

CITY OF VALENTINE, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2010

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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, 2010, 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, 2010, 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 January 20, 2011, 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

SHAREHOLDERS

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

The accompanying management's discussion and analysis and required supplementary information on pages 4 through 11 and 54 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, 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
January 20, 2011

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2010**

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, 2010.

Financial Highlights

- The assets of the City of Valentine exceeded its liabilities at the close of the most recent fiscal year by \$16,202,910 (*net assets*). Of this amount, \$3,550,639 (*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 \$8,093,544. Approximately 11.5 percent of this total amount, \$928,703, is *unrestricted net assets*.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$762,742, or 50.5 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, 2010

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 12 and 13 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, the Airport Fund, and the Infrastructure Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 14-17 of this report.

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

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

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

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

The basic proprietary fund financial statements can be found on pages 18-21 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 22-53 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Valentine's budgetary comparison schedules. Required supplementary information can be found on pages 54-58 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 \$16,202,910 at the close of the most recent fiscal year.

Summary of Net Assets

	September 30, 2010			September 30, 2009		
	Governmental	Business-type		Governmental	Business-type	
	Activities	Activities	Total	Activities	Activities	Total
Current and Other Assets	\$ 2,774,810	\$ 4,163,147	\$ 6,937,957	\$ 2,378,500	\$ 3,955,717	\$ 6,334,217
Capital Assets	7,726,247	7,769,985	15,496,232	7,937,033	8,148,432	16,085,465
Total Assets	10,501,057	11,933,132	22,434,189	10,315,533	12,104,149	22,419,682
Long-term Liabilities	1,847,342	3,228,313	5,075,655	2,113,915	3,297,460	5,411,375
Other Liabilities	560,171	595,453	1,155,624	528,792	570,653	1,099,445
Total Liabilities	2,407,513	3,823,766	6,231,279	2,642,707	3,868,113	6,510,820
Net Assets:						
Invested in Capital Assets, net of related debt	5,670,306	5,103,292	10,773,598	5,596,591	5,371,894	10,968,485
Restricted	1,494,535	384,138	1,878,673	1,124,302	346,721	1,471,023
Unrestricted	928,703	2,621,936	3,550,639	951,933	2,517,421	3,469,354
Total Net Assets	<u>\$ 8,093,544</u>	<u>\$ 8,109,366</u>	<u>\$ 16,202,910</u>	<u>\$ 7,672,826</u>	<u>\$ 8,236,036</u>	<u>\$ 15,908,862</u>

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

By far the largest portion of the City of Valentine's net assets (66.5 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Valentine uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Valentine's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Valentine's net assets (11.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$3,550,639) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Expenses and Program Revenues – Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2010</u>		<u>Year Ended September 30, 2009</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 32,545	\$ 199,053	\$ 14,000	\$ 141,919
Public Safety	-	504,838	-	492,691
Public Works	6,662	406,018	-	386,799
Recreation	85,654	219,455	147,939	208,853
Library	204,512	160,014	84,712	154,832
Cemetery	13,638	36,188	11,062	40,409
Airport	196,671	228,411	2,792,361	102,544
Economic Development	14,265	84,410	-	-
Community Development	19,820	-	13,438	-
Interest	-	74,293	-	89,607
Depreciation and Amortization	-	402,238	-	407,772
Total	573,767	2,314,918	3,063,512	2,025,426
Transfers out	-	16,206	-	86,870
	<u>\$ 573,767</u>	<u>\$ 2,331,124</u>	<u>\$ 3,063,512</u>	<u>\$ 2,112,296</u>

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

Revenues by Source – Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2010</u>			<u>Year Ended September 30, 2009</u>		
Charges for Services	\$	343,454	12.48 %	\$	268,721	5.04 %
Operating Grants and Contributions		109,474	3.98		113,883	2.14
Capital Grants and Contributions		120,839	4.39		2,680,908	50.25
Property Taxes		408,987	14.86		402,969	7.55
Motor Vehicle Taxes		49,874	1.81		50,033	0.94
Sales Tax		794,657	28.88		775,900	14.54
Franchise Taxes		358,239	13.02		335,904	6.30
State Allocation		474,738	17.25		481,061	9.02
Special Assessments		13,402	0.49		119,583	2.24
Miscellaneous		65,349	2.37		62,488	1.17
Interest		12,829	0.47		43,438	0.81
Total	\$	<u>2,751,842</u>	<u>100.00 %</u>	\$	<u>5,334,888</u>	<u>100.00 %</u>

Net assets increased \$420,718 in the governmental funds during the year ended September 30, 2010.

Business-type activities. Business-type activities decreased the City of Valentine's net assets by \$(126,670). Key elements of this decrease are as follows:

Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2010</u>		<u>Year Ended September 30, 2009</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 3,487,747	\$ 3,582,143	\$ 3,228,091	\$ 3,524,315
Water	379,182	379,716	351,873	355,175
Sewer	255,499	321,579	238,780	340,731
Landfill	231,959	244,769	238,046	387,914
Total	<u>\$ 4,354,387</u>	<u>\$ 4,528,207</u>	<u>\$ 4,056,790</u>	<u>\$ 4,608,135</u>

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

Revenues by Source – Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2010</u>			<u>Year Ended September 30, 2009</u>		
Charges for Services	\$	4,349,642	98.82 %	\$	4,056,790	96.60 %
Grants and Contributions		4,745	0.11		-	-
Interest		30,944	0.70		56,006	1.33
Interfund Transfer		16,206	0.37		86,870	2.07
Total	\$	<u>4,401,537</u>	<u>100.00 %</u>	\$	<u>4,199,666</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 \$2,405,979. Approximately 37.9 percent of this total amount (\$911,444) 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 (\$418,021), 2) to pay for infrastructure (\$449,673), 3) for economic development (\$316,875), 4) for cemetery perpetual care (\$136,727), 5) for street improvements (\$159,213), or 6) for community betterment (\$14,026).

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 \$762,742, while total fund balance reached \$1,180,763. 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 50.5 percent of total General Fund expenditures, while total fund balance represents 78.1 percent of the same amount.

The fund balance of the City of Valentine's General Fund increased by \$64,889 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 - \$2,318,163, Water Fund - \$445,529, Sewer Fund - \$294,804, and Landfill Fund -

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010

\$(436,560). The Electric Fund net assets decreased \$(69,061), the Water Fund net assets increased \$4,313, the Sewer Fund net assets decreased \$(49,874), and the Landfill Fund net assets decreased \$(12,048). Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of Valentine's business-type activities.

Budgetary Highlights

The City of Valentine did not amend its budget during the year ended September 30, 2010.

