

**CITY OF VALLEY, ALABAMA  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2015**

***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, 2015**  
**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

Title Page	I
Officials of City of Valley	II
Table of Contents	III

**FINANCIAL SECTION**

Independent Auditor’s Report	IV-VI
Required Supplementary Information (unaudited): Management’s Discussion and Analysis	VII-XVII

**Basic Financial Statements:**

Government-wide Financial Statements:	
Statement of Net Position	1-2
Statement of Activities	3
Fund Financial Statements:	
Balance Sheet – Governmental Funds	4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	6
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	7
Statement of Net Position – Proprietary Fund	8
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	9
Statement of Cash Flows - Proprietary Fund	10-11
Notes to the Basic Financial Statements	12-35

**Required Supplementary Information (unaudited):**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	36-41
Schedule of Changes in the Net Pension Liability	42
Schedule of Employer Contributions	43
Note to the Required Supplementary Information	44

**Supplementary Information:**

**Combining and Individual Nonmajor Funds Statements and Supplemental Schedule:**

Combining Balance Sheet – Nonmajor Special Revenue Funds	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	46
Combining Balance Sheet – Nonmajor Capital Project Funds	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Project Funds	48
Schedule of Debt Service – Governmental Funds	49

## **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 (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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 opinion.

## **Opinion**

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, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 1 and Note 11 to the financial statements, in 2015 the City adopted new accounting guidance, *GASB Statements No. 67, Financial Reporting for Pension Plans* and *GASB Statement No. 68, Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27*. 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, budgetary comparison information, schedule of changes in the net pension liability, schedule of employer contributions, and note to the required supplementary information on pages VII–XVII and 36–44 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's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and schedule of debt service-governmental funds 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-governmental funds 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-governmental funds 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 "Himmelwright Huguley & Boles, LLC". The signature is stylized and somewhat scribbled.

August 30, 2016  
Auburn, Alabama

City of Valley, Alabama

Management's Discussion and Analysis  
For the Year Ended September 30, 2015  
(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, 2015.

## HIGHLIGHTS AND ACCOMPLISHMENTS

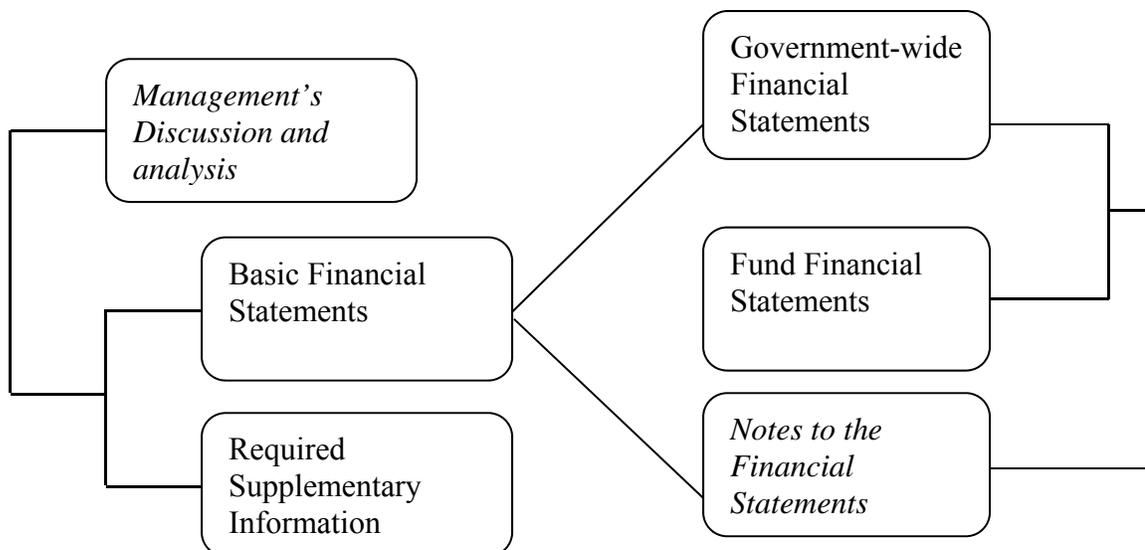
- After the Mold and Remediation work was done on City Hall and the Police Department, the Valley City Hall Staff and Police Department moved back into their respective offices in the time frame allotted. EMS moved back into their offices and dayrooms with new bunks and updated facilities. CID moved 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 2015 fiscal year were:
  - Maintain the General Fund balance
  - Complete a Sewer Grant project 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 2014, Paving on Fairfax Bypass was completed. The residential rental properties listing with owner's information was compiled in the prior year to increase revenue and residential rental revenue for 2015 increased by 14% over the prior year.
- In November of 2014, 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 2015 with a Governmental Funds fund balance of \$3,860,515. The prior year Governmental Funds fund balance was \$3,566,088.
- 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 with a total cost of \$2,279,577. 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
- Funds were budgeted for each department for Capital Improvements, including: City Hall \$14,000, Police \$115,000, Planning \$7,000, and Public Works \$82,000.
- The City ratified an extension of the Sales & Use Tax during the prior year for continued revenue for a bond issue. During the current year, the City continued to demolish dilapidated houses and sell off surplus properties that are no longer needed.
- 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. The grant funds were used to rehabilitate a deteriorated section of the City's sewer system. The project was completed during FY 2015.
- 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 new ambulance were received by Valley EMS in FY 2015.
- 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 \$318,688, which was 12% more than the previous year. Rental License Fees were \$356,059 at September 30, 2015, which was 14% more than the prior year.
- The City continues to sell surplus property not necessary for normal operations. The following properties were sold in Fiscal Year 2015:
  - Riverview Mill
  - Shawmut Post Office
  - Girl Scout Hut
- The following roadways were paved during the 2014-2015 Fiscal Year:
  - 20<sup>th</sup> Avenue
  - 30<sup>th</sup> Street
  - Fairfax Bypass
  - Cleveland Road
- Bids have been solicited on the following streets to be paved in Fiscal Year 2016:
  - 51<sup>st</sup> Street
  - McGinty Crossing
  - Boulevard
  - River Road
  - Crestview 1 and 2

- Pineview 1 and 2
- Beech Street
- Birch Street
- Alabama Avenue
- Moore Avenue
- Sedgefield Road
- 32<sup>nd</sup> Street
- Frazier Street
- Jarrett Street
- Lanier Street

## 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 XI. 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 XV. The fund financial statements begin on page four 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 \$14,870,509 as of September 30, 2015. 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 4,468,291	\$ 4,151,802	\$ 198,740	\$ 366,236	\$ 4,667,031	\$ 4,518,038
Capital assets	21,139,230	19,579,747	12,038	15,248	21,151,268	19,594,995
Total assets	25,607,521	23,731,549	210,778	381,484	25,818,299	24,113,033
Employer retirement contributions	153,791	140,714	2,851	2,609	156,642	143,323
Advance refunding costs	1,654,525	1,731,480	-	-	1,654,525	1,731,480
Total deferred outflows of resources	1,808,316	1,872,194	2,851	2,609	1,811,167	1,874,803
Total assets and deferred outflows of resources	<u>\$ 27,415,837</u>	<u>\$ 25,603,743</u>	<u>\$ 213,629</u>	<u>\$ 384,093</u>	<u>\$ 27,629,466</u>	<u>\$ 25,987,836</u>
Long term debt	\$ 11,098,386	\$ 11,689,338	\$ -	\$ -	\$ 11,098,386	\$ 11,689,338
Net pension liability	218,764	534,370	4,055	9,905	222,819	544,275
Other liabilities	1,140,676	1,116,133	86,741	169,634	1,227,417	1,285,767
Total Liabilities	12,457,826	13,339,841	90,796	179,539	12,548,622	13,519,380
Net difference between projected and actual earnings on plan investments	206,507	-	3,828	-	210,335	-
Unearned revenues	-	800	-	-	-	800
Total deferred inflows of resources	206,507	800	3,828	-	210,335	800
Total liabilities and deferred inflows of resources	<u>\$ 12,664,333</u>	<u>\$ 13,340,641</u>	<u>\$ 94,624</u>	<u>\$ 179,539</u>	<u>\$ 12,758,957</u>	<u>\$ 13,520,180</u>
Net position:						
Net investment in capital assets	\$ 11,088,913	\$ 9,162,899	\$ 12,038	\$ 15,248	\$ 11,100,951	\$ 9,178,147
Restricted	112,345	109,805	-	-	112,345	109,805
Unrestricted	3,550,246	2,990,398	106,967	189,305	3,657,213	3,179,703
Total net position	<u>\$ 14,751,504</u>	<u>\$ 12,263,102</u>	<u>\$ 119,005</u>	<u>\$ 204,553</u>	<u>\$ 14,870,509</u>	<u>\$ 12,467,655</u>

Governmental current and other assets increased significantly during the current year due primarily to the City's improved cash position resulting from an increase in general revenues related to the City's sales taxes and an increase in licenses and permits as compared to the prior year. Additionally, the City transferred \$150,000 from its business type activities to its governmental activities during the current year.

