

**CITY OF VALENTINE, NEBRASKA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**September 30, 2018**

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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, 2018, 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  
Tracy A. Cannon

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, 2018, 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 60-65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who 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 7, 2019, 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.

*Akumaj, Mark*  
Certified Public Accountant

Grand Island, Nebraska  
March 7, 2019

**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended September 30, 2018**

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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, 2018.

**Financial Highlights**

- The assets of the City of Valentine exceeded its liabilities at the close of the most recent fiscal year by \$22,159,536 (*net position*). Of this amount, \$4,446,509 (*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 \$14,646,871. Approximately 10.0 percent of this total amount, \$1,458,379, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$884,840, or 53.8 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, 2018**

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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, the Infrastructure Fund, and the Economic Development Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds 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, Infrastructure and Economic Development 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, 2018**

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 60-65 of this report.

The nonmajor governmental funds combining statements and the statement of General Fund revenue and expenditures by department can be found on pages 66-68.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Valentine, assets exceeded liabilities by \$22,159,536 at the close of the most recent fiscal year.

**Summary Statements of Net Position**

	September 30, 2018			September 30, 2017		
	<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	\$ 5,015,591	\$ 4,766,094	\$ 9,781,685	\$ 4,609,271	\$ 4,821,385	\$ 9,430,656
Capital Assets	12,613,677	7,262,349	19,876,026	13,111,511	7,304,030	20,415,541
Total Assets	<u>17,629,268</u>	<u>12,028,443</u>	<u>29,657,711</u>	<u>17,720,782</u>	<u>12,125,415</u>	<u>29,846,197</u>
Long-term Liabilities	2,482,132	3,751,000	6,233,132	2,634,138	3,814,813	6,448,951
Other Liabilities	500,265	764,778	1,265,043	567,494	763,739	1,331,233
Total Liabilities	<u>2,982,397</u>	<u>4,515,778</u>	<u>7,498,175</u>	<u>3,201,632</u>	<u>4,578,552</u>	<u>7,780,184</u>
Net Position:						
Net Investment in						
Capital Assets	10,015,677	4,524,535	14,540,212	10,354,988	4,418,752	14,773,740
Restricted	3,172,815	-	3,172,815	2,694,846	-	2,694,846
Unrestricted	1,458,379	2,988,130	4,446,509	1,469,316	3,128,111	4,597,427
Total Net Position	<u>\$ 14,646,871</u>	<u>\$ 7,512,665</u>	<u>\$ 22,159,536</u>	<u>\$ 14,519,150</u>	<u>\$ 7,546,863</u>	<u>\$ 22,066,013</u>



**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2018**

By far the largest portion of the City of Valentine's net position (65.6 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 (14.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$4,446,509) 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, 2018</u>		<u>Year Ended September 30, 2017</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 15,078	\$ 315,054	\$ 12,500	\$ 280,855
Public Safety	3,012	650,218	2,346	613,508
Public Works	4,400	384,134	6,138	412,997
Recreation	481,518	693,481	552,433	662,093
Cemetery	16,650	31,998	21,088	52,024
Airport	330,302	297,765	447,276	280,812
Economic Development	-	122,750	-	-
Interest	-	72,661	-	57,560
Depreciation	-	661,197	-	512,448
Total	<u>850,960</u>	<u>3,229,258</u>	<u>1,041,781</u>	<u>2,872,297</u>
Transfers out	-	22,250	-	323,973
	<u>\$ 850,960</u>	<u>\$ 3,251,508</u>	<u>\$ 1,041,781</u>	<u>\$ 3,196,270</u>

**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2018**

**Revenues by Source – Governmental Activities**

**SOURCES OF REVENUE**

	<u>Year Ended September 30, 2018</u>		<u>Year Ended September 30, 2017</u>	
Charges for Services	\$ 819,897	24.26 %	\$ 773,337	21.69 %
Operating Grants and Contributions	15,331	0.45	162,760	4.56
Capital Grants and Contributions	15,732	0.46	105,684	2.96
Property Taxes	406,112	12.02	399,254	11.20
Motor Vehicle Taxes	55,379	1.64	54,886	1.54
Sales Tax	1,054,601	31.21	1,065,727	29.89
Franchise Taxes	436,841	12.93	416,932	11.69
State Allocation	469,680	13.90	475,897	13.34
Special Assessments	33,513	0.99	40,142	1.13
Miscellaneous	59,752	1.77	83,310	2.34
Loss on Disposal of Equipment	-	-	(23,820)	(0.67)
Interest	12,391	0.37	11,831	0.33
Total	<u>\$ 3,379,229</u>	<u>100.00 %</u>	<u>\$ 3,565,940</u>	<u>100.00 %</u>

Net position increased \$127,721 in the governmental funds during the year ended September 30, 2018.

**Business-type activities.** Business-type activities decreased the City of Valentine's net position by \$34,198. Key elements of this decrease are as follows:

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

<u>Function</u>	<u>Year Ended September 30, 2018</u>		<u>Year Ended September 30, 2017</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 4,690,413	\$ 4,586,542	\$ 4,524,424	\$ 4,473,947
Water	359,197	410,038	405,840	433,117
Sewer	281,089	391,780	276,663	366,264
Landfill	676,480	704,512	649,012	645,545
Total	<u>\$ 6,007,179</u>	<u>\$ 6,092,872</u>	<u>\$ 5,855,939</u>	<u>\$ 5,918,873</u>

**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2018**

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

**SOURCES OF REVENUE**

	<u>Year Ended September 30, 2018</u>		<u>Year Ended September 30, 2017</u>	
Charges for Services	\$ 6,000,879	99.05 %	\$ 5,855,939	94.46 %
Grants and Contributions	6,300	0.10	-	-
Special Assessments	-	-	10,134	0.16
Loss on Disposal of Equipment	(2,080)	(0.04)	-	-
Interest	31,325	0.52	9,587	0.15
Interfund Transfer	22,250	0.37	323,973	5.23
Total	<u>\$ 6,058,674</u>	<u>100.00 %</u>	<u>\$ 6,199,633</u>	<u>100.00 %</u>

**Financial Analysis of the Government's Funds**

As noted earlier, the City of Valentine uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Valentine's *governmental* funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Valentine's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Valentine's governmental funds reported combined ending fund balances of \$4,443,343. Approximately 19.9 percent of this total amount (\$884,840) 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 (\$532,758), 2) restricted to pay for infrastructure (\$842,701), 3) restricted for economic development (\$880,864), 4) restricted for street improvements (\$550,483), 5) restricted for community betterment (\$86,303), 6) nonspendable for cemetery perpetual care (\$142,896), 7) nonspendable for inventory and prepaids (\$37,921), 8) assigned for golf course operations (\$95,021), 9) assigned for budgetary stabilization (\$144,433), 10) assigned for airport operations (\$184,037), 11) restricted for Federal programs (\$41,789), or 12) assigned for street operations (\$19,297).

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 \$884,840, while total fund balance was \$1,604,462. 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 53.8 percent of total General Fund expenditures, while total fund balance represents 97.6 percent of the same amount.

The fund balance of the City of Valentine's General Fund increased by \$25,090 during the current fiscal year.

