

CITY OF VALENTINE, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2015

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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, 2015, 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
Joseph P. Stump

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, 2015, 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.

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 6-14 and 61-65 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The nonmajor fund combining statements, the statement of revenue and expenditures by General Fund department, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 in the first sentence of this paragraph and the schedule of expenditures of federal awards are 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 March 7, 2016, 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.

Almquist, Mattak
Gallagher Luth, P.C.

Grand Island, Nebraska
March 7, 2016

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended September 30, 2015**

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, 2015.

Financial Highlights

- The assets of the City of Valentine exceeded its liabilities at the close of the most recent fiscal year by \$19,974,330 (*net position*). Of this amount, \$3,965,735 (*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 \$12,749,303. Approximately 13.2 percent of this total amount, \$1,679,770, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$933,252, or 31.6 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, 2015

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 15 and 16 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 17-20 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, 2015

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 21-24 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 25-60 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 61-65 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 66-68.

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 \$19,974,330 at the close of the most recent fiscal year.

Summary Statements of Net Position

	September 30, 2015			September 30, 2014		
	Governmental	Business-type		Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current and Other Assets	\$ 5,809,790	\$ 3,786,923	\$ 9,596,713	\$ 4,325,129	\$ 3,789,214	\$ 8,114,343
Capital Assets	10,212,597	6,889,706	17,102,303	7,833,435	7,163,406	14,996,841
Total Assets	16,022,387	10,676,629	26,699,016	12,158,564	10,952,620	23,111,184
Long-term Liabilities	2,006,156	2,765,187	4,771,343	561,844	2,827,643	3,389,487
Other Liabilities	1,266,928	686,415	1,953,343	718,390	658,507	1,376,897
Total Liabilities	3,273,084	3,451,602	6,724,686	1,280,234	3,486,150	4,766,384
Net Position:						
Net Investment in						
Capital Assets	7,634,857	4,939,062	12,573,919	6,984,057	5,086,628	12,070,685
Restricted	3,434,676	-	3,434,676	2,534,090	-	2,534,090
Unrestricted	1,679,770	2,285,965	3,965,735	1,360,183	2,379,842	3,740,025
Total Net Position	<u>\$ 12,749,303</u>	<u>\$ 7,225,027</u>	<u>\$ 19,974,330</u>	<u>\$ 10,878,330</u>	<u>\$ 7,466,470</u>	<u>\$ 18,344,800</u>

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2015

By far the largest portion of the City of Valentine's net position (63.0 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Valentine uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Valentine's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Valentine's net position (17.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$3,965,735) 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, 2015</u>		<u>Year Ended September 30, 2014</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 15,504	\$ 263,743	\$ 64,020	\$ 273,793
Public Safety	858	500,403	1,297	512,777
Public Works	448,250	380,800	3,463	360,120
Recreation	279,161	402,966	184,670	390,906
Cemetery	19,288	41,644	18,928	43,204
Airport	847,959	242,009	374,159	323,634
Economic Development	20,000	-	209,600	8,000
Interest	-	49,723	-	13,627
Depreciation and Amortization	-	409,560	-	421,751
Total	1,631,020	2,290,848	856,137	2,347,812
Transfers out	-	28,000	-	25,312
	<u>\$ 1,631,020</u>	<u>\$ 2,318,848</u>	<u>\$ 856,137</u>	<u>\$ 2,373,124</u>

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2015**

Revenues by Source – Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2015</u>			<u>Year Ended September 30, 2014</u>		
Charges for Services	\$	463,119	11.05 %	\$	518,952	14.58 %
Operating Grants and Contributions		605,046	14.44		301,478	8.47
Capital Grants and Contributions		562,855	13.43		35,707	1.00
Property Taxes		410,313	9.79		431,154	12.11
Motor Vehicle Taxes		55,201	1.32		50,995	1.43
Sales Tax		1,078,883	25.75		1,068,994	30.02
Franchise Taxes		389,310	9.29		435,001	12.22
State Allocation		490,901	11.72		519,926	14.60
Special Assessments		32,144	0.77		38,249	1.07
Miscellaneous		93,422	2.23		155,742	4.38
Loss on Disposal of Equipment		-	-		(4,362)	(0.12)
Interest		8,627	0.21		8,637	0.24
Total	\$	<u>4,189,821</u>	<u>100.00 %</u>	\$	<u>3,560,473</u>	<u>100.00 %</u>

Net position increased \$1,870,973 in the governmental funds during the year ended September 30, 2015.

Business-type activities. Business-type activities decreased the City of Valentine's net position by \$(241,443). Key elements of this increase are as follows:

Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2015</u>		<u>Year Ended September 30, 2014</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 4,184,690	\$ 4,356,170	\$ 4,204,198	\$ 4,390,344
Water	372,989	374,120	357,216	386,790
Sewer	269,272	365,884	275,690	353,257
Landfill	664,782	682,455	706,129	660,071
Total	<u>\$ 5,491,733</u>	<u>\$ 5,778,629</u>	<u>\$ 5,543,233</u>	<u>\$ 5,790,462</u>

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2015**

Revenues by Source – Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2015</u>		<u>Year Ended September 30, 2014</u>	
Charges for Services	\$ 5,481,932	99.00 %	\$ 5,543,233	99.25 %
Grants and Contributions	9,801	0.18	-	-
Interest	17,453	0.31	16,946	0.30
Interfund Transfer	28,000	0.51	25,312	0.45
Total	<u>\$ 5,537,186</u>	<u>100.00 %</u>	<u>\$ 5,585,491</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 \$4,497,815. Approximately 19.3 percent of this total amount (\$870,017) 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 (\$504,553), 2) restricted to pay for infrastructure (\$1,396,055), 3) restricted for economic development (\$564,674), 4) restricted for street improvements (\$202,784), 5) restricted for community betterment (\$60,836), 6) nonspendable for cemetery perpetual care (\$140,271), 7) nonspendable for inventory and prepaids (\$23,486), 8) restricted for golf course improvements (\$565,503), or 9) assigned for budgetary stabilization (\$169,636).

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 \$933,252, while total fund balance reached \$2,173,743. 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 31.6 percent of total General Fund expenditures, while total fund balance represents 73.5 percent of the same amount.

The fund balance of the City of Valentine's General Fund increased by \$672,654 during the current fiscal year.

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

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2015

Unrestricted net position of the proprietary funds at the end of the year were as follows: Electric Fund - \$1,985,528, Water Fund - \$384,628, Sewer Fund - \$133,397, and Landfill Fund – deficit of \$(217,588). The Electric Fund net position decreased \$(157,820), the Water Fund net position increased \$986, the Sewer Fund net position decreased \$(68,612), and the Landfill Fund net position decreased \$(15,997). 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, 2015.

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, 2015, amounts to \$17,102,303 (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 \$20,000) during the current fiscal year included the following:

- Storm sewer construction in progress - \$375,257
- Golf course construction in progress - \$1,332,833
- Airport hangar/taxilane construction in progress - \$855,927
- Golf course land - \$110,697
- Cat 130G road grader - \$30,000
- 2015 Ford police interceptor - \$24,127
- Library front porch - \$33,000

CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2015

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

	Year Ended September 30, 2015			Year Ended September 30, 2014		
	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	\$ 190,159	\$ -	\$ 190,159	\$ 79,462	\$ -	\$ 79,462
Construction in Progress	2,919,679	-	2,919,679	355,662	-	355,662
Buildings and Improvements	6,792,665	1,267,430	8,060,095	7,103,324	1,288,349	8,391,673
Machinery and Equipment	185,064	2,429,303	2,614,367	176,569	2,581,076	2,757,645
Distribution Systems, Buildings, and Equipment	-	3,093,885	3,093,885	-	3,177,999	3,177,999
Vehicles	125,030	99,088	224,118	118,418	115,982	234,400
Total	<u>\$ 10,212,597</u>	<u>\$ 6,889,706</u>	<u>\$ 17,102,303</u>	<u>\$ 7,833,435</u>	<u>\$ 7,163,406</u>	<u>\$ 14,996,841</u>

Additional information on the City of Valentine's capital assets can be found in Note C5 on pages 47-49 of this report.