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, 2010, amounts to \$15,496,232 (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:

- 2010 Ford Crown Vic with equipment - \$28,490
- 2010 Ford F350 with snow plow - \$30,142
- Library renovation - \$120,839

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

	Year Ended September 30, 2010			Year Ended September 30, 2009		
	Governmental	Business-type		Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Land	\$ 79,462	\$ -	\$ 79,462	\$ 79,462	\$ -	\$ 79,462
Construction in Progress	-	4,795	4,795	-	-	-
Buildings and Improvements	7,301,288	798,936	8,100,224	7,482,450	827,807	8,310,257
Machinery and Equipment	244,011	3,284,927	3,528,938	308,975	3,482,990	3,791,965
Distribution Systems, Buildings, and Equipment	-	3,472,757	3,472,757	-	3,604,272	3,604,272
Vehicles	101,486	208,570	310,056	66,146	233,363	299,509
Total	<u>\$ 7,726,247</u>	<u>\$ 7,769,985</u>	<u>\$ 15,496,232</u>	<u>\$ 7,937,033</u>	<u>\$ 8,148,432</u>	<u>\$ 16,085,465</u>

Additional information on the City of Valentine's capital assets can be found in Note C5 on pages 40-42 of this report.

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2010**

Long-term debt. At the end of the current fiscal year, the City of Valentine had total bonded debt and notes payable outstanding of \$4,786,915.

City of Valentine's Outstanding Debt

	Year Ended September 30, 2010			Year Ended September 30, 2009		
	Governmental	Business-type		Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
General Obligation Bonds	\$ 1,570,000	\$ -	\$ 1,570,000	\$ 1,760,000	\$ -	\$ 1,760,000
Refunding Bonds	415,000	-	415,000	475,000	-	475,000
Revenue Bonds	-	2,210,000	2,210,000	-	2,280,000	2,280,000
Notes Payable	103,456	488,459	591,915	143,760	531,889	675,649
Total	<u>\$ 2,088,456</u>	<u>\$ 2,698,459</u>	<u>\$ 4,786,915</u>	<u>\$ 2,378,760</u>	<u>\$ 2,811,889</u>	<u>\$ 5,190,649</u>

The City of Valentine's total debt decreased by \$403,734 (7.8 percent) during the current fiscal year, due to scheduled payments.

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 43-46 of this report.

Economic Factors and Next Year's Budgets and Rates

- Property tax asking for the year ending September 30, 2011, is \$435,531, a \$4,532 increase (1.1 percent) over the prior year.
- The City's property tax levy was \$0.35 for 2010-2011, the same as 2009-2010.
- The City increased electric rates 7.97 percent effective January 1, 2011.

All of these factors were considered in preparing the City of Valentine's budget for the 2011 fiscal year.

Request for Information

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

CITY OF VALENTINE, NEBRASKA

STATEMENT OF NET ASSETS

September 30, 2010

	Primary Government		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,561,445	\$ 1,527,396	\$ 3,088,841
Certificates of deposit	291,349	1,201,108	1,492,457
Investments	-	240,180	240,180
County treasurer cash	66,794	-	66,794
Receivables:			
Special assessments	154,417	10,093	164,510
Accounts, net of allowance for doubtful accounts	-	200,835	200,835
Unbilled revenue	-	240,716	240,716
Current portion of notes receivable	12,851	15,425	28,276
Property tax	19,354	-	19,354
Interest	410	1,825	2,235
Sales tax	138,877	-	138,877
Inventory	32,875	250,039	282,914
Prepaid expenses	7,057	3,972	11,029
Total current assets	<u>2,285,429</u>	<u>3,691,589</u>	<u>5,977,018</u>
Noncurrent assets:			
Restricted cash and cash equivalents	418,021	-	418,021
Restricted investments	-	384,138	384,138
Noncurrent portion of notes receivable	38,845	55,654	94,499
Unamortized bond costs	32,515	31,766	64,281
Capital assets:			
Land	79,462	-	79,462
Construction in progress	-	4,795	4,795
Depreciable capital assets, net of depreciation	7,646,785	7,765,190	15,411,975
Net capital assets	<u>7,726,247</u>	<u>7,769,985</u>	<u>15,496,232</u>
Total noncurrent assets	<u>8,215,628</u>	<u>8,241,543</u>	<u>16,457,171</u>
Total assets	<u>10,501,057</u>	<u>11,933,132</u>	<u>22,434,189</u>
LIABILITIES			
Current liabilities:			
Accounts payable	99,402	255,070	354,472
Accrued expenses	57,644	125,264	182,908
Deferred revenue	127,574	5,093	132,667
Customer deposits	-	89,880	89,880
Current portion of long-term obligations	275,551	120,146	395,697
Total current liabilities	<u>560,171</u>	<u>595,453</u>	<u>1,155,624</u>
Noncurrent liabilities:			
Accrued closure and postclosure costs	-	650,000	650,000
Compensated absences	34,437	-	34,437
Noncurrent portion of long-term obligations	1,812,905	2,578,313	4,391,218
Total noncurrent liabilities	<u>1,847,342</u>	<u>3,228,313</u>	<u>5,075,655</u>
Total liabilities	<u>2,407,513</u>	<u>3,823,766</u>	<u>6,231,279</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,670,306	5,103,292	10,773,598
Restricted for:			
Landfill closure and postclosure costs	-	384,138	384,138
Debt service	418,021	-	418,021
Street	159,213	-	159,213
Infrastructure	449,673	-	449,673
Economic development	316,875	-	316,875
Community betterment	14,026	-	14,026
Cemetery perpetual care	136,727	-	136,727
Unrestricted	928,703	2,621,936	3,550,639
Total net assets	<u>\$ 8,093,544</u>	<u>\$ 8,109,366</u>	<u>\$ 16,202,910</u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 199,053	\$ -	\$ 32,545
Public safety	504,838	-	-
Public works	406,018	6,662	-
Recreation	219,455	69,880	15,774
Library	160,014	82,613	1,060
Cemetery	36,188	13,288	350
Airport	228,411	171,011	25,660
Economic development	84,410	-	14,265
Community development	-	-	19,820
Interest on long-term debt	74,293	-	-
Depreciation and amortization	402,238	-	-
Total governmental activities	2,314,918	343,454	109,474
Business-type activities:			
Electric	3,582,143	3,487,747	-
Water	379,716	374,437	-
Sewer	321,579	255,499	-
Landfill	244,769	231,959	-
Total business-type activities	4,528,207	4,349,642	-
Total primary government	\$ 6,843,125	\$ 4,693,096	\$ 109,474

