

CITY OF VALLEY
VALLEY, ALABAMA
Financial Statements
September 30, 2018

**CITY OF VALLEY
VALLEY, ALABAMA**

MAYOR

Leonard Riley

CITY COUNCIL

Henry L. Cooper
Jimmy Gilson
James L. Jones
Marquetta Madden
Randall Maddux
Paul Story
Cassie Carl

**CITY TREASURER /
CITY CLERK**

Kathy Snowden

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, schedule of changes in the net pension liability, and the schedule of employer contributions information 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Valley's basic financial statements. The combining balance sheet - nonmajor special revenue funds, combining statement of revenues, expenditures and changes in fund balances - nonmajor special revenue funds, combining balance sheet - nonmajor capital project funds, combining statement of revenues, expenditures and changes in fund balances - nonmajor capital project funds, combining balance sheet - nonmajor debt service funds, combining statement of revenues, expenditures and changes in fund balances - nonmajor debt service funds, statement of net position - discretely presented component unit, statement of revenues, expenses, and changes in net position - discretely presented component unit, statement of cash flows - discretely presented component unit and schedule of debt service - general obligation warrants are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, discretely presented component unit financial statements, and schedule of debt service - general obligation warrants 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 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, discretely presented component unit financial statements, and schedule of debt service - general obligation warrants are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BMSS, LLC

Auburn, Alabama
March 6, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF VALLEY, ALABAMA

(Unaudited)

The City of Valley's Management Discussion and Analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify any material deviations from the financial plan, and identify individual fund issues or concerns.

Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements.

HIGHLIGHTS AND ACCOMPLISHMENTS

Financial Highlights

- The City's net position for governmental activities increased by \$1,919,483.
- The total cost of all the City's programs was \$10,239,022.
- During the year, the City had expenses of \$9,540,641 for governmental activities, which was \$1783,214 less than the \$11,323,855 generated in general and program revenues.
- The City's combined assets exceeded its combined liabilities by \$19,868,577, which will allow the City to continue to meet ongoing obligations to citizens and creditors.
- The City sold property not necessary for normal operations of the City.
- The City completed renovations of the Sportsplex and Senior Center addition.
- The City made progress on its paving projects and purchased new equipment.
- The City continues to budget for demolition of houses and general clean up.

The City has recently been voted one on the best cities in Alabama to live.

- In October 2017, final plans for the new Senior Center were being discussed.
- In November 2017, paving at the Shawmut boat ramp began for a cost of \$200,000.00 with the County paying \$140,000.00 in renovations and a new pavilion.
- In December 2017, the Senior Center at the Community Center started construction.
- In January 2018, the City entered into contracts with Terracon Consultants and Wildland Services. There were discussions on selling property at the Industrial Park and the City entered into a contract with Scannell Properties, LLC.
- In February 2018, the City awarded bids for paving with a total bid for all projects being \$1,470,572.00. The City applied for a grant with the State of Alabama for the Recreational Trails Program Funds to resurface and construct improvements along sections of the Chattahoochee Valley Railroad Trail. The total cost was \$346,500.00 with the City paying \$69,300.00.

- In March 2018, the City adopted Title VI program for the Senior Center and the Parks and Recreation Center. The City Council accepted a bid for the demolition of the Riverview Gym and entered into the final contract with Scannell Properties LLC. Capital investments will include \$15,355,313.00 for property taxes and \$7,400,000.00 for sales and use taxes. The City also amended restrictive covenants for the Industrial Park.
- In April 2018, the City applied for the AARP Community Challenge 2018 Grant. Final inspections of the Senior Center and fitness rooms took place.
- In May 2018, the City was awarded a CDBG grant (Community Development Block Grant) for \$500,000.00 and also an ARC grant (Appalachian Region Commission) in the amount of \$250,000.00. Funds are to be utilized for John Soules Foods to build in the City. The total cost of the project will be \$1,500,000.00 and will employ 500 full-time employees over a five year period.
- In June 2018, the City purchased Fairfax Mill property and entered into an agreement for LED lights with Alabama Power Company. The City renegotiated the price for resurfacing the gym floors.
- In July 2018, the City applied for a city seal logo patent and annexed the Combs property into the City. The City negotiated an EMS Contract with East Alabama Water District and entered into the contract with Four Star Freightliner, Inc.
- August 2018, the City sent out bids for a \$6,000,000.00 warrant and entered into a contract with A-Com.
- September 2018, the City accepted a Commercial Loan Agreement and applied for a USDA Rural Development Grant. The City signed a memorandum of understanding with Chambers County Emergency District and entered into a contract with Goodwyn, Mills, and Cawood.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 15 and 17) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 18. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail by providing information about the City's most significant funds.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 9. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better 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 method used in 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 them. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health or *financial position*. Over time, *increases* or *decreases* in the City's net position, are indicators of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial 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 general administration, public safety, public works, health, culture and recreation, welfare, and urban rehabilitation. Sales taxes, business licenses and permits, program revenues, and grants finance most of these activities.
- Business-type Activities - The City's Solid Waste Fund is reported here. The City charges a fee to customers to help cover costs of these services.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 18. The fund financial statements provide detailed information about the most significant funds and not the City as a whole. Some funds are required to be established by State law and bond covenants. However, the City Council establishes many 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 readily be 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 reconciliations after the fund financial statements.

- **Proprietary Funds** - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. 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

Financial Analysis of the City as a Whole

Net Position

The City's combined net position as of September 30, 2018 was \$19,868,577. The governmental activities net position was \$19,743,888, and the business-type activities net position was \$124,689. The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 3,853,905	\$10,610,035	\$ 119,363	\$ 254,114	\$ 3,973,268	\$10,864,149
Capital assets	32,710,059	24,723,717	2,408	5,618	32,712,467	24,729,335
Total assets	<u>36,563,964</u>	<u>35,333,752</u>	<u>121,771</u>	<u>259,732</u>	<u>36,685,735</u>	<u>35,593,484</u>
Deferred outflows of resources						
Deferred outflows related						
to pensions	633,983	801,956	11,442	14,301	645,425	816,257
Deferred charge on refunding	1,221,452	1,336,217	-	-	1,221,452	1,336,217
Total deferred outflows of resources	<u>1,855,435</u>	<u>2,138,173</u>	<u>11,442</u>	<u>14,301</u>	<u>1,866,877</u>	<u>2,152,474</u>
Liabilities						
Long-term liabilities	17,424,522	18,953,282	5,772	19,421	17,430,294	18,972,703
Other liabilities	709,027	364,007	(7,276)	45,521	701,751	409,528
Total liabilities	<u>18,133,549</u>	<u>19,317,289</u>	<u>(1,504)</u>	<u>64,942</u>	<u>18,132,045</u>	<u>19,382,231</u>
Deferred inflows of resources						
Pension deferrals	541,962	-	10,028	-	551,990	-
Total deferred inflows of resources	<u>541,962</u>	<u>-</u>	<u>10,028</u>	<u>-</u>	<u>551,990</u>	<u>-</u>
Net Position						
Net investment						
in capital assets	16,818,498	7,955,824	2,408	5,618	16,820,906	7,961,442
Restricted	181,838	234,105	-	-	181,838	234,105
Unrestricted	2,743,552	9,964,707	122,281	203,473	2,865,833	10,168,180
Total net position	<u>\$19,743,888</u>	<u>\$18,154,636</u>	<u>\$ 124,689</u>	<u>\$ 209,091</u>	<u>\$19,868,577</u>	<u>\$18,363,727</u>

For more detailed information, see the Statement of Net Position on page 15.

The City's unrestricted net position for governmental activities that can be used to finance day-to-day operations was \$2,743,552.

Changes in Net Position

The City's Change in Net Position of the governmental activities was \$1,919,483 and the change in net position of business-type activities was \$(84,402).

