

**CITY OF VALENTINE, NEBRASKA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**September 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Valentine, Nebraska as of and for the year ended September 30, 2017, 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.

### Auditor's 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 auditor's 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  
Kyle R. Overturf

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Valentine, Nebraska, as of September 30, 2017, 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 5-13 and 60-64 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 consider 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 nonmajor fund combining statements and the statement of revenue and expenditures by General Fund department 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Valentine's 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.

*Abigail M. Mott*  
Godfrey & Luthi, P.C.

Grand Island, Nebraska  
March 14, 2018

**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended September 30, 2017**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

As management of the City of Valentine, we offer readers of the City of Valentine financial statements this narrative overview and analysis of the financial activities of the City of Valentine for the fiscal year ended September 30, 2017.

**Financial Highlights**

- The assets of the City of Valentine exceeded its liabilities at the close of the most recent fiscal year by \$22,066,013 (*net position*). Of this amount, \$4,597,427 (*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 \$14,519,150. Approximately 10.1 percent of this total amount, \$1,469,316, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$795,801, or 48.9 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, 2017**

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

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

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

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

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

The City of Valentine maintains nine 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 five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 16-19 of this report.

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

**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2017**

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-59 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 60-64 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 65-67.

**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 \$22,066,013 at the close of the most recent fiscal year.

**Summary Statements of Net Position**

	September 30, 2017			September 30, 2016		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 4,609,271	\$ 4,821,385	\$ 9,430,656	\$ 5,636,385	\$ 3,532,003	\$ 9,168,388
Capital Assets	13,111,511	7,304,030	20,415,541	10,908,723	7,145,213	18,053,936
Total Assets	<u>17,720,782</u>	<u>12,125,415</u>	<u>29,846,197</u>	<u>16,545,108</u>	<u>10,677,216</u>	<u>27,222,324</u>
Long-term Liabilities	2,634,138	3,814,813	6,448,951	1,781,818	2,681,278	4,463,096
Other Liabilities	567,494	763,739	1,331,233	613,810	729,835	1,343,645
Total Liabilities	<u>3,201,632</u>	<u>4,578,552</u>	<u>7,780,184</u>	<u>2,395,628</u>	<u>3,411,113</u>	<u>5,806,741</u>
Net Position:						
Net Investment in						
Capital Assets	10,354,988	4,418,752	14,773,740	8,930,120	5,342,813	14,272,933
Restricted	2,694,846	-	2,694,846	3,767,077	-	3,767,077
Unrestricted	1,469,316	3,128,111	4,597,427	1,452,283	1,923,290	3,375,573
Total Net Position	<u>\$ 14,519,150</u>	<u>\$ 7,546,863</u>	<u>\$ 22,066,013</u>	<u>\$ 14,149,480</u>	<u>\$ 7,266,103</u>	<u>\$ 21,415,583</u>



**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2017**

By far the largest portion of the City of Valentine's net position (67.0 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 (12.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$4,597,427) 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, 2017</u>		<u>Year Ended September 30, 2016</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 12,500	\$ 280,855	\$ 68,132	\$ 292,912
Public Safety	2,346	613,508	8,800	508,525
Public Works	6,138	412,997	38,213	397,758
Recreation	552,433	662,093	168,637	474,255
Cemetery	21,088	52,024	11,538	37,677
Airport	447,276	280,812	1,011,102	271,959
Interest	-	57,560	-	50,297
Depreciation and Amortization	-	512,448	-	410,636
Total	1,041,781	2,872,297	1,306,422	2,444,019
Transfers out	-	323,973	-	9,442
	<u>\$ 1,041,781</u>	<u>\$ 3,196,270</u>	<u>\$ 1,306,422</u>	<u>\$ 2,453,461</u>

**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2017**

**Revenues by Source – Governmental Activities**

**SOURCES OF REVENUE**

	<u>Year Ended September 30, 2017</u>		<u>Year Ended September 30, 2016</u>	
Charges for Services	\$ 773,337	21.69 %	\$ 473,652	12.29 %
Operating Grants and Contributions	162,760	4.56	781,510	20.28
Capital Grants and Contributions	105,684	2.96	51,260	1.33
Property Taxes	399,254	11.20	409,165	10.62
Motor Vehicle Taxes	54,886	1.54	54,126	1.40
Sales Tax	1,065,727	29.89	1,091,133	28.31
Franchise Taxes	416,932	11.69	401,810	10.43
State Allocation	475,897	13.34	484,648	12.58
Special Assessments	40,142	1.13	22,328	0.58
Miscellaneous	83,310	2.34	74,324	1.93
Loss on Disposal of Equipment	(23,820)	(0.67)	-	-
Interest	11,831	0.33	9,682	0.25
Total	<u>\$ 3,565,940</u>	<u>100.00 %</u>	<u>\$ 3,853,638</u>	<u>100.00 %</u>

Net position increased \$369,670 in the governmental funds during the year ended September 30, 2017.

**Business-type activities.** Business-type activities increased the City of Valentine's net position by \$280,760. Key elements of this increase are as follows:

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

<u>Function</u>	<u>Year Ended September 30, 2017</u>		<u>Year Ended September 30, 2016</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 4,524,424	\$ 4,473,947	\$ 4,299,399	\$ 4,257,197
Water	405,840	433,117	371,811	355,352
Sewer	276,663	366,264	277,271	354,269
Landfill	649,012	645,545	687,458	643,704
Total	<u>\$ 5,855,939</u>	<u>\$ 5,918,873</u>	<u>\$ 5,635,939</u>	<u>\$ 5,610,522</u>

**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2017**

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

**SOURCES OF REVENUE**

	<u>Year Ended September 30, 2017</u>		<u>Year Ended September 30, 2016</u>	
Charges for Services	\$ 5,855,939	94.46 %	\$ 563,599	99.72 %
Special Assessments	10,134	0.16		
Loss on Disposal of Equipment	-	-	(2,947)	(0.05)
Interest	9,587	0.15	9,164	0.16
Interfund Transfer	323,973	5.23	9,442	0.17
Total	<u>\$ 6,199,633</u>	<u>100.00 %</u>	<u>\$ 579,258</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 \$3,893,915. Approximately 20.4 percent of this total amount (\$795,801) 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 (\$505,920), 2) restricted to pay for infrastructure (\$651,634), 3) restricted for economic development (\$798,071), 4) restricted for street improvements (\$381,705), 5) restricted for community betterment (\$77,827), 6) nonspendable for cemetery perpetual care (\$143,293), 7) nonspendable for inventory and prepaids (\$34,281), 8) assigned for golf course operations (\$51,321), 9) assigned for budgetary stabilization (\$191,959), 10) assigned for airport operations (\$160,929), 11) restricted for Federal programs (\$85,075), or 12) assigned for street operations (\$16,099).

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 \$795,801, while total fund balance was \$1,579,372. 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 48.9 percent of total General Fund expenditures, while total fund balance represents 97.0 percent of the same amount.

The fund balance of the City of Valentine's General Fund decreased by \$63,243 during the current fiscal year.

**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2017**

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

Unrestricted net position of the proprietary funds at the end of the year were as follows: Electric Fund - \$2,961,510, Water Fund - \$143,348, Sewer Fund - \$134,687, and Landfill Fund - deficit of \$(111,434). The Electric Fund net position increased \$57,848, the Water Fund net position decreased \$(27,068), the Sewer Fund net position decreased \$(25,667), and the Landfill Fund net position increased \$275,647. 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, 2017.