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>
\$ -	\$ (166,508)		\$ (166,508)
-	(504,838)		(504,838)
-	(399,356)		(399,356)
-	(133,801)		(133,801)
120,839	44,498		44,498
-	(22,550)		(22,550)
-	(31,740)		(31,740)
-	(70,145)		(70,145)
-	19,820		19,820
-	(74,293)		(74,293)
-	(402,238)		(402,238)
<u>120,839</u>	<u>(1,741,151)</u>	<u>\$ -</u>	<u>(1,741,151)</u>
-	-	(94,396)	(94,396)
4,745	-	(534)	(534)
-	-	(66,080)	(66,080)
-	-	(12,810)	(12,810)
<u>4,745</u>	<u>-</u>	<u>(173,820)</u>	<u>(173,820)</u>
<u>\$ 125,584</u>	<u>(1,741,151)</u>	<u>(173,820)</u>	<u>(1,914,971)</u>
General revenues:			
Taxes:			
Property	408,987	-	408,987
Motor vehicle	49,874	-	49,874
Sales tax	794,657	-	794,657
Franchise	358,239	-	358,239
State allocation	474,738	-	474,738
Special assessments	13,402	-	13,402
Miscellaneous	65,349	-	65,349
Interest income	12,829	30,944	43,773
Transfer from (to) other funds	(16,206)	16,206	-
Total general revenues	<u>2,161,869</u>	<u>47,150</u>	<u>2,209,019</u>
Change in net assets	420,718	(126,670)	294,048
Net assets - September 30, 2009	<u>7,672,826</u>	<u>8,236,036</u>	<u>15,908,862</u>
Net assets - September 30, 2010	<u>\$ 8,093,544</u>	<u>\$ 8,109,366</u>	<u>\$ 16,202,910</u>

CITY OF VALENTINE, NEBRASKA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2010

	<u>General</u>	<u>Street</u>	<u>Airport</u>	<u>Infrastructure</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 674,441	\$ 67,894	\$ 28,009	\$ 449,673	\$ 341,428	\$ 1,561,445
Certificates of deposit	60,857	96,666	-	-	133,826	291,349
County treasurer cash	48,494	18,300	-	-	-	66,794
Receivables:						
Special assessments	-	154,417	-	-	-	154,417
Property tax	15,404	3,950	-	-	-	19,354
Interest	125	210	-	-	75	410
Sales tax	46,288	-	-	69,438	23,151	138,877
Inventory	-	-	32,875	-	-	32,875
Prepaid expenses	4,703	1,777	577	-	-	7,057
Restricted assets:						
Cash and cash equivalents	418,021	-	-	-	-	418,021
Total assets	\$ 1,268,333	\$ 343,214	\$ 61,461	\$ 519,111	\$ 498,480	\$ 2,690,599
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 33,774	\$ 22,322	\$ 43,306	\$ -	\$ -	\$ 99,402
Accrued expenses	43,326	14,014	304	-	-	57,644
Deferred revenue	10,470	117,104	-	-	-	127,574
Total liabilities	87,570	153,440	43,610	-	-	284,620
Fund balances:						
Reserved for:						
Debt service	418,021	-	-	-	-	418,021
Street	-	159,213	-	-	-	159,213
Infrastructure	-	-	-	449,673	-	449,673
Economic development	-	-	-	-	316,875	316,875
Community betterment	-	-	-	-	14,026	14,026
Cemetery perpetual care	-	-	-	-	136,727	136,727
Unreserved	762,742	30,561	17,851	69,438	30,852	911,444
Total fund balances	1,180,763	189,774	17,851	519,111	498,480	2,405,979
Total liabilities and fund balances	\$ 1,268,333	\$ 343,214	\$ 61,461	\$ 519,111	\$ 498,480	\$ 2,690,599

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

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

September 30, 2010

Total fund balances - governmental funds \$ 2,405,979

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. 51,696

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 \$9,331,102
and the accumulated depreciation is \$1,604,855. 7,726,247

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 \$23,927. 32,515

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	\$ (34,437)	
Bonds and notes payable	<u>(2,088,456)</u>	<u>(2,122,893)</u>

Total net assets - governmental activities \$ 8,093,544

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, 2010

	<u>General</u>	<u>Street</u>	<u>Airport</u>	<u>Infrastructure</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes:						
Property	\$ 408,987	\$ -	\$ -	\$ -	\$ -	\$ 408,987
Motor vehicle	-	49,874	-	-	-	49,874
Sales tax	248,990	-	-	421,172	124,495	794,657
Franchise	358,239	-	-	-	-	358,239
Intergovernmental	110,888	363,850	-	-	-	474,738
Special assessments	-	13,402	-	-	-	13,402
Licenses and permits	13,471	-	-	-	5,775	19,246
Charges for services	165,781	6,662	171,011	-	-	343,454
Grants and donations	170,568	-	25,660	-	34,085	230,313
Loan collections	-	-	-	-	5,551	5,551
Interest income	9,150	1,988	-	885	806	12,829
Other income	31,277	12,112	1,214	-	610	45,213
Total revenues	<u>1,517,351</u>	<u>447,888</u>	<u>197,885</u>	<u>422,057</u>	<u>171,322</u>	<u>2,756,503</u>
EXPENDITURES						
General government	203,444	-	-	-	5,685	209,129
Public safety	494,359	-	-	-	-	494,359
Public works	-	399,110	-	-	-	399,110
Recreation	219,455	-	-	-	-	219,455
Library	158,347	-	-	-	-	158,347
Cemetery	36,188	-	-	-	-	36,188
Airport	-	-	228,411	-	-	228,411
Economic development	-	-	-	-	76,410	76,410
Capital outlay	149,329	36,320	-	-	-	185,649
Principal payments on debt	195,000	80,000	15,304	-	-	290,304
Interest on long-term debt	55,111	17,248	1,934	-	-	74,293
Total expenditures	<u>1,511,233</u>	<u>532,678</u>	<u>245,649</u>	<u>-</u>	<u>82,095</u>	<u>2,371,655</u>
Excess (deficiency) of revenues over expenditures	6,118	(84,790)	(47,764)	422,057	89,227	384,848
OTHER FINANCING SOURCES (USES)						
Net transfers in (out)	<u>58,771</u>	<u>74,000</u>	<u>5,841</u>	<u>(140,588)</u>	<u>(14,230)</u>	<u>(16,206)</u>
Net change in fund balances	64,889	(10,790)	(41,923)	281,469	74,997	368,642
Fund balances - September 30, 2009	<u>1,115,874</u>	<u>200,564</u>	<u>59,774</u>	<u>237,642</u>	<u>423,483</u>	<u>2,037,337</u>
Fund balances - September 30, 2010	<u>\$ 1,180,763</u>	<u>\$ 189,774</u>	<u>\$ 17,851</u>	<u>\$ 519,111</u>	<u>\$ 498,480</u>	<u>\$ 2,405,979</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, 2010

Total net change in fund balances - governmental funds	\$ 368,642
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.	(4,661)
The forgiveness of notes receivable is reported as an expense in the statement of net assets. Notes receivable are not reported in the government funds.	(8,000)
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 (\$185,649) is exceed by depreciation expense (\$396,435).	(210,786)
Bond fees are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the lives of the related bonds as amortization expense. This is the amount by which capitalized bond fees (\$0) is exceeded by amortization expense (\$5,803) in the period.	(5,803)
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.	(8,978)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	290,304
Change in net assets of governmental activities	<u><u>\$ 420,718</u></u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2010

