



CITY OF VALLEY, ALABAMA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

CITY OF VALLEY, ALABAMA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2008

**LIST OF PRINCIPAL OFFICIALS OF THE CITY OF VALLEY, ALABAMA
SEPTEMBER 30, 2008**

ELECTED AND APPOINTED OFFICIALS 2004-2008

Arnold D. Leak, Mayor
Charlene Atkinson, Council Member
Ray Edwards, Council Member
L. Shawn Jarrell, Council Member
James L. Jones, Council Member
Elizabeth M. Lyons, Council Member
James H. McDowell, Council Member
Rodney L. Mitchum, Council Member
James T. Bryan, City Administrator
Martha N. Cato, City Clerk
Regina T. Glaze, City Treasurer

ELECTED AND APPOINTED OFFICIALS 2008-2012

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

DEPARTMENT HEADS

Allen Hendrix, Planning
Timothy Hughes, EMS
John McConnell, Public Works
Suellen Snowden, Recreation

CITY OF VALLEY, ALABAMA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
<i>Title page</i>	1
<i>Officials of City of Valley, Alabama</i>	2
<i>Table of contents</i>	3-4

FINANCIAL SECTION

<i>Independent auditor's report</i>	5-6
<i>Basic financial statements:</i>	
<i>Government-wide financial statements:</i>	
<i>Statement of net assets</i>	7-8
<i>Statement of activities</i>	9
<i>Fund financial statements:</i>	
<i>Balance sheet - governmental funds</i>	10
<i>Reconciliation of the governmental funds balance sheet to the statement of net assets</i>	11
<i>Statement of revenues, expenditures, and changes in fund balances - governmental funds</i>	12-13
<i>Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities</i>	14
<i>Statement of net assets - proprietary funds</i>	15
<i>Statement of revenues, expenses, and changes in fund net assets - proprietary funds</i>	16
<i>Statement of cash flows - all proprietary fund types</i>	17-18
<i>Notes to financial statements</i>	19-37
<i>Required supplementary information:</i>	
<i>Budgetary comparison schedule - general fund</i>	38-43
<i>Schedule of funding progress for defined benefit pension plan</i>	44

*Combining fund statements:**Combining balance sheet - nonmajor governmental funds*

45

Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds

46

*Schedules:**Budgetary comparison schedules:**7¢ state gasoline tax fund*

47

4¢ state gasoline tax fund

48

Municipal government capital improvement fund

49

Senior center fund

50

Community development fund

51

Cemetery fund

52

*Capital assets used in the operations of governmental funds:**Schedule by source*

53

Schedule by function and activity

54

Schedule of changes by function and activity

55

FINANCIAL SECTION

BRANTLEY, BOUCHER & FARR LLP
Certified Public Accountants

P.O. BOX 587
100 NORTH NINTH STREET
OPELIKA, ALABAMA 36803-0587

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Valley, Alabama as of and for the year ended September 30, 2008, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of City of Valley, Alabama's, management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts that would have been reported as assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the City of Valley, Alabama, as of September 30, 2008, or the changes in financial position thereof for the year then ended.

As discussed in Note 4 to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the City of Valley, Alabama, as of September 30, 2008, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valley, Alabama, as of September 30, 2008, 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.

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

The budgetary comparison information on pages 38-43 and the Schedule of Funding Progress for Defined Benefit Pension Plan on page 44, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Valley, Alabama's basic financial statements. The combining fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Brantley, Baucher & Farr LLP

CITY OF VALLEY, ALABAMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Cash	\$ 6,030,664	\$ 14,084	\$ 6,044,748
Investments	1,345,542	-	1,345,542
Accounts receivable, net	49,701	93,756	143,457
Taxes receivable	453,337	-	453,337
Grants receivable	270,802	-	270,802
Other receivable	5,936	-	5,936
Inventories	31,053	-	31,053
Due from other governments	5,460	-	5,460
Prepaid expenses	81,148	3,433	84,581
Deferred charges	258,460	-	258,460
Land and construction in progress	1,691,214	-	1,691,214
Infrastructure, net	562,282	-	562,282
Buildings and improvements, net	9,087,090	-	9,087,090
Equipment, net	1,036,468	7,699	1,044,167
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 20,909,157</u>	<u>\$ 118,972</u>	<u>\$ 21,028,129</u>

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

CITY OF VALLEY, ALABAMA
STATEMENT OF NET ASSETS, continued
SEPTEMBER 30, 2008

LIABILITIES	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Accounts payable	\$ 585,773	\$ 44,051	\$ 629,824
Short-term notes	-	-	-
Accrued payroll and benefits	189,797	-	189,797
Interest payable	91,913	-	91,913
Internal balances	(14,998)	14,998	-
Unearned revenue	39,819	98,875	138,694
Long-term liabilities:			
Due within one year	436,147	-	436,147
Due in more than one year	12,692,714	1,653	12,694,367
Total liabilities	<u>14,021,165</u>	<u>159,577</u>	<u>14,180,742</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,175,160	7,699	5,182,859
Restricted for:			
Debt service	1,255,476	-	1,255,476
Cemetery care	5,451	-	5,451
Capital assets	144,184	-	144,184
Other purposes	185,507	-	185,507
Unrestricted (deficit)	122,214	(48,304)	73,910
Total net assets	<u>\$ 6,887,992</u>	<u>\$ (40,605)</u>	<u>\$ 6,847,387</u>

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

CITY OF VALLEY, ALABAMA
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2008

<i>FUNCTIONS/PROGRAMS</i>	<i>EXPENSES</i>	<i>PROGRAM REVENUES</i>			<i>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</i>		
		<i>FEES, FINES, AND CHARGES FOR SERVICES</i>	<i>OPERATING GRANTS AND CONTRIBUTIONS</i>	<i>CAPITAL GRANTS AND CONTRIBUTIONS</i>	<i>GOVERNMENTAL ACTIVITIES</i>	<i>BUSINESS-TYPE ACTIVITIES</i>	<i>TOTAL</i>
<i>Primary government:</i>							
Governmental activities:							
General government	\$ 2,206,599	\$ 1,595,254	\$ 459,558	\$ -	\$ (151,787)		\$ (151,787)
Public safety	2,794,588	474,216	63,407	8,250	(2,248,715)		(2,248,715)
Public works	1,532,009	10,317	97,694	32,998	(1,391,000)		(1,391,000)
Health	44,525	-	-	-	(44,525)		(44,525)
Welfare	194,389	-	18,313	-	(176,076)		(176,076)
Culture and recreation	1,490,794	236,076	3,000	-	(1,251,718)		(1,251,718)
Urban redevelopment	19,819	-	-	-	(19,819)		(19,819)
Interest on long-term debt	764,610	-	-	-	(764,610)		(764,610)
Total governmental activities	<u>9,047,333</u>	<u>2,315,863</u>	<u>641,972</u>	<u>41,248</u>	<u>(6,048,250)</u>		<u>(6,048,250)</u>
Business-type activities:							
Solid waste	647,215	587,995	-	-	-	(59,220)	(59,220)
Total business-type activities	<u>647,215</u>	<u>587,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59,220)</u>	<u>(59,220)</u>
Total primary government	<u>\$ 9,694,548</u>	<u>\$ 2,903,858</u>	<u>\$ 641,972</u>	<u>\$ 41,248</u>	<u>(6,048,250)</u>	<u>(59,220)</u>	<u>(6,107,470)</u>
General revenues:							
Taxes:							
Sales					5,002,665	-	5,002,665
Other					380,720	-	380,720
Grants and contributions not restricted to specific programs					67,518	-	67,518
Unrestricted investment earnings					110,392	-	110,392
Miscellaneous					191,197	-	191,197
Transfers					-	-	-
Total general revenues and transfers					<u>5,752,492</u>	<u>-</u>	<u>5,752,492</u>
Change in net assets					(295,758)	(59,220)	(354,978)
Net assets - beginning					7,183,750	18,615	7,202,365
Net assets (deficit) - ending					<u>\$ 6,887,992</u>	<u>\$ (40,605)</u>	<u>\$ 6,847,387</u>