**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, 2017, amounts to \$20,415,541 (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:

- 2017 Ford interceptor - \$27,281
- Storm sewer project - \$1,384,163
- Golf course improvements and equipment - \$267,233
- Education Agency building acquired via capital lease - \$999,000
- Voltage conversion and line rebuild construction in progress - \$31,200
- AMI meter project - \$92,672
- Water meter project and panel upgrades - \$72,733
- Auger monster - \$53,800
- John Deere 755K loader - \$270,173

**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2017**

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

	<u>Year Ended September 30, 2017</u>			<u>Year Ended September 30, 2016</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
Land	\$ 190,160	\$ -	\$ 190,160	\$ 190,160	\$ -	\$ 190,160
Construction in Progress	13,120	31,200	44,320	3,866,234	-	3,866,234
Buildings and Improvements	12,528,814	1,203,267	13,732,081	6,448,209	1,235,346	7,683,555
Machinery and Equipment	243,179	2,462,961	2,706,140	232,750	2,296,434	2,529,184
Distribution Systems, Buildings, and Equipment	-	3,479,201	3,479,201	-	3,462,238	3,462,238
Vehicles	136,238	127,401	263,639	171,370	151,195	322,565
Total	<u>\$ 13,111,511</u>	<u>\$ 7,304,030</u>	<u>\$ 20,415,541</u>	<u>\$ 10,908,723</u>	<u>\$ 7,145,213</u>	<u>\$ 18,053,936</u>

Additional information on the City of Valentine's capital assets can be found in Note C5 on pages 45-47 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Valentine had total bonded debt and notes payable outstanding of \$5,641,801.

**City of Valentine's Outstanding Debt**

	<u>Year Ended September 30, 2017</u>			<u>Year Ended September 30, 2016</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
General Obligation Bonds	\$ 1,750,000	\$ -	\$ 1,750,000	\$ 1,750,000	\$ -	\$ 1,750,000
Refunding Bonds	-	2,850,000	2,850,000	215,000	1,750,000	1,965,000
Notes Payable	7,523	35,278	42,801	13,603	52,400	66,003
Capital Lease Payable	999,000	-	999,000	-	-	-
Total	<u>\$ 2,756,523</u>	<u>\$ 2,885,278</u>	<u>\$ 5,641,801</u>	<u>\$ 1,978,603</u>	<u>\$ 1,802,400</u>	<u>\$ 3,781,003</u>

The City of Valentine's total debt increased by \$1,860,798 (49.2 percent) during the current fiscal year, due to entering into a capital lease for the Education Agency building and issuing bonds for an electric project.

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 48-52 of this report.

**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2017**

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

- Property tax asking for the year ending September 30, 2018, is \$433,319, the same as the prior year.
- The City's property tax levy is \$0.270194 for 2017-2018, a \$0.004076 decrease (1.5 percent) from the prior year.
- The City has a commitment of \$46,800 for the electric voltage conversion and line rebuild project.

All of these factors were considered in preparing the City of Valentine's budget for the 2018 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, 2017**

	Primary Government			Component <u>Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,208,589	\$ 1,653,491	\$ 2,862,080	\$ -
Certificates of deposit	86,364	1,567,479	1,653,843	-
County treasurer cash	18,979	-	18,979	-
Receivables:				
Special assessments	24,360	-	24,360	-
Accounts, net of allowance for doubtful accounts	-	181,376	181,376	-
Unbilled revenue	-	387,063	387,063	-
Current portion of notes receivable	63,241	24,988	88,229	51,000
Property tax	16,369	-	16,369	-
Interest	1,614	1,410	3,024	-
Sales tax	184,998	-	184,998	-
Inventory	32,650	260,882	293,532	-
Prepaid expenses	1,631	-	1,631	-
Total current assets	1,638,795	4,076,689	5,715,484	51,000
Noncurrent assets:				
Restricted cash and cash equivalents	2,340,309	-	2,340,309	-
Restricted certificates of deposit	237,037	726,883	963,920	-
Noncurrent portion of notes receivable	243,144	17,813	260,957	948,000
Noncurrent portion of special assessments	149,986	-	149,986	-
Capital assets:				
Land	190,160	-	190,160	-
Construction in progress	13,120	31,200	44,320	-
Depreciable capital assets, net of depreciation	12,908,231	7,272,830	20,181,061	-
Net capital assets	13,111,511	7,304,030	20,415,541	-
Total noncurrent assets	16,081,987	8,048,726	24,130,713	948,000
<b>Total assets</b>	17,720,782	12,125,415	29,846,197	999,000
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	197,121	390,519	587,640	-
Accrued expenses	51,291	96,210	147,501	-
Unavailable revenue	160,559	-	160,559	-
Customer deposits	-	129,545	129,545	-
Current portion of long-term obligations	158,523	147,465	305,988	51,000
Total current liabilities	567,494	763,739	1,331,233	51,000
Noncurrent liabilities:				
Accrued closure and postclosure costs	-	1,077,000	1,077,000	-
Compensated absences	36,138	-	36,138	-
Noncurrent portion of long-term obligations	2,598,000	2,737,813	5,335,813	948,000
Total noncurrent liabilities	2,634,138	3,814,813	6,448,951	948,000
<b>Total liabilities</b>	3,201,632	4,578,552	7,780,184	999,000
<b>NET POSITION</b>				
Net investment in capital assets	10,354,988	4,418,752	14,773,740	-
Restricted for:				
Debt service	505,920	-	505,920	-
Street improvements	381,705	-	381,705	-
Golf course improvements	51,321	-	51,321	-
Infrastructure	651,634	-	651,634	-
Economic development	798,071	-	798,071	-
Community betterment	77,827	-	77,827	-
Federal programs	85,075	-	85,075	-
Cemetery perpetual care	143,293	-	143,293	-
Unrestricted	1,469,316	3,128,111	4,597,427	-
<b>Total net position</b>	\$ 14,519,150	\$ 7,546,863	\$ 22,066,013	\$ -

See notes to financial statements.

**CITY OF VALENTINE, NEBRASKA**

**STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ 280,855	\$ -	\$ 12,500
Public safety	613,508	-	-
Public works	412,997	6,138	-
Environment and leisure	662,093	448,724	371
Cemetery	52,024	21,088	-
Airport	280,812	297,387	149,889
Interest on long-term debt	57,560	-	-
Depreciation and amortization	512,448	-	-
Total governmental activities	2,872,297	773,337	162,760
<b>Business-type activities:</b>			
Electric	4,473,947	4,524,424	-
Water	433,117	405,840	-
Sewer	366,264	276,663	-
Landfill	645,545	649,012	-
Total business-type activities	5,918,873	5,855,939	-
<b>Total primary government</b>	\$ 8,791,170	\$ 6,629,276	\$ 162,760
<b>Component unit:</b>			
Valentine Community Education Agency	\$ 10,275	\$ 10,275	\$ -

See notes to financial statements.



<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
\$ -	\$ (268,355)		\$ (268,355)	
2,346	(611,162)		(611,162)	
-	(406,859)		(406,859)	
103,338	(109,660)		(109,660)	
-	(30,936)		(30,936)	
-	166,464		166,464	
-	(57,560)		(57,560)	
-	(512,448)		(512,448)	
<u>105,684</u>	<u>(1,830,516)</u>	<u>\$ -</u>	<u>(1,830,516)</u>	
-	-	50,477	50,477	
-	-	(27,277)	(27,277)	
-	-	(89,601)	(89,601)	
-	-	3,467	3,467	
-	-	(62,934)	(62,934)	
<u>\$ 105,684</u>	<u>(1,830,516)</u>	<u>(62,934)</u>	<u>(1,893,450)</u>	
<u>\$ -</u>				\$ -
General revenues:				
Taxes:				
Property	399,254	-	399,254	-
Motor vehicle	54,886	-	54,886	-
Sales tax	1,065,727	-	1,065,727	-
Franchise	416,932	-	416,932	-
State allocation	475,897	-	475,897	-
Special assessments	40,142	10,134	50,276	-
Miscellaneous	83,310	-	83,310	-
Loss on disposal of equipment	(23,820)	-	(23,820)	-
Interest income	11,831	9,587	21,418	-
Interfund transfers	(323,973)	323,973	-	-
Total general revenues	<u>2,200,186</u>	<u>343,694</u>	<u>2,543,880</u>	-
Change in net position	<u>369,670</u>	<u>280,760</u>	<u>650,430</u>	-
Net position - September 30, 2016	<u>14,149,480</u>	<u>7,266,103</u>	<u>21,415,583</u>	-
Net position - September 30, 2017	<u>\$ 14,519,150</u>	<u>\$ 7,546,863</u>	<u>\$ 22,066,013</u>	<u>\$ -</u>