	Enterprise Funds					
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	Eliminations	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,065,083	\$ 186,514	\$ 275,799	\$ -	\$ -	\$ 1,527,396
Certificates of deposit	961,756	239,352	-	-	-	1,201,108
Investments	-	-	-	240,180	-	240,180
Receivables:						
Accounts, net of allowance for doubtful accounts	148,831	34,333	16,642	1,029	-	200,835
Unbilled revenue	193,402	29,111	16,576	1,627	-	240,716
Assessments	-	5,538	4,555	-	-	10,093
Current portion of notes receivable	15,425	-	-	-	-	15,425
Interest	1,345	480	-	-	-	1,825
Due from other funds	19,381	-	-	-	(19,381)	-
Inventory	227,705	19,755	2,579	-	-	250,039
Prepaid expenses	1,102	1,122	778	970	-	3,972
Total current assets	2,634,030	516,205	316,929	243,806	(19,381)	3,691,589
Noncurrent assets:						
Restricted investments	-	-	-	384,138	-	384,138
Noncurrent portion of notes receivable	55,654	-	-	-	-	55,654
Unamortized bond costs	31,766	-	-	-	-	31,766
Capital assets:						
Construction in progress	-	-	4,795	-	-	4,795
Other capital assets	6,340,913	1,263,474	2,952,086	1,523,161	-	12,079,634
Less accumulated depreciation	(2,097,418)	(534,402)	(1,197,486)	(485,138)	-	(4,314,444)
Net capital assets	4,243,495	729,072	1,759,395	1,038,023	-	7,769,985
Total noncurrent assets	4,330,915	729,072	1,759,395	1,422,161	-	8,241,543
Total assets	6,964,945	1,245,277	2,076,324	1,665,967	(19,381)	11,933,132
LIABILITIES						
Current liabilities:						
Accounts payable	221,760	21,458	9,159	2,693	-	255,070
Due to other funds	-	-	-	19,381	(19,381)	-
Accrued payroll and vacation	29,839	16,320	9,411	7,182	-	62,752
Deferred revenue	-	1,538	3,555	-	-	5,093
Sales tax payable	21,692	-	-	-	-	21,692
Accrued interest payable	36,040	3,670	-	1,110	-	40,820
Customer deposits	62,190	27,690	-	-	-	89,880
Current portion of long-term obligations	75,000	20,904	-	24,242	-	120,146
Total current liabilities	446,521	91,580	22,125	54,608	(19,381)	595,453
Noncurrent liabilities:						
Accrued closure and postclosure costs	-	-	-	650,000	-	650,000
Noncurrent portion of long-term obligations	2,135,000	290,971	-	152,342	-	2,578,313
Total noncurrent liabilities	2,135,000	290,971	-	802,342	-	3,228,313
Total liabilities	2,581,521	382,551	22,125	856,950	(19,381)	3,823,766
NET ASSETS						
Invested in capital assets, net of related debt	2,065,261	417,197	1,759,395	861,439	-	5,103,292
Restricted for closure and postclosure costs	-	-	-	384,138	-	384,138
Unrestricted	2,318,163	445,529	294,804	(436,560)	-	2,621,936
Total net assets	\$ 4,383,424	\$ 862,726	\$ 2,054,199	\$ 809,017	\$ -	\$ 8,109,366

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, 2010

	Enterprise Funds				
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 3,415,160	\$ 360,371	\$ 252,720	\$ 226,539	\$ 4,254,790
Other revenue	72,587	14,066	2,779	5,420	94,852
Total operating revenues	<u>3,487,747</u>	<u>374,437</u>	<u>255,499</u>	<u>231,959</u>	<u>4,349,642</u>
Operating expenses:					
Cost of power/gas	2,539,346	-	-	-	2,539,346
Personnel services	226,880	207,156	152,630	72,483	659,149
Insurance and bonds	11,909	12,288	8,277	10,609	43,083
Utilities and telephone	13,063	13,464	46,077	1,873	74,477
Repairs and maintenance	66,640	61,554	22,045	8,354	158,593
Contractual obligations	2,600	4,989	840	33,990	42,419
Supplies	50,390	3,095	6,274	551	60,310
Licenses and fees	341,509	-	-	12,515	354,024
Professional fees	5,189	480	2,300	713	8,682
Miscellaneous	8,910	6,449	3,556	53,237	72,152
Depreciation	215,534	56,586	79,580	41,289	392,989
Amortization	3,585	-	-	-	3,585
Total operating expenses	<u>3,485,555</u>	<u>366,061</u>	<u>321,579</u>	<u>235,614</u>	<u>4,408,809</u>
Operating income (loss)	2,192	8,376	(66,080)	(3,655)	(59,167)
Nonoperating revenues (expenses):					
Interest income	25,335	4,847	-	762	30,944
Grant income	-	4,745	-	-	4,745
Interest expense	(96,588)	(13,655)	-	(9,155)	(119,398)
Total nonoperating revenues (expenses)	<u>(71,253)</u>	<u>(4,063)</u>	<u>-</u>	<u>(8,393)</u>	<u>(83,709)</u>
Income (loss) before interfund transfers	(69,061)	4,313	(66,080)	(12,048)	(142,876)
Interfund transfers:					
Transfer from (to) other funds	<u>-</u>	<u>-</u>	<u>16,206</u>	<u>-</u>	<u>16,206</u>
Change in net assets	(69,061)	4,313	(49,874)	(12,048)	(126,670)
Net assets - September 30, 2009	<u>4,452,485</u>	<u>858,413</u>	<u>2,104,073</u>	<u>821,065</u>	<u>8,236,036</u>
Net assets - September 30, 2010	<u>\$ 4,383,424</u>	<u>\$ 862,726</u>	<u>\$ 2,054,199</u>	<u>\$ 809,017</u>	<u>\$ 8,109,366</u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the year ended September 30, 2010

	<u>Enterprise Funds</u>	
	<u>Electric Fund</u>	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 3,455,559	\$ 363,563
Payments to suppliers	(3,025,462)	(87,024)
Payments to employees	(225,629)	(204,458)
Net cash provided (used) by operating activities	<u>204,468</u>	<u>72,081</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Change in due to/from other funds	(19,381)	-
Transfers from (to) other funds	-	-
Net cash provided (used) by noncapital financing activities	<u>(19,381)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(7,369)	(2,378)
Payments received on notes receivable	14,731	-
Grant proceeds	-	4,745
Principal payments on capital debt	(70,000)	(20,290)
Interest paid on capital debt	(97,448)	(13,085)
Net cash used by capital and related financing activities	<u>(160,086)</u>	<u>(31,008)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in certificates of deposit and investments	(19,271)	(3,753)
Interest received	29,565	5,207
Net cash provided (used) by investing activities	<u>10,294</u>	<u>1,454</u>
Increase (decrease) in cash and cash equivalents	35,295	42,527
Cash and cash equivalents - beginning of the year	<u>1,029,788</u>	<u>143,987</u>
Cash and cash equivalents - end of the year	<u><u>\$ 1,065,083</u></u>	<u><u>\$ 186,514</u></u>