Business-type current and other assets decreased during the current year primarily due to the transfer of \$150,000 from the City's business-type activities to the governmental activities during the current year. The City did not have any such transfers during the prior year.

Governmental capital assets increased by approximately \$1,155,483 from the prior year due primarily to equipment and vehicles that were purchased, as well as the completion of the Sportsplex ballfield renovation project. The Sportsplex project's total completed cost was approximately \$2,279,577. The increase in capital assets from the asset purchases and Sportsplex project was partially offset by current year depreciation expense.

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. These costs are being recognized over the life of the bonds.

During the current year, the city adopted GASB Statements No. 67 and 68, which required a prior period restatement totaling a decrease in net position of \$393,655 for governmental activities and a decrease of \$7,297 for business-type activities related to the statements' adoption. Additional information related to the implementation of the GASB Statement and the required restatements of net position can be found in Note 11 in the Notes to the Financial Statements.

Governmental long term debt decreased in the current year by approximately \$590,952 due to the scheduled principal payments made by the City during the current year.

Business-type other liabilities decreased during the current year due to the timing of advance customer billing that occurred at the end of the prior year and that occurred subsequent to the current year end.

Net position in the business-type activities decreased due to the transfer of funds from the solid waste collection services to the general governmental activities during the current year.

Net position shown in the governmental activities as Net investment in Capital Assets, is \$11,088,913. This amount consists of \$21,139,230 of capital assets that are reduced by \$10,050,317 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	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,156,275	\$ 1,182,272	\$696,395	\$686,580	\$ 1,852,670	\$ 1,868,852
Operating grants and contributions	260,167	136,830	-	-	260,167	136,830
Capital grants and contributions	82,976	587,180	-	-	82,976	587,180
General revenues:						
Taxes:						
Sales	6,432,452	6,285,426	-	-	6,432,452	6,285,426
Other	440,015	526,727	-	-	440,015	526,727
Licenses and permits	1,719,565	1,640,072	-	-	1,719,565	1,640,072
Investment earnings	3,524	2,969	261	300	3,785	3,269
Insurance recovery	102,000	11,035	-	-	102,000	11,035
(Loss)/Gain on sale of capital assets	98,620	(215,000)	-	-	98,620	(215,000)
Transfers	150,000	-	(150,000)	-	-	-
Miscellaneous	6,525	-	1,632	1,221	8,157	1,221
Total revenues	10,452,119	10,157,511	548,288	688,101	11,000,407	10,845,612
Expenses:						
General government	1,658,585	1,781,717	-	-	1,658,585	1,781,717
Public safety	2,935,555	2,741,392	-	-	2,935,555	2,741,392
Public works	1,166,908	1,133,942	-	-	1,166,908	1,133,942
Health	38,750	40,750	-	-	38,750	40,750
Culture and recreation	1,479,836	1,348,600	-	-	1,479,836	1,348,600
Welfare	192,394	223,046	-	-	192,394	223,046
Urban rehabilitation	8,896	24,314	-	-	8,896	24,314
Interest on long term debt	482,793	672,789	-	-	482,793	672,789
Solid Waste	-	-	633,836	633,010	633,836	633,010
Total expenses	7,963,717	7,966,550	633,836	633,010	8,597,553	8,599,560
Increase/(decrease) in net position	\$ 2,488,402	\$ 2,190,961	\$ (85,548)	\$ 55,091	\$ 2,402,854	\$ 2,246,052

The City's charges for services decreased by 2% from the prior year, while sales tax collections increased 2% and other tax collections decreased 16% from the prior year. Revenues from licenses and permits increased 5% primarily due to the City's increased collection efforts. A gain on sale of assets for \$98,620 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. Additionally, the City received insurance recovery payments totaling \$102,000. Overall, governmental revenue increased 3% from the prior year.

The City's General Government expenses decreased by 7% and Welfare expenses decreased by 14% from the prior year as part of the City's ongoing efforts to reduce costs. Public Safety expenses increased by 7% and Culture and Recreation expenses increased by 10%.

Business-type revenues decreased by 2% during the current year.

Government-wide revenues increased by 1% for the current year. Interest expense related to debt decreased by 28% 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 two and the balance sheet for governmental funds on page four are explained on page five. The differences in the Statement of Activities on page three and the Statement of Revenues, Expenditures, and Changes in Fund Balances on page six are explained on page seven.

As the City completed the year, its governmental funds reported a combined fund balance of \$3,860,515 and \$3,566,088 as of September 30, 2015 and 2014, respectively. The increase in the combined fund balance is a result of revenues exceeding expenses in the general fund during the current year, the sale of property not required for normal City operations, an insurance recovery payment, and funds transferred to governmental activities from the City's Solid Waste fund. All 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 \$3,264,350 in the current year from \$3,113,975 in the prior year. The General Fund's Unassigned Fund Balance increased to \$3,239,149.

### **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 decreased to \$119,005 as of September 30, 2015. The restated Solid Waste fund net position as of September 30, 2014 was \$204,553. See Note 11 in the Notes to the Financial Statements.

### **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, 2015. The most significant adjustments are itemized below:

- 1) \$274,555 City Paving projects
- 2) \$28,731 Public Works lawn mowers
- 3) \$11,944 Police body cameras and accessories
- 4) \$10,072 Police vehicle
- 5) \$ 9,383 Special Election expenses

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City of Valley's investment in capital assets for its government as of September 30, 2015 amounted to \$21,151,268 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, infrastructure, and capital assets held for sale. New investments in capital assets during the year ended September 30, 2015 included the following significant projects:

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,118,762	\$ 2,127,962	\$ -	\$ -	\$ 2,118,762	\$ 2,127,962
Buildings	6,173,456	6,365,659	-	-	6,173,456	6,365,659
Improvements other than buildings	2,784,036	708,903	-	-	2,784,036	708,903
Equipment and furniture	949,468	702,837	12,038	15,248	961,506	718,085
Infrastructure	8,738,509	8,739,055	-	-	8,738,509	8,739,055
Capital assets held for sale	374,999	491,021	-	-	374,999	491,021
Construction in progress	-	444,310	-	-	-	444,310
Total	<u>\$ 21,139,230</u>	<u>\$ 19,579,747</u>	<u>\$12,038</u>	<u>\$15,248</u>	<u>\$ 21,151,268</u>	<u>\$ 19,594,995</u>

### Computation of Legal Debt Margin

Assessed value of real and personal taxable property as of 9-30-15 <sup>1</sup>	<u>\$ 80,198,040</u>
Debt limit, twenty percent of assessed value (constitutional limitation) <sup>2</sup>	\$ 16,039,608
Debt in governmental activities	<u>\$ 11,863,741</u>
Total general obligation debt for computation	<u>11,863,741</u>
Net Bonded Indebtedness	<u>11,863,741</u>
Legal Debt Margin	<u>\$ 4,175,867</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

As of September 30, 2015, the City had total city-wide long term liabilities of \$11,973,599, including \$222,819 for the net pension liability. The City's latest obligation bond rating from Standard & Poor's is A+.

