

CITY OF VALENTINE, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

SHAREHOLDERS

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note A4 to the financial statements, effective October 1, 2012, the City of Valentine adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-13 and 58-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Valentine, Nebraska's basic financial statements. The nonmajor fund combining statements and statement of revenue and expenditures by General Fund department are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial

statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information described above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2014, on our consideration of the City of Valentine, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Valentine, Nebraska's internal control over financial reporting and compliance.

A. Longquist, Maltrach
Gallaway & Luth, P.C.

Grand Island, Nebraska
February 18, 2014

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2013**

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, 2013.

Financial Highlights

- The assets of the City of Valentine exceeded its liabilities at the close of the most recent fiscal year by \$17,362,422 (*net position*). Of this amount, \$3,928,585 (*unrestricted net position*) 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 position of \$9,690,981. Approximately 12.1 percent of this total amount, \$1,172,601, is *unrestricted net assets*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$732,839, or 45.5 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Valentine's basic financial statements. The City of Valentine's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and 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 position* presents information on all of the City of Valentine's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, Continued
For The Year Ended September 30, 2013

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

The government-wide financial statements can be found on pages 14 and 15 of this report.

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

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

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

The City of Valentine maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Street Fund, 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 16-19 of this report.

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

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2013

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-57 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 58-62 of this report.

The nonmajor governmental funds combining statements and the statement of General Fund revenue and expenditures by department can be found on pages 63-65.

Government-wide Financial Analysis

As noted earlier, net position 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 \$17,362,422 at the close of the most recent fiscal year.

Summary Statements of Net Position

	September 30, 2013			September 30, 2012		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 3,654,392	\$ 4,092,935	\$ 7,747,327	\$ 3,206,782	\$ 4,234,381	\$ 7,441,163
Capital Assets	7,721,243	7,346,656	15,067,899	7,938,199	7,242,722	15,180,921
Total Assets	11,375,635	11,439,591	22,815,226	11,144,981	11,477,103	22,622,084
Long-term Liabilities	887,250	2,844,644	3,731,894	1,207,641	3,170,569	4,378,210
Other Liabilities	797,404	923,506	1,720,910	572,048	723,274	1,295,322
Total Liabilities	1,684,654	3,768,150	5,452,804	1,779,689	3,893,843	5,673,532
Net Position:						
Net Investment in						
Capital Assets	6,555,222	4,915,457	11,470,679	6,461,102	4,656,351	11,117,453
Restricted	1,963,158	-	1,963,158	1,924,915	-	1,924,915
Unrestricted	1,172,601	2,755,984	3,928,585	979,275	2,926,909	3,906,184
Total Net Position	\$ 9,690,981	\$ 7,671,441	\$ 17,362,422	\$ 9,365,292	\$ 7,583,260	\$ 16,948,552

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2013

By far the largest portion of the City of Valentine's net position (66.1 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 position (11.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$3,928,585) 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 position, 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, 2013</u>		<u>Year Ended September 30, 2012</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 77,279	\$ 240,141	\$ 81,102	\$ 222,040
Public Safety	1,347	534,040	2,122	523,614
Public Works	5,138	419,424	5,613	416,986
Recreation	158,606	413,671	272,616	372,624
Cemetery	9,038	58,338	11,688	88,736
Airport	364,363	358,349	321,233	313,167
Economic Development	-	20,786	-	8,000
Interest	-	18,075	-	33,590
Depreciation and Amortization	-	446,015	-	430,579
Total	615,771	2,508,839	694,374	2,409,336
Transfers out	-	304,531	-	-
	<u>\$ 615,771</u>	<u>\$ 2,813,370</u>	<u>\$ 694,374</u>	<u>\$ 2,409,336</u>

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2013

Revenues by Source – Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2013</u>			<u>Year Ended September 30, 2012</u>		
Charges for Services	\$	409,929	13.06 %	\$	453,731	14.83 %
Operating Grants and Contributions		185,765	5.92		115,928	3.79
Capital Grants and Contributions		20,077	0.64		124,715	4.08
Property Taxes		394,277	12.56		415,613	13.58
Motor Vehicle Taxes		52,013	1.66		51,140	1.67
Sales Tax		971,646	30.95		914,320	29.88
Franchise Taxes		415,062	13.22		389,370	12.72
State Allocation		498,785	15.89		483,320	15.79
Special Assessments		137,060	4.36		25,832	0.84
Miscellaneous		46,358	1.48		77,359	2.53
Loss on Disposal of Equipment		-	-		(639)	(0.02)
Interest		8,087	0.26		9,496	0.31
Total	\$	<u>3,139,059</u>	<u>100.00 %</u>	\$	<u>3,060,185</u>	<u>100.00 %</u>

Net position increased \$325,689 in the governmental funds during the year ended September 30, 2013.

Business-type activities. Business-type activities increased the City of Valentine's net position by \$88,181. Key elements of this increase are as follows:

Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2013</u>		<u>Year Ended September 30, 2012</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 3,985,248	\$ 4,136,953	\$ 3,748,809	\$ 3,941,968
Water	397,837	360,765	466,933	412,951
Sewer	256,771	360,113	271,760	345,861
Landfill	572,087	595,599	540,470	561,463
Total	<u>\$ 5,211,943</u>	<u>\$ 5,453,430</u>	<u>\$ 5,027,972</u>	<u>\$ 5,262,243</u>

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2013**

Revenues by Source – Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2013</u>		<u>Year Ended September 30, 2012</u>	
Charges for Services	\$ 5,202,043	93.87 %	\$ 5,023,070	99.45 %
Grants and Contributions	9,900	0.18	4,902	0.10
Special Assessments	2,197	0.04	2,595	0.05
Loss on Disposal of Equipment	-	-	(533)	(0.01)
Interest	22,940	0.41	20,745	0.41
Interfund Transfer	304,531	5.50	-	-
Total	<u>\$ 5,541,611</u>	<u>100.00 %</u>	<u>\$ 5,050,779</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 \$2,860,656. Approximately 23.6 percent of this total amount (\$676,256) 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 (\$380,817), 2) restricted to pay for infrastructure (\$721,815), 3) restricted for economic development (\$362,526), 4) restricted for street improvements (\$316,548), 5) restricted for community betterment (\$43,485), 6) nonspendable for cemetery perpetual care (\$137,967), 7) nonspendable for inventory and prepaids (\$71,882), 8) assigned for street improvements (\$13,410), or 9) assigned for budgetary stabilization (\$135,950).

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 \$732,839, while total fund balance reached \$1,267,245. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 45.5 percent of total General Fund expenditures, while total fund balance represents 78.7 percent of the same amount.

The fund balance of the City of Valentine's General Fund increased by \$46,242 during the current fiscal year.

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2013**

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

Unrestricted net position of the proprietary funds at the end of the year were as follows: Electric Fund - \$2,217,206, Water Fund - \$344,200, Sewer Fund - \$125,775, and Landfill Fund - \$68,803. The Electric Fund net position decreased \$(135,040), the Water Fund net position increased \$41,755, the Sewer Fund net position decreased \$(40,372), and the Landfill Fund net position decreased \$221,838. 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, 2013.

