

**CITY OF VALLEY, ALABAMA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014**

LIST OF PRINCIPAL OFFICIALS OF THE CITY OF VALLEY

ELECTED AND APPOINTED OFFICIALS

Leonard Riley, Mayor
Henry L. Cooper, Council Member
Jimmy Gilson, Council Member
James L. Jones, Council Member
Marquetta Madden, Council Member
Randall Maddux, Council Member
Paul Story, Council Member
Lana Wiggins, Council Member
Regina T. Glaze, City Treasurer/City Clerk

DEPARTMENT HEADS

Laurie Blount, Recreation
Patrick Bolt, Public Works
Scott Hamil, EMS
Travis Carter, Planning
Tommy Weldon, Public Safety

CITY OF VALLEY, ALABAMA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
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FINANCIAL SECTION



Independent Auditor's Report

To the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Valley, Alabama, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Valley, Alabama'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. 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.

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 Valley, Alabama, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2014 the City adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

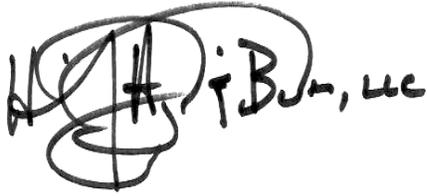
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages VII–XVII and 30–35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Valley, Alabama's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and schedule of debt service are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor 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 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 combining nonmajor fund financial statements and the schedule of debt service are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink, appearing to read "H. Wright Huguley & Boles, LLC". The signature is stylized and somewhat scribbled.

September 9, 2015
Auburn, Alabama

City of Valley, Alabama

Management's Discussion and Analysis
For the Year Ended September 30, 2014
(Unaudited)

As management of the City of Valley (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014.

HIGHLIGHTS AND ACCOMPLISHMENTS

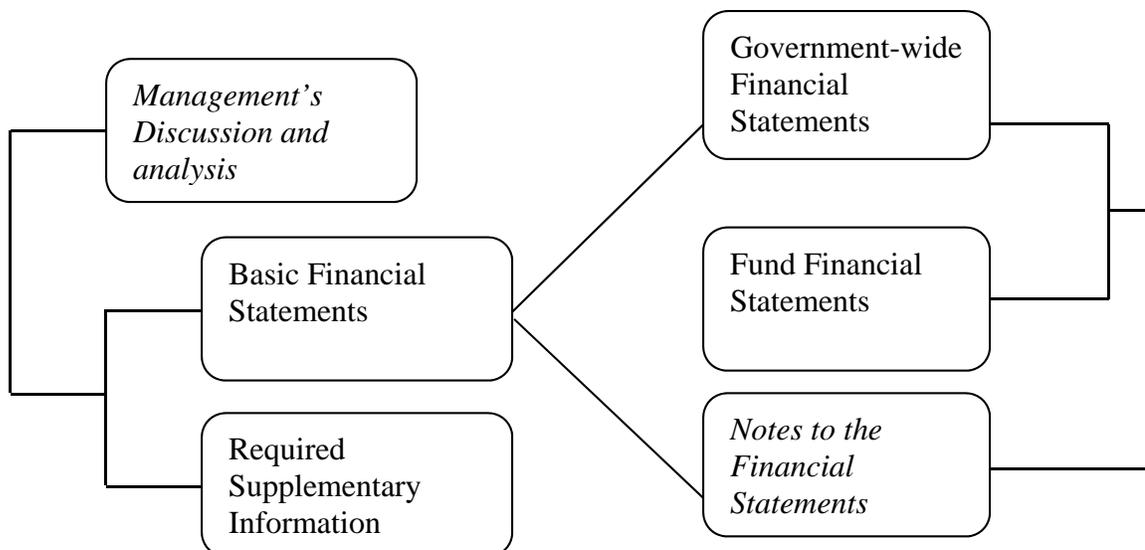
- After the Mold and Remediation work was done on City Hall and the Police Department, the Valley City Hall Staff and Police Department moved back into their respective offices in the time frame allotted. EMS moved back into their offices and dayrooms with new bunks and updated facilities. CID moved from the Shawmut Post Office to the Public Works building on Fairfax Bypass to free-up another building. The Drug Task Force moved from Lanett to the Valley Public Works complex. Priorities for the 2014 fiscal year were:
 - Maintain the General Fund balance
 - Apply for a Sewer Grant with East Alabama Water
 - Continue to sell property not necessary for normal operations of the City
 - Sportsplex renovation
 - Paving projects
 - Clean up the City
- In October of 2013, Paving on 28th Street and Charter Drive was completed. The parking lot at the City Hall and Police Department Complex was paved. The residential rental properties listing with owner's information was compiled to increase revenue. Residential Rental Revenue for 2014 is up by 12% over the prior year.
- In November of 2013, the City solicited bids for various paving projects. The total bid to pave the projects was \$970,364.
- The City received an A+ bond rating when the General Obligation Warrants, Series 2014, were issued on April 1, 2014 in the amount of \$9,075,000. The Series 2014 warrants were issued for the purposes of advance refunding and redeeming a \$6,985,000 portion of the 2007 Series Warrants, paying the cost of issuance for the Series 2014 Warrants and to get a better interest rate. This Warrant Series is estimated to save the City over \$1,300,000.
- The City ended Fiscal Year 2014 with a Governmental Funds fund balance of \$3,566,088. The prior year Governmental Funds fund balance was \$2,465,654.
- In December of 2013, the Sportsplex improvements were authorized in the amount of \$2,322,029 to renovate the City's baseball fields. The project began early in 2014, and was completed in 2015. The project was funded through the City's operating receipts and the City did not incur any debt related to this project. The project included:

- Complete rehabilitation of ball fields
 - New landscaping
 - New concrete
- A Sports and Recreation Complex Baseball Facility Roof was bid and replaced for \$58,469. Five scoreboards were replaced at the Sportsplex Facility.
- In January of 2014, EMS changed collection agencies to pay lower fees for collections (approximately 50% less) in order to increase EMS profits and collections.
- Funds were budgeted for each department for Capital Improvements, including: City Hall \$50,000, Police \$129,000, Planning \$14,000, and Public Works \$92,000.
- A Farmers' Market Pavilion was constructed and the adjacent parking lot was repaired. Total costs for the project were \$18,000. The project was partially funded by a \$10,000 grant from the Alabama Department of Senior Service that the City received due to its enhanced needs. The remaining project costs were funded with the City's Warehouse Salvage funds. The Farmers' Market operates June through September, making the Pavilion an asset for the farmers and citizens alike.
- The City ratified an extension of the Sales & Use Tax for continued revenue for a bond issue. During the year, the City continued to demolish dilapidated houses and sell off surplus properties that are no longer needed. The purchase of a mini-excavator serves to be more cost efficient for Public Works to clean up the dilapidated properties.
- In May of 2014, the City contracted with ESA to compile a new Solid Waste Management Plan.
- In June of 2014, the City applied for a Community Development Block Grant in the amount of \$450,000. An ARC grant for \$200,000 in Fiscal Year 2014 was also applied for with East Alabama Water for rehabilitating a deteriorated section of the City's sewer system.
- In July of 2014, Valley EMS was awarded a grant for 95% of the total \$145,000 cost for a new ambulance. The grant funds and the ambulance were received by Valley EMS in FY 2015.
- The City received a WRATT Grant in the amount of \$13,645 to purchase decorative lights on Fob James Drive and indoor lights at the Community Center. The new lights are expected to lower costs and assist the City in becoming more energy efficient.
- In April of 2014, Valley entered into an agreement with Gadsden State Community College through the East Alabama Highway Safety Office for official participation in the Traffic Safety Program grant for 100% funded salary, plus traffic enforcement/traffic safety overtime and traffic enforcement/traffic safety equipment.
- Community Center memberships were \$285,014, which was 7% more than the previous year. EMS Revenues were \$386,017, which was 26% more than the previous year. Rental License Fees were \$313,158 at September 30, 2014, which was 12% more than the prior year.