**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2018**

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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 - \$2,848,013, Water Fund - \$113,841, Sewer Fund - \$111,797, and Landfill Fund - deficit of \$(85,521). The Electric Fund net position increased \$125,005, the Water Fund net position decreased \$(50,629), the Sewer Fund net position decreased \$(88,441), and the Landfill Fund net position decreased \$(20,133). 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, 2018.

**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, 2018, amounts to \$19,876,026 (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:

- Bay side front windows and door - \$27,500
- City Hall windows and doors - \$58,500
- City Hall HVAC system - \$22,300
- Golf course clubhouse - \$22,504
- Voltage conversion and line rebuild project construction in progress - \$299,109
- East lift station rebuild - \$21,220

**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2018**

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

	<u>Year Ended September 30, 2018</u>			<u>Year Ended September 30, 2017</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	20,097	330,309	350,406	13,120	31,200	44,320
Buildings and Improvements	12,084,133	1,182,240	13,266,373	12,528,814	1,203,267	13,732,081
Machinery and Equipment	220,603	2,313,365	2,533,968	243,179	2,462,961	2,706,140
Distribution Systems, Buildings, and Equipment	-	3,332,827	3,332,827	-	3,479,201	3,479,201
Vehicles	98,684	103,608	202,292	136,238	127,401	263,639
Total	<u>\$ 12,613,677</u>	<u>\$ 7,262,349</u>	<u>\$ 19,876,026</u>	<u>\$ 13,111,511</u>	<u>\$ 7,304,030</u>	<u>\$ 20,415,541</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 \$5,335,814.

**City of Valentine's Outstanding Debt**

	<u>Year Ended September 30, 2018</u>			<u>Year Ended September 30, 2017</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	\$ 1,650,000	\$ -	\$ 1,650,000	\$ 1,750,000	\$ -	\$ 1,750,000
Refunding Bonds	-	2,720,000	2,720,000	-	2,850,000	2,850,000
Notes Payable	-	17,814	17,814	7,523	35,278	42,801
Capital Lease Payable	948,000	-	948,000	999,000	-	999,000
Total	<u>\$ 2,598,000</u>	<u>\$ 2,737,814</u>	<u>\$ 5,335,814</u>	<u>\$ 2,756,523</u>	<u>\$ 2,885,278</u>	<u>\$ 5,641,801</u>

The City of Valentine's total debt decreased by \$305,987 (5.4 percent) during the current fiscal year, due to scheduled payments.

The City of Valentine does not have a bond rating.

Additional information on the City of Valentine's long-term debt can be found in Note C7 on pages 48-51 of this report.

**CITY OF VALENTINE  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2018**

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

- Property tax asking for the year ending September 30, 2019, is \$433,319, the same as the prior year.
- The City's property tax levy is \$0.243469 for 2018-2019, a \$0.026725 decrease (9.9 percent) from the prior year.
- The City has commitments of \$908,658 for the electric voltage conversion and line rebuild project.
- The City increased water and sewer rates in January 2019.

All of these factors were considered in preparing the City of Valentine's budget for the 2019 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, 2018**

	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	\$ 1,278,903	\$ 1,537,236	\$ 2,816,139	\$ -
Certificates of deposit	88,487	1,604,459	1,692,946	-
County treasurer cash	26,495	-	26,495	-
Receivables:				
Special assessments	23,304	-	23,304	-
Accounts, net of allowance for doubtful accounts	-	162,796	162,796	-
Unbilled revenue	-	388,493	388,493	-
Current portion of notes receivable	33,015	17,814	50,829	58,000
Property tax	7,266	-	7,266	-
Interest	245	304	549	-
Sales tax	194,472	-	194,472	-
Inventory	35,946	261,629	297,575	-
Prepaid expenses	1,975	-	1,975	-
Total current assets	1,690,108	3,972,731	5,662,839	58,000
Noncurrent assets:				
Restricted cash and cash equivalents	2,764,664	-	2,764,664	-
Restricted certificates of deposit	237,450	793,363	1,030,813	-
Noncurrent portion of notes receivable	196,968	-	196,968	890,000
Noncurrent portion of special assessments	126,401	-	126,401	-
Capital assets:				
Land	190,160	-	190,160	-
Construction in progress	20,097	330,309	350,406	-
Depreciable capital assets, net of depreciation	12,403,420	6,932,040	19,335,460	-
Net capital assets	12,613,677	7,262,349	19,876,026	-
Total noncurrent assets	15,939,160	8,055,712	23,994,872	890,000
<b>Total assets</b>	17,629,268	12,028,443	29,657,711	948,000
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	161,398	384,148	545,546	-
Accrued expenses	54,466	96,887	151,353	-
Unavailable revenue	126,401	-	126,401	-
Customer deposits	-	135,929	135,929	-
Current portion of long-term obligations	158,000	147,814	305,814	58,000
Total current liabilities	500,265	764,778	1,265,043	58,000
Noncurrent liabilities:				
Accrued closure and postclosure costs	-	1,161,000	1,161,000	-
Compensated absences	42,132	-	42,132	-
Noncurrent portion of long-term obligations	2,440,000	2,590,000	5,030,000	890,000
Total noncurrent liabilities	2,482,132	3,751,000	6,233,132	890,000
<b>Total liabilities</b>	2,982,397	4,515,778	7,498,175	948,000
<b>NET POSITION</b>				
Net investment in capital assets	10,015,677	4,524,535	14,540,212	-
Restricted for:				
Debt service	532,758	-	532,758	-
Street improvements	550,483	-	550,483	-
Golf course improvements	95,021	-	95,021	-
Infrastructure	842,701	-	842,701	-
Economic development	880,864	-	880,864	-
Community betterment	86,303	-	86,303	-
Federal programs	41,789	-	41,789	-
Cemetery perpetual care	142,896	-	142,896	-
Unrestricted	1,458,379	2,988,130	4,446,509	-
<b>Total net position</b>	\$ 14,646,871	\$ 7,512,665	\$ 22,159,536	\$ -

See notes to financial statements.

**CITY OF VALENTINE, NEBRASKA**

**STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ 315,054	\$ -	\$ 15,078
Public safety	650,218	-	-
Public works	384,134	4,400	-
Environment and leisure	693,481	468,545	253
Cemetery	31,998	16,650	-
Airport	297,765	330,302	-
Economic development	122,750	-	-
Interest on long-term debt	72,661	-	-
Depreciation	661,197	-	-
Total governmental activities	<u>3,229,258</u>	<u>819,897</u>	<u>15,331</u>
<b>Business-type activities:</b>			
Electric	4,586,542	4,690,413	-
Water	410,038	352,897	-
Sewer	391,780	281,089	-
Landfill	704,512	676,480	-
Total business-type activities	<u>6,092,872</u>	<u>6,000,879</u>	<u>-</u>
<b>Total primary government</b>	<u>\$ 9,322,130</u>	<u>\$ 6,820,776</u>	<u>\$ 15,331</u>
<b>Component unit:</b>			
Valentine Community Education Agency	<u>\$ 26,180</u>	<u>\$ 26,180</u>	<u>\$ -</u>