Long-term debt. At the end of the current fiscal year, the City of Valentine had total bonded debt and notes payable outstanding of \$4,233,367.

City of Valentine's Outstanding Debt

	Year Ended September 30, 2015			Year Ended September 30, 2014		
	Governmental		Business-type	Governmental		Business-type
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
General Obligation Bonds	\$ 1,750,000	\$ -	\$ 1,750,000	\$ 25,000	\$ -	\$ 25,000
Refunding Bonds	510,000	1,865,000	2,375,000	785,000	1,975,000	2,760,000
Notes Payable	22,723	85,644	108,367	39,378	101,778	141,156
Total	<u>\$ 2,282,723</u>	<u>\$ 1,950,644</u>	<u>\$ 4,233,367</u>	<u>\$ 849,378</u>	<u>\$ 2,076,778</u>	<u>\$ 2,926,156</u>

The City of Valentine's total debt increased by \$1,307,211 (44.7 percent) during the current fiscal year, due to the issuance of \$1,750,000 of bonds for the golf course 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 50-53 of this report.

**CITY OF VALENTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2015**

Economic Factors and Next Year's Budgets and Rates

- Property tax asking for the year ending September 30, 2016, is \$433,319, the same as the prior year.
- The City's property tax levy is \$0.276823 for 2015-2016, a \$0.023177 decrease (7.7 percent) from the prior year.
- The City has a commitment of \$638,552 for the hangar and taxilanes project.
- The City has a commitment of \$7,000 for the golf course project.
- The City raised electric rates 6.43 percent in January 2016.

All of these factors were considered in preparing the City of Valentine's budget for the 2016 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, 2015

	Primary Government		
	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,561,568	\$ 638,946	\$ 2,200,514
Certificates of deposit	82,720	1,142,602	1,225,322
County treasurer cash	23,482	-	23,482
Investments	-	595,540	595,540
Receivables:			
Special assessments	39,653	-	39,653
Accounts, net of allowance for doubtful accounts	-	182,046	182,046
Unbilled revenue	-	281,083	281,083
Current portion of notes receivable	57,040	23,980	81,020
Property tax	15,570	-	15,570
Interest	336	1,896	2,232
Sales tax	187,190	-	187,190
Inventory	21,673	239,480	261,153
Prepaid expenses	1,813	-	1,813
Total current assets	<u>1,991,045</u>	<u>3,105,573</u>	<u>5,096,618</u>
Noncurrent assets:			
Restricted cash and cash equivalents	3,067,845	-	3,067,845
Restricted certificates of deposit	235,673	612,163	847,836
Noncurrent portion of notes receivable	299,650	69,187	368,837
Noncurrent portion of special assessments	215,577	-	215,577
Capital assets:			
Land	190,159	-	190,159
Construction in progress	2,919,679	-	2,919,679
Depreciable capital assets, net of depreciation	<u>7,102,759</u>	<u>6,889,706</u>	<u>13,992,465</u>
Net capital assets	<u>10,212,597</u>	<u>6,889,706</u>	<u>17,102,303</u>
Total noncurrent assets	<u>14,031,342</u>	<u>7,571,056</u>	<u>21,602,398</u>
Total assets	<u>16,022,387</u>	<u>10,676,629</u>	<u>26,699,016</u>
LIABILITIES			
Current liabilities:			
Accounts payable	688,102	349,989	1,038,091
Accrued expenses	38,465	84,564	123,029
Unavailable revenue	228,718	-	228,718
Customer deposits	-	120,405	120,405
Current portion of long-term obligations	311,643	131,457	443,100
Total current liabilities	<u>1,266,928</u>	<u>686,415</u>	<u>1,953,343</u>
Noncurrent liabilities:			
Accrued closure and postclosure costs	-	946,000	946,000
Compensated absences	35,076	-	35,076
Noncurrent portion of long-term obligations	<u>1,971,080</u>	<u>1,819,187</u>	<u>3,790,267</u>
Total noncurrent liabilities	<u>2,006,156</u>	<u>2,765,187</u>	<u>4,771,343</u>
Total liabilities	<u>3,273,084</u>	<u>3,451,602</u>	<u>6,724,686</u>
NET POSITION			
Net investment in capital assets	7,634,857	4,939,062	12,573,919
Restricted for:			
Debt service	504,553	-	504,553
Street improvements	202,784	-	202,784
Golf course improvements	565,503	-	565,503
Infrastructure	1,396,055	-	1,396,055
Economic development	564,674	-	564,674
Community betterment	60,836	-	60,836
Cemetery perpetual care	140,271	-	140,271
Unrestricted	<u>1,679,770</u>	<u>2,285,965</u>	<u>3,965,735</u>
Total net position	<u>\$ 12,749,303</u>	<u>\$ 7,225,027</u>	<u>\$ 19,974,330</u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

<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	\$ 263,743	\$ -	\$ 15,504
Public safety	500,403	-	-
Public works	380,800	4,338	-
Environment and leisure	402,966	161,076	-
Cemetery	41,644	19,288	-
Airport	242,009	278,417	569,542
Economic development	-	-	20,000
Interest on long-term debt	49,723	-	-
Depreciation and amortization	409,560	-	-
Total governmental activities	<u>2,290,848</u>	<u>463,119</u>	<u>605,046</u>
Business-type activities:			
Electric	4,356,170	4,184,690	-
Water	374,120	363,188	-
Sewer	365,884	269,272	-
Landfill	682,455	664,782	-
Total business-type activities	<u>5,778,629</u>	<u>5,481,932</u>	<u>-</u>
Total primary government	<u>\$ 8,069,477</u>	<u>\$ 5,945,051</u>	<u>\$ 605,046</u>

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>
\$ -	\$ (248,239)		\$ (248,239)
858	(499,545)		(499,545)
443,912	67,450		67,450
118,085	(123,805)		(123,805)
-	(22,356)		(22,356)
-	605,950		605,950
-	20,000		20,000
-	(49,723)		(49,723)
-	(409,560)		(409,560)
<u>562,855</u>	<u>(659,828)</u>	<u>\$ -</u>	<u>(659,828)</u>
-	-	(171,480)	(171,480)
9,801	-	(1,131)	(1,131)
-	-	(96,612)	(96,612)
-	-	(17,673)	(17,673)
<u>9,801</u>	<u>-</u>	<u>(286,896)</u>	<u>(286,896)</u>
<u>\$ 572,656</u>	<u>(659,828)</u>	<u>(286,896)</u>	<u>(946,724)</u>
General revenues:			
Taxes:			
Property	410,313	-	410,313
Motor vehicle	55,201	-	55,201
Sales tax	1,078,883	-	1,078,883
Franchise	389,310	-	389,310
State allocation	490,901	-	490,901
Special assessments	32,144	-	32,144
Miscellaneous	93,422	-	93,422
Interest income	8,627	17,453	26,080
Interfund transfers	(28,000)	28,000	-
Total general revenues	<u>2,530,801</u>	<u>45,453</u>	<u>2,576,254</u>
Change in net position	<u>1,870,973</u>	<u>(241,443)</u>	<u>1,629,530</u>
Net position - September 30, 2014	<u>10,878,330</u>	<u>7,466,470</u>	<u>18,344,800</u>
Net position - September 30, 2015	<u>\$ 12,749,303</u>	<u>\$ 7,225,027</u>	<u>\$ 19,974,330</u>