- The City granted a tax abatement to C & C Fabrication in December of 2013. C & C Fabrication expanded, purchased new machinery and hired 6 additional employees.
- The City continues to sell surplus property not necessary for normal operations. The following properties were sold in Fiscal Year 2014:
 - Riverview Post Office
 - Tater Milner Field
 - Negotiated Contract on Langdale Mill
 - Shawmut Circle and Parking Lot
- The following roadways were paved during the 2013-2014 Fiscal Year:
 - 54th Street East (15th Avenue to US 29)
 - 20th Avenue East (US 29 to Cleveland Road)
 - Trammell Avenue West (Cusseta Road to Frasier Street)
 - School Street East (California Road to Columbus Road)
 - City Hall Parking Lot
 - Fob James Drive
 - Charter Drive and 28th Street
- Bids have been solicited on the following streets to be paved in Fiscal Year 2016:
 - 20th Avenue (Cleveland Road to Columbus Road)
 - McGinty Crossing to Valley city limits
 - Boulevard (from Trammell Block to River Road)
 - 30th Street (from 12th Avenue to Valley city limits)
 - River Road (from Trammell to Towel Avenue)
 - Fairfax Bypass
 - Crestview Lane
 - Beech Street
 - Alabama Avenue
 - Moore Avenue

USING THIS ANNUAL REPORT

Basic Annual Financial Report



Reporting the City as a Whole

Our analysis of the City as a whole begins on page X. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in it. You can think of the City's net position – the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. It is necessary to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, public works, culture and recreation, and general administration. Sales taxes, business licenses and permits, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the costs of certain services it provides. The operations of the City's Solid Waste Collection fund are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page XIV. The fund financial statements begin on page three and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may also establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches:

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation at the bottom of the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in a proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

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 Valley, net position totaled \$12,996,073 as of September 30, 2014. This is an increase from last year and is due primarily to a decrease in expenses during the current year as part of the City's continued cost reduction efforts.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay that debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City is presenting a comparative analysis of government-wide data below:

CITY OF VALLEY NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 4,151,802	\$ 3,098,560	\$ 366,236	\$ 344,879	\$ 4,518,038	\$ 3,443,439
Capital assets	19,707,213	19,043,859	15,248	-	19,722,461	19,043,859
Total assets	23,859,015	22,142,419	381,484	344,879	24,240,499	22,487,298
Advance refunding costs	1,731,480	-	-	-	1,731,480	-
Total deferred outflows of resources	1,731,480	-	-	-	1,731,480	-
Total assets and deferred outflows of resources	<u>\$ 25,590,495</u>	<u>\$ 22,142,419</u>	<u>\$ 381,484</u>	<u>\$ 344,879</u>	<u>\$ 25,971,979</u>	<u>\$ 22,487,298</u>
Long term debt	\$ 11,689,338	\$ 10,351,083	\$ -	\$ -	\$ 11,689,338	\$ 10,351,083
Other liabilities	1,116,133	1,010,168	169,634	188,120	1,285,767	1,198,288
Total Liabilities	12,805,471	11,361,251	169,634	188,120	12,975,105	11,549,371
Unearned revenues	801	-	-	-	801	-
Total deferred inflows of resources	801	-	-	-	801	-
Total liabilities and deferred inflows of resources	<u>\$ 12,806,272</u>	<u>\$ 11,361,251</u>	<u>\$ 169,634</u>	<u>\$ 188,120</u>	<u>\$ 12,975,906</u>	<u>\$ 11,549,371</u>
Net position:						
Net investment in capital asset:	\$ 9,162,899	\$ 8,316,444	\$ 15,248	\$ -	\$ 9,178,147	\$ 8,316,444
Restricted	109,805	110,689	-	-	109,805	110,689
Unrestricted	3,511,519	2,354,035	196,602	156,759	3,708,121	2,510,794
Total net position	<u>\$ 12,784,223</u>	<u>\$ 10,781,168</u>	<u>\$ 211,850</u>	<u>\$ 156,759</u>	<u>\$ 12,996,073</u>	<u>\$ 10,937,927</u>

Governmental current and other assets increased significantly during the current year due primarily to the City's improved cash position resulting from a decrease in expenses related to the City's general government, Public Works, and Culture and Recreation, as well as a decrease in interest expense as compared to the prior year.

Governmental capital assets increased significantly from the prior year due primarily to repaving projects that were performed, as well as the beginning of the Sportsplex ballfield renovation project.

Governmental deferred outflows of resources in the current year are due to the advance refunding costs recorded by the City as a result of the 2014 Series bond issuance to advance refund a portion of the City's 2007 Series bonds. Net position of the governmental activities increased primarily due to a decrease in expenses in the current year.

Governmental long term debt increased in the current year due to the City's issuance of the 2014 Series bonds in the amount of \$9,075,000. The increase was partially offset by the scheduled principal payments

made by the City during the current year and the portion of the 2007 bonds that was refunded by the proceeds of the 2014 Series.

Net position in the business-type activities increased due to the revenues in the solid waste collection services exceeding expenses during the current year.

Net position shown in the governmental activities as Net investment in Capital Assets, is \$9,162,899. This amount consists of \$19,707,213 of capital assets that are reduced by \$10,544,314 of related net debt that was issued to finance construction and acquisition of various capital assets, including the City's Sportsplex and consists of the 2014 General Obligation Warrants, the 2013 General Obligation Warrants and the 2007 General Obligation Warrants.

CITY OF VALLEY CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,182,272	\$ 1,032,337	\$686,580	\$695,039	\$ 1,868,852	\$ 1,727,376
Operating grants and contributions	136,830	287,222	-	-	136,830	287,222
Capital grants and contributions	587,180	599,105	-	-	587,180	599,105
General revenues:						
Taxes:						
Sales	6,285,426	6,431,615	-	-	6,285,426	6,431,615
Other	526,727	500,357	-	-	526,727	500,357
Licenses and permits	1,640,072	1,590,254	-	-	1,640,072	1,590,254
Investment earnings	2,969	1,745	300	-	3,269	1,745
Insurance recovery	11,035	2,061	-	-	11,035	2,061
(Loss)/Gain on sale of capital assets	(215,000)	24,648	-	-	(215,000)	24,648
Miscellaneous	-	-	1,221	1,332	1,221	1,332
Total revenues	10,157,511	10,469,344	688,101	696,371	10,845,612	11,165,715
Expenses:						
General government	1,781,717	2,198,664	-	-	1,781,717	2,198,664
Public safety	2,741,392	2,830,726	-	-	2,741,392	2,830,726
Public works	1,133,942	1,104,868	-	-	1,133,942	1,104,868
Health	40,750	40,750	-	-	40,750	40,750
Culture and recreation	1,348,600	1,360,970	-	-	1,348,600	1,360,970
Welfare	223,046	220,185	-	-	223,046	220,185
Urban rehabilitation	24,314	17,828	-	-	24,314	17,828
Interest on long term debt	672,789	774,998	-	-	672,789	774,998
Solid Waste	-	-	633,010	610,295	633,010	610,295
Impairment loss on capital assets held for sale	-	443,915	-	-	-	443,915
Total expenses	7,966,550	8,992,904	633,010	610,295	8,599,560	9,603,199
Increase in net position	\$ 2,190,961	\$ 1,476,440	\$ 55,091	\$ 86,076	\$ 2,246,052	\$ 1,562,516

The City's charges for services increased 8% from the prior year. Sales tax collections decreased 2% from the prior year, while other tax collections increased 5% from the prior year. Revenues from licenses and permits increased 3% primarily due to the City's increased collection efforts. A loss on sale of assets for \$215,000 occurred during the year as the City continued to sell surplus property and equipment as part of its ongoing effort to reduce annual upkeep costs. Overall, governmental revenue decreased 3% from the prior year.

The City's General Government expenses decreased by 19% from the prior year as part of the City's ongoing efforts to reduce costs and Public Safety expenses also decreased by 3%.

Business-type revenues decreased by 1% and expenses increased 4% during the current year due to an increase in personnel costs.

Government-wide revenues decreased by 3%, while government-wide expenses, not including the impairment charge, decreased by 6%. The decrease was primarily due to the City's efforts to reduce expenses across functions and departments during the current year. Interest expense related to debt decreased by 13% due to the lower interest rate achieved by the City through its issuance of the 2014 Series bonds that advance refunded a portion of the 2007 Series bonds.

THE CITY FUNDS

Governmental Funds

The focus of the City of Valley'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's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The differences between the governmental activities in the government-wide financial statements on page one and the balance sheet for governmental funds on page three are explained on page four. The differences in the Statement of Activities on page two and the Statement of Revenues, Expenditures, and Changes in Fund Balances on page five are explained on page six.

As the City completed the year, its governmental funds (as presented in the balance sheet on page three) reported a combined fund balance of \$3,566,088 and \$2,465,654 as of September 30, 2014 and 2013, respectively. The increase in the combined fund balance is a result of revenues exceeding expenses during the current year and the sale of property not required for normal City operations. Both of these factors contributed to an improvement in the City's cash position during the current year. The General Fund's total fund balance increased to \$3,113,975 in the current year from \$1,818,179 in the prior year. The General Fund's Unassigned Fund Balance increased to \$3,071,616.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the Solid Waste Fund increased to \$211,850 as of September 30, 2014. The Solid Waste fund net position as of September 30, 2013 was \$156,759.