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, 2013, amounts to \$15,067,899 (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 (individually greater than \$10,000) during the current fiscal year included the following:

- 2014 Ford Explorer police vehicle - \$35,939
- 1994 Smeal 75' ladder truck - \$87,500
- 2013 Polaris Ranger 800 - \$10,600
- Self-fueling terminal - \$13,921
- Airport hangar/taxilane construction in progress - \$57,354
- Sewer mains lining - \$42,070
- East/West lift control panels - \$13,581
- Landfill Phase 3 construction in progress - \$417,893

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2013

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

	Year Ended September 30, 2013			Year Ended September 30, 2012		
	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	57,354	426,359	483,713	-	8,466	8,466
Buildings and Improvements	7,209,773	732,188	7,941,961	7,552,913	741,194	8,294,107
Machinery and Equipment	220,908	2,747,163	2,968,071	252,503	2,947,367	3,199,870
Distribution Systems, Buildings, and Equipment	-	3,304,805	3,304,805	-	3,386,450	3,386,450
Vehicles	153,746	136,141	289,887	53,321	159,245	212,566
Total	<u>\$ 7,721,243</u>	<u>\$ 7,346,656</u>	<u>\$ 15,067,899</u>	<u>\$ 7,938,199</u>	<u>\$ 7,242,722</u>	<u>\$ 15,180,921</u>

Additional information on the City of Valentine's capital assets can be found in Note C5 on pages 44-47 of this report.

Long-term debt. At the end of the current fiscal year, the City of Valentine had total bonded debt and notes payable outstanding of \$3,369,074.

City of Valentine's Outstanding Debt

	Year Ended September 30, 2013			Year Ended September 30, 2012		
	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	\$ 50,000	\$ -	\$ 50,000	\$ 75,000	\$ -	\$ 75,000
Refunding Bonds	1,060,000	2,085,000	3,145,000	1,330,000	2,190,000	3,520,000
Notes Payable	56,021	118,053	174,074	72,097	396,371	468,468
Total	<u>\$ 1,166,021</u>	<u>\$ 2,203,053</u>	<u>\$ 3,369,074</u>	<u>\$ 1,477,097</u>	<u>\$ 2,586,371</u>	<u>\$ 4,063,468</u>

The City of Valentine's total debt decreased by \$694,394 (17.1 percent) during the current fiscal year, due paying off the NDEQ loan in the Water Fund and making 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 47-50 of this report.

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2013**

Economic Factors and Next Year's Budgets and Rates

- Property tax asking for the year ending September 30, 2014, is \$448,890, a \$37,137 increase (9.0 percent) over the prior year.
- The City's property tax levy was \$0.32 for 2013-2014, the same as the prior year.
- The City has a commitment of \$117,619 for the hangar and taxilanes project.
- The City has commitments totaling \$147,535 for the design and construction of the Landfill Phase 3 project.
- The City raised electric rates 1.0 percent in January 2014 and raised sewer rates 5.0 percent in November 2013.

All of these factors were considered in preparing the City of Valentine's budget for the 2014 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 POSITION

September 30, 2013

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 813,424	\$ 906,415	\$ 1,719,839
Certificates of deposit	68,242	1,233,728	1,301,970
County treasurer cash	24,136	-	24,136
Investments	-	579,918	579,918
Receivables:			
Special assessments	312,923	2,231	315,154
Accounts, net of allowance for doubtful accounts	-	212,245	212,245
Unbilled revenue	-	247,846	247,846
Current portion of notes receivable	87,677	39,643	127,320
Property tax	18,090	-	18,090
Interest	463	1,597	2,060
Sales tax	189,713	-	189,713
Inventory	43,573	239,648	283,221
Prepaid expenses	28,309	17,515	45,824
Total current assets	<u>1,586,550</u>	<u>3,480,786</u>	<u>5,067,336</u>
Noncurrent assets:			
Restricted cash and cash equivalents	1,609,238	-	1,609,238
Restricted certificates of deposit	233,595	511,158	744,753
Noncurrent portion of notes receivable	225,009	100,991	326,000
Capital assets:			
Land	79,462	-	79,462
Construction in progress	-	426,359	426,359
Depreciable capital assets, net of depreciation	7,641,781	6,920,297	14,562,078
Net capital assets	<u>7,721,243</u>	<u>7,346,656</u>	<u>15,067,899</u>
Total noncurrent assets	<u>9,789,085</u>	<u>7,958,805</u>	<u>17,747,890</u>
Total assets	<u>11,375,635</u>	<u>11,439,591</u>	<u>22,815,226</u>
LIABILITIES			
Current liabilities:			
Accounts payable	142,610	566,877	709,487
Accrued expenses	48,647	106,990	155,637
Unavailable revenue	289,793	-	289,793
Customer deposits	-	107,230	107,230
Current portion of long-term obligations	316,354	142,409	458,763
Total current liabilities	<u>797,404</u>	<u>923,506</u>	<u>1,720,910</u>
Noncurrent liabilities:			
Accrued closure and postclosure costs	-	784,000	784,000
Compensated absences	37,583	-	37,583
Noncurrent portion of long-term obligations	849,667	2,060,644	2,910,311
Total noncurrent liabilities	<u>887,250</u>	<u>2,844,644</u>	<u>3,731,894</u>
Total liabilities	<u>1,684,654</u>	<u>3,768,150</u>	<u>5,452,804</u>
NET POSITION			
Net investment in capital assets	6,555,222	4,915,457	11,470,679
Restricted for:			
Debt service	380,817	-	380,817
Street	316,548	-	316,548
Infrastructure	721,815	-	721,815
Economic development	362,526	-	362,526
Community betterment	43,485	-	43,485
Cemetery perpetual care	137,967	-	137,967
Unrestricted	1,172,601	2,755,984	3,928,585
Total net position	<u>\$ 9,690,981</u>	<u>\$ 7,671,441</u>	<u>\$ 17,362,422</u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2013

<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	\$ 240,141	\$ -	\$ 77,279
Public safety	534,040	-	-
Public works	419,424	5,138	-
Environment and leisure	413,671	139,686	190
Cemetery	58,338	9,038	-
Airport	358,349	256,067	108,296
Economic development	20,786	-	-
Interest on long-term debt	18,075	-	-
Depreciation and amortization	446,015	-	-
Total governmental activities	<u>2,508,839</u>	<u>409,929</u>	<u>185,765</u>
Business-type activities:			
Electric	4,136,953	3,985,248	-
Water	360,765	387,937	-
Sewer	360,113	256,771	-
Landfill	595,599	572,087	-
Total business-type activities	<u>5,453,430</u>	<u>5,202,043</u>	<u>-</u>
Total primary government	\$ 7,962,269	\$ 5,611,972	\$ 185,765

See notes to financial statements.

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ -	\$ (162,862)		\$ (162,862)
1,347	(532,693)		(532,693)
-	(414,286)		(414,286)
18,730	(255,065)		(255,065)
-	(49,300)		(49,300)
-	6,014		6,014
-	(20,786)		(20,786)
-	(18,075)		(18,075)
-	(446,015)		(446,015)
<u>20,077</u>	<u>(1,893,068)</u>	<u>\$ -</u>	<u>(1,893,068)</u>
-	-	(151,705)	(151,705)
9,900	-	37,072	37,072
-	-	(103,342)	(103,342)
-	-	(23,512)	(23,512)
<u>9,900</u>	<u>-</u>	<u>(241,487)</u>	<u>(241,487)</u>
<u>\$ 29,977</u>	<u>(1,893,068)</u>	<u>(241,487)</u>	<u>(2,134,555)</u>
General revenues:			
Taxes:			
Property	394,277	-	394,277
Motor vehicle	52,013	-	52,013
Sales tax	971,646	-	971,646
Franchise	415,062	-	415,062
State allocation	498,785	-	498,785
Special assessments	137,060	2,197	139,257
Miscellaneous	46,358	-	46,358
Interest income	8,087	22,940	31,027
Interfund transfers	(304,531)	304,531	-
Total general revenues	<u>2,218,757</u>	<u>329,668</u>	<u>2,548,425</u>
Change in net position	325,689	88,181	413,870
Net position - September 30, 2012			
As originally reported	9,401,000	7,741,275	17,142,275
Restatement	(35,708)	(158,015)	(193,723)
As restated	<u>9,365,292</u>	<u>7,583,260</u>	<u>16,948,552</u>
Net position - September 30, 2013	<u>\$ 9,690,981</u>	<u>\$ 7,671,441</u>	<u>\$ 17,362,422</u>