See notes to financial statements

Enterprise Funds		
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
\$ 252,276	\$ 232,471	\$ 4,303,869
(92,474)	(74,004)	(3,278,964)
(152,265)	(72,645)	(654,997)
<u>7,537</u>	<u>85,822</u>	<u>369,908</u>
-	19,381	-
16,206	-	16,206
<u>16,206</u>	<u>19,381</u>	<u>16,206</u>
(4,795)	-	(14,542)
-	-	14,731
-	-	4,745
-	(23,140)	(113,430)
-	(9,265)	(119,798)
<u>(4,795)</u>	<u>(32,405)</u>	<u>(228,294)</u>
-	(84,268)	(107,292)
-	762	35,534
<u>-</u>	<u>(83,506)</u>	<u>(71,758)</u>
18,948	(10,708)	86,062
256,851	10,708	1,441,334
<u>\$ 275,799</u>	<u>\$ -</u>	<u>\$ 1,527,396</u>

CITY OF VALENTINE, NEBRASKA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, Continued

For the year ended September 30, 2010

	Enterprise Funds	
	Electric Fund	Water Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 2,192	\$ 8,376
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	215,534	56,586
Amortization expense	3,585	-
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	(34,698)	(12,094)
Assessments	-	24,086
Inventories	(9,201)	(349)
Prepaid expenses	321	494
Accounts payable	18,520	15,150
Accrued payroll and vacation	1,251	2,698
Deferred revenue	-	(24,086)
Other accrued expenses	4,454	-
Customer deposits	2,510	1,220
Net cash provided (used) by operating activities	<u>\$ 204,468</u>	<u>\$ 72,081</u>

See notes to financial statements.

Enterprise Funds			
<u>Sewer</u> <u>Fund</u>	<u>Landfill</u> <u>Fund</u>		<u>Total</u>
\$ (66,080)	\$ (3,655)		\$ (59,167)
79,580	41,289		392,989
-	-		3,585
(5,104)	512		(51,384)
(1,674)	-		22,412
218	-		(9,332)
94	413		1,322
(3,417)	(3,575)		26,678
365	(162)		4,152
3,555	-		(20,531)
-	51,000		55,454
-	-		3,730
<u>\$ 7,537</u>	<u>\$ 85,822</u>		<u>\$ 369,908</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

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
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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, 2010

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 ten 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, 2010

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 five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

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, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds

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

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
Governmental:	
General	See above for description.
Street	The Street Fund is a Special Revenue Fund that accounts for the City's share of highway allocation from the State of Nebraska.
Airport	The Airport Fund is a Special Revenue Fund that accounts for airport operations.
Infrastructure	Accounts for the collection of the City sales tax.
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.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds, continued

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

3. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

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

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

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

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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, 2010

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, 2010

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. The City has a \$1,000 capitalization threshold. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. The City has elected the depreciation approach for reporting infrastructure.

Depreciation of general capital assets and all proprietary capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net 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, 2010

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, 2010

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, 2010

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 percent – Pay principal and interest on bonds, relieve property tax, and purchase and maintain equipment and infrastructure
- 1/2 percent – Pool debt service
- 1/4 percent – 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 six months thereafter, as well as taxes authorized by state law.

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

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Property Taxes, continued

Property taxes levied for 2009-2010 are recorded as revenue when expected to be collected within 60 days after September 30, 2010. 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, 2010

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, 2010

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 October 15. Real property taxes and personal property taxes are due December 31 with the first half delinquent May 1 and the second half delinquent September 1.
- g. Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.
- h. The City of Valentine adopts a budget by resolution for all fund types.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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, 2010. The categories of collateral are defined as follows:

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

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

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

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits, money market funds, and certificates of deposit	\$ 5,022,627	\$ 2,630,671	\$ 2,391,956	\$ -	\$ <u>4,999,319</u>

Reconciliation to Government-wide Statement of Net Assets:

Cash and Cash Equivalents –

Unrestricted \$ 3,088,841

Restricted 418,021

Certificates of Deposit –

Unrestricted 1,492,457

\$ 4,999,319

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2010

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 Notes A4. The table presented below is designed to disclose whether the investments are insured or registered and who holds the security at September 20, 2010. The categories of investments are defined as follows:

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

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

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

<u>Types of Deposits</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government securities	\$ 624,318	\$ -	\$ -	\$ <u>624,318</u>	\$ <u>624,318</u>

Reconciliation to Government-wide Statement of Net Assets:

Primary Government –	
Unrestricted investments	\$ 240,180
Restricted investments	<u>384,138</u>
	\$ <u>624,318</u>

2. Restricted Assets

The restricted assets as of September 30, 2010, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 418,021	\$ -	\$ 418,021
Investments	-	384,138	384,138
	<u>\$ 418,021</u>	<u>\$ 384,138</u>	<u>\$ 802,159</u>

The governmental activities' restricted assets (\$418,021) relate to pool debt service and are required by bond agreements. The business-type activities' restricted assets (\$384,138) are restricted to cover landfill closure costs.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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, 2010, is as follows:

	Business-type <u>Activities</u>
Accounts receivable	\$ 245,035
Allowance for doubtful accounts	<u>(44,200)</u>
Net accounts receivable	<u><u>\$ 200,835</u></u>

4. Notes Receivable

Governmental Activities

The Economic Development Fund has made two economic development loans. Notes receivable at September 30, 2010, 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 percent. \$ 32,000

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 percent. 19,696

Total government activities notes receivable \$ 51,696

Current portion \$ 12,851

Noncurrent portion 38,845

Total \$ 51,696

Business-type Activities

The Electric Fund has made two loans. Notes receivable at September 30, 2010, 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 percent and payments are due over a ten-year term. \$ 28,424

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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 percent.

	42,655
Total business-type activities notes receivable	\$ <u>71,079</u>
Current portion	\$ 15,425
Noncurrent portion	<u>55,654</u>
Total	\$ <u>71,079</u>

5. Capital Assets

Capital asset activity for the year ended September 30, 2010, was as follows:

	Balance at October 1, 2009	Additions	Disposals	Balance at September 30, 2010
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 79,462	\$ -	\$ -	\$ 79,462
Other capital assets being depreciated:				
Buildings and improvements	8,190,048	120,839	-	8,310,887
Machinery and equipment	616,629	6,178	-	622,807
Vehicles	259,314	58,632	-	317,946
Total other capital assets at historical cost	9,065,991	185,649	-	9,251,640
Less accumulated depreciation for:				
Buildings and improvements	(707,598)	(302,001)	-	(1,009,599)
Machinery and equipment	(307,654)	(71,142)	-	(378,796)
Vehicles	(193,168)	(23,292)	-	(216,460)
Total accumulated depreciation	(1,208,420)	(396,435) *	-	(1,604,855)
Other capital assets, net	7,857,571	(210,786)	-	7,646,785
Governmental activities capital assets, net	<u>\$ 7,937,033</u>	<u>\$ (210,786)</u>	<u>\$ -</u>	<u>\$ 7,726,247</u>