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

CITY OF VALLEY, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

ASSETS	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Cash	\$ 186,514	\$ 5,604,497	\$ -	\$ 239,653	\$ 6,030,664
Investments	-	-	1,345,542	-	1,345,542
Accounts receivable, net	49,701	-	-	-	49,701
Taxes receivable	437,858	-	-	15,479	453,337
Grants receivable	259,680	-	-	11,122	270,802
Other receivable	4,089	-	1,847	-	5,936
Inventories	31,053	-	-	-	31,053
Due from other funds	21,336	24,614	-	52,000	97,950
Due from other governments	5,460	-	-	-	5,460
Total assets	\$ 995,691	\$ 5,629,111	\$ 1,347,389	\$ 318,254	\$ 8,290,445
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 532,053	\$ 24,027	\$ -	\$ 29,693	\$ 585,773
Short-term notes	-	-	-	-	-
Accrued payroll and benefits	189,797	-	-	-	189,797
Interest payable	-	-	26,026	-	26,026
Due to other funds	76,614	-	-	6,338	82,952
Deferred revenue	95,462	-	-	23,976	119,438
Total liabilities	893,926	24,027	26,026	60,007	1,003,986
Fund balances:					
Reserved for inventories	31,053	-	-	-	31,053
Unreserved	70,712	5,605,084	1,321,363	-	6,997,159
Unreserved, reported in nonmajor:					
Special revenue funds	-	-	-	258,247	258,247
Total fund balances	101,765	5,605,084	1,321,363	258,247	7,286,459
Total liabilities and fund balances	\$ 995,691	\$ 5,629,111	\$ 1,347,389	\$ 318,254	\$ 8,290,445

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

CITY OF VALLEY, ALABAMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

Total fund balances (deficits) for governmental funds		\$ 7,286,459
Total net assets reported for governmental activities in the statement of net assets is different because:		
Prepaid items and deferred charges which benefit future periods are not reported as assets in governmental funds		339,608
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 1,190,982	
Construction in progress	500,232	
Infrastructure, net of \$23,174 accumulated depreciation	562,282	
Buildings and improvements, net of \$3,499,342 accumulated depreciation	9,087,090	
Equipment, net of \$1,378,394 accumulated depreciation	1,036,468	
Total capital assets	12,377,054	
Some of the government's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.		79,619
Long-term liabilities applicable to the Government's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Balances at September 30, 2008 are:		
Governmental bonds and notes payable	\$ (12,824,503)	
Capital leases payable	(170,677)	
Interest payable	(65,887)	
Compensated absences	(133,681)	
Total long-term liabilities	(13,194,748)	
Total net assets of governmental activities		<u>\$ 6,887,992</u>

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

CITY OF VALLEY, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES					
Sales taxes	\$ 5,002,665	\$ -	\$ -	\$ -	\$ 5,002,665
Other taxes	380,720	-	-	-	380,720
Licenses and permits	1,408,612	-	-	-	1,408,612
Intergovernmental revenues	450,786	-	-	228,472	679,258
Charges for services	611,320	-	-	-	611,320
Fines and forfeits	46,361	-	-	32,379	78,740
Investment income	4,415	70,680	32,245	3,052	110,392
Miscellaneous revenues	301,763	-	-	23,973	325,736
	<u>8,206,642</u>	<u>70,680</u>	<u>32,245</u>	<u>287,876</u>	<u>8,597,443</u>
Total revenues					
EXPENDITURES					
Current:					
General government	2,155,921	121	-	-	2,156,042
Public safety	2,620,642	-	-	50,928	2,671,570
Public works	1,369,264	-	-	21,893	1,391,157
Health	44,525	-	-	-	44,525
Welfare	12,940	-	-	-	12,940
Culture and recreation	1,165,521	-	-	172,707	1,338,228
Urban rehabilitation	19,819	-	-	-	19,819
Debt service:					
Principal payments	272,358	-	310,000	-	582,358
Interest and fiscal charges	35,070	-	660,048	-	695,118
Bond issue costs	-	197,191	-	-	197,191
Capital outlay	206,197	479,922	-	50,301	736,420
Total expenditures	<u>7,902,257</u>	<u>677,234</u>	<u>970,048</u>	<u>295,829</u>	<u>9,845,368</u>
Excess (deficiency) of revenues over expenditures	<u>304,385</u>	<u>(606,554)</u>	<u>(937,803)</u>	<u>(7,953)</u>	<u>(1,247,925)</u>

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

CITY OF VALLEY, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS, continued
YEAR ENDED SEPTEMBER 30, 2008

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from general long-term debt	142,597	7,940,000	-	-	8,082,597
Insurance recoveries	17,461	-	-	6,080	23,541
Sale of capital assets	78,003	-	-	-	78,003
Operating transfers in	-	2,337	2,242,865	119,595	2,364,797
Operating transfers out	(634,098)	(1,730,699)	-	-	(2,364,797)
Total other financing sources and (uses)	(396,037)	6,211,638	2,242,865	125,675	8,184,141
Net change in fund balances	(91,652)	5,605,084	1,305,062	117,722	6,936,216
Fund balances, beginning of year	193,417	-	16,301	140,525	350,243
Fund balances, end of year	<u>\$ 101,765</u>	<u>\$ 5,605,084</u>	<u>\$ 1,321,363</u>	<u>\$ 258,247</u>	<u>\$ 7,286,459</u>

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

CITY OF VALLEY, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2008

Net change in fund balances - total governmental funds	\$ 6,936,216
The change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$736,420) exceeded depreciation (\$570,120) in the current period.	166,300
Contributions of capital assets not reported in governmental funds	32,998
Proceeds from the sale of capital assets and insurance recoveries are reported as other financing sources in governmental funds. In the statement of activities only net gains and losses are reflected.	(85,606)
Repayment of debt is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	582,358
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	48,509
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is present on an accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes as follows:	
Prepaid expenses	(6,444)
Compensated absences	(15,191)
Principal amount of new debt	(8,082,597)
Bond issue costs	197,191
Amortization of bond issue costs	(13,206)
Amortization of bond discounts	(1,541)
Amortization of deferred amounts on refunding	(7,032)
Accrued interest on long-term debt	(47,713)
	<u>(7,976,533)</u>
Change in net assets of governmental activities	\$ <u>(295,758)</u>
The notes to the financial statements are an integral part of this statement.	

CITY OF VALLEY, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2008

	MAJOR ENTERPRISE FUND SOLID WASTE FUND
ASSETS	
Current assets:	
Cash	\$ 14,084
Accounts receivable, net	93,756
Due from other funds	-
Prepaid expenses	3,433
Total current assets	<u>111,273</u>
Noncurrent assets:	
Capital assets:	
Equipment, net	7,699
Total noncurrent assets	<u>7,699</u>
Total assets	<u>118,972</u>
LIABILITIES	
Current liabilities:	
Accounts payable	44,051
Unearned revenue	98,875
Current portion of compensated absences	-
Due to other funds	14,998
Total current liabilities (payable from current assets)	<u>157,924</u>
Noncurrent liabilities:	
Compensated absences, net of current portion	<u>1,653</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,699
Unrestricted (deficit)	(48,304)
Total net assets (deficit)	<u>\$ (40,605)</u>

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

CITY OF VALLEY, ALABAMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	<u>MAJOR ENTERPRISE FUND SOLID WASTE FUND</u>
OPERATING REVENUES	
Charges for services	\$ 587,995
OPERATING EXPENSES	
Disposal charges	489,869
Depreciation	2,887
Personal services	116,165
Other	38,294
Total operating expenses	<u>647,215</u>
Operating income (loss)	<u>(59,220)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	-
Gain (loss) on disposal of assets	-
Interest expense and fiscal charges	-
Total nonoperating revenues (expenses)	<u>-</u>
Income before transfers	<u>(59,220)</u>
TRANSFERS IN (OUT)	
Transfers to other funds	-
Transfers from other funds	-
Total transfers	<u>-</u>
Change in net assets	(59,220)
Total net assets - beginning	<u>18,615</u>
Total net assets (deficit) - ending	<u>\$ (40,605)</u>

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

CITY OF VALLEY, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	<u>MAJOR ENTERPRISE FUND</u> <u>SOLID WASTE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	590,372
Payments to suppliers	(477,629)
Payments to employees	(115,300)
Other cash receipts	-
Net cash provided by (used for) operating activities	<u>(2,557)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers from other funds	-
Operating transfers to other funds	-
Net cash provided by (used for) noncapital financing activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	-
Net cash used for capital and related financing activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investment securities	-
Proceeds from sale and maturities of investment securities	-
Investment income	-
Net cash provided by investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(2,557)
Cash and cash equivalents at beginning of year	<u>16,641</u>
Cash and cash equivalents at end of year	<u>\$ 14,084</u>

