

CITY OF VALENTINE, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2011

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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, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2012, 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
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk

1203 W 2nd Street
PO Box 1407
Grand Island, NE 68802
Ph. 308-381-1810
Fax 308-381-4824
Email: cpa@gicpas.com

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

The accompanying management's discussion and analysis and required supplementary information on pages 4 through 12 and 55 through 59 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
February 29, 2012

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2011**

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, 2011.

Financial Highlights

- The assets of the City of Valentine exceeded its liabilities at the close of the most recent fiscal year by \$16,702,890 (*net assets*). Of this amount, \$4,058,507 (*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 \$8,750,151. Approximately 11.6 percent of this total amount, \$1,012,099, is *unrestricted net assets*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$738,720, or 43.1 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, 2011

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

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

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

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

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

The City of Valentine maintains 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 15-18 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, 2011

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

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

The basic proprietary fund financial statements can be found on pages 19-22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-54 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Valentine's budgetary comparison schedules. Required supplementary information can be found on pages 55-59 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 60-62 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 \$16,702,890 at the close of the most recent fiscal year.

Summary of Net Assets

	September 30, 2011			September 30, 2010		
	Governmental	Business-type		Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current and Other Assets	\$ 3,218,662	\$ 4,324,791	\$ 7,543,453	\$ 2,774,810	\$ 4,163,147	\$ 6,937,957
Capital Assets	7,574,793	7,453,175	15,027,968	7,726,247	7,769,985	15,496,232
Total Assets	10,793,455	11,777,966	22,571,421	10,501,057	11,933,132	22,434,189
Long-term Liabilities	1,564,387	3,151,374	4,715,761	1,847,342	3,228,313	5,075,655
Other Liabilities	478,917	673,853	1,152,770	560,171	595,453	1,155,624
Total Liabilities	2,043,304	3,825,227	5,868,531	2,407,513	3,823,766	6,231,279
Net Assets:						
Invested in Capital Assets, net of related debt	5,788,600	4,906,331	10,694,931	5,670,306	5,103,292	10,773,598
Restricted	1,949,452	-	1,949,452	1,494,535	384,138	1,878,673
Unrestricted	1,012,099	3,046,408	4,058,507	928,703	2,621,936	3,550,639
Total Net Assets	<u>\$ 8,750,151</u>	<u>\$ 7,952,739</u>	<u>\$ 16,702,890</u>	<u>\$ 8,093,544</u>	<u>\$ 8,109,366</u>	<u>\$ 16,202,910</u>

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

By far the largest portion of the City of Valentine's net assets (64.0 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Valentine uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Valentine's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Valentine's net assets (14.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$4,058,507) 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, 2011</u>		<u>Year Ended September 30, 2010</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 192,723	\$ 415,934	\$ 32,545	\$ 199,053
Public Safety	3,135	484,424	-	504,838
Public Works	3,288	365,241	6,662	406,018
Recreation	245,666	360,840	290,166	379,469
Cemetery	7,263	35,029	13,638	36,188
Airport	373,867	321,805	196,671	228,411
Economic Development	-	48,015	14,265	84,410
Community Development	-	-	19,820	-
Interest	-	65,365	-	74,293
Depreciation and Amortization	-	416,573	-	402,238
Total	825,942	2,513,226	573,767	2,314,918
Transfers out	-	58,400	-	16,206
	<u>\$ 825,942</u>	<u>\$ 2,571,626</u>	<u>\$ 573,767</u>	<u>\$ 2,331,124</u>

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

Revenues by Source – Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2011</u>			<u>Year Ended September 30, 2010</u>		
Charges for Services	\$	373,433	11.57 %	\$	343,454	12.48 %
Operating Grants and Contributions		346,647	10.74		109,474	3.98
Capital Grants and Contributions		105,862	3.28		120,839	4.39
Property Taxes		417,882	12.94		408,987	14.86
Motor Vehicle Taxes		49,372	1.53		49,874	1.81
Sales Tax		867,045	26.86		794,657	28.88
Franchise Taxes		392,955	12.17		358,239	13.02
State Allocation		505,132	15.65		474,738	17.25
Special Assessments		79,481	2.46		13,402	0.49
Miscellaneous		80,113	2.48		65,349	2.37
Interest		10,311	0.32		12,829	0.47
Total	\$	<u>3,228,233</u>	<u>100.00 %</u>		<u>2,751,842</u>	<u>100.00 %</u>

Net assets increased \$656,607 in the governmental funds during the year ended September 30, 2011.

Business-type activities. Business-type activities decreased the City of Valentine's net assets by \$(156,627). Key elements of this decrease are as follows:

Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2011</u>		<u>Year Ended September 30, 2010</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 3,724,712	\$ 3,904,359	\$ 3,487,747	\$ 3,582,143
Water	368,662	382,708	379,182	379,716
Sewer	258,165	353,177	255,499	321,579
Landfill	525,402	477,055	231,959	244,769
Total	<u>\$ 4,876,941</u>	<u>\$ 5,117,299</u>	<u>\$ 4,354,387</u>	<u>\$ 4,528,207</u>

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

Revenues by Source – Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2011</u>			<u>Year Ended September 30, 2010</u>		
Charges for Services	\$	4,872,607	98.22 %	\$	4,341,840	98.64 %
Grants and Contributions		4,334	0.09		4,745	0.11
Special Assessments		3,634	0.07		7,802	0.18
Interest		21,697	0.44		30,944	0.70
Interfund Transfer		58,400	1.18		16,206	0.37
Total	\$	<u>4,960,672</u>	<u>100.00 %</u>	\$	<u>4,401,537</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, *unassigned 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 \$2,855,359. Approximately 25.9 percent of this total amount (\$738,720) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is not available for new spending because it has already been 1) restricted for debt service (\$400,920), 2) restricted to pay for infrastructure (\$785,182), 3) restricted for economic development (\$287,373), 4) restricted for street improvements (\$321,266), 5) restricted for community betterment (\$17,664), 6) nonspendable for cemetery perpetual care (\$137,047), 7) nonspendable for inventory and prepaids (\$33,739), 8) assigned for airport activities (\$26,894), or 9) assigned for budgetary stabilization (\$106,554).

The General Fund is the chief operating fund of the City of Valentine. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$738,720, while total fund balance reached \$1,249,434. 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 43.1 percent of total General Fund expenditures, while total fund balance represents 72.9 percent of the same amount.

The fund balance of the City of Valentine's General Fund increased by \$68,671 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.

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

Unrestricted net assets of the proprietary funds at the end of the year were as follows: Electric Fund - \$2,293,903, Water Fund - \$461,067, Sewer Fund - \$277,785, and Landfill Fund - \$13,653. The Electric Fund net assets decreased \$(160,582), the Water Fund net assets decreased \$(9,925), the Sewer Fund net assets decreased \$(35,151), and the Landfill Fund net assets increased \$49,031. 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, 2011.