CITY OF VALENTINE, NEBRASKA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2015

	<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	\$ 2,399,127	\$ 85,719	\$ 232,497	\$ 1,309,156	\$ 602,914	\$ -	\$ 4,629,413
Certificates of deposit	82,720	101,847	-	-	133,826	-	318,393
County treasurer cash	19,569	3,913	-	-	-	-	23,482
Receivables:							
Special assessments	-	255,230	-	-	-	-	255,230
Property tax	12,455	3,115	-	-	-	-	15,570
Interest	44	223	-	-	69	-	336
Sales tax	57,927	13,392	-	86,899	28,972	-	187,190
Inventory	-	-	21,673	-	-	-	21,673
Prepaid expenses	799	-	1,014	-	-	-	1,813
Total assets	<u><u>\$ 2,572,641</u></u>	<u><u>\$ 463,439</u></u>	<u><u>\$ 255,184</u></u>	<u><u>\$ 1,396,055</u></u>	<u><u>\$ 765,781</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,453,100</u></u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 355,701	\$ 36,773	\$ 295,628	\$ -	\$ -	\$ -	\$ 688,102
Accrued expenses	32,686	5,675	104	-	-	-	38,465
Unavailable revenue	10,511	218,207	-	-	-	-	228,718
Total liabilities	<u>398,898</u>	<u>260,655</u>	<u>295,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>955,285</u>
Fund balances:							
Nonspendable:							
Inventory and prepaids	799	-	22,687	-	-	-	23,486
Cemetery perpetual care	-	-	-	-	140,271	-	140,271
Restricted for:							
Debt service	504,553	-	-	-	-	-	504,553
Street improvements	-	202,784	-	-	-	-	202,784
Infrastructure	-	-	-	1,396,055	-	-	1,396,055
Economic development	-	-	-	-	564,674	-	564,674
Community betterment	-	-	-	-	60,836	-	60,836
Golf course improvements	565,503	-	-	-	-	-	565,503
Assigned for:							
Budgetary stabilization	169,636	-	-	-	-	-	169,636
Unassigned	933,252	-	(63,235)	-	-	-	870,017
Total fund balances	<u>2,173,743</u>	<u>202,784</u>	<u>(40,548)</u>	<u>1,396,055</u>	<u>765,781</u>	<u>-</u>	<u>4,497,815</u>
Total liabilities and fund balances	<u><u>\$ 2,572,641</u></u>	<u><u>\$ 463,439</u></u>	<u><u>\$ 255,184</u></u>	<u><u>\$ 1,396,055</u></u>	<u><u>\$ 765,781</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,453,100</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, 2015

Total fund balances - governmental funds \$ 4,497,815

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. 356,690

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 \$13,882,744
and the accumulated depreciation is \$3,670,147. 10,212,597

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	\$ (35,076)	
Bonds and notes payable	<u>(2,282,723)</u>	<u>(2,317,799)</u>

Total net position - governmental activities \$ 12,749,303

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, 2015

	<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	\$ 410,313	\$ -	\$ -	\$ -	\$ -	\$ 410,313
Motor vehicle	-	55,201	-	-	-	55,201
Sales tax	331,959	83,007	-	497,938	165,979	1,078,883
Franchise	389,310	-	-	-	-	389,310
Intergovernmental	44,494	446,407	-	-	-	490,901
Special assessments	-	11,681	-	20,463	-	32,144
Licenses and permits	13,617	-	-	-	5,440	19,057
Charges for services	180,364	4,338	278,417	-	-	463,119
Grants and donations	105,699	443,912	569,542	-	33,416	1,152,569
Loan collections	-	-	-	-	59,506	59,506
Interest income	5,240	1,412	-	1,305	670	8,627
Bond proceeds	1,750,000	-	-	-	-	1,750,000
Other income	23,332	99	38,293	-	1,474	63,198
Total revenues	<u>3,254,328</u>	<u>1,046,057</u>	<u>886,252</u>	<u>519,706</u>	<u>266,485</u>	<u>5,972,828</u>
EXPENDITURES						
General government	256,967	-	-	-	5,440	262,407
Public safety	493,554	-	-	-	-	493,554
Public works	-	384,100	-	-	-	384,100
Environment and leisure	401,884	-	-	-	-	401,884
Cemetery	41,644	-	-	-	-	41,644
Airport	-	-	242,009	-	-	242,009
Economic development	-	-	-	-	140,000	140,000
Capital outlay	1,512,206	405,257	855,927	-	-	2,773,390
Bond issuance costs	25,500	-	-	-	-	25,500
Principal payments on debt	205,000	95,000	16,655	-	-	316,655
Interest on long-term debt	21,088	2,533	602	-	-	24,223
Total expenditures	<u>2,957,843</u>	<u>886,890</u>	<u>1,115,193</u>	<u>-</u>	<u>145,440</u>	<u>5,105,366</u>
Excess (deficiency) of revenues over expenditures	296,485	159,167	(228,941)	519,706	121,045	867,462
OTHER FINANCING SOURCES (USES)						
Net transfers in (out)	<u>376,169</u>	<u>-</u>	<u>147,000</u>	<u>(265,724)</u>	<u>(285,445)</u>	<u>(28,000)</u>
Net change in fund balances	672,654	159,167	(81,941)	253,982	(164,400)	839,462
Fund balances - September 30, 2014	<u>1,501,089</u>	<u>43,617</u>	<u>41,393</u>	<u>1,142,073</u>	<u>930,181</u>	<u>3,658,353</u>
Fund balances - September 30, 2015	<u>\$ 2,173,743</u>	<u>\$ 202,784</u>	<u>\$ (40,548)</u>	<u>\$ 1,396,055</u>	<u>\$ 765,781</u>	<u>\$ 4,497,815</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, 2015

Total net change in fund balances - governmental funds	\$ 839,462
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.	(48,339)
Advances on notes receivable are reported in the governmental funds as expenditures, but the advances increase notes receivable in the statement of activities.	140,000
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$2,773,390) and donated capital assets (\$15,332) exceeds depreciation expense (\$409,560).	2,379,162
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.	(5,967)
Bond proceeds are reported as revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(1,750,000)
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	316,655
Change in net position of governmental activities	<u><u>\$ 1,870,973</u></u>

