 2009**

<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	\$ 2,290,462 *
<b><u>U.S. Department of the Interior</u></b>		
Passed Through Nebraska Game and Parks Commission		
Outdoor Recreation Acquisition, Development and Planning	15.916	<u>75,000</u>
<b>Total Expenditures of Federal Awards</b>		<b><u><u>\$ 2,365,462</u></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 Valentine, 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, 2009, which collectively comprise the City of Valentine, Nebraska's basic financial statements, and have issued our report thereon dated February 5, 2010. 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 2009-1 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 February 5, 2010.

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  
February 5, 2010

**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, 2009. 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, 2009.



## **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.

*Abmquist, Maltzahn  
Salloway & Lutz, P.C.*

Grand Island, Nebraska  
February 5, 2010

**CITY OF VALENTINE, NEBRASKA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year ended September 30, 2009**

1. A summary of auditors' results:

- (i) An unqualified opinion was issued on the financial statements of the City of Valentine, Nebraska, as of September 30, 2009.
- (ii) One significant deficiency disclosed during the audit of the financial statements is reported in the "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*." 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

2009-1 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, 2009**

There were no prior audit findings.