**Debt Service Requirements on General Obligation Debt**

See Note 6 in the Notes to the Financial Statements for the City's debt service requirements as of September 30, 2015 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 committed during a prior year to double production at its Lanett, Alabama plant, by adding as many as 100 new jobs in an expansion project to make the Chambers County facility one of the nation's largest insulation factories. Knauf has invested more than \$66 million dollars in the plant in the last 3 years. The project was completed subsequent to year end.

Leehan America expanded its Chambers County facility in 2015 with a \$3.4 million capital investment. The expansion project also created an additional 16 jobs.

HSIN expanded its operations in the Chambers County Industrial Park for new tool and die production related to HMMA.

Wooshin USA expanded its Chambers County facility in 2015 with a \$2.2 million capital investment. The expansion project also created an additional 10 jobs.

Fiscal Year 2015 was a year of progress. As reflected by the 12% increase in Community Center revenue, and the 14% 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.

*This page intentionally left blank*

## **BASIC FINANCIAL STATEMENTS**

**CITY OF VALLEY**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>COMPONENT UNIT</b>
<b>ASSETS</b>				
Cash and equivalents	\$ 3,517,060	\$ 195,499	\$ 3,712,559	\$ 25,051
Accounts receivable, net	87,529	-	87,529	-
Taxes receivable, net	541,443	-	541,443	-
Grants receivable	3,105	-	3,105	-
Other receivables	30,604	1,710	32,314	-
Inventories	25,157	-	25,157	-
Prepaid expenses	151,048	1,531	152,579	-
Restricted assets:				
Temporarily restricted:				
Cash with fiscal agent	112,345	-	112,345	-
Capital assets held for sale	374,999	-	374,999	-
Capital assets:				
Land and construction in progress	2,118,762	-	2,118,762	-
Infrastructure, net of depreciation	8,738,509	-	8,738,509	-
Buildings and improvements, net of depreciation	8,957,492	-	8,957,492	-
Equipment, net of depreciation	949,468	12,038	961,506	-
Total capital assets	<u>20,764,231</u>	<u>12,038</u>	<u>20,776,269</u>	<u>-</u>
Total assets	<u>25,607,521</u>	<u>210,778</u>	<u>25,818,299</u>	<u>25,051</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Employer retirement contributions	153,791	2,851	156,642	-
Advance refunding costs	1,654,525	-	1,654,525	-
Total deferred outflows of resources	<u>1,808,316</u>	<u>2,851</u>	<u>1,811,167</u>	<u>-</u>
Total assets and deferred outflows of	<u>\$ 27,415,837</u>	<u>\$ 213,629</u>	<u>\$ 27,629,466</u>	<u>\$ 25,051</u>

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

**CITY OF VALLEY**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>COMPONENT UNIT</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 406,519	\$ 22,975	\$ 429,494	\$ -
Accrued payroll and benefits	115,361	1,584	116,945	-
Interest payable	27,783	-	27,783	-
Internal balances	(62,182)	62,182	-	-
Unearned revenue	801	-	801	-
Due within one year	652,394	-	652,394	-
Due in more than one year	11,098,386	-	11,098,386	-
Net pension liability	218,764	4,055	222,819	-
Total liabilities	<u>12,457,826</u>	<u>90,796</u>	<u>12,548,622</u>	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Net difference between projected and actual earnings on plan investments	206,507	3,828	210,335	-
Total deferred inflows of resources	<u>206,507</u>	<u>3,828</u>	<u>210,335</u>	-
Total liabilities and deferred inflows of resources	12,664,333	94,624	12,758,957	-
<b>NET POSITION</b>				
Net investment in capital assets	11,088,913	12,038	11,100,951	-
Restricted for:				
Debt service	112,345	-	112,345	-
Unrestricted	3,550,246	106,967	3,657,213	25,051
Total net position	<u>\$ 14,751,504</u>	<u>\$ 119,005</u>	<u>\$ 14,870,509</u>	<u>\$ 25,051</u>

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

**CITY OF VALLEY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2015**

FUNCTIONS	NET (EXPENSES)/							
	PROGRAM REVENUES				REVENUES AND CHANGES IN NET POSITION			COMPONENT UNIT
	EXPENSES	OPERATING		CAPITAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
CHARGES FOR SERVICES		GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS					
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 1,658,585	\$ 17,567	\$ 1,000	\$ -	\$ (1,640,018)	\$ -	\$ (1,640,018)	\$ -
Public safety	2,935,555	550,290	169,859	-	(2,215,406)	-	(2,215,406)	-
Public works	1,166,908	16,452	7,550	82,976	(1,059,930)	-	(1,059,930)	-
Health	38,750	-	-	-	(38,750)	-	(38,750)	-
Culture and recreation	1,479,836	571,966	46,161	-	(861,709)	-	(861,709)	-
Welfare	192,394	-	35,597	-	(156,797)	-	(156,797)	-
Urban rehabilitation	8,896	-	-	-	(8,896)	-	(8,896)	-
Interest on long-term debt	482,793	-	-	-	(482,793)	-	(482,793)	-
Total governmental activities	<u>7,963,717</u>	<u>1,156,275</u>	<u>260,167</u>	<u>82,976</u>	<u>(6,464,299)</u>	<u>-</u>	<u>(6,464,299)</u>	<u>-</u>
Business-type activities:								
Solid waste	633,836	696,395	-	-	-	62,559	62,559	-
Total business-type activities	633,836	696,395	-	-	-	62,559	62,559	-
Total primary government	<u>\$ 8,597,553</u>	<u>\$ 1,852,670</u>	<u>\$ 260,167</u>	<u>\$ 82,976</u>	<u>(6,464,299)</u>	<u>62,559</u>	<u>(6,401,740)</u>	<u>-</u>
<b>Component Unit</b>								
Valley Historic Preservation Commission	8,230	-	12,000	-	-	-	-	3,770
Total component unit	<u>\$ 8,230</u>	<u>\$ -</u>	<u>\$ 12,000</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 3,770</u>
General revenues:								
Taxes:								
Sales					6,432,452	-	6,432,452	
Other					440,015	-	440,015	
Licenses and permits					1,719,565	-	1,719,565	-
Investment earnings					3,524	261	3,785	3
Insurance recovery money					102,000	-	102,000	-
Miscellaneous					6,525	1,632	8,157	-
Gain on sale of capital assets					98,620	-	98,620	-
Transfers					150,000	(150,000)	-	
Total general revenues, transfers and special items					<u>8,952,701</u>	<u>(148,107)</u>	<u>8,804,594</u>	<u>3</u>
Change in net position					2,488,402	(85,548)	2,402,854	3,773
Net position - beginning (restated)					12,263,102	204,553	12,467,655	21,278
Net position - ending					<u>\$ 14,751,504</u>	<u>\$ 119,005</u>	<u>\$ 14,870,509</u>	<u>\$ 25,051</u>