CITY OF VALENTINE, NEBRASKA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2013

	<u>General</u>	<u>Street</u>	<u>Airport</u>	<u>Infrastructure</u>	<u>Other Governmental Funds</u>	<u>Eliminations</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 1,194,241	\$ 208,181	\$ -	\$ 633,704	\$ 386,536	\$ -	\$ 2,422,662
Certificates of deposit	68,242	99,769	-	-	133,826	-	301,837
County treasurer cash	19,368	4,768	-	-	-	-	24,136
Receivables:							
Special assessments	-	312,923	-	-	-	-	312,923
Property tax	14,327	3,763	-	-	-	-	18,090
Interest	62	311	-	-	90	-	463
Sales tax	58,735	13,491	-	88,111	29,376	-	189,713
Due from other funds	53,603	-	-	-	-	(53,603)	-
Inventory	-	-	43,573	-	-	-	43,573
Prepaid expenses	17,639	8,275	2,395	-	-	-	28,309
Total assets	<u><u>\$ 1,426,217</u></u>	<u><u>\$ 651,481</u></u>	<u><u>\$ 45,968</u></u>	<u><u>\$ 721,815</u></u>	<u><u>\$ 549,828</u></u>	<u><u>\$ (53,603)</u></u>	<u><u>\$ 3,341,706</u></u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 113,786	\$ 20,208	\$ 2,766	\$ -	\$ 5,850	\$ -	\$ 142,610
Accrued expenses	35,579	12,854	214	-	-	-	48,647
Due to other funds	-	-	53,603	-	-	(53,603)	-
Unavailable revenue	9,607	280,186	-	-	-	-	289,793
Total liabilities	<u>158,972</u>	<u>313,248</u>	<u>56,583</u>	<u>-</u>	<u>5,850</u>	<u>(53,603)</u>	<u>481,050</u>
Fund balances:							
Nonspendable:							
Inventory and prepaids	17,639	8,275	45,968	-	-	-	71,882
Cemetery perpetual care	-	-	-	-	137,967	-	137,967
Restricted for:							
Debt service	380,817	-	-	-	-	-	380,817
Street improvements	-	316,548	-	-	-	-	316,548
Infrastructure	-	-	-	721,815	-	-	721,815
Economic development	-	-	-	-	362,526	-	362,526
Community betterment	-	-	-	-	43,485	-	43,485
Assigned for:							
Street improvements	-	13,410	-	-	-	-	13,410
Budgetary stabilization	135,950	-	-	-	-	-	135,950
Unassigned	732,839	-	(56,583)	-	-	-	676,256
Total fund balances	<u>1,267,245</u>	<u>338,233</u>	<u>(10,615)</u>	<u>721,815</u>	<u>543,978</u>	<u>-</u>	<u>2,860,656</u>
Total liabilities and fund balances	<u><u>\$ 1,426,217</u></u>	<u><u>\$ 651,481</u></u>	<u><u>\$ 45,968</u></u>	<u><u>\$ 721,815</u></u>	<u><u>\$ 549,828</u></u>	<u><u>\$ (53,603)</u></u>	<u><u>\$ 3,341,706</u></u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

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

September 30, 2013

Total fund balances - governmental funds \$ 2,860,656

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

Notes receivable are not recorded as an asset in the fund
financial statements. 312,686

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 \$10,584,567
and the accumulated depreciation is \$2,863,324. 7,721,243

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 fund financial statements.
Long-term liabilities at year end consist of:

Compensated absences	\$ (37,583)	
Bonds and notes payable	<u>(1,166,021)</u>	<u>(1,203,604)</u>

Total net position - governmental activities \$ 9,690,981

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, 2013

	<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	\$ 394,277	\$ -	\$ -	\$ -	\$ -	\$ 394,277
Motor vehicle	-	52,013	-	-	-	52,013
Sales tax	299,843	72,114	-	449,766	149,923	971,646
Franchise	415,062	-	-	-	-	415,062
Intergovernmental	88,034	410,751	-	-	-	498,785
Special assessments	-	36,619	-	100,441	-	137,060
Licenses and permits	13,887	-	-	-	6,025	19,912
Charges for services	148,724	5,138	256,067	-	-	409,929
Grants and donations	81,553	-	108,296	-	15,993	205,842
Loan collections	-	-	-	-	49,993	49,993
Interest income	4,714	2,177	-	747	449	8,087
Other income	15,254	822	940	-	3,760	20,776
Total revenues	<u>1,461,348</u>	<u>579,634</u>	<u>365,303</u>	<u>550,954</u>	<u>226,143</u>	<u>3,183,382</u>
EXPENDITURES						
General government	243,583	-	-	-	5,850	249,433
Public safety	522,131	-	-	-	-	522,131
Public works	-	418,109	-	-	-	418,109
Environment and leisure	421,640	-	-	-	-	421,640
Cemetery	58,338	-	-	-	-	58,338
Airport	-	-	358,349	-	-	358,349
Economic development	-	-	-	-	216,500	216,500
Capital outlay	150,034	7,750	71,275	-	-	229,059
Principal payments on debt	205,000	90,000	16,076	-	-	311,076
Interest on long-term debt	8,807	8,087	1,181	-	-	18,075
Total expenditures	<u>1,609,533</u>	<u>523,946</u>	<u>446,881</u>	<u>-</u>	<u>222,350</u>	<u>2,802,710</u>
Excess (deficiency) of revenues over expenditures	(148,185)	55,688	(81,578)	550,954	3,793	380,672
OTHER FINANCING SOURCES (USES)						
Net transfers in (out)	<u>194,427</u>	<u>-</u>	<u>25,957</u>	<u>(491,188)</u>	<u>(33,727)</u>	<u>(304,531)</u>
Net change in fund balances	46,242	55,688	(55,621)	59,766	(29,934)	76,141
Fund balances - September 30, 2012	<u>1,221,003</u>	<u>282,545</u>	<u>45,006</u>	<u>662,049</u>	<u>573,912</u>	<u>2,784,515</u>
Fund balances - September 30, 2013	<u>\$ 1,267,245</u>	<u>\$ 338,233</u>	<u>\$ (10,615)</u>	<u>\$ 721,815</u>	<u>\$ 543,978</u>	<u>\$ 2,860,656</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, 2013

Total net change in fund balances - governmental funds	\$ 76,141
Amounts reported for <i>governmental 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.	(44,323)
Advances on notes receivable are reported in the governmental funds as expenditures, but the advances increase notes receivable in the statement of activities.	216,500
The forgiveness of notes receivable is reported as an expense in the statement of activities. Notes receivable are not reported in the government funds.	(20,786)
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 (\$229,059) is exceeded by depreciation expense (\$446,015).	(216,956)
The change in noncurrent compensated absences is reported as an expense in the statement of activities. Noncurrent compensated absences are not reported in the government funds.	4,037
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>311,076</u>
Change in net position of governmental activities	<u><u>\$ 325,689</u></u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2013