General Fund Budgetary Highlights

Over the course of the year, the City Council authorized several changes to the General Fund budget for the fiscal year ending September 30, 2014. The most significant adjustments are itemized below:

- 1) \$92,309 Takeuchi excavator
- 2) \$74,171 Police cars
- 3) \$34,736 Timekeeping software
- 4) \$33,154 Administrative police vehicles
- 5) \$27,731 Scoreboards
- 6) \$17,895 Community Center HVAC unit
- 7) \$ 16,415 Police service revolvers
- 8) \$ 7,150 Community Center stair lift

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Valley's investment in capital assets for its government as of September 30, 2014 amounted to \$19,722,461 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, infrastructure, capital assets held for sale and construction in progress. New investments in capital assets during the year ended September 30, 2014 included the following significant projects:

- 1) Street repaving projects
- 2) Police vehicles
- 3) Sportsplex renovations

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,127,962	\$ 2,450,311	\$ -	\$ -	\$ 2,127,962	\$ 2,450,311
Buildings	6,368,497	6,530,463	-	-	6,368,497	6,530,463
Improvements other than buildings	708,903	854,035	-	-	708,903	854,035
Equipment and furniture	827,465	617,941	15,248	-	842,713	617,941
Infrastructure	8,739,055	7,739,124	-	-	8,739,055	7,739,124
Capital assets held for sale	491,021	763,774	-	-	491,021	763,774
Construction in progress	444,310	88,211	-	-	444,310	88,211
Total	<u>\$ 19,707,213</u>	<u>\$ 19,043,859</u>	<u>\$15,248</u>	<u>\$ -</u>	<u>\$ 19,722,461</u>	<u>\$ 19,043,859</u>

Computation of Legal Debt Margin

Assessed value of real and personal taxable property as of 9-30-14 ¹	<u>\$ 76,860,700</u>
Debt limit, twenty percent of assessed value (constitutional limitation) ²	\$ 15,372,140
Debt in governmental activities	<u>\$ 12,442,084</u>
Total general obligation debt for computation	<u>12,442,084</u>
Net Bonded Indebtedness	<u>12,442,084</u>
Legal Debt Margin	<u>\$ 2,930,056</u>

(1) Source: Chambers County Revenue Commissioner

(2) Section 225, as amended, Constitution of State of Alabama, limits debt of the City of Valley to twenty percent of the assessed value of property.

Debt Administration

The City issued General Obligation Warrants Series 2014 in the amount of \$9,075,000 on April 1, 2014. The Series 2014 Warrants were issued for the purpose of advance refunding and redeeming a \$6,985,000 portion of the Series 2007 Warrants subject to mandatory redemption or maturing on March 1, 2019 through March 1, 2037, paying the cost of issuing the Series 2014 Warrants and to get a better interest

rate on the Series 2007 Warrants. This Warrant Series is estimated to save the City over \$1,300,000. The City's obligation bond rating from Standard & Poor's is A+ for the Series 2014 warrants.

Debt Service Requirements on General Obligation Debt

See Note 7 in the Notes to the Financial Statements for the City's debt service requirements as of September 30, 2014 and the supplementary Schedule of Debt Service schedule included with this report.

ECONOMIC FACTORS

The City is located in Chambers County, Alabama. The County's economy has improved tremendously and has moved from leading the state of Alabama in unemployment rates to leading the nation in unemployment rate decline. By recruiting automotive suppliers and other businesses, Chambers County has led the country in job creation for a Tier 6 county.

Knauf Insulation has committed to double production at its Lanett, Alabama plant, by adding as many as 100 new jobs in an expansion project that will make the Chambers County facility one of the nation's largest insulation factories. Knauf will invest more than \$30 million dollars to revitalize and upgrade the plant's equipment, boosting its output of energy efficient material. The projected date of completion is during the latter part of 2015.

In June of 2014, KMIN USA relocated to the Fairfax Complex with operations to begin late October or early November that will lead to approximately 200 jobs within a 3-year period.

In April of 2014, Hantal Alabama Corporation committed to building a \$20 million plant in the Chambers County Industrial Park. Hantal is in the business of e-coating and doing chemical processes needed in the production of automobile parts. Hantal Alabama will be the sixth auto supplier to locate in the Cusseta Park in the last eight years and will employ 200 people.

Fiscal Year 2014 was a year of progress. One of the greatest accomplishments in 2014 was the refinancing of a portion of the Series 2007 General Obligation Warrants. As reflected by the 7% increase in Community Center revenue, the 26% increase in EMS revenue, and the 12% increase in rental license revenue, Valley continues to see ways to improve and better collect City revenues.

FINANCIAL CONTACT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with an overview of the City's finances and show accountability for the money received. If you have questions about this report or need additional information, contact the City Clerk's Office at 20 Fob James Drive, or P.O. Box 186, Valley, Alabama 36854.

BASIC FINANCIAL STATEMENTS

CITY OF VALLEY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
ASSETS				
Cash and equivalents	\$ 3,244,410	\$ 275,338	\$ 3,519,748	\$ 21,278
Accounts receivable, net	96,980	87,657	184,637	-
Taxes receivable, net	525,752	-	525,752	-
Grants receivable	3,459	-	3,459	-
Other receivables	39,295	1,710	41,005	-
Inventories	33,465	-	33,465	-
Prepaid expenses	98,636	1,531	100,167	-
Restricted assets:				
Temporarily restricted:				
Cash with fiscal agent	109,805	-	109,805	-
Capital assets held for sale	491,021	-	491,021	-
Capital assets:				
Land and construction in progress	2,572,272	-	2,572,272	-
Infrastructure, net of depreciation	8,739,055	-	8,739,055	-
Buildings and improvements, net of depreciation	7,077,400	-	7,077,400	-
Equipment, net of depreciation	827,465	15,248	842,713	-
Total capital assets	<u>19,216,192</u>	<u>15,248</u>	<u>19,231,440</u>	<u>-</u>
Total assets	<u>23,859,015</u>	<u>381,484</u>	<u>24,240,499</u>	<u>21,278</u>
DEFERRED OUTFLOWS OF RESOURCES				
Advance refunding costs	1,731,480	-	1,731,480	-
Total deferred outflows of resources	<u>1,731,480</u>	<u>-</u>	<u>1,731,480</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 25,590,495</u>	<u>\$ 381,484</u>	<u>\$ 25,971,979</u>	<u>\$ 21,278</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 361,005	\$ 48,040	\$ 409,045	\$ -
Accrued payroll and benefits	97,453	2,640	100,093	-
Interest payable	28,612	-	28,612	-
Internal balances	(31,866)	31,866	-	-
Unearned revenue	10,000	87,088	97,088	-
Due within one year	650,929	-	650,929	-
Due in more than one year	11,689,338	-	11,689,338	-
Total liabilities	<u>12,805,471</u>	<u>169,634</u>	<u>12,975,105</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenues	801	-	801	-
Total deferred inflows of resources	<u>801</u>	<u>-</u>	<u>801</u>	<u>-</u>
Total liabilities and deferred inflows of resources	12,806,272	169,634	12,975,906	-
NET POSITION				
Net investment in capital assets	9,162,899	15,248	9,178,147	-
Restricted for:				
Debt service	109,805	-	109,805	-
Unrestricted	3,511,519	196,602	3,708,121	21,278
Total net position	<u>\$ 12,784,223</u>	<u>\$ 211,850</u>	<u>\$ 12,996,073</u>	<u>\$ 21,278</u>

