

**CITY OF VALLEY, ALABAMA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012**

LIST OF PRINCIPAL OFFICIALS OF THE CITY OF VALLEY

ELECTED AND APPOINTED OFFICIALS

Arnold D. Leak, Mayor
Deborah Chambers, Council Member
Henry L. Cooper, Council Member
Ray Edwards, Council Member
Jimmy Gilson, Council Member
James L. Jones, Council Member
Marquetta Madden, Council Member
O'Neal Shaw, Council Member
Regina T. Glaze, City Treasurer/City Clerk

DEPARTMENT HEADS

Allen Hendrix, Planning
Kevin Johnson, EMS
John McConnell, Public Works
Laurie Blount, Recreation
Tommy Weldon, Police

CITY OF VALLEY, ALABAMA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
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FINANCIAL SECTION



Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Valley, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valley, Alabama (the "City") as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the City's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for that component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Valley, Alabama, as of September 30, 2012, and the changes in its financial position, and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the matters discussed in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Valley, Alabama, as of September 30, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

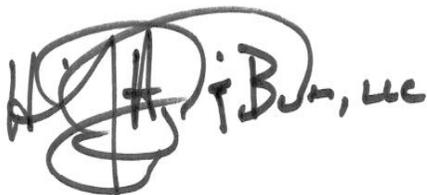
Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, general fund, the debt service fund, and the aggregate remaining fund information for the primary government of the City of Valley, Alabama, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable,

thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 26 through 31 for the general fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Valley, Alabama's financial statements as a whole. The introductory section, the combining fund financial statements, and the schedule of debt service are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory section, the combining fund financial statements, and the schedule of debt service are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The City has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.



July 24, 2013

BASIC FINANCIAL STATEMENTS

CITY OF VALLEY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and equivalents	\$ 1,125,842	\$ 166,340	\$ 1,292,182
Accounts receivable, net	76,560	7,321	83,881
Taxes receivable, net	534,978	-	534,978
Grants receivable	2,431	-	2,431
Other receivables	57,166	1,692	58,858
Inventories	32,126	-	32,126
Prepaid expenses	104,326	3,433	107,759
Deferred charges	186,399	-	186,399
Restricted assets:			
Temporarily restricted:			
Cash with fiscal agent	101,415	-	101,415
Capital assets:			
Land and construction in progress	2,534,292	-	2,534,292
Infrastructure and infrastructure in progress, net of depreciation	7,946,236	-	7,946,236
Buildings and improvements, net of depreciation	7,920,799	-	7,920,799
Equipment and furniture, net of depreciation	728,030	-	728,030
Total capital assets	<u>19,129,357</u>	<u>-</u>	<u>19,129,357</u>
Total assets	<u>\$ 21,350,600</u>	<u>\$ 178,786</u>	<u>\$ 21,529,386</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 305,039	\$ 45,728	\$ 350,767
Accrued payroll and benefits	76,980	-	76,980
Interest payable	60,240	-	60,240
Internal balances	(62,375)	62,375	-
Deferred revenues	801	-	801
Due within one year	701,167	-	701,167
Due in more than one year	10,964,020	-	10,964,020
Total liabilities	<u>12,045,872</u>	<u>108,103</u>	<u>12,153,975</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,389,122	-	8,389,122
Restricted for:			
Debt service	101,415	-	101,415
Unrestricted	814,191	70,683	884,874
Total net assets	<u>\$ 9,304,728</u>	<u>\$ 70,683</u>	<u>\$ 9,375,411</u>

The notes to the financial statements are an integral part of this statement.

CITY OF VALLEY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

<i>FUNCTIONS</i>	<i>EXPENSES</i>	<i>PROGRAM REVENUES</i>			<i>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</i>		
		<i>CHARGES FOR SERVICES</i>	<i>OPERATING GRANTS AND CONTRIBUTIONS</i>	<i>CAPITAL GRANTS AND CONTRIBUTIONS</i>	<i>GOVERNMENTAL ACTIVITIES</i>	<i>BUSINESS-TYPE ACTIVITIES</i>	<i>TOTAL</i>
<i>Primary government:</i>							
Governmental activities:							
General government	\$ 1,809,476	\$ 92,666	\$ 41,860	\$ -	\$ (1,674,950)	\$ -	\$ (1,674,950)
Public safety	2,673,509	522,710	43,323	-	(2,107,476)	-	(2,107,476)
Public works	1,076,301	6,100	69,331	-	(1,000,870)	-	(1,000,870)
Health	38,743	-	-	-	(38,743)	-	(38,743)
Culture and recreation	1,313,229	328,533	78,429	-	(906,267)	-	(906,267)
Welfare	210,241	-	30,025	39,645	(140,571)	-	(140,571)
Urban rehabilitation	16,805	-	-	-	(16,805)	-	(16,805)
Interest on long-term debt	793,970	-	-	-	(793,970)	-	(793,970)
Total governmental activities	<u>7,932,274</u>	<u>950,009</u>	<u>262,968</u>	<u>39,645</u>	<u>(6,679,652)</u>	<u>-</u>	<u>(6,679,652)</u>
Business-type activities:							
Solid waste	630,329	695,532	-	-	-	65,203	65,203
Total business-type activities	<u>630,329</u>	<u>695,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,203</u>	<u>65,203</u>
Total primary government	<u>\$ 8,562,603</u>	<u>\$ 1,645,541</u>	<u>\$ 262,968</u>	<u>\$ 39,645</u>	<u>(6,679,652)</u>	<u>65,203</u>	<u>(6,614,449)</u>
General revenues:							
Taxes:							
Sales					6,069,091	-	6,069,091
Other					562,444	-	562,444
Licenses and permits					1,483,790	-	1,483,790
Investment earnings					789	-	789
Insurance recovery money					7,341	-	7,341
Miscellaneous					-	748	748
Gain on sale of capital assets					26,969	-	26,969
Transfers					-	-	-
Total general revenues, transfers and special items					<u>8,150,424</u>	<u>748</u>	<u>8,151,172</u>
Change in net assets					1,470,772	65,951	1,536,723
Net assets - beginning					7,833,956	4,732	7,838,688
Net assets - ending					<u>\$ 9,304,728</u>	<u>\$ 70,683</u>	<u>\$ 9,375,411</u>

The notes to the financial statements are an integral part of this statement.

CITY OF VALLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNEMENTAL FUNDS</u>	<u>TOTAL GOVERNEMENTAL FUNDS</u>
ASSETS				
Cash and cash equivalents	\$ 849,638	\$ -	\$ 276,203	\$ 1,125,841
Accounts receivable, net	76,560	-	-	76,560
Taxes receivable, net	518,525	-	16,453	534,978
Grants receivable	-	-	2,431	2,431
Other receivables	57,007	-	159	57,166
Inventories	32,126	-	-	32,126
Due from other funds	86,899	-	321,105	408,004
Temporarily restricted assets:				
Cash with fiscal agent		101,415		101,415
Total assets	<u>\$ 1,620,755</u>	<u>\$ 101,415</u>	<u>\$ 616,351</u>	<u>\$ 2,338,521</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 273,408	\$ -	\$ 4,254	\$ 277,662
Accrued payroll and benefits	76,980	-	-	76,980
Miscellaneous payables	27,377	-	-	27,377
Due to other funds	321,105	-	24,524	345,629
Deferred revenues	51,447	-	-	51,447
Total liabilities	<u>750,317</u>	<u>-</u>	<u>28,778</u>	<u>779,095</u>
Fund balances:				
Nonspendable:				
Inventories	32,126	-	-	32,126
Other receivables	57,007	-	-	57,007
Restricted to:				
Debt service	-	101,415	-	101,415
Special revenue	-	-	241,704	241,704
Assigned to:				
Capital projects	-	-	353,701	353,701
Unassigned:	781,305	-	(7,832)	773,473
Total fund balances	<u>870,438</u>	<u>101,415</u>	<u>587,573</u>	<u>1,559,426</u>
Total liabilities and fund balances	<u>\$ 1,620,755</u>	<u>\$ 101,415</u>	<u>\$ 616,351</u>	<u>\$ 2,338,521</u>

The notes to the financial statements are an integral part of this statement.