	Enterprise Funds				
	Electric <u>Fund</u>	Water <u>Fund</u>	Sewer <u>Fund</u>	Landfill <u>Fund</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 320,327	\$ 73,835	\$ 110,774	\$ 401,479	\$ 906,415
Certificates of deposit	986,690	247,038	-	-	1,233,728
Investments	579,918	-	-	-	579,918
Receivables:					
Accounts, net of allowance for doubtful accounts	153,539	31,479	12,644	14,583	212,245
Unbilled revenue	201,306	28,808	17,092	640	247,846
Assessments	-	1,092	1,139	-	2,231
Current portion of notes receivable	39,643	-	-	-	39,643
Interest	884	713	-	-	1,597
Inventory	221,536	16,171	1,941	-	239,648
Prepaid expenses	4,299	5,931	3,085	4,200	17,515
Total current assets	<u>2,508,142</u>	<u>405,067</u>	<u>146,675</u>	<u>420,902</u>	<u>3,480,786</u>
Noncurrent assets:					
Restricted certificates of deposit	-	-	-	511,158	511,158
Noncurrent portion of notes receivable	100,991	-	-	-	100,991
Capital assets:					
Construction in progress	-	-	-	426,359	426,359
Other capital assets	6,355,118	1,292,422	3,215,099	1,522,374	12,385,013
Less accumulated depreciation	<u>(2,736,931)</u>	<u>(684,624)</u>	<u>(1,434,680)</u>	<u>(608,481)</u>	<u>(5,464,716)</u>
Net capital assets	<u>3,618,187</u>	<u>607,798</u>	<u>1,780,419</u>	<u>1,340,252</u>	<u>7,346,656</u>
Total noncurrent assets	<u>3,719,178</u>	<u>607,798</u>	<u>1,780,419</u>	<u>1,851,410</u>	<u>7,958,805</u>
Total assets	<u>6,227,320</u>	<u>1,012,865</u>	<u>1,927,094</u>	<u>2,272,312</u>	<u>11,439,591</u>
LIABILITIES					
Current liabilities:					
Accounts payable	249,537	10,486	8,449	298,405	566,877
Accrued payroll and vacation	22,307	19,561	12,451	6,763	61,082
Sales tax payable	23,913	-	-	-	23,913
Accrued interest payable	19,760	-	-	2,235	21,995
Customer deposits	76,410	30,820	-	-	107,230
Current portion of long-term obligations	<u>110,000</u>	<u>-</u>	<u>-</u>	<u>32,409</u>	<u>142,409</u>
Total current liabilities	<u>501,927</u>	<u>60,867</u>	<u>20,900</u>	<u>339,812</u>	<u>923,506</u>
Noncurrent liabilities:					
Accrued closure and postclosure costs	-	-	-	784,000	784,000
Noncurrent portion of long-term obligations	<u>1,975,000</u>	<u>-</u>	<u>-</u>	<u>85,644</u>	<u>2,060,644</u>
Total noncurrent liabilities	<u>1,975,000</u>	<u>-</u>	<u>-</u>	<u>869,644</u>	<u>2,844,644</u>
Total liabilities	<u>2,476,927</u>	<u>60,867</u>	<u>20,900</u>	<u>1,209,456</u>	<u>3,768,150</u>
NET POSITION					
Net investment in capital assets	1,533,187	607,798	1,780,419	994,053	4,915,457
Unrestricted	<u>2,217,206</u>	<u>344,200</u>	<u>125,775</u>	<u>68,803</u>	<u>2,755,984</u>
Total net position	<u>\$ 3,750,393</u>	<u>\$ 951,998</u>	<u>\$ 1,906,194</u>	<u>\$ 1,062,856</u>	<u>\$ 7,671,441</u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

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

For the Year Ended September 30, 2013

	Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	Total
Operating revenues:					
Charges for services	\$ 3,946,529	\$ 373,840	\$ 256,371	\$ 571,733	\$ 5,148,473
Other revenue	38,719	15,126	1,568	354	55,767
Total operating revenues	3,985,248	388,966	257,939	572,087	5,204,240
Operating expenses:					
Cost of power	3,065,124	-	-	-	3,065,124
Personnel services	237,289	212,345	163,605	78,705	691,944
Insurance and bonds	12,741	16,227	8,951	12,185	50,104
Utilities and telephone	10,681	11,396	43,382	1,927	67,386
Repairs and maintenance	55,134	55,293	50,884	21,814	183,125
Contractual obligations	3,222	2,664	720	372,789	379,395
Supplies	63,218	3,112	3,819	318	70,467
Licenses and fees	394,807	-	-	15,083	409,890
Professional fees	14,344	998	751	1,180	17,273
Miscellaneous	16,880	7,981	2,505	1,389	28,755
Landfill post-closure costs	-	-	-	46,000	46,000
Depreciation	210,664	49,490	85,496	41,249	386,899
Total operating expenses	4,084,104	359,506	360,113	592,639	5,396,362
Operating income (loss)	(98,856)	29,460	(102,174)	(20,552)	(192,122)
Nonoperating revenues (expenses):					
Interest income	16,665	3,654	122	2,499	22,940
Grant income	-	9,900	-	-	9,900
Interest expense	(52,849)	(1,259)	-	(2,960)	(57,068)
Total nonoperating revenues (expenses)	(36,184)	12,295	122	(461)	(24,228)
Income (loss) before interfund transfers	(135,040)	41,755	(102,052)	(21,013)	(216,350)
Interfund transfers:					
Transfer from other funds	-	-	61,680	242,851	304,531
Change in net position	(135,040)	41,755	(40,372)	221,838	88,181
Net position - September 30, 2012					
As previously reported	4,043,448	910,243	1,946,566	841,018	7,741,275
Restatement	(158,015)	-	-	-	(158,015)
As restated	3,885,433	910,243	1,946,566	841,018	7,583,260
Net position - September 30, 2013	\$ 3,750,393	\$ 951,998	\$ 1,906,194	\$ 1,062,856	\$ 7,671,441

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended September 30, 2013

	Enterprise Funds	
	Electric Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 3,985,151	\$ 403,700
Payments to suppliers	(3,625,996)	(133,015)
Payments to employees	(236,462)	(212,246)
Net cash provided (used) by operating activities	122,693	58,439
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Change in due to/from other funds	10,132	-
Transfers from other funds	-	-
Net cash provided by noncapital financing activities	10,132	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(2,895)	(11,000)
Payments received on notes receivable	16,920	-
Issuance of notes receivable	(118,053)	-
Grant proceeds	-	9,900
Proceeds from issuance of capital debt	-	-
Principal payments on capital debt	(105,000)	(269,435)
Interest paid on capital debt	(53,026)	(3,622)
Net cash used by capital and related financing activities	(262,054)	(274,157)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in certificates of deposit	(6,339)	(3,527)
Increase in investments	(9,902)	-
Interest received	18,291	3,644
Net cash provided by investing activities	2,050	117
Increase (decrease) in cash and cash equivalents	(127,179)	(215,601)
Cash and cash equivalents - beginning of the year	447,506	289,436
Cash and cash equivalents - end of the year	\$ 320,327	\$ 73,835

See notes to financial statements.