The following table reflects the revenue and expenses of the total primary government:

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	\$ 2,619,790	\$ 2,939,516	\$ 749,856	\$ 753,264	\$ 3,369,646	\$ 3,692,780
Operating grants and contributions	87,273	281,627	-	-	87,273	281,627
Capital grants and contributions	1,068,600	91,199	-	-	1,068,600	91,199
General revenues						
Sales taxes	6,942,691	6,700,204	-	-	6,942,691	6,700,204
Other taxes	472,828	526,316	-	-	472,828	526,316
Interest earnings	16,493	5,401	392	236	16,885	5,637
Gain/(Loss) on disposal of capital assets	116,180	(490,335)	-	-	116,180	(490,335)
Total revenues	11,323,855	10,053,928	750,248	753,500	12,074,103	10,807,428
Expenses						
General administration	1,787,481	1,780,450	-	-	1,787,481	1,780,450
Public safety	3,196,785	3,222,245	-	-	3,196,785	3,222,245
Public works	1,815,835	1,387,955	-	-	1,815,835	1,387,955
Health	38,820	38,750	-	-	38,820	38,750
Culture and recreation	1,761,916	1,612,157	-	-	1,761,916	1,612,157
Welfare	200,974	192,729	-	-	200,974	192,729
Urban rehabilitation	80,571	66,772	-	-	80,571	66,772
Interest on long-term debt	658,259	585,347	-	-	658,259	585,347
Solid waste	-	-	698,381	690,492	698,381	690,492
Total expenses	9,540,641	8,886,405	698,381	690,492	10,239,022	9,576,897
Excess before transfers	1,783,214	1,167,523	51,867	63,008	1,835,081	1,230,531
Transfers	136,269	-	(136,269)	-	-	-
Change in net position	1,919,483	1,167,523	(84,402)	63,008	1,835,081	1,230,531
Beginning net position	17,824,405	16,987,113	209,091	146,083	18,033,496	17,133,196
Total net position	\$19,743,888	\$18,154,636	\$ 124,689	\$ 209,091	\$19,868,577	\$18,363,727

For more detailed information, see the Statement of Activities on page 17.

The governmental activities total revenues increased by 12.63% to \$11,323,855 due primarily to an increase in capital contributions. Sales taxes account for 61.31% of all governmental activities revenues. The remaining revenues are comprised of charges for services and various other sources. The business-type activities total revenue decreased by .43%.

The total cost of all programs and services increased by \$662,125. The cost of governmental activities increased by \$654,236 and the cost of business-type activities increased by \$7,889.

Governmental Activities

The change in net position of governmental activities was \$1,919,483, resulting primarily from an increase in capital contributions and sales tax revenue.

Business-type Activities

The change in net position of business-type activities was \$(84,402), resulting primarily from transfers to the General Fund.

THE CITY'S FUNDS

Governmental Funds

As of September 30, 2018, the Governmental Funds reported a combined fund balance of \$3,255,148, which is 68.58% less than the beginning of the year. The General Fund experienced a net decrease of \$3,093,226 resulting primarily from an increase in capital outlay.

Business-type Funds

As of September 30, 2018, business-type funds reported a combined net position of \$146,083. The business-type funds Change in Net Position totaled \$(84,402), resulting primarily from transfers to the General Fund.

General Fund Budgetary Highlights

General Fund revenues exceeded budget by \$266,515, largely due to greater than anticipated sales tax revenue. The revenue budget is based on prior year budgeted revenues and does not factor in any growth. General Fund revenues do not include proceeds from debt.

General Fund expenditures were less than budgeted amounts by \$47,989, largely due to a decrease in spending on operations to provide funding for capital outlay.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the City had \$32,710,059 invested in a broad range of capital assets, including police equipment, vehicles, buildings, a library, a senior center, park facilities, an industrial park, streets, and roads. This amount represents a net increase (including additions, disposals and depreciation) of \$7,983,132 or 32.28% more than last year. The increase can be attributed to land purchases for the industrial park and infrastructure.

The following is a schedule of capital assets as of September 30:

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 8,644,267	\$ 4,113,023	\$ -	\$ -	\$ 8,644,267	\$ 4,113,023
Construction in progress	-	844,020	-	-	-	844,020
Infrastructure, net	11,991,304	9,815,055	-	-	11,991,304	9,815,055
Equipment, net	1,469,044	1,381,707	2,408	5,618	1,471,452	1,387,325
Buildings and improvements, net	10,605,444	8,369,912	-	-	10,605,444	8,369,912
Capital assets held for sale	-	200,000	-	-	-	200,000
Total capital assets, net	<u>\$32,710,059</u>	<u>\$24,723,717</u>	<u>\$ 2,408</u>	<u>\$ 5,618</u>	<u>\$32,712,467</u>	<u>\$24,729,335</u>

Computation of Legal Debt Margin

Section 772

Assessed value of real and personal taxable property as of September 30, 2018 ¹	<u>\$ 80,560,320</u>
Debt limit, twenty percent of assessed value (constitutional limitation) ²	\$ 40,280,160
Debt in governmental activities	<u>17,230,320</u>
Total general obligation debt for computation	17,230,320
Net bonded indebtedness	<u>17,230,320</u>
Legal debt margin	<u>\$ 23,049,840</u>

(1) Source: Chambers County Revenue Commissioner

(2) Section 772, as amended, Constitution of the State of Alabama, limits debt of the City of Valley to fifty percent of the assessed value of property.

Long-Term Debt

At September 30, 2018, the City had \$17,230,320 in warrants payable outstanding versus \$18,032,438 at September 30, 2017, a decrease of 4.48%. This decrease resulted primarily from normal debt payments.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's Mayor, after consulting with the City Clerk/Treasurer, department heads and supervisors, considered many factors when submitting the proposed budget for the fiscal year ending September 30, 2019. The City Council took the Mayor's proposed budget under consideration and, after further review and evaluation, adopted the fiscal year 2019 budget. Tax rates, anticipated sales tax collections, anticipated expenditures/expenses, prior year actual revenues/expenditures and the overall economy were some of these factors.

GA Plating Company built a new facility in the Huguley Industrial Park in 2016 with a \$6.3 million capital investment. In 2017, the Company added an additional \$793,000 capital investment to their facility. They currently employ 55 people.

Leehan America in the Cusseta Industrial Park added a 39,000 sq. ft. addition to their facility resulting in an investment of \$2.9 million and 60 new jobs.

Ajin USA located in the Cusseta Industrial Park added five new jobs and an investment of \$5.6 million for an HMMA project.

AL Solar A is fully operational, this facility in its completion is a 72 MW solar farm and spans over 1,400 acres of land in LaFayette, AL. This was a \$140 million investment, that includes: 338,662 solar panels, 89 miles of direct-current, underground conductors, 26 miles of medium voltage underground conductors, 9 miles of fiber cable, and 34 detention basins for protection of water quality.

Great Lakes Metal Stamping in the Cusseta Industrial Park added \$3 million in investment in 2017. The company recently added a 44,000 sq. ft. addition to their existing facility to provide space for new projects and contract.

Norbord Alabama reopened their Lanett facility after being shuttered since 2009. New capital investments to the facility included \$50 million and the hiring of 134 employees. Currently Norbord has 14 local logging companies on contract and 22 regional logging companies.

WestRock in the Huguley Industrial Park added a \$7 million building addition and 14 new jobs.

Knauf Insulation also located in the Huguley Industrial Park added \$2.8 million in new investments to their facility to upgrade old manufacturing lines.

John Soules Foods announced it will locate its newest facility into an existing building located in Valley, AL. Phase 1 of the project is an estimated capital investment of \$70 million and the hiring of 190 new jobs. This is the first food manufacturing project to locate in Chambers County. The Food & Beverage manufacturing industry sector is part of the county's diversification plan.

These indicators were taken into account when adopting the General Fund budget for the fiscal year ended September 30, 2019. Amounts available for expenditures, capital outlay and debt service in the General Fund budget are \$10,116,100 for the fiscal year 2019. The City took into consideration the current year increase in revenue and its effect on the City when budgeting expenditures for the fiscal year 2019.

If these estimates are realized, the City's budgetary fund balance is expected to increase moderately by the close of fiscal year 2019.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF VALLEY
Statement of Net Position
September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Valley Historical Preservation Commission
Assets				
Current assets				
Cash and cash equivalents	\$ 2,947,926	\$ 115,845	\$ 3,063,771	\$ 63,319
Accounts receivable, net	25,631	-	25,631	-
Taxes receivable, net	589,863	-	589,863	-
Other receivables	44,429	1,725	46,154	-
Prepaid expenses	141,214	1,793	143,007	-
Cash and cash equivalents - restricted	75,130	-	75,130	-
Due from other governments	29,712	-	29,712	-
Total current assets	<u>3,853,905</u>	<u>119,363</u>	<u>3,973,268</u>	<u>63,319</u>
Noncurrent assets				
Nondepreciable capital assets	8,644,267	-	8,644,267	-
Depreciable capital assets, net	24,065,792	2,408	24,068,200	-
Total noncurrent assets	<u>32,710,059</u>	<u>2,408</u>	<u>32,712,467</u>	<u>-</u>
Total assets	<u>36,563,964</u>	<u>121,771</u>	<u>36,685,735</u>	<u>63,319</u>
Deferred outflows of resources				
Deferred outflows related to pensions	633,983	11,442	645,425	-
Deferred charge on refunding	1,221,452	-	1,221,452	-
Total deferred outflows of resources	<u>1,855,435</u>	<u>11,442</u>	<u>1,866,877</u>	<u>-</u>
Liabilities				
Current liabilities				
Accounts payable	357,477	49,658	407,135	1,797
Accrued payroll and benefits	179,307	2,554	181,861	-
Accrued interest payable	40,554	-	40,554	-
Due to (from) other funds	61,973	(61,973)	-	-
Compensated absences	69,716	2,485	72,201	-
Current portion of warrants payable, net	723,961	-	723,961	-
Total current liabilities	<u>1,432,988</u>	<u>(7,276)</u>	<u>1,425,712</u>	<u>1,797</u>
Noncurrent liabilities				
Warrants payable, net	16,389,052	-	16,389,052	-
Net pension liability	311,509	5,772	317,281	-
Total noncurrent liabilities	<u>16,700,561</u>	<u>5,772</u>	<u>16,706,333</u>	<u>-</u>
Total liabilities	<u>18,133,549</u>	<u>(1,504)</u>	<u>18,132,045</u>	<u>1,797</u>

See notes to financial statements.