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

CITY OF VALLEY, ALABAMA
STATEMENT OF CASH FLOWS, continued
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	MAJOR ENTERPRISE FUND <hr/> SOLID WASTE FUND <hr/>
<i>Reconciliation of operating income to</i>	
<i>net cash provided by operating activities:</i>	
Operating income (loss)	\$ (59,220)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,887
Provision for uncollectible accounts	(3,333)
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	14,205
(Increase) decrease in due from other funds	32,426
(Increase) decrease in prepaid expenses	(303)
Increase (decrease) in accounts payable	3,413
Increase (decrease) in unearned revenue	(8,495)
Increase (decrease) in due to other funds	14,998
Increase (decrease) in accrued employee benefits	865
Total adjustments	<hr/> 56,663 <hr/>
Net cash provided by (used for) operating activities	<hr/> \$ (2,557) <hr/>

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

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The government is a municipal corporation governed by a mayor-council form of government consisting of the Mayor, elected at large, and seven council members elected from defined districts. Members of the City Council serve part-time and are responsible for adopting all legislative ordinances and setting policies of the government, including the appropriation of money. The Mayor, who is a member of the council, is the chief executive officer of the government. Department heads and the City Treasurer appointed by the City Council are responsible for the day-to-day management of the government. These financial statements present information about the primary government, which is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Component units, although legally separate, for which the government is considered to be financially accountable are not included in these primary government financial statements. As a result, these primary government financial statements, because they do not include financial data of the component units of the government, do not purport to and do not present the financial statements of the reporting entity (primary government and component units) as defined by generally accepted accounting principles. The excluded component units include the City of Valley Historic Preservation Commission and City of Valley Industrial Development Board.

Related Organizations. The government's officials are also responsible for appointing the members of the board of other organizations, but the government's accountability for these 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, and the Housing Authority of the City of Valley, The Improvement District of the City of Valley, Alabama-Venue Project, and The Cooperative District of the City of Valley, Alabama-Venue Project.

Jointly Governed Organizations. The government, in conjunction with other governments has created the following organizations. These organizations are not joint ventures because the government does not retain an ongoing financial interest or an ongoing financial responsibility.

The East Alabama Regional Solid Waste Disposal Authority is a corporation created to provide for the collection and disposal of solid waste and to encourage planning for disposal of solid waste and resource recovery in East Alabama. The organization is governed by a twelve member board composed of one appointee each from various cities and counties in the area. The Government appoints one board member. The East Alabama Regional Solid Waste Disposal Authority did not receive any appropriations from the government for the year ended September 30, 2008.

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the financial activities of the primary government. As a general rule, eliminations have been made to minimize the double-counting of internal activities. Exceptions to this

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

general rule are charges between the government's solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These statements distinguish between the *governmental* and *business-type* activities of the government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the government and for each function of the government's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The government does not allocate indirect expenses in the funds. Program revenues include (a) fees, fines, and charges paid by the recipient of the goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Government's funds. Separate statements for each fund category--governmental and proprietary--are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The government reports the following major governmental funds:

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

Capital Projects Fund. This fund accounts for the construction of major capital projects.

Debt Service Fund. This fund accounts for the accumulation of moneys for the periodic payment of principal and interest on general long-term debt.

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

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditure for specific purposes.

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

The government reports the following major enterprise funds:

Solid Waste Fund. This fund accounts for operations, maintenance and development costs related to providing solid waste collection and disposal services to residential and small commercial users. Costs are financed through charges to customers. The government does not allocate indirect costs for services provided the fund by other government departments.

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the government gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The government considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Sales taxes, other taxes, intergovernmental revenue, fines, and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the government follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

Cash and Investments

Cash and cash equivalents include amounts in time and demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government, except for investments in money funds and treasury obligations administered for the government by a trustee or held in nonexpendable trust funds. State statutes authorize the government to invest in deposit accounts and certificates of deposits with banks and savings institutions, in direct obligations of the United States Treasury Department, and obligations of certain other federal agencies. Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The government bills its citizens for some services, and therefore, extends credit to its citizens. Billings to citizens of the government for ambulance services are reported in the General Fund net of the allowance for uncollectible accounts of \$162,292. Billings to citizens of the government for solid waste services are reported in the Solid Waste Fund net of the allowance for uncollectible accounts of \$44,353.

Property Taxes

No property taxes are levied by the government.

Inventories and Prepaid Items

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

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of donation. Interest incurred during construction is not capitalized on assets used in governmental activities. General infrastructure assets (e.g., roads, bridges, sidewalks) will be reported if placed in service after September 30, 2003. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The government defines capital assets, other than infrastructure assets, as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of two years. Infrastructure assets are defined as assets with initial cost of \$50,000 for bridges and \$250,000 for roads and drainage systems. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20-50 years
Improvements other than buildings	15-25 years
Machinery and equipment	5-20 years
Automotive vehicles	5-25 years
Infrastructure	20-40 years

Long-Term Debt and Costs

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

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

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

Deferred Revenue

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

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are accrued in the government-wide financial statements when incurred.

Net Assets

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or notes that are attributed to the acquisition, construction, or improvement of those assets.

Restricted - consists of net assets with constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - all other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

Use of Estimates

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

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before September 1 of each year, all departments of the government submit requests for appropriations to the government's Mayor so that a budget may be prepared. Before October 1, the proposed budget is presented to the government's council for review and adoption.

The appropriated budget is prepared by fund, function and department. The government's Mayor may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level. The governing council made various supplemental appropriations of \$430,000 during the year, the most significant of which was \$283,000 for grant activities which included developing master plans, performing studies and Brownfield assessments, and \$91,648 for expenses of the Annual River Day event. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized in the governmental funds.

Excess of Expenditures over Appropriations

For the year ended September 30, 2008, expenditures exceeded appropriations in the General Fund by \$147,177 in administration, \$71,005 in planning and development, \$56,320 in general government-nondepartmental, \$145,291 in police, \$188,314 in public works, \$10,025 in health-nondepartmental, \$61,744 in parks and recreation, \$9,819 in urban redevelopment-nondepartmental, and \$307,428 in debt service. Expenditures also exceeded appropriations in the Special Revenue Funds by \$92,400 in the Community Development Fund. These overexpenditures were funded by current revenues, available fund balances or transfers from other funds.

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

3. DEPOSITS AND INVESTMENTS

Deposits

At year end, the carrying amount of the government's deposits in financial institutions was \$6,044,748 and the bank balance was \$6,139,332. All bank balances at September 30, 2008 are considered insured because such balances were covered by the Security for Alabama Funds Enhancement (SAFE) Program, which requires all public funds be deposited in Qualified Public Depositories.

Investments

As of September 30, 2008, the government had the following investments:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Federated US Treasury	\$ 338	\$ 338	51 Days	AAAm
First American Government Obligation Fund Class D	1,345,204	1,345,204	47 Days	AAAm
Totals	<u>\$ 1,345,542</u>	<u>\$ 1,345,542</u>		

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

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

Custodial Credit Risk: For an investment, the custodial risk is the risk that in event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government's investments in the Federated US Treasury and First American Government Obligation Fund Class D are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department, but not in the government's name. The government has no policy on custodial credit risk.

Concentration of Credit Risk: The government places no limit on the amount that the government may invest in any one issuer. More than 5% of the government's investments are in following investments with percentage of total shown in parenthesis: First American Government Obligation Fund Class D (99.97%).