**CITY OF VALENTINE, NEBRASKA**

**BALANCE SHEET -  
GOVERNMENTAL FUNDS**

**September 30, 2017**

	<u>General</u>	<u>Street</u>	<u>Airport</u>	<u>Infrastructure</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,524,797	\$ 323,459	\$ 194,045	\$ 565,105	\$ 941,492	\$ 3,548,898
Certificates of deposit	86,364	103,211	-	-	133,826	323,401
County treasurer cash	16,724	2,255	-	-	-	18,979
Receivables:						
Special assessments	-	174,346	-	-	-	174,346
Property tax	13,826	2,543	-	-	-	16,369
Interest	99	99	-	-	1,416	1,614
Sales tax	57,680	11,940	-	86,529	28,849	184,998
Inventory	-	-	32,650	-	-	32,650
Prepaid expenses	617	-	1,014	-	-	1,631
	<u>617</u>	<u>-</u>	<u>1,014</u>	<u>-</u>	<u>-</u>	<u>1,631</u>
<b>Total assets</b>	<u>\$ 1,700,107</u>	<u>\$ 617,853</u>	<u>\$ 227,709</u>	<u>\$ 651,634</u>	<u>\$ 1,105,583</u>	<u>\$ 4,302,886</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 79,054	\$ 63,654	\$ 32,983	\$ -	\$ 21,430	\$ 197,121
Accrued expenses	31,839	5,678	133	-	13,641	51,291
Unavailable revenue	9,842	150,717	-	-	-	160,559
	<u>9,842</u>	<u>150,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,559</u>
<b>Total liabilities</b>	<u>120,735</u>	<u>220,049</u>	<u>33,116</u>	<u>-</u>	<u>35,071</u>	<u>408,971</u>
Fund balances:						
Nonspendable:						
Inventory and prepaids	617	-	33,664	-	-	34,281
Cemetery perpetual care	-	-	-	-	143,293	143,293
Restricted for:						
Debt service	505,920	-	-	-	-	505,920
Street improvements	-	381,705	-	-	-	381,705
Infrastructure	-	-	-	651,634	-	651,634
Economic development	-	-	-	-	798,071	798,071
Community betterment	-	-	-	-	77,827	77,827
Federal programs	85,075	-	-	-	-	85,075
Assigned for:						
Airport	-	-	160,929	-	-	160,929
Golf course	-	-	-	-	51,321	51,321
Street improvements	-	16,099	-	-	-	16,099
Budgetary stabilization	191,959	-	-	-	-	191,959
Unassigned	795,801	-	-	-	-	795,801
	<u>795,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>795,801</u>
<b>Total fund balances</b>	<u>1,579,372</u>	<u>397,804</u>	<u>194,593</u>	<u>651,634</u>	<u>1,070,512</u>	<u>3,893,915</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,700,107</u>	<u>\$ 617,853</u>	<u>\$ 227,709</u>	<u>\$ 651,634</u>	<u>\$ 1,105,583</u>	<u>\$ 4,302,886</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, 2017**

<b>Total fund balances - governmental funds</b>		<b>\$ 3,893,915</b>
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:		
Notes receivable are not recorded as an asset in the fund financial statements.		306,385
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 \$17,607,332 and the accumulated depreciation is \$4,495,821.		13,111,511
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	\$ (36,138)	
Bonds, notes and capital lease payable	<u>(2,756,523)</u>	<u>(2,792,661)</u>
<b>Total net position - governmental activities</b>		<b><u><u>\$ 14,519,150</u></u></b>

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, 2017**

	<u>General</u>	<u>Street</u>	<u>Airport</u>	<u>Infrastructure</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes:						
Property	\$ 399,254	\$ -	\$ -	\$ -	\$ -	\$ 399,254
Motor vehicle	-	54,886	-	-	-	54,886
Sales tax	329,138	78,313	-	493,707	164,569	1,065,727
Franchise	416,932	-	-	-	-	416,932
Intergovernmental	40,182	435,715	-	-	-	475,897
Special assessments	-	-	-	40,142	-	40,142
Licenses and permits	13,116	-	-	-	5,615	18,731
Charges for services	193,646	6,138	297,387	-	276,166	773,337
Grants and donations	4,930	-	149,889	-	113,625	268,444
Loan collections	-	-	-	-	102,135	102,135
Interest income	5,051	2,650	-	1,187	2,943	11,831
Other income	41,292	1,271	3,491	-	7,076	53,130
Total revenues	<u>1,443,541</u>	<u>578,973</u>	<u>450,767</u>	<u>535,036</u>	<u>672,129</u>	<u>3,680,446</u>
<b>EXPENDITURES</b>						
General government	275,205	-	-	-	5,650	280,855
Public safety	610,096	-	-	-	-	610,096
Public works	-	411,726	-	-	-	411,726
Environment and leisure	433,833	-	-	-	228,623	662,456
Cemetery	52,024	-	-	-	-	52,024
Airport	-	-	280,812	-	-	280,812
Economic development	-	-	-	-	96,000	96,000
Capital outlay	31,181	1,400,663	23,082	-	285,130	1,740,056
Principal payments on debt	215,000	-	6,080	-	-	221,080
Interest on long-term debt	10,900	-	-	-	46,660	57,560
Total expenditures	<u>1,628,239</u>	<u>1,812,389</u>	<u>309,974</u>	<u>-</u>	<u>662,063</u>	<u>4,412,665</u>
<b>Excess (deficiency) of     revenues over expenditures</b>	(184,698)	(1,233,416)	140,793	535,036	10,066	(732,219)
<b>OTHER FINANCING SOURCES (USES)</b>						
Net transfers in (out)	<u>121,455</u>	<u>1,328,322</u>	<u>-</u>	<u>(1,716,862)</u>	<u>(56,888)</u>	<u>(323,973)</u>
<b>Net change in fund balances</b>	(63,243)	94,906	140,793	(1,181,826)	(46,822)	(1,056,192)
Fund balances - September 30, 2016	<u>1,642,615</u>	<u>302,898</u>	<u>53,800</u>	<u>1,833,460</u>	<u>1,117,334</u>	<u>4,950,107</u>
Fund balances - September 30, 2017	<u>\$ 1,579,372</u>	<u>\$ 397,804</u>	<u>\$ 194,593</u>	<u>\$ 651,634</u>	<u>\$ 1,070,512</u>	<u>\$ 3,893,915</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, 2017**

<b>Total net change in fund balances - governmental funds</b>	\$ (1,056,192)
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.	(90,686)
Advances on notes receivable are reported in the governmental funds as expenditures, but the advances increase notes receivable in the statement of activities.	96,000
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 (\$2,739,056) exceeds depreciation expense (\$512,448) and new capital lease obligations (\$999,000).	1,227,608
Remaining basis on capital asset disposals does not impact the governmental funds. However, in the statement of activities, the remaining basis decreases sales proceeds.	(23,820)
The change in noncurrent compensated absences is reported as an expense in the statement of activities. Noncurrent compensated absences are not reported in the government funds.	(4,320)
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.	221,080
<b>Change in net position of governmental activities</b>	<u><u>\$ 369,670</u></u>

See notes to financial statements.