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

CITY OF VALLEY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

FUNCTIONS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			COMPONENT UNIT
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Primary government:								
Governmental activities:								
General government	\$ 1,781,717	\$ 170,853	\$ -	\$ -	\$ (1,610,864)	\$ -	\$ (1,610,864)	\$ -
Public safety	2,741,392	505,159	980	13,645	(2,221,608)	-	(2,221,608)	-
Public works	1,133,942	8,597	26,440	573,535	(525,370)	-	(525,370)	-
Health	40,750	-	-	-	(40,750)	-	(40,750)	-
Culture and recreation	1,348,600	497,663	74,996	-	(775,941)	-	(775,941)	-
Welfare	223,046	-	34,414	-	(188,632)	-	(188,632)	-
Urban rehabilitation	24,314	-	-	-	(24,314)	-	(24,314)	-
Interest on long-term debt	672,789	-	-	-	(672,789)	-	(672,789)	-
Total governmental activities	<u>7,966,550</u>	<u>1,182,272</u>	<u>136,830</u>	<u>587,180</u>	<u>(6,060,268)</u>	<u>-</u>	<u>(6,060,268)</u>	<u>-</u>
Business-type activities:								
Solid waste	633,010	686,580	-	-	-	53,570	53,570	-
Total business-type activities	633,010	686,580	-	-	-	53,570	53,570	-
Total primary government	<u>\$ 8,599,560</u>	<u>\$ 1,868,852</u>	<u>\$ 136,830</u>	<u>\$ 587,180</u>	<u>(6,060,268)</u>	<u>53,570</u>	<u>(6,006,698)</u>	<u>-</u>
Component Unit								
Valley Historic Preservation Commission	3,090	-	14,053	-	-	-	-	10,963
Total component unit	<u>\$ 3,090</u>	<u>\$ -</u>	<u>\$ 14,053</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 10,963</u>
General revenues:								
Taxes:								
Sales					6,285,426	-	6,285,426	
Other					526,727	-	526,727	
Licenses and permits					1,640,072	-	1,640,072	-
Investment earnings					2,969	300	3,269	-
Insurance recovery money					11,035	-	11,035	-
Miscellaneous					-	1,221	1,221	1,001
Loss on sale of capital assets					(215,000)	-	(215,000)	-
Total general revenues, transfers and special items					<u>8,251,229</u>	<u>1,521</u>	<u>8,252,750</u>	<u>1,001</u>
Change in net position					2,190,961	55,091	2,246,052	11,964
Net position - beginning (restated)					10,593,262	156,759	10,750,021	9,314
Net position - ending					<u>\$ 12,784,223</u>	<u>\$ 211,850</u>	<u>\$ 12,996,073</u>	<u>\$ 21,278</u>

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

CITY OF VALLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and cash equivalents	\$ 3,173,806	\$ -	\$ 70,604	\$ 3,244,410
Accounts receivable, net	96,980	-	-	96,980
Taxes receivable, net	510,752	-	15,000	525,752
Grants receivable	-	-	3,459	3,459
Other receivables	8,894	-	50	8,944
Inventories	33,465	-	-	33,465
Due from other funds	71,390	-	271,105	342,495
Due from other governments	-	-	30,351	30,351
Temporarily restricted assets:				
Cash with fiscal agent	-	109,805	-	109,805
Total assets	<u>\$ 3,895,287</u>	<u>\$ 109,805</u>	<u>\$ 390,569</u>	<u>\$ 4,395,661</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 311,180	\$ -	\$ 8,098	\$ 319,278
Retainage payable	33,331	-	-	33,331
Accrued payroll and benefits	97,453	-	-	97,453
Miscellaneous payables	7,664	-	-	7,664
Due to other funds	271,105	-	39,524	310,629
Due to other governments	93	-	639	732
Deposit held for sale of land	10,000	-	-	10,000
Total liabilities	<u>730,826</u>	<u>-</u>	<u>48,261</u>	<u>779,087</u>
Deferred outflows of resources:				
Unearned revenue	50,486	-	-	50,486
Total deferred outflows of resources	<u>50,486</u>	<u>-</u>	<u>-</u>	<u>50,486</u>
Fund balances:				
Nonspendable:				
Inventories	33,465	-	-	33,465
Other receivables	8,894	-	-	8,894
Restricted to:				
Debt service	-	109,805	-	109,805
Special revenue	-	-	86,816	86,816
Assigned to:				
Capital projects	-	-	268,658	268,658
Unassigned	3,071,616	-	(13,166)	3,058,450
Total fund balances	<u>3,113,975</u>	<u>109,805</u>	<u>342,308</u>	<u>3,566,088</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,895,287</u>	<u>\$ 109,805</u>	<u>\$ 390,569</u>	<u>\$ 4,395,661</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 POSITION
SEPTEMBER 30, 2014

Total fund balances, governmental funds		\$	3,566,088
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Prepaid items and deferred charges which benefit future periods are not reported as assets in governmental funds.			98,636
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 Position.			19,707,213
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 Position.			49,685
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	(\$12,442,083)		
Discounts, debt issuance and refunding costs	1,897,769		
Accrued interest payable	(28,612)		
Compensated absences	(64,473)		
Total long-term liabilities	(10,637,399)		(10,637,399)
Net position of governmental activities		\$	12,784,223

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, 2014

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
Taxes:				
Sales and miscellaneous taxes	\$ 6,185,799	\$ -	\$ 99,627	\$ 6,285,426
Other taxes	416,073	-	-	416,073
Licenses and permits	1,640,072	-	-	1,640,072
Intergovernmental	100,227	-	134,040	234,267
Charges for services	835,157	-	-	835,157
Fines and forfeits	77,549	-	-	77,549
Investment income	2,790	9	170	2,969
Contributions	71,966	-	-	71,966
Miscellaneous revenues	229,178	-	41,379	270,557
Total revenues	<u>9,558,811</u>	<u>9</u>	<u>275,216</u>	<u>9,834,036</u>
Expenditures:				
Current:				
General government	1,544,569	-	-	1,544,569
Public safety	2,627,497	-	-	2,627,497
Public works	956,138	-	68,893	1,025,031
Health and sanitation	40,750	-	-	40,750
Welfare	19,500	-	177,807	197,307
Culture and recreation	1,028,530	-	-	1,028,530
Urban rehabilitation	24,314	-	-	24,314
Debt service:				
Principal	440,991	125,000	-	565,991
Interest and other charges	68,978	433,720	-	502,698
Bond issue costs	-	180,772	-	180,772
Capital outlay	1,304,400	-	334,640	1,639,040
Total expenditures	<u>8,055,667</u>	<u>739,492</u>	<u>581,340</u>	<u>9,376,499</u>
Excess (deficiency) of revenues over expenditures	1,503,144	(739,483)	(306,124)	457,537
Other financing sources (uses):				
Proceeds from long-term debt	-	8,909,755	-	8,909,755
Proceeds used to refund bonds	-	(8,722,893)	-	(8,722,893)
Insurance recoveries	11,035	-	-	11,035
Sale of capital assets	445,000	-	-	445,000
Transfers in	-	551,737	111,646	663,383
Transfers out	(663,383)	-	-	(663,383)
Total other financing sources and uses	<u>(207,348)</u>	<u>738,599</u>	<u>111,646</u>	<u>642,897</u>
Net change in fund balances	1,295,796	(884)	(194,478)	1,100,434
Fund balances - beginning	<u>1,818,179</u>	<u>110,689</u>	<u>536,786</u>	<u>2,465,654</u>
Fund balances - ending	<u>\$ 3,113,975</u>	<u>\$ 109,805</u>	<u>\$ 342,308</u>	<u>\$ 3,566,088</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, 2014

Net change in fund balances - total governmental fund \$ 1,100,434

Amounts reported for governmental activities in the Statement of Activities are different because:

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.

Expenditures for capital outlay	\$ 1,639,040	
Less: current year depreciator	<u>(806,073)</u>	832,967

Net effect of other transactions involving capital assets (i.e. disposals, transfers, and capital contributions) that are not recorded in the governmental fund

Capital contribution:	490,387	
Disposals at net book value	<u>(660,000)</u>	(169,613)

Revenues previously recorded in the Statement of Activities that provide current financial resources are reported as revenues in the funds 37,053

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Differences in the treatment of long-term debt and related items follow

Proceeds from debt issuance	(8,909,755)	
Debt issuance and refunding cost	(8,122)	
Proceeds used to refund bonds	8,722,893	
Principal payments on outstanding det	<u>565,991</u>	371,007

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 fund: 19,113

Change in net position of governmental activities \$ 2,190,961

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

CITY OF VALLEY
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2014

	<i>SOLID WASTE COLLECTION FUND</i>
<i>ASSETS</i>	
Current assets:	
Cash and cash equivalents	\$ 275,338
Accounts receivable, net	87,657
Other receivables	1,710
Prepaid expenses	1,531
Total current assets	366,236
Non-current assets:	
Capital assets:	
Equipment	30,486
Less: accumulated depreciation	(15,238)
Total non-current assets, net	15,248
Total assets	\$ 381,484
 <i>LIABILITIES</i>	
Current liabilities:	
Accounts payable	\$ 48,040
Due to other funds	31,866
Unearned revenues	87,088
Compensated absences	2,640
Total current liabilities	169,634
Total liabilities	169,634
 <i>NET POSITION</i>	
Invested in capital assets, net of related debt	15,248
Unrestricted	196,602
Total net position	\$ 211,850

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

CITY OF VALLEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2014

	<i>SOLID WASTE COLLECTION FUND</i>
Operating revenues:	
Charges for services	\$ 686,580
Total operating revenues	686,580
Operating expenses:	
Disposal charges	527,783
Personnel services	68,053
Other supplies and expenses	37,174
Total operating expenses	633,010
Operating income	53,570
Nonoperating revenues:	
Investment income	300
Miscellaneous revenue	1,221
Total non-operating revenues	1,521
Income before contributions and transfers	55,091
Change in net position	55,091
Total net position - beginning	156,759
Total net position - ending	\$ 211,850