* Depreciation expense was incurred by the following governmental activities:

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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

5. Capital Assets, continued

Governmental Activities, continued:

General Fund:

General government	\$ 8,019
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Public safety:

Police	16,383
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Fire	<u>33,137</u>
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Total public safety	49,520
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Public works:

Cemetery	7,498
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Environment and leisure:

Swimming Pool	65,900
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Library	3,776
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Parks and Recreation	12,352
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Bookmobile	<u>41</u>
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Total environment and leisure	<u>82,069</u>
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Total General Fund	147,106
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Street Fund	24,295
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Airport Fund	<u>225,034</u>
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Total governmental activities depreciation expense	\$ <u>396,435</u>
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CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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

5. Capital Assets, continued

	Balance at <u>October 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>September 30, 2010</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 4,795	\$ -	\$ 4,795
Other capital assets being depreciated:				
Distribution systems, buildings, and equipment	4,426,129	-	-	4,426,129
Buildings and improvements	1,280,298	-	-	1,280,298
Machinery and equipment	5,951,580	9,747	-	5,961,327
Vehicles	411,880	-	-	411,880
Total other capital assets at historical cost	12,069,887	9,747	-	12,079,634
Less accumulated depreciation for:				
Distribution systems, buildings, and equipment	(821,857)	(131,515)	-	(953,372)
Buildings and improvements	(452,491)	(28,871)	-	(481,362)
Machinery and equipment	(2,468,590)	(207,810)	-	(2,676,400)
Vehicles	(178,517)	(24,793)	-	(203,310)
Total accumulated depreciation	(3,921,455)	(392,989) *	-	(4,314,444)
Other capital assets, net	8,148,432	(383,242)	-	7,765,190
Business-type activities capital assets, net	<u>\$ 8,148,432</u>	<u>\$ (378,447)</u>	<u>\$ -</u>	<u>\$ 7,769,985</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 215,534
Water	56,586
Sewer	79,580
Landfill	41,289
Total business-type activities depreciation expense	<u>\$ 392,989</u>

Construction in progress is for engineering on a wastewater treatment plant project. The project is expected to cost \$90,000 and be completed during the summer of 2011. See Note D3 for more information on construction commitments.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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, 2010:

<u>Type of Debt</u>	<u>Balance at October 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2010</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable	<u>\$ 2,378,760</u>	<u>\$ -</u>	<u>\$ (290,304)</u>	<u>\$ 2,088,456</u>	<u>\$ 275,551</u>
Business-type Activities:					
Bonds and notes payable	<u>\$ 2,811,889</u>	<u>\$ -</u>	<u>\$ (113,430)</u>	<u>\$ 2,698,459</u>	<u>\$ 120,146</u>

Governmental Activities

As of September 30, 2010, the governmental long-term liabilities consisted of the following:

Bonds and notes payable:

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

\$ 1,380,000

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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 percent to 4.00 percent. Interest is due in semi-annual installments and principal is due in annual installments through December 15, 2017. 190,000

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

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. 60,800

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 percent. 42,656

Total governmental activities bonds and notes payable \$ 2,088,456

Current portion \$ 275,551

Noncurrent portion 1,812,905

Total \$ 2,088,456

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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

7. Long-term Debt, continued

Business-type Activities

As of September 30, 2010, 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 percent.

\$ 148,160

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 20 years and it bears interest at 3 percent and a 1 percent fee for a total carryover cost of 4 percent. Payments are semi-annual in June and December. The first payment was June 15, 2003, and the last payment is December 2022.

311,875

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

2,210,000

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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 percent and payments are due over a ten-year term.

	28,424
Total business-type activity bonds and notes payable	\$ <u>2,698,459</u>
Current portion	\$ 120,146
Noncurrent portion	<u>2,578,313</u>
Total	\$ <u>2,698,459</u>

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2010, are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities		
	Principal	Interest	Principal	Interest	Loan Fees
2011	\$ 275,551	\$ 68,058	\$ 120,146	\$ 110,888	\$ 3,271
2012	285,808	59,244	126,936	106,895	3,067
2013	296,076	49,676	128,801	102,687	2,856
2014	306,354	39,454	125,258	98,255	2,639
2015	311,643	28,722	131,732	93,499	2,416
2016-2020	613,024	23,507	713,598	385,433	8,482
2021-2025	-	-	721,988	234,843	2,015
2026-2029	-	-	630,000	63,052	-
	<u>\$2,088,456</u>	<u>\$ 268,661</u>	<u>\$ 2,698,459</u>	<u>\$ 1,195,552</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, 2010

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, 2010:

Current portion	\$ 37,313
Non-current portion	<u>117,104</u>
Total street improvement assessments	\$ <u>154,417</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, 2010:

	<u>Water</u>	<u>Sewer</u>
Current portion	\$ 4,000	\$ 1,000
Non-current portion	<u>1,538</u>	<u>3,555</u>
Total improvements assessments	\$ <u>5,538</u>	\$ <u>4,555</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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

9. Interfund Transactions

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 58,771	\$ -
Street Fund	74,000	-
Airport Fund	5,841	-
Infrastructure Fund	-	(140,588)
Nonmajor Funds	-	(14,230)
Sewer Fund	<u>16,206</u>	<u>-</u>
Total operating transfers	\$ <u>154,818</u>	\$ <u>(154,818)</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 six percent of their gross payroll and the City matches the six 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, 2010, the City's total payroll and covered payroll under the plan was \$1,026,457 and \$793,678, respectively. Both the City's required contribution of \$46,765 and the covered employees' required contribution of \$46,765 were made for the year ended September 30, 2010.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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 \$6,477 under the plan for the year ended September 30, 2010.

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, 2010, 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, 2010

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 2011	\$ 568,446
May 2011	924,011
	<u>\$ 1,492,457</u>

The investment maturities are as follows:

<u>Maturities by Month</u>	<u>Amount</u>
February 2014	<u>\$ 624,318</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, 2010, the City's investments and certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
First National Bank of Valentine	\$ 924,011
Union Bank & Trust	1,192,764
Totals	<u>\$ 2,116,775</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, 2010.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2010

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 \$650,000 reported as landfill closure and postclosure care liability at September 30, 2010, represents the cumulative amount reported to date based on the use of approximately 40.0 percent of the estimated capacity of the landfill. The Valentine Landfill will recognize the remaining estimated cost of closure and postclosure care of \$990,263 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2010. 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, 2010, investments totaled \$384,138 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.