**CITY OF VALENTINE, NEBRASKA**  
**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS**  
**September 30, 2017**

	Enterprise Funds				<u>Total</u>
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Landfill Fund</u>	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,097,716	\$ 116,590	\$ 178,915	\$ 260,270	\$ 1,653,491
Certificates of deposit	1,548,370	19,109	-	-	1,567,479
Receivables:					
Accounts, net of allowance for doubtful accounts	132,987	22,607	11,344	14,438	181,376
Unbilled revenue	316,801	43,536	26,081	645	387,063
Current portion of notes receivable	24,988	-	-	-	24,988
Interest	1,410	-	-	-	1,410
Inventory	247,413	12,066	1,403	-	260,882
Total current assets	<u>3,369,685</u>	<u>213,908</u>	<u>217,743</u>	<u>275,353</u>	<u>4,076,689</u>
Noncurrent assets:					
Restricted certificates of deposit	-	-	-	726,883	726,883
Noncurrent portion of notes receivable	17,813	-	-	-	17,813
Capital assets:					
Construction in progress	31,200	-	-	-	31,200
Other capital assets	6,843,726	1,655,131	3,296,608	2,223,983	14,019,448
Less accumulated depreciation	<u>(3,461,475)</u>	<u>(870,409)</u>	<u>(1,753,280)</u>	<u>(661,454)</u>	<u>(6,746,618)</u>
Net capital assets	<u>3,413,451</u>	<u>784,722</u>	<u>1,543,328</u>	<u>1,562,529</u>	<u>7,304,030</u>
Total noncurrent assets	<u>3,431,264</u>	<u>784,722</u>	<u>1,543,328</u>	<u>2,289,412</u>	<u>8,048,726</u>
<b>Total assets</b>	<u>6,800,949</u>	<u>998,630</u>	<u>1,761,071</u>	<u>2,564,765</u>	<u>12,125,415</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	268,181	19,071	70,760	32,507	390,519
Accrued payroll and vacation	14,204	15,934	12,296	3,912	46,346
Sales tax payable	24,871	-	-	-	24,871
Accrued interest payable	24,742	-	-	251	24,993
Customer deposits	93,990	35,555	-	-	129,545
Current portion of long-term obligations	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>17,465</u>	<u>147,465</u>
Total current liabilities	<u>555,988</u>	<u>70,560</u>	<u>83,056</u>	<u>54,135</u>	<u>763,739</u>
Noncurrent liabilities:					
Accrued closure and postclosure costs	-	-	-	1,077,000	1,077,000
Noncurrent portion of long-term obligations	<u>2,720,000</u>	<u>-</u>	<u>-</u>	<u>17,813</u>	<u>2,737,813</u>
Total noncurrent liabilities	<u>2,720,000</u>	<u>-</u>	<u>-</u>	<u>1,094,813</u>	<u>3,814,813</u>
<b>Total liabilities</b>	<u>3,275,988</u>	<u>70,560</u>	<u>83,056</u>	<u>1,148,948</u>	<u>4,578,552</u>
<b>NET POSITION</b>					
Net investment in capital assets	563,451	784,722	1,543,328	1,527,251	4,418,752
Unrestricted	<u>2,961,510</u>	<u>143,348</u>	<u>134,687</u>	<u>(111,434)</u>	<u>3,128,111</u>
<b>Total net position</b>	<u>\$ 3,524,961</u>	<u>\$ 928,070</u>	<u>\$ 1,678,015</u>	<u>\$ 1,415,817</u>	<u>\$ 7,546,863</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, 2017**

	Enterprise Funds				Total
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	
<b>Operating revenues:</b>					
Charges for services	\$ 4,480,908	\$ 399,241	\$ 275,788	\$ 649,012	\$ 5,804,949
Other revenue	43,516	6,599	11,009	-	61,124
Total operating revenues	<u>4,524,424</u>	<u>405,840</u>	<u>286,797</u>	<u>649,012</u>	<u>5,866,073</u>
<b>Operating expenses:</b>					
Cost of power	3,367,850	-	-	-	3,367,850
Personnel services	215,604	212,813	161,072	79,931	669,420
Insurance and bonds	13,492	8,330	10,274	4,068	36,164
Utilities and telephone	20,264	19,981	53,519	2,213	95,977
Repairs and maintenance	50,776	107,276	42,649	12,490	213,191
Contractual obligations	13,305	5,479	120	394,767	413,671
Supplies	38,155	4,710	9,191	635	52,691
Licenses and fees	396,688	-	-	12,898	409,586
Professional fees	30,283	9,472	912	1,091	41,758
Miscellaneous	9,943	9,657	4,907	6,251	30,758
Landfill post-closure costs	-	-	-	66,000	66,000
Depreciation	186,017	55,399	83,620	64,275	389,311
Total operating expenses	<u>4,342,377</u>	<u>433,117</u>	<u>366,264</u>	<u>644,619</u>	<u>5,786,377</u>
Operating income (loss)	182,047	(27,277)	(79,467)	4,393	79,696
<b>Nonoperating revenues (expenses):</b>					
Interest income	7,371	209	-	2,007	9,587
Bond issuance costs	(68,384)	-	-	-	(68,384)
Interest expense	(63,186)	-	-	(926)	(64,112)
Total nonoperating revenues (expenses)	<u>(124,199)</u>	<u>209</u>	<u>-</u>	<u>1,081</u>	<u>(122,909)</u>
Income (loss) before interfund transfers	57,848	(27,068)	(79,467)	5,474	(43,213)
<b>Interfund transfers:</b>					
Transfer from other funds	-	-	53,800	270,173	323,973
<b>Change in net position</b>	57,848	(27,068)	(25,667)	275,647	280,760
Net position - September 30, 2016	<u>3,467,113</u>	<u>955,138</u>	<u>1,703,682</u>	<u>1,140,170</u>	<u>7,266,103</u>
Net position - September 30, 2017	<u>\$ 3,524,961</u>	<u>\$ 928,070</u>	<u>\$ 1,678,015</u>	<u>\$ 1,415,817</u>	<u>\$ 7,546,863</u>

See notes to financial statements.

**CITY OF VALENTINE, NEBRASKA**

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS**

**For the Year Ended September 30, 2017**

	Enterprise Funds	
	Electric Fund	Water Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 4,474,478	\$ 398,480
Payments to suppliers	(3,982,064)	(167,287)
Payments to employees	(214,320)	(211,729)
Net cash provided (used) by operating activities	278,094	19,464
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Change in due to/from other funds	(21,232)	21,232
Transfers from other funds	-	-
Net cash provided (used) by noncapital financing activities	(21,232)	21,232
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of property and equipment	(135,577)	(79,457)
Proceeds from issuance of capital debt	2,850,000	-
Principal payments on capital debt	(1,750,000)	-
Bond issuance costs paid	(68,384)	-
Interest paid on capital debt	(57,049)	-
Net cash provided (used) by capital and related financing activities	838,990	(79,457)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments received on notes receivable	17,122	-
(Increase) decrease in certificates of deposit	(618,910)	(208)
Increase in investments	597,393	-
Interest received	6,259	209
Net cash provided (used) by investing activities	1,864	1
Increase (decrease) in cash and cash equivalents	1,097,716	(38,760)
Cash and cash equivalents - beginning of the year	-	155,350
Cash and cash equivalents - end of the year	\$ 1,097,716	\$ 116,590

See notes to financial statements.



Enterprise Funds		
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
\$ 280,413	\$ 649,529	\$ 5,802,900
(131,256)	(434,618)	(4,715,225)
(159,640)	(79,457)	(665,146)
<u>(10,483)</u>	<u>135,454</u>	<u>422,529</u>
-	-	-
53,800	270,173	323,973
<u>53,800</u>	<u>270,173</u>	<u>323,973</u>
(3,175)	(270,173)	(488,382)
-	-	2,850,000
-	(17,122)	(1,767,122)
-	-	(68,384)
-	(1,048)	(58,097)
<u>(3,175)</u>	<u>(288,343)</u>	<u>468,015</u>
-	-	17,122
-	(58,501)	(677,619)
-	-	597,393
-	2,007	8,475
<u>-</u>	<u>(56,494)</u>	<u>(54,629)</u>
40,142	60,790	1,159,888
<u>138,773</u>	<u>199,480</u>	<u>493,603</u>
<u>\$ 178,915</u>	<u>\$ 260,270</u>	<u>\$ 1,653,491</u>

**CITY OF VALENTINE, NEBRASKA**

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

**For the Year Ended September 30, 2017**

	Enterprise Funds	
	Electric Fund	Water Fund
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 182,047	\$ (27,277)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	186,017	55,399
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	(52,096)	(8,190)
Inventories	855	927
Accounts payable	(41,617)	(3,309)
Accrued payroll and vacation	1,284	1,084
Other accrued expenses	(546)	-
Customer deposits	2,150	830
Net cash provided (used) by operating activities	\$ 278,094	\$ 19,464

See notes to financial statements.