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 was as follows:

	<i>Balance October 1, 2007</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balance September 30, 2008</i>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,187,929	\$ 18,953	\$ 15,900	\$ 1,190,982
Construction in progress	20,310	479,922	-	500,232
Total capital assets, not being depreciated	<u>1,208,239</u>	<u>498,875</u>	<u>15,900</u>	<u>1,691,214</u>
Capital assets, being depreciated:				
Infrastructure	585,456	-	-	585,456
Buildings and improvements	12,610,364	32,998	56,930	12,586,432
Machinery and equipment	2,389,670	237,545	212,353	2,414,862
Total capital assets, being depreciated	<u>15,585,490</u>	<u>270,543</u>	<u>269,283</u>	<u>15,586,750</u>
Less accumulated depreciation for:				
Infrastructure	8,538	14,636	-	23,174
Buildings and improvements	3,163,262	355,908	19,828	3,499,342
Machinery and equipment	1,358,566	199,576	179,748	1,378,394
Total accumulated depreciation	<u>4,530,366</u>	<u>570,120</u>	<u>199,576</u>	<u>4,900,910</u>
Total capital assets, being depreciated, net	<u>11,055,124</u>	<u>(299,577)</u>	<u>69,707</u>	<u>10,685,840</u>
Governmental activities capital assets, net	<u>\$ 12,263,363</u>	<u>\$ 199,298</u>	<u>\$ 85,607</u>	<u>\$ 12,377,054</u>

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

	<i>Balance October 1, 2007</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balance September 30, 2008</i>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	14,435	-	-	14,435
Total capital assets, being depreciated	14,435	-	-	14,435
Less accumulated depreciation for:				
Machinery and equipment	3,849	2,887	-	6,736
Total accumulated depreciation	3,849	2,887	-	6,736
Total capital assets, being depreciated, net	10,586	(2,887)	-	7,699
Capital assets, net	\$ 10,586	\$ (2,887)	\$ -	\$ 7,699

Depreciation expense was charged to functions as follows:

Governmental activities:		Business-type activities:	
General government	\$ 47,988	Solid Waste	\$ 2,887
Public safety	103,925		
Public works	97,083		
Welfare	7,652		
Culture and recreation	313,472		
Total governmental activities depreciation expense	\$ 570,120	Total business-type activities depreciation expense	\$ 2,887

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

Construction Commitments

The government has begun making infrastructure improvements for a commercial and residential development call the "Venue Project" (see Note 11) which are estimated to total approximately \$6,500,000, of which \$479,922 in architectural and engineering fees has been incurred as of September 30, 2008. The government also has several other construction projects in the planning stages as of September 30, 2008. Architectural and engineering fees of \$20,310 have been as of September 30, 2008 on those other projects.

Certain Infrastructure and Land Not Recorded

During the year ending September 30, 2007, Chambers County, Alabama donated to the government approximately 2.44 miles of Fob James Drive from Interstate I-85 to Highway 29 and the approximately 5.49 miles of the road known as the Fairfax Bypass. The government has not completed the calculation of the fair market value of these assets so that they can be recorded in accordance with generally accepted accounting principles. In addition, on December 10, 2007 and March 31, 2008 the government accepted responsibility for various roadways within the government's City limits from Chambers County. Ownership of those roads had not been clarified and the government has not made a determination as to whether those roads should be recorded by the government.

5. DEFINED BENEFIT PENSION PLAN

Plan Description: The government contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments. Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the government. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods, with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the government the authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150 or by calling 1-334-832-4140.

Funding Policy. Plan members are required to contribute 5% of their annual covered salary, except that the member contribution rate for state correctional officers, certified full-time firefighters, and certified full-time law enforcement officers is 6% of covered salary. The government is required to contribute at an actuarially determined rate; the rate for 2008 was 3.03% of annual covered payroll. The contribution requirements of plan members and the government are established by state statute.

Annual Pension Cost. For 2008, the government's annual pension cost of \$108,701 was equal to the government's required and actual contributions.

<i>Trend Information</i>			
<i>Fiscal Year Ending</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
9/30/2005	\$75,027	100.0%	\$0
9/30/2006	\$77,390	100.0%	\$0
9/30/2007	\$95,457	100.0%	\$0

The required contribution was determined as part of the September 30, 2005, actuarial valuation using the entry age actuarial cost method with amortization using the level percent open method. The remaining amortization period was 10 years. The actuarial value of assets was determined by the 5-year smoothed market method. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 4.61% to 7.75% per year, and (c) 0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.5%. There was no unfunded actuarial accrued liability.

Funded Status and Funding Progress. As of September 30, 2005, the most recent actuarial valuation date, the plan was 110.5 percent funded. The actuarial accrued liability for benefits was \$4,162,343 and the actuarial value of assets was \$4,597,315, resulting in assets in excess of actuarial accrued liability (UAAL) of \$492,816. The covered payroll (annual payroll of active employees covered by the plan) was \$2,806,089, and the ratio of the UAAL to the covered payroll was -15.5 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

6. LEASES

Operating Leases

The government leases land surrounding the City Hall complex to the U.S. Postal Service and Alabama Power Company. The government leases a building known as the Riverview Post Office to the U.S. Postal Service and leases a building known as Riverview Mill to a local company. These leases are considered for accounting purposes to be operating leases. The cost of the property held for land leases is \$3000. The cost of the Riverview Post Office property is carried at \$47,350 less accumulated depreciation of \$11,120. The cost of Riverview Mill is carried at \$182,170 less accumulated depreciation of \$3,692. The Riverview Mill lessee made \$36,720 of improvements to the building in lieu of rent for three years and the government will recognize rental income as it is earned. Unearned rents were \$34,720 at September 30, 2007. Future minimum rentals on the remaining noncancelable leases are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2009	\$ 9,200
2010	9,200
2011	9,200
2012	9,200
2013-2018	43,100
Total	<u>\$ 79,900</u>

The government has entered into various lease agreements for copiers which are considered for accounting purposes to be noncancelable operating leases. Rent expense for the year ended September 30, 2008 was \$5,124. The following is a schedule by years of future minimum rentals under the leases:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2009	\$ 5,124
2010	2,579
Total	<u>\$ 7,703</u>

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

Capital Leases

The government has entered into various lease-purchase agreements for the acquisition of copiers and police cars. The economic substance of the leases is that the government is financing the acquisition of the assets through the leases. Therefore, the leases qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Machinery and equipment	\$ 252,144
Less: accumulated depreciation	38,033
Total	<u>\$ 214,111</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008, were as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2009	\$ 70,836
2010	51,109
2011	37,677
2012	18,938
2013	9,773
Total minimum lease payments	188,333
Less: amount representing interest	17,656
Present value of minimum lease payments	<u>\$ 170,677</u>

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

7. LONG-TERM LIABILITIES

General Obligation Warrants. The government issues general obligation warrants to provide funds for the acquisition of equipment and construction of major capital facilities for the municipality. General obligation warrants constitute general obligations of the government for the payment of which the full faith, credit and taxing power of the government are irrevocably pledged. On May 19, 1999, the government issued \$5,980,000 of general obligation warrants for constructing a community center and refunding a portion of the 1994 general obligation capital improvement warrants then outstanding. The warrants carry interest rates of 3.75% to 4.80% and mature between September 1, 2005, and September 1, 2019. On December 17, 2007, the government issued \$7,940,000 of general obligation warrants for constructing infrastructure improvements. The warrants carry an interest rate of 7.375% and mature between March 1, 2012, and March 1, 2037. There are a number of limitations and restrictions contained in the various bond indentures. The government is in compliance with all significant limitations and restrictions except for failing to make several monthly payments into the 1999 bond fund on a timely basis resulting in a \$43,417 deficit in the fund at September 30, 2008 and the failure to complete audits in a timely manner.

Notes. On April 18, 2008, the government issued a note to refinance an existing note. The note is due in 36 monthly payments of \$5,052 and 83 monthly payments of \$5,004, plus one final payment of the remaining balance due. The interest rate on the note is 3.90% for the first 36 months, but is based on J.P. Morgan Chase Prime minus 1.63% on the remaining payments. The note is secured by a second position in the government's sales tax revenue and gasoline taxes.