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>	
\$ -	\$ (299,976)		\$ (299,976)	
3,012	(647,206)		(647,206)	
-	(379,734)		(379,734)	
12,720	(211,963)		(211,963)	
-	(15,348)		(15,348)	
-	32,537		32,537	
-	(122,750)		(122,750)	
-	(72,661)		(72,661)	
-	(661,197)		(661,197)	
<u>15,732</u>	<u>(2,378,298)</u>	<u>\$ -</u>	<u>(2,378,298)</u>	
-	-	103,871	103,871	
6,300	-	(50,841)	(50,841)	
-	-	(110,691)	(110,691)	
-	-	(28,032)	(28,032)	
<u>6,300</u>	<u>-</u>	<u>(85,693)</u>	<u>(85,693)</u>	
<u>\$ 22,032</u>	<u>(2,378,298)</u>	<u>(85,693)</u>	<u>(2,463,991)</u>	
<u>\$ -</u>				\$ -
General revenues:				
Taxes:				
Property	406,112	-	406,112	-
Motor vehicle	55,379	-	55,379	-
Sales tax	1,054,601	-	1,054,601	-
Franchise	436,841	-	436,841	-
State allocation	469,680	-	469,680	-
Special assessments	33,513	-	33,513	-
Miscellaneous	59,752	-	59,752	-
Loss on disposal of equipment	-	(2,080)	(2,080)	-
Interest income	12,391	31,325	43,716	-
Interfund transfers	(22,250)	22,250	-	-
Total general revenues	<u>2,506,019</u>	<u>51,495</u>	<u>2,557,514</u>	-
Change in net position	127,721	(34,198)	93,523	-
Net position - September 30, 2017	<u>14,519,150</u>	<u>7,546,863</u>	<u>22,066,013</u>	-
Net position - September 30, 2018	<u>\$ 14,646,871</u>	<u>\$ 7,512,665</u>	<u>\$ 22,159,536</u>	<u>\$ -</u>

**CITY OF VALENTINE, NEBRASKA**

**BALANCE SHEET -  
GOVERNMENTAL FUNDS**

**September 30, 2018**

	<u>General</u>	<u>Street</u>	<u>Airport</u>	<u>Infrastructure</u>	<u>Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,542,746	\$ 486,306	\$ 189,251	\$ 752,377	\$ 850,750	\$ 222,137	\$ 4,043,567
Certificates of deposit	88,487	103,624	-	-	-	133,826	325,937
County treasurer cash	23,610	2,885	-	-	-	-	26,495
Receivables:							
Special assessments	-	149,705	-	-	-	-	149,705
Property tax	6,310	956	-	-	-	-	7,266
Interest	97	79	-	-	-	69	245
Sales tax	60,210	13,824	-	90,324	30,114	-	194,472
Inventory	-	-	35,946	-	-	-	35,946
Prepaid expenses	642	-	1,333	-	-	-	1,975
<b>Total assets</b>	<b>\$ 1,722,102</b>	<b>\$ 757,379</b>	<b>\$ 226,530</b>	<b>\$ 842,701</b>	<b>\$ 880,864</b>	<b>\$ 356,032</b>	<b>\$ 4,785,608</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 86,813	\$ 54,926	\$ 5,068	\$ -	\$ -	\$ 14,591	\$ 161,398
Accrued expenses	30,827	6,272	146	-	-	17,221	54,466
Unavailable revenue	-	126,401	-	-	-	-	126,401
<b>Total liabilities</b>	<b>117,640</b>	<b>187,599</b>	<b>5,214</b>	<b>-</b>	<b>-</b>	<b>31,812</b>	<b>342,265</b>
Fund balances:							
Nonspendable:							
Inventory and prepaids	642	-	37,279	-	-	-	37,921
Cemetery perpetual care	-	-	-	-	-	142,896	142,896
Restricted for:							
Debt service	532,758	-	-	-	-	-	532,758
Street improvements	-	550,483	-	-	-	-	550,483
Infrastructure	-	-	-	842,701	-	-	842,701
Economic development	-	-	-	-	880,864	-	880,864
Community betterment	-	-	-	-	-	86,303	86,303
Federal programs	41,789	-	-	-	-	-	41,789
Assigned for:							
Airport	-	-	184,037	-	-	-	184,037
Golf course	-	-	-	-	-	95,021	95,021
Street improvements	-	19,297	-	-	-	-	19,297
Budgetary stabilization	144,433	-	-	-	-	-	144,433
Unassigned	884,840	-	-	-	-	-	884,840
<b>Total fund balances</b>	<b>1,604,462</b>	<b>569,780</b>	<b>221,316</b>	<b>842,701</b>	<b>880,864</b>	<b>324,220</b>	<b>4,443,343</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,722,102</b>	<b>\$ 757,379</b>	<b>\$ 226,530</b>	<b>\$ 842,701</b>	<b>\$ 880,864</b>	<b>\$ 356,032</b>	<b>\$ 4,785,608</b>

See notes to financial statements.

**CITY OF VALENTINE, NEBRASKA**

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

**September 30, 2018**

<b>Total fund balances - governmental funds</b>		\$ 4,443,343
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.		229,983
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 \$17,770,695 and the accumulated depreciation is \$5,157,018.		12,613,677
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	\$ (42,132)	
Bonds and capital lease payable	<u>(2,598,000)</u>	<u>(2,640,132)</u>
<b>Total net position - governmental activities</b>		<u><u>\$ 14,646,871</u></u>

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, 2018**

	<u>General</u>	<u>Street</u>	<u>Airport</u>	<u>Infrastructure</u>	<u>Economic Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>							
Taxes:							
Property	\$ 406,112	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 406,112
Motor vehicle	-	55,379	-	-	-	-	55,379
Sales tax	326,368	75,495	-	489,553	163,185	-	1,054,601
Franchise	436,841	-	-	-	-	-	436,841
Intergovernmental	39,244	430,436	-	-	-	-	469,680
Special assessments	-	4,599	-	28,914	-	-	33,513
Licenses and permits	13,906	-	-	-	-	5,380	19,286
Charges for services	187,374	4,400	330,302	-	-	297,821	819,897
Grants and donations	13,867	-	-	-	-	17,196	31,063
Loan collections	-	-	-	-	86,925	-	86,925
Interest income	8,075	618	-	2,429	2,616	(1,347)	12,391
Other income	23,924	573	2,323	-	-	3,123	29,943
Total revenues	<u>1,455,711</u>	<u>571,500</u>	<u>332,625</u>	<u>520,896</u>	<u>252,726</u>	<u>322,173</u>	<u>3,455,631</u>
<b>EXPENDITURES</b>							
General government	309,675	-	-	-	-	5,380	315,055
Public safety	650,083	-	-	-	-	-	650,083
Public works	-	380,552	-	-	-	-	380,552
Environment and leisure	453,401	-	-	-	-	237,802	691,203
Cemetery	31,998	-	-	-	-	-	31,998
Airport	-	-	297,765	-	-	-	297,765
Economic development	-	-	-	-	122,750	-	122,750
Capital outlay	121,887	18,972	-	-	-	22,504	163,363
Principal payments on debt	51,000	-	7,523	-	-	100,000	158,523
Interest on long-term debt	26,179	-	614	-	-	45,868	72,661
Total expenditures	<u>1,644,223</u>	<u>399,524</u>	<u>305,902</u>	<u>-</u>	<u>122,750</u>	<u>411,554</u>	<u>2,883,953</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(188,512)	171,976	26,723	520,896	129,976	(89,381)	571,678
<b>OTHER FINANCING SOURCES (USES)</b>							
Net transfers in (out)	213,602	-	-	(329,829)	(47,183)	141,160	(22,250)
<b>Net change in fund balances</b>	25,090	171,976	26,723	191,067	82,793	51,779	549,428
Fund balances - September 30, 2017	<u>1,579,372</u>	<u>397,804</u>	<u>194,593</u>	<u>651,634</u>	<u>798,071</u>	<u>272,441</u>	<u>3,893,915</u>
Fund balances - September 30, 2018	<u>\$ 1,604,462</u>	<u>\$ 569,780</u>	<u>\$ 221,316</u>	<u>\$ 842,701</u>	<u>\$ 880,864</u>	<u>\$ 324,220</u>	<u>\$ 4,443,343</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, 2018**