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, 2014

	SOLID WASTE COLLECTION FUND
Cash flows from operating activities:	
Receipts from customers	\$ 687,805
Payments to suppliers	(558,620)
Payments to employees	(65,413)
Internal activity - payments to other funds	(18,783)
Net cash provided by operating activities	44,989
 Cash flows from noncapital financing activities:	
Other nonoperating income	1,221
Net cash provided by noncapital financing activities	1,221
 Cash flows from capital and related financing activities:	
Acquisition of capital assets	(16,050)
Net cash used for capital and related financing activities	(16,050)
 Cash flows from investing activities:	
Investment income	300
Net cash provided by investing activities	300
Net increase in cash and cash equivalents	30,460
Cash and cash equivalents at beginning of year	244,878
Cash and cash equivalents at end of year	\$ 275,338

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, 2014

	<u>SOLID WASTE COLLECTION FUND</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 53,570
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	802
Change in assets and liabilities:	
Accounts receivable	7,201
Prepaid expenses	1,902
Accounts payable	3,633
Due to other funds	(18,783)
Unearned revenues	(5,976)
Compensated absences	2,640
Total adjustments	<u>(8,581)</u>
Net cash provided by operating activities	<u><u>\$ 44,989</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, 2014

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 Shawmut. 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). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements present the City of Valley (the primary government) and its component unit. The component unit includes an organization that is financially accountable to the City's Mayor and Council. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. The City has no blended component units.

Discretely Presented Component Unit. The component unit column in the government-wide financial statements include the financial data of the City’s discretely presented component unit. This organization is legally separate from the City and is included in the reporting entity because the primary government is financially accountable for the component unit. The City’s component unit is described below:

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 City’s Mayor. The Commission received an appropriation from the City for \$10,010 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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$30,151 to the Board during the current year.

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, 2014.

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 Position, 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 position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

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.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 position, 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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Unearned revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned 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 unearned revenues. The City analyzes current and past due accounts and provides an allowance for doubtful accounts for the accounts deemed uncollectible. Accounts receivable are reported net of the allowance of \$67,805 as of September 30, 2014.

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 \$133,248 at September 30, 2014.

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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. UNEARNED REVENUE

Unearned revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned 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 as City employees lose their accumulated sick pay at termination. 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, 2014

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 Position. Bond premiums and discounts 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 and deferred amounts on refunding are included in interest expense. Bond issuance costs that were incurred as part of debt issuance were previously amortized in prior years and have been eliminated as part of the City implementing GASB Statement No. 65 during the current year as described below.

In the governmental fund financial statements, bond premiums and discounts 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 in the period in which they are incurred in accordance with GASB Statement No. 65 as described below. Interest and principal payments are reported as debt service expenditures.

In March of 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. The Statement established standards that reclassified certain items that were previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources. In addition, it limits the use of the term deferred in the financial statement presentation. During the current year, the City implemented GASB No. 65 which required the City to retroactively recognize bond issuance costs as outflows of resources and to restate the net position of the City government wide financial statements

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

at September 30, 2013 as described below in order to eliminate any carrying amounts of bond issuance costs and related amortization.

The implementation of GASB Statement No. 65 has resulted in the following restatements of net position at September 30, 2013, the net impact of which was a reduction in the beginning net position for fiscal year 2014, of the amount shown below for the listed financial statements:

	<u>Net position, as previously reported</u>	<u>Restatement for GASB No. 65</u>	<u>Net position, as restated</u>
Government-wide financial statements			
Governmental activities	\$ 10,781,168	\$ (187,906)	\$ 10,593,262
Business-Type activities	156,759	-	156,759
Total	<u>\$ 10,937,927</u>	<u>\$ (187,906)</u>	<u>\$ 10,750,021</u>

The restatements resulted from the Statement’s requirement that the City (1) expense bond issuance costs in the period in which they occurred, rather than amortizing them over time, and (2) to report bond issuance costs as a component of interest expense rather than as amortization of bond issuance costs, as was previously reported by the City, and (3) to eliminate the impact of unamortized bond issuance costs within bond refunding costs. The City’s beginning net position restatement included the cumulative impact of expensing all unamortized bond issuance costs in the amounts shown above.

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. At September 30, 2014, the City recognized \$1,731,480 of advance bond refunding costs as deferred outflows of resources in governmental activities in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. At September 30, 2014, the City recognized \$801 of unearned revenues in governmental activities in the Statement of Net Position.

M. NET POSITION

Net position represents the difference between assets and liabilities. Net position 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 position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

N. 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.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits: At September 30, 2014, the carrying amount of the City's deposits in financial institutions was \$3,519,748 and the bank balance was \$3,784,039. 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, 2014, 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 trustee. As of September 30, 2014, all of the City's investments held by fiscal agents were held as cash and totaled \$109,805.

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.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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	\$ 2,450,311	\$ -	\$ 322,349	\$ 2,127,962
Construction in process	88,211	444,310	88,211	444,310
Assets held for sale	763,774	77,247	350,000	491,021
Total capital assets not being depreciated	<u>3,302,296</u>	<u>521,557</u>	<u>760,560</u>	<u>3,063,293</u>
Capital assets being depreciated:				
Buildings and improvements	12,515,192	116,324	123,357	12,508,159
Equipment	2,699,375	429,054	68,737	3,059,692
Infrastructure	8,503,061	1,227,950	-	9,731,011
Total capital assets being depreciated	<u>23,717,628</u>	<u>1,773,328</u>	<u>192,094</u>	<u>25,298,862</u>
Less accumulated depreciation for:				
Buildings and improvements	5,130,694	358,524	58,459	5,430,759
Equipment	2,081,434	219,530	68,737	2,232,227
Infrastructure	763,937	228,019	-	991,956
Total accumulated depreciation	<u>7,976,065</u>	<u>806,073</u>	<u>127,196</u>	<u>8,654,942</u>
Total capital assets being depreciated, net	<u>15,741,563</u>			<u>16,643,920</u>
Governmental activities capital assets, net	<u>\$ 19,043,859</u>			<u>\$ 19,707,213</u>
	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Business-type activities:				
Capital assets being depreciated:				
Equipment	\$ 14,436	\$ 16,050	\$ -	\$ 30,486
Total capital assets being depreciated	<u>14,436</u>	<u>16,050</u>	<u>-</u>	<u>30,486</u>
Less accumulated depreciation for:				
Equipment	14,436	802	-	15,238
Total accumulated depreciation	<u>14,436</u>			<u>15,238</u>
Business-type activities capital assets, net	<u>\$ -</u>			<u>\$ 15,248</u>

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 233,172
Planning	4,172
Public safety	113,543
Public works, including infrastructure	109,129
Welfare	25,738
Culture and recreation	320,319
Total governmental activities depreciation expense	<u>\$ 806,073</u>

The City has several construction projects in the planning and or construction stages as of September 30, 2014. Engineering and construction fees of \$444,310 have been incurred as of September 30, 2014 related to the Sportsplex ballfields renovation project.

During the year ended September 30, 2013, the City determined its intent to sell certain Riverview Mill and Langdale Mill assets. These assets have been recorded at the lesser of their net book value or their fair value as Capital Assets Held for Sale in the accompanying Statement of Net Position and are no longer being depreciated. The lesser of net book value or fair value of the Riverview Mill and the Langdale Mill assets for sale total \$238,774 and \$175,000, respectively, at September 30, 2014.

During the year ended September 30, 2013, the City received a contract for the purchase of the Langdale Mill property. The contract price was \$443,915 less than the net book value of its recorded assets. As a result, the City recorded an impairment loss totaling \$443,915 to reduce the Langdale Mill assets' net book value to the contract price. During the current year, the contract was ended prior to the sale completion. The Langdale Mill assets are recorded at their net book value at September 30, 2014 as available for sale. Subsequent to year end, the City has entered into a sales contract as described in Note 11.

During the year ended September 30, 2013, the City received a donation of the Riverbend Assisted Living building. The City's intent was to sell the building. During the year ended September 30, 2013, the City recorded the building as a contribution and as a capital asset held for sale. The City recorded the contribution and the capital asset held for sale at its estimated fair value on the date it was donated. During the year ended September 30, 2014, the City sold the Riverbend Assisted Living building for the estimated fair value on the date it was donated to the City.