CITY OF VALLEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total fund balances, governmental funds		\$	1,559,426
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Prepaid items and deferred charges which benefit future periods are not reported as assets in governmental funds.			290,726
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.			19,129,357
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.			50,646
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Governmental long-term debt	(\$11,567,383)		
Capital leases	(41,405)		
Discounts, debt issuance and refunding costs	14,771		
Accrued interest payable	(60,240)		
Compensated absences	(71,170)		
Total long-term liabilities	(11,725,427)		(11,725,427)
Net assets of governmental activities		\$	9,304,728

The notes to the financial statements are an integral part of this statement.

CITY OF VALLEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNEMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Revenues:				
Taxes:				
Sales and miscellaneous taxes	\$ 5,967,978	\$ -	\$ 101,113	\$ 6,069,091
Other taxes	411,286	-	82,255	493,541
Licenses and permits	1,483,790	-	-	1,483,790
Intergovernmental	263,857	-	15,328	279,185
Charges for services	676,462	-	-	676,462
Fines and forfeits	78,092	-	-	78,092
Investment income	603	10	176	789
Miscellaneous revenues	200,347	-	21,201	221,548
Total revenues	<u>9,082,415</u>	<u>10</u>	<u>220,073</u>	<u>9,302,498</u>
Expenditures:				
Current:				
General government	1,573,520	-	-	1,573,520
Public safety	2,563,278	-	-	2,563,278
Public works	988,788	-	193	988,981
Health and sanitation	38,743	-	-	38,743
Welfare	18,647	-	176,942	195,589
Culture and recreation	1,002,267	-	-	1,002,267
Urban rehabilitation	16,805	-	-	16,805
Debt service:				
Principal	261,551	475,000	-	736,551
Interest and other charges	38,256	745,749	-	784,005
Capital outlay	34,953	-	5,240	40,193
Total expenditures	<u>6,536,808</u>	<u>1,220,749</u>	<u>182,375</u>	<u>7,939,932</u>
Excess (deficiency) of revenues over expenditures	2,545,607	(1,220,739)	37,698	1,362,566
Other financing sources (uses):				
Insurance recoveries	7,341	-	-	7,341
Sale of capital assets	31,619	-	6,758	38,377
Transfers in	-	1,322,154	145,250	1,467,404
Transfers out	(1,467,404)	-	-	(1,467,404)
Total other financing sources and uses	<u>(1,428,444)</u>	<u>1,322,154</u>	<u>152,008</u>	<u>45,718</u>
Net change in fund balance	1,117,163	101,415	189,706	1,408,284
Fund balances - beginning	<u>(246,725)</u>	<u>-</u>	<u>397,867</u>	<u>151,142</u>
Fund balances - ending	<u>\$ 870,438</u>	<u>\$ 101,415</u>	<u>\$ 587,573</u>	<u>\$ 1,559,426</u>

The notes to the financial statements are an integral part of this statement.

CITY OF VALLEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balances - total governmental funds:	\$	1,408,284
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditures for capital outlay	\$ 40,193	
Less: current year depreciation	<u>(814,839)</u>	(774,646)
Net effect of the disposal or sale of capital assets that are not recorded in governmental funds.		(11,408)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		66,237
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of principal repayments.		726,586
Some expenses reported in the Statement of Activities do not require the use of current financial resources and thus are not reported as expenditures in governmental funds:		<u>55,719</u>
Change in net assets of governmental activities	\$	<u><u>1,470,772</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF VALLEY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2012

	<i>SOLID WASTE COLLECTION FUND</i>
<i>ASSETS</i>	
Current assets:	
Cash and cash equivalents	\$ 166,340
Accounts receivable, net	7,321
Other receivables	1,692
Prepaid expenses	3,433
Total current assets	178,786
Non-current assets:	
Capital assets:	
Equipment	14,436
Less: Accumulated Depreciation	(14,436)
Total non-current assets, net	-
Total assets	\$ 178,786
 <i>LIABILITIES</i>	
Current liabilities:	
Accounts payable	\$ 45,728
Due to other funds	62,375
Total current liabilities	108,103
Total liabilities	108,103
 <i>NET ASSETS</i>	
Unrestricted	70,683
Total net assets	\$ 70,683

The notes to the financial statements are an integral part of this statement.

CITY OF VALLEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2012

	<i>SOLID WASTE COLLECTION FUND</i>
Operating revenues:	
Charges for services	\$ 695,532
Total operating revenues	695,532
Operating expenses:	
Disposal charges	544,344
Personal services	55,235
Other supplies and expenses	30,750
Total operating expenses	630,329
Operating income	65,203
Nonoperating revenues:	
Miscellaneous revenue	748
Total non-operating revenues	748
Income before contributions and transfers	65,951
Change in net assets	65,951
Total net assets - beginning	4,732
Total net assets - ending	\$ 70,683

The notes to the financial statements are an integral part of this statement.

CITY OF VALLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2012

	SOLID WASTE COLLECTION FUND
Cash flows from operating activities:	
Receipts from customers	\$ 689,119
Payments to suppliers	(581,488)
Payments to employees	(57,541)
Internal activity - payments to other funds	66,041
Net cash provided by operating activities	116,131
Cash flows from noncapital financing activities:	
Other nonoperating income	748
Net cash provided by noncapital financing activities	748
Net increase in cash and cash equivalents	116,879
Cash and cash equivalents at beginning of year	49,461
Cash and cash equivalents at end of year	\$ 166,340

The notes to the financial statements are an integral part of this statement.

CITY OF VALLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
 YEAR ENDED SEPTEMBER 30, 2012

	<u><i>SOLID WASTE COLLECTION FUND</i></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 65,203
Change in assets and liabilities:	
Accounts receivable	90,592
Due from other funds	240,388
Other receivables	(70)
Accounts payable	(6,324)
Due to other funds	(174,347)
Deferred revenue	(97,005)
Compensated absences	(2,306)
Total adjustments	<u>50,928</u>
Net cash provided by operating activities	<u><u>\$ 116,131</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Valley, Alabama (the “City”) incorporated in 1980 and is composed of the former four textile mill villages of Fairfax, Langdale, Riverview, and Shawnut. The City is a municipal corporation governed by a mayor-council form of government consisting of the Mayor, elected at large, and seven council members, elected from defined districts. Members of the City Council serve part-time and are responsible for adopting all legislative ordinances and setting policies of the government, including the appropriation of money. The Mayor, who is a member of the council, is the chief executive officer of the government. Department heads and the City Treasurer are appointed by the City Council and are responsible for the day-to-day management of the government.