Enterprise Funds		
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
\$ 259,455	\$ 570,233	\$ 5,218,539
(115,496)	(416,822)	(4,291,329)
(162,804)	(77,456)	(688,968)
<u>(18,845)</u>	<u>75,955</u>	<u>238,242</u>
-	(10,132)	-
61,680	242,851	304,531
<u>61,680</u>	<u>232,719</u>	<u>304,531</u>
(59,045)	(189,747)	(262,687)
-	-	16,920
-	-	(118,053)
-	-	9,900
-	118,053	118,053
-	(126,936)	(501,371)
-	(1,605)	(58,253)
<u>(59,045)</u>	<u>(200,235)</u>	<u>(795,491)</u>
-	290,541	280,675
-	-	(9,902)
122	2,499	24,556
<u>122</u>	<u>293,040</u>	<u>295,329</u>
(16,088)	401,479	42,611
126,862	-	863,804
<u>\$ 110,774</u>	<u>\$ 401,479</u>	<u>\$ 906,415</u>

CITY OF VALENTINE, NEBRASKA

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

For the Year Ended September 30, 2013

	<u>Enterprise Funds</u>	
	<u>Electric Fund</u>	<u>Water Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (98,856)	\$ 29,460
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	210,664	49,490
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	(5,187)	13,392
Assessments	-	1,186
Inventories	4,258	720
Prepaid expenses	(126)	(1,526)
Accounts payable	5,993	(34,538)
Accrued payroll and vacation	827	99
Deferred revenue	-	(1,139)
Other accrued expenses	30	-
Customer deposits	5,090	1,295
Net cash provided (used) by operating activities	<u>\$ 122,693</u>	<u>\$ 58,439</u>

See notes to financial statements.

Enterprise Funds		
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
\$ (102,174)	\$ (20,552)	\$ (192,122)
85,496	41,249	386,899
1,562	(1,854)	7,913
1,046	-	2,232
-	-	4,978
(283)	(387)	(2,322)
(4,201)	10,250	(22,496)
801	1,249	2,976
(1,092)	-	(2,231)
-	46,000	46,030
-	-	6,385
<u>\$ (18,845)</u>	<u>\$ 75,955</u>	<u>\$ 238,242</u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

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CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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.

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. 61, and has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable, and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

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 Position 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, 2013

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, 2013

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 page 27 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 page 27 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, 2013

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 Position 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, 2013

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 Position 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, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Position, “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, 2013

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 Position. 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 Position. 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, 2013

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.

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.

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.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – 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 position – 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 position – All other net position that does not meet the definition of “restricted net position” or “net investment in capital assets.”

Fund Financial Statements

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

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.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Fund Financial Statements, continued

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 16). 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.

Equity Restatement

GASB 65 was adopted effective October 1, 2012, at which time bond issuance costs were written off, as bond issuance costs are considered period costs rather than assets under GASB 65. As a result, the governmental activities net position was reduced \$35,708 and the business-type activities and the Electric Fund net position were reduced \$158,015.

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

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Sales and Use Tax, continued

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.

Property taxes levied for 2012-2013 are recorded as revenue when expected to be collected within 60 days after September 30, 2013. 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.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

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.

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.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2. Deposit Laws and Regulations, continued

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The City's demand deposits are insured up to \$250,000 and certificates of deposit/savings accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Any bank deposits 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.

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.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data, continued

- 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.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

1. Cash and Investments

Deposits

The City's policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose how its deposits were insured or secured with collateral at September 30, 2013. The categories of collateral are defined as follows:

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

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

1. Cash and Investments, continued

Deposits, continued

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 and certificates of deposit	\$ 5,487,883	\$ 831,803	\$ 4,216,986	\$ 439,094	\$ <u>5,375,800</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –

Unrestricted cash and cash equivalents	\$ 1,719,839
Restricted cash and cash equivalents	1,609,238
Unrestricted certificates of deposit	1,301,970
Restricted certificates of deposit	<u>744,753</u>
	\$ <u>5,375,800</u>

Investments

The City's policies and applicable laws regarding investments are discussed in Notes A4 and B2. The table presented below is designed to disclose whether the investments are insured or registered and who holds the security at September 30, 2013. The categories of investments are defined as follows:

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

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

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

1. Cash and Investments, continued

Investments, continued

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

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

<u>Type of Investment</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Money Market	\$ 9,909	\$ -	\$ -	\$ 9,909	\$ 9,909
Municipal bonds	570,009	-	-	<u>570,009</u>	<u>570,009</u>
				<u>\$ 579,918</u>	<u>\$ 579,918</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –

Unrestricted investments \$ 579,918

2. Restricted Assets

The restricted assets as of September 30, 2013, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 1,609,238	\$ -	\$ 1,609,238
Certificates of deposit	<u>233,595</u>	<u>511,158</u>	<u>744,753</u>
	<u>\$ 1,842,833</u>	<u>\$ 511,158</u>	<u>\$ 2,353,991</u>

The governmental activities' restricted assets as of September 30, 2013, consisted of \$380,817 in the General Fund restricted for debt service, \$307,950 in the Street Fund restricted for street improvements, \$633,704 in the Infrastructure Fund restricted for infrastructure, \$8,201 in the Fines and Fees Fund restricted for community betterment, \$333,150 in the Economic Development Fund restricted for economic development, \$137,877 in the Perpetual Care Fund restricted for cemetery perpetual care and \$41,134 in the Queen Jackson Memorial Fund restricted for community betterment.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

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

2. Restricted Assets, continued

The business-type activities restricted assets as of September 30, 2013, consisted of \$511,158 in the Landfill Fund restricted for landfill closure and post-closure costs.

3. Accounts Receivable

Accounts receivable of the business-type activities consist of utilities receivable. Receivables detail at September 30, 2013, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 286,245
Allowance for doubtful accounts	<u>(74,000)</u>
Net accounts receivable	<u><u>\$ 212,245</u></u>

4. Notes Receivable

Governmental Activities

The Economic Development Fund has made nine economic development loans. Notes receivable at September 30, 2013, 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.	\$ 8,000
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.	4,542
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.	49,455
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.	36,533

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

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

4. Notes Receivable, continued

Governmental Activities, continued

Note for \$34,000 dated November 14, 2012; due in 120 monthly payments of \$344.23 through November 14, 2022; bearing interest at 4.0 percent.	31,656
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Note for \$100,000 dated May 30, 2013; due in 60 monthly payments of \$1,872.96 through November 1, 2018; bearing interest at 4.0 percent.	100,000
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Note for \$52,500 dated September 30, 2013; due in 60 monthly payments of \$975.46 through December 20, 2018; bearing interest at 4.0 percent.	52,500
--	--------

Note for \$30,000 dated September 30, 2013; due in 120 monthly payments of \$306.43 through December 20, 2023; bearing interest at 4.0 percent.	30,000
---	--------

Grant for \$40,000 dated March 13, 2012; to be repaid if the grantee dissolves or loses their lease. The grantee ceased operations during the year ended September 30, 2012. \$27,214 was collected and \$12,786 was wrote off during the year ended September 30, 2013.	<u>-</u>
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Total governmental activities notes receivable	\$ <u>312,686</u>
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Current portion	\$ 87,677
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Noncurrent portion	<u>225,009</u>
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Total	\$ <u>312,686</u>
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Business-type Activities

The Electric Fund has made three loans. Notes receivable at September 30, 2013, consisted of the following:

In 2012, the Landfill Fund borrowed \$118,053 from the Electric Fund to fund a project. Interest is at 2.00 percent and payments are due over a seven-year term.	\$ 118,053
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CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

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

4. Notes Receivable, continued

Business-type Activities, continued

In 2001, the Landfill Fund borrowed \$80,000 from the Electric Fund for purchase of a loader. Interest is at 5.25 percent and payments are due over a ten-year term. This note was paid in full during the year ended September 30, 2013.

-

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.