CITY OF VALLEY
Statement of Net Position
September 30, 2018
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Valley Historical Preservation Commission
Deferred inflows of resources				
Deferred inflows related to pensions	\$ 541,962	\$ 10,028	\$ 551,990	\$ -
Total deferred inflows of resources	541,962	10,028	551,990	-
Net position				
Net investment in capital assets	16,818,498	2,408	16,820,906	-
Restricted for				
Debt service	50,236	-	50,236	-
Special revenue	131,602	-	131,602	-
Cemetery	-	-	-	45,550
Unrestricted	2,743,552	122,281	2,865,833	15,972
Total net position	\$ 19,743,888	\$ 124,689	\$ 19,868,577	\$ 61,522

See notes to financial statements.

CITY OF VALLEY
Statement of Activities
Year ended September 30, 2018

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Valley Historic Preservation Commission
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 1,787,481	\$ 1,790,832	\$ -	\$ -	\$ 3,351	\$ -	\$ 3,351	\$ -
Public safety	3,196,785	336,766	-	-	(2,860,019)	-	(2,860,019)	-
Public works	1,815,835	13,390	12,470	469,437	(1,320,538)	-	(1,320,538)	-
Health	38,820	-	-	-	(38,820)	-	(38,820)	-
Culture and recreation	1,761,916	460,702	41,656	-	(1,259,558)	-	(1,259,558)	-
Welfare	200,974	18,100	33,147	599,163	449,436	-	449,436	-
Urban rehabilitation	80,571	-	-	-	(80,571)	-	(80,571)	-
Interest on long-term debt	658,259	-	-	-	(658,259)	-	(658,259)	-
Total governmental activities	9,540,641	2,619,790	87,273	1,068,600	(5,764,978)	-	(5,764,978)	-
Business-type activities								
Solid waste	698,381	749,856	-	-	-	51,475	51,475	-
Total business-type activities	698,381	749,856	-	-	-	51,475	51,475	-
Total primary government	\$ 10,239,022	\$ 3,369,646	\$ 87,273	\$ 1,068,600	(5,764,978)	51,475	(5,713,503)	-
Component unit								
Valley Historic Preservation Commission	\$ 616,473	\$ -	\$ 658,133	\$ -				41,660
General revenues and other items								
Taxes:								
Sales					6,942,691	-	6,942,691	-
Other					472,828	-	472,828	-
Interest earnings					16,493	392	16,885	-
Gain on disposal of capital assets					116,180	-	116,180	-
Transfers in (out)					136,269	(136,269)	-	-
Total general revenues and other items					7,684,461	(135,877)	7,548,584	-
Change in net position					1,919,483	(84,402)	1,835,081	41,660
Net position - beginning of year					18,154,636	209,091	18,363,727	19,862
Prior period adjustment, see Note 12					(330,231)	-	(330,231)	-
Net position - beginning of year, as restated					17,824,405	209,091	18,033,496	19,862
Net position - end of year					\$ 19,743,888	\$ 124,689	\$ 19,868,577	\$ 61,522

See notes to financial statements.

CITY OF VALLEY
Balance Sheet
Governmental Funds
September 30, 2018

	<u>General</u>	<u>Industrial Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 2,349,886	\$ 501,960	\$ 96,080	\$ 2,947,926
Accounts receivable, net	25,631	-	-	25,631
Taxes receivable, net	573,382	-	16,481	589,863
Other receivables	42,544	-	1,885	44,429
Prepaid expenses	138,313	-	2,901	141,214
Cash and cash equivalents - restricted	-	-	75,130	75,130
Due from other governments	-	-	30,351	30,351
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,129,756</u>	<u>\$ 501,960</u>	<u>\$ 222,828</u>	<u>\$ 3,854,544</u>
Liabilities				
Accounts payable	\$ 237,306	\$ 66,317	\$ 53,854	\$ 357,477
Accrued payroll and benefits	175,418	-	3,889	179,307
Due to (from) other funds	286,643	-	(224,670)	61,973
Due to other governments	-	-	639	639
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>699,367</u>	<u>66,317</u>	<u>(166,288)</u>	<u>599,396</u>
Fund balance				
Nonspendable				
Other receivables	42,544	-	-	42,544
Prepaid expenses	138,313	-	-	138,313
Restricted for				
Debt service	-	-	75,130	75,130
Special revenue	-	-	131,602	131,602
Assigned for				
Capital projects	-	435,643	217,154	652,797
Unassigned	2,249,532	-	(34,770)	2,214,762
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>2,430,389</u>	<u>435,643</u>	<u>389,116</u>	<u>3,255,148</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 3,129,756</u>	<u>\$ 501,960</u>	<u>\$ 222,828</u>	<u>\$ 3,854,544</u>

See notes to financial statements.

CITY OF VALLEY
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2018

Total fund balances - governmental funds		\$ 3,255,148
<p>Amounts reported for governmental activities in the Statement of Net Position are different due to the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	45,118,751	
Less accumulated depreciation	<u>(12,408,692)</u>	32,710,059
<p>Interest payable is not recognized as an expenditure in governmental funds, but rather is recognized when an expenditure is paid.</p>		
		(40,554)
<p>Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Warrants payable	(17,230,320)	
Warrant discounts	117,307	
Deferred outflow of resources for deferred charges	1,221,452	
Deferred outflows of resources for pensions	633,983	
Deferred inflows related to pensions	(541,962)	
Compensated absences	(69,716)	
Net pension liability	<u>(311,509)</u>	<u>(16,180,765)</u>
Total net position - governmental activities		<u>\$ 19,743,888</u>

See notes to financial statements.

CITY OF VALLEY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2018

	<u>General</u>	<u>Industrial Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes				
Sales and miscellaneous	\$ 6,833,551	\$ -	\$ 109,140	\$ 6,942,691
Other	472,828	-	-	472,828
Licenses and permits	1,763,242	-	-	1,763,242
Intergovernmental	662,163	-	114,279	776,442
Charges for services	768,956	-	-	768,956
Fines and forfeitures	45,406	-	-	45,406
Contributions	41,656	-	25,510	67,166
Interest	7,818	1,158	7,517	16,493
Other	21,386	1,100	19,700	42,186
Total revenue	<u>10,617,006</u>	<u>2,258</u>	<u>276,146</u>	<u>10,895,410</u>
Expenditures				
General government	1,462,416	-	-	1,462,416
Public safety	2,996,709	-	-	2,996,709
Public works	1,110,634	362,150	7,300	1,480,084
Health and sanitation	38,820	-	-	38,820
Culture and recreation	1,346,182	-	-	1,346,182
Welfare	17,937	-	176,472	194,409
Urban rehabilitation	80,571	-	-	80,571
Capital outlay	3,364,217	5,231,230	1,001,342	9,596,789
Debt service				
Principal retirement	632,118	-	170,000	802,118
Interest and fees	228,827	-	306,692	535,519
Total expenditures	<u>11,278,431</u>	<u>5,593,380</u>	<u>1,661,806</u>	<u>18,533,617</u>
Deficiency of revenues under expenditures	<u>(661,425)</u>	<u>(5,591,122)</u>	<u>(1,385,660)</u>	<u>(7,638,207)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	17,246	378,908	-	396,154
Transfers (out) in	(2,449,047)	5,381,456	(2,796,140)	136,269
Total other financing sources (uses)	<u>(2,431,801)</u>	<u>5,760,364</u>	<u>(2,796,140)</u>	<u>532,423</u>
Net change in fund balance	(3,093,226)	169,242	(4,181,800)	(7,105,784)
Fund balance - beginning of year	<u>5,523,615</u>	<u>266,401</u>	<u>4,570,916</u>	<u>10,360,932</u>
Fund balance - end of year	<u>\$ 2,430,389</u>	<u>\$ 435,643</u>	<u>\$ 389,116</u>	<u>\$ 3,255,148</u>

See notes to financial statements.