<u>Enterprise Funds</u>		
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
\$ (79,467)	\$ 4,393	\$ 79,696
83,620	64,275	389,311
(6,384)	517	(66,153)
(907)	-	875
(8,777)	(205)	(53,908)
1,432	474	4,274
-	66,000	65,454
-	-	2,980
<u>\$ (10,483)</u>	<u>\$ 135,454</u>	<u>\$ 422,529</u>

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

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**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

**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
Discretely Presented Component Unit:	Valentine Community Education Agency

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, 2017**

**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. The following is the discretely presented component unit:

Brief Description of Activities and Relationship  
to the City:

Valentine Community Education Agency	Established to construct and operate a community education facility with Mid-Plains Community College.
--------------------------------------	--

**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.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

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

**2. Basis of Presentation, continued**

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- 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.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

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

**2. Basis of Presentation, continued**

**Governmental Funds, continued**

*Permanent Funds*

The Permanent Funds account for assets held in trust by the City. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

**Proprietary Funds**

*Enterprise Funds*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**Major and Nonmajor Funds**

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

<b><u>Fund</u></b>	<b><u>Brief Description</u></b>
<i>Major:</i>	
Governmental:	
General	See page 27 for description.
Street	The Street Fund is a Special Revenue Fund that accounts for the City's share of highway allocation from the State of Nebraska.
Airport	The Airport Fund is a Special Revenue Fund that accounts for airport operations.
Infrastructure	Accounts for the collection of the City sales tax.



CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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>Major, continued:</i>	
Proprietary:	
Enterprise:	
Electric, Water, Sewer, and Landfill	See page 28 for description.
<i>Nonmajor:</i>	
Special Revenue:	
Fines and Fees	Accounts for local fines and fees collected.
Economic Development	Accounts for various economic development programs.
Golf	Accounts for revenues and expenditures of the golf course.
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.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

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

**3. Measurement Focus and Basis of Accounting, continued**

**Measurement Focus**

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

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

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- 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, 2017**

**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, 2017**

**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, 2017**

**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, 2017**

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

**4. Assets, Liabilities, and Equity, continued**

**Unavailable Revenue**

Unavailable 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, 2017**

**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, 2017**

**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 16). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

**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, 2017**

**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 2016-2017 are recorded as revenue when expected to be collected within 60 days after September 30, 2017. 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, 2017**

**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, 2017**

**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, 2017**

**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, 2017**

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

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

**1. Cash and Certificates of Deposit**

**Deposits**

The City’s policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose how its deposits were insured or secured with collateral at September 30, 2017. The categories of collateral are defined as follows:

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

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

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

<b><u>Types of Deposits</u></b>	<b><u>Total Bank Balance</u></b>	<b><u>Category 1</u></b>	<b><u>Category 2</u></b>	<b><u>Category 3</u></b>	<b><u>Total Carrying Value</u></b>
Demand deposits and certificates of deposit	\$ 7,925,804	\$ 3,603,217	\$ 3,894,864	\$ 427,723	\$ <u>7,820,152</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –

Unrestricted cash and cash equivalents	\$ 2,862,080
Restricted cash and cash equivalents	2,340,309
Unrestricted certificates of deposit	1,653,843
Restricted certificates of deposit	<u>963,920</u>
	\$ <u>7,820,152</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

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

**2. Restricted Assets**

The restricted assets as of September 30, 2017, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 2,340,309	\$ -	\$ 2,340,309
Certificates of deposit	237,037	726,883	963,920
	<u>\$ 2,577,346</u>	<u>\$ 726,883</u>	<u>\$ 3,304,229</u>

The governmental activities' restricted assets as of September 30, 2017, consisted of \$505,920 in the General Fund restricted for debt service, \$85,075 in the General Fund restricted for Federal programs, \$426,670 in the Street Fund restricted for street improvements, \$565,105 in the Infrastructure Fund restricted for infrastructure, \$7,966 in the Fines and Fees Fund restricted for community betterment, \$769,222 in the Economic Development Fund restricted for economic development, \$141,877 in the Perpetual Care Fund restricted for cemetery perpetual care and \$75,511 in the Queen Jackson Memorial Fund restricted for community betterment.

The business-type activities restricted assets as of September 30, 2017, consisted of \$726,883 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, 2017, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 234,076
Allowance for doubtful accounts	<u>(52,700)</u>
Net accounts receivable	<u>\$ 181,376</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

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

**4. Notes Receivable**

**Governmental Activities**

The Economic Development Fund has made ten economic development loans. Notes receivable at September 30, 2017, consisted of the following:

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.	\$ 89,442
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.	22,671
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.	19,305
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.	19,253
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.	27,359
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.	14,249
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.	20,305
Note for \$34,000 dated December 28, 2016; due in 180 monthly payments of \$306.43 through January 20, 2032; bearing interest at 4.0 percent.	32,877

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

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

**4. Notes Receivable, continued**

**Governmental Activities, continued**

Note for \$31,000 dated May 12, 2017; due in 180 monthly payments of \$306.43 through May 15, 2032; bearing interest at 4.0 percent. 30,493

Note for \$31,000 dated May 12, 2017; due in 180 monthly payments of \$306.43 through May 15, 2032; bearing interest at 4.0 percent. 30,431

Total governmental activities notes receivable \$ 306,385

Current portion \$ 63,241  
Noncurrent portion 243,144  
Total \$ 306,385

**Business-type Activities**

The Electric Fund has made two loans. Notes receivable at September 30, 2017, 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. \$ 35,278

In 2002, the Electric Fund loaned \$66,000 to the Airport Fund as part of a hangar project. Loan payments of \$8,137 are due annually beginning August 31, 2007, with the final payment due August 31, 2016. The loan bears an interest rate of 4.00 percent. 7,523

Total business-type activities notes receivable \$ 42,801

Current portion \$ 24,988  
Noncurrent portion 17,813  
Total \$ 42,801



**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

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

**4. Notes Receivable, continued**

**Component Unit**

The Valentine Community Education Center has a capital lease note receivable from the City for a building. The note receivable had a balance of \$999,000 at September 30, 2017, and is described in greater detail in Note C7.

**5. Capital Assets**

Capital asset activity for the year ended September 30, 2017, was as follows:

	<u>Balance at October 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	<u>Balance at September 30, 2017</u>
<b><u>Governmental Activities:</u></b>					
Capital assets not being depreciated:					
Land	\$ 190,160	\$ -	\$ -	\$ -	\$ 190,160
Construction in progress	3,866,234	1,674,478	-	(5,527,592)	13,120
Total capital assets not being depreciated	<u>4,056,394</u>	<u>1,674,478</u>	<u>-</u>	<u>(5,527,592)</u>	<u>203,280</u>
Other capital assets being depreciated:					
Buildings and improvements	9,460,705	999,000	-	5,521,153	15,980,858
Machinery and equipment	902,623	38,297	(11,099)	6,439	936,260
Vehicles	492,135	27,281	(32,482)	-	486,934
Total other capital assets at historical cost	<u>10,855,463</u>	<u>1,064,578</u>	<u>(43,581)</u>	<u>5,527,592</u>	<u>17,404,052</u>
Less accumulated depreciation for:					
Buildings and improvements	(3,012,496)	(439,548)	-	-	(3,452,044)
Machinery and equipment	(669,873)	(34,307)	11,099	-	(693,081)
Vehicles	(320,765)	(38,593)	8,662	-	(350,696)
Total accumulated depreciation	<u>(4,003,134)</u>	<u>(512,448) *</u>	<u>19,761</u>	<u>-</u>	<u>(4,495,821)</u>
Other capital assets, net	<u>6,852,329</u>	<u>552,130</u>	<u>(23,820)</u>	<u>5,527,592</u>	<u>12,908,231</u>
Governmental activities capital assets, net	<u>\$ 10,908,723</u>	<u>\$ 2,226,608</u>	<u>\$ (23,820)</u>	<u>\$ -</u>	<u>\$ 13,111,511</u>