<b>Total net change in fund balances - governmental funds</b>	\$	549,428
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.		(76,402)
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 (\$163,363) is exceeded by depreciation expense (\$661,197) in the period.		(497,834)
The change in noncurrent compensated absences is reported as an expense in the statement of activities. Noncurrent compensated absences are not reported in the government funds.		(5,994)
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.		158,523
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>127,721</b>

See notes to financial statements.

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

**September 30, 2018**

	Enterprise Funds				Total
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,033,809	\$ 85,361	\$ 102,654	\$ 315,412	\$ 1,537,236
Certificates of deposit	1,585,138	19,321	-	-	1,604,459
Receivables:					
Accounts, net of allowance for doubtful accounts	118,649	20,340	10,463	13,344	162,796
Unbilled revenue	318,892	44,802	24,289	510	388,493
Current portion of notes receivable	17,814	-	-	-	17,814
Interest	304	-	-	-	304
Inventory	251,986	8,851	792	-	261,629
Total current assets	<u>3,326,592</u>	<u>178,675</u>	<u>138,198</u>	<u>329,266</u>	<u>3,972,731</u>
Noncurrent assets:					
Restricted certificates of deposit	-	-	-	793,363	793,363
Capital assets:					
Construction in progress	330,309	-	-	-	330,309
Other capital assets	6,831,829	1,694,056	3,305,732	2,228,226	14,059,843
Less accumulated depreciation	<u>(3,640,185)</u>	<u>(930,456)</u>	<u>(1,827,955)</u>	<u>(729,207)</u>	<u>(7,127,803)</u>
Net capital assets	<u>3,521,953</u>	<u>763,600</u>	<u>1,477,777</u>	<u>1,499,019</u>	<u>7,262,349</u>
Total noncurrent assets	<u>3,521,953</u>	<u>763,600</u>	<u>1,477,777</u>	<u>2,292,382</u>	<u>8,055,712</u>
<b>Total assets</b>	<u>6,848,545</u>	<u>942,275</u>	<u>1,615,975</u>	<u>2,621,648</u>	<u>12,028,443</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	312,278	16,785	12,273	42,812	384,148
Accrued payroll and vacation	17,249	11,234	14,128	4,211	46,822
Sales tax payable	25,731	-	-	-	25,731
Accrued interest payable	24,207	-	-	127	24,334
Customer deposits	99,114	36,815	-	-	135,929
Current portion of long-term obligations	130,000	-	-	17,814	147,814
Total current liabilities	<u>608,579</u>	<u>64,834</u>	<u>26,401</u>	<u>64,964</u>	<u>764,778</u>
Noncurrent liabilities:					
Accrued closure and postclosure costs	-	-	-	1,161,000	1,161,000
Noncurrent portion of long-term obligations	2,590,000	-	-	-	2,590,000
Total noncurrent liabilities	<u>2,590,000</u>	<u>-</u>	<u>-</u>	<u>1,161,000</u>	<u>3,751,000</u>
<b>Total liabilities</b>	<u>3,198,579</u>	<u>64,834</u>	<u>26,401</u>	<u>1,225,964</u>	<u>4,515,778</u>
<b>NET POSITION</b>					
Net investment in capital assets	801,953	763,600	1,477,777	1,481,205	4,524,535
Unrestricted	2,848,013	113,841	111,797	(85,521)	2,988,130
<b>Total net position</b>	<u>\$ 3,649,966</u>	<u>\$ 877,441</u>	<u>\$ 1,589,574</u>	<u>\$ 1,395,684</u>	<u>\$ 7,512,665</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, 2018**

	Enterprise Funds				Total
	Electric Fund	Water Fund	Sewer Fund	Landfill Fund	
<b>Operating revenues:</b>					
Charges for services	\$ 4,650,218	\$ 343,459	\$ 279,814	\$ 676,394	\$ 5,949,885
Other revenue	40,195	9,438	1,275	86	50,994
Total operating revenues	<u>4,690,413</u>	<u>352,897</u>	<u>281,089</u>	<u>676,480</u>	<u>6,000,879</u>
<b>Operating expenses:</b>					
Cost of power	3,527,305	-	-	-	3,527,305
Personnel services	229,149	196,625	168,237	83,017	677,028
Insurance and bonds	13,266	5,253	9,785	3,318	31,622
Utilities and telephone	20,215	19,712	52,062	3,247	95,236
Repairs and maintenance	65,509	99,694	58,762	11,961	235,926
Contractual obligations	5,673	4,209	1,097	390,090	401,069
Supplies	35,115	9,275	7,777	40	52,207
Licenses and fees	419,632	-	-	16,493	436,125
Professional fees	5,623	4,534	453	41,382	51,992
Miscellaneous	11,678	10,689	3,932	2,630	28,929
Landfill post-closure costs	-	-	-	84,000	84,000
Depreciation	188,527	60,047	89,675	67,753	406,002
Total operating expenses	<u>4,521,692</u>	<u>410,038</u>	<u>391,780</u>	<u>703,931</u>	<u>6,027,441</u>
Operating income (loss)	168,721	(57,141)	(110,691)	(27,451)	(26,562)
<b>Nonoperating revenues (expenses):</b>					
Interest income	23,214	212	-	7,899	31,325
Grant income	-	6,300	-	-	6,300
Loss on disposal of equipment	(2,080)	-	-	-	(2,080)
Interest expense	(64,850)	-	-	(581)	(65,431)
Total nonoperating revenues (expenses)	<u>(43,716)</u>	<u>6,512</u>	<u>-</u>	<u>7,318</u>	<u>(29,886)</u>
Income (loss) before interfund transfers	125,005	(50,629)	(110,691)	(20,133)	(56,448)
<b>Interfund transfers:</b>					
Transfer from other funds	-	-	22,250	-	22,250
<b>Change in net position</b>	125,005	(50,629)	(88,441)	(20,133)	(34,198)
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>
Net position - September 30, 2018	<u>\$ 3,649,966</u>	<u>\$ 877,441</u>	<u>\$ 1,589,574</u>	<u>\$ 1,395,684</u>	<u>\$ 7,512,665</u>

See notes to financial statements.