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
September 30, 2015

	Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 227,942	\$ 130,015	\$ 142,735	\$ 138,254	\$ 638,946
Certificates of deposit	891,047	251,555	-	-	1,142,602
Investments	595,540	-	-	-	595,540
Receivables:					
Accounts, net of allowance for doubtful accounts	130,047	25,549	12,006	14,444	182,046
Unbilled revenue	233,999	28,842	17,590	652	281,083
Current portion of notes receivable	23,980	-	-	-	23,980
Interest	259	1,637	-	-	1,896
Inventory	223,147	14,808	1,525	-	239,480
Total current assets	2,325,961	452,406	173,856	153,350	3,105,573
Noncurrent assets:					
Restricted certificates of deposit	-	-	-	612,163	612,163
Noncurrent portion of notes receivable	69,187	-	-	-	69,187
Capital assets:					
Other capital assets	6,397,788	1,328,496	3,237,201	2,108,119	13,071,604
Less accumulated depreciation	(3,100,010)	(775,035)	(1,596,538)	(710,315)	(6,181,898)
Net capital assets	3,297,778	553,461	1,640,663	1,397,804	6,889,706
Total noncurrent assets	3,366,965	553,461	1,640,663	2,009,967	7,571,056
Total assets	5,692,926	1,005,867	1,814,519	2,163,317	10,676,629
LIABILITIES					
Current liabilities:					
Accounts payable	265,768	21,424	29,724	33,073	349,989
Accrued payroll and vacation	15,281	12,739	10,735	3,418	42,173
Sales tax payable	22,659	-	-	-	22,659
Accrued interest payable	19,122	-	-	610	19,732
Customer deposits	86,790	33,615	-	-	120,405
Current portion of long-term obligations	115,000	-	-	16,457	131,457
Total current liabilities	524,620	67,778	40,459	53,558	686,415
Noncurrent liabilities:					
Accrued closure and postclosure costs	-	-	-	946,000	946,000
Noncurrent portion of long-term obligations	1,750,000	-	-	69,187	1,819,187
Total noncurrent liabilities	1,750,000	-	-	1,015,187	2,765,187
Total liabilities	2,274,620	67,778	40,459	1,068,745	3,451,602
NET POSITION					
Net investment in capital assets	1,432,778	553,461	1,640,663	1,312,160	4,939,062
Unrestricted	1,985,528	384,628	133,397	(217,588)	2,285,965
Total net position	<u>\$ 3,418,306</u>	<u>\$ 938,089</u>	<u>\$ 1,774,060</u>	<u>\$ 1,094,572</u>	<u>\$ 7,225,027</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, 2015

	Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	Total
Operating revenues:					
Charges for services	\$ 4,127,036	\$ 356,424	\$ 268,522	\$ 664,612	\$ 5,416,594
Other revenue	57,654	6,764	750	170	65,338
Total operating revenues	4,184,690	363,188	269,272	664,782	5,481,932
Operating expenses:					
Cost of power	3,335,261	-	-	-	3,335,261
Personnel services	243,479	207,863	166,415	86,717	704,474
Insurance and bonds	11,795	13,472	8,906	6,465	40,638
Utilities and telephone	16,108	17,147	48,835	1,893	83,983
Repairs and maintenance	47,945	67,182	20,614	32,095	167,836
Contractual obligations	1,590	6,337	21,807	413,164	442,898
Supplies	75,384	4,788	8,478	1,155	89,805
Licenses and fees	372,445	-	-	13,460	385,905
Professional fees	9,557	4,665	621	1,109	15,952
Miscellaneous	15,717	9,045	5,258	4,347	34,367
Landfill post-closure costs	-	-	-	69,000	69,000
Depreciation	175,680	43,621	84,950	51,129	355,380
Total operating expenses	4,304,961	374,120	365,884	680,534	5,725,499
Operating income (loss)	(120,271)	(10,932)	(96,612)	(15,752)	(243,567)
Nonoperating revenues (expenses):					
Interest income	13,660	2,117	-	1,676	17,453
Grant income	-	9,801	-	-	9,801
Interest expense	(51,209)	-	-	(1,921)	(53,130)
Total nonoperating revenues (expenses)	(37,549)	11,918	-	(245)	(25,876)
Income (loss) before interfund transfers	(157,820)	986	(96,612)	(15,997)	(269,443)
Interfund transfers:					
Transfer from other funds	-	-	28,000	-	28,000
Change in net position	(157,820)	986	(68,612)	(15,997)	(241,443)
Net position - September 30, 2014	3,576,126	937,103	1,842,672	1,110,569	7,466,470
Net position - September 30, 2015	\$ 3,418,306	\$ 938,089	\$ 1,774,060	\$ 1,094,572	\$ 7,225,027

See notes to financial statements.

CITY OF VALENTINE, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the Year Ended September 30, 2015

	<u>Enterprise Funds</u>	
	<u>Electric Fund</u>	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 4,159,031	\$ 360,582
Payments to suppliers	(3,872,039)	(115,432)
Payments to employees	(251,081)	(215,636)
Net cash provided (used) by operating activities	<u>35,911</u>	<u>29,514</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(35,189)	(25,502)
Grant proceeds	-	9,801
Principal payments on capital debt	(110,000)	-
Interest paid on capital debt	(51,580)	-
Net cash used by capital and related financing activities	<u>(196,769)</u>	<u>(15,701)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received on notes receivable	23,669	-
(Increase) decrease in certificates of deposit	(1,153)	(1,204)
Increase in investments	(8,933)	-
Interest received	13,701	1,204
Net cash provided (used) by investing activities	<u>27,284</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(133,574)	13,813
Cash and cash equivalents - beginning of the year	<u>361,516</u>	<u>116,202</u>
Cash and cash equivalents - end of the year	<u><u>\$ 227,942</u></u>	<u><u>\$ 130,015</u></u>

See notes to financial statements.

Enterprise Funds		
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
\$ 269,394	\$ 665,481	\$ 5,454,488
(111,462)	(471,218)	(4,570,151)
(168,122)	(90,604)	(725,443)
<u>(10,190)</u>	<u>103,659</u>	<u>158,894</u>
28,000	-	28,000
(2,642)	-	(63,333)
-	-	9,801
-	(16,134)	(126,134)
<u>-</u>	<u>(2,036)</u>	<u>(53,616)</u>
(2,642)	(18,170)	(233,282)
-	-	23,669
-	(54,241)	(56,598)
-	-	(8,933)
<u>-</u>	<u>1,676</u>	<u>16,581</u>
<u>-</u>	<u>(52,565)</u>	<u>(25,281)</u>
15,168	32,924	(71,669)
<u>127,567</u>	<u>105,330</u>	<u>710,615</u>
<u>\$ 142,735</u>	<u>\$ 138,254</u>	<u>\$ 638,946</u>

CITY OF VALENTINE, NEBRASKA

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

For the Year Ended September 30, 2015

	<u>Enterprise Funds</u>	
	<u>Electric Fund</u>	<u>Water Fund</u>
Reconciliation of operating loss to net cash provided		
(used) by operating activities:		
Operating loss	\$ (120,271)	\$ (10,932)
Adjustments to reconcile operating loss to net cash provided		
(used) by operating activities:		
Depreciation expense	175,680	43,621
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	(30,009)	(3,701)
Inventories	2,055	1,045
Prepaid expenses	50	90
Accounts payable	10,577	6,069
Accrued payroll and vacation	(7,602)	(7,773)
Other accrued expenses	1,081	-
Customer deposits	4,350	1,095
Net cash provided (used) by operating activities	<u>\$ 35,911</u>	<u>\$ 29,514</u>

See notes to financial statements.

Enterprise Funds			
<u>Sewer</u> <u>Fund</u>	<u>Landfill</u> <u>Fund</u>		<u>Total</u>
\$ (96,612)	\$ (15,752)		\$ (243,567)
84,950	51,129		355,380
122	699		(32,889)
545	-		3,645
52	2,408		2,600
2,460	62		19,168
(1,707)	(3,887)		(20,969)
-	69,000		70,081
-	-		5,445
<u>\$ (10,190)</u>	<u>\$ 103,659</u>		<u>\$ 158,894</u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

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CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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, 2015

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:

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Fund Financial Statements, continued

- 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
- 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.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

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.