General obligation warrants and notes currently outstanding are as follows:

<i>Description</i>	<i>Purpose</i>	<i>Interest Rates</i>	<i>Amount</i>
General Obligation Warrants, Series 1999	Refund part of 1994 Warrants and build community center	4.25-4.8%	\$ 4,750,000
General Obligation Warrants, Series 2007	Construct infrastructure improvements	7.375%	7,940,000
Note to a financial institution	Refinance existing note	3.90%	482,912
			<u>\$ 13,172,912</u>

Annual debt service requirements to maturity for general obligation warrants outstanding at September 30, 2008 are as follows:

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

<i>Year Ending September 30</i>	<i>GO Warrants, Series 1999</i>		<i>GO Warrants, Series 2007</i>		<i>Notes</i>		<i>Total</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2009	\$ 320,000	\$ 205,068	\$ -	\$ 585,575	\$ 42,622	\$ 18,002	\$ 362,622	\$ 808,645
2010	335,000	191,468	-	585,575	44,238	16,386	379,238	793,429
2011	350,000	177,063	-	585,575	45,995	14,629	395,995	777,267
2012	365,000	161,663	110,000	581,519	47,821	12,803	522,821	755,985
2013	380,000	145,420	115,000	573,222	49,720	10,904	544,720	729,546
2014	400,000	128,320	125,000	564,372	51,694	8,930	576,694	701,622
2015	415,000	109,920	135,000	554,784	53,746	6,878	603,746	671,582
2016	435,000	90,000	145,000	544,459	55,880	4,744	635,880	639,203
2017	460,000	69,120	155,000	533,397	58,099	2,525	673,099	605,042
2018	480,000	47,040	170,000	521,413	33,097	414	683,097	568,867
2019	500,000	24,000	180,000	508,506	-	-	680,000	532,506
2020	-	-	195,000	494,678	-	-	195,000	494,678
2021	-	-	205,000	479,928	-	-	205,000	479,928
2022	-	-	225,000	464,072	-	-	225,000	464,072
2023	-	-	240,000	446,925	-	-	240,000	446,925
2024	-	-	255,000	428,672	-	-	255,000	428,672
2025	-	-	275,000	409,128	-	-	275,000	409,128
2026	-	-	295,000	388,109	-	-	295,000	388,109
2027	-	-	320,000	365,431	-	-	320,000	365,431
2028	-	-	340,000	341,094	-	-	340,000	341,094
2029	-	-	365,000	315,097	-	-	365,000	315,097
2030	-	-	395,000	287,072	-	-	395,000	287,072
2031	-	-	420,000	257,019	-	-	420,000	257,019
2032	-	-	455,000	224,753	-	-	455,000	224,753
2033	-	-	485,000	190,091	-	-	485,000	190,091
2034	-	-	525,000	152,847	-	-	525,000	152,847
2035	-	-	560,000	112,838	-	-	560,000	112,838
2036	-	-	605,000	69,878	-	-	605,000	69,878
2037	-	-	645,000	23,784	-	-	645,000	23,784
	<u>\$ 4,440,000</u>	<u>\$ 1,349,082</u>	<u>\$ 7,940,000</u>	<u>\$ 11,589,813</u>	<u>\$ 482,912</u>	<u>\$ 96,215</u>	<u>\$ 12,862,912</u>	<u>\$ 13,035,110</u>

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2008, was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
General obligation warrants	\$ 4,750,000	\$ 7,940,000	\$ 310,000	\$ 12,380,000	\$ 320,000
Less deferred amounts:					
For issuance discounts	(17,520)	-	(1,541)	(15,979)	(1,375)
On refunding	(29,462)	-	(7,032)	(22,430)	(6,173)
Net general obligation warrants	4,703,018	7,940,000	301,427	12,341,591	312,452
Notes	698,405	-	215,493	482,912	42,622
Capital leases	84,945	142,597	56,865	170,677	62,358
Compensated absences	118,490	32,179	16,988	133,681	18,715
Governmental activity					
Long-term liabilities	<u>\$ 5,604,858</u>	<u>\$ 8,114,776</u>	<u>\$ 590,773</u>	<u>\$ 13,128,861</u>	<u>\$ 436,147</u>

9. INTERFUND BALANCES AND ACTIVITIES

The composition of interfund balances as of September 30, 2008 is as follows:

Due to/from other funds:

<i>Due To</i>	<i>Due From</i>					<i>Total</i>
	<i>General</i>	<i>Capital Projects</i>	<i>Debt Service</i>	<i>Non-major Governmental</i>	<i>Solid Waste</i>	
General	\$ -	\$ 24,614	\$ -	\$ 52,000	\$ -	\$ 76,614
Capital Projects	-	-	-	-	-	-
Non-major governmental	6,338	-	-	-	-	6,338
Solid Waste	14,998	-	-	-	-	14,998
Total	<u>\$ 21,336</u>	<u>\$ 24,614</u>	<u>\$ -</u>	<u>\$ 52,000</u>	<u>\$ -</u>	<u>\$ 97,950</u>

All balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

Interfund transfers:

<u>Transfer out</u>	<u>Transfer In</u>					<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Non-major Governmental</u>	<u>Solid Waste</u>	
General	\$ -	\$ -	\$ 512,166	\$ 121,932	\$ -	\$ 634,098
Capital Projects	-	-	1,730,699	-	-	1,730,699
Debt Service	-	-	-	-	-	-
Non-major governmental	-	-	-	-	-	-
Solid Waste	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,242,865</u>	<u>\$ 121,932</u>	<u>\$ -</u>	<u>\$ 2,364,797</u>

Transfers are used to (1) use unrestricted revenues collected in the general fund to finance various programs or operations accounted for in the other funds, and 2) move revenues from the fund that statute or budget collecting them to the fund where expenditures are made.

10. RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which the government carries commercial insurance. The government does not have coverage on assets involved in the distribution of water, electricity, and sewer (i.e. pipe underground and transmission lines). There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

11. COMMITMENTS AND CONTINGENCIES

Various lawsuits are pending against the government. In addition, several claims have been filed which have not yet resulted in lawsuits. The liability associated with these matters is not determinable at September 20, 2008.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. Government management believes such disallowances, if any, will be immaterial.

The government approved the creation of "The Improvement District of the City of Valley, Alabama - Venue Project" (Improvement District) and "The Cooperative District of the City of Valley, Alabama - Venue Project" (Cooperative District) as provided by Chapters 99A and 99B of Title 11 of the Code of Alabama (1975), as amended, in a special called meeting of the City Council on April 30, 2007. In addition, the

CITY OF VALLEY, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

government approved a "Memorandum of Understanding" with ITC Holding, LLC to provide for economic development within the City. The government agreed to do all things reasonably necessary to facilitate the levy of the following fees and charges within the Cooperative District: 1) the levy of a one-cent charge on the sale of tangible personal property within the Cooperative District; 2) the levy of a charge on hotels and other lodging establishments located within the Cooperative District which will be equal to two percent of the cost of lodging paid by patrons of such establishments; and 3) the levy by the Improvement District of property assessments on residential properties located within the Improvement District which was done August 7, 2007 in the amount of \$19,050,000. Also, the City did all things reasonably necessary to facilitate the issuance by the Cooperative District bonds of \$19,050,000 principal amount in order to finance improvements necessary for the development of the project. The project is currently under construction.

12. SUBSEQUENT EVENTS

On August 24, 2009, the government approved a lease-purchase of a copy machine. The lease contains a bargain purchase option and as such the government is financing the purchase of the equipment. The present value of the future minimum lease payments is \$8,856. Payments are due in 36 monthly installments of \$246. The effective interest rate in the lease is 4.5%.

On November 9, 2009, the government issued a \$500,000 note to provide for additional financing for infrastructure improvements at the "Venue Project". The note is secured by a second position in the government's sales tax revenue and gasoline taxes. The note is due in 119 monthly payments of \$5,036, plus one final payment of the remaining balance due. The interest rate on the note is 3.89% for the first 36 months, and will be adjusted on an annual basis to 69% of one year U.S. Treasury plus 3%. The interest rate on the note will not be less than 3.89%.

On April 26, 2010, the government approved a lease-purchase of a copy machine. The lease contains a bargain purchase option and as such the government is financing the purchase of the equipment. The present value of the future minimum lease payments is \$7,956. Payments are due in 39 monthly installments of \$204. The effective interest rate in the lease is 4.5%.