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, 2011, amounts to \$15,027,968 (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:

- Fire hall HVAC system - \$25,085
- Library shelving - \$38,923
- Library bathroom renovation - \$14,521
- Library furnace - \$29,042
- Gym lights - \$22,165
- Gym boiler steam traps - \$25,127
- Gym entrance doors - \$30,000
- Walker mower - \$11,000
- Airport concrete pad - \$52,990
- Water system computer upgrade - \$10,094
- SCADA computer upgrade - \$10,150
- Lift station monitoring upgrade - \$28,990

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

- Wastewater treatment plant improvement engineering - \$18,671

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

	Year Ended September 30, 2011			Year Ended September 30, 2010		
	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	-	23,466	23,466	-	4,795	4,795
Buildings and Improvements	7,192,684	770,065	7,962,749	7,301,288	798,936	8,100,224
Machinery and Equipment	222,931	3,135,300	3,358,231	237,211	3,284,927	3,522,138
Distribution Systems, Buildings, and Equipment	-	3,340,567	3,340,567	-	3,472,757	3,472,757
Vehicles	79,716	183,777	263,493	108,286	208,570	316,856
Total	<u>\$ 7,574,793</u>	<u>\$ 7,453,175</u>	<u>\$ 15,027,968</u>	<u>\$ 7,726,247</u>	<u>\$ 7,769,985</u>	<u>\$ 15,496,232</u>

Additional information on the City of Valentine's capital assets can be found in Note C5 on pages 42-44 of this report.

Long-term debt. At the end of the current fiscal year, the City of Valentine had total bonded debt and notes payable outstanding of \$4,391,215.

City of Valentine's Outstanding Debt

	Year Ended September 30, 2011			Year Ended September 30, 2010		
	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	\$ 1,375,000	\$ -	\$ 1,375,000	\$ 1,570,000	\$ -	\$ 1,570,000
Refunding Bonds	350,000	-	350,000	415,000	-	415,000
Revenue Bonds	-	2,135,000	2,135,000	-	2,210,000	2,210,000
Notes Payable	87,905	443,310	531,215	103,456	488,459	591,915
Total	<u>\$ 1,812,905</u>	<u>\$ 2,578,310</u>	<u>\$ 4,391,215</u>	<u>\$ 2,088,456</u>	<u>\$ 2,698,459</u>	<u>\$ 4,786,915</u>

The City of Valentine's total debt decreased by \$395,700 (8.3 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 44-47 of this report.

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011**

Economic Factors and Next Year's Budgets and Rates

- Property tax asking for the year ending September 30, 2012, is \$439,542, a \$4,011 increase (0.9 percent) over the prior year.
- The City's property tax levy was \$0.35 for 2011-2012, the same as 2010-2011.
- The City increased sewer rates 5.00 percent effective November, 2011.
- The City increased electric rates 5.66 percent effective January, 2012.
- The City has a commitment of \$5,530 for engineering for wastewater treatment plant improvements.

All of these factors were considered in preparing the City of Valentine's budget for the 2012 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, 2011

	Primary Government		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,957,586	\$ 1,642,061	\$ 3,599,647
Certificates of deposit	382,655	1,500,925	1,883,580
County treasurer cash	57,494	-	57,494
Receivables:			
Special assessments	37,423	6,693	44,116
Accounts, net of allowance for doubtful accounts	-	187,478	187,478
Unbilled revenue	-	236,018	236,018
Current portion of notes receivable	22,187	16,154	38,341
Property tax	17,891	-	17,891
Interest	275	1,640	1,915
Sales tax	160,485	-	160,485
Inventory	25,631	235,193	260,824
Prepaid expenses	8,108	4,730	12,838
Total current assets	<u>2,669,735</u>	<u>3,830,892</u>	<u>6,500,627</u>
Noncurrent assets:			
Restricted cash and cash equivalents	400,920	-	400,920
Restricted certificates of deposit	-	422,932	422,932
Noncurrent portion of notes receivable	121,295	39,501	160,796
Unamortized bond costs	26,712	31,466	58,178
Capital assets:			
Land	79,462	-	79,462
Construction in progress	-	23,466	23,466
Depreciable capital assets, net of depreciation	7,495,331	7,429,709	14,925,040
Net capital assets	<u>7,574,793</u>	<u>7,453,175</u>	<u>15,027,968</u>
Total noncurrent assets	<u>8,123,720</u>	<u>7,947,074</u>	<u>16,070,794</u>
Total assets	<u>10,793,455</u>	<u>11,777,966</u>	<u>22,571,421</u>
LIABILITIES			
Current liabilities:			
Accounts payable	103,962	319,174	423,136
Accrued expenses	50,587	125,491	176,078
Deferred revenue	38,560	4,462	43,022
Customer deposits	-	97,790	97,790
Current portion of long-term obligations	285,808	126,936	412,744
Total current liabilities	<u>478,917</u>	<u>673,853</u>	<u>1,152,770</u>
Noncurrent liabilities:			
Accrued closure and postclosure costs	-	700,000	700,000
Compensated absences	37,290	-	37,290
Noncurrent portion of long-term obligations	1,527,097	2,451,374	3,978,471
Total noncurrent liabilities	<u>1,564,387</u>	<u>3,151,374</u>	<u>4,715,761</u>
Total liabilities	<u>2,043,304</u>	<u>3,825,227</u>	<u>5,868,531</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,788,600	4,906,331	10,694,931
Restricted for:			
Landfill closure and postclosure costs	-	-	-
Debt service	400,920	-	400,920
Street	321,266	-	321,266
Infrastructure	785,182	-	785,182
Economic development	287,373	-	287,373
Community betterment	17,664	-	17,664
Cemetery perpetual care	137,047	-	137,047
Unrestricted	1,012,099	3,046,408	4,058,507
Total net assets	<u>\$ 8,750,151</u>	<u>\$ 7,952,739</u>	<u>\$ 16,702,890</u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2011

<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	\$ 415,934	\$ -	\$ 192,723
Public safety	484,424	-	-
Public works	365,241	3,288	-
Environment and leisure	360,840	141,445	1,494
Cemetery	35,029	6,963	300
Airport	321,805	221,737	152,130
Economic development	48,015	-	-
Interest on long-term debt	65,365	-	-
Depreciation and amortization	416,573	-	-
Total governmental activities	2,513,226	373,433	346,647
Business-type activities:			
Electric	3,904,359	3,724,712	-
Water	382,708	364,328	-
Sewer	353,177	258,165	-
Landfill	477,055	525,402	-
Total business-type activities	5,117,299	4,872,607	-
Total primary government	\$ 7,630,525	\$ 5,246,040	\$ 346,647

