

**CITY OF VALLEY, ALABAMA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011**

LIST OF PRINCIPAL OFFICIALS OF THE CITY OF VALLEY

ELECTED AND APPOINTED OFFICIALS

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

DEPARTMENT HEADS

Allen Hendrix, Planning
Timothy Hughes, EMS
John McConnell, Public Works
Laurie Blount, Recreation
Tommy Weldon, Police

CITY OF VALLEY, ALABAMA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
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FINANCIAL SECTION

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FINANCIAL SECTION



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valley, Alabama (the "City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or no compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The financial statements referred to above include only the primary government of the City of Valley, Alabama, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Valley, Alabama, as of September 30, 2011, and the changes in its financial position, and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the matters discussed in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the respective

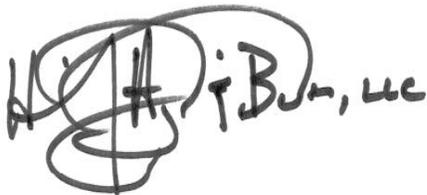
financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Valley, Alabama, as of September 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, general fund, the municipal government capital improvement fund, the capital projects fund, the debt service fund, and the aggregate remaining fund information for the primary government of the City of Valley, Alabama, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 27 through 32 for the general fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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



March 29, 2013

BASIC FINANCIAL STATEMENTS

CITY OF VALLEY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and equivalents	\$ 106,233	\$ 49,461	\$ 155,694
Accounts receivable	74,364	99,535	173,899
Taxes receivable	372,010	-	372,010
Grants receivable	3,832	-	3,832
Other receivables	1,817	-	1,817
Inventories	29,431	-	29,431
Prepaid expenses	55,356	3,433	58,789
Deferred charges	203,379	-	203,379
Capital assets:			
Land and construction in progress	2,534,292	-	2,534,292
Infrastructure and infrastructure in progress, net of depreciation	8,159,308	-	8,159,308
Buildings and improvements, net of depreciation	8,277,277	-	8,277,277
Equipment and furniture, net of depreciation	944,534	-	944,534
Total capital assets	<u>19,915,411</u>	<u>-</u>	<u>19,915,411</u>
Total assets	<u>\$ 20,761,833</u>	<u>\$ 152,429</u>	<u>\$ 20,914,262</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 361,968	\$ 52,052	\$ 414,020
Accrued payroll and benefits	85,701	1,654	87,355
Internal balances	3,666	(3,666)	-
Interest payable	63,269	-	63,269
Deferred revenues	801	97,005	97,806
Long-term liabilities:			
Due within one year	812,462	-	812,462
Due in more than one year	11,600,010	652	11,600,662
Total liabilities	<u>12,927,877</u>	<u>147,697</u>	<u>13,075,574</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,680,686	-	8,680,686
Unrestricted	(846,730)	4,732	(841,998)
Total net assets	<u>\$ 7,833,956</u>	<u>\$ 4,732</u>	<u>\$ 7,838,688</u>