**CITY OF VALENTINE, NEBRASKA**

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS**

**For the Year Ended September 30, 2018**

	Enterprise Funds	
	Electric Fund	Water Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 4,707,784	\$ 355,158
Payments to suppliers	(4,122,513)	(152,437)
Payments to employees	(226,104)	(201,325)
Net cash provided (used) by operating activities	359,167	1,396
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers from other funds	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of property and equipment	(240,228)	(38,925)
Grant proceeds	-	6,300
Principal payments on capital debt	(130,000)	-
Interest paid on capital debt	(65,385)	-
Net cash used by capital and related financing activities	(435,613)	(32,625)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments received on notes receivable	24,987	-
Increase in certificates of deposit	(36,768)	(212)
Increase in restricted certificates of deposit	-	-
Interest received	24,320	212
Net cash provided (used) by investing activities	12,539	-
Increase (decrease) in cash and cash equivalents	(63,907)	(31,229)
Cash and cash equivalents - beginning of the year	1,097,716	116,590
Cash and cash equivalents - end of the year	\$ 1,033,809	\$ 85,361

See notes to financial statements.



Enterprise Funds		
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
\$ 283,762	\$ 677,709	\$ 6,024,413
(131,998)	(458,856)	(4,865,804)
(166,405)	(82,718)	(676,552)
<u>(14,641)</u>	<u>136,135</u>	<u>482,057</u>
22,250	-	22,250
(83,870)	(4,243)	(367,266)
-	-	6,300
-	(17,464)	(147,464)
<u>-</u>	<u>(705)</u>	<u>(66,090)</u>
(83,870)	(22,412)	(574,520)
-	-	24,987
-	-	(36,980)
-	(66,480)	(66,480)
<u>-</u>	<u>7,899</u>	<u>32,431</u>
<u>-</u>	<u>(58,581)</u>	<u>(46,042)</u>
(76,261)	55,142	(116,255)
<u>178,915</u>	<u>260,270</u>	<u>1,653,491</u>
<u>\$ 102,654</u>	<u>\$ 315,412</u>	<u>\$ 1,537,236</u>

**CITY OF VALENTINE, NEBRASKA**

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

**For the Year Ended September 30, 2018**

	<u>Enterprise Funds</u>	
	<u>Electric Fund</u>	<u>Water Fund</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 168,721	\$ (57,141)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	188,527	60,047
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	12,247	1,001
Inventories	(4,573)	3,215
Accounts payable	(14,784)	(2,286)
Accrued payroll and vacation	3,045	(4,700)
Other accrued expenses	860	-
Customer deposits	5,124	1,260
Net cash provided (used) by operating activities	<u>\$ 359,167</u>	<u>\$ 1,396</u>

See notes to financial statements.

<u>Enterprise Funds</u>		
<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
\$ (110,691)	\$ (27,451)	\$ (26,562)
89,675	67,753	406,002
2,673	1,229	17,150
611	-	(747)
1,259	10,305	(5,506)
1,832	299	476
-	84,000	84,860
-	-	6,384
<u>\$ (14,641)</u>	<u>\$ 136,135</u>	<u>\$ 482,057</u>

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

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**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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	The Infrastructure Fund is a Special Revenue Fund that accounts for the collection of the City sales tax.



CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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>	
Governmental, continued:	
Economic Development	Accounts for various economic development programs.
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.
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.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

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

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

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

**Measurement Focus**

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

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

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

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

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

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

**Basis of Accounting, continued**

In the fund financial statements, governmental funds and fiduciary funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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 2017-2018 are recorded as revenue when expected to be collected within 60 days after September 30, 2018. 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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018. 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	\$ 8,346,449	\$ 7,078,895	\$ 1,267,554	\$ -	\$ <u>8,304,562</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –

Unrestricted cash and cash equivalents	\$ 2,816,139
Restricted cash and cash equivalents	2,764,664
Unrestricted certificates of deposit	1,692,946
Restricted certificates of deposit	<u>1,030,813</u>
	<u>\$ 8,304,562</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

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

**2. Restricted Assets**

The restricted assets as of September 30, 2018, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 2,764,664	\$ -	\$ 2,764,664
Certificates of deposit	237,450	793,363	1,030,813
	<u>\$ 3,002,114</u>	<u>\$ 793,363</u>	<u>\$ 3,795,477</u>

The governmental activities' restricted assets as of September 30, 2018, consisted of \$532,758 in the General Fund restricted for debt service, \$41,789 in the General Fund restricted for Federal programs, \$589,930 in the Street Fund restricted for street improvements, \$752,377 in the Infrastructure Fund restricted for infrastructure, \$7,696 in the Fines and Fees Fund restricted for community betterment, \$850,750 in the Economic Development Fund restricted for economic development, \$142,827 in the Perpetual Care Fund restricted for cemetery perpetual care and \$83,987 in the Queen Jackson Memorial Fund restricted for community betterment.

The business-type activities restricted assets as of September 30, 2018, consisted of \$793,363 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, 2018, is as follows:

	<u>Business-type Activities</u>
Accounts receivable	\$ 219,096
Allowance for doubtful accounts	<u>(56,300)</u>
Net accounts receivable	<u>\$ 162,796</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

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

**4. Notes Receivable**

**Governmental Activities**

The Economic Development Fund has made nine economic development loans. Notes receivable at September 30, 2018, 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.	\$ 84,044
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.	15,747
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.	15,830
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.	5,582
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.	2,907
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.	17,387
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.	31,190

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**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. 28,680

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. 28,616

Total governmental activities notes receivable \$ 229,983

Current portion \$ 33,015

Noncurrent portion 196,968

Total \$ 229,983

**Business-type Activities**

The Electric Fund has made one loan. Notes receivable at September 30, 2018, 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. \$ 17,814

Current portion \$ 17,814

Noncurrent portion -

Total \$ 17,814

**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 \$948,000 at September 30, 2018, and is described in greater detail in Note C7.



**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

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

**5. Capital Assets**

Capital asset activity for the year ended September 30, 2018, was as follows:

	<u>Balance at</u> <u>October 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>September 30, 2018</u>
<b><u>Governmental Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 190,160	\$ -	\$ -	\$ 190,160
Construction in progress	<u>13,120</u>	<u>6,977</u>	<u>-</u>	<u>20,097</u>
Total capital assets not being depreciated	203,280	6,977	-	210,257
Other capital assets being depreciated:				
Buildings and improvements	15,980,858	142,799	-	16,123,657
Machinery and equipment	936,260	13,587	-	949,847
Vehicles	<u>486,934</u>	<u>-</u>	<u>-</u>	<u>486,934</u>
Total other capital assets at historical cost	17,404,052	156,386	-	17,560,438
Less accumulated depreciation for:				
Buildings and improvements	(3,452,044)	(587,480)	-	(4,039,524)
Machinery and equipment	(693,081)	(36,163)	-	(729,244)
Vehicles	<u>(350,696)</u>	<u>(37,554)</u>	<u>-</u>	<u>(388,250)</u>
Total accumulated depreciation	<u>(4,495,821)</u>	<u>(661,197)</u> *	<u>-</u>	<u>(5,157,018)</u>
Other capital assets, net	<u>12,908,231</u>	<u>(504,811)</u>	<u>-</u>	<u>12,403,420</u>
Governmental activities capital assets, net	<u>\$ 13,111,511</u>	<u>\$ (497,834)</u>	<u>\$ -</u>	<u>\$ 12,613,677</u>

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

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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

5. Capital Assets, continued

General Fund:

General government	\$ 80,236
Public safety:	
Police	28,809
Fire	<u>18,283</u>
Total public safety	47,092
Public works:	
Cemetery	929
Environment and leisure:	
Swimming pool	65,964
Library	12,282
Parks and recreation	<u>27,451</u>
Total environment and leisure	<u>105,697</u>
Total General Fund	233,954
Street Fund	108,902
Airport Fund	252,406
Golf Fund	<u>65,935</u>
Total governmental activities depreciation expense	\$ <u>661,197</u>

Construction in progress at September 30, 2018 consists of \$20,097 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, 2018**

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

**5. Capital Assets, continued**

**Business-type Activities:**

	Balance at <u>October 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>September 30, 2018</u>
<b><u>Business-type Activities:</u></b>				
Capital assets not being depreciated:				
Construction in progress	\$ 31,200	\$ 299,109	\$ -	\$ 330,309
Other capital assets being depreciated:				
Distribution systems, buildings, and equipment	5,433,666	21,220	-	5,454,886
Buildings and improvements	1,887,933	11,243	-	1,899,176
Machinery and equipment	6,230,494	34,829	(26,897)	6,238,426
Vehicles	467,355	-	-	467,355
Total other capital assets at historical cost	<u>14,019,448</u>	<u>67,292</u>	<u>(26,897)</u>	<u>14,059,843</u>
Less accumulated depreciation for:				
Distribution systems, buildings, and equipment	(1,954,465)	(167,594)	-	(2,122,059)
Buildings and improvements	(684,666)	(32,270)	-	(716,936)
Machinery and equipment	(3,767,533)	(182,345)	24,817	(3,925,061)
Vehicles	(339,954)	(23,793)	-	(363,747)
Total accumulated depreciation	<u>(6,746,618)</u>	<u>(406,002) *</u>	<u>24,817</u>	<u>(7,127,803)</u>
Other capital assets, net	<u>7,272,830</u>	<u>(338,710)</u>	<u>(2,080)</u>	<u>6,932,040</u>
Business-type activities capital assets, net	<u>\$ 7,304,030</u>	<u>\$ (39,601)</u>	<u>\$ (2,080)</u>	<u>\$ 7,262,349</u>

\* Depreciation expense was charged to functions as follows:

Electric	\$ 188,527
Water	60,047
Sewer	89,675
Landfill	<u>67,753</u>
Total business-type activities depreciation expense	<u>\$ 406,002</u>

Construction in progress at September 30, 2018 consists of \$330,309 of engineering and construction costs 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, 2018**

**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, 2018:

<u>Type of Debt</u>	<u>Balance at October 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2018</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes and capital lease payable	<u>\$ 2,756,523</u>	<u>\$ -</u>	<u>\$ (158,523)</u>	<u>\$ 2,598,000</u>	<u>\$ 158,000</u>
Business-type Activities:					
Bonds and note payable	<u>\$ 2,885,278</u>	<u>\$ -</u>	<u>\$ (147,464)</u>	<u>\$ 2,737,814</u>	<u>\$ 147,814</u>
Component Unit:					
Valentine Community Education Agency Bonds Payable	<u>\$ 999,000</u>	<u>\$ -</u>	<u>\$ (51,000)</u>	<u>\$ 948,000</u>	<u>\$ 58,000</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

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

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

**Governmental Activities**

As of September 30, 2018, 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. \$ 1,650,000

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. 948,000

In 2002, the Electric Fund loaned \$66,000 to the Airport Fund as part of a hangar project. Loan payments of \$8,137 are due annually beginning August 31, 2007, with the final payment due August 31, 2016. The loan bears an interest rate of 4.00 percent. Paid from the Airport Fund. This loan was paid in full during the year ended September 30, 2018. \_\_\_\_\_ -

Total governmental activities bonds, notes and capital lease payable \$ 2,598,000

Current portion \$ 158,000

Noncurrent portion 2,440,000

Total \$ 2,598,000

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

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

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

**Business-type Activities**

As of September 30, 2018, 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. \$ 2,720,000

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. 17,814

Total business-type activity bonds and note payable \$ 2,737,814

Current portion \$ 147,814

Noncurrent portion 2,590,000

Total \$ 2,737,814

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

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

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

**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>\$ 948,000</u>
Current portion	\$ 58,000
Noncurrent portion	<u>890,000</u>
Total	<u>\$ 948,000</u>

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2018, are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 158,000	\$ 70,263	\$ 147,814	\$ 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	173,000	57,907	140,000	56,385	63,000	20,402
2024-2028	923,000	218,504	715,000	231,825	338,000	75,906
2029-2033	849,000	59,111	705,000	153,748	309,000	20,786
2034-2037	-	-	630,000	41,120	-	-
	<u>\$2,598,000</u>	<u>\$ 600,031</u>	<u>\$ 2,737,814</u>	<u>\$ 728,226</u>	<u>\$ 948,000</u>	<u>\$ 211,468</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

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

**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.

Principal collections from various special assessments outstanding are reported in the Street Fund. Special assessments receivable comprised the following assessments at September 30, 2018:

Current portion	\$ 23,304
Non-current portion	<u>126,401</u>
Total street improvement assessments	\$ <u>149,705</u>

**9. Interfund Transactions**

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 436,941	\$ 223,339
Infrastructure Fund	-	329,829
Economic Development Fund	-	47,183
Nonmajor Funds	146,160	5,000
Sewer Fund	<u>22,250</u>	<u>-</u>
Total operating transfers	\$ <u>605,351</u>	\$ <u>605,351</u>



**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**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.

For the year ended September 30, 2018, the City's total payroll and covered payroll under the plan was \$1,386,058 and \$1,055,863, respectively. Both the City's required contribution of \$63,352 and the covered employees' required contribution of \$63,352 were made for the year ended September 30, 2018.

**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 \$20,451 under the plan for the year ended September 30, 2018.

CITY OF VALENTINE, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

NOTE D – OTHER NOTES, continued

2. Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The City purchases commercial insurance to minimize the effect of possible exposure to these risks. There have been no significant reductions in insurance coverage from coverage in the prior year. During the past three fiscal years, there have been no settlements exceeding the amount of the City's insurance coverage.

**Deposits and Investments**

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the City's investments at September 30, 2018, 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>
November 2018	\$ 103,624
June 2019	507,397
August 2019	11,074
September 2019	202,216
June 2020	554,387
September 2020	404,947
June 2021	555,009
September 2021	186,200
October 2022	198,905
	<u>\$ 2,723,759</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE D – OTHER NOTES, continued**

**2. Risk Management, continued**

**Deposits and Investments, continued**

*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, 2018.

*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, 2018, the City’s investments and certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Security First Bank	\$ 1,902,759
Bank of the West	11,074
Sandhills State Bank	611,021
Union Bank & Trust	198,905
	<u>\$ 2,723,759</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE D – OTHER NOTES, continued**

**3. Commitments and Contingencies**

**Construction Commitments**

The City’s business-type activities had the following construction commitments as of September 30, 2018:

<u>Project</u>	<u>Contract Amount</u>	<u>Incurred Through 9/30/2018</u>	<u>Obligation Pending</u>	<u>Expected Completion Date</u>
Voltage conversion and line rebuild:				
Engineering	\$ 32,000	\$ 16,000	\$ 16,000	Spring 2019
Construction	943,195	50,537	892,658	Spring 2019
Total	<u>\$ 975,195</u>	<u>\$ 66,537</u>	<u>\$ 908,658</u>	

**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 \$1,161,000 reported as landfill closure and postclosure care liability at September 30, 2018, 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 \$684,096 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2018. 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, 2018**

**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, 2018, investments totaled \$793,363 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.