Construction Commitments

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2010</u>	<u>Obligation Pending</u>
Olsson Associates	WWTP improvement project engineering	<u>\$ 30,816</u>	<u>\$ 4,795</u>	<u>\$ 26,021</u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2010

NOTE D – OTHER NOTES, continued

4. Interlocal Agreements

The City has the following Interlocal agreements in effect as of September 30, 2010:

Parties to Agreement	Term	Description
Cherry County	October 1, 2009 - September 30, 2010	Agreement for law enforcement and fire dispatch
Cherry County	September 12, 2010 - September 12, 2011	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. Conduit Debt

In 2008, the Community Development Agency (CDA) issued tax increment revenue bonds in the original amount of \$103,821 for Danielski Harvesting & Farming, LLC. These bonds constitute a limited obligation of the Agency payable exclusively from that portion of the ad valorem real estate taxes mentioned in subdivision (2) of Section 18-2147 R.R.S. Neb. 1943, as levied collected, and apportioned from year to year with respect to certain real estate located within the “Project Areas.” The conduit debt has a principal balance of \$103,821 as of September 30, 2010.

In 2009, the Community Development Agency (CDA) issued tax increment revenue bonds in the original amount of \$407,000 for the Ranchland Foods Project. These bonds constitute a limited obligation of the Agency payable exclusively from that portion of the ad valorem real estate taxes mentioned in subdivision (2) of Section 18-2147 R.R.S. Neb. 1943, as levied, collected, and apportioned from year to year with respect to certain real estate located within the “Project Areas.” The conduit debt has a principal balance of \$407,000 as of September 30, 2010.

These bonds do not constitute an obligation of the City of Valentine, Nebraska, as the City is not liable for the payment thereof from any fund or source including but not limited to tax monies (except for such tax receipts as have been pledged pursuant to Section 18-2150 R.R.S Neb. 1943). Accordingly, these bonds are not reported as liabilities in the accompanying financial statements.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2010

NOTE D – OTHER NOTES, continued

7. Union Contract

The City is subject to the following union contract:

- Local Union No. 1597 of the International Brotherhood of Electrical Workers, AFL - CIO.
This agreement commenced October 1, 2009, and terminates September 30, 2012.

6. Subsequent Events

Management has evaluated subsequent events through January 20, 2011, 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, 2010

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 454,204	\$ 409,284	\$ (44,920)
Sales	250,000	249,228	(772)
Franchise	385,858	358,239	(27,619)
Intergovernmental	118,045	110,888	(7,157)
Licenses and permits	13,190	13,471	281
Charges for services	158,050	165,781	7,731
Donations	712,052	170,568	(541,484)
Interest income	10,150	9,245	(905)
Other	<u>8,101</u>	<u>31,277</u>	<u>23,176</u>
Total resources	2,109,650	1,517,981	(591,669)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	470,576	203,784	(266,792)
Public safety	490,717	494,359	3,642
Recreation	216,487	215,093	(1,394)
Library	235,268	157,200	(78,068)
Cemetery	95,350	35,851	(59,499)
Capital outlay	726,000	149,329	(576,671)
Principal payments on debt	170,000	195,000	25,000
Interest payments on debt	<u>56,953</u>	<u>57,471</u>	<u>518</u>
Total charges to appropriations	<u>2,461,351</u>	<u>1,508,087</u>	<u>(953,264)</u>
Resources over (under) charges to appropriations	(351,701)	9,894	361,595
OTHER FINANCING SOURCES (USES)			
Net transfers	<u>284,630</u>	<u>58,771</u>	<u>(225,859)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u><u>\$ (67,071)</u></u>	<u><u>\$ 68,665</u></u>	<u><u>\$ 135,736</u></u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
STREET FUND**

Year ended September 30, 2010

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Motor vehicle tax	\$ 48,000	\$ 49,874	\$ 1,874
Intergovernmental	331,847	363,806	31,959
Special assessments	45,490	41,519	(3,971)
Interest income	2,000	2,148	148
Charges for services	5,000	6,662	1,662
Other income	<u>100</u>	<u>12,112</u>	<u>12,012</u>
Total resources	432,437	476,121	43,684
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	467,146	394,092	(73,054)
Capital outlay	25,000	36,320	11,320
Principal payments on debt	20,000	80,000	60,000
Interest payments on debt	<u>14,888</u>	<u>15,818</u>	<u>930</u>
Total charges to appropriations	<u>527,034</u>	<u>526,230</u>	<u>(804)</u>
Resources over (under) charges to appropriations	(94,597)	(50,109)	44,488
OTHER FINANCING SOURCES (USES)			
Net transfers in	<u>74,000</u>	<u>74,000</u>	<u>-</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u><u>\$ (20,597)</u></u>	<u><u>\$ 23,891</u></u>	<u><u>\$ 44,488</u></u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
AIRPORT FUND**

Year ended September 30, 2010

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Charges for services	\$ 168,000	\$ 171,011	\$ 3,011
Grant income	196,000	25,660	(170,340)
Other income	<u>600</u>	<u>1,214</u>	<u>614</u>
Total resources	364,600	197,885	(166,715)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Operating expenditures	349,288	194,805	(154,483)
Capital outlay	-	-	-
Principal payments on debt	15,304	15,304	-
Interest on long-term debt	<u>1,953</u>	<u>1,934</u>	<u>(19)</u>
Total charges to appropriations	<u>366,545</u>	<u>212,043</u>	<u>(154,502)</u>
Resources over (under) charges to appropriations	(1,945)	(14,158)	(12,213)
OTHER FINANCING SOURCES (USES)			
Net transfers in	<u>11,000</u>	<u>5,841</u>	<u>(5,159)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u><u>\$ 9,055</u></u>	<u><u>\$ (8,317)</u></u>	<u><u>\$ (17,372)</u></u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
INFRASTRUCTURE FUND**

Year ended September 30, 2010

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 370,000	\$ 421,530	\$ 51,530
Interest income	<u>2,000</u>	<u>885</u>	<u>(1,115)</u>
Total resources	372,000	422,415	50,415
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Operating expenses	<u>-</u>	<u>-</u>	<u>-</u>
Resources over (under) charges to appropriations	372,000	422,415	50,415
OTHER FINANCING SOURCES (USES)			
Net transfers out	<u>(404,072)</u>	<u>(140,588)</u>	<u>263,484</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u><u>\$ (32,072)</u></u>	<u><u>\$ 281,827</u></u>	<u><u>\$ 313,899</u></u>

CITY OF VALENTINE, NEBRASKA

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

Year ended September 30, 2010

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

	<u>General Fund</u>	<u>Street Fund</u>	<u>Airport Fund</u>	<u>Infrastructure Fund</u>
Sources/inflows of resources:				
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 1,517,981	\$ 476,121	\$ 197,885	\$ 422,415
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>(630)</u>	<u>(28,233)</u>	<u>-</u>	<u>(358)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,517,351</u></u>	<u><u>\$ 447,888</u></u>	<u><u>\$ 197,885</u></u>	<u><u>\$ 422,057</u></u>
Uses/outflows of resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 1,508,087	\$ 526,230	\$ 212,043	\$ -
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>3,146</u>	<u>6,448</u>	<u>33,606</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,511,233</u></u>	<u><u>\$ 532,678</u></u>	<u><u>\$ 245,649</u></u>	<u><u>\$ -</u></u>