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>
\$ -	\$ (223,211)		\$ (223,211)
3,135	(481,289)		(481,289)
-	(361,953)		(361,953)
102,727	(115,174)		(115,174)
-	(27,766)		(27,766)
-	52,062		52,062
-	(48,015)		(48,015)
-	(65,365)		(65,365)
-	(416,573)		(416,573)
<u>105,862</u>	<u>(1,687,284)</u>	<u>\$ -</u>	<u>(1,687,284)</u>
-	-	(179,647)	(179,647)
4,334	-	(14,046)	(14,046)
-	-	(95,012)	(95,012)
-	-	48,347	48,347
<u>4,334</u>	<u>-</u>	<u>(240,358)</u>	<u>(240,358)</u>
<u>\$ 110,196</u>	<u>(1,687,284)</u>	<u>(240,358)</u>	<u>(1,927,642)</u>
General revenues:			
Taxes:			
Property	417,882	-	417,882
Motor vehicle	49,372	-	49,372
Sales tax	867,045	-	867,045
Franchise	392,955	-	392,955
State allocation	505,132	-	505,132
Special assessments	79,481	3,634	83,115
Miscellaneous	80,113	-	80,113
Interest income	10,311	21,697	32,008
Transfer from (to) other funds	(58,400)	58,400	-
Total general revenues	<u>2,343,891</u>	<u>83,731</u>	<u>2,427,622</u>
Change in net assets	656,607	(156,627)	499,980
Net assets - September 30, 2010	<u>8,093,544</u>	<u>8,109,366</u>	<u>16,202,910</u>
Net assets - September 30, 2011	<u>\$ 8,750,151</u>	<u>\$ 7,952,739</u>	<u>\$ 16,702,890</u>

CITY OF VALENTINE, NEBRASKA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2011

	<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	\$ 705,387	\$ 221,580	\$ 29,284	\$ 711,903	\$ 289,432	\$ 1,957,586
Certificates of deposit	151,314	97,515	-	-	133,826	382,655
County treasurer cash	43,178	14,316	-	-	-	57,494
Receivables:						
Special assessments	-	37,423	-	-	-	37,423
Property tax	14,385	3,506	-	-	-	17,891
Interest	90	140	-	-	45	275
Sales tax	48,848	13,927	-	73,279	24,431	160,485
Inventory	-	-	25,631	-	-	25,631
Prepaid expenses	5,341	2,063	704	-	-	8,108
Restricted assets:						
Cash and cash equivalents	400,920	-	-	-	-	400,920
Total assets	<u>1,369,463</u>	<u>390,470</u>	<u>55,619</u>	<u>785,182</u>	<u>\$ 447,734</u>	<u>\$ 3,048,468</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 75,329	\$ 20,772	\$ 2,211	\$ -	\$ 5,650	\$ 103,962
Accrued expenses	36,554	13,854	179	-	-	50,587
Deferred revenue	8,146	30,414	-	-	-	38,560
Total liabilities	<u>120,029</u>	<u>65,040</u>	<u>2,390</u>	<u>-</u>	<u>5,650</u>	<u>193,109</u>
Fund balances:						
Nonspendable:						
Inventory and prepaids	5,341	2,063	26,335	-	-	33,739
Cemetery perpetual care	-	-	-	-	137,047	137,047
Restricted for:						
Debt service	400,920	-	-	-	-	400,920
Street improvements	-	321,266	-	-	-	321,266
Infrastructure	-	-	-	785,182	-	785,182
Economic development	-	-	-	-	287,373	287,373
Community betterment	-	-	-	-	17,664	17,664
Assigned for:						
Airport	-	-	26,894	-	-	26,894
Budgetary stabilization	104,453	2,101	-	-	-	106,554
Unassigned	738,720	-	-	-	-	738,720
Total fund balances	<u>1,249,434</u>	<u>325,430</u>	<u>53,229</u>	<u>785,182</u>	<u>442,084</u>	<u>2,855,359</u>
Total liabilities and fund balances	<u>\$ 1,369,463</u>	<u>\$ 390,470</u>	<u>\$ 55,619</u>	<u>\$ 785,182</u>	<u>\$ 447,734</u>	<u>\$ 3,048,468</u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

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

September 30, 2011

Total fund balances - governmental funds \$ 2,855,359

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. 143,482

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 \$9,590,418
and the accumulated depreciation is \$2,015,625. 7,574,793

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 \$29,730. 26,712

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	\$ (37,290)	
Bonds and notes payable	<u>(1,812,905)</u>	<u>(1,850,195)</u>

Total net assets - governmental activities \$ 8,750,151

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, 2011

	<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	\$ 417,882	\$ -	\$ -	\$ -	\$ -	\$ 417,882
Motor vehicle	-	49,372	-	-	-	49,372
Sales tax	265,409	70,816	-	398,115	132,705	867,045
Franchise	392,955	-	-	-	-	392,955
Intergovernmental	122,822	382,310	-	-	-	505,132
Special assessments	-	79,481	-	-	-	79,481
Licenses and permits	12,771	-	-	-	5,650	18,421
Charges for services	148,408	3,288	221,737	-	-	373,433
Grants and donations	273,592	-	152,130	-	26,787	452,509
Loan collections	-	-	-	-	64,897	64,897
Interest income	6,965	1,601	-	1,224	520	10,310
Other income	49,894	4,207	433	-	275	54,809
Total revenues	<u>1,690,698</u>	<u>591,075</u>	<u>374,300</u>	<u>399,339</u>	<u>230,834</u>	<u>3,286,246</u>
EXPENDITURES						
General government	414,476	-	-	-	11,425	425,901
Public safety	474,418	-	-	-	-	474,418
Public works	-	364,049	-	-	-	364,049
Environment and leisure	359,217	-	-	-	-	359,217
Cemetery	35,029	-	-	-	-	35,029
Airport	-	-	321,805	-	-	321,805
Economic development	-	-	-	-	197,815	197,815
Capital outlay	206,326	-	52,990	-	-	259,316
Principal payments on debt	175,000	85,000	15,551	-	-	275,551
Interest on long-term debt	48,334	15,465	1,566	-	-	65,365
Total expenditures	<u>1,712,800</u>	<u>464,514</u>	<u>391,912</u>	<u>-</u>	<u>209,240</u>	<u>2,778,466</u>
Excess (deficiency) of revenues over expenditures	(22,102)	126,561	(17,612)	399,339	21,594	507,780
OTHER FINANCING SOURCES (USES)						
Net transfers in (out)	<u>90,773</u>	<u>9,095</u>	<u>52,990</u>	<u>(133,268)</u>	<u>(77,990)</u>	<u>(58,400)</u>
Net change in fund balances	68,671	135,656	35,378	266,071	(56,396)	449,380
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>
Fund balances - September 30, 2011	<u>\$ 1,249,434</u>	<u>\$ 325,430</u>	<u>\$ 53,229</u>	<u>\$ 785,182</u>	<u>\$ 442,084</u>	<u>\$ 2,855,359</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, 2011