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

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

5. Capital Assets, continued

General Fund:

General government	\$ 13,015
Public safety:	
Police	29,133
Fire	<u>18,286</u>
Total public safety	47,419
Public works:	
Cemetery	929
Environment and leisure:	
Swimming pool	66,111
Library	12,141
Parks and recreation	<u>26,988</u>
Total environment and leisure	<u>105,240</u>
Total General Fund	166,603
Street Fund	76,087
Airport Fund	253,890
Golf Fund	<u>15,868</u>
Total governmental activities depreciation expense	\$ <u>512,448</u>

Construction in progress at September 30, 2017 consists of \$13,120 of engineering on the Cowboy Trail connection project. There are no commitments on this project.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

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

**5. Capital Assets, continued**

**Business-type Activities:**

	Balance at <u>October 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>September 30, 2017</u>
<b><u>Business-type Activities:</u></b>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 31,200	\$ -	\$ 31,200
Other capital assets being depreciated:				
Distribution systems, buildings, and equipment	5,254,112	179,554	-	5,433,666
Buildings and improvements	1,887,933	-	-	1,887,933
Machinery and equipment	6,051,766	337,374	(158,646)	6,230,494
Vehicles	467,355	-	-	467,355
Total other capital assets at historical cost	<u>13,661,166</u>	<u>516,928</u>	<u>(158,646)</u>	<u>14,019,448</u>
Less accumulated depreciation for:				
Distribution systems, buildings, and equipment	(1,791,874)	(162,591)	-	(1,954,465)
Buildings and improvements	(652,587)	(32,079)	-	(684,666)
Machinery and equipment	(3,755,332)	(170,847)	158,646	(3,767,533)
Vehicles	(316,160)	(23,794)	-	(339,954)
Total accumulated depreciation	<u>(6,515,953)</u>	<u>(389,311) *</u>	<u>158,646</u>	<u>(6,746,618)</u>
Other capital assets, net	<u>7,145,213</u>	<u>127,617</u>	<u>-</u>	<u>7,272,830</u>
Business-type activities capital assets, net	<u>\$ 7,145,213</u>	<u>\$ 158,817</u>	<u>\$ -</u>	<u>\$ 7,304,030</u>

\* Depreciation expense was charged to functions as follows:

Electric	\$ 186,017
Water	55,399
Sewer	83,620
Landfill	<u>64,275</u>
Total business-type activities depreciation expense	<u>\$ 389,311</u>

Construction in progress at September 30, 2017 consists of \$31,200 of engineering on the voltage conversion and line rebuild project. See Note D3 for more information on construction commitments.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

**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, 2017:

<u>Type of Debt</u>	<u>Balance at October 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2017</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes and capital lease payable	<u>\$ 1,978,603</u>	<u>\$ 999,000</u>	<u>\$ (221,080)</u>	<u>\$ 2,756,523</u>	<u>\$ 158,523</u>
Business-type Activities:					
Bonds and note payable	<u>\$ 1,802,400</u>	<u>\$ 2,850,000</u>	<u>\$ (1,767,122)</u>	<u>\$ 2,885,278</u>	<u>\$ 147,465</u>
Component Unit:					
Valentine Community Education Agency Bonds Payable	<u>\$ -</u>	<u>\$ 999,000</u>	<u>\$ -</u>	<u>\$ 999,000</u>	<u>\$ 51,000</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

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

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

**Governmental Activities**

As of September 30, 2017, the governmental long-term liabilities consisted of the following:

Bonds, notes and capital lease 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 Golf Fund. \$ 1,750,000

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. These bonds were paid off during the year ended September 30, 2017. -

Capital lease of \$999,000 due to Valentine Community Education Agency, with interest ranging from 1.70 to 3.35 percent. Interest is due in semi-annual installments and principal is due in annual installments through December 15, 2031. Paid from the General Fund. 999,000

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. This loan was paid off during the year ended September 30, 2017. -

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

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

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

**Governmental Activities, continued**

Bonds, notes and capital lease payable, continued:

In 2002, the Electric Fund loaned \$66,000 to the Airport Fund as part of a hangar project. Loan payments of \$8,137 are due annually beginning August 31, 2007, with the final payment due August 31, 2016. The loan bears an interest rate of 4.00 percent. Paid from the Airport Fund.

7,523

Total governmental activities bonds, notes and capital lease payable

\$ 2,756,523

Current portion

\$ 158,523

Noncurrent portion

2,598,000

Total

\$ 2,756,523

**Business-type Activities**

As of September 30, 2017, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds and note payable:

Combined utilities system revenue refunding bonds, series 2016, with an original issue amount of \$2,850,000. Interest rates range from 1.10 percent to 3.20 percent. Interest is due in semi-annual installments and principal is due in annual installments through November 15, 2036. Paid from the Electric Fund.

\$ 2,850,000

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.

35,278

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

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

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

**Business-type Activities, continued**

Bonds and note payable, continued:

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. These bonds were refunded during the year ended September 30, 2017.

	_____
	-
Total business-type activity bonds and note payable	\$ <u>2,885,278</u>
Current portion	\$ 147,465
Noncurrent portion	<u>2,737,813</u>
Total	\$ <u>2,885,278</u>

**Component Unit**

Bond payable:

On January 26, 2017, the Valentine Community Education Agency issued \$999,000 of sales tax revenue bonds, series 2017, for the construction of the public education facility. Interest rates range from 1.70 percent to 3.35 percent. Interest is due in semi-annual installments and principal is due in annual installments through December 15, 2031. The City has a capital lease obligation which will service the debt for the Valentine Community Education Agency (this is shown as an offsetting note receivable by the Valentine Community Education Agency).

	\$ <u>999,000</u>
Current portion	\$ 51,000
Noncurrent portion	<u>948,000</u>
Total	\$ <u>999,000</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

**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, 2017, are as follows:

Year Ending September 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 158,523	\$ 72,339	\$ 147,465	\$ 65,385	\$ 51,000	\$ 26,179
2019	158,000	70,263	147,813	63,890	58,000	25,253
2020	164,000	67,804	130,000	62,265	59,000	24,258
2021	165,000	64,884	135,000	60,475	60,000	23,097
2022	166,000	61,558	135,000	58,518	61,000	21,766
2023-2027	900,000	244,154	705,000	245,868	330,000	85,137
2028-2032	1,045,000	91,369	710,000	173,719	380,000	31,956
2033-2037	-	-	775,000	63,491	-	-
	<u>\$2,756,523</u>	<u>\$ 672,371</u>	<u>\$ 2,885,278</u>	<u>\$ 793,611</u>	<u>\$ 999,000</u>	<u>\$ 237,646</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, 2017**

**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, 2017:

Current portion	\$ 24,360
Non-current portion	<u>149,986</u>
Total street improvement assessments	<u>\$ 174,346</u>

**9. Interfund Transactions**

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 168,115	\$ 46,660
Street Fund	1,328,322	-
Infrastructure Fund	-	1,716,862
Nonmajor Funds	46,660	103,548
Sewer Fund	53,800	-
Landfill Fund	<u>270,173</u>	<u>-</u>
Total operating transfers	<u>\$ 1,867,070</u>	<u>\$ 1,867,070</u>

**NOTE D – OTHER NOTES**

**1. Employee Pension and Other Benefit Plans**

**City General Pension Plan**

The City of Valentine has a contributory defined contribution employees' pension plan in which the employees of the City participate. Eligible employees contribute six percent of their gross payroll and the City matches the six percent. Employees are eligible to participate after one year of continuous service and after attaining age 18.

All employees are fully vested in their own contributions and become vested in the City's contribution after seven years' participation in the plan.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

**NOTE D – OTHER NOTES, continued**

**1. Employee Pension and Other Benefit Plans, continued**

**City General Pension Plan, continued**

For the year ended September 30, 2017, the City's total payroll and covered payroll under the plan was \$1,301,740 and \$994,487, respectively. Both the City's required contribution of \$53,168 and the covered employees' required contribution of \$59,669 were made for the year ended September 30, 2017.