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 28 for description.
Street	The Street Fund is a Special Revenue Fund that accounts for the City's share of highway allocation from the State of Nebraska.
Airport	The Airport Fund is a Special Revenue Fund that accounts for airport operations.
Infrastructure	Accounts for the collection of the City sales tax.
Proprietary:	
Enterprise:	
Electric, Water, Sewer, and Landfill	See above for description.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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:</i>	
Special Revenue:	
Fines and Fees	Accounts for local fines and fees collected.
Economic Development	Accounts for various economic development programs.
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.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Measurement Focus, continued

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.
- 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 position (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 position.

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.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Basis of Accounting, continued

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.

4. Assets, Liabilities, and Equity

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.

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.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

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.

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.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

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.

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.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Unavailable Revenue

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, 2015

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 position 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.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Fund Financial Statements, continued

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

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

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 17). 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.

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 – Operation, maintenance and debt service of the City's pool and financing of the construction, operation, and maintenance of recreation, capital improvement, economic development or community betterment projects.

1/4 percent – Economic Development Program

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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 2014-2015 are recorded as revenue when expected to be collected within 60 days after September 30, 2015. 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, 2015

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.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

2. Deposit Laws and Regulations

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

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

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data, continued

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

- a. On or before August 1, the City prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.
- b. The budget is published with subsequent public hearings to obtain taxpayer comments.
- c. Prior to September 20, the City Council adopts the budget, which is then filed with the appropriate state and county officials.
- d. Total expenditures may not legally exceed total appropriations. Appropriations lapse at year end and any revisions require board approval.
- e. The County Clerk certifies a preliminary property tax levy for each fund of the City which levied property taxes in the county the previous year based on the combined valuation and amount required for the City the prior year. The preliminary levy becomes the final levy unless the governing board passes, by a majority vote, a resolution setting the levy at a different amount.
- f. The property tax requirements resulting from the budget process are utilized by the County Assessor to establish the tax levy. Taxes are levied annually on or before October 15. Real property taxes and personal property taxes are due December 31 with the first half delinquent May 1 and the second half delinquent September 1.
- g. Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.
- h. The City of Valentine adopts a budget by resolution for all fund types.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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, 2015. The categories of collateral are defined as follows:

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

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

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

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits and certificates of deposit	\$ 7,451,847	\$ 1,111,341	\$ 5,350,798	\$ 989,708	\$ <u>7,341,517</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –

Unrestricted cash and cash equivalents	\$ 2,200,514
Restricted cash and cash equivalents	3,067,845
Unrestricted certificates of deposit	1,225,322
Restricted certificates of deposit	<u>847,836</u>
	\$ <u>7,341,517</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

1. Cash and Investments, continued

Investments

The City's policies and applicable laws regarding investments are discussed in Notes A4 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, 2015. The categories of investments are defined as follows:

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

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

Category 3 – Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not 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	\$ 157,716	\$ -	\$ -	\$ 157,716	\$ 157,716
Municipal bonds	437,824	-	-	<u>437,824</u>	<u>437,824</u>
				<u>\$ 595,540</u>	<u>\$ 595,540</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –

Unrestricted investments \$ 595,540

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

2. Restricted Assets

The restricted assets as of September 30, 2015, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 3,067,845	\$ -	\$ 3,067,845
Certificates of deposit	235,673	612,163	847,836
	<u>\$ 3,303,518</u>	<u>\$ 612,163</u>	<u>\$ 3,915,681</u>

The governmental activities' restricted assets as of September 30, 2015, consisted of \$504,553 in the General Fund restricted for debt service, \$565,503 in the General Fund for golf course improvements, \$187,566 in the Street Fund restricted for street improvements, \$1,309,156 in the Infrastructure Fund restricted for infrastructure, \$2,351 in the Fines and Fees Fund restricted for community betterment, \$535,702 in the Economic Development Fund restricted for economic development, \$140,202 in the Perpetual Care Fund restricted for cemetery perpetual care and \$58,485 in the Queen Jackson Memorial Fund restricted for community betterment.

The business-type activities restricted assets as of September 30, 2015, consisted of \$612,163 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, 2015, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 272,796
Allowance for doubtful accounts	<u>(90,750)</u>
Net accounts receivable	<u>\$ 182,046</u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

4. Notes Receivable

Governmental Activities

The Economic Development Fund has made nine economic development loans. Notes receivable at September 30, 2015, consisted of the following:

Note for \$40,000 dated December 1, 2014; due in 120 monthly payments of \$404.98 through February 1, 2025; bearing interest at 4.0 percent.	\$ 37,571
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Note for \$100,000 dated July 17, 2015; due in 180 monthly payments of \$739.69 through August 1, 2030; bearing interest at 4.0 percent.	99,600
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Note for \$63,000 dated December 1, 2010; due in 120 monthly payments of \$642.10 through February 15, 2021; bearing interest at 4.0 percent.	35,743
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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.	28,263
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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.	25,702
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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.	68,390
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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.	35,618
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CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

4. Notes Receivable, continued

Governmental Activities, continued

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. 25,803

Total governmental activities notes receivable \$ 356,690

Current portion \$ 57,040

Noncurrent portion 299,650

Total \$ 356,690

Business-type Activities

The Electric Fund has made three loans. Notes receivable at September 30, 2015, consisted of the following:

In 2012, the Landfill Fund borrowed \$118,053 from the Electric Fund to refund bonds. Interest is at 2.00 percent and payments are due over a seven-year term. \$ 85,644

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. 7,523

Total business-type activities notes receivable \$ 93,167

Current portion \$ 23,980

Noncurrent portion 69,187

Total \$ 93,167

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

5. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	<u>Balance at October 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at September 30, 2015</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 79,462	\$ 110,697	\$ -	\$ 190,159
Construction in progress	355,662	2,564,017	-	2,919,679
Total capital asset not being depreciated	<u>435,124</u>	<u>2,674,714</u>	<u>-</u>	<u>3,109,838</u>
Other capital assets being depreciated:				
Buildings and improvements	9,415,418	38,601	-	9,454,019
Machinery and equipment	790,895	41,583	-	832,478
Vehicles	452,585	33,824	-	486,409
Total other capital assets at historical cost	<u>10,658,898</u>	<u>114,008</u>	<u>-</u>	<u>10,772,906</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,312,094)	(349,260)	-	(2,661,354)
Machinery and equipment	(614,326)	(33,088)	-	(647,414)
Vehicles	(334,167)	(27,212)	-	(361,379)
Total accumulated depreciation	<u>(3,260,587)</u>	<u>(409,560) *</u>	<u>-</u>	<u>(3,670,147)</u>
Other capital assets, net	<u>7,398,311</u>	<u>(295,552)</u>	<u>-</u>	<u>7,102,759</u>
Governmental activities capital assets, net	<u><u>\$ 7,833,435</u></u>	<u><u>\$ 2,379,162</u></u>	<u><u>\$ -</u></u>	<u><u>\$10,212,597</u></u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

5. Capital Assets, continued

* Depreciation expense was incurred by the following governmental activities:

General Fund:

General government	\$ 11,965
Public safety:	
Police	16,830
Fire	<u>18,119</u>
Total public safety	34,949
Public works:	
Cemetery	916
Environment and leisure:	
Swimming pool	66,129
Library	10,495
Parks and recreation	<u>26,979</u>
Total environment and leisure	<u>103,603</u>
Total General Fund	151,433
Street Fund	43,147
Airport Fund	<u>214,980</u>
Total governmental activities depreciation expense	\$ <u>409,560</u>

Construction in progress at September 30, 2015 consists of \$934,095 of engineering and construction costs on the airport hangar and taxilanes project, \$639,631 of engineering for the storm sewer improvement project, \$13,120 of engineering on the Cowboy Trail connection project and \$1,332,833 of design and construction for the golf course project. See Note D3 for additional details on construction commitments.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