Subsequent to year end, the City determined its intent to sell the Shawmut Post Office building and land in as-is condition for the highest offered price available. Factors included in the decision to sell the capital assets included the costs of repairs, renovations, and other expenses required annually to maintain the building. Subsequent to year end, the City completed the sale of the building and property. The Shawmut Post Office assets for sale total \$77,247 at September 30, 2014.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2014 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	\$ -	\$ 39,524	\$ 31,866	\$ 71,390
Non-major governmental	271,105	-	-	271,105
Total	<u>\$ 271,105</u>	<u>\$ 39,524</u>	<u>\$ 31,866</u>	<u>\$ 342,495</u>

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>
General	\$ -	\$ -
Debt Service	551,737	551,737
Non-major governmental	111,646	111,646
Total	<u>\$ 663,383</u>	<u>\$ 663,383</u>

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 the proprietary fund to the General Fund.

NOTE 6 – CAPITAL LEASES

The City leased one vehicle with a lease term through February of 2014. The total capitalized cost of the vehicle is included in capital assets. The future minimum lease payments under the outstanding capital lease totaled \$0 at September 30, 2014.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 7 – LONG-TERM LIABILITIES

Long-term liabilities at September 30, 2014 consisted of the following:

<i>Bonds:</i>	<u><i>Governmental</i></u>	<u><i>Business-type</i></u>
General Obligation Warrants, Series 2013, due in monthly installments of \$35,855 - \$41,241 through 2020, bearing interest of 2.050%.	\$ 2,762,084	\$ -
General Obligation Warrants, Series 2007, due in annual installments of \$135,000 - \$170,000 through 2018, bearing interest of 7.375%.	605,000	-
General Obligation Warrants, Series 2014, due in annual installments of \$85,000 - \$655,000 from 2019 through 2037, bearing interest semiannually at rates of 2.000% - 4.000%.	8,908,710	-
 <i>Other liabilities:</i>		
Compensated Absences	64,473	2,460
Total long-term liabilities	<u>\$ 12,340,267</u>	<u>\$ 2,460</u>

Long-term liability activity for the year ended September 30, 2014, was as follows:

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Reductions</i></u>	<u><i>Ending Balance</i></u>	<u><i>Due Within One Year</i></u>
<i>Governmental Activities</i>					
Debt:					
General obligation bonds	\$ 10,911,145	\$ 9,075,000	\$ (7,544,061)	\$ 12,442,084	\$ 579,065
Less deferred amounts:					
Unamortized discounts	-	(166,905)	615	(166,290)	7,391
Advance refunding costs	(1,108)	(1,737,893)	7,521	(1,731,480)	-
Net general obligation warrants	10,910,037	7,170,202	(7,535,925)	10,544,314	586,456
Capital leases	5,284	-	(5,284)	-	-
Compensated absences	66,477	-	(2,004)	64,473	64,473
Governmental activity					
Long-term liabilities	<u>\$ 10,981,798</u>	<u>\$ 7,170,202</u>	<u>\$ (7,543,213)</u>	<u>\$ 10,608,787</u>	<u>\$ 650,929</u>
	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Reductions</i></u>	<u><i>Ending Balance</i></u>	<u><i>Due Within One Year</i></u>
<i>Business-type Activities</i>					
Compensated absences	\$ -	\$ 2,460	\$ -	\$ 2,460	\$ 2,460
Long-term liabilities	<u>\$ -</u>	<u>\$ 2,460</u>	<u>\$ -</u>	<u>\$ 2,460</u>	<u>\$ 2,460</u>

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.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

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 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 \$9,075,000 General Obligation Warrants, Series 2014 dated April 1, 2014. The warrants were issued to advance refund a portion of the City's General Obligation Warrants, Series 2007 dated December 1, 2007 and to pay the costs of issuing the Series 2014 Warrants. The advance refunding is considered a defeasement of debt. The defeasement, requires \$8,722,893 of the Series 2014 debt proceeds to be deposited into an escrow account which is held by a trustee. The funds will be used to defease \$6,985,000 of the 2007 Series in accordance with their scheduled payments and to pay \$1,737,893 to satisfy the costs of the advance refunding. Accounting principles require the escrow account and the defeased debt to be removed from the City's financial statements. At September 30, 2014, the escrow account had a balance totaling \$8,487,699. The \$1,737,893 of costs required to advance refund the debt have been recorded in the Statement of Net Position as Deferred Outflows of Resources and will be amortized over the life of the Series 2014 Bonds using the straight line method. The Warrants have interest rates of 2.000-4.000%. Interest is payable semiannually on March 1 and September 1 of each year until maturity. At September 30, 2014, the outstanding balance of the Series 2014 bonds totaled \$9,075,000.

The City issued \$3,232,000 General Obligation Warrants, Series 2013 dated August 27, 2013. The warrants were issued to refund the General Obligation Warrants, Series 1999 and to fully repay two notes payable issued by the City during 2008 and 2009. The Warrants have an interest rate of 2.050% per annum, subject to adjustment as provided in the Warrant agreement. Interest matures monthly between August 27, 2013 and August 27, 2020. Interest and principal are payable monthly. At September 30, 2014, the outstanding balance of the Series 2013 bonds totaled \$2,762,084.

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. During the current year, this Series was partially defeased by the 2014 Series as described above. At September 30, 2014, the outstanding portion of this Series totaled \$605,000.

The Series 2013 Warrants requires the City to maintain a Debt Service Coverage Ratio based on the amount the City has on deposit in the operating reserve fund. At September 30, 2014 the City was required to maintain a Debt Service Coverage Ratio of 1.10. The Debt Coverage Ratio is the ratio of Revenues Available for Debt Service to Maximum Annual Debt Service. The City's Debt Coverage Ratio exceeded 1.10 at September 30, 2014. The City is in compliance with all other significant limitations, restrictions and covenants related to the General Obligation Warrants except for the failure to complete the current year audit in a timely manner.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

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

<i>Fiscal Year</i>	<i>General Obligations</i>	
	<i>Principal</i>	<i>Interest</i>
2015	\$ 579,065	\$ 395,795
2016	598,255	376,650
2017	617,634	356,576
2018	642,208	335,571
2019-2023	2,639,922	1,435,863
2024-2028	2,255,000	1,149,266
2029-2033	2,625,000	753,123
2034-2037	2,485,000	203,300
	<u>\$ 12,442,084</u>	<u>\$ 5,006,144</u>

NOTE 8 – 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. 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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 8 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 the percentages shown below of their annual covered salary. Certified full-time firefighters and law enforcement officers (“FLC”) are required to contribute at different rates than all other employees. During a prior year, the State of Alabama enacted Act 2012-377 which created a new defined benefit plan tier for employees with no previous creditable retirement service hired on or after January 1, 2013 (“Tier 2 Employees”). The City is required to contribute at an actuarially determined rate. The rate for the year ended September 30, 2014 was 5.65% of annual covered payroll. The contribution requirements of plan members and the City are established by state statute.

Fiscal Year 2014 Employee Contribution Rate Information

	<u><i>Tier 1 Employees</i></u>	<u><i>Tier 2 Employees</i></u>
Employee contribution rates:		
Regular employee	5.00%	6.00%
FLC employee	6.00%	7.00%

Annual Pension Cost. For 2014, the City’s annual pension cost of \$154,458 was equal to the City’s required and actual contributions. The required contribution was determined as part of the September 30, 2012 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 13 years.

<u><i>Trend Information</i></u>			
<u><i>Fiscal Year</i></u>	<u><i>Annual</i></u>	<u><i>Percentage of</i></u>	<u><i>Net Pension</i></u>
<u><i>Ending</i></u>	<u><i>Pension Cost</i></u>	<u><i>APC</i></u>	<u><i>Obligation</i></u>
	<u><i>(APC)</i></u>	<u><i>Contributed</i></u>	
9/30/2011	\$ 134,336	100%	\$ -
9/30/2012	\$ 132,637	100%	\$ -
9/30/2013	\$ 161,535	100%	\$ -

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 8 – 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>
9/30/2008	\$ 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 ²	\$ 5,803,988	\$ 6,883,131	\$ 1,079,143	84.3%	\$ 3,502,484	30.8%
9/30/2011 ⁴	\$ 5,935,208	\$ 6,915,709	\$ 980,501	85.8%	\$ 3,349,820	29.3%
9/30/2012 ⁵	\$ 6,038,157	\$ 6,510,449	\$ 472,292	92.7%	\$ 2,631,530	17.9%
9/30/2013 ⁶	\$ 6,300,520	\$ 6,875,188	\$ 574,668	91.6%	\$ 2,761,106	20.8%
9/30/2013 ^{3,6}	\$ 6,300,520	\$ 6,897,819	\$ 597,299	91.3%	\$ 2,761,106	21.6%

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

² Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

³ 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.

⁴ Reflects changes in actuarial assumptions.

⁵ Reflects changes to interest smoothing methodology.

⁶ Reflects implementation of Board Funding Policy.