**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 \$21,755 under the plan for the year ended September 30, 2017.

**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, 2017

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, 2017, 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 2017	\$ 198,193
November 2017	103,211
April 2018	71,006
May 2018	1,507,496
August 2018	10,974
September 2018	726,883
	<u>\$ 2,617,763</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, 2017.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

**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, 2017, the City’s investments and certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Security First Bank	\$ 908,544
Bank of the West	10,974
Sandhills State Bank	702,163
Union Bank & Trust	996,082
	<u>\$ 2,617,763</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 \$1,077,000 reported as landfill closure and postclosure care liability at September 30, 2017, represents the cumulative amount reported to date based on the use of approximately 59.4 percent of the estimated capacity of the landfill. The Valentine Landfill will recognize the remaining estimated cost of closure and postclosure care of \$735,472 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2017. 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, 2017**

**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, 2017, investments totaled \$726,883 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 business-type activities had the following construction commitments as of September 30, 2017:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2017</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
Voltage conversion and line rebuild	\$ 78,000	\$ 31,200	\$ 46,800	Spring 2018

**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 \$59,550 as of September 30, 2017.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

**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 \$203,120 as of September 30, 2017.

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 \$1,086,080 as of September 30, 2017.

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. Tax Abatements**

The City has created a Community Development Agency (CDA) to provide for development of blighted areas. The City Council constitutes the Agency. Because the CDA does not maintain a separate bank account and all transactions are accounted for in the General Fund of the City, the CDA is not reported separately in the financial statements.

The CDA, who is authorized by Nebraska statutes to enter into property tax abatement agreements for the purpose of developing properties in blighted areas, has entered into tax increment financing (TIF) agreements with various redevelopers. The TIF program has the stated purpose of increasing valuation, business activity and employment in the community.

Under the TIF program, redevelopers can apply for TIF financing whereby the property tax they pay on the increased valuation of property under a TIF agreement is returned to the redeveloper by the CDA to finance the project for a period of up to 15 years.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2017**

**NOTE D – OTHER NOTES, continued**

**5. Tax Abatements, continued**

Information relevant to the abatements granted by the CDA for the year ended September 30, 2017 is as follows:

<u>TIF Project:</u>	<u>Years Remaining on TIF Agreements</u>	<u>2017 TIF Valuation</u>	<u>TIF Proceeds Received during the year 9-30-2017</u>
KTJ 231, LLC	12	\$ 2,560,402	\$ 34,722
Western Oil	7	950,180	12,886
Ranchland Foods	8	1,040,451	<u>14,110</u>
			<u>\$ 61,718</u>

**6. Interlocal Agreements**

The City had the following Interlocal agreements in effect as of September 30, 2017:

<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
Cherry County	October 1, 2016 - October 1, 2017	Library/Bookmobile services
Mid-Plains Community College	October 8, 2015 - perpetual	Valentine Community Education Agency

**7. Subsequent Events**

Management has evaluated subsequent events through March 14, 2018, 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, 2017**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Taxes:			
Property	\$ 408,983	\$ 400,386	\$ (8,597)
Sales	330,000	328,419	(1,581)
Franchise	413,550	416,932	3,382
Intergovernmental	31,065	40,182	9,117
Licenses and permits	14,100	13,116	(984)
Charges for services	161,350	193,646	32,296
Grants and contributions	6,090	4,930	(1,160)
Interest income	4,075	4,998	923
Other	<u>1,010,010</u>	<u>41,292</u>	<u>(968,718)</u>
Total resources	2,379,223	1,443,901	(935,322)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
General government	1,384,831	281,925	(1,102,906)
Public safety	603,100	608,316	5,216
Leisure and environment	494,100	428,056	(66,044)
Cemetery	145,734	33,927	(111,807)
Capital outlay	323,000	31,181	(291,819)
Principal payments on debt	215,000	215,000	-
Interest payments on debt	<u>1,505</u>	<u>11,780</u>	<u>10,275</u>
Total charges to appropriations	<u>3,167,270</u>	<u>1,610,185</u>	<u>(1,557,085)</u>
Resources over (under) charges to appropriations	(788,047)	(166,284)	621,763
<b>OTHER FINANCING SOURCES (USES)</b>			
Net transfers	<u>549,440</u>	<u>121,455</u>	<u>(427,985)</u>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ (238,607)</u>	<u>\$ (44,829)</u>	<u>\$ 193,778</u>

**CITY OF VALENTINE, NEBRASKA**  
**BUDGETARY COMPARISON SCHEDULE -**  
**STREET FUND**

**Year Ended September 30, 2017**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Motor vehicle tax	\$ 50,000	\$ 54,231	\$ 4,231
Sales tax	70,000	83,307	13,307
Intergovernmental	459,120	435,715	(23,405)
Special assessments	8,500	9,760	1,260
Interest income	1,800	2,776	976
Charges for services	5,200	6,138	938
Other income	500	1,271	771
	595,120	593,198	(1,922)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Public works	457,997	406,814	(51,183)
Capital outlay	1,406,842	1,400,663	(6,179)
	1,864,839	1,807,477	(57,362)
Resources over (under) charges to appropriations	(1,269,719)	(1,214,279)	55,440
<b>OTHER FINANCING SOURCES</b>			
Net transfers	1,396,842	1,328,322	(68,520)
<b>RESOURCES AND OTHER FINANCING SOURCES OVER CHARGES TO APPROPRIATIONS</b>	\$ 127,123	\$ 114,043	\$ (13,080)

**CITY OF VALENTINE, NEBRASKA**  
**BUDGETARY COMPARISON SCHEDULE -**  
**AIRPORT FUND**

**Year Ended September 30, 2017**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Charges for services	\$ 291,520	\$ 297,387	\$ 5,867
Grant income	29,911	149,889	119,978
Other income	4,872	3,491	(1,381)
	<hr/>	<hr/>	<hr/>
Total resources	326,303	450,767	124,464
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Operating expenditures	287,360	266,402	(20,958)
Capital outlay	-	23,082	23,082
Principal payments on debt	6,840	6,080	(760)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	294,200	295,564	1,364
<b>RESOURCES OVER CHARGES TO APPROPRIATIONS</b>			
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 32,103	\$ 155,203	\$ 123,100

**CITY OF VALENTINE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
INFRASTRUCTURE FUND**

**Year Ended September 30, 2017**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Sales tax	\$ 490,000	\$ 492,628	\$ 2,628
Special assessments	22,000	40,142	18,142
Interest income	<u>1,000</u>	<u>1,187</u>	<u>187</u>
Total resources	513,000	533,957	20,957
<b>OTHER FINANCING USES</b>			
Net transfers	<u>(1,985,462)</u>	<u>(1,716,862)</u>	<u>268,600</u>
<b>RESOURCES OVER (UNDER) OTHER FINANCING USES</b>	<u><u>\$ (1,472,462)</u></u>	<u><u>\$ (1,182,905)</u></u>	<u><u>\$ 289,557</u></u>

**CITY OF VALENTINE, NEBRASKA**

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

**Year Ended September 30, 2017**

**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>
<b>Sources/inflows of resources:</b>				
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 1,443,901	\$ 593,198	\$ 450,767	\$ 533,957
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>(360)</u>	<u>(14,225)</u>	<u>-</u>	<u>1,079</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,443,541</u>	<u>\$ 578,973</u>	<u>\$ 450,767</u>	<u>\$ 535,036</u>
<b>Uses/outflows of resources:</b>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 1,610,185	\$ 1,807,477	\$ 295,564	\$ -
Differences - budget to GAAP:				
Cash to accrual adjustments	<u>18,054</u>	<u>4,912</u>	<u>14,410</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,628,239</u>	<u>\$ 1,812,389</u>	<u>\$ 309,974</u>	<u>\$ -</u>