The City’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply GASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has elected not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. REPORTING ENTITY

These financial statements present information about the primary government, which is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Component units, although legally separate, for which the government is considered to be financially accountable are not included in these primary government financial statements. As a result, these primary government financial statements, because they do not include financial data of the component units of the government, do not purport to and do not present the financial statements of the reporting entity (primary government and component units) as defined by generally accepted accounting principles.

Component Units. The excluded component unit is as follows:

The City of Valley Historic Preservation Commission seeks to preserve the rich textile-mill heritage of the City and the history of the four mill villages that comprise what is now the City of Valley. The Commission’s ten board members are appointed by the Valley City Council. The Commission received an appropriation from the City for \$10,000 during the current year.

Related Organizations. The government’s officials are also responsible for appointing the members of the board of other organizations, but the City’s accountability for the organizations does not extend beyond making the appointments. These organizations include the City of Valley Medical Clinic Board, The Special Care Facilities Financing Authority of the City of Valley-Lanier Memorial Hospital, the Housing Authority of the City of Valley, The Improvement District of the City of Valley, the Alabama-Venue Project, and The Cooperative District of the City of Valley, Alabama-Venue Project.

Jointly Governed Organizations. The City, in conjunction with other governments, has created the organizations listed below. The organizations are not joint ventures because the governments do not retain an ongoing financial interest or ongoing financial responsibility.

The Industrial Development Authority of Chambers County recruits and promotes businesses in the City and surrounding areas and municipalities. The Board has fourteen total members, one of whom is appointed by the Valley City Council. The other members are appointed by the Alabama State Legislature, one member from each of the other participating municipalities, and the related county commissioners. The City appropriated \$24,410 to the Board during the current year.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The East Alabama Regional Solid Waste Disposal Authority is a corporation created to provide for the collection and disposal of solid waste and to encourage planning for disposal of solid waste and resource recovery in East Alabama. The organization is governed by a twelve member board composed of one appointee each from various municipalities and counties in the area. The City appoints one board member. The East Alabama Regional Solid Waste Disposal Authority did not receive any appropriations from the City for the year ended in September 30, 2012.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole), and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks and recreation, public works, welfare, and general administrative services are classified as governmental activities. The City's solid waste collection services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resources basis, which includes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (e.g. general government, police, fire, public works, etc.) and business-type activities. In this statement, gross expenses, including depreciation, are reduced by related program revenues (charges to customers or those who directly benefit from goods, services or privileges provided by a given function), operating grants, and capital grants. Program revenues must be directly associated with a function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants only. The net costs of the governmental activities functions and the business-type activities are covered by general government revenues which include sales and use taxes, property taxes, certain intergovernmental revenues, fines, permits and charges and interest income. The City first utilizes restricted resources to finance qualifying activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's Solid Waste Collection Fund and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The General Fund allocates some costs of providing administrative services to the enterprise funds.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of individual funds. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions are segregated within funds for the purpose of carrying on specific activities of attaining certain objectives in accordance with special regulations, restrictions, or limitations. Each major fund is presented as a separate column on the fund financial statements. All non-major funds are aggregated and presented as a single column. The fund statements are presented on the current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented that explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City has the following fund types:

Governmental Funds:

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Debt Service Fund** accounts for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Additionally, the City reports the following non-major fund type within the governmental fund type:

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds account for the City's construction of capital assets, capital asset improvements, capital asset renovations, or to retire debt associated with capital improvements.

Proprietary Funds:

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative and personnel expenses, repairs and supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary funds of the City include the following fund type:

Enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, cost incurred and/or net income is necessary for management accountability. The City's enterprise fund is a major fund. It is as follows:

The **Solid Waste Collection Fund** accounts for providing solid waste collection and disposal services to residential and small commercial users. All costs are financed through charges to customers. The government does not allocate indirect costs for services provided to the fund by other government departments.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Both the governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Governmental fund financial statements are presented using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”).

“Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as certain expenditures related to compensated absences, are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are sales taxes, fines, intergovernmental revenue, EMS revenue, interest revenue and miscellaneous. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both of the revenue recognition criteria are met and City then has a legal claim to the resources, the revenue is recognized.

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 needed.

D. CASH AND INVESTMENTS

Cash and cash equivalents include amounts in time and demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City, except for investments in money funds and treasury obligations administered for the City by a trustee or held in nonexpendable trust funds.

State statutes authorize the City to invest in deposit accounts and certificates of deposits with banks, in direct obligations of the United States Treasury Department and obligations of certain other federal agencies. Investments in cash are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. The unrealized gain or loss on investments is reflected in investment income.

E. RECEIVABLES

In the Solid Waste Collection Fund, revenues are recognized on the basis of periodic billings to customers for services provided. The City, therefore, extends credit to its customers. As a result of this billing method, the City accrues unbilled service revenue at the end of the fiscal period with respect to service provided but not billed at such date. In the Solid Waste Collection Fund, periodic billings are made before services are rendered. Therefore, such billings are reported as deferred revenues. The City analyzes current and past due accounts and provides an

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

allowance for doubtful accounts for the accounts deemed uncollectible. Accounts receivable are reported net of the allowance of \$63,074 as of September 30, 2012.

The City also bills its citizens for ambulance services. Billings to citizens of the City for ambulance services are reported in the General Fund net of the allowance for uncollectible accounts of \$178,616 at September 30, 2012.

F. INVENTORIES AND PREPAID ITEMS

Inventories are valued at the lower of cost (average) or market. Inventories in governmental funds are offset by a reserve for inventories that indicates that a portion of fund balance is not available for other subsequent expenditures. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as expenditures when made in the governmental funds and are recorded as prepaid items in the government-wide financial statements.

G. RESTRICTED ASSETS

Restricted assets are those designated through external restrictions limiting asset use for debt service.

H. DEFERRED REVENUE

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant moneys are received prior to incurring qualifying expenditures. In subsequent periods, when both the revenue recognition criteria are met and the government has a legal claim to the resources, the revenue is recognized.

I. COMPENSATED ABSENCES

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Current and long-term portions of vacation and sick pay are accrued in the government-wide and proprietary fund statements when incurred.

J. CAPITAL ASSETS

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value at the date of donation. Renewals and betterments are capitalized if they significantly extend the useful life of the asset. Repairs and maintenance are recorded as expenses. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All assets capitalized have an estimated useful life in excess of two years and are depreciated using the straight line method. All land is capitalized.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization thresholds and estimated useful lives are as follows:

	<i>Minimum Cost</i>	<i>Useful Life</i>
Buildings	\$ 5,000	20-50 years
Improvements other than buildings	\$ 250,000	15-25 years
Machinery and equipment	\$ 5,000	5-20 years
Automotive vehicles	\$ 5,000	5-20 years
Infrastructure	\$ 50,000	20-40 years

The City has capitalized certain public domain (“infrastructure”) assets consisting of certain roads, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems that have been placed in service upon being donated to the City by Chambers County, Alabama. The assets were valued at fair value at the time of donation to the City. A local government may elect to use the depreciation method or the modified approach (maintenance of service condition) in reporting long-lived infrastructure assets. The City has elected to implement the depreciation method.

K. LONG -TERM LIABILITIES AND RELATED COSTS

In the government-wide financial statements and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the life of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium, discount, or deferred amount on refunding. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding is included in interest expense.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether withheld or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Interest and principal payments are reported as debt service expenditures.

L. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and increased by unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Governmental Accounting Standards Board requires fund balances to be reported according to the following classifications:

Nonspendable Fund Balance – Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Fund Balance – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed Fund Balance – Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the City’s highest level of decision-making authority.

Assigned Fund Balance – Amounts that are constrained by the City’s intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as an executive committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned Fund Balance – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as a result of overspending for specific purposes for which the amount had been restricted, committed or assigned.

M. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – BUDGETING AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. On or before September 1 of each year, all departments of the City submit requests for appropriations to the City’s Mayor so that a budget may be prepared. Before October 1, the proposed budget is presented to the City Council for review and adoption.

The appropriated budget is prepared by fund, function and department. The City’s Mayor may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. From time to time, actual expenditures have exceeded budgeted expenditures. In those years, the City Council is made aware of the budget overages and the pertinent reasons for the overages as they occur.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits: At September 30, 2012, the carrying amount of the City’s deposits in financial institutions was \$1,292,182 and the bank balance was \$1,389,872. The State of Alabama created the Security for Alabama Funds Enhancement (SAFE) Program which requires that all public funds be deposited in Qualified Public Depositories. Under the SAFE Program, which is mandatory, each qualified public depository (QPD) is required to hold collateral for all of its public deposits on a pooled basis in a custody account (SAFE Custody Account) established by the State Treasurer as SAFE administrator. If a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer, who would use the SAFE pool collateral or other means to reimburse the loss. At September 30, 2012, all bank balances are considered insured because such balances were held in Qualified Public Depositories.

Investments and Cash with Fiscal Agents: The City makes all investments in accordance with its investment policy (see Note 1) and the requirements under which its bonds and warrants are issued, and other requirements as applicable. Investments held by fiscal agents are not registered in the City’s name or insured and are held by the

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

trustee. As of September 30, 2012, all of the City's investments held by fiscal agents were held as cash and totaled \$101,415.

Interest Rate Risk: The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: State law limits investments to deposit accounts and certificates of deposit with banks, direct obligations of the United States Treasury Department and obligations of certain other federal agencies. The City has no investment policy that would further limit its investment choices.

Custodial Credit Risk: For an investment, the custodial 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 investments or collateral securities that are in the possession of an outside party. The City has no policy on custodial credit risk.

Concentration of Credit Risk: The City places no limit on the amount that the City may invest in any one issuer.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,513,982	\$ -	\$ -	\$ 2,513,982
Construction in process	20,310	-	-	20,310
Total capital assets not being depreciated	2,534,292	-	-	2,534,292
Capital assets being depreciated:				
Buildings and improvements	12,855,128	11,560	-	12,866,688
Equipment	2,745,548	28,633	32,742	2,741,439
Infrastructure	8,497,101	-	-	8,497,101
Total capital assets being depreciated	24,097,777	40,193	32,742	24,105,228
Less accumulated depreciation for:				
Buildings and improvements	4,577,851	368,038	-	4,945,889
Equipment	1,801,014	233,729	21,334	2,013,409
Infrastructure	337,793	213,072	-	550,865
Total accumulated depreciation	6,716,658	814,839	21,334	7,510,163
Total capital assets being depreciated, net	17,381,119	(774,646)	11,408	16,595,065
Governmental activities capital assets, net	\$ 19,915,411	\$ (774,646)	\$ 11,408	\$ 19,129,357

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Business-type activities:				
Capital assets being depreciated:				
Equipment	\$ 14,435	\$ -	\$ -	\$ 14,435
Total capital assets being depreciated	14,435	-	-	14,435
Less accumulated depreciation for:				
Equipment	14,435	-	-	14,435
Total accumulated depreciation	14,435	-	-	14,435
Business-type activities capital assets, net	\$ -	\$ -	\$ -	-

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government	\$	238,791
Public safety		139,858
Public works, including infrastructure		105,487
Welfare		15,827
Culture and recreation		314,876
Total governmental activities depreciation expense	\$	<u>814,839</u>

The City has several construction projects in the planning stages as of September 30, 2012. Architectural and engineering fees of \$20,310 have been incurred as of September 30, 2012 on those other projects.

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2012 consisted of the following:

<i>DUE TO</i>	<i>DUE FROM</i>			
	<i>General</i>	<i>Non-major Governmental</i>	<i>Solid Waste Collection</i>	<i>Total</i>
General	\$ -	\$ 24,524	\$ 62,375	\$ 86,899
Non-major governmental	321,105	-	-	321,105
Total	\$ 321,105	\$ 24,524	\$ 62,375	\$ 408,004

All balances resulted from the time lag between dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

<i>TRANSFER TO</i>	<i>TRANSFER FROM</i>	
	<i>General Fund</i>	<i>Total</i>
Debt Service	\$ 1,322,154	\$ 1,322,154
Non-major governmental	145,250	145,250
Total	\$ 1,467,404	\$ 1,467,404

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 5 – INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the fund collecting the receipts to the Debt Service Fund as debt service payments become due, use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and move budgeted contributions from proprietary funds to the General Fund.

NOTE 6 – OPERATING LEASES

The City leases a building known as Riverview Mill to a local company and the United States Postal Service. For accounting purposes, these leases are considered to be operating leases. The cost of Riverview Mill is carried at \$318,771 less accumulated depreciation of \$45,602. The City recognizes rental income as it is earned. Future minimum rentals on the remaining noncancelable leases are as follows:

<u>Year ending September 30,</u>	<i>Governmental activities</i>
2013	\$ 29,000
2014	13,000
2015	5,000
2016	2,920
	<u>\$ 49,920</u>

NOTE 7 – CAPITAL LEASES

The City leases certain vehicles and equipment with lease terms through February 2014. Obligations under the capital leases have been recorded in the accompanying financial statements at the present value of future minimum lease payments, discounted at rates specified in the lease agreements. The total capitalized cost of the vehicles and equipment is included in capital assets. The future minimum lease payments under the capital leases and the net present value of those payments are as follows:

<u>Year Ending September 30,</u>	
2013	\$ 36,121
2014	6,874
Total minimum lease payments	<u>42,995</u>
Less: amount representing interest	1,590
Present value of minimum lease payments	<u>41,405</u>
Less: current portion	34,635
	<u>\$ 6,770</u>

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 8 – LONG-TERM LIABILITIES

Long-term liabilities at September 30, 2012 consisted of the following:

<i>Bonds:</i>	<i>Governmental</i>	<i>Business-type</i>
General Obligation Warrants, Series 1999, due in annual installments of \$335,000 - \$500,000 through 2019, bearing interest of 3.750% - 4.800%.	\$ 3,058,574	\$ -
General Obligation Warrants, Series 2007, due in annual installments of \$110,000 - \$645,000 through 2037, bearing interest rate of 7.375%.	7,826,655	-
<i>Other liabilities:</i>		
Note Payable, due in monthly payments of \$5,052 through April 2011 bearing interest at 3.900%, and additional monthly payments of \$5,004 through April 18, 2018, bearing interest rate of Prime rate less 1.630%.	285,990	-
Note Payable, due in monthly payments of \$4,926 through November 2012 bearing interest at 3.890%, and additional monthly payments of \$5,024 through November 23, 2019, bearing interest rate of 3.375%.	381,393	-
Capital Leases (See Note 7)	41,405	-
Compensated Absences	71,170	-
Total long-term liabilities	\$ 11,665,187	\$ -