Total net change in fund balances - governmental funds	\$ 449,380
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 payments decrease notes receivable in the statement of activities.	(58,014)
Advances on notes receivable are reported in the governmental funds as expenditures, but the advances increase notes receivable in the statement of activities.	157,800
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 (\$259,316) is exceeded by depreciation expense (\$410,770).	(151,454)
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.	(2,853)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	275,551
Change in net assets of governmental activities	<u><u>\$ 656,607</u></u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2011

	Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,115,236	\$ 217,855	\$ 278,081	\$ 30,889	\$ 1,642,061
Certificates of deposit	972,302	241,455	-	287,168	1,500,925
Receivables:					
Accounts, net of allowance for doubtful accounts	135,203	25,111	14,324	12,840	187,478
Unbilled revenue	191,494	27,505	16,593	426	236,018
Assessments	-	3,277	3,416	-	6,693
Current portion of notes receivable	16,154	-	-	-	16,154
Interest	1,315	325	-	-	1,640
Inventory	211,785	18,617	4,791	-	235,193
Prepaid expenses	1,306	1,382	930	1,112	4,730
Total current assets	<u>2,644,795</u>	<u>535,527</u>	<u>318,135</u>	<u>332,435</u>	<u>3,830,892</u>
Noncurrent assets:					
Restricted certificates of deposit	-	-	-	422,932	422,932
Noncurrent portion of notes receivable	39,501	-	-	-	39,501
Unamortized bond costs	31,466	-	-	-	31,466
Capital assets:					
Construction in progress	-	-	23,466	-	23,466
Other capital assets	6,345,678	1,273,568	2,992,136	1,523,161	12,134,543
Less accumulated depreciation	(2,313,205)	(590,863)	(1,274,339)	(526,427)	(4,704,834)
Net capital assets	<u>4,032,473</u>	<u>682,705</u>	<u>1,741,263</u>	<u>996,734</u>	<u>7,453,175</u>
Total noncurrent assets	<u>4,103,440</u>	<u>682,705</u>	<u>1,741,263</u>	<u>1,419,666</u>	<u>7,947,074</u>
Total assets	<u>6,748,235</u>	<u>1,218,232</u>	<u>2,059,398</u>	<u>1,752,101</u>	<u>11,777,966</u>
LIABILITIES					
Current liabilities:					
Accounts payable	234,972	22,402	27,494	34,306	319,174
Accrued payroll and vacation	30,199	18,118	10,532	6,408	65,257
Deferred revenue	-	2,138	2,324	-	4,462
Sales tax payable	21,593	-	-	-	21,593
Accrued interest payable	35,089	2,552	-	1,000	38,641
Customer deposits	68,540	29,250	-	-	97,790
Current portion of long-term obligations	<u>80,000</u>	<u>21,536</u>	<u>-</u>	<u>25,400</u>	<u>126,936</u>
Total current liabilities	<u>470,393</u>	<u>95,996</u>	<u>40,350</u>	<u>67,114</u>	<u>673,853</u>
Noncurrent liabilities:					
Accrued closure and postclosure costs	-	-	-	700,000	700,000
Noncurrent portion of long-term obligations	<u>2,055,000</u>	<u>269,435</u>	<u>-</u>	<u>126,939</u>	<u>2,451,374</u>
Total noncurrent liabilities	<u>2,055,000</u>	<u>269,435</u>	<u>-</u>	<u>826,939</u>	<u>3,151,374</u>
Total liabilities	<u>2,525,393</u>	<u>365,431</u>	<u>40,350</u>	<u>894,053</u>	<u>3,825,227</u>
NET ASSETS					
Invested in capital assets, net of related debt	1,928,939	391,734	1,741,263	844,395	4,906,331
Unrestricted	<u>2,293,903</u>	<u>461,067</u>	<u>277,785</u>	<u>13,653</u>	<u>3,046,408</u>
Total net assets	<u>\$ 4,222,842</u>	<u>\$ 852,801</u>	<u>\$ 2,019,048</u>	<u>\$ 858,048</u>	<u>\$ 7,952,739</u>

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, 2011

	Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	Total
Operating revenues:					
Charges for services	\$ 3,700,866	\$ 354,590	\$ 256,460	\$ 525,068	\$ 4,836,984
Other revenue	23,846	11,911	3,166	334	39,257
Total operating revenues	<u>3,724,712</u>	<u>366,501</u>	<u>259,626</u>	<u>525,402</u>	<u>4,876,241</u>
Operating expenses:					
Cost of power	2,830,188	-	-	-	2,830,188
Personnel services	218,545	203,726	151,467	71,008	644,746
Insurance and bonds	13,047	13,759	9,284	11,134	47,224
Utilities and telephone	13,186	13,753	49,191	2,496	78,626
Repairs and maintenance	47,684	67,255	50,153	17,389	182,481
Contractual obligations	2,922	3,567	720	255,691	262,900
Supplies	66,167	2,834	6,611	383	75,995
Licenses and fees	371,822	-	-	12,656	384,478
Professional fees	8,573	1,573	1,079	804	12,029
Miscellaneous	22,071	8,631	7,819	56,156	94,677
Depreciation	215,787	56,461	76,853	41,289	390,390
Amortization	300	-	-	-	300
Total operating expenses	<u>3,810,292</u>	<u>371,559</u>	<u>353,177</u>	<u>469,006</u>	<u>5,004,034</u>
Operating income (loss)	(85,580)	(5,058)	(93,551)	56,396	(127,793)
Nonoperating revenues (expenses):					
Interest income	19,065	1,948	-	684	21,697
Grant income	-	4,334	-	-	4,334
Interest expense	(94,067)	(11,149)	-	(8,049)	(113,265)
Total nonoperating revenues (expenses)	<u>(75,002)</u>	<u>(4,867)</u>	<u>-</u>	<u>(7,365)</u>	<u>(87,234)</u>
Income (loss) before interfund transfers	(160,582)	(9,925)	(93,551)	49,031	(215,027)
Interfund transfers:					
Transfer from (to) other funds	<u>-</u>	<u>-</u>	<u>58,400</u>	<u>-</u>	<u>58,400</u>
Change in net assets	(160,582)	(9,925)	(35,151)	49,031	(156,627)
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>
Net assets - September 30, 2011	<u>\$ 4,222,842</u>	<u>\$ 852,801</u>	<u>\$ 2,019,048</u>	<u>\$ 858,048</u>	<u>\$ 7,952,739</u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the Year Ended September 30, 2011