**SUPPLEMENTARY INFORMATION**

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

**September 30, 2017**

	Special Revenue Funds			Permanent Funds		Total Nonmajor Governmental Funds
	Fines and <u>Fees</u>	Economic <u>Development</u>	<u>Golf</u>	Perpetual <u>Care</u>	Queen Jackson <u>Memorial</u>	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 7,966	\$ 769,222	\$ 80,742	\$ 8,051	\$ 75,511	\$ 941,492
Certificates of deposit	-	-	-	133,826	-	133,826
Interest receivable	-	-	-	1,416	-	1,416
Sales tax receivable	-	28,849	-	-	-	28,849
<b>Total assets</b>	<u>\$ 7,966</u>	<u>\$ 798,071</u>	<u>\$ 80,742</u>	<u>\$ 143,293</u>	<u>\$ 75,511</u>	<u>\$ 1,105,583</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 5,650	\$ -	\$ 15,780	\$ -	\$ -	\$ 21,430
Accrued expenses	-	-	13,641	-	-	13,641
Total liabilities	5,650	-	29,421	-	-	35,071
Fund balances:						
Nonspendable for:						
Cemetery perpetual care	-	-	-	143,293	-	143,293
Restricted for:						
Economic development	-	798,071	-	-	-	798,071
Community betterment	2,316	-	-	-	75,511	77,827
Assigned for:						
Golf course operations	-	-	51,321	-	-	51,321
Total fund balances	2,316	798,071	51,321	143,293	75,511	1,070,512
<b>Total liabilities and fund balances</b>	<u>\$ 7,966</u>	<u>\$ 798,071</u>	<u>\$ 80,742</u>	<u>\$ 143,293</u>	<u>\$ 75,511</u>	<u>\$ 1,105,583</u>

**CITY OF VALENTINE, NEBRASKA**

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

**For the Year Ended September 30, 2017**

	Special Revenue Funds			Permanent Funds		Total Nonmajor Governmental Funds
	Fine and Fees	Economic Development	Golf	Perpetual Care	Queen Jackson Memorial	
<b>REVENUES</b>						
Sales tax	\$ -	\$ 164,569	\$ -	\$ -	\$ -	\$ 164,569
Licenses and permits	5,615	-	-	-	-	5,615
Charges for services	-	-	276,166	-	-	276,166
Grants and contributions	-	-	103,338	-	10,287	113,625
Interest income	-	1,154	450	1,339	-	2,943
Loan collections	-	102,135	-	-	-	102,135
Other	-	345	5,581	1,150	-	7,076
Total revenues	5,615	268,203	385,535	2,489	10,287	672,129
<b>EXPENDITURES</b>						
General government	5,650	-	-	-	-	5,650
Environment and leisure	-	-	228,623	-	-	228,623
Economic development	-	96,000	-	-	-	96,000
Capital outlay	-	-	285,130	-	-	285,130
Interest on long-term debt	-	-	46,660	-	-	46,660
Total expenditures	5,650	96,000	560,413	-	-	662,063
<b>Excess (deficiency) of revenues over expenditures</b>	(35)	172,203	(174,878)	2,489	10,287	10,066
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from (to) other funds	-	(98,548)	46,660	-	(5,000)	(56,888)
<b>Net change in fund balances</b>	(35)	73,655	(128,218)	2,489	5,287	(46,822)
Fund balances - September 30, 2016	2,351	724,416	179,539	140,804	70,224	1,117,334
Fund balances - September 30, 2017	\$ 2,316	\$ 798,071	\$ 51,321	\$ 143,293	\$ 75,511	\$ 1,070,512



**CITY OF VALENTINE, NEBRASKA**

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES -**

**GENERAL FUND DEPARTMENTS**

**Year Ended September 30, 2017**

	<u>Administrative</u>	<u>Police</u>	<u>Fire</u>
<b>REVENUES</b>			
Taxes:			
General property tax	\$ 211,229	\$ -	\$ -
Sales tax	-	-	-
Franchise	416,932	-	-
Intergovernmental revenue:			
State assistance	38,216	-	-
Licenses and permits	13,116	-	-
Charges for services	-	-	-
Grants and donations	2,213	2,346	-
Interest income	1,507	-	-
Other receipts	40,365	-	-
Total revenues	<u>723,578</u>	<u>2,346</u>	<u>-</u>
<b>EXPENDITURES</b>			
Personnel services:			
Salaries and benefits	148,838	396,448	3,584
Operating expenses:			
Insurance	11,480	11,442	10,499
Professional fees	1,231	959	366
Meetings, seminars, and dues	11,276	508	275
Repairs and maintenance	6,285	34,819	17,430
Printing, postage, and publications	243	200	49
Utilities and telephone	10,229	-	9,446
Total operating expenses	<u>40,744</u>	<u>47,928</u>	<u>38,065</u>
Supplies	5,060	3,500	235
Other expenses	80,563	99,465	20,871
Capital outlay	-	31,181	-
Principal payments on debt	-	-	-
Interest payments	10,275	-	-
Total expenditures	<u>285,480</u>	<u>578,522</u>	<u>62,755</u>
Excess (deficiency) of revenues over expenditures before transfers	438,098	(576,176)	(62,755)
<b>TRANSFERS FROM (TO) OTHER FUNDS</b>	<u>165,673</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 603,771</u>	<u>\$ (576,176)</u>	<u>\$ (62,755)</u>

<u>Pool</u>	<u>Library</u>	<u>Cemetery</u>	<u>Park</u>	<u>Bookmobile</u>	<u>Time Capsule</u>	<u>Total</u>
\$ -	\$ 80,011	\$ 24,003	\$ 84,011	\$ -	\$ -	\$ 399,254
329,138	-	-	-	-	-	329,138
-	-	-	-	-	-	416,932
-	1,966	-	-	-	-	40,182
-	-	-	-	-	-	13,116
31,245	6,079	21,088	50,234	85,000	-	193,646
-	371	-	-	-	-	4,930
723	53	2,447	4	262	55	5,051
-	-	700	227	-	-	41,292
<u>361,106</u>	<u>88,480</u>	<u>48,238</u>	<u>134,476</u>	<u>85,262</u>	<u>55</u>	<u>1,443,541</u>
55,945	69,365	-	60,551	72,486	-	807,217
4,475	7,409	201	5,987	1,569	-	53,062
619	234	286	1,258	224	-	5,177
-	289	-	-	240	-	12,588
5,126	4,363	47,243	17,303	4,176	-	136,745
-	207	-	200	207	-	1,106
<u>11,732</u>	<u>7,209</u>	<u>3,747</u>	<u>45,451</u>	<u>231</u>	<u>-</u>	<u>88,045</u>
21,952	19,711	51,477	70,199	6,647	-	296,723
19,020	12,590	247	1,311	12,098	-	54,061
165	1,155	300	9,582	1,056	-	213,157
-	-	-	-	-	-	31,181
215,000	-	-	-	-	-	215,000
<u>625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,900</u>
<u>312,707</u>	<u>102,821</u>	<u>52,024</u>	<u>141,643</u>	<u>92,287</u>	<u>-</u>	<u>1,628,239</u>
48,399	(14,341)	(3,786)	(7,167)	(7,025)	55	(184,698)
<u>(56,935)</u>	<u>12,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,455</u>
<u>\$ (8,536)</u>	<u>\$ (1,624)</u>	<u>\$ (3,786)</u>	<u>\$ (7,167)</u>	<u>\$ (7,025)</u>	<u>\$ 55</u>	<u>\$ (63,243)</u>



**INDEPENDENT AUDITOR'S 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**

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  
Kyle R. Overturf

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Valentine, Nebraska, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 14, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

#### Segregation of Duties

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Valentine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

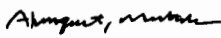
- Bank deposits at one financial institution totaling \$427,723 exceeded FDIC coverage as of September 30, 2017.

#### **City of Valentine's Response to Findings**

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

#### **Purpose of this Report**

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

  
Anthony Lutz, P.C.

Grand Island, Nebraska  
March 14, 2018