22,581

Total business-type activities notes receivable \$ 140,634

Current portion \$ 39,643

Noncurrent portion 100,991

Total \$ 140,634

5. Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

	<u>Balance at October 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at September 30, 2013</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 79,462	\$ -	\$ -	\$ 79,462
Construction in progress	-	57,354	-	57,354
Total capital asset not being depreciated	<u>79,462</u>	<u>57,354</u>	<u>-</u>	<u>136,816</u>
Other capital assets being depreciated:				
Buildings and improvements	9,195,621	-	-	9,195,621
Machinery and equipment	750,379	40,516	-	790,895
Vehicles	330,046	131,189	-	461,235
Total other capital assets at historical cost	<u>10,276,046</u>	<u>171,705</u>	<u>-</u>	<u>10,447,751</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

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

5. Capital Assets, continued

	<u>Balance at October 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at September 30, 2013</u>
<u>Governmental Activities, continued:</u>				
Less accumulated depreciation for:				
Buildings and improvements	(1,642,708)	(343,140)	-	(1,985,848)
Machinery and equipment	(497,876)	(72,111)	-	(569,987)
Vehicles	<u>(276,725)</u>	<u>(30,764)</u>	-	<u>(307,489)</u>
Total accumulated depreciation	<u>(2,417,309)</u>	<u>(446,015) *</u>	-	<u>(2,863,324)</u>
Other capital assets, net	<u>7,858,737</u>	<u>(274,310)</u>	-	<u>7,584,427</u>
Governmental activities capital assets, net	<u><u>\$ 7,938,199</u></u>	<u><u>\$ (216,956)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,721,243</u></u>

* Depreciation expense was incurred by the following governmental activities:

General Fund:

General government	\$ 13,475
Public safety:	
Police	15,808
Fire	<u>37,998</u>
Total public safety	53,806
Public works:	
Cemetery	2,777
Environment and leisure:	
Swimming pool	65,957
Library	10,901
Parks and recreation	<u>25,370</u>
Total environment and leisure	<u>102,228</u>
Total General Fund	172,286
Street Fund	45,349
Airport Fund	<u>228,380</u>
Total governmental activities depreciation expense	\$ <u><u>446,015</u></u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

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

5. Capital Assets, continued

Governmental Activities, continued:

Construction in progress at September 30, 2013 consists of \$57,354 of engineering costs on the airport hangar and taxilanes project. See note D3 for additional details on construction commitments.

Business-type Activities:

	Balance at October 1, 2012	Additions	Disposals	Balance at September 30, 2013
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Construction in progress	\$ 8,466	\$ 417,893	\$ -	\$ 426,359
Other capital assets being depreciated:				
Distribution systems, buildings, and equipment	4,607,746	59,045	-	4,666,791
Buildings and improvements	1,280,298	11,000	-	1,291,298
Machinery and equipment	6,025,674	2,895	-	6,028,569
Vehicles	398,355	-	-	398,355
Total other capital assets at historical cost	12,312,073	72,940	-	12,385,013
Less accumulated depreciation for:				
Distribution systems, buildings, and equipment	(1,221,296)	(140,690)	-	(1,361,986)
Buildings and improvements	(539,104)	(20,006)	-	(559,110)
Machinery and equipment	(3,078,307)	(203,099)	-	(3,281,406)
Vehicles	(239,110)	(23,104)	-	(262,214)
Total accumulated depreciation	(5,077,817)	(386,899) *	-	(5,464,716)
Other capital assets, net	7,234,256	(313,959)	-	6,920,297
Business-type activities capital assets, net	<u>\$ 7,242,722</u>	<u>\$ 103,934</u>	<u>\$ -</u>	<u>\$ 7,346,656</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 210,664
Water	49,490
Sewer	85,496
Landfill	41,249
Total business-type activities depreciation expense	<u>\$ 386,899</u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

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

5. Capital Assets, continued

Business-type Activities, continued:

Construction in progress at September 30, 2013 consists of \$426,359 of engineering and construction costs on the landfill phase 3 project. See note D3 for additional details 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, 2013:

<u>Type of Debt</u>	<u>Balance at October 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2013</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable	<u>\$ 1,477,097</u>	<u>\$ -</u>	<u>\$ (311,076)</u>	<u>\$ 1,166,021</u>	<u>\$ 316,354</u>
Business-type Activities:					
Bonds and notes payable	<u>\$ 2,586,371</u>	<u>\$ 118,053</u>	<u>\$ (501,371)</u>	<u>\$ 2,203,053</u>	<u>\$ 142,409</u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

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

7. Long-term Debt, continued

Governmental Activities

As of September 30, 2013, the governmental long-term liabilities consisted of the following:

Bonds and notes payable:

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. \$ 50,000

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. 215,000

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. 33,440

General obligation refunding bonds, series 2011, with an original issue amount of \$1,050,000. Interest rates range from 0.45 percent to 1.40 percent. Interest is due in semi-annual installments and principal is due in annual installments through December 15, 2016. 845,000

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. 22,581

Total governmental activities bonds and notes payable \$ 1,166,021

Current portion \$ 316,354

Noncurrent portion 849,667

Total \$ 1,166,021

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

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

7. Long-term Debt, continued

Business-type Activities

As of September 30, 2013, 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. This loan was paid off during the year ended September 30, 2013.

\$ -

Combined utilities system revenue refunding bonds, series 2011, with an original issue amount of \$2,190,000. Interest rates range from 0.45 percent to 3.70 percent. Interest is due in semi-annual installments and principal is due in annual installments through November 15, 2028.

2,085,000

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. This loan was paid off during the year ended September 30, 2013.

-

In 2012, the Landfill Fund borrowed \$118,053 from the Electric Fund to fund a project. Interest is at 2.00 percent and payments are due over a seven-year term.

118,053

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

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

7. Long-term Debt, continued

Business-type Activities, continued

In 2001, the Landfill Fund borrowed \$80,000 from the Electric Fund for purchase of a loader. Interest is at 5.25 percent and payments are due over a ten-year term. This loan was paid off during the year ended September 30, 2013.

	-
Total business-type activity bonds and notes payable	\$ <u>2,203,053</u>
Current portion	\$ 142,409
Noncurrent portion	<u>2,060,644</u>
Total	\$ <u>2,203,053</u>

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2013, are as follows:

Year Ending September 30.	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 316,354	\$ 15,358	\$ 142,409	\$ 52,433
2015	316,643	10,743	126,457	51,580
2016	311,944	5,713	131,786	50,395
2017	221,080	1,505	132,122	48,872
2018	-	-	137,465	46,988
2019-2023	-	-	652,814	193,718
2024-2028	-	-	720,000	93,589
2029	-	-	160,000	2,960
	<u>\$1,166,021</u>	<u>\$ 33,319</u>	<u>\$ 2,203,053</u>	<u>\$ 540,535</u>

8. Special Assessments

Governmental Activities

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

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.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

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

8. Special Assessments, continued

Governmental Activities, continued

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.

The City completed street improvements in September of 2012. The total construction and engineering costs totaled \$548,401, of this amount \$373,172 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, 2013:

Current portion	\$ 35,248
Non-current portion	<u>277,675</u>
Total street improvement assessments	\$ <u>312,923</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, 2013:

	<u>Water</u>	<u>Sewer</u>
Current portion	\$ 1,092	\$ 1,139
Non-current portion	<u>-</u>	<u>-</u>
Total improvements assessments	\$ <u>1,092</u>	\$ <u>1,139</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

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

9. Interfund Transactions

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 194,427	\$ -
Airport Fund	25,957	-
Infrastructure Fund	-	(491,188)
Nonmajor Funds	-	(33,727)
Sewer Fund	61,680	-
Landfill Fund	<u>242,851</u>	<u>(-)</u>
Total operating transfers	<u>\$ 524,915</u>	<u>\$ (524,915)</u>

10. Fund Equity

The Airport Fund had a fund balance deficit of \$10,615 as of September 30, 2013. The City plans to increase the fund balance in future years by transferring excess fund from other funds.