5. Capital Assets, continued

Business-type Activities:

	Balance at October 1, 2014	Additions	Disposals	Balance at September 30, 2015
<u>Business-type Activities:</u>				
Other capital assets being depreciated:				
Distribution systems, buildings, and equipment	\$ 4,681,641	\$ 59,061	\$ -	\$ 4,740,702
Buildings and improvements	1,877,043	10,890	-	1,887,933
Machinery and equipment	6,032,885	11,729	-	6,044,614
Vehicles	398,355	-	-	398,355
Total other capital assets at historical cost	12,989,924	81,680	-	13,071,604
Less accumulated depreciation for:				
Distribution systems, buildings, and equipment	(1,503,642)	(143,175)	-	(1,646,817)
Buildings and improvements	(588,694)	(31,809)	-	(620,503)
Machinery and equipment	(3,451,809)	(163,502)	-	(3,615,311)
Vehicles	(282,373)	(16,894)	-	(299,267)
Total accumulated depreciation	(5,826,518)	(355,380) *	-	(6,181,898)
Other capital assets, net	7,163,406	(273,700)	-	6,889,706
Business-type activities capital assets, net	\$ 7,163,406	\$ (273,700)	\$ -	\$ 6,889,706

* Depreciation expense was charged to functions as follows:

Electric	\$ 175,680
Water	43,621
Sewer	84,950
Landfill	51,129
Total business-type activities depreciation expense	\$ <u>355,380</u>

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

6. Accounts Payable

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

7. Long-term Debt

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

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2015:

<u>Type of Debt</u>	<u>Balance at October 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2015</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable	<u>\$ 849,378</u>	<u>\$ 1,750,000</u>	<u>\$ (316,655)</u>	<u>\$ 2,282,723</u>	<u>\$ 311,643</u>
Business-type Activities:					
Bonds and notes payable	<u>\$ 2,076,778</u>	<u>\$ -</u>	<u>\$ (126,134)</u>	<u>\$ 1,950,644</u>	<u>\$ 131,457</u>

Governmental Activities

As of September 30, 2015, the governmental long-term liabilities consisted of the following:

Bonds and notes payable:

General obligation bonds, Series 2015, with an original issue amount of \$1,750,000. Interest rates range from 1.00 percent to 3.50 percent. Interest is due in semi-annual installments and principal is due in annual installments through December 15, 2031. Paid from the General Fund.

\$ 1,750,000

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

7. Long-term Debt, continued

Governmental Activities, continued

Bonds and notes payable, continued:

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. Paid from the General Fund. 435,000

General obligation highway allocation fund pledge bonds, 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. Paid from the Street Fund. These bonds were paid in full during the year ended September 30, 2015. -

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. Paid from the Street Fund. 75,000

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. Paid from the Airport Fund. 15,200

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. Paid from the Airport Fund. 7,523

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

7. Long-term Debt, continued

Governmental Activities, continued

Total governmental activities bonds and notes payable	\$ <u>2,282,723</u>
Current portion	\$ 311,643
Noncurrent portion	<u>1,971,080</u>
Total	\$ <u>2,282,723</u>

Business-type Activities

As of September 30, 2015, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds and notes payable:

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. Paid from the Electric Fund.

\$ 1,865,000

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

85,644

Total business-type activity bonds and notes payable	\$ <u>1,950,644</u>
Current portion	\$ 131,457
Noncurrent portion	<u>1,819,187</u>
Total	\$ <u>1,950,644</u>

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

7. Long-term Debt, continued

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2015, are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 311,643	\$ 53,928	\$ 131,457	\$ 50,395
2017	221,080	48,165	131,786	48,872
2018	100,000	46,160	137,122	46,988
2019	100,000	45,010	137,465	44,738
2020	105,000	43,546	137,814	42,158
2021-2025	545,000	186,165	670,000	158,481
2026-2030	625,000	104,131	605,000	44,890
2031-2032	275,000	9,713	-	-
	<u>\$2,282,723</u>	<u>\$ 536,818</u>	<u>\$ 1,950,644</u>	<u>\$ 436,522</u>

8. Special Assessments

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

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

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

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

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.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

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

8. Special Assessments, continued

Principal collections from various special assessments outstanding are reported in the Street Fund. Special assessments receivable comprised the following assessments at September 30, 2015:

Current portion	\$ 39,653
Non-current portion	<u>215,577</u>
Total street improvement assessments	<u>\$ 255,230</u>

9. Interfund Transactions

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 376,169	\$ -
Airport Fund	147,000	-
Infrastructure Fund	-	265,724
Nonmajor Funds	-	285,445
Sewer Fund	<u>28,000</u>	<u>-</u>
Total operating transfers	<u>\$ 551,169</u>	<u>\$ 551,169</u>

10. Fund Equity

The Airport Fund had a fund balance deficit of \$40,548 as of September 30, 2015. The City plans to increase the fund balance in future years by transferring excess funds from other fund.

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 year of continuous service and after attaining age 18.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

City General Pension Plan, continued

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, 2015, the City's total payroll and covered payroll under the plan was \$1,229,853 and \$944,131, respectively. Both the City's required contribution of \$56,648 and the covered employees' required contribution of \$56,648 were made for the year ended September 30, 2015.

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 \$16,040 under the plan for the year ended September 30, 2015.

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.

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

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, 2015, 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.

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>
October 2015	\$ 334,862
April 2016	67,522
May 2016	851,388
August 2016	10,910
September 2016	612,163
October 2018	196,313
	<u>\$ 2,073,158</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.

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, 2015.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

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, 2015, the City's investments and certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Security First Bank	\$ 851,388
Bank of the West	10,910
Sandhills State Bank	334,862
Union Bank & Trust	875,998
Totals	<u><u>\$ 2,073,158</u></u>

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 \$946,000 reported as landfill closure and postclosure care liability at September 30, 2015, represents the cumulative amount reported to date based on the use of approximately 53.4 percent of the estimated capacity of the landfill. The Valentine Landfill will recognize the remaining estimated cost of closure and postclosure care of \$825,323 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2015. 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.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Closure and Postclosure Costs, continued

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, 2015, investments totaled \$557,922 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 commitments as of September 30, 2015:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2015</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
Taxilanes construction	\$ 657,234	\$ 647,234	\$ 10,000	November 2015
Hangar construction	731,418	114,570	616,848	November 2015
Taxilanes and hangar engineering	178,173	166,469	11,704	November 2015
Golf course design	90,000	83,000	7,000	Summer 2016
Total	<u>\$ 1,656,825</u>	<u>\$ 1,011,273</u>	<u>\$ 645,552</u>	

4. 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 \$74,614 as of September 30, 2015.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE D – OTHER NOTES, continued

4. 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 \$257,488 as of September 30, 2015.

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, 2015.

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.