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

CITY OF VALLEY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011

FUNCTIONS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary government:							
Governmental activities:							
General government	\$ 2,000,109	\$ 104,804	\$ 3,874	\$ -	\$ (1,891,431)	\$ -	\$ (1,891,431)
Public safety	3,019,518	500,325	48,883	31,899	(2,438,411)	-	(2,438,411)
Public works	1,254,499	13,862	14,443	489,898	(736,296)	-	(736,296)
Health	38,750	-	-	-	(38,750)	-	(38,750)
Culture and recreation	1,248,025	265,898	82,418	-	(899,709)	-	(899,709)
Welfare	216,842	-	29,732	-	(187,110)	-	(187,110)
Urban rehabilitation	7,756	-	-	-	(7,756)	-	(7,756)
Interest on long-term debt	854,678	-	-	-	(854,678)	-	(854,678)
Total governmental activities	<u>8,640,177</u>	<u>884,889</u>	<u>179,350</u>	<u>521,797</u>	<u>(7,054,141)</u>	<u>-</u>	<u>(7,054,141)</u>
Business-type activities:							
Solid waste	<u>715,759</u>	<u>695,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,018)</u>	<u>(20,018)</u>
Total business-type activities	<u>715,759</u>	<u>695,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,018)</u>	<u>(20,018)</u>
Total primary government	<u>\$ 9,355,936</u>	<u>\$ 1,580,630</u>	<u>\$ 179,350</u>	<u>\$ 521,797</u>	<u>(7,054,141)</u>	<u>(20,018)</u>	<u>(7,074,159)</u>
General revenues:							
Taxes:							
Sales					4,650,235	-	4,650,235
Other					627,284	-	627,284
Licenses and permits					1,447,379	-	1,447,379
Investment earnings					1,227	-	1,227
Gain on sale of capital assets					54,371	-	54,371
Insurance recovery money					141,647	-	141,647
Miscellaneous					-	321	321
Total general revenues and transfers					<u>6,922,143</u>	<u>321</u>	<u>6,922,464</u>
Change in net assets					<u>(131,998)</u>	<u>(19,697)</u>	<u>(151,695)</u>
Net assets - beginning					<u>7,965,954</u>	<u>24,429</u>	<u>7,990,383</u>
Net assets - ending					<u>\$ 7,833,956</u>	<u>\$ 4,732</u>	<u>\$ 7,838,688</u>

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

CITY OF VALLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	<i>GENERAL FUND</i>	<i>MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND</i>	<i>CAPITAL PRJOECTS FUND</i>	<i>DEBT SERVICE FUND</i>	<i>OTHER GOVERNEMENTAL FUNDS</i>	<i>TOTAL GOVERNMENTAL FUNDS</i>
ASSETS						
Cash and cash equivalents	\$ 32,434	\$ 10,515	\$ -	\$ -	\$ 63,284	\$ 106,233
Accounts receivable, net	74,364	-	-	-	-	74,364
Taxes receivable, net	354,096	-	-	-	17,914	372,010
Grants receivable	-	-	-	-	3,832	3,832
Other receivables	1,658	-	-	-	159	1,817
Inventories	29,431	-	-	-	-	29,431
Due from other funds	243,463	90,000	176,105	-	60,000	569,568
Total assets	<u>\$ 735,446</u>	<u>\$ 100,515</u>	<u>\$ 176,105</u>	<u>\$ -</u>	<u>\$ 145,189</u>	<u>\$ 1,157,255</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 278,348	\$ -	\$ -	\$ -	\$ 17,201	\$ 295,549
Accrued payroll and benefits	85,701	-	-	-	-	85,701
Miscellaneous payables	182	-	-	-	-	182
Due to other funds	566,493	-	-	-	6,741	573,234
Deferred revenue	51,447	-	-	-	-	51,447
Total liabilities	<u>982,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,942</u>	<u>1,006,113</u>
Fund balances:						
Nonspendable:						
Inventories	29,431	-	-	-	-	29,431
Restricted to:						
Special revenue	-	-	-	-	134,388	134,388
Assigned to:						
Capital projects	-	100,515	176,105	-	-	276,620
Unassigned:	(276,156)	-	-	-	(13,141)	(289,297)
Total fund balances	<u>(246,725)</u>	<u>100,515</u>	<u>176,105</u>	<u>-</u>	<u>121,247</u>	<u>151,142</u>
Total liabilities and fund balances	<u>\$ 735,446</u>	<u>\$ 100,515</u>	<u>\$ 176,105</u>	<u>\$ -</u>	<u>\$ 145,189</u>	<u>\$ 1,157,255</u>

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

CITY OF VALLEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

Total fund balances, governmental funds	\$	151,142
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Prepaid items and deferred charges which benefit future periods are not reported as assets in governmental funds.		258,735
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		19,915,411
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		(15,591)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Governmental long-term debt	(\$12,264,577)	
Capital leases	(88,967)	
Discounts, debt issuance and refunding costs	18,990	
Accrued interest payable	(63,269)	
Compensated absences	(77,918)	
Total long-term liabilities	(12,475,741)	(12,475,741)
Net assets of governmental activities	\$	7,833,956