*The actuarial value of assets was set equal to the market value of assets as of September 30, 2012. Market Value of Assets as of September 30, 2013: \$6,607,052.

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

NOTE 9 – 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 10 – 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, 2014.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

NOTE 11 – SUBSEQUENT EVENTS

During the year ended September 30, 2013, the City determined its intent to sell the Riverview Mill building and land for development purposes in as-is condition for the highest offered price available. Subsequent to the current year end, the City completed the sale of the Mill for \$340,000. Factors included in the decision to sell the capital assets included the costs of repairs, renovations, and other expenses required annually to maintain the building.

During the year ended September 30, 2013, the City determined its intent to sell the Langdale Mill building for development purposes in as-is condition for the highest offered price available. Factors included in the decision to sell the capital assets included the costs of repairs, renovations, and other expenses required annually to maintain the building. As of the date of this report, the City has entered into a contract with a buyer to sell the Mill property for approximately \$260,000 but the sale has not yet been completed as of the issuance of this report.

During the current year, the City began work on a capital project to renovate the City's baseball fields. The project was begun early in 2014 and was completed subsequent to year end. Total cost of the project was approximately \$2.3 million. The project was funded through the City's operating receipts and the City did not incur any debt related to this project.

The City has evaluated events subsequent to the date of the Statement of Net Position through September 9, 2015, the date the financial statements were available to be issued. No events have occurred subsequent to the Statement of Net Position date through September 9, 2015 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, 2014

DESCRIPTION	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Revenues:				
Taxes:				
Sales	\$ 5,800,000	\$ 6,080,000	\$ 6,185,799	\$ 105,799
Other:				
Motor vehicle sales tax	53,637	53,637	48,365	(5,272)
Motor fuels	194,356	194,356	206,172	11,816
Tobacco	121,064	121,064	111,250	(9,814)
Beer and wine	2,573	2,573	2,085	(488)
Lodging	55,412	55,412	48,201	(7,211)
	<u>427,042</u>	<u>427,042</u>	<u>416,073</u>	<u>(10,969)</u>
Total taxes	<u>6,227,042</u>	<u>6,507,042</u>	<u>6,601,872</u>	<u>94,830</u>
Licenses and permits:				
Business:				
General	1,075,000	1,075,000	1,096,028	21,028
Franchise fees	176,300	176,300	170,427	(5,873)
Rental	285,000	285,000	313,158	28,158
	<u>1,536,300</u>	<u>1,536,300</u>	<u>1,579,613</u>	<u>43,313</u>
Animal	4,000	4,000	4,092	92
Permits and inspections	82,113	82,113	56,367	(25,746)
	<u>1,622,413</u>	<u>1,622,413</u>	<u>1,640,072</u>	<u>17,659</u>
Intergovernmental revenue:				
Shared county revenue:				
Beer tax	44,000	44,000	40,746	(3,254)
Mobile home registration fees	600	600	683	83
WRATT Grant	-	13,645	13,645	-
	<u>44,600</u>	<u>58,245</u>	<u>55,074</u>	<u>(3,171)</u>
Shared state revenue:				
Bank excise tax	25,000	25,000	22,179	(2,821)
Share of liquor tax profits	3,400	3,400	1,204	(2,196)
	<u>28,400</u>	<u>28,400</u>	<u>23,383</u>	<u>(5,017)</u>

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014

DESCRIPTION	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Other:				
Grants	-	13,030	21,770	8,740
	-	13,030	21,770	8,740
Total intergovernmental revenue	73,000	99,675	100,227	552
Charges for services:				
Public safety:				
Ambulance fees	300,000	300,000	433,253	133,253
Police protection and security fees	90,000	19,000	(42,696)	(61,696)
Copying	3,000	3,000	3,124	124
	393,000	322,000	393,681	71,681
Paving and curbing fees	-	-	5,022	5,022
	-	-	5,022	5,022
Culture and recreation:				
Entry fees and other charges	330,000	378,800	436,454	57,654
Total charges for service	723,000	700,800	835,157	134,357
Fines and forfeits:				
Public safety:				
Fines and costs	92,500	92,500	77,549	(14,951)
	92,500	92,500	77,549	(14,951)
Investment income	500	500	2,790	2,290
Miscellaneous revenues:				
Other:				
Rental income	90,000	90,000	77,610	(12,390)
Contributions	55,000	64,055	71,966	7,911
Miscellaneous	79,400	364,400	151,568	(212,832)
Total miscellaneous revenues	224,400	518,455	301,144	(217,311)
Total revenues	8,962,855	9,541,385	9,558,811	17,426

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014

FUNCTION/DEPARTMENT/OBJECT	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
Expenditures:				
Current:				
General government:				
Legislative:				
Personal services	61,000	61,000	59,750	(1,250)
Other	173,040	173,040	244,277	71,237
Total legislative	<u>234,040</u>	<u>234,040</u>	<u>304,027</u>	<u>69,987</u>
Administration:				
Personal services	421,750	421,750	398,768	(22,982)
Other	600,800	604,800	470,413	(134,387)
	<u>1,022,550</u>	<u>1,026,550</u>	<u>869,181</u>	<u>(157,369)</u>
Planning and development:				
Personal services	178,763	178,763	179,106	343
Other	41,300	41,300	152,463	111,163
	<u>220,063</u>	<u>220,063</u>	<u>331,569</u>	<u>111,506</u>
Other				
Nondepartmental:				
Alabama League of Municipalities	3,900	3,900	3,927	27
Chambers County Industrial Authority	30,151	30,151	30,151	-
East Alabama Planning Commission	5,715	5,715	5,714	(1)
Total nondepartmental	<u>39,766</u>	<u>39,766</u>	<u>39,792</u>	<u>26</u>
Total general government	1,516,419	1,520,419	1,544,569	24,150
Public safety:				
Police:				
Personal services	1,590,802	1,523,302	1,461,282	(62,020)
Other	534,000	545,561	520,875	(24,686)
Total police	<u>2,124,802</u>	<u>2,068,863</u>	<u>1,982,157</u>	<u>(86,706)</u>
Emergency medical services:				
Personal services	532,150	532,150	560,471	28,321
Other	101,450	101,450	71,869	(29,581)
Total emergency medical services	<u>633,600</u>	<u>633,600</u>	<u>632,340</u>	<u>(1,260)</u>

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014

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	-
Greater Valley Crimestoppers	1,000	1,000	1,000	-
Total other	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>-</u>
Total public safety	2,771,402	2,715,463	2,627,497	(87,966)
Public works:				
Personal services	716,080	716,080	627,843	(88,237)
Other	<u>367,246</u>	<u>367,246</u>	<u>328,295</u>	<u>(38,951)</u>
Total public works	1,083,326	1,083,326	956,138	(127,188)
Health:				
Other:				
Nondepartmental:				
East Alabama Mental Health	2,000	2,000	2,000	-
Humane Society	<u>37,895</u>	<u>37,895</u>	<u>38,750</u>	<u>855</u>
Total health	39,895	39,895	40,750	855
Welfare:				
Other:				
Nondepartmental:				
Tri County Childrens' Advocacy	1,500	1,500	1,500	-
Department of Human Resources	300	300	-	(300)
Coosa Valley Youth	7,847	7,847	8,000	153
Valley Masters Games	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total welfare	19,647	19,647	19,500	(147)

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014

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	477,197	477,197	430,066	(47,131)
Other	499,075	553,225	494,245	(58,980)
Total parks and recreation	<u>976,272</u>	<u>1,030,422</u>	<u>924,311</u>	<u>(106,111)</u>
Other:				
Nondepartmental:				
H. Grady Bradshaw Library	43,801	43,801	43,801	-
Valley Historical Preservation Commission	10,000	10,000	10,010	10
Valley Art Council	2,500	5,530	5,416	(114)
Valley Tree Board	7,500	7,500	7,500	-
	<u>63,801</u>	<u>66,831</u>	<u>66,727</u>	<u>(104)</u>
Special Events:				
Fourth of July	9,000	9,000	9,050	50
Merry Go Round	28,000	28,000	28,442	442
Community Programs	5,000	5,000	-	(5,000)
	<u>42,000</u>	<u>42,000</u>	<u>37,492</u>	<u>(4,508)</u>
Total culture and recreation	1,082,073	1,139,253	1,028,530	(110,723)
Urban rehabilitation:				
Other:				
Nondepartmental:				
Dilapidated houses	50,000	35,000	24,314	(10,686)
Total urban rehabilitation	50,000	35,000	24,314	(10,686)