5. Interlocal Agreements

The City had the following Interlocal agreements in effect as of September 30, 2015:

<u>Parties to Agreement</u>	<u>Term</u>	<u>Description</u>
Cherry County	October 1, 2011 - perpetual	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

CITY OF VALENTINE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2015

NOTE D – OTHER NOTES, continued

6. Subsequent Events

Management has evaluated subsequent events through March 7, 2016, 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, 2015

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 429,967	\$ 415,010	\$ (14,957)
Sales	330,000	333,633	3,633
Franchise	465,200	389,310	(75,890)
Intergovernmental	44,425	44,494	69
Licenses and permits	14,000	13,617	(383)
Charges for services	154,825	180,364	25,539
Grants and contributions	353,197	105,699	(247,498)
Interest income	5,150	5,239	89
Bond proceeds	1,750,000	1,750,000	-
Other	<u>17,900</u>	<u>23,332</u>	<u>5,432</u>
Total resources	3,564,664	3,260,698	(303,966)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	507,165	247,452	(259,713)
Public safety	536,508	510,744	(25,764)
Leisure and environment	533,638	405,911	(127,727)
Cemetery	153,684	47,932	(105,752)
Capital outlay	2,160,435	1,217,189	(943,246)
Bond issuance costs	-	25,500	25,500
Principal payments on debt	205,000	205,000	-
Interest payments on debt	<u>6,411</u>	<u>6,411</u>	<u>-</u>
Total charges to appropriations	<u>4,102,841</u>	<u>2,666,139</u>	<u>(1,436,702)</u>
Resources under charges to appropriations	(538,177)	594,559	1,132,736
OTHER FINANCING SOURCES			
Net transfers	<u>400,288</u>	<u>376,169</u>	<u>(24,119)</u>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u><u>\$ (137,889)</u></u>	<u><u>\$ 970,728</u></u>	<u><u>\$ 1,108,617</u></u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
STREET FUND**

Year Ended September 30, 2015

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Motor vehicle tax	\$ 50,000	\$ 56,386	\$ 6,386
Sales tax	69,000	83,022	14,022
Intergovernmental	441,721	446,407	4,686
Special assessments	11,500	6,987	(4,513)
Interest income	2,200	1,504	(696)
Charges for services	5,000	4,338	(662)
Grants and contributions	1,954,926	443,912	(1,511,014)
Other income	<u>700</u>	<u>99</u>	<u>(601)</u>
Total resources	2,535,047	1,042,655	(1,492,392)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	455,390	387,318	(68,072)
Capital outlay	2,633,756	405,257	(2,228,499)
Principal payments on debt	95,000	95,000	-
Interest payments on debt	<u>3,717</u>	<u>3,717</u>	<u>-</u>
Total charges to appropriations	<u>3,187,863</u>	<u>891,292</u>	<u>(2,296,571)</u>
Resources over (under) charges to appropriations	(652,816)	151,363	804,179
OTHER FINANCING SOURCES			
Net transfers	<u>738,553</u>	<u>-</u>	<u>(738,553)</u>
RESOURCES AND OTHER FINANCING SOURCES OVER CHARGES TO APPROPRIATIONS	<u><u>\$ 85,737</u></u>	<u><u>\$ 151,363</u></u>	<u><u>\$ 65,626</u></u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
AIRPORT FUND**

Year Ended September 30, 2015

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Charges for services	\$ 290,000	\$ 278,417	\$ (11,583)
Grant income	1,071,406	569,542	(501,864)
Other income	<u>36,576</u>	<u>38,293</u>	<u>1,717</u>
Total resources	1,397,982	886,252	(511,730)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Operating expenditures	293,350	219,254	(74,096)
Capital outlay	1,327,943	564,025	(763,918)
Principal payments on debt	16,655	16,655	-
Interest on long-term debt	<u>602</u>	<u>602</u>	<u>-</u>
Total charges to appropriations	<u>1,638,550</u>	<u>800,536</u>	<u>(838,014)</u>
Resources under charges to appropriations	(240,568)	85,716	326,284
OTHER FINANCING SOURCES			
Net transfers	<u>241,000</u>	<u>147,000</u>	<u>(94,000)</u>
RESOURCES AND OTHER FINANCING SOURCES OVER CHARGES TO APPROPRIATIONS	<u><u>\$ 432</u></u>	<u><u>\$ 232,716</u></u>	<u><u>\$ 232,284</u></u>

CITY OF VALENTINE, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
INFRASTRUCTURE FUND**

Year Ended September 30, 2015

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 490,000	\$ 500,450	\$ 10,450
Special assessments	22,000	20,463	(1,537)
Interest income	<u>850</u>	<u>1,305</u>	<u>455</u>
Total resources	512,850	522,218	9,368
OTHER FINANCING USES			
Net transfers	<u>(1,347,841)</u>	<u>(265,724)</u>	<u>1,082,117</u>
RESOURCES OVER (UNDER) OTHER FINANCING USES	<u><u>\$ (834,991)</u></u>	<u><u>\$ 256,494</u></u>	<u><u>\$ 1,091,485</u></u>

CITY OF VALENTINE, NEBRASKA

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

Year Ended September 30, 2015

**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	\$ 3,260,698	\$ 1,042,655	\$ 886,252	\$ 522,218
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>(6,370)</u>	<u>3,402</u>	<u>-</u>	<u>(2,512)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 3,254,328</u></u>	<u><u>\$ 1,046,057</u></u>	<u><u>\$ 886,252</u></u>	<u><u>\$ 519,706</u></u>
Uses/outflows of resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 2,666,139	\$ 891,292	\$ 800,536	\$ -
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>291,704</u>	<u>(4,402)</u>	<u>314,657</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 2,957,843</u></u>	<u><u>\$ 886,890</u></u>	<u><u>\$ 1,115,193</u></u>	<u><u>\$ -</u></u>

SUPPLEMENTARY INFORMATION

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

September 30, 2015

	<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	\$ 2,351	\$ 535,702	\$ 6,376	\$ 58,485	\$ 602,914
Certificates of deposit	-	-	133,826	-	133,826
Interest receivable	-	-	69	-	69
Sales tax receivable	-	28,972	-	-	28,972
Total assets	<u>\$ 2,351</u>	<u>\$ 564,674</u>	<u>\$ 140,271</u>	<u>\$ 58,485</u>	<u>\$ 765,781</u>
LIABILITIES AND FUND BALANCES					
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:					
Nonspendable for:					
Cemetery perpetual care	-	-	140,271	-	140,271
Restricted for:					
Economic development	-	564,674	-	-	564,674
Community betterment	2,351	-	-	58,485	60,836
Total fund balances	<u>2,351</u>	<u>564,674</u>	<u>140,271</u>	<u>58,485</u>	<u>765,781</u>
Total liabilities and fund					
 balances	<u>\$ 2,351</u>	<u>\$ 564,674</u>	<u>\$ 140,271</u>	<u>\$ 58,485</u>	<u>\$ 765,781</u>

CITY OF VALENTINE, NEBRASKA

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

For the Year Ended September 30, 2015

	<u>Special Revenue Funds</u>		<u>Permanent Funds</u>		
	<u>Fine and Fees</u>	<u>Economic Development</u>	<u>Perpetual Care</u>	<u>Queen Jackson Memorial</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES					
Sales tax	\$ -	\$ 165,979	\$ -	\$ -	\$ 165,979
Licenses and permits	5,440	-	-	-	5,440
Grants and contributions	-	20,000	-	13,416	33,416
Interest income	-	670	-	-	670
Loan collections	-	59,506	-	-	59,506
Other	-	345	1,129	-	1,474
Total revenues	5,440	246,500	1,129	13,416	266,485
EXPENDITURES					
General government	5,440	-	-	-	5,440
Economic development	-	140,000	-	-	140,000
Total expenditures	5,440	140,000	-	-	145,440
Excess of revenues over expenditures	-	106,500	1,129	13,416	121,045
OTHER FINANCING USES					
Transfers to other funds	-	(280,445)	-	(5,000)	(285,445)
Net change in fund balances	-	(173,945)	1,129	8,416	(164,400)
Fund balances - September 30, 2014	2,351	738,619	139,142	50,069	930,181
Fund balances - September 30, 2015	\$ 2,351	\$ 564,674	\$ 140,271	\$ 58,485	\$ 765,781