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

CITY OF VALLEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2011

	<u>GENERAL FUND</u>	<u>MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNEMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Revenues:						
Taxes:						
Sales and miscellaneous taxes	\$ 4,650,235	\$ -	\$ -	\$ -	\$ 99,182	\$ 4,749,417
Other taxes	405,927	59,550	-	-	-	465,477
Licenses and permits	1,447,379	-	-	-	-	1,447,379
Intergovernmental	199,860	-	-	-	503,349	703,209
Charges for services	714,257	-	-	-	-	714,257
Fines and forfeits	55,754	-	-	-	38,192	93,946
Investment income	560	547	14	2	104	1,227
Miscellaneous revenues	209,275	-	-	-	-	209,275
Total revenues	<u>7,683,247</u>	<u>60,097</u>	<u>14</u>	<u>2</u>	<u>640,827</u>	<u>8,384,187</u>
Expenditures:						
Current:						
General government	2,778,065	27,021	99	-	73,939	2,879,124
Public safety	2,871,799	-	-	-	-	2,871,799
Public works	1,149,859	1,250	-	-	210	1,151,319
Health and sanitation	38,750	-	-	-	-	38,750
Welfare	8,647	-	-	-	194,115	202,762
Culture and recreation	925,901	-	-	-	-	925,901
Urban rehabilitation	7,756	-	-	-	-	7,756
Debt service:						
Principal	135,391	-	-	350,000	-	485,391
Interest and other charges	65,300	-	-	765,205	-	830,505
Capital outlay	257,803	36,999	14,000	-	489,948	798,750
Total expenditures	<u>8,239,271</u>	<u>65,270</u>	<u>14,099</u>	<u>1,115,205</u>	<u>758,212</u>	<u>10,192,057</u>
Excess (deficiency) of revenues over expenditures	(556,024)	(5,173)	(14,085)	(1,115,203)	(117,385)	(1,807,870)
Other financing sources (uses):						
Proceeds from long-term debt	124,000	-	-	-	-	124,000
Proceeds from capital leases	54,402	-	-	-	-	54,402
Insurance recoveries	1,297,853	-	-	-	-	1,297,853
Sale of capital assets	76,466	-	-	-	1,200	77,666
Transfers in	-	-	-	935,197	143,080	1,078,277
Transfers out	(1,078,277)	-	-	-	-	(1,078,277)
Total other financing sources and uses	<u>474,444</u>	<u>-</u>	<u>-</u>	<u>935,197</u>	<u>144,280</u>	<u>1,553,921</u>
Net change in fund balances	(81,580)	(5,173)	(14,085)	(180,006)	26,895	(253,949)
Fund balances - beginning	<u>(165,145)</u>	<u>105,688</u>	<u>190,190</u>	<u>180,006</u>	<u>94,352</u>	<u>405,091</u>
Fund balances - ending	<u>\$ (246,725)</u>	<u>\$ 100,515</u>	<u>\$ 176,105</u>	<u>\$ -</u>	<u>\$ 121,247</u>	<u>\$ 151,142</u>

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

CITY OF VALLEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances - total governmental funds: \$ (253,949)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital outlay	\$ 798,750	
Less: current year depreciation	<u>(818,889)</u>	(20,139)

Net effect of the disposal or sale of capital assets that are not recorded in governmental funds. (23,295)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. (1,228,232)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of principal repayments. 306,989

Some expenses reported in the Statement of Activities do not require the use of current financial resources and thus are not reported as expenditures in governmental funds: 1,086,628

Change in net assets of governmental activities \$ (131,998)

CITY OF VALLEY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2011

	SOLID WASTE COLLECTION FUND
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 49,461
Accounts receivable, net	97,913
Due from other funds	240,388
Other receivables	1,622
Prepaid expenses	3,433
Total current assets	392,817
Non-current assets:	
Capital assets:	
Equipment, net	-
Total non-current assets	-
Total assets	\$ 392,817
LIABILITIES	
Current liabilities:	
Accounts payable	52,052
Due to other funds	236,722
Deferred revenue	97,005
Compensated absences	2,306
Total current liabilities	388,085
Total liabilities	388,085
NET ASSETS	
Invested in capital assets, net of related debt	-
Restricted for debt service	-
Restricted for capital projects	-
Restricted for other purposes	-
Unrestricted	4,732
Total net assets	\$ 4,732