	<u>Enterprise Funds</u>	
	<u>Electric Fund</u>	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 3,746,598	\$ 381,750
Payments to suppliers	(3,346,831)	(109,550)
Payments to employees	(218,185)	(201,928)
Net cash provided by operating activities	<u>181,582</u>	<u>70,272</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Change in due to/from other funds	19,381	-
Transfers from other funds	<u>-</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	19,381	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(4,765)	(10,094)
Payments received on notes receivable	15,424	-
Grant proceeds	-	4,334
Principal payments on capital debt	(75,000)	(20,904)
Interest paid on capital debt	<u>(95,018)</u>	<u>(12,267)</u>
Net cash used by capital and related financing activities	(159,359)	(38,931)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in certificates of deposit and investments	(10,546)	(2,103)
Interest received	19,095	2,103
Net cash provided (used) by investing activities	<u>8,549</u>	<u>-</u>
Increase in cash and cash equivalents	50,153	31,341
Cash and cash equivalents - beginning of the year	<u>1,065,083</u>	<u>186,514</u>
Cash and cash equivalents - end of the year	<u><u>\$ 1,115,236</u></u>	<u><u>\$ 217,855</u></u>

See notes to financial statements

Enterprise Funds		
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
\$ 261,835	\$ 514,792	\$ 4,904,975
(108,886)	(275,238)	(3,840,505)
(150,346)	(71,782)	(642,241)
<u>2,603</u>	<u>167,772</u>	<u>422,229</u>
-	(19,381)	-
58,400	-	58,400
<u>58,400</u>	<u>(19,381)</u>	<u>58,400</u>
(58,721)	-	(73,580)
-	-	15,424
-	-	4,334
-	(24,245)	(120,149)
-	(8,159)	(115,444)
<u>(58,721)</u>	<u>(32,404)</u>	<u>(289,415)</u>
-	(85,782)	(98,431)
-	684	21,882
<u>-</u>	<u>(85,098)</u>	<u>(76,549)</u>
2,282	30,889	114,665
<u>275,799</u>	<u>-</u>	<u>1,527,396</u>
<u>\$ 278,081</u>	<u>\$ 30,889</u>	<u>\$ 1,642,061</u>

CITY OF VALENTINE, NEBRASKA

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

For the Year Ended September 30, 2011

	<u>Enterprise Funds</u>	
	<u>Electric</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (85,580)	\$ (5,058)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	215,787	56,461
Amortization expense	300	-
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	15,536	10,828
Assessments	-	2,261
Inventories	15,920	1,138
Prepaid expenses	(204)	(260)
Accounts payable	13,212	944
Accrued payroll and vacation	360	1,798
Deferred revenue	-	600
Other accrued expenses	(99)	-
Customer deposits	6,350	1,560
Net cash provided by operating activities	<u>\$ 181,582</u>	<u>\$ 70,272</u>

See notes to financial statements.

Enterprise Funds			
<u>Sewer</u> <u>Fund</u>	<u>Landfill</u> <u>Fund</u>		<u>Total</u>
\$ (93,551)	\$ 56,396		\$ (127,793)
76,853	41,289		390,390
-	-		300
2,301	(10,610)		18,055
1,139	-		3,400
(2,212)	-		14,846
(152)	(142)		(758)
18,335	31,613		64,104
1,121	(774)		2,505
(1,231)	-		(631)
-	50,000		49,901
-	-		7,910
<u>\$ 2,603</u>	<u>\$ 167,772</u>		<u>\$ 422,229</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Financial Reporting Entity

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

The City's financial reporting entity comprises the following:

Primary Government:	City of Valentine
---------------------	-------------------

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14 and Statement No. 39, and has included all organizations that make up the City's legal entity and all component units. Consistent with applicable guidance, the criteria used by the City to include component units within its reporting entity are financial accountability and the nature and significance of the relationship. The City includes organizations as component units under the following financial accountability criteria:

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

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

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

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

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

Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.

Assigned—Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 15). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Property Taxes, continued

Property taxes levied for 2010-2011 are recorded as revenue when expected to be collected within 60 days after September 30, 2011. 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, 2011

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 by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing demand deposits, up to \$250,000 for time deposits/savings, and all non-interest-bearing deposits are insured. Any cash deposits and 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, 2011

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, 2011

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 Certificates of Deposit

Deposits

The City's policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose how its deposits were insured or secured with collateral at September 30, 2011. 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	\$ 6,359,123	\$ 2,174,404	\$ 3,675,750	\$ 508,969	\$ <u>6,307,079</u>

Reconciliation to Government-wide Statement of Net Assets:

Cash and Cash Equivalents –

Unrestricted	\$ 3,599,647
Restricted	400,920

Certificates of Deposit –

Unrestricted	1,883,580
Restricted	<u>422,932</u>
	\$ <u>6,307,079</u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2011

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

2. Restricted Assets

The restricted assets as of September 30, 2011, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 400,920	\$ -	\$ 400,920
Certificates of deposit	-	422,932	422,932
	<u>\$ 400,920</u>	<u>\$ 422,932</u>	<u>\$ 823,852</u>

The governmental activities' restricted assets (\$400,920) relate to pool debt service and are required by bond agreements. The business-type activities' restricted assets (\$422,932) are restricted to cover landfill closure costs.

3. Accounts Receivable

Accounts receivable of the business-type activities consist of utilities receivable. Receivables detail at September 30, 2011, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 248,578
Allowance for doubtful accounts	<u>(61,100)</u>
Net accounts receivable	<u>\$ 187,478</u>

4. Notes Receivable

Governmental Activities

The Economic Development Fund has made two economic development loans. Notes receivable at September 30, 2011, consisted 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. \$ 24,000

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. 14,845

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2011

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

4. Notes Receivable, continued

Governmental Activities, continued

Note for \$63,000 dated December 1, 2010; due in 120 monthly payments of \$644.24 through February 15, 2021; bearing interest at 4.0 percent. 60,468

Note for \$44,800 dated July 20, 2011; due in 120 monthly payments of \$453.26 through July 15, 2021; bearing interest at 4.0 percent. 44,169

Total governmental activities notes receivable \$ 143,482

Current portion \$ 22,187

Noncurrent portion 121,295

Total \$ 143,482

Business-type Activities

The Electric Fund has made four loans. Notes receivable at September 30, 2011, consisted 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. \$ 19,430