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

*This page intentionally left blank*

**CITY OF VALLEY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2015**

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,361,480	\$ -	\$ 155,580	\$ 3,517,060
Accounts receivable, net	87,529	-	-	87,529
Taxes receivable, net	525,544	-	15,899	541,443
Other receivables, net	44	-	3,314	3,358
Inventories	25,157	-	-	25,157
Prepaid expenses	-	-	51,004	51,004
Due from other funds	101,706	-	271,105	372,811
Due from other governments	-	-	30,351	30,351
Temporarily restricted assets:				
Cash with fiscal agent	-	112,345	-	112,345
Total assets	<u>\$ 4,101,460</u>	<u>\$ 112,345</u>	<u>\$ 527,253</u>	<u>\$ 4,741,058</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 402,610	\$ -	\$ 3,270	\$ 405,880
Accrued payroll and benefits	115,361	-	-	115,361
Due to other funds	271,105	-	39,524	310,629
Due to other governments	-	-	639	639
Total liabilities	<u>789,076</u>	<u>-</u>	<u>43,433</u>	<u>832,509</u>
Deferred outflows of resources:				
Unearned revenues	48,034	-	-	48,034
Total deferred outflows of resources	<u>48,034</u>	<u>-</u>	<u>-</u>	<u>48,034</u>
Fund balances:				
Nonspendable:				
Inventories	25,157	-	-	25,157
Other receivables	44	-	-	44
Restricted to:				
Debt service	-	112,345	-	112,345
Special revenue	-	-	144,822	144,822
Assigned to:				
Capital projects	-	-	351,674	351,674
Unassigned	3,239,149	-	(12,676)	3,226,473
Total fund balances	<u>3,264,350</u>	<u>112,345</u>	<u>483,820</u>	<u>3,860,515</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,101,460</u>	<u>\$ 112,345</u>	<u>\$ 527,253</u>	<u>\$ 4,741,058</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, 2015**

Total fund balances, governmental funds		\$	3,860,515
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.			100,044
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.			21,139,230
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.			47,233
Deferred inflows and outflows of resources not due and payable in the current period and therefore are not reported in the funds.			(271,480)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Governmental long-term debt	(\$11,863,741)		
Discounts and refunding costs	1,813,424		
Accrued interest payable	(27,783)		
Compensated absences	(45,938)		
Total long-term liabilities	(10,124,038)		(10,124,038)
Net position of governmental activities		\$	14,751,504

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, 2015**

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Revenues:				
Taxes:				
Sales and miscellaneous taxes	\$ 6,326,295	\$ -	\$ 106,157	\$ 6,432,452
Other taxes	386,243	-	-	386,243
Licenses and permits	1,719,565	-	-	1,719,565
Intergovernmental	225,435	-	102,350	327,785
Charges for services	1,003,199	-	-	1,003,199
Fines and forfeits	62,861	-	-	62,861
Investment income	3,381	8	135	3,524
Contributions	45,356	-	-	45,356
Miscellaneous revenues	99,194	-	23,772	122,966
Total revenues	<u>9,871,529</u>	<u>8</u>	<u>232,414</u>	<u>10,103,951</u>
Expenditures:				
Current:				
General government	1,431,986	-	-	1,431,986
Public safety	2,874,308	-	-	2,874,308
Public works	981,789	-	47,073	1,028,862
Health and sanitation	38,750	-	-	38,750
Welfare	17,736	-	152,295	170,031
Culture and recreation	1,132,637	-	-	1,132,637
Urban rehabilitation	8,896	-	-	8,896
Debt service:				
Principal	443,338	135,000	-	578,338
Interest and other charges	59,042	340,238	-	399,280
Capital outlay	2,833,594	-	-	2,833,594
Total expenditures	<u>9,822,076</u>	<u>475,238</u>	<u>199,368</u>	<u>10,496,682</u>
Excess (deficiency) of revenues over expenditures	49,453	(475,230)	33,046	(392,731)
Other financing sources (uses):				
Insurance recoveries	102,000	-	-	102,000
Sale of capital assets	435,158	-	-	435,158
Transfers in	150,000	477,770	108,466	736,236
Transfers out	(586,236)	-	-	(586,236)
Total other financing sources and uses	<u>100,922</u>	<u>477,770</u>	<u>108,466</u>	<u>687,158</u>
Net change in fund balances	150,375	2,540	141,512	294,427
Fund balances - beginning	<u>3,113,975</u>	<u>109,805</u>	<u>342,308</u>	<u>3,566,088</u>
Fund balances - ending	<u>\$ 3,264,350</u>	<u>\$ 112,345</u>	<u>\$ 483,820</u>	<u>\$ 3,860,515</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, 2015**

Net change in fund balances - total governmental funds: \$ 294,427

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.

	\$ 2,833,611	
Expenditures for capital outlay		
Less: current year depreciation	<u>(937,590)</u>	1,896,021

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

	-	
Capital contributions		
Disposals at net book value	<u>(336,538)</u>	(336,538)

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

(2,452)

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:

	578,338	
Principal payments on outstanding debt	<u>578,338</u>	578,338

Some expenses reported in the Statement of Activities do not require the use of current financial resources and thus are not reported as expenditures in governmental funds:

58,606

Change in net position of governmental activities

\$ 2,488,402

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

**CITY OF VALLEY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2015**

	<u><b>SOLID WASTE COLLECTION FUND</b></u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 195,499
Other receivables	1,710
Prepaid expenses	1,531
Total current assets	<u>198,740</u>
Non-current assets:	
Capital assets:	
Equipment	30,486
Less: accumulated depreciation	<u>(18,448)</u>
Total non-current assets, net	<u>12,038</u>
Total assets	<u>210,778</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Employer retirement contributions	<u>2,851</u>
Total deferred outflows of resources	<u>2,851</u>
Total assets and deferred outflows of resources	<u><u>\$ 213,629</u></u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 22,975
Due to other funds	62,182
Compensated absences	1,584
Total current liabilities	<u>86,741</u>
Total liabilities	<u>86,741</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Net pension liability	4,055
Net difference between projected and actual earnings on plan investments	<u>3,828</u>
Total deferred inflows of resources	<u>7,883</u>
 <b>NET POSITION</b>	
Invested in capital assets, net of related debt	12,038
Unrestricted	<u>106,967</u>
Total net position	<u>119,005</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 213,629</u></u>

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, 2015**

	<u><b>SOLID WASTE COLLECTION FUND</b></u>
Operating revenues:	
Charges for services	\$ 696,395
Total operating revenues	<u>696,395</u>
Operating expenses:	
Disposal charges	522,900
Personnel services	69,939
Other supplies and expenses	40,997
Total operating expenses	<u>633,836</u>
Operating income	62,559
Nonoperating revenues:	
Investment income	261
Miscellaneous revenue	1,632
Total non-operating revenues	<u>1,893</u>
Income before contributions and transfers	64,452
Transfers:	
Transfers out	<u>(150,000)</u>
Transfers out	
Change in net position	(85,548)
Total net position - beginning, restated	<u>204,553</u>
Total net position - ending	<u><u>\$ 119,005</u></u>

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, 2015**

	<b>SOLID WASTE COLLECTION FUND</b>
Cash flows from operating activities:	
Receipts from customers	\$ 696,964
Payments to suppliers	(585,752)
Payments to employees	(73,260)
Internal activity - payments to other funds	30,316
Net cash provided by operating activities	68,268
Cash flows from noncapital financing activities:	
Other nonoperating income	1,632
Operating transfers to other funds	(150,000)
Net cash used in noncapital financing activities	(148,368)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	-
Net cash used for capital and related financing activities	-
Cash flows from investing activities:	
Investment income	261
Net cash provided by investing activities	261
Net decrease in cash and cash equivalents	(79,839)
Cash and cash equivalents at beginning of year	275,338
Cash and cash equivalents at end of year	\$ 195,499

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, 2015**

	<u><b>SOLID WASTE COLLECTION FUND</b></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 62,559
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	3,210
Change in assets and liabilities:	
Accounts receivable	87,657
Accounts payable	(25,065)
Due to other funds	30,316
Unearned revenues	(87,088)
Compensated absences	(1,056)
Change in deferred outflows/inflows of resources	(2,265)
Total adjustments	<u>5,709</u>
Net cash provided by operating activities	<u><u>\$ 68,268</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**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 \$10,000 during the current year.

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

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

The Industrial Development Authority of Chambers County recruits and promotes businesses in the City and surrounding areas and municipalities. The Board has fourteen total members, one of whom is

**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, 2015.

**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 fund.

**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 types 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

**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.

**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. The City’s Solid Waste accounts receivable of \$59,782 are reported net of the allowance of \$59,782 as of September 30, 2015.

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 \$84,236 at September 30, 2015.

**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

**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 one year and are depreciated using the straight line method. All land is capitalized.