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

CITY OF VALLEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2011

	<i>SOLID WASTE COLLECTION FUND</i>
Operating revenues:	
Charges for services	\$ 695,741
Total operating revenues	695,741
Operating expenses:	
Disposal charges	576,424
Personal services	88,881
Other supplies and expenses	48,529
Depreciation	1,925
Total operating expenses	715,759
Operating loss	(20,018)
Nonoperating revenues:	
Miscellaneous revenue	321
Total non-operating revenues	321
Income before contributions and transfers	(19,697)
Change in net assets	(19,697)
Total net assets - beginning	24,429
Total net assets - ending	\$ 4,732

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

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CITY OF VALLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2011

	SOLID WASTE COLLECTION FUND
Cash flows from operating activities:	
Receipts from customers	\$ 714,836
Payments to suppliers	(621,572)
Payments to employees	(87,228)
Internal activity - payments to other funds	(18,845)
Net cash used in operating activities	(12,809)
 Cash flows from noncapital financing activities:	
Other nonoperating income	321
Net cash provided by noncapital financing activities	321
 Net decrease in cash and cash equivalents	(12,488)
 Cash and cash equivalents at beginning of year	61,949
 Cash and cash equivalents at end of year	\$ 49,461

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

CITY OF VALLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2011

	<u>SOLID WASTE COLLECTION FUND</u>
Reconciliation of operating income to net cash used in operating activities:	
Operating loss	\$ (20,018)
Adjustments to reconcile operating income to net cash:	
Depreciation	1,925
Change in assets and liabilities:	
Accounts receivable	24,945
Due from other funds	(25,388)
Accounts payable	3,381
Due to other funds	6,543
Deferred revenue	(5,850)
Compensated absences	1,653
Total adjustments	<u>7,209</u>
Net cash used in operating activities	<u><u>\$ (12,809)</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

Component Units. The excluded component units are as follows:

The City of Valley Historic Preservation Commission seeks to preserve the rich textile-mill heritage of the City and the history of the four mill villages that comprise what is now the City of Valley. The Commission’s ten board members are appointed by the Valley City Council. The Commission received an appropriation from the City for \$42 during the current year.

The City of Valley Industrial Development Board 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 \$30,512 to the Board 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 organization listed below. The organization is not a joint venture because the governments do not retain an ongoing financial interest or ongoing financial responsibility.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The East Alabama Regional Solid Waste Disposal Authority is a corporation created to provide for the collection and disposal of solid waste and to encourage planning for disposal of solid waste and resource recovery in East Alabama. The organization is governed by a twelve member board composed of one appointee each from various municipalities and counties in the area. The City appoints one board member. The East Alabama Regional Solid Waste Disposal Authority did not receive any appropriations from the City for the year ended in September 30, 2011.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City has the following fund types:

Governmental Funds:

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

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

The **Municipal Government Capital Improvement 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.

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

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

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

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

Proprietary Funds:

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

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

Proprietary funds of the City include the following fund type:

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

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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

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

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

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

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

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

D. CASH AND INVESTMENTS

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

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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. RECEIVABLES

In the Solid Waste Collection Fund, revenues are recognized on the basis of periodic billings to customers for services provided. The City, therefore, extends credit to its customers. As a result of this billing method, the City accrues unbilled service revenue at the end of the fiscal period with respect to service provided but not billed at such date. In the Solid Waste Collection Fund, periodic billings are made before services are rendered. Therefore, such billings are reported as deferred revenues. The City analyzes current and past due accounts and provides an allowance for doubtful accounts for the accounts deemed uncollectible. Accounts receivable are reported net of the allowance of \$53,311 as of September 30, 2011.

The City also bills its citizens for ambulance services. Billings to citizens of the City for ambulance services are reported in the General Fund net of the allowance for uncollectible accounts of \$118,158 at September 30, 2011.