**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 \$51,506 as of September 30, 2018.

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 \$175,936 as of September 30, 2018.

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 \$1,014,170 as of September 30, 2018.

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE D – OTHER NOTES, continued**

**4. Conduit Debt, continued**

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.

Information relevant to the abatements granted by the CDA for the year ended September 30, 2018 is as follows:

<u>TIF Project:</u>	Years Remaining on <u>TIF Agreements</u>	<u>2018 TIF Valuation</u>	<u>TIF Proceeds Received during the year 9-30-2018</u>
KTJ 231, LLC	11	\$ 2,560,402	\$ 32,656
Western Oil	6	950,180	12,119
Ranchland Foods	7	1,040,451	<u>13,270</u>
			<u>\$ 58,045</u>

**CITY OF VALENTINE, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE D – OTHER NOTES, continued**

**6. Interlocal Agreements**

The City had the following Interlocal agreements in effect as of September 30, 2018:

<b><u>Parties to Agreement</u></b>	<b><u>Term</u></b>	<b><u>Description</u></b>
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, 2017 - October 1, 2018	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 7, 2019, the date on which the financial statements were available for issue.

On January 10, 2019, the City approved the purchase of a street sweeper for \$206,026.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF VALENTINE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND**

**Year Ended September 30, 2018**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Taxes:			
Property	\$ 429,030	\$ 403,786	\$ (25,244)
Sales	325,000	323,838	(1,162)
Franchise	434,000	436,841	2,841
Intergovernmental	57,763	39,244	(18,519)
Licenses and permits	13,500	13,906	406
Charges for services	181,875	187,374	5,499
Grants and contributions	4,260	13,867	9,607
Interest income	4,024	8,077	4,053
Other	9,010	23,924	14,914
	<hr/>	<hr/>	<hr/>
Total resources	1,458,462	1,450,857	(7,605)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
General government	371,973	290,787	(81,186)
Public safety	638,453	636,163	(2,290)
Leisure and environment	530,756	461,402	(69,354)
Cemetery	142,500	50,083	(92,417)
Capital outlay	436,800	121,887	(314,913)
Principal payments on debt	51,000	51,000	-
Interest payments on debt	26,179	26,179	-
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	2,197,661	1,637,501	(560,160)
Resources over (under) charges to appropriations	(739,199)	(186,644)	552,555
<b>OTHER FINANCING SOURCES (USES)</b>			
Net transfers	547,240	213,602	(333,638)
	<hr/>	<hr/>	<hr/>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ (191,959)</u>	<u>\$ 26,958</u>	<u>\$ 218,917</u>

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

**Year Ended September 30, 2018**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Motor vehicle tax	\$ 55,000	\$ 56,234	\$ 1,234
Sales tax	70,000	73,611	3,611
Intergovernmental	444,076	430,436	(13,640)
Special assessments	5,000	5,656	656
Interest income	700	638	(62)
Charges for services	5,200	4,400	(800)
Other income	<u>500</u>	<u>573</u>	<u>73</u>
Total resources	580,476	571,548	(8,928)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Public works	482,431	388,686	(93,745)
Capital outlay	<u>97,911</u>	<u>18,972</u>	<u>(78,939)</u>
Total charges to appropriations	<u>580,342</u>	<u>407,658</u>	<u>(172,684)</u>
<b>RESOURCES OVER CHARGES TO APPROPRIATIONS</b>	<u>\$ 134</u>	<u>\$ 163,890</u>	<u>\$ 163,756</u>

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

**Year Ended September 30, 2018**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Charges for services	\$ 296,072	\$ 330,302	\$ 34,230
Other income	3,680	2,323	(1,357)
	299,752	332,625	32,873
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Operating expenditures	272,510	329,282	56,772
Principal payments on debt	-	7,523	7,523
Interest on long-term debt	-	614	614
	272,510	337,419	64,909
<b>RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<b>\$ 27,242</b>	<b>\$ (4,794)</b>	<b>\$ (32,036)</b>

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

**Year Ended September 30, 2018**

	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	\$ 485,758	\$ (4,242)
Special assessments	5,000	28,914	23,914
Interest income	<u>1,000</u>	<u>2,429</u>	<u>1,429</u>
Total resources	496,000	517,101	21,101
<b>OTHER FINANCING USES</b>			
Net transfers	<u>(670,927)</u>	<u>(329,829)</u>	<u>341,098</u>
<b>RESOURCES OVER (UNDER) OTHER FINANCING USES</b>	<u><u>\$ (174,927)</u></u>	<u><u>\$ 187,272</u></u>	<u><u>\$ 362,199</u></u>

**CITY OF VALENTINE, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
ECONOMIC DEVELOPMENT FUND**

**Year Ended September 30, 2018**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Sales tax	\$ 160,000	\$ 161,920	\$ 1,920
Loan collections	77,394	86,925	9,531
Interest income	600	2,616	2,016
Other	500	-	(500)
	<hr/>	<hr/>	<hr/>
Total resources	238,494	251,461	12,967
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Economic development	900,000	122,750	(777,250)
	<hr/>	<hr/>	<hr/>
Resources over (under) charges to appropriations	(661,506)	128,711	790,217
<b>OTHER FINANCING USES</b>			
Net transfers	(80,000)	(47,183)	32,817
	<hr/>	<hr/>	<hr/>
<b>RESOURCES OVER (UNDER) OTHER FINANCING USES</b>	<u>\$ (741,506)</u>	<u>\$ 81,528</u>	<u>\$ 823,034</u>

**CITY OF VALENTINE, NEBRASKA**

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

**Year Ended September 30, 2018**

**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>	<u>Economic Development Fund</u>
<b>Sources/inflows of resources:</b>					
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 1,450,857	\$ 571,548	\$ 332,625	\$ 517,101	\$ 251,461
Differences - budget to GAAP:					
Cash to accrual adjustments	<u>4,854</u>	<u>(48)</u>	<u>-</u>	<u>3,795</u>	<u>1,265</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,455,711</u></u>	<u><u>\$ 571,500</u></u>	<u><u>\$ 332,625</u></u>	<u><u>\$ 520,896</u></u>	<u><u>\$ 252,726</u></u>
<b>Uses/outflows of resources:</b>					
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 1,637,501	\$ 407,658	\$ 337,419	\$ -	\$ 122,750
Differences - budget to GAAP:					
Cash to accrual adjustments	<u>6,722</u>	<u>(8,134)</u>	<u>(31,517)</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,644,223</u></u>	<u><u>\$ 399,524</u></u>	<u><u>\$ 305,902</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 122,750</u></u>