**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. Interest and principal payments are reported as debt service expenditures.

**L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position also reports 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, 2015, the City recognized \$1,654,525 of advance bond refunding costs as deferred outflows of resources in governmental activities in the Statement of Net

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Position. During the current year, the City recorded \$156,642 of employer retirement contributions as deferred outflows of resources in accordance with GASB Statements No. 67 and 68.

In addition to liabilities, the Statement of Net Position also reports 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, 2015, the City recognized deferred inflows of resources for the net difference between projected and actual pension plan investments totaling \$210,335 and a net pension liability totaling \$222,819 at September 30, 2015 in the Statement of Net Position.

During 2015, the City implemented GASB Statement No. 67, Financial Reporting for Pension Plans and GASB Statement No. 68, Accounting and Financial Reporting for Pension, which require certain pension and retirement obligations and payments to be reported on the financial statements that were not previously reported. The City's total restatement impact for Statements No. 67 and 68 is disclosed in Note 11 to the financial statements.

**M. PENSION**

The City funds pension expense as required by the Alabama Employees Retirement System, operated by the State of Alabama. The City's pension plan is funded by contributions from both the City and its employees.

The Employee's Retirement System of Alabama's (the "Plan") financial statement are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board ("GASB"). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the Statement Comprehensive Annual Financial Report.

**N. 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.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**O. USE OF ESTIMATES**

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

**NOTE 2 – BUDGETING AND ACCOUNTABILITY**

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

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

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**Deposits:** At September 30, 2015, the carrying amount of the City’s deposits in financial institutions was \$3,712,559 and the bank balance was \$3,880,088. The State of Alabama created the Security for Alabama Funds Enhancement (SAFE) Program which requires that all public funds be deposited in Qualified

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

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, 2015, 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, 2015, all of the City's investments held by fiscal agents were held as cash and totaled \$112,345

**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, 2015**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year was as follows:

	<i><b>Beginning Balance, Restated</b></i>	<i><b>Increases</b></i>	<i><b>Decreases</b></i>	<i><b>Ending Balance</b></i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,127,962	\$ -	\$ 9,200	\$ 2,118,762
Construction in process	444,310	-	444,310	-
Assets held for sale	491,021	200,000	316,022	374,999
Total capital assets not being depreciated	<u>3,063,293</u>	<u>200,000</u>	<u>769,532</u>	<u>2,493,761</u>
Capital assets being depreciated:				
Buildings and improvements	12,501,063	2,285,280	14,700	14,771,643
Equipment	2,586,196	518,089	-	3,104,285
Infrastructure	9,731,011	274,555	-	10,005,566
Total capital assets being depreciated	<u>24,818,270</u>	<u>3,077,924</u>	<u>14,700</u>	<u>27,881,494</u>
Less accumulated depreciation for:				
Buildings and improvements	5,426,501	391,031	3,381	5,814,151
Equipment	1,883,359	271,458	-	2,154,817
Infrastructure	991,956	275,101	-	1,267,057
Total accumulated depreciation	<u>8,301,816</u>	<u>937,590</u>	<u>3,381</u>	<u>9,236,025</u>
Total capital assets being depreciated, net	<u>16,516,454</u>			<u>18,645,469</u>
Governmental activities capital assets, net	<u>\$ 19,579,747</u>			<u>\$ 21,139,230</u>
	<i><b>Beginning Balance</b></i>	<i><b>Increases</b></i>	<i><b>Decreases</b></i>	<i><b>Ending Balance</b></i>
Business-type activities:				
Capital assets being depreciated:				
Equipment	\$ 30,486	\$ -	\$ -	\$ 30,486
Total capital assets being depreciated	<u>30,486</u>	<u>-</u>	<u>-</u>	<u>30,486</u>
Less accumulated depreciation for:				
Equipment	15,238	3,210	-	18,448
Total accumulated depreciation	<u>15,238</u>			<u>18,448</u>
Business-type activities capital assets, net	<u>\$ 15,248</u>			<u>\$ 12,038</u>

**CITY OF VALLEY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 241,163
Planning	4,716
Public safety	142,874
Public works, including infrastructure	159,310
Welfare	25,417
Culture and recreation	<u>364,110</u>
Total governmental activities depreciation expense	<u>\$ 937,590</u>

The City has several construction projects in the planning stages as of September 30, 2015.

During the year ended September 30, 2013, the City determined its intent to sell certain Riverview Mill and Langdale Mill assets. In the City's financial statements for the years ended September 30, 2013 and 2014, 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 Statement of Net Position and were no longer being depreciated. During the current year, the City sold the Riverview Mill assets previously classified as held for sale for a contract price of \$350,000.

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. The Langdale Mill assets are recorded at their net book value at September 30, 2015 as available for sale. Subsequent to year end, the City has entered into a sales contract as described in Note 10.

During the current year, 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. Prior to year end, the City completed the sale of the building and property for a sales price of \$45,000.

During the current year, the City purchased a parcel of land for \$200,000 for economic development purposes. The City has determined its intent to dispose of the property during the year ended September 30, 2016 and has recorded the land at its purchase price as a Capital Asset Held for Sale in the accompanying Statement of Net Position.

**CITY OF VALLEY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 5 – INTERFUND BALANCES AND TRANSFERS**

Interfund balances at September 30, 2015 consisted of the following:

<i><b>DUE TO</b></i>	<i><b>DUE FROM</b></i>			
	<i><b>General</b></i>	<i><b>Non-major Governmental</b></i>	<i><b>Solid Waste</b></i>	<i><b>Total</b></i>
			<i><b>Collection</b></i>	
General	\$ -	\$ 39,524	\$ 62,182	\$ 101,706
Non-major governmental	271,105	-	-	271,105
Total	\$ 271,105	\$ 39,524	\$ 62,182	\$ 372,811

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><b>TRANSFER TO</b></i>	<i><b>TRANSFER FROM</b></i>		
	<i><b>General Fund</b></i>	<i><b>Solid Waste</b></i>	
		<i><b>Collection</b></i>	<i><b>Total</b></i>
General	\$ -	\$ 150,000	\$ 150,000
Non-major governmental	586,236	-	586,236
Total	\$ 586,236	\$ 150,000	\$ 736,236

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.

**CITY OF VALLEY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 6 – LONG-TERM LIABILITIES**

Long-term liabilities at September 30, 2015 consisted of the following:

<b><i>Bonds:</i></b>	<b><u>Governmental</u></b>	<b><u>Business-type</u></b>
General Obligation Warrants, Series 2013, due in monthly installments of \$35,855 - \$41,241 through 2020, bearing interest of 2.050%.	\$ 2,318,741	\$ -
General Obligation Warrants, Series 2007, due in annual installments of \$135,000 - \$170,000 through 2018, bearing interest of 7.375%.	470,000	-
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%.	8,916,101	-
<b><i>Other liabilities:</i></b>		
Compensated Absences	45,938	1,584
Total long-term liabilities	<u>\$ 11,750,780</u>	<u>\$ 1,584</u>

Long-term liability activity for the year ended September 30, 2015 was as follows:

	<b><i>Beginning</i></b>			<b><i>Ending</i></b>	<b><i>Due Within</i></b>
	<b><i>Balance</i></b>	<b><i>Additions</i></b>	<b><i>Reductions</i></b>	<b><i>Balance</i></b>	<b><i>One Year</i></b>
<b><i>Governmental Activities</i></b>					
Debt:					
General obligation bonds	\$ 12,442,084	\$ -	\$ (578,343)	\$ 11,863,741	\$ 599,065
Less deferred amounts:					
Unamortized discounts	(166,290)	-	7,391	(158,899)	7,391
Advance refunding costs	(1,731,480)	-	76,955	(1,654,525)	-
Net general obligation warrants	10,544,314	-	(493,997)	10,050,317	606,456
Compensated absences	64,473	-	(18,535)	45,938	45,938
Governmental activity					
Long-term liabilities	<u>\$ 10,608,787</u>	<u>\$ -</u>	<u>\$ (512,532)</u>	<u>\$ 10,096,255</u>	<u>\$ 652,394</u>
<b><i>Business-type Activities</i></b>					
Compensated absences	\$ 2,460	\$ -	\$ (876)	\$ 1,584	\$ 1,584
Long-term liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (876)</u>	<u>\$ 1,584</u>	<u>\$ 1,584</u>

**NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)**

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

**General Obligation Warrants.** The City issues general obligation warrants to provide funds for the acquisition of equipment and construction of major capital facilities for the City. General obligation warrants constitute general 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, 2015, the escrow account had a balance totaling \$8,027,183. 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 are being 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, 2015, 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, 2015, the outstanding balance of the Series 2013 bonds totaled \$2,318,741.