CITY OF VALENTINE, NEBRASKA

COMBINING STATEMENT OF REVENUES AND EXPENDITURES -

GENERAL FUND DEPARTMENTS

Year Ended September 30, 2015

	<u>Administrative</u>	<u>Police</u>	<u>Fire</u>
REVENUES			
Taxes:			
General property tax	\$ 214,446	\$ -	\$ -
Sales tax	-	-	-
Franchise	389,310	-	-
Intergovernmental revenue:			
State assistance	42,448	-	-
Licenses and permits	13,617	-	-
Charges for services	-	-	-
Grants and donations	2,088	858	-
Interest income	1,784	-	-
Bond proceeds	-	-	-
Other receipts	9,578	-	-
Total revenues	<u>673,271</u>	<u>858</u>	<u>-</u>
EXPENDITURES			
Personnel services:			
Salaries and benefits	152,374	306,019	3,584
Operating expenses:			
Insurance	7,244	12,661	8,770
Professional fees	999	755	252
Meetings, seminars, and dues	10,418	404	265
Repairs and maintenance	5,301	28,379	12,914
Printing, postage, and publications	388	200	-
Utilities and telephone	9,371	-	14,930
Total operating expenses	<u>33,721</u>	<u>42,399</u>	<u>37,131</u>
Supplies	3,786	3,152	13
Other expenses	67,086	81,655	19,601
Capital outlay	5,450	33,824	2,675
Bond issuance costs	-	-	-
Principal payments on debt	-	-	-
Interest payments	-	-	-
Total expenditures	<u>262,417</u>	<u>467,049</u>	<u>63,004</u>
Excess (deficiency) of revenues over expenditures before transfers	410,854	(466,191)	(63,004)
TRANSFERS FROM OTHER FUNDS	<u>138,446</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u><u>\$ 549,300</u></u>	<u><u>\$ (466,191)</u></u>	<u><u>\$ (63,004)</u></u>

<u>Pool</u>	<u>Library</u>	<u>Cemetery</u>	<u>Park</u>	<u>Bookmobile</u>	<u>Time Capsule</u>	<u>Total</u>
\$ -	\$ 83,351	\$ 25,001	\$ 87,515	\$ -	\$ -	\$ 410,313
331,959	-	-	-	-	-	331,959
-	-	-	-	-	-	389,310
-	2,046	-	-	-	-	44,494
-	-	-	-	-	-	13,617
30,392	5,808	19,288	46,876	78,000	-	180,364
-	1,100	-	101,653	-	-	105,699
452	55	2,205	535	200	9	5,240
-	-	-	1,750,000	-	-	1,750,000
40	-	2,700	11,014	-	-	23,332
<u>362,843</u>	<u>92,360</u>	<u>49,194</u>	<u>1,997,593</u>	<u>78,200</u>	<u>9</u>	<u>3,254,328</u>
40,188	60,639	2,493	45,086	65,720	-	676,103
5,294	4,253	180	4,483	809	-	43,694
535	176	171	338	172	-	3,398
-	187	-	-	291	-	11,565
22,417	4,022	33,251	29,147	3,817	-	139,248
-	266	-	200	266	-	1,320
<u>10,815</u>	<u>2,767</u>	<u>4,658</u>	<u>42,301</u>	<u>234</u>	<u>-</u>	<u>85,076</u>
39,061	11,671	38,260	76,469	5,589	-	284,301
12,151	12,959	716	2,172	10,822	-	45,771
365	2,144	175	16,390	458	-	187,874
-	33,000	3,099	1,434,158	-	-	1,512,206
-	-	-	25,500	-	-	25,500
205,000	-	-	-	-	-	205,000
<u>5,902</u>	<u>-</u>	<u>-</u>	<u>15,186</u>	<u>-</u>	<u>-</u>	<u>21,088</u>
<u>302,667</u>	<u>120,413</u>	<u>44,743</u>	<u>1,614,961</u>	<u>82,589</u>	<u>-</u>	<u>2,957,843</u>
60,176	(28,053)	4,451	382,632	(4,389)	9	296,485
-	17,024	-	220,699	-	-	376,169
<u>\$ 60,176</u>	<u>\$ (11,029)</u>	<u>\$ 4,451</u>	<u>\$ 603,331</u>	<u>\$ (4,389)</u>	<u>\$ 9</u>	<u>\$ 672,654</u>

SINGLE AUDIT REPORTS

CITY OF VALENTINE, NEBRASKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Expenditures</u>
<u>Department of Transportation:</u>			
Passed Through Nebraska Department of Aeronautics:			
Airport Improvement Program	20.106	47-6006395	\$ 757,957 *
<u>Department of Homeland Security:</u>			
Passed Through Nebraska Emergency Management Agency:			
Hazard Mitigation Grant Program	97.039	47-6006395	<u>281,442</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,039,399</u></u>

* Major programs

NOTE A - BASIS OF PRESENTATION

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



SHAREHOLDERS

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

**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, 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 7, 2016.

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 in the accompanying schedule of findings and questioned costs as 2015-001 that we consider to be significant deficiencies.

Compliance and Other Matters

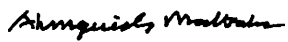
As part of obtaining reasonable assurance about whether the City of Valentine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 one instance of noncompliance or other matters described in the accompanying schedule of findings and questioned costs as 2015-002 that is required to be reported under *Government Auditing Standards*.

City of Valentine's Response to Findings

The City of Valentine's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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.


Gallaway & Luth, P.C.

Grand Island, Nebraska
March 7, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
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Report on Compliance for Each Major Federal Program

We have audited the City of Valentine, Nebraska's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2015. The City of Valentine, Nebraska's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Valentine, Nebraska's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Valentine, Nebraska's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Valentine, Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of the City of Valentine, Nebraska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Ahnquist, Malinda
Galloway & Luth, P.C.

Grand Island, Nebraska
March 7, 2016

CITY OF VALENTINE, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2015

1. A summary of auditors' results:

- (i) An unmodified opinion was issued on the financial statements of the City of Valentine, Nebraska, as of September 30, 2015.
- (ii) One significant deficiency disclosed during the audit of the financial statements is reported in the "Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." The significant deficiency is not reported as a material weakness.
- (iii) The audit did not disclose any noncompliance which is material to the financial statements of the City of Valentine, Nebraska.
- (iv) The audit did not disclose any significant deficiencies in the internal control over major programs for the City of Valentine, Nebraska.
- (v) An unmodified opinion was issued on compliance for major programs.
- (vi) The audit did not disclose any audit findings which we are required to report under §____.510(a).
- (vii) Major Programs: CFDA #20.106 – Airport Improvement Program.
- (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (ix) The City of Valentine, Nebraska did not qualify as a low-risk auditee under §____.530.

CITY OF VALENTINE, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
Year ended September 30, 2015

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

2015-001 Due to a limited number of personnel, there is not adequate segregation of duties to ensure internal control over cash receipts, disbursements, and recording of transactions.

Management's Response – It is impractical to further segregate duties due to the limited number of accounting personnel.

2015-002 Bank deposits at one financial institution totaling \$989,708 exceeded FDIC coverage and pledged collateral as of September 30, 2015.

Management's Response – The City will request the financial institution to assign additional collateral to fully secure all bank deposits.

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

None

CITY OF VALENTINE, NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended September 30, 2015

Program

Findings for the year ended September 30, 2014

None noted.