Long-term liability activity for the year ended September 30, 2012, was as follows:

	<i>Beginning</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending</i>	<i>Due Within</i>
	<i>Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance</i>	<i>One Year</i>
<i>Governmental Activities</i>					
Debt:					
General obligation bonds	\$ 11,375,000	\$ -	\$ (475,000)	\$ 10,900,000	\$ 495,000
Less deferred amounts:					
Unamortized discounts	(12,334)	-	908	(11,426)	(764)
Refunding costs	(6,656)	-	3,311	(3,345)	(2,238)
Net general obligation warrants	11,356,010	-	(470,781)	10,885,229	491,998
Notes	889,577	-	(222,194)	667,383	103,364
Capital leases	88,967	-	(47,562)	41,405	34,635
Compensated absences	77,918	-	(6,748)	71,170	71,170
Governmental activity					
Long-term liabilities	\$ 12,412,472	\$ -	\$ (747,285)	\$ 11,665,187	\$ 701,167

Payments on the governmental activities debt are made by the Debt Service Fund or the General Fund. The compensated absences liability for the governmental activities will be liquidated by the General Fund.

General Obligation Warrants. The City issues general obligation warrants to provide funds for the acquisition of equipment and construction of major capital facilities for the City. General obligation warrants constitute general

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

obligations of the City for the payment of which the full faith, credit and taxing power of the City are irrevocably pledged. In addition, general obligation warrants have been issued to refund general obligation warrants.

The City issued \$5,980,000 General Obligation School Warrants, Series 1999 dated May 19, 1999. The warrants were issued to provide for the construction and equipment of the community center and to refund a portion of the 1994 general obligation capital improvement warrants then outstanding. The warrants have interest rates of 3.750% to 4.800% and mature annually between September 1, 2005 and September 1, 2019. Interest is payable on each March 1 and September 1.

The City issued \$7,940,000 General Obligation Warrants, Series 2007 dated December 17, 2007. The warrants were issued to construct infrastructure improvements. The warrants have interest rates of 7.375% and mature annually between March 1, 2012 and March 1, 2037. Interest is payable on each March 1 and September 1.

The City is in compliance with all significant limitations and restrictions related to the General Obligation Warrants except for the failure to complete audits in a timely manner.

Other Long-Term Debt. The City approved the issuance of a note payable on April 18, 2008 to refinance an existing note payable owed by the City. The note is due in 120 monthly payments, ranging from \$5,052 to \$5,004, beginning in May of 2008 through April of 2018. The note bears at a fixed rate of 3.9000% until April 2011. In April of 2011, the note will bear interest at a variable rate based on the J.P. Morgan Chase Prime rate minus 1.6300%. The note is secured by a second position in the City's sales tax revenue and gasoline taxes.

The City approved the issuance of a note payable on November 23, 2009 to provide additional operating funds. The note is due in 120 monthly payments, ranging from \$4,926 to \$5,024, beginning in December of 2009 through November 2019. The interest rate is currently 3.8900%, but is based on 69.0000% of the One Year U.S. Treasury Index for payments due after November of 2012. The note is secured by a second position in the City's sales tax revenue and gasoline taxes.

The following is a summary of future annual debt service payments on long-term obligations:

	<i>General Obligations</i>		<i>Other Long-term Debt</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2013	\$ 495,000	\$ 718,642	\$ 103,364	\$ 16,771
2014	525,000	692,692	106,460	13,871
2015	550,000	664,704	109,108	11,222
2016	580,000	634,459	111,831	8,500
2017-2021	2,345,000	2,678,082	236,620	10,409
2022-2026	1,290,000	2,136,906	-	-
2027-2031	1,840,000	1,565,713	-	-
2032-2036	2,630,000	750,407	-	-
2037	645,000	23,784	-	-
	<u>\$ 10,900,000</u>	<u>\$ 9,865,389</u>	<u>\$ 667,383</u>	<u>\$ 60,773</u>

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Plan Description. The City contributes to the Employees' Retirement System of Alabama ("ERS"), an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for the various state agencies and departments.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Substantially all employees are members of the ERS. Membership is mandatory for covered or eligible employees of the City. Benefits vest after ten years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) minimum guaranteed and (2) formula, of which the formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members. Act 2000-669 provides that, effective January 1, 2001, at retirement, a certified police officer or firefighter will receive one additional year of creditable service for each five years of service (as a certified police officer or firefighter) in determining the retirement allowance.

The ERS was established October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the ERS is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama (the “Legislature”).

However, the Legislature has granted the City authority to accept or reject various cost-of-living-adjustments (COLAs) granted to retirees. The ERS issues a publicly available financial report that includes financial statements and required supplementary information for the ERS. That report may be obtained by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150.

Funding Policy. Plan members are required to contribute 5.00% of their annual covered salary except for certified full-time firefighters and law enforcement officers. Effective January 1, 2001, the member contribution rate for certified full-time firefighters and law enforcement officers increased to 6.00% of employee compensation. The City is required to contribute at an actuarially determined rate. The rate for the year ended September 30, 2012 was 5.65% of annual covered payroll. The contribution requirements of plan members and the City are established by state statute.

Annual Pension Cost. For 2012, the City’s annual pension cost of \$137,416 was equal to the City’s required and actual contributions. The required contribution was determined as part of the September 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) an 8.00% investment rate of return (net of administrative expenses), (b) projected salary increase ranging from 3.75% to 7.25% per year, and (c) 0.00% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The City’s unfunded actuarial accrued liability, if any, is being amortized as a level percentage of projected payrolls. The remaining amortization period is 30 years.

Trend Information

<i>Fiscal Year Ending</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
9/30/2009	\$ 101,232	100%	\$ -
9/30/2010	\$ 108,306	100%	\$ -
9/30/2011	\$ 134,336	100%	\$ -

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Schedule of Funding Progress

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets* (a)</i>	<i>Actuarial Liability (AAL) - Entry Age (b)¹</i>	<i>Unfunded AAL (UAAL) (b- a)</i>	<i>Funded Ratio (a/b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a Percentage of Covered Payroll ((b-a)/c)</i>
9/30/2006 ²	\$ 4,839,799	\$ 4,536,895	\$ (302,904)	106.7%	\$ 2,751,266	-11.0%
9/30/2007	\$ 5,154,018	\$ 4,775,656	\$ (378,362)	107.9%	\$ 3,141,097	-12.0%
9/30/2008	\$ 5,315,256	\$ 5,245,139	\$ (70,117)	101.3%	\$ 3,430,849	-2.0%
9/30/2009	\$ 5,648,321	\$ 5,860,522	\$ 212,201	96.4%	\$ 3,227,237	6.6%
9/30/2010 ³	\$ 5,803,988	\$ 6,883,131	\$ 1,079,143	84.3%	\$ 3,502,484	30.8%
9/30/2010 ^{3,4}	\$ 5,803,988	\$ 6,922,131	\$ 1,118,143	83.8%	\$ 3,502,484	31.9%
9/30/2011 ²	\$ 5,935,208	\$ 6,915,709	\$ 980,501	85.8%	\$ 3,349,820	29.3%
9/30/2011 ^{2,4}	\$ 5,935,208	\$ 6,951,920	\$ 1,016,712	85.4%	\$ 3,349,820	30.4%

¹ Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

² Reflects changes in actuarial assumptions.

³ Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

⁴ Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

*Market Value of Assets as of September 30, 2011: \$5,146,097

The City does not provide any post-employment benefits to former employees.

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Various lawsuits are pending against the City. In addition, several claims have been filed which have not yet resulted in lawsuits. The liability, if any, associated with these matters is not determinable at September 30, 2012.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for the expenditures disallowed under terms of the grant. City management believes such disallowance, if any, will be immaterial.

The City approved the creation of “The Improvement District of the City of Valley, Alabama – Venue Project” (the “Improvement District”) and “The Cooperative District of the City of Valley, Alabama – Venue Project” (the “Cooperative District”) as provided by Chapters 99A and 99B of Title 11 of the Code of Alabama (1975), as

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

amended, in a special meeting of the City Council on April 30, 2007. In addition, the City approved a “Memorandum of Understanding” with ITC Holding, LLC to provide for economic development within the City.

The City agreed to do all things reasonably necessary to facilitate the levy of the following fees and charges within the Cooperative District, including the following items:

1. The levy of a one-cent charge on the sale of tangible personal property within the Cooperative District.
2. The levy of a charge on hotels and other lodging establishments located within the Cooperative District which will be equal to two percent of the cost of lodging paid by patrons of such establishments.
3. The levy by the Improvement District of property assessments on residential properties located within the Improvement District which was done on August 2, 2007 with a total assessed value of \$19,050,000.

The City believes it has performed all reasonable steps necessary to facilitate the issuance by the Cooperative District bonds with a total principal amount of \$19,050,000 in order to finance improvements necessary for the development of the project. The project was completed in January 2010.

NOTE 12 – SUBSEQUENT EVENTS

During November of 2013, the City determined its intent to sell the Riverview Mill building for salvage purposes in as-is condition for the highest offered price available. Factors included in the decision to sell the land included the costs of repairs, renovations, and other expenses required annually to maintain the building. As of the date of this report, the City continues to search for a buyer.

During January of 2013, the City leased the use of a City property to a local company for five years in exchange for monthly rent payments of \$200 each and approximately \$70,000 worth of improvements to be made to the property by the lessee.

During March of 2013, the City began moving City administration and police department operations from City Hall to temporary offices in Langdale Mill to allow for mold abatement and building renovation project. The project is expected to cost approximately \$950,000 and to be completed during fiscal year 2013.

The City has evaluated events subsequent to the date of the Statement of Net Assets through July 24, 2013, the date the financial statements were available to be issued. No events have occurred subsequent to the Statement of Net Assets date through July 24, 2013 that would require adjustment to the financial statements. Additionally, other than the events disclosed above, no events have occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012

DESCRIPTION	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Revenues:				
Taxes:				
Sales	\$ 5,086,235	\$ 5,086,235	\$ 5,967,978	\$ 881,743
Other:				
Motor vehicle sales tax	41,000	41,000	33,049	(7,951)
Motor fuels	188,000	188,000	192,664	4,664
Tobacco	115,000	115,000	119,114	4,114
Beer and wine	1,800	1,800	2,172	372
Lodging	52,000	52,000	64,287	12,287
	<u>397,800</u>	<u>397,800</u>	<u>411,286</u>	<u>13,486</u>
Total taxes	<u>5,484,035</u>	<u>5,484,035</u>	<u>6,379,264</u>	<u>895,229</u>
Licenses and permits:				
Business:				
General	1,040,000	1,040,000	1,009,900	(30,100)
Franchise fees	130,000	130,000	166,261	36,261
Rental	185,000	185,000	211,957	26,957
	<u>1,355,000</u>	<u>1,355,000</u>	<u>1,388,118</u>	<u>33,118</u>
Animal	6,000	6,000	4,188	(1,812)
Permits and inspections	76,500	76,500	91,484	14,984
	<u>1,437,500</u>	<u>1,437,500</u>	<u>1,483,790</u>	<u>46,290</u>
Intergovernmental revenue:				
Shared county revenue:				
Beer tax	53,500	53,500	52,149	(1,351)
Mobile home registration fees	600	600	568	(32)
	<u>54,100</u>	<u>54,100</u>	<u>52,717</u>	<u>(1,383)</u>
Shared state revenue:				
Bank excise tax	5,000	5,000	13,344	8,344
Share of liquor tax profits	1,300	1,300	2,842	1,542
	<u>6,300</u>	<u>6,300</u>	<u>16,186</u>	<u>9,886</u>

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012

DESCRIPTION	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
Other:				
Grants	38,397	242,573	193,454	(49,119)
Chambers county	-	1,500	1,500	-
	<u>38,397</u>	<u>244,073</u>	<u>194,954</u>	<u>(49,119)</u>
Total intergovernmental revenue	98,797	304,473	263,857	(40,616)
Charges for services:				
Public safety:				
Ambulance fees	105,000	360,000	378,381	18,381
Police protection and security fees	90,000	90,000	-	(90,000)
Copying	3,000	3,000	3,540	540
	<u>198,000</u>	<u>453,000</u>	<u>381,921</u>	<u>(71,079)</u>
Culture and recreation:				
Entry fees and other charges	250,000	250,000	294,541	44,541
Total charges for service	448,000	703,000	676,462	(26,538)
Fines and forfeits:				
Public safety:				
Fines and costs	56,900	59,781	78,092	18,311
	<u>56,900</u>	<u>59,781</u>	<u>78,092</u>	<u>18,311</u>
Investment income	450	450	603	153
Miscellaneous revenues:				
Other:				
Rental income	136,500	136,500	115,143	(21,357)
Contributions	87,000	166,885	77,229	(89,656)
Miscellaneous	16,500	16,500	7,975	(8,525)
Total miscellaneous revenues	<u>240,000</u>	<u>319,885</u>	<u>200,347</u>	<u>(119,538)</u>
Total revenues	7,765,682	8,309,124	9,082,415	773,291

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012

FUNCTION/DEPARTMENT/OBJECT	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Expenditures:				
Current:				
General government:				
Legislative:				
Personal services	61,931	61,931	61,132	(799)
Other	168,500	177,000	157,804	(19,196)
Total legislative	<u>230,431</u>	<u>238,931</u>	<u>218,936</u>	<u>(19,995)</u>
Administration:				
Personal services	429,400	430,346	359,667	(70,679)
Other	535,700	708,786	457,364	(251,422)
	<u>965,100</u>	<u>1,139,132</u>	<u>817,031</u>	<u>(322,101)</u>
Planning and development:				
Personal services	198,857	199,313	199,643	330
Other	46,740	46,740	304,058	257,318
	<u>245,597</u>	<u>246,053</u>	<u>503,701</u>	<u>257,648</u>
Other				
Nondepartmental:				
Alabama League of Municipalities	3,700	3,700	3,728	28
Chambers County Industrial Authority	24,410	24,410	24,410	-
East Alabama Planning Commission	5,715	5,715	5,714	(1)
Total nondepartmental	<u>33,825</u>	<u>33,825</u>	<u>33,852</u>	<u>27</u>
Total general government	1,474,953	1,657,941	1,573,520	(84,421)
Public safety:				
Police:				
Personal services	1,566,825	1,586,407	1,644,180	57,773
Other	277,600	304,620	308,642	4,022
Total police	<u>1,844,425</u>	<u>1,891,027</u>	<u>1,952,822</u>	<u>61,795</u>
Emergency medical services:				
Personal services	207,300	535,166	520,409	(14,757)
Other	26,010	87,500	78,047	(9,453)
Total emergency medical services	<u>233,310</u>	<u>622,666</u>	<u>598,456</u>	<u>(24,210)</u>