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, 2018

Net changes in fund balances - governmental funds \$ (7,105,784)

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

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. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	9,596,789	
Less depreciation expense	<u>(1,312,508)</u>	8,284,281

The proceeds from the sale of capital assets (\$396,154) are reported as other financing sources in the governmental funds. However, the net book value of the capital assets (\$279,974) is removed from the capital assets account in the Statement of Net Position and offsets against the sales proceeds resulting in a gain in the Statement of Activities of (\$116,180). (279,974)

Donations of capital assets do not provide current financial resources and are not recorded in governmental funds. However, donations of capital assets increase net position. 312,265

The issuance of long-term debt (e.g., warrants, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of discounts, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal retirement	802,118	
Bond discount amortization expense	<u>(125,785)</u>	676,333

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

Net increase in accrued compensated absences	1,589	
Net increase in pension expense	27,728	
Increase in accrued interest	<u>3,045</u>	<u>32,362</u>

Change in net position - governmental activities \$ 1,919,483

See notes to financial statements.

CITY OF VALLEY
Statement of Net Position
Proprietary Fund
September 30, 2018

	Solid Waste Collection
Assets	
Current assets	
Cash and cash equivalents	\$ 115,845
Other receivable	1,725
Prepaid expenses	1,793
Due from other funds	61,973
Total current assets	181,336
Non-current assets	
Depreciable capital assets, net	2,408
Total non-current assets	2,408
Total assets	183,744
Deferred outflows of resources	
Deferred outflows related to pensions	11,442
Total deferred outflows of resources	11,442
Liabilities	
Current liabilities	
Accounts payable	49,658
Accrued payroll and benefits	2,554
Compensated absences	2,485
Total current liabilities	54,697
Noncurrent liabilities	
Net pension liability	5,772
Total noncurrent liabilities	5,772
Total liabilities	60,469
Deferred inflows of resources	
Deferred inflows related to pensions	10,028
Total deferred inflows of resources	10,028
Net position	
Net investment in capital assets	2,408
Unrestricted	122,281
Total net position	\$ 124,689

See notes to financial statements.

CITY OF VALLEY
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year ended September 30, 2018

	Solid Waste Collection
Operating revenues	
Charges for services	\$ 749,856
Total operating revenues	749,856
Operating expenses	
Salaries	59,799
Employee benefits	10,572
Payroll taxes	4,518
Depreciation expense	3,210
Contract services - garbage pickup	591,261
Utilities and telephone	2,232
Supplies	16,407
Maintenance and repairs	1,918
Insurance	1,419
Other	7,045
Total operating expenses	698,381
Operating income	51,475
Non-operating revenues	
Interest income	392
Total non-operating revenues	392
Income before transfers	51,867
Transfers out	(136,269)
Change in net position	(84,402)
Net position, beginning of year	209,091
Net position, end of year	\$ 124,689

See notes to financial statements.

CITY OF VALLEY
Statement of Cash Flows
Proprietary Fund
Year ended September 30, 2018

	Solid Waste Collection
Cash flows from operating activities	
Cash received from customers	\$ 749,550
Cash paid to suppliers for goods and services	(72,963)
Cash paid to employees	(619,793)
Net cash provided by operating activities	56,794
Cash flows from noncapital financing activities	
Transfers to other funds	(136,269)
Due to City of Valley	6,228
Due from City of Valley	(61,973)
Net cash used in noncapital financing activities	(192,014)
Cash flows from investing activities	
Interest on cash and investments	392
Net cash provided by investing activities	392
Net decrease in cash and cash equivalents	(134,828)
Cash and cash equivalents at beginning of year	250,673
Cash and cash equivalents at end of year	\$ 115,845
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 51,475
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,210
Bad debt expense	306
Increase (decrease) in:	
Accounts receivable	(306)
Prepaid expenses	(77)
Deferred outflows of resources for pensions	2,859
(Increase) decrease in:	
Accounts payable	183
Accrued payroll and benefits	2,554
Compensated absences	211
Net pension liability	(13,649)
Deferred inflows	10,028
Net cash provided by operating activities	\$ 56,794

See notes to financial statements.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Valley (the City), an Alabama Municipal Corporation, was incorporated in 1980. The City operates under a Mayor-Council form of government as provided by Act No. 425 of the 1955 Alabama Legislature (The Mayor-Council Act). The governing body is an elected Mayor and a seven-member, elected City Council.

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The City's reporting entity applies all relevant GASB pronouncements. In preparing the financial statements, management evaluated subsequent events through March 6, 2019, the date the financial statements were available to be issued. The more significant of these accounting policies are described below.

Financial Reporting Entity

As required by GAAP, these financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government. 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 - There is one discretely presented component unit of the City of Valley: the City of Valley Historic Preservation Commission.

The City of Valley Historic Preservation Commission

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 \$17,000 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.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Reporting Entity - Continued

The Industrial Development Authority of Chambers County

The Industrial Development Authority of Chambers County recruits and promotes businesses in the City and surrounding areas and municipalities. The Board has fourteen total members, one of whom is appointed by the Valley City Council. The other members are appointed by the Alabama State Legislature, one member from each of the other participating municipalities, and the related county commissioners. The City appropriated \$37,990 to the Board during the current year.

The East Alabama Regional Solid Waste Disposal Authority

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 from each of the 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 September 30, 2018.

Government-Wide and Fund Financial Statements

The basic financial statements are presented at both the government-wide (based on the City as a whole) and fund financial level. Both levels of statements categorize primary activities as either governmental or business type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

Government-Wide Financial Statements display information about the City as a whole. The effect of interfund activity has been removed from these statements. These aggregate statements consist of the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* measurement focus is full accrual basis of accounting and economic resource measurement and the statement presents information on all of the City's assets, deferred outflows, and liabilities (including long-term assets and receivables as well as long-term debt and obligations), with the difference being reported as net position.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - Continued

The *Statement of Activities* demonstrates the degree to which direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items (property, sales and use taxes, certain intergovernmental revenues, etc.) not attributable to a specific program are reported as general revenues. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The City does not employ an indirect cost allocation system.

Fund Financial Statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Major individual funds are reported in separate columns in the basic financial statements. Non-major funds (by category or fund type) are consolidated into a single column of the basic financial statements and are detailed in the combining financial statements located in the supplementary information section of the financial statements.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded. The government-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position.

All transactions and events that affect the total economic resources (net position) during the period are reported. Economic resources measurement focus is connected with the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. The measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Current resources measurement is connected with the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become *measurable* and *available*). *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues, franchise taxes and intergovernmental revenues. Expenditures are recognized when the related liability is incurred, with the exception of principal and interest on general obligation long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of operating income and changes in net financial position and cash flows. All assets and liabilities are included on the Statement of Net Position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Basis of Presentation - Fund-Level Financial Statements

Generally accepted accounting principles set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section located in the supplementary information section of the financial statements. The City reports the following major governmental funds:

General Fund - To account for all revenues and expenditures applicable to the general operations of government that are not properly accounted for in another fund. All general operating revenues, which are not restricted or designated as to use by outside sources, are recorded in the General Fund.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Fund-Level Financial Statements - Continued

Industrial Park Fund - A Capital Projects Fund to account for financial resources to be used for the purpose of the acquisition and construction of Industrial Park facilities in the City. Transfers from the City are used to pay Industrial Park expenses.

Additionally, the City reports the following non-major governmental funds.

Special Revenue Funds - To account for the proceeds of specific revenue resources that are legally restricted or designated for expenditures with specified purposes.

Capital Projects Fund - Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, specifically the acquisition or construction of capital facilities and other capital assets.

Debt Service Fund - To account for the accumulation of resources for and the payment of interest and principal on general long-term debt. Debt service revenues are generally transfers from other governmental funds.

The City reports the following major proprietary funds:

Solid Waste Collection Fund - To account for providing solid waste collection and disposal services to residential and small commercial users. Activities of the fund include administration, billing and collection of fees related to solid waste collection services provided.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Cash and Cash Equivalents

The City considers all instruments with an original maturity of three months or less to be cash and cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. These amounts represent actual account balances held by financial institutions at the end of the period, and unlike the balances reported in the financial statements, the account balances do not reflect timing delays inherent in reconciling items such as outstanding checks and deposits in transit. The City has never experienced any losses related to these balances.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents - Continued

The City also participates in the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) program. The bank holding the City's deposits is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury.

Allowance for Uncollectible Accounts

The City reports accounts receivable at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance or through bad debt expense.

Parts and Supplies

Parts and supplies consist of supplies held for consumption and are recorded at cost.

Prepaid Expenses

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.

Restricted Cash and Cash Equivalents

Restricted assets include cash and cash equivalents restricted for repayment of debt service on certain debt issued for the City of Valley. These funds are held in escrow accounts deposited with a trustee as cash. At September 30, 2018, the escrow accounts totaled \$75,130.