F. INVENTORIES AND PREPAID ITEMS

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

G. RESTRICTED ASSETS

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

H. DEFERRED REVENUE

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

I. COMPENSATED ABSENCES

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

J. CAPITAL ASSETS

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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capitalization thresholds and estimated useful lives are as follows:

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

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

K. LONG -TERM LIABILITIES AND RELATED COSTS

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

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

L. NET ASSETS

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

In the fiscal year ended September 30, 2011, the City implemented GASB 54, “Fund Balance, Reporting and Governmental Fund Type Definitions”, for its governmental funds. Under GASB 54, fund balances are required to be reported according to the following classifications:

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

M. USE OF ESTIMATES

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

NOTE 2 – BUDGETING AND ACCOUNTABILITY

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

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits: At September 30, 2011, the carrying amount of the City's deposits in financial institutions was \$155,694 and the bank balance was \$277,688. The State of Alabama created the Security for Alabama Funds Enhancement (SAFE) Program which requires that all public funds be deposited in Qualified Public Depositories. Under the SAFE Program, which is mandatory, each qualified public depository (QPD) is required to hold collateral for all of its public deposits on a pooled basis in a custody account (SAFE Custody Account) established by the State Treasurer as SAFE administrator. If a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer, who would use the SAFE pool collateral or other means to reimburse the loss. At September 30, 2011, all bank balances are considered insured because such balances were held in Qualified Public Depositories.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments and Cash with Fiscal Agents: The City makes all investments in accordance with its investment policy (see Note 1) and the requirements under which its bonds and warrants are issued, and other requirements as applicable. Investments held by fiscal agents are not registered in the City's name or insured and are held by the trustee. As of September 30, 2011, the City did not have any investments held by fiscal agents.

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

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

Custodial Credit Risk: For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2011, the City did not have any investments held by fiscal agents. The city has no policy on custodial credit risk.

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

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,486,982	\$ 27,000	\$ -	\$ 2,513,982
Construction in process	20,310	-	-	20,310
Total capital assets not being depreciated	<u>2,507,292</u>	<u>27,000</u>	<u>-</u>	<u>2,534,292</u>
Capital assets being depreciated:				
Buildings and improvements	12,793,142	61,986	-	12,855,128
Equipment	2,719,103	212,897	186,452	2,745,548
Infrastructure	8,000,231	496,870	-	8,497,101
Total capital assets being depreciated	<u>23,512,476</u>	<u>771,753</u>	<u>186,452</u>	<u>24,097,777</u>
Less accumulated depreciation for:				
Buildings and improvements	4,213,943	363,908	-	4,577,851
Equipment	1,715,001	249,170	163,157	1,801,014
Infrastructure	131,982	205,811	-	337,793
Total accumulated depreciation	<u>6,060,926</u>	<u>818,889</u>	<u>163,157</u>	<u>6,716,658</u>
Total capital assets being depreciated, net	<u>17,451,550</u>	<u>(47,136)</u>	<u>23,295</u>	<u>17,381,119</u>
Governmental activities capital assets, net	<u>\$ 19,958,842</u>	<u>\$ (20,136)</u>	<u>\$ 23,295</u>	<u>\$ 19,915,411</u>

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Business-type activities:				
Capital assets being depreciated:				
Equipment	\$ 14,435	\$ -	\$ -	\$ 14,435
Total capital assets being depreciated	14,435	-	-	14,435
Less accumulated depreciation for:				
Equipment	12,510	1,925	-	14,435
Total accumulated depreciation	12,510	1,925	-	14,435
Business-type activities capital assets, net	\$ 1,925	\$ (1,925)	\$ -	\$ -

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 239,812
Public safety	141,923
Public works, including infrastructure	101,805
Welfare	14,080
Culture and recreation	321,269
Total governmental activities depreciation expense	<u>\$ 818,889</u>
Business-type activities:	
Solid waste	\$ 1,925
Total business-type activities depreciation expense	<u>\$ 1,925</u>

The City has several construction projects in the planning stages as of September 30, 2011. Architectural and engineering fees of \$20,310 have been incurred as of September 30, 2011 on those other projects.