OTHER SUPPLEMENTARY INFORMATION

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

September 30, 2010

	<u>Special Revenue Funds</u>		<u>Permanent Funds</u>		
	Fines and <u>Fees</u>	Economic <u>Development</u>	Perpetual <u>Care</u>	Queen Jackson <u>Memorial</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 7,626	\$ 316,875	\$ 2,901	\$ 14,026	\$ 341,428
Certificates of deposit	-	-	133,826	-	133,826
Interest receivable	-	-	75	-	75
Sales tax recievable	-	23,151	-	-	23,151
Total assets	<u>\$ 7,626</u>	<u>\$ 340,026</u>	<u>\$ 136,802</u>	<u>\$ 14,026</u>	<u>\$ 498,480</u>
LIABILITIES AND FUND BALANCES					
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:					
Reserved for:					
Economic development	-	316,875	-	-	316,875
Cemetery perpetual care	-	-	136,727	-	136,727
Community betterment	-	-	-	14,026	14,026
Unreserved	7,626	23,151	75	-	30,852
Total fund balances	<u>7,626</u>	<u>340,026</u>	<u>136,802</u>	<u>14,026</u>	<u>498,480</u>
Total liabilities and fund balances	<u>\$ 7,626</u>	<u>\$ 340,026</u>	<u>\$ 136,802</u>	<u>\$ 14,026</u>	<u>\$ 498,480</u>

CITY OF VALENTINE, NEBRASKA

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

For the year ended September 30, 2010

	<u>Special Revenue Funds</u>		<u>Permanent Funds</u>		
	<u>Fine and Fees</u>	<u>Economic Development</u>	<u>Perpetual Care</u>	<u>Queen Jackson Memorial</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES					
Sales tax	\$ -	\$ 124,495	\$ -	\$ -	\$ 124,495
Licenses and permits	5,775	-	-	-	5,775
Grants and contributions	-	14,265	-	19,820	34,085
Interest income	-	806	-	-	806
Loan collections	-	5,551	-	-	5,551
Other	-	-	610	-	610
Total revenues	5,775	145,117	610	19,820	171,322
EXPENDITURES					
General government	5,685	-	-	-	5,685
Economic development	-	76,410	-	-	76,410
Total expenditures	5,685	76,410	-	-	82,095
Excess (deficiency) of revenues over expenditures	90	68,707	610	19,820	89,227
OTHER FINANCING SOURCES (USES)					
Transfers to other funds	-	(4,230)	-	(10,000)	(14,230)
Net change in fund balances	90	64,477	610	9,820	74,997
Fund balances - September 30, 2009	7,536	275,549	136,192	4,206	423,483
Fund balances - September 30, 2010	\$ 7,626	\$ 340,026	\$ 136,802	\$ 14,026	\$ 498,480

CITY OF VALENTINE, NEBRASKA

COMBINING STATEMENT OF REVENUES AND EXPENDITURES -

GENERAL FUND DEPARTMENTS

Year ended September 30, 2010

	<u>Administrative</u>	<u>Police</u>	<u>Fire</u>
REVENUES			
Taxes:			
General property tax	\$ 230,229	\$ -	\$ -
Sales tax	-	-	-
Franchise	358,239	-	-
Intergovernmental revenue:			
State assistance	109,090	-	-
Licenses and permits	13,471	-	-
Charges for services	-	-	-
Grants and donations	32,545	-	-
Interest income	1,557	-	-
Other receipts	27,137	-	-
Total revenues	<u>772,268</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Personnel services:			
Salaries and benefits	102,183	324,779	3,584
Operating expenses:			
Insurance	9,672	12,340	9,099
Professional fees	1,524	1,089	130
Meetings, seminars, and dues	12,583	220	100
Repairs and maintenance	6,231	22,669	15,308
Printing, postage, and publications	249	150	-
Utilities and telephone	11,308	-	12,073
Total operating expenses	<u>41,567</u>	<u>36,468</u>	<u>36,710</u>
Supplies	3,289	2,159	298
Other expenses	56,405	75,925	14,436
Capital outlay	-	28,490	-
Principal payments on debt	-	-	25,000
Interest payments	-	-	181
Total expenditures	<u>203,444</u>	<u>467,821</u>	<u>80,209</u>
Excess (deficiency) of revenues over expenditures before transfers	568,824	(467,821)	(80,209)
TRANSFERS FROM OTHER FUNDS	<u>33,018</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u><u>\$ 601,842</u></u>	<u><u>\$ (467,821)</u></u>	<u><u>\$ (80,209)</u></u>

<u>Pool</u>	<u>Library</u>	<u>Cemetery</u>	<u>Park</u>	<u>Bookmobile</u>	<u>Time Capsule</u>	<u>Total</u>
\$ -	\$ 80,542	\$ 17,492	\$ 80,724	\$ -	\$ -	\$ 408,987
248,990	-	-	-	-	-	248,990
-	-	-	-	-	-	358,239
-	1,798	-	-	-	-	110,888
-	-	-	-	-	-	13,471
30,373	5,363	13,288	39,507	77,250	-	165,781
-	121,899	350	15,774	-	-	170,568
1,180	66	5,505	9	798	35	9,150
617	343	-	3,180	-	-	31,277
<u>281,160</u>	<u>210,011</u>	<u>36,635</u>	<u>139,194</u>	<u>78,048</u>	<u>35</u>	<u>1,517,351</u>
31,949	55,034	-	32,135	51,563	-	601,227
3,257	4,927	858	6,511	3,396	-	50,060
373	115	54	191	96	-	3,572
-	245	-	-	125	-	13,273
4,522	6,293	32,673	47,504	6,743	-	141,943
-	246	-	150	251	-	1,046
10,887	6,777	2,309	44,115	239	-	87,708
<u>19,039</u>	<u>18,603</u>	<u>35,894</u>	<u>98,471</u>	<u>10,850</u>	<u>-</u>	<u>297,602</u>
12,857	10,550	294	1,616	10,204	-	41,267
2,272	1,186	-	21,116	357	-	171,697
-	120,839	-	-	-	-	149,329
170,000	-	-	-	-	-	195,000
54,930	-	-	-	-	-	55,111
<u>291,047</u>	<u>206,212</u>	<u>36,188</u>	<u>153,338</u>	<u>72,974</u>	<u>-</u>	<u>1,511,233</u>
(9,887)	3,799	447	(14,144)	5,074	35	6,118
<u>-</u>	<u>10,753</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>58,771</u>
<u>\$ (9,887)</u>	<u>\$ 14,552</u>	<u>\$ 447</u>	<u>\$ 856</u>	<u>\$ 5,074</u>	<u>\$ 35</u>	<u>\$ 64,889</u>



SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk

**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, 2010, which collectively comprise the City of Valentine, Nebraska's basic financial statements, and have issued our report thereon dated January 20, 2011. 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described below, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Segregation of Duties

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

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 January 20, 2011.

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
January 20, 2011