Interfund Transfers, Receivables and Payables

During the normal course of operations, the City has numerous transactions between funds to provide services, construct assets, and service debt. These receivables and payables are classified as "Due to/from other funds," as they are all short-term in nature. These amounts have been eliminated on the government-wide financial statements, except for amounts outstanding between the General Fund and business-type activities.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Transfers, Receivables and Payables - Continued

Routine transfers of resources between City funds that are not intended to be repaid are classified separately from revenues and expenditures. Such interfund operating transfers are identified as “Interfund transfers in/(out)” in the accompanying financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Capital assets purchased or acquired are carried at historical cost or estimated historical cost.

Donated or contributed capital assets are recorded at their estimated fair value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ useful lives are charged to operations as incurred. Improvements that materially extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives: buildings, 20 to 50 years; improvements, 15 to 25 years; machinery and equipment, 5 to 20 years; automotive vehicles, 5 to 20 years; and infrastructure, 20 to 40 years.

Depreciation is provided in the proprietary funds in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis.

Deferred Outflows of Resources

The City’s statements of net position report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to future periods. Deferred outflows of resources reported in the financial statements are amounts of pension contributions through the end of the City’s fiscal year to be recognized by the pension plan on the accrual basis of accounting in the next measurement period, as well as deferred amounts arising from the refunding of warrants payable. The deferred refunding amounts are being amortized over the remaining lives of the refunded warrants as part of interest expense.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the statement of net position. Warrant premiums and discounts are deferred and amortized over the life of the warrants using the warrant outstanding method. Warrants payable are reported net of the applicable warrant premium or discount. Warrant issue costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize warrant premiums, discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources, while premiums and discounts are reported as other financing sources and uses, respectively. Issuance costs are reported as debt service expenditures.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation hours are accrued, based on hire date. Each year, all vacation must be used within three months subsequent to each employee's anniversary date. Compensated absences are not recorded as a liability in the governmental funds because expenditures related to compensated absences are recorded only when payment is due.

Pensions

The Employees' Retirement Systems of Alabama (the Plan or ERS) financial statements 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 State's Comprehensive Annual Financial Report. The last year for which actuarial information is available is for the fiscal year ended September 30, 2017 and, therefore, this actuarial information is reported in the 2018 financial statements.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position

The City reports information regarding its financial position and activities according to three classes of net position in the government-wide financial statements: net investment in capital assets, restricted net position, and unrestricted net position.

Net Investment in Capital Assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position is reported as restricted when constraints placed on net position use are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions.

Unrestricted Net Position is the residual component of net position. It consists of net position that does not meet the definition of restricted or net investment in capital assets.

Fund Balance

GASB Statement No. 54 *Fund Balance Reporting and Fund Type Definitions* requires analysis and presentation of the fund balance in five categories. The fund balance categories are:

Nonspendable - Includes items that are not in a spendable form because they are either legally or contractually required to be maintained intact.

Restricted - Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed - Includes items committed by the City Council, by resolution of the Council. Commitments may be modified or rescinded by similar resolution.

Assigned - Includes items assigned by specific uses, authorized by the City Council or by an official body to which the Council delegates the authority.

Unassigned - This is the residual classification used for those balances not assigned to another category in the general fund. Deficit fund balances are also presented as unassigned.

GASB Statement No. 54 implementation required the highest legal authority to approve authorized commitments of fund balance and to approve those who can authorize making assignments of fund balance. These requirements include designating the responsible party to make assignments of fund balance, and the City designated the City Council as the responsible party based on the size of City government.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balance - Continued

GASB Statement No. 54 also requires a spending policy, as it relates to ending fund balance. The spending policy states in what order fund balance categories are spent. The City Council approved the following fund balance order of spending: (1) restricted fund balance, (2) committed fund balance, (3) assigned fund balance, and lastly (4) unassigned fund balance.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The deficit fund equities of \$11,565 in the Community Development fund and \$23,205 in the Senior Center fund are the result of revenues being inadequate to cover expenditures. This deficit is offset through interfund borrowings from the general fund.

NOTE 3 - TRUSTEED FUND ASSETS

In accordance with the provisions of the General Obligation Warrant issues, the City is required to make monthly installments to escrow accounts for semi-annual interest and principal maturities. As of September 30, 2018, \$75,130 had been accumulated in the escrow accounts for this purpose and is included in restricted cash and cash equivalents on the statement of net position. The trustee accounts are invested by banks' trust departments in U.S. Government Securities and are not subject to collateralization requirements.

As a means of limiting its exposure to interest rate risk, the City limits its investments to those authorized by state statutes and restricts the maximum investment term to less than one year from the purchase date.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 4 - RECEIVABLES AND PAYABLES

Receivables consisted of the following at September 30, 2018:

	Governmental Activities	Business-type Activities	Total
Taxes			
Sales	\$ 573,382	\$ -	\$ 573,382
Intergovernmental	16,481	-	16,481
Customers	171,452	35,697	207,149
Other	54,060	1,725	55,785
Gross receivables	815,375	37,422	852,797
Less: allowance for uncollectible accounts	(155,452)	(35,697)	(191,149)
Net receivables	<u>\$ 659,923</u>	<u>\$ 1,725</u>	<u>\$ 661,648</u>

Payables consisted of the following at September 30, 2018:

	Governmental Activities	Business-type Activities	Total
Trade	\$ 216,372	\$ 49,658	\$ 266,030
Capital assets	141,105	-	141,105
Net payables	<u>\$ 357,477</u>	<u>\$ 49,658</u>	<u>\$ 407,135</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables consisted of the following at September 30, 2018:

General Fund

Balance due from Nonmajor Governmental Funds	\$ 46,435
Balance due to Nonmajor Governmental Funds	(271,105)
Balance due to Solid Waste	(61,973)
	(286,643)

Nonmajor Governmental Funds

Balance due from General Fund	271,105
Balance due to General Fund	(46,435)
	224,670

Solid Waste

Balance due from General Fund	61,973
	\$ -

Transfers between funds consisted of the following during the year ended September 30, 2018:

	Transfers					Net Transfers Out (In)
	General	Industrial Park	Special Revenue	Capital Projects	Debt Service	
Transfers Out (In)						
General Fund	\$ -	\$ 3,713,114	\$ (39,784)	\$(1,513,309)	\$ 425,295	\$ 2,585,316
Industrial Park	(3,713,114)	-	-	(1,668,342)	-	(5,381,456)
Special Revenue	39,784	-	-	-	-	39,784
Capital Projects	1,513,309	1,668,342	-	-	-	3,181,651
Debt Service	(425,295)	-	-	-	-	(425,295)
Solid Waste	136,269	-	-	-	-	136,269
						136,269
Net Transfers In (Out)	\$(2,449,047)	\$ 5,381,456	\$ (39,784)	\$(3,181,651)	\$ 425,295	\$ 136,269

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued

The City typically uses transfers from the General Fund to fund debt service requirements and capital projects.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental activities consisted of the following for the year ended September 30, 2018:

	Governmental Activities			
	October 1, 2017	Additions	Disposals	September 30, 2018
Depreciable assets				
Buildings and improvements	\$ 15,051,723	\$ 2,771,203	\$ 160,475	\$ 17,662,451
Equipment	3,833,701	551,905	293,423	4,092,183
Infrastructure	13,075,645	1,644,205	-	14,719,850
	<u>31,961,069</u>	<u>4,967,313</u>	<u>453,898</u>	<u>36,474,484</u>
Less accumulated depreciation				
Buildings and improvements	6,681,811	450,903	75,707	7,057,007
Equipment	2,451,994	427,880	256,735	2,623,139
Infrastructure	2,294,821	433,725	-	2,728,546
	<u>11,428,626</u>	<u>1,312,508</u>	<u>332,442</u>	<u>12,408,692</u>
	<u>20,532,443</u>	<u>3,654,805</u>	<u>121,456</u>	<u>24,065,792</u>
Non-depreciable assets				
Land and improvements	2,817,023	5,985,761	158,517	8,644,267
Construction in progress	844,020	1,872,175	2,716,195	-
Assets held for sale	200,000	-	200,000	-
	<u>3,861,043</u>	<u>7,857,936</u>	<u>3,074,712</u>	<u>8,644,267</u>
	<u>\$ 24,393,486</u>	<u>\$ 11,512,741</u>	<u>\$ 3,196,168</u>	<u>\$ 32,710,059</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 6 - CAPITAL ASSETS - Continued

Capital asset activity for business-type activities consisted of the following for the year ended September 30, 2018:

	Business-type Activities			September 30, 2018
	October 1, 2017	Additions	Disposals	
Depreciable assets				
Equipment	\$ 30,486	\$ -	\$ -	\$ 30,486
Less accumulated depreciation				
Equipment	24,868	3,210	-	28,078
	<u>\$ 5,618</u>	<u>\$ (3,210)</u>	<u>\$ -</u>	<u>\$ 2,408</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities		
General government		\$ 333,574
Public safety		215,096
Public works		337,809
Culture and recreation		418,935
Welfare		7,094
		<u>\$ 1,312,508</u>
Business-type activities		
General government		<u>\$ 3,210</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 7 - PENSION PLAN

General Information about the Pension Plan

Plan description

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide 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 which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* 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.