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 four percent. 36,225

Total business-type activities notes receivable \$ 55,655

Current portion \$ 16,154

Noncurrent portion 39,501

Total \$ 55,655

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

5. Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

	<u>Balance at October 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at September 30, 2011</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 79,462	\$ -	\$ -	\$ 79,462
Other capital assets being depreciated:				
Buildings and improvements	8,310,887	201,333	-	8,512,220
Machinery and equipment	608,007	57,983	-	665,990
Vehicles	332,746	-	-	332,746
Total other capital assets at historical cost	9,251,640	259,316	-	9,510,956
Less accumulated depreciation for:				
Buildings and improvements	(1,009,599)	(309,937)	-	(1,319,536)
Machinery and equipment	(370,796)	(72,263)	-	(443,059)
Vehicles	(224,460)	(28,570)	-	(253,030)
Total accumulated depreciation	<u>(1,604,855)</u>	<u>(410,770) *</u>	<u>-</u>	<u>(2,015,625)</u>
Other capital assets, net	<u>7,646,785</u>	<u>(151,454)</u>	<u>-</u>	<u>7,495,331</u>
Governmental activities capital assets, net	<u>\$ 7,726,247</u>	<u>\$ (151,454)</u>	<u>\$ -</u>	<u>\$ 7,574,793</u>

* Depreciation expense was incurred by the following governmental activities:

General Fund:

General government	\$ 7,795
Public safety:	
Police	20,581
Fire	<u>31,788</u>
Total public safety	52,369
Public works:	
Cemetery	7,498
Environment and leisure:	
Swimming Pool	65,900

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

5. Capital Assets, continued

Governmental Activities, continued:

Library	10,893
Parks and Recreation	15,357
Bookmobile	<u>41</u>
Total environment and leisure	<u>92,191</u>
 Total General Fund	 159,853
 Street Fund	 25,883
Airport Fund	<u>225,034</u>
Total governmental activities depreciation expense	<u>\$ 410,770</u>

	<u>Balance at October 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at September 30, 2011</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Construction in progress	\$ 4,795	\$ 18,671	\$ -	\$ 23,466
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	5,961,327	54,909	-	6,016,236
Vehicles	<u>411,880</u>	<u>-</u>	<u>-</u>	<u>411,880</u>
Total other capital assets at historical cost	12,079,634	54,909	-	12,134,543
Less accumulated depreciation for:				
Distribution systems, buildings, and equipment	(953,372)	(132,190)	-	(1,085,562)
Buildings and improvements	(481,362)	(28,871)	-	(510,233)
Machinery and equipment	(2,676,400)	(204,536)	-	(2,880,936)
Vehicles	<u>(203,310)</u>	<u>(24,793)</u>	<u>-</u>	<u>(228,103)</u>
Total accumulated depreciation	<u>(4,314,444)</u>	<u>(390,390) *</u>	<u>-</u>	<u>(4,704,834)</u>
Other capital assets, net	<u>7,765,190</u>	<u>(335,481)</u>	<u>-</u>	<u>7,429,709</u>
Business-type activities capital assets, net	<u><u>\$ 7,769,985</u></u>	<u><u>\$ (316,810)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,453,175</u></u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

5. Capital Assets, continued

Business-type Activities, continued:

* Depreciation expense was charged to functions as follows:

Electric	\$ 215,787
Water	56,461
Sewer	76,853
Landfill	<u>41,289</u>
Total business-type activities depreciation expense	<u>\$ 390,390</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 2012. See Note D3 for more information on construction commitments.

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, 2011:

<u>Type of Debt</u>	<u>Balance at October 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2011</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable	<u>\$ 2,088,456</u>	<u>\$ -</u>	<u>\$ (275,551)</u>	<u>\$ 1,812,905</u>	<u>\$ 285,808</u>
Business-type Activities:					
Bonds and notes payable	<u>\$ 2,698,459</u>	<u>\$ -</u>	<u>\$ (120,149)</u>	<u>\$ 2,578,310</u>	<u>\$ 126,936</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

7. Long-term Debt, continued

Governmental Activities

As of September 30, 2011, 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. \$ 1,205,000

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. 170,000

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. 350,000

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. 51,680

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

7. Long-term Debt, continued

Governmental Activities, continued

Bonds and notes payable, 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 four percent.

36,225

Total governmental activities bonds and notes payable

\$ 1,812,905

Current portion

\$ 285,808

Noncurrent portion

1,527,097

Total

\$ 1,812,905

Business-type Activities

As of September 30, 2011, 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.

\$ 132,909

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.

2,135,000

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

7. Long-term Debt, continued

Business-type Activities, continued

During the year ended 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 three percent and a one percent fee for a total carryover cost of four percent. Payments are semi-annual in June and December. The first payment was June 15, 2003, and the last payment is December 2022.

290,971

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.

19,430

Total business-type activity bonds and notes payable

\$ 2,578,310

Current portion

\$ 126,936

Noncurrent portion

2,451,374

Total

\$ 2,578,310

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2011, are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Loan Fees</u>
2012	\$ 285,808	\$ 59,244	\$ 126,936	\$ 106,895	\$ 2,856
2013	296,076	49,676	128,802	102,687	2,639
2014	306,354	39,454	125,258	98,255	2,416
2015	311,643	28,722	131,732	93,499	2,186
2016	336,944	17,089	138,262	88,430	1,948
2017-2021	276,080	6,418	723,485	356,741	5,923
2022-2026	-	-	718,835	202,144	440
2027-2029	-	-	485,000	36,013	-
	<u>\$1,812,905</u>	<u>\$ 200,603</u>	<u>\$ 2,578,310</u>	<u>\$ 1,084,664</u>	<u>\$ 18,408</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

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.

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, 2011:

Current portion	\$ 8,997
Non-current portion	<u>28,426</u>
Total street improvement assessments	\$ <u>37,423</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, 2011:

	<u>Water</u>	<u>Sewer</u>
Current portion	\$ 1,139	\$ 1,092
Non-current portion	<u>2,138</u>	<u>2,324</u>
Total improvements assessments	\$ <u>3,227</u>	\$ <u>3,416</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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

9. Interfund Transactions

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 90,773	\$ -
Street Fund	9,095	-
Airport Fund	52,990	-
Infrastructure Fund	-	(133,268)
Nonmajor Funds	-	(77,990)
Sewer Fund	<u>58,400</u>	<u>-</u>
Total operating transfers	\$ <u>211,258</u>	\$ <u>(211,258)</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, 2011, the City's total payroll and covered payroll under the plan was \$1,066,040 and \$903,743, respectively. Both the City's required contribution of \$53,815 and the covered employees' required contribution of \$53,815 were made for the year ended September 30, 2011.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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 \$9,230 under the plan for the year ended September 30, 2011.