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, 2015, the outstanding portion of this Series totaled \$470,000.

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, 2015 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, 2015. 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, 2015**

**NOTE 6 – 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>
2016	\$ 599,065	\$ 376,650
2017	617,634	356,576
2018	642,208	335,571
2019	566,980	312,412
2020	842,854	297,645
2021-2025	2,095,000	1,323,993
2026-2030	2,390,000	1,009,317
2031-2035	2,820,000	546,185
2036-2037	1,290,000	52,000
	<u>\$ 11,863,741</u>	<u>\$ 4,610,349</u>

**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

**Plan Description.** The Employees’ Retirement System of Alabama (“ERS”), an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 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 the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
  - b. Two vested active state employees.
  - c. Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

**NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Benefits Provided.** State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase to postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for state police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 to 30 years of service (regardless of age), depending on the particular entity’s election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and are determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member’s age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership included approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active Members	55,883
<b>Total</b>	<b>83,874</b>

**Contributions.** Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective

**NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, the City's active employee contribution rate was 5.65% and 3.35% of covered employee payroll for Tier 1 and Tier 2 employees, respectively, and the City's average contribution rate to fund the normal and accrued liability costs was 5.41% percent of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2015 was 5.65% of pensionable pay for Tier 1 employees, and 3.35% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$156,642 for the year ended September 30, 2015.

**Net Pension Liability.** The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

**CITY OF VALLEY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

<b>Total Pension Liability</b>		
as of September 30, 2013	\$	7,151,328
<b>Entry Age Normal Cost for</b>		
October 1, 2013 - September 30, 2014		258,426
<b>Estimated Interest</b>		555,700
<b>Actual Benefit Payments and Refunds for</b>		
October 1, 2013 - September 30, 2014		<u>(410,154)</u>
<b>Total Pension Liability</b>		
as of September 30, 2014	\$	<u>7,555,300</u>

**Actuarial Assumptions.** The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods including in the measurements:

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment rate of return*	8.00%

\* Net of pension plan investment expense.

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

**CITY OF VALLEY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return *</b>
	<hr/>	<hr/>
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	<hr/> 2.00%	1.50%
<b>Total</b>	<hr/> <hr/> 100.0%	

\*Included assumed rate of inflation of 2.50%.

**Discount Rate.** The discount rate used to measure the total pension liability was the long term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF VALLEY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

*Changes in Net Pension Liability*

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
<b>Balances at 9/30/2013</b>	<u>\$ 7,151,327</u>	<u>\$ 6,607,052</u>	<u>\$ 544,275</u>
Changes for the year:			
Service cost	258,426	-	258,426
Interest	555,701	-	555,701
Differences between expected and actual experience	-	-	-
Contributions -- employer	-	143,323	(143,323)
Contributions--employee	-	151,007	(151,007)
Net investment income	-	788,943	(788,943)
Benefit payments, including refunds of employee contributions	(410,154)	(410,154)	-
Administrative expenses	-	-	-
Transfers among employers	-	52,310	(52,310)
Net changes	<u>403,973</u>	<u>725,429</u>	<u>(321,456)</u>
<b>Balances at 9/30/2014</b>	<u>\$ 7,555,300</u>	<u>\$ 7,332,481</u>	<u>\$ 222,819</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate.** The following table presents the City's net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage point higher (9%) than the current rate:

	<b>1% Decrease (7.00%)</b>	<b>Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
City's net pension liability	\$ 1,118,220	\$ 222,819	\$ (532,568)

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**CITY OF VALLEY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 7 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2015, the City recognized pension expense of \$31,160. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	210,335
Employer contributions subsequent to the Measurement Date	156,642	-
<b>Total</b>	<b>\$ 156,642</b>	<b>\$ 210,335</b>

Amounts reported as deferred outflows of resources will be recognized as pension expense during the year ended September 30, 2016 and the amounts reported as deferred inflows of resources to pensions will be recognized in pension expense as follows:

**Year Ended September 30**

2016	\$	52,584
2017		52,584
2018		52,584
2019		52,583
2020		-
Thereafter		-

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

**NOTE 8 – 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

**NOTE 8 – RISK MANAGEMENT (CONTINUED)**

been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 9 – 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, 2015.

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 10 – SUBSEQUENT EVENTS**

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.

Subsequent to year end, the City issued a \$3,200,000 2015 General Obligation warrant dated November 11, 2015. The warrant was issued to fund capital projects within the City. Principal and interest mature monthly on the 11<sup>th</sup> day of each month, beginning December 11, 2015 through November 11, 2025. Costs to issue the bonds totaled \$16,000.

The City has evaluated events subsequent to the date of the Statement of Net Position through August 30, 2016, the date the financial statements were available to be issued. No events have occurred subsequent to the Statement of Net Position date through August 30, 2016 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.

**NOTE 11 – RESTATEMENTS**

During the year ended September 30, 2015, the City implemented GASB Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which require certain pension and retirement obligations and payments to be reported on the financial statements that were not previously reported. Accordingly, employer contributions totaling \$143,323 that were made by the City during the year ended September 30, 2014 were recorded as deferred outflows of resources on the Statement of Net Position as of September 30, 2014. Additionally, a net pension obligation of \$544,275 was recorded as of September 30, 2014 and was recorded as a deferred inflow of resources on the Statement of Net Position as of September 30, 2014. The net

**CITY OF VALLEY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 11 – RESTATEMENTS (CONTINUED)**

adjustment to net position for governmental and business-type activities of the City as of September 30, 2014 related to the implementation of GASB Statements No. 67 and 68 is shown below.

During the year ended September 30, 2015, the City determined that certain capital asset disposals in prior years were not appropriately reported. Based upon a review of the City’s capital assets, the City recorded a decrease in the governmental activities’ net position of \$127,466 as of September 30, 2014 as shown below.

	<b>Net position, as previously reported</b>	<b>Restatement for Capital Assets</b>	<b>Restatement for GASB No. 67 &amp; 68</b>	<b>Not position, as restated</b>
<b>Government-wide financial statements</b>				
Governmental activities	\$ 12,784,223	\$ (127,466)	\$ (393,655)	\$ 12,263,102
Business-Type activities	211,850	-	(7,297)	204,553
Total	<u>\$ 12,996,073</u>	<u>\$ (127,466)</u>	<u>\$ (400,952)</u>	<u>\$ 12,467,655</u>

***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF VALLEY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2015**