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012

FUNCTION/DEPARTMENT/OBJECT	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
Other:				
Nondepartmental:				
Chambers County Emergency Management Association	12,000	12,000	12,000	-
Crimestoppers	500	500	-	(500)
Total other	<u>12,500</u>	<u>12,500</u>	<u>12,000</u>	<u>(500)</u>
Total public safety	2,090,235	2,526,193	2,563,278	37,085
Public works:				
Personal services	778,483	780,078	659,507	(120,571)
Other	<u>325,563</u>	<u>325,563</u>	<u>329,281</u>	<u>3,718</u>
Total public works	1,104,046	1,105,641	988,788	(116,853)
Health:				
Other:				
Nondepartmental:				
East Alabama Mental Health	2,000	2,000	-	(2,000)
Humane Society	<u>37,895</u>	<u>37,895</u>	<u>38,743</u>	<u>848</u>
Total health	39,895	39,895	38,743	(1,152)
Welfare:				
Other:				
Nondepartmental:				
Tri County Childrens' Advocacy	800	800	800	-
Department of Human Resources	300	300	-	(300)
Coosa Valley Youth	7,847	7,847	7,847	-
Valley Masters Games	<u>5,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total welfare	13,947	18,947	18,647	(300)

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012

FUNCTION/DEPARTMENT/OBJECT	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
Culture and recreation:				
Parks and recreation:				
Personal services	426,225	428,657	403,273	(25,384)
Other	427,800	475,476	501,047	25,571
Total parks and recreation	<u>854,025</u>	<u>904,133</u>	<u>904,320</u>	<u>187</u>
Other:				
Nondepartmental:				
H. Grady Bradshaw Library	42,498	42,498	42,498	-
Valley Historical Preservation Commission	10,000	10,000	10,000	-
Valley Art Council	3,600	4,100	1,856	(2,244)
Valley Tree Board	7,500	7,500	7,500	-
	<u>63,598</u>	<u>64,098</u>	<u>61,854</u>	<u>(2,244)</u>
Special Events:				
Merry Go Round	-	44,803	35,927	(8,876)
Community Programs	7,000	7,000	166	(6,834)
Miscellaneous	1,400	1,400	-	(1,400)
	<u>8,400</u>	<u>53,203</u>	<u>36,093</u>	<u>(17,110)</u>
Total culture and recreation	926,023	1,021,434	1,002,267	(19,167)
Urban rehabilitation:				
Other:				
Nondepartmental:				
Dilapidated houses	12,500	12,500	16,805	4,305
Total urban rehabilitation	12,500	12,500	16,805	4,305

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012

FUNCTION/DEPARTMENT/OBJECT	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Capital outlay:	-	5,949	34,953	29,004
Debt service:				
Principal	135,589	135,589	261,551	125,962
Interest and charges	21,300	21,300	38,256	16,956
Total debt service	<u>156,889</u>	<u>156,889</u>	<u>299,807</u>	<u>142,918</u>
Total expenditures	<u>5,818,488</u>	<u>6,545,389</u>	<u>6,536,808</u>	<u>(8,581)</u>
Excess of revenues over expenditures	<u>1,947,194</u>	<u>1,763,735</u>	<u>2,545,607</u>	<u>781,872</u>
Other financing sources (uses):				
Insurance recoveries	-	7,341	7,341	-
Disposal of capital assets	-	13,748	31,619	17,871
Transfers to Senior Center Fund	(122,694)	(122,694)	(144,517)	(21,823)
Transfers to Cemetery Fund	-	-	(733)	(733)
Transfers to Debt Service Fund	<u>(1,218,181)</u>	<u>(1,218,181)</u>	<u>(1,322,154)</u>	<u>(103,973)</u>
Total other financing uses	<u>(1,340,875)</u>	<u>(1,319,786)</u>	<u>(1,428,444)</u>	<u>(108,658)</u>
Excess of revenues and other sources over expenditures and other uses	606,319	443,949	1,117,163	673,214
Fund balance, beginning of year	<u>1,242,688</u>	<u>1,189,954</u>	<u>(246,725)</u>	<u>(1,436,679)</u>
Fund balance, end of year	<u>\$ 1,849,007</u>	<u>\$ 1,633,903</u>	<u>\$ 870,438</u>	<u>\$ (763,465)</u>

UNAUDITED

SUPPLEMENTARY INFORMATION

NONMAJOR SPECIAL REVENUE FUNDS

Non-Major Special Revenue Funds – Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Seven-cent State Gasoline Tax Fund – This fund is used to account for the City’s share of revenues to be used exclusively for the purposes of paying the costs of transportation planning, the construction, reconstruction, maintenance, widening, alteration and improvement of public roads, bridges, streets, and other public ways.

Four and Five-cent State Gasoline Tax Fund – This fund is used to account for the City’s share of revenues to be used exclusively for the purposes of paying the costs of resurfacing, restoration, and rehabilitation of roads, bridges and streets, and bridge replacement and road construction.

Senior Center Fund – This fund is used to account for the grant revenues that are specifically restricted to the operation of a program which provides meals and other social services to persons 60 years or older.

Community Development Fund – This fund is used to account for grant revenues that are specifically restricted for use in making community improvements for recreation and sewers.

Cemetery Fund – This fund is used to account for moneys set aside for cemetery upkeep.

CITY OF VALLEY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2012

	<u>\$0.07 STATE GASOLINE TAX FUND</u>	<u>\$0.04 AND \$0.05 STATE GASOLINE TAX FUND</u>	<u>SENIOR CENTER FUND</u>	<u>COMMUNITY DEVELOPMENT FUND</u>	<u>CEMETARY FUND</u>	<u>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</u>
ASSETS						
Cash and cash equivalents	\$ 70,281	\$ 69,563	\$ 13,226	\$ 6,758	\$ 28,779	\$ 188,607
Taxes receivable, net	9,258	7,195	-	-	-	16,453
Grants receivable	-	-	2,431	-	-	2,431
Other receivables	-	-	159	-	-	159
Due from other funds	-	55,000	-	-	-	55,000
Total assets	<u>\$ 79,539</u>	<u>\$ 131,758</u>	<u>\$ 15,816</u>	<u>\$ 6,758</u>	<u>\$ 28,779</u>	<u>\$ 262,650</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 3,565	\$ 689	\$ -	\$ 4,254
Due to other funds	-	-	20,083	4,038	403	24,524
Total liabilities	<u>-</u>	<u>-</u>	<u>23,648</u>	<u>4,727</u>	<u>403</u>	<u>28,778</u>
Fund balances:						
Restricted	79,539	131,758	-	2,031	28,376	241,704
Unassigned	-	-	(7,832)	-	-	(7,832)
Total fund balances	<u>79,539</u>	<u>131,758</u>	<u>(7,832)</u>	<u>2,031</u>	<u>28,376</u>	<u>233,872</u>
Total liabilities and fund balances	<u>\$ 79,539</u>	<u>\$ 131,758</u>	<u>\$ 15,816</u>	<u>\$ 6,758</u>	<u>\$ 28,779</u>	<u>\$ 262,650</u>

The notes to the financial statements are an integral part of this statement.