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, 2011, 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, 2011

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 2012	\$ 575,333
May 2012	934,227
August 2012	10,861
September 2012	786,091
	<u>\$ 2,306,512</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, 2011, the City's investments and certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Security First Bank	\$ 934,227
Bank of the West	10,861
Union Bank & Trust	1,361,424
Totals	<u>\$ 2,306,512</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, 2011.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

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 \$700,000 reported as landfill closure and postclosure care liability at September 30, 2011, represents the cumulative amount reported to date based on the use of approximately 42.7 percent of the estimated capacity of the landfill. The Valentine Landfill will recognize the remaining estimated cost of closure and postclosure care of \$940,263 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2011. 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 ended 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, 2011, investments totaled \$422,932 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 9/30/2011</u>	<u>Obligation Pending</u>
Olsson Associates	WWTP improvement project engineering	<u>\$ 30,816</u>	<u>\$ 25,286</u>	<u>\$ 5,530</u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2011

NOTE D – OTHER NOTES, continued

4. Interlocal Agreements

The City had the following Interlocal agreements in effect as of September 30, 2011:

<u>Parties to Agreement</u>	<u>Term</u>	<u>Description</u>
Cherry County	October 1, 2011 - September 30, 2012	Agreement for law enforcement and fire dispatch
Cherry County	September 12, 2011 - September 12, 2012	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 \$101,048 as of September 30, 2011.

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 \$366,224 as of September 30, 2011.

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, 2011

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 February 29, 2012, 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, 2011

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 453,305	\$ 416,577	\$ (36,728)
Sales	250,000	262,849	12,849
Franchise	385,858	392,955	7,097
Intergovernmental	118,945	122,822	3,877
Licenses and permits	13,190	12,771	(419)
Charges for services	158,050	148,408	(9,642)
Grants and contributions	712,652	273,592	(439,060)
Interest income	10,150	7,000	(3,150)
Other	<u>7,500</u>	<u>49,894</u>	<u>42,394</u>
Total resources	2,109,650	1,686,868	(422,782)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	470,576	415,688	(54,888)
Public safety	490,717	472,525	(18,192)
Leisure and environment	451,755	323,657	(128,098)
Cemetery	95,350	35,182	(60,168)
Capital outlay	726,000	206,326	(519,674)
Principal payments on debt	175,000	175,000	-
Interest payments on debt	<u>51,953</u>	<u>50,277</u>	<u>(1,676)</u>
Total charges to appropriations	<u>2,461,351</u>	<u>1,678,655</u>	<u>(782,696)</u>
Resources over (under) charges to appropriations	(351,701)	8,213	359,914
OTHER FINANCING SOURCES (USES)			
Net transfers	<u>284,630</u>	<u>90,773</u>	<u>(193,857)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (67,071)</u>	<u>\$ 98,986</u>	<u>\$ 166,057</u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
STREET FUND**

Year Ended September 30, 2011

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Motor vehicle tax	\$ 48,000	\$ 49,117	\$ 1,117
Sales tax	-	56,889	56,889
Intergovernmental	351,251	382,310	31,059
Special assessments	44,776	110,484	65,708
Interest income	2,000	1,671	(329)
Charges for services	5,500	3,288	(2,212)
Grants and contributions	400,124	-	(400,124)
Other income	-	4,207	4,207
	<hr/>	<hr/>	<hr/>
Total resources	851,651	607,966	(243,685)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	501,483	365,435	(136,048)
Capital outlay	457,624	-	(457,624)
Principal payments on debt	85,000	85,000	-
Interest payments on debt	16,075	16,075	-
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	1,060,182	466,510	(593,672)
	<hr/>	<hr/>	<hr/>
Resources over (under) charges to appropriations	(208,531)	141,456	349,987
OTHER FINANCING SOURCES (USES)			
Net transfers in	210,031	9,095	(200,936)
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 1,500	\$ 150,551	\$ 149,051

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
AIRPORT FUND**

Year Ended September 30, 2011

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Charges for services	\$ 160,000	\$ 221,737	\$ 61,737
Grant income	162,196	152,130	(10,066)
Other income	<u>600</u>	<u>433</u>	<u>(167)</u>
Total resources	322,796	374,300	51,504
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Operating expenditures	321,633	355,908	34,275
Capital outlay	-	52,990	52,990
Principal payments on debt	15,551	15,551	-
Interest on long-term debt	<u>1,707</u>	<u>1,566</u>	<u>(141)</u>
Total charges to appropriations	<u>338,891</u>	<u>426,015</u>	<u>87,124</u>
Resources over (under) charges to appropriations	(16,095)	(51,715)	(35,620)
OTHER FINANCING SOURCES (USES)			
Net transfers in	<u>16,095</u>	<u>52,990</u>	<u>36,895</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u><u>\$ -</u></u>	<u><u>\$ 1,275</u></u>	<u><u>\$ 1,275</u></u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
INFRASTRUCTURE FUND**

Year Ended September 30, 2011

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 390,000	\$ 394,274	\$ 4,274
Interest income	<u>1,000</u>	<u>1,224</u>	<u>224</u>
Total resources	391,000	395,498	4,498
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Operating expenses	<u>-</u>	<u>-</u>	<u>-</u>
Resources over (under) charges to appropriations	391,000	395,498	4,498
OTHER FINANCING SOURCES (USES)			
Net transfers out	<u>(641,518)</u>	<u>(133,268)</u>	<u>508,250</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u><u>\$ (250,518)</u></u>	<u><u>\$ 262,230</u></u>	<u><u>\$ 512,748</u></u>

CITY OF VALENTINE, NEBRASKA

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

Year Ended September 30, 2011

**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	\$ 1,686,868	\$ 607,966	\$ 374,300	\$ 395,498
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>3,830</u>	<u>(16,891)</u>	<u>-</u>	<u>3,841</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,690,698</u></u>	<u><u>\$ 591,075</u></u>	<u><u>\$ 374,300</u></u>	<u><u>\$ 399,339</u></u>
Uses/outflows of resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 1,678,655	\$ 466,510	\$ 426,015	\$ -
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>34,145</u>	<u>(1,996)</u>	<u>(34,103)</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,712,800</u></u>	<u><u>\$ 464,514</u></u>	<u><u>\$ 391,912</u></u>	<u><u>\$ -</u></u>