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 the *Code of Alabama 1975, Section 36-27-6*.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 7 - PENSION PLAN - Continued

Benefits provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in 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 or 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 state police 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 determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 88,517 participants. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,853
Terminated employees entitled to but not yet receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Active members	55,941
Post-DROP participants who are still in active service	168
	88,517

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 7 - PENSION PLAN - Continued

Benefits provided - Continued

The City's membership as of the measurement date of September 30, 2017 consisted of:

Retired members or their beneficiaries currently receiving benefits	24
Vested inactive members	2
Non-vested inactive members	12
Active members	89
Post-DROP participants who are still in active service	-
	127

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 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 preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2018, the City's active employee contribution rate was 5.67% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 4.76% of pensionable payroll.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 7 - PENSION PLAN - Continued

Contributions - Continued

The City's contractually required contribution rate for the year ended September 30, 2018 was 5.84% of pensionable pay for Tier 1 employees, and 2.94% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, 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 \$169,881 for the year ended September 30, 2018.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques as shown in the following table:

	Expected	Actual
(a) Total Pension Liability as of September 30, 2016	\$ 9,204,983	\$ 8,906,000
(b) Discount Rate	7.75%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2016 - September 30, 2017	291,928	291,928
(d) Transfers Among Employers:	-	30,339
(e) Actual Benefit Payments and Refunds for the period October 1, 2016 - September 30, 2017	(484,960)	(484,960)
(f) Total Pension Liability as of September 30, 2017 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	\$ 9,706,545	\$ 9,414,729
(g) Difference between Expected and Actual:		\$ (291,816)
(h) Less Liability Transferred for Immediate Recognition:		30,339
(i) Experience (Gain)/Loss = (g) - (h)		\$ (322,155)

Actuarial assumptions

The total pension liability as of September 30, 2017 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2016. The key actuarial assumptions are summarized below:

1. An investment rate of return of 7.75% (net of pension plan investment expense), including inflation at 2.75%, per annum compounded annually on the investment of present and future assets.
2. Projected salary increases, based on age, ranging from 3.25% to 5.00%.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 7 - PENSION PLAN - Continued

Actuarial assumptions - Continued

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2016, 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, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17%	4%
U.S. Large Stocks	32%	8%
U.S. Mid Stocks	9%	10%
U.S. Small Stocks	4%	11%
International Developed Market Stocks	12%	9.5%
International Emerging Market Stocks	3%	11%
Alternatives	10%	10.1%
Real Estate	10%	7.5%
Cash	3%	1.5%
	100%	

*Includes assumed rate of inflation of 2.50%.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 7 - PENSION PLAN - Continued

Discount rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. 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.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2016	\$ 9,204,983	\$ 8,136,390	\$ 1,068,593
Changes for the year:			
Service cost	291,928	-	291,928
Interest	694,594	-	694,594
Changes of assumptions	-	-	-
Difference between expected and actual experience	(322,155)	-	(322,155)
Contributions - employer	-	160,560	(160,560)
Contributions - employee	-	218,188	(218,188)
Net investment income	-	1,036,931	(1,036,931)
Benefits of payments, including refunds of employee contributions	(484,960)	(484,960)	-
Transfers among employers	30,339	30,339	-
Net changes:	209,746	961,058	(751,312)
Balances at September 30, 2017	<u>\$ 9,414,729</u>	<u>\$ 9,097,448</u>	<u>\$ 317,281</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 7 - PENSION PLAN - Continued

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 7.75%, 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 one-percentage point lower (6.75%) or one-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Plan's Net Pension Liability (Asset)	\$ 1,470,190	\$ 317,281	\$ (651,538)

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, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditors' report dated August 31, 2018 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.

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

For the year ended September 30, 2018, the City recognized pension expense of \$141,390. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 207,031	\$ 274,779
Changes of assumptions	268,513	-
Net difference between projected and actual earnings on pension plan investments	-	277,211
Employer contributions subsequent to the measurement date	169,881	-
	\$ 645,425	\$ 551,990

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 7 - PENSION PLAN - Continued

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

Amounts reported as deferred outflows of resources to pensions will be recognized in pension expense as follows for the years ending September 30:

	<u>Deferred Outflows of Resources</u>
2019	\$ (10,949)
2020	41,633
2021	(58,253)
2022	(33,597)
2023	22,619
Thereafter	<u>(37,899)</u>
	<u><u>\$ (76,446)</u></u>

NOTE 8 - COMMITMENTS

The City leases certain office equipment under noncancelable operating lease agreements. Rent expense paid under the lease agreements during the year ended September 30, 2018 totaled \$11,833. At September 30, 2018, future minimum lease payments due under operating lease agreements for the next three years are as follows:

2019	\$ 8,581
2020	6,214
2021	<u>2,522</u>
	<u><u>\$ 17,317</u></u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 9 - LONG-TERM DEBT

The general obligation warrant issues consisted of the following at September 30, 2018:

	Governmental Activities
Series 2014 General Obligation Warrants, dated April 1, 2014, due in semi-annual payments through March 1, 2037, bearing interest rates of 2.00% to 4.00%	\$ 9,075,000
Series 2015 General Obligation Warrants, dated November 11, 2015, due in monthly payments through November 11, 2025, bearing an interest rate of 2.50%	2,374,085
Series 2017 General Obligation Warrants, dated August 30, 2017, due in monthly payments through September 1, 2032, bearing an interest rate of 2.69%	<u>5,781,235</u>
Total warrants payable	17,230,320
Less deferred amounts for:	
Unamortized discounts (2014)	<u>(117,307)</u>
Total warrants payable, net	<u><u>\$ 17,113,013</u></u>

Future principal and interest requirements of the general obligation warrants consisted of the following at September 30:

	Principal	Interest
2019	\$ 734,923	\$ 507,887
2020	1,061,731	486,279
2021	1,085,062	459,498
2022	1,113,347	432,102
2023	1,142,119	403,466
2024-2028	5,100,584	1,575,880
2029-2033	4,507,554	859,768
2034-2037	<u>2,485,000</u>	<u>203,300</u>
	<u><u>\$ 17,230,320</u></u>	<u><u>\$ 4,928,180</u></u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 9 - LONG-TERM DEBT - Continued

Changes in long-term liabilities for governmental activities consisted of the following at September 30, 2018:

<u>Governmental Activities</u>	<u>October 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2018</u>	<u>Due within one year</u>
Warrants payable:					
General obligation warrants	\$ 18,032,438	\$ -	\$ 802,118	\$ 17,230,320	\$ 734,923
Less: bond discounts	<u>(128,328)</u>	-	<u>(11,021)</u>	<u>(117,307)</u>	<u>(10,962)</u>
Total warrants payable	17,904,110	-	791,097	17,113,013	723,961
Other liabilities:					
Compensated absences	<u>71,305</u>	-	<u>1,589</u>	<u>69,716</u>	<u>69,716</u>
	<u>\$ 17,975,415</u>	<u>\$ -</u>	<u>\$ 792,686</u>	<u>\$ 17,182,729</u>	<u>\$ 793,677</u>

Changes in long-term liabilities for governmental activities consisted of the following at September 30, 2018:

<u>Business-type Activities</u>	<u>October 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2018</u>	<u>Due within one year</u>
Other liabilities:					
Compensated absences	<u>\$ 2,274</u>	<u>\$ 211</u>	<u>\$ -</u>	<u>\$ 2,485</u>	<u>\$ 2,485</u>

NOTE 10 - CONTINGENCIES

The City 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 expenditures disallowed or not incurred in a timely manner under the terms of the grant. City management believes such disallowances, if any, would be immaterial.