<b>DESCRIPTION</b>	<b><u>ORIGINAL BUDGET</u></b>	<b><u>FINAL BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b><u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u></b>
Revenues:				
Taxes:				
Sales	\$ 6,050,000	\$ 6,050,000	\$ 6,326,295	\$ 276,295
Other:				
Motor vehicle sales tax	48,000	48,000	54,329	6,329
Motor fuels	200,000	200,000	211,834	11,834
Tobacco	114,000	114,000	114,524	524
Beer and wine	2,100	2,100	2,583	483
Lodging	3,000	3,000	2,973	(27)
	<u>367,100</u>	<u>367,100</u>	<u>386,243</u>	<u>19,143</u>
Total taxes	6,417,100	6,417,100	6,712,538	295,438
Licenses and permits:				
Business:				
General	1,090,000	1,090,000	1,118,749	28,749
Franchise fees	170,000	170,000	175,985	5,985
Rental	300,000	300,000	356,059	56,059
	<u>1,560,000</u>	<u>1,560,000</u>	<u>1,650,793</u>	<u>90,793</u>
Animal	3,500	3,500	4,820	1,320
Permits and inspections	70,000	70,000	63,952	(6,048)
	<u>70,000</u>	<u>70,000</u>	<u>63,952</u>	<u>(6,048)</u>
Total licenses and permits	<u>1,633,500</u>	<u>1,633,500</u>	<u>1,719,565</u>	<u>86,065</u>
Intergovernmental revenue:				
Shared county revenue:				
Beer tax	40,000	40,000	38,391	(1,609)
Mobile home registration fees	800	800	739	(61)
FEMA Grant	133,000	133,000	133,000	-
	<u>173,800</u>	<u>173,800</u>	<u>172,130</u>	<u>(1,670)</u>
Shared state revenue:				
Bank excise tax	25,000	25,000	11,727	(13,273)
Share of liquor tax profits	1,500	1,500	2,915	1,415
	<u>26,500</u>	<u>26,500</u>	<u>14,642</u>	<u>(11,858)</u>

UNAUDITED

**CITY OF VALLEY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2015**

<b>DESCRIPTION</b>	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET OVER (UNDER)</b>
Other:				
Grants	27,005	28,005	38,663	10,658
	<u>27,005</u>	<u>28,005</u>	<u>38,663</u>	<u>10,658</u>
Total intergovernmental revenue	227,305	228,305	225,435	(2,870)
Charges for services:				
Public safety:				
Ambulance fees	350,000	350,000	427,672	77,672
Police protection and security fees	50,000	59,758	59,757	(1)
Copying	3,000	3,000	3,253	253
	<u>403,000</u>	<u>412,758</u>	<u>490,682</u>	<u>77,924</u>
Paving and curbing fees	-	-	16,452	16,452
	<u>-</u>	<u>-</u>	<u>16,452</u>	<u>16,452</u>
Culture and recreation:				
Entry fees and other charges	400,000	400,000	496,065	96,065
Total charges for service	803,000	812,758	1,003,199	190,441
Fines and forfeits:				
Public safety:				
Fines and costs	77,000	77,000	62,861	(14,139)
	<u>77,000</u>	<u>77,000</u>	<u>62,861</u>	<u>(14,139)</u>
Investment income	1,000	1,000	3,381	2,381
Miscellaneous revenues:				
Other:				
Rental income	39,000	39,000	51,932	12,932
Contributions	78,000	82,980	45,356	(37,624)
Miscellaneous	325,660	343,107	47,262	(295,845)
Total miscellaneous revenues	<u>442,660</u>	<u>465,087</u>	<u>144,550</u>	<u>(320,537)</u>
Total revenues	9,601,565	9,634,750	9,871,529	236,779

UNAUDITED

**CITY OF VALLEY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2015**

<b>FUNCTION/DEPARTMENT/OBJECT</b>	<b><u>ORIGINAL BUDGET</u></b>	<b><u>FINAL BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b><u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u></b>
Expenditures:				
Current:				
General government:				
Legislative:				
Personal services	61,000	61,000	64,946	3,946
Other	232,250	241,633	225,940	(15,693)
Total legislative	<u>293,250</u>	<u>302,633</u>	<u>290,886</u>	<u>(11,747)</u>
Administration:				
Personal services	403,772	403,772	326,924	(76,848)
Other	587,400	587,400	464,613	(122,787)
	<u>991,172</u>	<u>991,172</u>	<u>791,537</u>	<u>(199,635)</u>
Planning and development:				
Personal services	186,616	186,616	197,370	10,754
Other	44,150	44,150	112,401	68,251
	<u>230,766</u>	<u>230,766</u>	<u>309,771</u>	<u>79,005</u>
Other				
Nondepartmental:				
Alabama League of Municipalities	3,900	3,900	3,927	27
Chambers County Industrial Authority	38,484	38,484	30,151	(8,333)
East Alabama Planning Commission	5,715	5,715	5,714	(1)
Total nondepartmental	<u>48,099</u>	<u>48,099</u>	<u>39,792</u>	<u>(8,307)</u>
Total general government	1,563,287	1,572,670	1,431,986	(140,684)
Public safety:				
Police:				
Personal services	1,604,000	1,612,700	1,671,342	58,642
Other	504,400	514,574	488,985	(25,589)
Total police	<u>2,108,400</u>	<u>2,127,274</u>	<u>2,160,327</u>	<u>33,053</u>
Emergency medical services:				
Personal services	552,970	554,028	617,609	63,581
Other	92,950	94,700	83,372	(11,328)
Total emergency medical services	<u>645,920</u>	<u>648,728</u>	<u>700,981</u>	<u>52,253</u>

UNAUDITED

**CITY OF VALLEY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2015**

<b>FUNCTION/DEPARTMENT/OBJECT</b>	<b><u>ORIGINAL BUDGET</u></b>	<b><u>FINAL BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b><u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u></b>
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	2,767,320	2,789,002	2,874,308	85,306
Public works:				
Personal services	722,801	722,801	668,966	(53,835)
Other	381,646	384,899	312,823	(72,076)
Total public works	1,104,447	1,107,700	981,789	(125,911)
Health:				
Other:				
Nondepartmental:				
East Alabama Mental Health	2,000	2,000	-	(2,000)
Humane Society	37,895	37,895	38,750	855
Total health	39,895	39,895	38,750	(1,145)
Welfare:				
Other:				
Nondepartmental:				
Tri County Childrens' Advocacy	1,500	1,500	1,500	-
Department of Human Resources	-	-	-	-
Workforce Development	2,381	2,381	1,786	(595)
Coosa Valley Youth	8,000	8,000	14,450	6,450
Valley Masters Games	10,000	10,000	-	(10,000)
Total welfare	21,881	21,881	17,736	(4,145)

UNAUDITED

**CITY OF VALLEY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2015**

<b>FUNCTION/DEPARTMENT/OBJECT</b>	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET OVER (UNDER)</b>
Culture and recreation:				
Parks and recreation:				
Personal services	562,525	562,525	480,198	(82,327)
Other	457,975	467,601	561,058	93,457
Total parks and recreation	<u>1,020,500</u>	<u>1,030,126</u>	<u>1,041,256</u>	<u>11,130</u>
Other:				
Nondepartmental:				
H. Grady Bradshaw Library	43,801	43,801	43,801	-
Valley Historical Preservation Commission	10,000	10,000	10,000	-
Valley Art Council	2,500	2,500	2,471	(29)
Valley Tree Board	7,500	7,500	-	(7,500)
	<u>63,801</u>	<u>63,801</u>	<u>56,272</u>	<u>(7,529)</u>
Special Events:				
Fourth of July	10,000	10,000	11,000	1,000
Merry Go Round	28,000	28,000	24,109	(3,891)
Community Programs	5,000	5,000	-	(5,000)
	<u>43,000</u>	<u>43,000</u>	<u>35,109</u>	<u>(7,891)</u>
Total culture and recreation	1,127,301	1,136,927	1,132,637	(4,290)
Urban rehabilitation:				
Other:				
Nondepartmental:				
Dilapidated houses	50,000	50,000	8,896	(41,104)
Total urban rehabilitation	50,000	50,000	8,896	(41,104)

UNAUDITED

**CITY OF VALLEY**  
**GENERAL FUND**  
*SCHEDULE OF REVENUES, EXPENDITURES AND*  
*CHANGES IN FUND BALANCE - BUDGET AND ACTUAL*  
*YEAR ENDED SEPTEMBER 30, 2015*