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, 2013, the City's total payroll and covered payroll under the plan was \$1,184,434 and \$984,394, respectively. Both the City's required contribution of \$59,064 and the covered employees' required contribution of \$59,064 were made for the year ended September 30, 2013.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

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 \$11,633 under the plan for the year ended September 30, 2013.

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, 2013, 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, 2013

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 2014	\$ 64,060
May 2014	947,737
September 2014	511,158
October 2014	523,768
	<u>\$ 2,046,723</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, 2013, the City's investments and certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Security First Bank	\$ 947,737
Union Bank & Trust	1,098,986
Totals	<u>\$ 2,046,723</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, 2013.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

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 \$784,000 reported as landfill closure and postclosure care liability at September 30, 2013, represents the cumulative amount reported to date based on the use of approximately 47.8 percent of the estimated capacity of the landfill. The Valentine Landfill will recognize the remaining estimated cost of closure and postclosure care of \$856,263 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2013. 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, 2013, investments totaled \$511,158 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

The City's governmental activities had the following construction commitment as of September 30, 2013:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2013</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
Hangar and Taxilanes	\$ 174,973	\$ 57,354	\$ 117,619	Summer 2014

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Construction Commitments, continued

The City's business-type activities had the following construction commitments as of September 30, 2013:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2013</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
Landfill Phase 3 design	\$ 49,913	\$ 43,275	\$ 6,638	November 2013
Landfill Phase 3 construction	502,270	361,373	140,897	November 2013

4. Interlocal Agreements

The City had the following Interlocal agreements in effect as of September 30, 2013:

<u>Parties to Agreement</u>	<u>Term</u>	<u>Description</u>
Cherry County	October 1, 2012 - September 30, 2013	Agreement for law enforcement and fire dispatch
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 \$88,411 as of September 30, 2013.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2013

NOTE D – OTHER NOTES, continued

5. Conduit Debt, continued

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 \$188,602 as of September 30, 2013.

In 2013, the Community Development Agency (CDA) issued tax increment revenue bonds in the original amount of \$1,175,000 for KTJ 231, 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 \$1,175,000 as of September 30, 2013.

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.

6. Subsequent Events

Management has evaluated subsequent events through February 18, 2014, 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, 2013

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 442,610	\$ 393,190	\$ (49,420)
Sales	260,000	291,967	31,967
Franchise	418,218	415,062	(3,156)
Intergovernmental	87,170	88,034	864
Licenses and permits	13,100	13,887	787
Charges for services	153,100	148,724	(4,376)
Grants and contributions	68,320	81,553	13,233
Interest income	6,750	4,713	(2,037)
Other	18,300	15,254	(3,046)
	<hr/>	<hr/>	<hr/>
Total resources	1,467,568	1,452,384	(15,184)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	342,378	238,178	(104,200)
Public safety	531,713	504,190	(27,523)
Leisure and environment	481,044	423,493	(57,551)
Cemetery	149,081	58,382	(90,699)
Capital outlay	126,000	150,034	24,034
Principal payments on debt	205,000	205,000	-
Interest payments on debt	13,660	9,077	(4,583)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	1,848,876	1,588,354	(260,522)
	<hr/>	<hr/>	<hr/>
Resources under charges to appropriations	(381,308)	(135,970)	245,338
OTHER FINANCING SOURCES			
Net transfers	273,408	194,427	(78,981)
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ (107,900)	\$ 58,457	\$ 166,357

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
STREET FUND**

Year Ended September 30, 2013

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Motor vehicle tax	\$ 49,500	\$ 51,643	\$ 2,143
Sales tax	68,000	69,759	1,759
Intergovernmental	391,202	410,751	19,549
Special assessments	9,165	15,391	6,226
Interest income	1,900	2,173	273
Charges for services	5,000	5,138	138
Grants and contributions	400,124	-	(400,124)
Other income	<u>1,000</u>	<u>822</u>	<u>(178)</u>
Total resources	925,891	555,677	(370,214)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	554,608	443,994	(110,614)
Capital outlay	450,124	7,750	(442,374)
Principal payments on debt	90,000	90,000	-
Interest payments on debt	<u>9,040</u>	<u>9,039</u>	<u>(1)</u>
Total charges to appropriations	<u>1,103,772</u>	<u>550,783</u>	<u>(552,989)</u>
Resources over (under) charges to appropriations	(177,881)	4,894	182,775
OTHER FINANCING SOURCES			
Net transfers in	<u>180,031</u>	<u>-</u>	<u>(180,031)</u>
RESOURCES AND OTHER FINANCING SOURCES OVER CHARGES TO APPROPRIATIONS	<u><u>\$ 2,150</u></u>	<u><u>\$ 4,894</u></u>	<u><u>\$ 2,744</u></u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
AIRPORT FUND**

Year Ended September 30, 2013

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Charges for services	\$ 251,000	\$ 256,067	\$ 5,067
Grant income	756,019	108,296	(647,723)
Other income	<u>500</u>	<u>940</u>	<u>440</u>
Total resources	1,007,519	365,303	(642,216)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Operating expenditures	218,565	391,635	173,070
Capital outlay	919,908	71,275	(848,633)
Principal payments on debt	16,076	16,076	-
Interest on long-term debt	<u>1,181</u>	<u>1,181</u>	<u>-</u>
Total charges to appropriations	<u>1,155,730</u>	<u>480,167</u>	<u>(675,563)</u>
Resources under charges to appropriations	(148,211)	(114,864)	33,347
OTHER FINANCING SOURCES			
Net transfers in	<u>149,000</u>	<u>25,957</u>	<u>(123,043)</u>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u><u>\$ 789</u></u>	<u><u>\$ (88,907)</u></u>	<u><u>\$ (89,696)</u></u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
INFRASTRUCTURE FUND**

Year Ended September 30, 2013

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 400,000	\$ 437,951	\$ 37,951
Special assessments	-	100,441	100,441
Interest income	<u>1,000</u>	<u>747</u>	<u>(253)</u>
Total resources	401,000	539,139	138,139
OTHER FINANCING USES			
Net transfers out	<u>(834,691)</u>	<u>(491,188)</u>	<u>343,503</u>
RESOURCES OVER (UNDER) OTHER FINANCING USES	<u><u>\$ (433,691)</u></u>	<u><u>\$ 47,951</u></u>	<u><u>\$ 481,642</u></u>

CITY OF VALENTINE, NEBRASKA

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

Year Ended September 30, 2013

**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	\$ 1,452,384	\$ 555,677	\$ 365,303	\$ 539,139
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>8,964</u>	<u>23,957</u>	<u>-</u>	<u>11,815</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,461,348</u></u>	<u><u>\$ 579,634</u></u>	<u><u>\$ 365,303</u></u>	<u><u>\$ 550,954</u></u>
Uses/outflows of resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 1,588,354	\$ 550,783	\$ 480,167	\$ -
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>21,179</u>	<u>(26,837)</u>	<u>(33,286)</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,609,533</u></u>	<u><u>\$ 523,946</u></u>	<u><u>\$ 446,881</u></u>	<u><u>\$ -</u></u>