NOTE 11 - SUBSEQUENT EVENT

In October 2018, the City ceased operations of its Emergency Medical Services(EMS) Department. The City entered into an agreement with the East Alabama Water, Sewer and Fire Protection District (East Alabama) to provide these services for \$275,000 a year and to transfer all EMS assets to East Alabama. The net book value of the assets transferred on October 1, 2018 totaled \$260,534.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2018
(Continued)

NOTE 12 - PRIOR PERIOD ADJUSTMENT

Beginning net position for governmental activities was decreased by \$330,231 due to misstatement of accumulated depreciation in prior years. Prior year change in net position for governmental activities was overstated by \$34,062.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VALLEY
 Budgetary Comparison Schedule - General Fund
 Year ended September 30, 2018
 (Unaudited)

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual - Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>			
Revenues					
Taxes					
Sales and miscellaneous	\$ 6,350,000	\$ 6,350,000	\$ 6,833,551	\$ (41,090)	\$ 6,792,461
Other	458,900	458,900	472,828	2,355	475,183
Licenses and permits	1,719,000	1,719,000	1,763,242	-	1,763,242
Intergovernmental	50,000	74,000	662,163	(42,500)	619,663
Charges for services	903,850	904,605	768,956	20,995	789,951
Fines and forfeitures	62,000	62,000	45,406	-	45,406
Contributions	30,000	47,041	41,656	-	41,656
Interest	675,000	675,000	7,818	-	7,818
Other	150	150	21,386	445	21,831
Total revenue	<u>10,248,900</u>	<u>10,290,696</u>	<u>10,617,006</u>	<u>(59,795)</u>	<u>10,557,211</u>
Expenditures, current					
General government	1,466,590	1,466,590	1,462,416	149	1,462,565
Public safety	3,036,103	3,034,571	2,996,709	-	2,996,709
Public works	1,117,364	1,119,984	1,110,634	-	1,110,634
Health and sanitation	40,895	40,895	38,820	-	38,820
Culture and recreation	1,330,539	1,333,794	1,346,182	(255)	1,345,927
Welfare	20,318	20,318	17,937	-	17,937
Urban rehabilitation	85,000	85,000	80,571	-	80,571
Capital outlay	2,047,295	2,084,749	3,364,217	-	3,364,217
Debt service					
Principal retirement	632,200	632,200	632,118	-	632,118
Interest and fees	229,900	229,900	228,827	-	228,827
Total expenditures	<u>10,006,204</u>	<u>10,048,001</u>	<u>11,278,431</u>	<u>(106)</u>	<u>11,278,325</u>
Deficiency of revenues under expenditure:	<u>242,696</u>	<u>242,695</u>	<u>(661,425)</u>	<u>(59,689)</u>	<u>(721,114)</u>
Other financing sources (uses)					
Proceeds from sale of capital assets	-	-	17,246	-	17,246
Transfers (out) in	(240,400)	(240,400)	(2,449,047)	-	(2,449,047)
Total other financing sources (uses)	<u>(240,400)</u>	<u>(240,400)</u>	<u>(2,431,801)</u>	<u>-</u>	<u>(2,431,801)</u>
Net change in fund balance	<u>\$ 2,296</u>	<u>\$ 2,295</u>	<u>\$ (3,093,226)</u>	<u>\$ (59,689)</u>	<u>\$ (3,152,915)</u>

See note to required supplementary information.

CITY OF VALLEY
Note to Required Supplementary Information
Budgetary Practices
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT BUDGETARY PRACTICES

The City Council adopts a budget for the general fund at the beginning of each fiscal year in accordance with Alabama law. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenditures.

Budgets are not prepared or adopted in conformity with GAAP. Reported budget amounts are as originally adopted or as amended by the Council by resolution. Actual amounts are reported in accordance with GAAP. Adjustments to reconcile budget information to GAAP information can be found on the Budgetary Comparison Schedule - General Fund.

Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: General Government, Public Safety, Public Works, Health and Sanitation, Culture and Recreation, Welfare, and Urban Rehabilitation. This constitutes the legal level of control. Expenditures may exceed budgetary appropriations only with prior Council approval.

See note to required supplementary information.

CITY OF VALLEY
Schedule of Changes in the Net Pension Liability
Years ended September 30, 2014 through 2017
(Unaudited)

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 291,928	\$ 270,926	\$ 250,225	\$ 258,426
Interest	694,594	635,629	587,268	555,700
Differences between expected and actual experience	(322,155)	158,494	171,082	-
Changes of assumptions	-	378,109	-	-
Benefit payments, including refunds of employee contributions	(484,960)	(379,250)	(428,888)	(410,154)
Transfers among employees	30,339	6,088	-	-
Net change in total pension liability	209,746	1,069,996	579,687	403,972
Total pension liability - beginning	9,204,983	8,134,987	7,555,300	7,151,328
Total pension liability - ending (a)	\$ 9,414,729	\$ 9,204,983	\$ 8,134,987	\$ 7,555,300
Plan fiduciary net position				
Contributions - employer	\$ 160,560	\$ 164,716	\$ 146,549	\$ 143,323
Contributions - member	218,188	177,318	163,504	151,007
Net investment income	1,036,931	753,471	86,959	788,943
Benefit payments, including refunds of employee contributions	(484,960)	(379,250)	(428,888)	(410,154)
Transfers among employers	30,339	6,088	113,442	52,310
Net change in plan fiduciary net position	961,058	722,343	81,566	725,429
Plan net position - beginning	8,136,390	7,414,047	7,332,481	6,607,052
Plan net position - ending (b)	\$ 9,097,448	\$ 8,136,390	\$ 7,414,047	\$ 7,332,481
Net pension liability (a) - (b)	\$ 317,281	\$ 1,068,593	\$ 720,940	\$ 222,819
Plan fiduciary net position as a percentage of the total pension liability	96.63%	88.39%	91.14%	97.05%
Covered payroll	\$ 3,144,900	\$ 3,140,417	\$ 2,915,994	\$ 2,648,355
Net pension liability as a percentage of covered payroll	10.09%	34.03%	24.72%	8.41%

See note to required supplementary information.

CITY OF VALLEY
Schedule of Employer Contributions
Years ended September 30, 2015 through 2018
(Unaudited)

	2018	2017	2016	2015
Actuarially determined contribution	\$ 157,625	\$ 160,560	\$ 164,716	\$ 146,549
Contributions in relation to the actuarially determined contributions	<u>157,625</u>	<u>160,560</u>	<u>164,716</u>	<u>146,549</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 3,312,210</u>	<u>\$ 3,144,900</u>	<u>\$ 3,140,417</u>	<u>\$ 2,915,994</u>
Contributions as a percentage of covered payroll	<u>4.76%</u>	<u>5.11%</u>	<u>5.25%</u>	<u>5.03%</u>

See note to required supplementary information.

CITY OF VALLEY
Note to Required Supplementary Information
Pension Plan Practices
September 30, 2018
(Unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT PENSION PLAN PRACTICES

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2018 were based on the September 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2017 to September 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	15.5 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

SUPPLEMENTARY INFORMATION

CITY OF VALLEY
Nonmajor Special Revenue Funds
September 30, 2018

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-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, 2018

	<u>\$.07 State Gas Tax</u>	<u>\$.04 State Gas Tax</u>	<u>Senior Center</u>	<u>Community Development</u>	<u>Cemetery</u>	<u>Total Nonmajor Special Revenue Funds</u>
Assets						
Cash and cash equivalents	\$ 41,473	\$ 5,274	\$ 9,587	\$ -	\$ 38,491	\$ 94,825
Taxes receivable, net	8,835	7,646	-	-	-	16,481
Other receivables	-	-	1,835	-	50	1,885
Prepaid expense	-	-	2,901	-	-	2,901
Due from other funds	5,000	-	-	-	-	5,000
Due from other governments	-	30,351	-	-	-	30,351
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 55,308</u>	<u>\$ 43,271</u>	<u>\$ 14,323</u>	<u>\$ -</u>	<u>\$ 38,541</u>	<u>\$ 151,443</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ 3,556	\$ 50	\$ 42	\$ 3,648
Accrued payroll and benefits	-	-	3,889	-	-	3,889
Due to other funds	5,073	-	30,083	10,876	403	46,435
Due to other governments	-	-	-	639	-	639
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>5,073</u>	<u>-</u>	<u>37,528</u>	<u>11,565</u>	<u>445</u>	<u>54,611</u>
Fund balance (deficit)						
Restricted	50,235	43,271	-	-	38,096	131,602
Unassigned	-	-	(23,205)	(11,565)	-	(34,770)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance (deficit)	<u>50,235</u>	<u>43,271</u>	<u>(23,205)</u>	<u>(11,565)</u>	<u>38,096</u>	<u>96,832</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance (deficit)	<u>\$ 55,308</u>	<u>\$ 43,271</u>	<u>\$ 14,323</u>	<u>\$ -</u>	<u>\$ 38,541</u>	<u>\$ 151,443</u>

CITY OF VALLEY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year ended September 30, 2018