CITY OF VALLEY, ALABAMA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2008

DESCRIPTION	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	OVER (UNDER) FINAL BUDGET
Revenues:				
Taxes:				
Sales	\$ 5,000,000	\$ 5,000,000	\$ 5,002,665	\$ 2,665
Other:				
Motor vehicle sale tax	35,500	35,500	33,804	(1,696)
Motor fuels	170,000	170,000	198,957	28,957
Tobacco	107,000	107,000	106,314	(686)
Wine	1,900	1,900	2,170	270
Lodging	30,000	30,000	39,475	9,475
	<u>344,400</u>	<u>344,400</u>	<u>380,720</u>	<u>36,320</u>
Total taxes	<u>5,344,400</u>	<u>5,344,400</u>	<u>5,383,385</u>	<u>38,985</u>
Licenses and permits:				
Business:				
General	930,000	930,000	1,101,949	171,949
Franchise fees	85,000	85,000	94,671	9,671
Rental	70,000	70,000	62,649	(7,351)
	<u>1,085,000</u>	<u>1,085,000</u>	<u>1,259,269</u>	<u>174,269</u>
Animal	10,500	10,500	8,895	(1,605)
Permits and inspections	141,500	141,500	140,448	(1,052)
Total licenses and permits	<u>1,237,000</u>	<u>1,237,000</u>	<u>1,408,612</u>	<u>171,612</u>
Intergovernmental revenue:				
Shared county revenue:				
Beer tax	64,000	64,000	63,676	(324)
Mobile home registration fees	700	700	668	(32)
	<u>64,700</u>	<u>64,700</u>	<u>64,344</u>	<u>(356)</u>
Shared state revenue:				
Motor vehicle license	33,000	33,000	29,096	(3,904)
Bank excise tax	50,000	50,000	40,878	(9,122)
Share of liquor tax profits	12,700	12,700	8,407	(4,293)
	<u>95,700</u>	<u>95,700</u>	<u>78,381</u>	<u>(17,319)</u>

CITY OF VALLEY, ALABAMA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE, CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

DESCRIPTION	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	OVER (UNDER) FINAL BUDGET
Other:				
Federal	3,000	235,000	283,061	48,061
State	-	-	-	-
Chambers County	25,000	25,000	25,000	-
	<u>28,000</u>	<u>260,000</u>	<u>308,061</u>	<u>48,061</u>
Total intergovernmental revenue	188,400	420,400	450,786	30,386
Charges for services:				
Public safety:				
Ambulance fees	360,000	360,000	354,388	(5,612)
Police protection and security fees	27,692	27,692	28,773	1,081
Copying	2,000	2,000	2,288	288
	<u>389,692</u>	<u>389,692</u>	<u>385,449</u>	<u>(4,243)</u>
Public works:				
Paving and curbing fees	3,000	3,000	10,317	7,317
	<u>3,000</u>	<u>3,000</u>	<u>10,317</u>	<u>7,317</u>
Culture and recreation:				
Entry fees and other charges	272,000	279,524	215,554	(63,970)
Total charges for service	<u>664,692</u>	<u>672,216</u>	<u>611,320</u>	<u>(60,896)</u>
Fines and forfeits:				
Public safety:				
Fines and costs	46,000	46,000	46,361	361
Miscellaneous revenues:				
Investment income	8,000	8,000	4,415	(3,585)
Other:				
Rental income	228,000	248,124	186,642	(61,482)
Contributions	85,000	160,226	81,699	(78,527)
Other	31,450	34,610	33,422	(1,188)
	<u>344,450</u>	<u>442,960</u>	<u>301,763</u>	<u>(141,197)</u>
Total miscellaneous revenues	352,450	450,960	306,178	(144,782)
Total revenues	<u>7,832,942</u>	<u>8,170,976</u>	<u>8,206,642</u>	<u>35,666</u>

CITY OF VALLEY, ALABAMA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE, CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

FUNCTION/DEPARTMENT/OBJECT	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	OVER (UNDER) FINAL BUDGET
Expenditures:				
Current:				
General government:				
Legislative:				
Personal services	62,026	65,026	60,631	(4,395)
Other	242,250	614,398	485,089	(129,309)
Total legislative	<u>304,276</u>	<u>679,424</u>	<u>545,720</u>	<u>(133,704)</u>
Administration:				
Personal services	513,700	538,184	507,452	(30,732)
Other	484,800	492,265	670,174	177,909
Total administration	<u>998,500</u>	<u>1,030,449</u>	<u>1,177,626</u>	<u>147,177</u>
Planning and development:				
Personal services	211,534	211,534	302,356	90,822
Other	81,962	81,962	62,145	(19,817)
Total planning and development	<u>293,496</u>	<u>293,496</u>	<u>364,501</u>	<u>71,005</u>
Nondepartmental:				
Alabama League of Municipalities	3,068	3,068	-	(3,068)
Chambers County Industrial Authority	3,719	3,719	63,107	59,388
East Alabama Planning Commission	4,967	4,967	4,967	-
Total nondepartmental	<u>11,754</u>	<u>11,754</u>	<u>68,074</u>	<u>56,320</u>
Total general government	<u>1,608,026</u>	<u>2,015,123</u>	<u>2,155,921</u>	<u>140,798</u>
Public safety:				
Police:				
Personal services	1,419,780	1,417,812	1,503,117	85,305
Other	358,365	358,365	418,351	59,986
Total police	<u>1,778,145</u>	<u>1,776,177</u>	<u>1,921,468</u>	<u>145,291</u>
Emergency medical services:				
Personal services	660,677	660,677	598,094	(62,583)
Other	93,800	77,745	88,580	10,835
Total emergency medical services	<u>754,477</u>	<u>738,422</u>	<u>686,674</u>	<u>(51,748)</u>

CITY OF VALLEY, ALABAMA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE, CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

FUNCTION/DEPARTMENT/OBJECT	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	OVER (UNDER) FINAL BUDGET
Nondepartmental:				
Chambers County Emergency Management Association	12,000	12,000	12,000	-
Valley Rescue Squad	-	-	-	-
Crimestoppers	500	500	500	-
	<u>12,500</u>	<u>12,500</u>	<u>12,500</u>	<u>-</u>
Total public safety	<u>2,545,122</u>	<u>2,527,099</u>	<u>2,620,642</u>	<u>93,543</u>
Public works:				
Personal services	781,450	781,450	949,848	168,398
Other	399,500	399,500	419,416	19,916
Total public works	<u>1,180,950</u>	<u>1,180,950</u>	<u>1,369,264</u>	<u>188,314</u>
Health:				
Other:				
Nondepartmental:				
East Alabama Mental Health	2,000	2,000	1,000	(1,000)
Chambers County Commission	-	-	11,775	11,775
Chambers County Health	1,500	1,500	750	(750)
Humane Society	31,000	31,000	31,000	-
Total health	<u>34,500</u>	<u>34,500</u>	<u>44,525</u>	<u>10,025</u>
Welfare:				
Other:				
Nondepartmental:				
Tri County Childrens Advocacy	1,500	1,500	750	(750)
Department of Human Resources	300	300	300	-
Coosa Valley Youth	9,186	9,186	6,890	(2,296)
East Alabama Task Force for Battered Women	500	500	-	(500)
Valley Masters Games	5,000	5,000	5,000	-
Other	-	-	-	-
Total welfare	<u>16,486</u>	<u>16,486</u>	<u>12,940</u>	<u>(3,546)</u>

CITY OF VALLEY, ALABAMA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE, CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

FUNCTION/DEPARTMENT/OBJECT	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	OVER (UNDER) FINAL BUDGET
Culture and recreation:				
Parks and recreation:				
Personal services	495,127	470,643	512,771	42,128
Other	547,150	567,650	587,266	19,616
	<u>1,042,277</u>	<u>1,038,293</u>	<u>1,100,037</u>	<u>61,744</u>
Library:				
Nondepartmental:				
H. Grady Bradshaw Library	42,498	42,498	42,498	-
Valley Historical Preservation Commission	20,000	20,000	10,000	(10,000)
Valley Art Council	2,500	6,605	8,600	1,995
Valley Tree Board	7,500	7,500	3,750	(3,750)
Valley Tourism	10,000	10,000	636	(9,364)
	<u>82,498</u>	<u>86,603</u>	<u>65,484</u>	<u>(21,119)</u>
Total culture and recreation	<u>1,124,775</u>	<u>1,124,896</u>	<u>1,165,521</u>	<u>40,625</u>
Urban Redevelopment:				
Other:				
Nondepartmental:				
Dilapidated houses	10,000	10,000	19,819	9,819
Education:	-	-	-	-
Capital outlay:	<u>187,500</u>	<u>228,055</u>	<u>206,197</u>	<u>(21,858)</u>