OTHER SUPPLEMENTARY INFORMATION

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

September 30, 2011

	<u>Special Revenue Funds</u>		<u>Permanent Funds</u>		
	<u>Fines and</u>	<u>Economic</u>	<u>Perpetual</u>	<u>Queen</u>	<u>Total Nonmajor</u>
	<u>Fees</u>	<u>Development</u>	<u>Care</u>	<u>Jackson</u>	<u>Governmental</u>
				<u>Memorial</u>	<u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 7,501	\$ 262,942	\$ 3,176	\$ 15,813	\$ 289,432
Certificates of deposit	-	-	133,826	-	133,826
Interest receivable	-	-	45	-	45
Sales tax recievable	-	24,431	-	-	24,431
Total assets	<u>\$ 7,501</u>	<u>\$ 287,373</u>	<u>\$ 137,047</u>	<u>\$ 15,813</u>	<u>\$ 447,734</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 5,650	\$ -	\$ -	\$ -	\$ 5,650
Fund balances:					
Nonspendable for:					
Cemetery perpetual care	-	-	137,047	-	137,047
Restricted for:					
Economic development	-	287,373	-	-	287,373
Community betterment	1,851	-	-	15,813	17,664
Total fund balances	<u>1,851</u>	<u>287,373</u>	<u>137,047</u>	<u>15,813</u>	<u>442,084</u>
Total liabilities and fund					
balances	<u>\$ 7,501</u>	<u>\$ 287,373</u>	<u>\$ 137,047</u>	<u>\$ 15,813</u>	<u>\$ 447,734</u>

CITY OF VALENTINE, NEBRASKA

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

For the Year Ended September 30, 2011

	<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	\$ -	\$ 132,705	\$ -	\$ -	\$ 132,705
Licenses and permits	5,650	-	-	-	5,650
Grants and contributions	-	-	-	26,787	26,787
Interest income	-	550	(30)	-	520
Loan collections	-	64,897	-	-	64,897
Other	-	-	275	-	275
Total revenues	5,650	198,152	245	26,787	230,834
EXPENDITURES					
General government	11,425	-	-	-	11,425
Economic development	-	197,815	-	-	197,815
Total expenditures	11,425	197,815	-	-	209,240
Excess (deficiency) of revenues over expenditures	(5,775)	337	245	26,787	21,594
OTHER FINANCING SOURCES (USES)					
Transfers to other funds	-	(52,990)	-	(25,000)	(77,990)
Net change in fund balances	(5,775)	(52,653)	245	1,787	(56,396)
Fund balances - September 30, 2010	7,626	340,026	136,802	14,026	498,480
Fund balances - September 30, 2011	\$ 1,851	\$ 287,373	\$ 137,047	\$ 15,813	\$ 442,084

CITY OF VALENTINE, NEBRASKA

COMBINING STATEMENT OF REVENUES AND EXPENDITURES -

GENERAL FUND DEPARTMENTS

Year Ended September 30, 2011

	<u>Administrative</u>	<u>Police</u>	<u>Fire</u>
REVENUES			
Taxes:			
General property tax	\$ 219,710	\$ -	\$ -
Sales tax	-	-	-
Franchise	392,955	-	-
Intergovernmental revenue:			
State assistance	120,703	-	-
Licenses and permits	12,771	-	-
Charges for services	-	-	-
Grants and donations	165,936	3,135	-
Interest income	1,561	-	-
Other receipts	47,841	-	-
Total revenues	<u>961,477</u>	<u>3,135</u>	<u>-</u>
EXPENDITURES			
Personnel services:			
Salaries and benefits	109,512	314,830	3,584
Operating expenses:			
Insurance	7,987	12,573	10,512
Professional fees	684	1,045	328
Meetings, seminars, and dues	8,625	354	100
Repairs and maintenance	8,719	24,894	8,283
Printing, postage, and publications	182	150	44
Utilities and telephone	10,459	-	14,692
Total operating expenses	<u>36,656</u>	<u>39,016</u>	<u>33,959</u>
Supplies	3,916	3,430	668
Other expenses	264,392	63,636	15,295
Capital outlay	-	-	28,945
Principal payments on debt	-	-	-
Interest payments	-	-	-
Total expenditures	<u>414,476</u>	<u>420,912</u>	<u>82,451</u>
Excess (deficiency) of revenues over expenditures before transfers	547,001	(417,777)	(82,451)
TRANSFERS FROM OTHER FUNDS	<u>25,085</u>	<u>-</u>	<u>25,488</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u><u>\$ 572,086</u></u>	<u><u>\$ (417,777)</u></u>	<u><u>\$ (56,963)</u></u>

<u>Pool</u>	<u>Library</u>	<u>Cemetery</u>	<u>Park</u>	<u>Bookmobile</u>	<u>Time Capsule</u>	<u>Total</u>
\$ -	\$ 88,555	\$ 21,060	\$ 88,557	\$ -	\$ -	\$ 417,882
265,409	-	-	-	-	-	265,409
-	-	-	-	-	-	392,955
-	2,119	-	-	-	-	122,822
-	-	-	-	-	-	12,771
29,255	6,023	6,963	27,867	78,300	-	148,408
-	65,106	300	39,115	-	-	273,592
757	37	4,114	8	468	20	6,965
352	396	-	1,305	-	-	49,894
<u>295,773</u>	<u>162,236</u>	<u>32,437</u>	<u>156,852</u>	<u>78,768</u>	<u>20</u>	<u>1,690,698</u>
36,800	53,930	-	31,572	51,230	-	601,458
5,014	5,766	1,093	6,893	3,707	-	53,545
881	456	161	519	340	-	4,414
-	136	-	-	136	-	9,351
8,480	6,504	31,038	19,474	7,414	-	114,806
-	304	-	150	304	-	1,134
8,875	5,634	2,587	47,305	302	-	89,854
<u>23,250</u>	<u>18,800</u>	<u>34,879</u>	<u>74,341</u>	<u>12,203</u>	<u>-</u>	<u>273,104</u>
12,232	9,800	145	1,973	9,820	-	41,984
789	6,532	5	15,335	610	-	366,594
-	82,486	-	94,895	-	-	206,326
175,000	-	-	-	-	-	175,000
<u>48,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,334</u>
<u>296,405</u>	<u>171,548</u>	<u>35,029</u>	<u>218,116</u>	<u>73,863</u>	<u>-</u>	<u>1,712,800</u>
(632)	(9,312)	(2,592)	(61,264)	4,905	20	(22,102)
<u>(15,430)</u>	<u>25,000</u>	<u>-</u>	<u>30,630</u>	<u>-</u>	<u>-</u>	<u>90,773</u>
<u>\$ (16,062)</u>	<u>\$ 15,688</u>	<u>\$ (2,592)</u>	<u>\$ (30,634)</u>	<u>\$ 4,905</u>	<u>\$ 20</u>	<u>\$ 68,671</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, 2011, which collectively comprise the City of Valentine, Nebraska's basic financial statements, and have issued our report thereon dated February 29, 2012. 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 the following instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

- As of September 30, 2011, the City's cash deposits exceeded FDIC coverage and pledged securities by \$508,969.

We noted certain matters that we reported to the Council of the City of Valentine, in a separate letter dated February 29, 2012.

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

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

Grand Island, Nebraska
February 29, 2012