	<u>\$.07 State Gas Tax</u>	<u>\$.04 State Gas Tax</u>	<u>Senior Center</u>	<u>Community Development</u>	<u>Cemetery</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues						
Taxes - intergovernmental	\$ 61,167	\$ 47,973	\$ -	\$ -	\$ -	\$ 109,140
Other - intergovernmental	-	-	31,107	-	-	31,107
Contributions	-	-	13,040	-	12,470	25,510
Interest	102	53	15	-	45	215
Other	-	-	-	-	19,700	19,700
Total revenues	<u>61,269</u>	<u>48,026</u>	<u>44,162</u>	<u>-</u>	<u>32,215</u>	<u>185,672</u>
Expenditures						
Public works	7,300	-	-	-	-	7,300
Welfare	-	-	171,716	-	4,756	176,472
Total expenditures	<u>7,300</u>	<u>-</u>	<u>171,716</u>	<u>-</u>	<u>4,756</u>	<u>183,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>53,969</u>	<u>48,026</u>	<u>(127,554)</u>	<u>-</u>	<u>27,459</u>	<u>1,900</u>
Other financing (uses) sources						
Transfers in	-	-	110,358	-	1,010	111,368
Transfers out	<u>(61,252)</u>	<u>(81,900)</u>	<u>-</u>	<u>-</u>	<u>(8,000)</u>	<u>(151,152)</u>
Total other financing (uses) sources	<u>(61,252)</u>	<u>(81,900)</u>	<u>110,358</u>	<u>-</u>	<u>(6,990)</u>	<u>(39,784)</u>
Net change in fund balance (deficit)	(7,283)	(33,874)	(17,196)	-	20,469	(37,884)
Fund balance (deficit) - beginning of year	<u>57,518</u>	<u>77,145</u>	<u>(6,009)</u>	<u>(11,565)</u>	<u>17,627</u>	<u>134,716</u>
Fund balance (deficit) - end of year	<u>\$ 50,235</u>	<u>\$ 43,271</u>	<u>\$ (23,205)</u>	<u>\$ (11,565)</u>	<u>\$ 38,096</u>	<u>\$ 96,832</u>

CITY OF VALLEY
Nonmajor Capital Project Funds
September 30, 2018

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 improvements and construction of the Senior Center and Venue Project, including the Fairfax Bypass road extension and improvements to the surrounding area.

CITY OF VALLEY
Combining Balance Sheet
Nonmajor Capital Project Funds
September 30, 2018

	Municipal Government Capital Improvement	Capital Projects	Total Nonmajor Capital Project Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 1,255	\$ -	\$ 1,255
Due from other funds	90,000	176,105	266,105
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 91,255</u>	<u>\$ 176,105</u>	<u>\$ 267,360</u>
Liabilities			
Accounts payable	\$ -	\$ 50,206	\$ 50,206
Total liabilities	<u>-</u>	<u>50,206</u>	<u>50,206</u>
Fund balance			
Assigned for capital projects	91,255	125,899	217,154
Total fund balance	<u>91,255</u>	<u>125,899</u>	<u>217,154</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 91,255</u>	<u>\$ 176,105</u>	<u>\$ 267,360</u>

See independent auditors' report.

CITY OF VALLEY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
Year ended September 30, 2018

	Municipal Government Capital Improvement	Capital Projects	Total Nonmajor Capital Project Funds
Revenues			
Other - intergovernmental	\$ 83,172	\$ -	\$ 83,172
Interest	84	6,019	6,103
Total revenues	<u>83,256</u>	<u>6,019</u>	<u>89,275</u>
Expenditures			
Capital outlay	-	1,001,342	1,001,342
Total expenditures	<u>-</u>	<u>1,001,342</u>	<u>1,001,342</u>
Excess (deficiency) of revenues over (under) expenditures	<u>83,256</u>	<u>(995,323)</u>	<u>(912,067)</u>
Other financing uses			
Transfers out	(166,939)	(3,014,712)	(3,181,651)
Total other financing uses	<u>(166,939)</u>	<u>(3,014,712)</u>	<u>(3,181,651)</u>
Net change in fund balance	(83,683)	(4,010,035)	(4,093,718)
Fund balance - beginning of year	<u>174,938</u>	<u>4,135,934</u>	<u>4,310,872</u>
Fund balance - end of year	<u>\$ 91,255</u>	<u>\$ 125,899</u>	<u>\$ 217,154</u>

See independent auditors' report.

CITY OF VALLEY
Combining Balance Sheet
Nonmajor Debt Service Funds
September 30, 2018

	<u>Debt Service</u>
Assets	
Cash and cash equivalents	<u>\$ 75,130</u>
Total assets	<u><u>\$ 75,130</u></u>
Fund balance	
Restricted for debt service	<u>\$ 75,130</u>
Total fund balance	<u><u>\$ 75,130</u></u>

See independent auditors' report.

CITY OF VALLEY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
Year ended September 30, 2018

	Debt Service
Revenues	
Interest	\$ 1,199
Total revenues	1,199
 Expenditures	
Debt service	
Principal retirement	170,000
Interest and fees	306,692
Total expenditures	476,692
Deficiency of revenues under expenditures	(475,493)
 Other financing sources	
Transfers in	425,295
Total other financing sources	425,295
Net change in fund balance	(50,198)
Fund balance - beginning of year	125,328
Fund balance - end of year	\$ 75,130

See independent auditors' report.

CITY OF VALLEY
Statement of Net Position
Discretely Presented Component Unit
September 30, 2018

Assets

Current assets

Cash and cash equivalents \$ 63,319

Total assets 63,319

Liabilities

Current liabilities

Accounts payable 1,797

Total liabilities 1,797

Net position

Restricted - Cemetery 45,550

Unrestricted 15,972

Total net position \$ 61,522

See independent auditors' report.

CITY OF VALLEY
Statement of Revenues, Expenses and Changes in Net Position
Discretely Presented Component Unit
Year ended September 30, 2018

Operating revenues	
Contributions and donations	\$ 650,833
Intergovernmental	7,300
Total operating revenues	<u>658,133</u>
Operating expenses	
Supplies and expenses	28,310
Payments to other governments	588,163
Total operating expenses	<u>616,473</u>
Change in net position	41,660
Net position - beginning of year	<u>19,862</u>
Net position - end of year	<u>\$ 61,522</u>

See independent auditors' report.

CITY OF VALLEY
Statement of Cash Flows
Discretely Presented Component Unit
Year ended September 30, 2018

Cash flows from operating activities	
Cash receipts from customers	\$ 658,133
Cash paid to employees for services	(26,513)
Cash paid to other governments	(588,163)
Net cash provided by operating activities	43,457
Net increase in cash and cash equivalents	43,457
Cash and cash equivalents - beginning of year	19,862
Cash and cash equivalents - end of year	\$ 63,319
 Reconciliation of operating income to net cash used in operating activities	
Operating income	\$ 41,660
Adjustment to reconcile operating income to net cash provided by operating activities	
Increase in:	
Accounts payable	1,797
Net cash provided by operating activities	\$ 43,457

See independent auditors' report.

CITY OF VALLEY
Schedule of Debt Service
General Obligation Warrants
September 30, 2018

Year ending September 30,	General Obligation Warrants, Series 2017		General Obligation Warrants, Series 2015		General Obligation Warrants, Series 2014		Total General Long-term Debt		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2019	\$ 343,920	\$ 153,380	\$ 306,003	\$ 56,626	\$ 85,000	\$ 297,881	\$ 734,923	\$ 507,887	\$ 1,242,810
2020	353,017	144,283	313,714	48,915	395,000	293,081	1,061,731	486,279	1,548,010
2021	363,167	134,133	321,895	40,734	400,000	284,631	1,085,062	459,498	1,544,560
2022	373,197	124,103	330,150	32,480	410,000	275,519	1,113,347	432,102	1,545,449
2023	383,503	113,797	338,616	24,013	420,000	265,656	1,142,119	403,466	1,545,585
2024	393,807	103,493	347,256	15,374	425,000	254,881	1,166,063	373,748	1,539,811
2025	404,971	92,329	356,204	6,425	440,000	243,306	1,201,175	342,060	1,543,235
2026	416,155	81,145	60,247	192	450,000	230,788	926,402	312,125	1,238,527
2027	427,648	69,652	-	-	465,000	217,344	892,648	286,996	1,179,644
2028	439,296	58,004	-	-	475,000	202,947	914,296	260,951	1,175,247
2029	451,590	45,710	-	-	490,000	187,563	941,590	233,273	1,174,863
2030	464,062	33,238	-	-	510,000	170,675	974,062	203,913	1,177,975
2031	476,878	20,422	-	-	520,000	152,130	996,878	172,552	1,169,430
2032	490,024	7,275	-	-	545,000	132,155	1,035,024	139,430	1,174,454
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
	<u>\$5,781,235</u>	<u>\$ 1,180,964</u>	<u>\$2,374,085</u>	<u>\$ 224,759</u>	<u>\$9,075,000</u>	<u>\$ 3,522,457</u>	<u>\$ 17,230,320</u>	<u>\$4,928,180</u>	<u>\$22,158,500</u>

See independent auditors' report.