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED SEPTEMBER 30, 2014

FUNCTION/DEPARTMENT/OBJECT	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Capital outlay:	1,171,489	2,946,722	1,304,400	(1,642,322)
Debt service:				
Principal	449,800	449,800	440,991	(8,809)
Interest and charges	65,500	65,500	68,978	3,478
Total debt service	515,300	515,300	509,969	(5,331)
Total expenditures	8,249,551	10,015,025	8,055,667	(1,959,358)
Excess of revenues over expenditures	713,304	(473,640)	1,503,144	1,976,784
Other financing sources (uses):				
Insurance recoveries	1,750	9,871	11,035	1,164
Disposal of capital assets	-	391,000	445,000	54,000
Transfers to Senior Center Fund	(117,682)	(117,682)	(111,230)	6,452
Transfers to Cemetery Fund	(8,000)	(8,000)	(416)	7,584
Transfers to Debt Service Fund	(689,372)	(689,372)	(551,737)	137,635
Total other financing uses	(813,304)	(414,183)	(207,348)	206,835
Excess of revenues and other sources over expenditures and other uses	(100,000)	(887,823)	1,295,796	2,183,619
Fund balance, beginning of year	784,974	682,628	1,818,179	1,135,551
Fund balance, end of year	\$ 684,974	\$ (205,195)	\$ 3,113,975	\$ 3,319,170

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, 2014

	<i>\$0.07 STATE GASOLINE TAX FUND</i>	<i>\$0.04 AND \$0.05 STATE GASOLINE TAX FUND</i>	<i>SENIOR CENTER FUND</i>	<i>COMMUNITY DEVELOPMENT FUND</i>	<i>CEMETARY FUND</i>	<i>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</i>
ASSETS						
Cash and cash equivalents	\$ 21,992	\$ 17,610	\$ 22,675	\$ -	\$ 5,774	\$ 68,051
Taxes receivable, net	8,037	6,963	-	-	-	15,000
Grants receivable	-	-	3,459	-	-	3,459
Other receivables	-	-	-	-	50	50
Due from other funds	5,000	-	-	-	-	5,000
Due from other governments	-	30,351	-	-	-	30,351
Total assets	<u>\$ 35,029</u>	<u>\$ 54,924</u>	<u>\$ 26,134</u>	<u>\$ -</u>	<u>\$ 5,824</u>	<u>\$ 121,911</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,193	\$ -	\$ 4,490	\$ 50	\$ 2,365	\$ 8,098
Due to other funds	5,000	-	30,083	4,038	403	39,524
Due to other governments	-	-	-	639	-	639
Total liabilities	<u>6,193</u>	<u>-</u>	<u>34,573</u>	<u>4,727</u>	<u>2,768</u>	<u>48,261</u>
Fund balances:						
Restricted	28,836	54,924	-	-	3,056	86,816
Unassigned	-	-	(8,439)	(4,727)	-	(13,166)
Total fund balances	<u>28,836</u>	<u>54,924</u>	<u>(8,439)</u>	<u>(4,727)</u>	<u>3,056</u>	<u>73,650</u>
Total liabilities and fund balances	<u>\$ 35,029</u>	<u>\$ 54,924</u>	<u>\$ 26,134</u>	<u>\$ -</u>	<u>\$ 5,824</u>	<u>\$ 121,911</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, 2014

	<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	\$ 55,534	\$ 44,093	\$ -	\$ -	\$ -	\$ 99,627
Other intergovernmental	-	30,351	20,541	-	-	50,892
Total intergovernmental	<u>55,534</u>	<u>74,444</u>	<u>20,541</u>	<u>-</u>	<u>-</u>	<u>150,519</u>
Miscellaneous:	15,491	-	15	-	3,575	19,081
Investment income	53	28	20	-	22	123
Other	-	-	13,858	-	8,440	22,298
Total revenues	<u>71,078</u>	<u>74,472</u>	<u>34,434</u>	<u>-</u>	<u>12,037</u>	<u>192,021</u>
Expenditures:						
Current:						
Public works	8,920	83	-	-	-	9,003
Welfare	-	-	146,837	-	30,970	177,807
Capital outlay	106,214	106,997	50,272	-	-	263,483
Total expenditures	<u>115,134</u>	<u>107,080</u>	<u>197,109</u>	<u>-</u>	<u>30,970</u>	<u>450,293</u>
Excess revenues over (under) expenditures	(44,056)	(32,608)	(162,675)	-	(18,933)	(258,272)
Other financing sources:						
Transfers in	-	-	111,230	-	416	111,646
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>111,230</u>	<u>-</u>	<u>416</u>	<u>111,646</u>
Net change in fund balances	(44,056)	(32,608)	(51,445)	-	(18,517)	(146,626)
Fund balances - beginning	<u>72,892</u>	<u>87,532</u>	<u>43,006</u>	<u>(4,727)</u>	<u>21,573</u>	<u>220,276</u>
Fund balances - ending	<u>\$ 28,836</u>	<u>\$ 54,924</u>	<u>\$ (8,439)</u>	<u>\$ (4,727)</u>	<u>\$ 3,056</u>	<u>\$ 73,650</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, 2014

	<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	\$ 2,553	\$ -	\$ 2,553
Due from other funds	90,000	176,105	266,105
Total assets	<u>\$ 92,553</u>	<u>\$ 176,105</u>	<u>\$ 268,658</u>
<i>FUND BALANCES</i>			
Fund balances:			
Assigned to capital projects	<u>\$ 92,553</u>	<u>\$ 176,105</u>	<u>\$ 268,658</u>
Total fund balances	<u>\$ 92,553</u>	<u>\$ 176,105</u>	<u>\$ 268,658</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, 2014

	MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND	CAPITAL PROJECTS FUND	TOTAL NONMAJOR CAPITAL PROJECT FUNDS
Revenues:			
Intergovernmental:			
Other intergovernmental	\$ 83,148	\$ -	\$ 83,148
Total intergovernmental	83,148	-	83,148
Investment income	47	-	47
Total revenues	83,195	-	83,195
Expenditures:			
Current:			
Public works	59,890	-	59,890
Capital outlay	71,157	-	71,157
Total expenditures	131,047	-	131,047
Excess revenues over expenditures	(47,852)	-	(47,852)
Net change in fund balances	(47,852)	-	(47,852)
Fund balances - beginning	140,405	176,105	316,510
Fund balances - ending	\$ 92,553	\$ 176,105	\$ 268,658

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, 2014

Year	<i>General Obligation Warrants, Series 2014</i>		<i>General Obligation Warrants, Series 2013</i>		<i>General Obligation Warrants, Series 2007</i>		<i>Total General Long-term Debt</i>		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015	\$ -	\$ 298,731	\$ 444,065	\$ 52,445	\$ 135,000	\$ 44,619	\$ 579,065	\$ 395,795	\$ 974,860
2016	-	298,731	453,255	43,256	145,000	34,663	598,255	376,650	974,905
2017	-	298,731	462,634	33,876	155,000	23,969	617,634	356,576	974,210
2018	-	298,731	472,208	24,303	170,000	12,537	642,208	335,571	977,779
2019	85,000	297,881	481,980	14,531	-	-	566,980	312,412	879,392
2020	395,000	293,081	447,942	4,564	-	-	842,942	297,645	1,140,587
2021	400,000	284,631	-	-	-	-	400,000	284,631	684,631
2022	410,000	275,519	-	-	-	-	410,000	275,519	685,519
2023	420,000	265,656	-	-	-	-	420,000	265,656	685,656
2024	425,000	254,881	-	-	-	-	425,000	254,881	679,881
2025	440,000	243,306	-	-	-	-	440,000	243,306	683,306
2026	450,000	230,788	-	-	-	-	450,000	230,788	680,788
2027	465,000	217,344	-	-	-	-	465,000	217,344	682,344
2028	475,000	202,947	-	-	-	-	475,000	202,947	677,947
2029	490,000	187,563	-	-	-	-	490,000	187,563	677,563
2030	510,000	170,675	-	-	-	-	510,000	170,675	680,675
2031	520,000	152,130	-	-	-	-	520,000	152,130	672,130
2032	545,000	132,155	-	-	-	-	545,000	132,155	677,155
2033	560,000	110,600	-	-	-	-	560,000	110,600	670,600
2034	590,000	87,600	-	-	-	-	590,000	87,600	677,600
2035	605,000	63,700	-	-	-	-	605,000	63,700	668,700
2036	635,000	38,900	-	-	-	-	635,000	38,900	673,900
2037	655,000	13,100	-	-	-	-	655,000	13,100	668,100
Total	<u>\$ 9,075,000</u>	<u>\$ 4,717,381</u>	<u>\$ 2,762,084</u>	<u>\$ 172,975</u>	<u>\$ 605,000</u>	<u>\$ 115,788</u>	<u>\$ 12,442,084</u>	<u>\$ 5,006,144</u>	<u>\$ 17,448,228</u>

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