CITY OF VALLEY, ALABAMA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE, CONTINUED
YEAR ENDED SEPTEMBER 30, 2008

<i>FUNCTION/DEPARTMENT/OBJECT</i>	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>OVER (UNDER) FINAL BUDGET</i>
Debt service:				
Principal	55,000	55,000	272,358	217,358
Interest	48,000	48,000	35,070	(12,930)
Total debt service	<u>103,000</u>	<u>103,000</u>	<u>307,428</u>	<u>204,428</u>
Total expenditures	<u>6,810,359</u>	<u>7,240,109</u>	<u>7,902,257</u>	<u>662,148</u>
Excess (deficiency) of revenues over expenditures	<u>1,022,583</u>	<u>930,867</u>	<u>304,385</u>	<u>(626,482)</u>
Other financing sources (uses):				
Proceeds from general long-term debt	100,000	100,000	142,597	42,597
Insurance recoveries	-	-	17,461	17,461
Sale of capital assets	-	50,000	78,003	28,003
Transfers from Solid Waste Fund	-	-	-	-
Transfers to Capital Project Fund	-	-	(2,337)	(2,337)
Transfers to Senior Center Fund	(111,539)	(111,539)	(97,974)	13,565
Transfers to Community Development Fund	(6,201)	(6,201)	(12,426)	(6,225)
Transfers to Cemetery Fund	(38,200)	(38,200)	(9,195)	29,005
Transfers to Debt Service Fund	(527,836)	(527,836)	(512,166)	15,670
Total other financing sources (uses)	<u>(583,776)</u>	<u>(533,776)</u>	<u>(396,037)</u>	<u>137,739</u>
Net change in fund balance	438,807	397,091	(91,652)	(488,743)
Fund balance, beginning of year	<u>193,417</u>	<u>193,417</u>	<u>193,417</u>	<u>-</u>
Fund balance, end of year	<u>\$ 632,224</u>	<u>\$ 590,508</u>	<u>\$ 101,765</u>	<u>\$ (488,743)</u>

CITY OF VALLEY, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
BUDGETARY COMPARISON SCHEDULE

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b) *	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
09/30/2005	\$4,597,315	\$4,162,343	(\$434,972)	110.5%	\$2,806,089	-15.5%
09/30/2006**	\$4,839,799	\$4,536,895	(\$302,904)	106.7%	\$2,751,266	-11.0%
09/30/2007	\$5,154,018	\$4,775,656	(\$378,362)	107.9%	\$3,141,097	-12.0%

NOTES:

- * Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
** Reflects changes in actuarial assumptions.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

7c State Gasoline Tax Fund - This fund is used to account for the government'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.

4c State Gasoline Tax Fund - This fund is used to account for the government'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.

Municipal Capital Improvement Fund - This fund is used to account for the government'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.

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, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	<i>Special Revenue</i>						<i>Total Nonmajor Governmental Funds</i>
	<i>7c State Gasoline Tax</i>	<i>4c State Gasoline Tax</i>	<i>Muni. Gov. Capital Improvement</i>	<i>Senior Center</i>	<i>Community Development</i>	<i>Cemetery</i>	
ASSETS							
Cash	\$ 38,307	\$ 117,430	\$ 21,926	\$ 10,648	\$ 43,594	\$ 7,748	\$ 239,653
Investments	-	-	-	-	-	-	-
Receivables:							
Taxes	8,708	6,771	-	-	-	-	15,479
Accrued grants	-	-	-	4,485	6,637	-	11,122
Due from other funds	-	-	52,000	-	-	-	52,000
Due from other governments	-	-	-	-	-	-	-
Total assets	<u>\$ 47,015</u>	<u>\$ 124,201</u>	<u>\$ 73,926</u>	<u>\$ 15,133</u>	<u>\$ 50,231</u>	<u>\$ 7,748</u>	<u>\$ 318,254</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 14,270	\$ -	\$ -	\$ 3,656	\$ 9,470	\$ 2,297	\$ 29,693
Due to other funds	2,300	-	-	-	4,038	-	6,338
Deferred revenue	-	-	-	-	23,976	-	23,976
Total liabilities	<u>16,570</u>	<u>-</u>	<u>-</u>	<u>3,656</u>	<u>37,484</u>	<u>2,297</u>	<u>60,007</u>
Fund balances:							
Unreserved	30,445	124,201	73,926	11,477	12,747	5,451	258,247
Total liabilities and fund balances	<u>\$ 47,015</u>	<u>\$ 124,201</u>	<u>\$ 73,926</u>	<u>\$ 15,133</u>	<u>\$ 50,231</u>	<u>\$ 7,748</u>	<u>\$ 318,254</u>

CITY OF VALLEY, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	<i>Special Revenue</i>						<i>Total Nonmajor Governmental Funds</i>
	<i>7¢ State Gasoline Tax</i>	<i>4¢ State Gasoline Tax</i>	<i>Muni. Gov. Capital Improvement</i>	<i>Senior Center</i>	<i>Community Development</i>	<i>Cemetery</i>	
Revenues:							
Intergovernmental:							
Shared state gasoline tax	\$ 54,824	\$ 42,870	\$ -	\$ -	\$ -	\$ -	\$ 97,694
Shared offshore oil payments	-	-	67,518	-	-	-	67,518
Federal grants	-	-	-	18,313	26,482	-	44,795
State/local grants	-	-	-	-	18,465	-	18,465
	<u>54,824</u>	<u>42,870</u>	<u>67,518</u>	<u>18,313</u>	<u>44,947</u>	<u>-</u>	<u>228,472</u>
Fines and Forfeits:							
Public safety	-	-	-	-	32,379	-	32,379
Miscellaneous:							
Investment income	140	2,396	298	-	-	218	3,052
Other	-	-	-	3,451	-	20,522	23,973
	<u>140</u>	<u>2,396</u>	<u>298</u>	<u>3,451</u>	<u>-</u>	<u>20,740</u>	<u>27,025</u>
Total revenues	<u>54,964</u>	<u>45,266</u>	<u>67,816</u>	<u>21,764</u>	<u>77,326</u>	<u>20,740</u>	<u>287,876</u>
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	50,928	-	50,928
Public works	21,651	242	-	-	-	-	21,893
Welfare	-	-	-	134,586	-	38,121	172,707
Culture and recreation	-	-	-	-	-	-	-
Capital outlay:	8,829	-	-	-	41,472	-	50,301
	<u>30,480</u>	<u>242</u>	<u>-</u>	<u>134,586</u>	<u>92,400</u>	<u>38,121</u>	<u>295,829</u>
Total expenditures	<u>30,480</u>	<u>242</u>	<u>-</u>	<u>134,586</u>	<u>92,400</u>	<u>38,121</u>	<u>295,829</u>
Excess (deficiency) of revenues over expenditures	<u>24,484</u>	<u>45,024</u>	<u>67,816</u>	<u>(112,822)</u>	<u>(15,074)</u>	<u>(17,381)</u>	<u>(7,953)</u>
Other financing sources (uses):							
Insurance recoveries	-	-	-	-	6,080	-	6,080
Transfers from General Fund	-	-	-	97,974	12,426	9,195	119,595
Transfers from 7¢ State Gasoline Tax Fund	-	-	-	-	-	-	-
Transfers to Debt Service Fund	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,974</u>	<u>18,506</u>	<u>9,195</u>	<u>125,675</u>
Net change in fund balances	<u>24,484</u>	<u>45,024</u>	<u>67,816</u>	<u>(14,848)</u>	<u>3,432</u>	<u>(8,186)</u>	<u>117,722</u>
Fund balances, beginning of year	5,961	79,177	6,110	26,325	9,315	13,637	140,525
Fund balances, end of year	<u>\$ 30,445</u>	<u>\$ 124,201</u>	<u>\$ 73,926</u>	<u>\$ 11,477</u>	<u>\$ 12,747</u>	<u>\$ 5,451</u>	<u>\$ 258,247</u>

CITY OF VALLEY, ALABAMA
7c STATE GASOLINE TAX FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>(UNDER) FINAL BUDGET</u>
Revenues:				
Intergovernmental:				
Shared state gasoline tax	\$ 55,850	\$ 55,850	\$ 54,824	\$ (1,026)
Miscellaneous:				
Investment income	450	450	140	(310)
Total revenues	<u>56,300</u>	<u>56,300</u>	<u>54,964</u>	<u>(1,336)</u>
Expenditures:				
Current:				
Public works	56,300	47,471	21,651	(25,820)
Capital outlay:	-	8,829	8,829	-
Total expenditures	<u>56,300</u>	<u>56,300</u>	<u>30,480</u>	<u>(25,820)</u>
Excess (deficiency) of revenues over expenditures	-	-	24,484	24,484
Other financing sources (uses):				
Transfers from General Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	24,484	24,484
Fund balance, beginning of year	<u>5,961</u>	<u>5,961</u>	<u>5,961</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,961</u>	<u>\$ 5,961</u>	<u>\$ 30,445</u>	<u>\$ 24,484</u>