SUPPLEMENTARY INFORMATION

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

September 30, 2013

	<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	\$ 8,201	\$ 333,150	\$ 4,051	\$ 41,134	\$ 386,536
Certificates of deposit	-	-	133,826	-	133,826
Interest receivable	-	-	90	-	90
Sales tax recievable	-	29,376	-	-	29,376
Total assets	<u>\$ 8,201</u>	<u>\$ 362,526</u>	<u>\$ 137,967</u>	<u>\$ 41,134</u>	<u>\$ 549,828</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 5,850	\$ -	\$ -	\$ -	\$ 5,850
Fund balances:					
Nonspendable for:					
Cemetery perpetual care	-	-	137,967	-	137,967
Restricted for:					
Economic development	-	362,526	-	-	362,526
Community betterment	2,351	-	-	41,134	43,485
Total fund balances	<u>2,351</u>	<u>362,526</u>	<u>137,967</u>	<u>41,134</u>	<u>543,978</u>
Total liabilities and fund					
balances	<u>\$ 8,201</u>	<u>\$ 362,526</u>	<u>\$ 137,967</u>	<u>\$ 41,134</u>	<u>\$ 549,828</u>

CITY OF VALENTINE, NEBRASKA

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

For the Year Ended September 30, 2013

	<u>Special Revenue Funds</u>		<u>Permanent Funds</u>		
	Fine and <u>Fees</u>	Economic <u>Development</u>	Perpetual <u>Care</u>	Queen Jackson <u>Memorial</u>	Total Nonmajor Governmental <u>Funds</u>
REVENUES					
Sales tax	\$ -	\$ 149,923	\$ -	\$ -	\$ 149,923
Licenses and permits	6,025	-	-	-	6,025
Grants and contributions	-	-	-	15,993	15,993
Interest income	-	404	45	-	449
Loan collections	-	49,993	-	-	49,993
Other	-	3,410	350	-	3,760
Total revenues	<u>6,025</u>	<u>203,730</u>	<u>395</u>	<u>15,993</u>	<u>226,143</u>
EXPENDITURES					
General government	5,850	-	-	-	5,850
Economic development	-	216,500	-	-	216,500
Total expenditures	<u>5,850</u>	<u>216,500</u>	<u>-</u>	<u>-</u>	<u>222,350</u>
Excess (deficiency) of revenues over expenditures	175	(12,770)	395	15,993	3,793
OTHER FINANCING USES					
Transfers to other funds	-	(28,727)	-	(5,000)	(33,727)
Net change in fund balances	175	(41,497)	395	10,993	(29,934)
Fund balances - September 30, 2012	<u>2,176</u>	<u>404,023</u>	<u>137,572</u>	<u>30,141</u>	<u>573,912</u>
Fund balances - September 30, 2013	<u><u>\$ 2,351</u></u>	<u><u>\$ 362,526</u></u>	<u><u>\$ 137,967</u></u>	<u><u>\$ 41,134</u></u>	<u><u>\$ 543,978</u></u>

CITY OF VALENTINE, NEBRASKA

COMBINING STATEMENT OF REVENUES AND EXPENDITURES -

GENERAL FUND DEPARTMENTS

Year Ended September 30, 2013

	<u>Administrative</u>	<u>Police</u>	<u>Fire</u>
REVENUES			
Taxes:			
General property tax	\$ 211,372	\$ -	\$ -
Sales tax	-	-	-
Franchise	415,062	-	-
Intergovernmental revenue:			
State assistance	85,915	-	-
Licenses and permits	13,887	-	-
Charges for services	-	-	-
Grants and donations	61,286	1,347	-
Interest income	1,292	-	-
Other receipts	7,419	-	-
Total revenues	<u>796,233</u>	<u>1,347</u>	<u>-</u>
EXPENDITURES			
Personnel services:			
Salaries and benefits	145,424	349,543	3,584
Operating expenses:			
Insurance	5,624	13,801	10,854
Professional fees	775	3,548	149
Meetings, seminars, and dues	9,743	405	100
Repairs and maintenance	7,567	17,714	16,841
Printing, postage, and publications	370	200	46
Utilities and telephone	6,680	-	13,781
Total operating expenses	<u>30,759</u>	<u>35,668</u>	<u>41,771</u>
Supplies	5,577	1,451	35
Other expenses	61,823	77,740	12,339
Capital outlay	-	35,939	87,500
Principal payments on debt	-	-	-
Interest payments	-	-	-
Total expenditures	<u>243,583</u>	<u>500,341</u>	<u>145,229</u>
Excess (deficiency) of revenues over expenditures before transfers	552,650	(498,994)	(145,229)
TRANSFERS FROM OTHER FUNDS	<u>142,227</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u><u>\$ 694,877</u></u>	<u><u>\$ (498,994)</u></u>	<u><u>\$ (145,229)</u></u>

<u>Pool</u>	<u>Library</u>	<u>Cemetery</u>	<u>Park</u>	<u>Bookmobile</u>	<u>Time Capsule</u>	<u>Total</u>
\$ -	\$ 77,841	\$ 23,340	\$ 81,724	\$ -	\$ -	\$ 394,277
299,843	-	-	-	-	-	299,843
-	-	-	-	-	-	415,062
-	2,119	-	-	-	-	88,034
-	-	-	-	-	-	13,887
28,081	5,550	9,038	28,055	78,000	-	148,724
-	1,948	-	16,972	-	-	81,553
352	61	2,731	5	260	13	4,714
383	152	-	7,300	-	-	15,254
<u>328,659</u>	<u>87,671</u>	<u>35,109</u>	<u>134,056</u>	<u>78,260</u>	<u>13</u>	<u>1,461,348</u>
52,213	66,652	1,541	39,478	60,526	-	718,961
6,869	5,909	959	7,760	2,834	-	54,610
678	132	217	504	344	-	6,347
-	236	-	-	236	-	10,720
6,620	5,123	51,629	30,909	5,095	-	141,498
-	269	-	200	270	-	1,355
13,415	2,947	3,806	60,975	141	-	101,745
<u>27,582</u>	<u>14,616</u>	<u>56,611</u>	<u>100,348</u>	<u>8,920</u>	<u>-</u>	<u>316,275</u>
10,483	12,466	186	2,364	10,749	-	43,311
1,186	1,860	-	11,647	550	-	167,145
2,281	3,250	7,738	13,326	-	-	150,034
205,000	-	-	-	-	-	205,000
8,807	-	-	-	-	-	8,807
<u>307,552</u>	<u>98,844</u>	<u>66,076</u>	<u>167,163</u>	<u>80,745</u>	<u>-</u>	<u>1,609,533</u>
21,107	(11,173)	(30,967)	(33,107)	(2,485)	13	(148,185)
-	12,000	8,200	32,000	-	-	194,427
<u>\$ 21,107</u>	<u>\$ 827</u>	<u>\$ (22,767)</u>	<u>\$ (1,107)</u>	<u>\$ (2,485)</u>	<u>\$ 13</u>	<u>\$ 46,242</u>



SHAREHOLDERS

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

**INDEPENDENT AUDITORS' 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, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated February 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Valentine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. 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.

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 that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

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 is required to be reported under *Government Auditing Standards*.

- Bank deposits at one financial institution totaling \$439,094 exceeded FDIC coverage and pledged collateral as of September 30, 2013.

City of Valentine's Response to Findings

The City of Valentine's response to the findings identified in our audit is that due to the small size of the City, it is impractical to further segregate duties. Also, the City will request financial institutions assign additional collateral to fully secure all bank deposits. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Almquist, Mutsaers
Edmund L. Luth, P.C.

Grand Island, Nebraska
February 18, 2014