CITY OF VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	<u><i>\$0.07 STATE GASOLINE TAX FUND</i></u>	<u><i>\$0.04 AND \$0.05 STATE GASOLINE TAX FUND</i></u>	<u><i>SENIOR CENTER FUND</i></u>	<u><i>COMMUNITY DEVELOPMENT FUND</i></u>	<u><i>CEMETARY FUND</i></u>	<u><i>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</i></u>
Revenues:						
Intergovernmental:						
Shared state gasoline tax	\$ 56,824	\$ 44,289	\$ -	\$ -	\$ -	\$ 101,113
Other intergovernmental	-	-	15,328	-	-	15,328
Total intergovernmental	<u>56,824</u>	<u>44,289</u>	<u>15,328</u>	<u>-</u>	<u>-</u>	<u>116,441</u>
Investment income	53	31	-	-	26	110
Other	-	-	14,696	-	6,505	21,201
Total revenues	<u>56,877</u>	<u>44,320</u>	<u>30,024</u>	<u>-</u>	<u>6,531</u>	<u>137,752</u>
Expenditures:						
Current:						
Public works	-	193	-	-	-	193
Welfare	-	-	173,959	-	2,983	176,942
Total expenditures	<u>-</u>	<u>193</u>	<u>173,959</u>	<u>-</u>	<u>2,983</u>	<u>177,135</u>
Excess revenues over (under) expenditures	<u>56,877</u>	<u>44,127</u>	<u>(143,935)</u>	<u>-</u>	<u>3,548</u>	<u>(39,383)</u>
Other financing sources:						
Sale of capital assets	-	-	-	6,758	-	6,758
Transfers in	-	-	144,517	-	733	145,250
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>144,517</u>	<u>6,758</u>	<u>733</u>	<u>152,008</u>
Net change in fund balances	56,877	44,127	582	6,758	4,281	112,625
Fund balances - beginning	<u>22,662</u>	<u>87,631</u>	<u>(8,414)</u>	<u>(4,727)</u>	<u>24,095</u>	<u>121,247</u>
Fund balances - ending	<u>\$ 79,539</u>	<u>\$ 131,758</u>	<u>\$ (7,832)</u>	<u>\$ 2,031</u>	<u>\$ 28,376</u>	<u>\$ 233,872</u>

The notes to the financial statements are an integral part of this statement.

NONMAJOR CAPITAL PROJECT FUNDS

Non-Major Capital Project Funds – Non-Major Capital Project Funds are used to account for the acquisition and improvement of major capital assets of the City.

Municipal Government Capital Improvement Fund – This fund is used to account for the City’s share of revenues to be used exclusively for the purposes of paying the costs of capital improvements or the renovation of capital improvements or to retire debt associated with capital improvements.

Capital Projects Fund – This fund is used to account for the City’s construction of the Venue Project, including the Fairfax Bypass road extension and improvements to the surrounding area. Proceeds of the 2007 bonds are being used to finance this project.

CITY OF VALLEY
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
SEPTEMBER 30, 2012

	<i>MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND</i>	<i>CAPITAL PRJOECTS FUND</i>	<i>TOTAL NONMAJOR CAPITAL PROJECT FUNDS</i>
<i>ASSETS</i>			
Cash and cash equivalents	\$ 87,596	\$ -	\$ 87,596
Due from other funds	90,000	176,105	266,105
Total assets	<u>\$ 177,596</u>	<u>\$ 176,105</u>	<u>\$ 353,701</u>
<i>FUND BALANCES</i>			
Fund balances:			
Assigned to capital projects	<u>\$ 177,596</u>	<u>\$ 176,105</u>	<u>\$ 353,701</u>
Total fund balances	<u>\$ 177,596</u>	<u>\$ 176,105</u>	<u>\$ 353,701</u>

The notes to the financial statements are an integral part of this statement.

CITY OF VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND	CAPITAL PROJECTS FUND	TOTAL NONMAJOR CAPITAL PROJECT FUNDS
Revenues:			
Intergovernmental:			
Other intergovernmental	\$ 82,255	\$ -	\$ 82,255
Total intergovernmental	82,255	-	82,255
Investment income	66	-	66
Total revenues	82,321	-	82,321
Expenditures:			
Capital outlay	5,240	-	5,240
Total expenditures	5,240	-	5,240
Excess revenues over expenditures	77,081	-	77,081
Net change in fund balances	77,081	-	77,081
Fund balances - beginning	100,515	176,105	276,620
Fund balances - ending	\$ 177,596	\$ 176,105	\$ 353,701

The notes to the financial statements are an integral part of this statement.

SUPPLEMENTAL SCHEDULE

CITY OF VALLEY
SCHEDULE OF DEBT SERVICE
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	<i>General Obligation Warrants, Series 1999</i>		<i>General Obligation Warrants, Series 2007</i>		<i>Notes</i>		<i>Total General Long-term Debt</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013	\$ 380,000	\$ 145,420	\$ 115,000	\$ 573,222	\$ 103,364	\$ 16,771	\$ 598,364	\$ 735,413	\$ 1,333,777
2014	400,000	128,320	125,000	564,372	106,460	13,871	631,460	706,563	1,338,023
2015	415,000	109,920	135,000	554,784	109,108	11,222	659,108	675,926	1,335,034
2016	435,000	90,000	145,000	544,459	111,831	8,500	691,831	642,959	1,334,790
2017	460,000	69,120	155,000	533,397	112,462	5,701	727,462	608,218	1,335,680
2018	480,000	47,040	170,000	521,413	56,971	3,314	706,971	571,767	1,278,738
2019	500,000	24,000	180,000	508,506	58,923	1,362	738,923	533,868	1,272,791
2020	-	-	195,000	494,678	8,264	32	203,264	494,710	697,974
2021	-	-	205,000	479,928	-	-	205,000	479,928	684,928
2022	-	-	225,000	464,072	-	-	225,000	464,072	689,072
2023	-	-	240,000	446,925	-	-	240,000	446,925	686,925
2024	-	-	255,000	428,672	-	-	255,000	428,672	683,672
2025	-	-	275,000	409,128	-	-	275,000	409,128	684,128
2026	-	-	295,000	388,109	-	-	295,000	388,109	683,109
2027	-	-	320,000	365,431	-	-	320,000	365,431	685,431
2028	-	-	340,000	341,094	-	-	340,000	341,094	681,094
2029	-	-	365,000	315,097	-	-	365,000	315,097	680,097
2030	-	-	395,000	287,072	-	-	395,000	287,072	682,072
2031	-	-	420,000	257,019	-	-	420,000	257,019	677,019
2032	-	-	455,000	224,753	-	-	455,000	224,753	679,753
2033	-	-	485,000	190,091	-	-	485,000	190,091	675,091
2034	-	-	525,000	152,847	-	-	525,000	152,847	677,847
2035	-	-	560,000	112,838	-	-	560,000	112,838	672,838
2036	-	-	605,000	69,878	-	-	605,000	69,878	674,878
2037	-	-	645,000	23,784	-	-	645,000	23,784	668,784
	<u>\$ 3,070,000</u>	<u>\$ 613,820</u>	<u>\$ 7,830,000</u>	<u>\$ 9,251,569</u>	<u>\$ 667,383</u>	<u>\$ 60,773</u>	<u>\$ 11,567,383</u>	<u>\$ 9,926,162</u>	<u>\$ 21,493,545</u>