<b>FUNCTION/DEPARTMENT/OBJECT</b>	<b><i>ORIGINAL BUDGET</i></b>	<b><i>FINAL BUDGET</i></b>	<b><i>ACTUAL</i></b>	<b><i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i></b>
Capital outlay:	2,430,803	3,029,769	2,833,594	(196,175)
Debt service:				
Principal	443,325	443,325	443,338	13
Interest and charges	54,386	54,386	59,042	4,656
Total debt service	497,711	497,711	502,380	4,669
Total expenditures	9,602,645	10,245,555	9,822,076	(423,479)
Excess of revenues over expenditures	(1,080)	(610,805)	49,453	660,258
Other financing sources (uses):				
Insurance recoveries	-	90,318	102,000	11,682
Disposal of capital assets	400,000	405,631	435,158	29,527
Transfers to Senior Center Fund	-	-	(105,652)	(105,652)
Transfers to Cemetery Fund	-	-	(2,814)	(2,814)
Transfers to Debt Service Fund	(478,350)	(478,350)	(477,770)	580
Transfers from Solid Waste Fund	-	-	150,000	150,000
Total other financing uses	(78,350)	17,599	100,922	83,323
Excess of revenues and other sources over expenditures and other uses	(79,430)	(593,206)	150,375	743,581
Fund balance, beginning of year	3,113,975	3,113,975	3,113,975	-
Fund balance, end of year	\$ 3,034,545	\$ 2,520,769	\$ 3,264,350	\$ 743,581

UNAUDITED

**CITY OF VALLEY, ALABAMA**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**LAST FISCAL YEAR ENDING SEPTEMBER 30**

	<b>2014</b>
<b>Total Pension Liability</b>	
Service cost	\$ 258,426
Interest	555,700
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(410,154)
Net change in total pension liability	403,972
Total pension liability - beginning	7,151,328
Total pension liability - ending (a)	\$ 7,555,300
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 143,323
Contributions - member	151,007
Net investment income	788,943
Benefit payments, including refunds of employee contributions	(410,154)
Transfers among employers	52,310
Net change in plan fiduciary net position	725,429
Plan net position - beginning	6,607,052
Plan net position - ending (b)	\$ 7,332,481
Net pension liability (asset) - ending (a) - (b)	\$ 222,819
Plan fiduciary net position as a percentage of the total pension liability	97.05%
Covered employee payroll	\$ 2,648,355
Net pension liability (asset) as a percentage of covered-employee payroll	8.41%

UNAUDITED

**CITY OF VALLEY, ALABAMA  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST FISCAL YEAR ENDING SEPTEMBER 30**

	<u>2014</u>
Actuarially determined contribution	\$ 143,323
Contributions in relation to the actuarially determined contribution	<u>143,323</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 2,648,355
Contributions as a percentage of covered employee payroll	5.41%

**CITY OF VALLEY**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2015**

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	13 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

*This page intentionally left blank*

## **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, 2015**

	<u>\$0.07 STATE GASOLINE TAX FUND</u>	<u>\$0.04 AND \$0.05 STATE GASOLINE TAX FUND</u>	<u>SENIOR CENTER FUND</u>	<u>COMMUNITY DEVELOPMENT FUND</u>	<u>CEMETARY FUND</u>	<u>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 33,278	\$ 63,383	\$ 20,325	\$ 770	\$ 3,259	\$ 121,015
Taxes receivable, net	8,521	7,378	-	-	-	15,899
Other receivables	-	-	3,264	-	50	3,314
Due from other funds	5,000	-	-	-	-	5,000
Due from other governments	-	30,351	-	-	-	30,351
Total assets	<u>\$ 46,799</u>	<u>\$ 101,112</u>	<u>\$ 23,589</u>	<u>\$ 770</u>	<u>\$ 3,309</u>	<u>\$ 175,579</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 995	\$ -	\$ 2,225	\$ 50	\$ -	\$ 3,270
Due to other funds	5,000	-	30,083	4,038	403	39,524
Due to other governments	-	-	-	639	-	639
Total liabilities	<u>5,995</u>	<u>-</u>	<u>32,308</u>	<u>4,727</u>	<u>403</u>	<u>43,433</u>
Fund balances:						
Restricted	40,804	101,112	-	-	2,906	144,822
Unassigned	-	-	(8,719)	(3,957)	-	(12,676)
Total fund balances	<u>40,804</u>	<u>101,112</u>	<u>(8,719)</u>	<u>(3,957)</u>	<u>2,906</u>	<u>132,146</u>
Total liabilities and fund balances	<u>\$ 46,799</u>	<u>\$ 101,112</u>	<u>\$ 23,589</u>	<u>\$ 770</u>	<u>\$ 3,309</u>	<u>\$ 175,579</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, 2015**

	<u>\$0.07 STATE GASOLINE TAX FUND</u>	<u>\$0.04 AND \$0.05 STATE GASOLINE TAX FUND</u>	<u>SENIOR CENTER FUND</u>	<u>COMMUNITY DEVELOPMENT FUND</u>	<u>CEMETARY FUND</u>	<u>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</u>
Revenues:						
Intergovernmental:						
Shared state gasoline tax	\$ 59,010	\$ 46,147	\$ -	\$ 1,000	\$ -	\$ 106,157
Other intergovernmental	-	-	19,374	-	-	19,374
Total intergovernmental	<u>59,010</u>	<u>46,147</u>	<u>19,374</u>	<u>1,000</u>	<u>-</u>	<u>125,531</u>
Investment income	31	41	19	-	4	95
Other	-	-	16,222	-	7,550	23,772
Total revenues	<u>59,041</u>	<u>46,188</u>	<u>35,615</u>	<u>1,000</u>	<u>7,554</u>	<u>149,398</u>
Expenditures:						
Current:						
Public works	47,073	-	-	-	-	47,073
Welfare	-	-	141,547	230	10,518	152,295
Total expenditures	<u>47,073</u>	<u>-</u>	<u>141,547</u>	<u>230</u>	<u>10,518</u>	<u>199,368</u>
Excess revenues over (under) expenditures	11,968	46,188	(105,932)	770	(2,964)	(49,970)
Other financing sources:						
Transfers in	-	-	105,652	-	2,814	108,466
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>105,652</u>	<u>-</u>	<u>2,814</u>	<u>108,466</u>
Net change in fund balances	11,968	46,188	(280)	770	(150)	58,496
Fund balances - beginning	<u>28,836</u>	<u>54,924</u>	<u>(8,439)</u>	<u>(4,727)</u>	<u>3,056</u>	<u>73,650</u>
Fund balances - ending	<u>\$ 40,804</u>	<u>\$ 101,112</u>	<u>\$ (8,719)</u>	<u>\$ (3,957)</u>	<u>\$ 2,906</u>	<u>\$ 132,146</u>

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

*This page intentionally left blank*

## **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, 2015**

	<b><i>MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND</i></b>	<b><i>CAPITAL PRJOECTS FUND</i></b>	<b><i>TOTAL NONMAJOR CAPITAL PROJECT FUNDS</i></b>
<b><i>ASSETS</i></b>			
Cash and cash equivalents	\$ 34,565	\$ -	\$ 34,565
Prepaid expenses	51,004	-	51,004
Due from other funds	90,000	176,105	266,105
Total assets	<u>\$ 175,569</u>	<u>\$ 176,105</u>	<u>\$ 351,674</u>
<b><i>FUND BALANCES</i></b>			
Fund balances:			
Assigned to capital projects	<u>\$ 175,569</u>	<u>\$ 176,105</u>	<u>\$ 351,674</u>
Total fund balances	<u>\$ 175,569</u>	<u>\$ 176,105</u>	<u>\$ 351,674</u>

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, 2015**

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
2016	\$ -	\$ 298,731	\$ 454,065	\$ 43,256	\$ 145,000	\$ 34,663	\$ 599,065	\$ 376,650	\$ 975,715
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	447,854	4,564	-	-	842,854	297,645	1,140,499
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	\$ 9,075,000	\$ 4,418,650	\$ 2,318,741	\$ 120,530	\$ 470,000	\$ 71,169	\$ 11,863,741	\$ 4,610,349	\$ 16,474,090

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