CITY OF VALLEY, ALABAMA
4c STATE GASOLINE TAX FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) FINAL BUDGET</u>
Revenues:				
Intergovernmental:				
Shared state gasoline tax	\$ 43,500	\$ 43,500	\$ 42,870	\$ (630)
Miscellaneous:				
Investment income	2,000	2,000	2,396	396
Total revenues	<u>45,500</u>	<u>45,500</u>	<u>45,266</u>	<u>(234)</u>
Expenditures:				
Current:				
Public works	45,500	45,500	242	(45,258)
Capital outlay:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>45,500</u>	<u>45,500</u>	<u>242</u>	<u>(45,258)</u>
Excess (deficiency) of revenues over expenditures	-	-	45,024	45,024
Other financing sources (uses):				
Transfers to Debt Service Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	45,024	45,024
Fund balance, beginning of year	<u>79,177</u>	<u>79,177</u>	<u>79,177</u>	<u>-</u>
Fund balance, end of year	<u>\$ 79,177</u>	<u>\$ 79,177</u>	<u>\$ 124,201</u>	<u>\$ 45,024</u>

CITY OF VALLEY, ALABAMA
MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) FINAL BUDGET</u>
Revenues:				
Intergovernmental:				
Shared offshore oil payments	\$ 64,601	\$ 64,601	\$ 67,518	\$ 2,917
Miscellaneous:				
Investment income	-	-	298	298
Total revenues	<u>64,601</u>	<u>64,601</u>	<u>67,816</u>	<u>3,215</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public works	64,601	64,601	-	(64,601)
Culture and recreation	-	-	-	-
Capital outlay:	-	-	-	-
Total expenditures	<u>64,601</u>	<u>64,601</u>	<u>-</u>	<u>(64,601)</u>
Excess (deficiency) of revenues over expenditures	-	-	67,816	67,816
Fund balance, beginning of year	<u>6,110</u>	<u>6,110</u>	<u>6,110</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,110</u>	<u>\$ 6,110</u>	<u>\$ 73,926</u>	<u>\$ 67,816</u>

CITY OF VALLEY, ALABAMA
SENIOR CENTER FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) FINAL BUDGET</u>
Revenues:				
Intergovernmental:				
Federal grants	\$ 26,399	\$ 26,399	\$ 18,313	\$ (8,086)
Miscellaneous:				
Contributions	3,100	3,350	3,451	101
Total revenues	<u>29,499</u>	<u>29,749</u>	<u>21,764</u>	<u>(7,985)</u>
Expenditures:				
Current:				
Welfare:				
Personal services	94,263	94,263	86,382	(7,881)
Other	46,775	47,025	48,204	1,179
Capital outlay:	-	-	-	-
Total expenditures	<u>141,038</u>	<u>141,288</u>	<u>134,586</u>	<u>(6,702)</u>
Excess of revenues over (under) expenditures	(111,539)	(111,539)	(112,822)	(1,283)
Other financing sources (uses):				
Insurance recoveries	-	-	-	-
Transfers from General Fund	111,539	111,539	97,974	(13,565)
Total other financing sources (uses)	<u>111,539</u>	<u>111,539</u>	<u>97,974</u>	<u>(13,565)</u>
Net change in fund balance	-	-	(14,848)	(14,848)
Fund balance, beginning of year	<u>26,325</u>	<u>26,325</u>	<u>26,325</u>	-
Fund balance, end of year	<u>\$ 26,325</u>	<u>\$ 26,325</u>	<u>\$ 11,477</u>	<u>\$ (14,848)</u>

CITY OF VALLEY, ALABAMA
COMMUNITY DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) FINAL BUDGET</u>
Revenues:				
Intergovernmental:				
Federal grants	\$ -	\$ -	\$ 26,482	\$ 26,482
Local grants	-	-	18,465	18,465
	-	-	44,947	44,947
Fines and forfeits:				
Public safety	-	-	32,379	32,379
Total revenues	-	-	77,326	77,326
Expenditures:				
Current:				
Public safety:				
Police:				
Personal services	-	-	-	-
Other	-	-	50,928	50,928
Capital outlay:	-	-	41,472	41,472
Total expenditures	-	-	92,400	92,400
Excess (deficiency) of revenues over expenditures	-	-	(15,074)	(15,074)
Other financing sources (uses):				
Insurance recoveries	-	-	6,080	6,080
Transfers from General Fund	-	-	12,426	12,426
Total other financing sources (uses)	-	-	18,506	18,506
Net change in fund balance	-	-	3,432	3,432
Fund balance, beginning of year	9,315	9,315	9,315	-
Fund balance, end of year	<u>\$ 9,315</u>	<u>\$ 9,315</u>	<u>\$ 12,747</u>	<u>\$ 3,432</u>

CITY OF VALLEY, ALABAMA
CEMETERY FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) FINAL BUDGET</u>
Revenues:				
Miscellaneous:				
Investment income	\$ 500	\$ 500	\$ 218	\$ (282)
Cemetery lots	12,100	12,100	12,700	600
Contributions	8,000	8,000	7,822	(178)
Total revenues	<u>20,600</u>	<u>20,600</u>	<u>20,740</u>	<u>140</u>
Expenditures:				
Current:				
Welfare:				
Personal services	16,000	16,000	1,056	(14,944)
Other	42,800	42,800	37,065	(5,735)
Capital outlay:	-	-	-	-
Total expenditures	<u>58,800</u>	<u>58,800</u>	<u>38,121</u>	<u>(20,679)</u>
Excess (deficiency) of revenues over expenditures	<u>(38,200)</u>	<u>(38,200)</u>	<u>(17,381)</u>	<u>20,819</u>
Other financing sources (uses):				
Transfers from General Fund	<u>38,200</u>	<u>38,200</u>	<u>9,195</u>	<u>(29,005)</u>
Net change in fund balance	-	-	(8,186)	(8,186)
Fund balance, beginning of year	<u>13,637</u>	<u>13,637</u>	<u>13,637</u>	<u>-</u>
Fund balance, end of year	<u>\$ 13,637</u>	<u>\$ 13,637</u>	<u>\$ 5,451</u>	<u>\$ (8,186)</u>

CITY OF VALLEY, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS BY SOURCE
SEPTEMBER 30, 2008

	<u>2008</u>
General fixed assets:	
Land	
Construction in progress	\$ 1,190,982
Infrastructure	500,232
Buildings and improvements other than buildings	585,456
Equipment	12,586,432
	<u>2,414,862</u>
Total general fixed assets	<u>\$ 17,277,964</u>
Investments in general fixed assets by sources:	
General fund and unidentified sources	\$ 7,030,950
General obligation bonds	7,560,284
Contributions	1,555,413
Grants	1,131,317
	<u>1,131,317</u>
Total investment in general fixed assets	<u>\$ 17,277,964</u>

CITY OF VALLEY, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS BY FUNCTION AND ACTIVITY
YEAR ENDED SEPTEMBER 30, 2008

<i>FUNCTION/ACTIVITY</i>	<u>2008</u>
General government	\$ 2,096,327
Public safety:	
Police	1,330,501
EMS	314,456
Total public safety	<u>1,644,957</u>
Public works:	
Highways, streets and sanitation	<u>2,567,266</u>
Welfare:	
Senior Center	244,518
Cemetery	262,113
Total welfare	<u>506,631</u>
Culture and recreation:	
Parks and recreation	<u>10,462,783</u>
 Total general fixed assets	 <u>\$ 17,277,964</u>

CITY OF VALLEY, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -CHANGES BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2008

FUNCTION/ACTIVITY	GENERAL FIXED ASSETS SEPTEMBER 30, 2007	ADDITIONS	DEDUCTIONS	GENERAL FIXED ASSETS SEPTEMBER 30, 2008
General government	\$ 2,110,133	\$ 19,022	\$ 32,828	\$ 2,096,327
Public safety:				
Police	1,270,818	176,306	116,623	1,330,501
EMS	325,696	22,555	33,795	314,456
Total public safety	<u>1,596,514</u>	<u>198,861</u>	<u>150,418</u>	<u>1,644,957</u>
Public works:				
Highways, streets and sanitation	<u>2,158,337</u>	<u>593,259</u>	<u>184,330</u>	<u>2,567,266</u>
Welfare:				
Senior Center	244,518	-	-	244,518
Cemetery	262,113	-	-	262,113
Total welfare	<u>506,631</u>	<u>-</u>	<u>-</u>	<u>506,631</u>
Culture and recreation:				
Parks and recreation	<u>10,422,114</u>	<u>59,869</u>	<u>19,200</u>	<u>10,462,783</u>
Totals	<u>\$ 16,793,729</u>	<u>\$ 871,011</u>	<u>\$ 386,776</u>	<u>\$ 17,277,964</u>