## **SUPPLEMENTARY INFORMATION**

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

**September 30, 2018**

	Special Revenue Funds		Permanent Funds		Total Nonmajor Governmental Funds
	Fines and <u>Fees</u>	<u>Golf</u>	Perpetual <u>Care</u>	Queen Jackson <u>Memorial</u>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,696	\$ 121,453	\$ 9,001	\$ 83,987	\$ 222,137
Certificates of deposit	-	-	133,826	-	133,826
Interest receivable	-	-	69	-	69
<b>Total assets</b>	<b>\$ 7,696</b>	<b>\$ 121,453</b>	<b>\$ 142,896</b>	<b>\$ 83,987</b>	<b>\$ 356,032</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 5,380	\$ 9,211	\$ -	\$ -	\$ 14,591
Accrued expenses	-	17,221	-	-	17,221
Total liabilities	5,380	26,432	-	-	31,812
Fund balances:					
Nonspendable for:					
Cemetery perpetual care	-	-	142,896	-	142,896
Restricted for:					
Economic development	-	-	-	-	-
Community betterment	2,316	-	-	83,987	86,303
Assigned for:					
Golf course operations	-	95,021	-	-	95,021
Total fund balances	2,316	95,021	142,896	83,987	324,220
<b>Total liabilities and fund balances</b>	<b>\$ 7,696</b>	<b>\$ 121,453</b>	<b>\$ 142,896</b>	<b>\$ 83,987</b>	<b>\$ 356,032</b>



**CITY OF VALENTINE, NEBRASKA**

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

**For the Year Ended September 30, 2018**

	<u>Special Revenue Funds</u>		<u>Permanent Funds</u>		Total Nonmajor Governmental Funds
	Fine and <u>Fees</u>	<u>Golf</u>	Perpetual <u>Care</u>	Queen Jackson <u>Memorial</u>	
<b>REVENUES</b>					
Licenses and permits	\$ 5,380	\$ -	\$ -	\$ -	\$ 5,380
Charges for services	-	297,821	-	-	297,821
Grants and contributions	-	3,720	-	13,476	17,196
Interest income	-	-	(1,347)	-	(1,347)
Other	-	2,173	950	-	3,123
Total revenues	<u>5,380</u>	<u>303,714</u>	<u>(397)</u>	<u>13,476</u>	<u>322,173</u>
<b>EXPENDITURES</b>					
General government	5,380	-	-	-	5,380
Environment and leisure	-	237,802	-	-	237,802
Economic development	-	-	-	-	-
Capital outlay	-	22,504	-	-	22,504
Principal on long-term debt	-	100,000	-	-	100,000
Interest on long-term debt	-	45,868	-	-	45,868
Total expenditures	<u>5,380</u>	<u>406,174</u>	<u>-</u>	<u>-</u>	<u>411,554</u>
<b>Excess (deficiency) of revenues over expenditures</b>	-	(102,460)	(397)	13,476	(89,381)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from (to) other funds	-	146,160	-	(5,000)	141,160
<b>Net change in fund balances</b>	-	43,700	(397)	8,476	51,779
Fund balances - September 30, 2017	<u>2,316</u>	<u>51,321</u>	<u>143,293</u>	<u>75,511</u>	<u>272,441</u>
Fund balances - September 30, 2018	<u>\$ 2,316</u>	<u>\$ 95,021</u>	<u>\$ 142,896</u>	<u>\$ 83,987</u>	<u>\$ 324,220</u>

**CITY OF VALENTINE, NEBRASKA**

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES -**

**GENERAL FUND DEPARTMENTS**

**Year Ended September 30, 2018**

	<u>Administrative</u>	<u>Police</u>	<u>Fire</u>
<b>REVENUES</b>			
Taxes:			
General property tax	\$ 221,210	\$ -	\$ -
Sales tax	-	-	-
Franchise	436,841	-	-
Intergovernmental revenue:			
State assistance	37,272	-	-
Licenses and permits	13,906	-	-
Charges for services	-	-	-
Grants and donations	1,602	3,012	-
Interest income	2,390	-	-
Other receipts	21,258	-	-
Total revenues	<u>734,479</u>	<u>3,012</u>	<u>-</u>
<b>EXPENDITURES</b>			
Personnel services:			
Salaries and benefits	162,466	431,619	3,584
Operating expenses:			
Insurance	11,291	13,666	9,831
Professional fees	1,920	804	128
Meetings, seminars, and dues	11,487	309	175
Repairs and maintenance	15,454	33,822	16,203
Printing, postage, and publications	247	200	49
Utilities and telephone	8,640	-	11,510
Total operating expenses	<u>49,039</u>	<u>48,801</u>	<u>37,896</u>
Supplies	5,175	3,959	135
Other expenses	92,995	102,869	21,220
Capital outlay	108,300	-	-
Principal payments on debt	51,000	-	-
Interest payments	26,179	-	-
Total expenditures	<u>495,154</u>	<u>587,248</u>	<u>62,835</u>
Excess (deficiency) of revenues over expenditures before transfers	239,325	(584,236)	(62,835)
<b>TRANSFERS FROM (TO) OTHER FUNDS</b>	<u>373,561</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 612,886</u>	<u>\$ (584,236)</u>	<u>\$ (62,835)</u>

<u>Pool</u>	<u>Library</u>	<u>Cemetery</u>	<u>Park</u>	<u>Bookmobile</u>	<u>Time Capsule</u>	<u>Total</u>
\$ -	\$ 78,682	\$ 23,604	\$ 82,616	\$ -	\$ -	\$ 406,112
326,368	-	-	-	-	-	326,368
-	-	-	-	-	-	436,841
-	1,972	-	-	-	-	39,244
-	-	-	-	-	-	13,906
28,448	6,426	16,650	44,850	91,000	-	187,374
-	4,253	-	5,000	-	-	13,867
1,582	54	3,507	4	438	100	8,075
250	-	100	2,316	-	-	23,924
<u>356,648</u>	<u>91,387</u>	<u>43,861</u>	<u>134,786</u>	<u>91,438</u>	<u>100</u>	<u>1,455,711</u>
55,113	97,666	-	49,541	64,730	-	864,719
5,551	4,904	212	7,930	308	-	53,693
390	128	65	176	117	-	3,728
-	52	-	-	52	-	12,075
9,296	7,511	27,603	19,830	4,096	-	133,815
-	222	-	200	222	-	1,140
<u>8,613</u>	<u>8,434</u>	<u>3,578</u>	<u>47,355</u>	<u>287</u>	<u>-</u>	<u>88,417</u>
23,850	21,251	31,458	75,491	5,082	-	292,868
17,639	12,373	531	1,401	11,517	-	52,730
1,606	281	9	15,502	358	-	234,840
5,260	2,828	-	5,499	-	-	121,887
-	-	-	-	-	-	51,000
-	-	-	-	-	-	26,179
<u>103,468</u>	<u>134,399</u>	<u>31,998</u>	<u>147,434</u>	<u>81,687</u>	<u>-</u>	<u>1,644,223</u>
253,180	(43,012)	11,863	(12,648)	9,751	100	(188,512)
<u>(223,339)</u>	<u>46,880</u>	<u>-</u>	<u>16,500</u>	<u>-</u>	<u>-</u>	<u>213,602</u>
<u>\$ 29,841</u>	<u>\$ 3,868</u>	<u>\$ 11,863</u>	<u>\$ 3,852</u>	<u>\$ 9,751</u>	<u>\$ 100</u>	<u>\$ 25,090</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  
Tracy A. Cannon

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, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 7, 2019.

**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.

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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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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

The City of Valentine's response to the findings identified in our audit is that due to the small size of the City, it is impractical to further segregate duties. 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 M. Smith, P.C.

Grand Island, Nebraska  
March 7, 2019