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2011 consisted of the following:

<i>DUE TO</i>	<i>DUE FROM</i>			<i>Total</i>
	<i>General</i>	<i>Non-major Governmental</i>	<i>Solid Waste Collection</i>	
General	\$ -	\$ 6,741	\$ 236,722	\$ 243,463
Non-major governmental	60,000	-	-	60,000
Municipal Government Capital Improvement	90,000	-	-	90,000
Capital Projects	176,105	-	-	176,105
Solid Waste Collection	240,388	-	-	240,388
Total	<u>\$ 566,493</u>	<u>\$ 6,741</u>	<u>\$ 236,722</u>	<u>\$ 809,956</u>

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 5 – INTERFUND BALANCES AND TRANSFERS (CONTINUED)

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

<i>TRANSFER TO</i>	<i>TRANSFER FROM</i>	
	<i>General Fund</i>	<i>Total</i>
General	\$ -	\$ -
Debt Service	935,197	935,197
Non-major governmental	143,080	143,080
Total	\$ 1,078,277	\$ 1,078,277

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

NOTE 6 – OPERATING LEASES

The City leases a building known as Riverview Mill to a local company and the United States Postal Service. For accounting purposes, these leases are considered to be operating leases. The cost of Riverview Mill is carried at \$318,771 less accumulated depreciation of \$37,299. The City recognizes rental income as it is earned. Future minimum rentals on the remaining noncancelable leases are as follows:

<i>Year ending September 30,</i>	<i>Governmental activities</i>
2012	\$ 29,000
2013	29,000
2014	13,000
2015	5,000
2016	2,920
	\$ 78,920

NOTE 7 – CAPITAL LEASES

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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 7 – CAPITAL LEASES (CONTINUED)

<u>Year Ending September 30,</u>		
2012	\$	45,883
2013		42,115
2014		<u>6,874</u>
Total minimum lease payments		94,872
Less: amount representing interest		<u>5,905</u>
Present value of minimum lease payments		88,967
Less: current portion		<u>41,568</u>
	<u>\$</u>	<u>47,399</u>

NOTE 8 – LONG-TERM LIABILITIES

Long-term liabilities at September 30, 2011 consisted of the following:

<i>Bonds:</i>	<u><i>Governmental</i></u>	<u><i>Business-type</i></u>
General Obligation Warrants, Series 1999, due in annual installments of \$335,000 - \$500,000 through 2019, bearing interest of 3.750% - 4.800%.	\$ 3,416,012	\$ -
General Obligation Warrants, Series 2007, due in annual installments of \$110,000 - \$645,000 through 2037, bearing interest rate of 7.375%.	7,940,000	-
<i>Other liabilities:</i>		
Note Payable, due in monthly payments of \$5,052 through April 2011 bearing interest at 3.900%, and additional monthly payments of \$5,004 through April 18, 2018, bearing interest rate of Prime rate less 1.630%.	340,823	-
Note Payable, due in monthly payments of \$4,926 through November 2012 bearing interest at 3.890%, and additional monthly payments of \$5,024 through November 23, 2019, bearing interest rate of 3.375%.	424,752	-
Note Payable, principal due in January 2012 bearing interest at 4.550%, and monthly interest payments through January 2012.	100,000	-
Installment note, due in monthly principal payments of \$3,000 through May 2012.	24,000	-
Capital Leases (See Note 7)	88,967	-
Compensated Absences	77,918	-
Total long-term liabilities	<u>\$ 12,412,472</u>	<u>\$ -</u>

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the year ended September 30, 2011, was as follows:

	<i>Beginning</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending</i>	<i>Due Within</i>
	<u>Balance</u>	<u></u>	<u></u>	<u>Balance</u>	<u>One Year</u>
Governmental Activities					
Debt:					
General obligation bonds	\$ 11,725,000	\$ -	\$ (350,000)	\$ 11,375,000	\$ 475,000
Less deferred amounts:					
Unamortized discounts	(13,393)	-	1,059	(12,334)	(909)
Refunding costs	(10,981)	-	4,325	(6,656)	(3,309)
Net general obligation warrants	11,700,626	-	(344,616)	11,356,010	470,782
Notes	856,615	124,000	(91,038)	889,577	222,194
Capital leases	77,549	54,402	(42,984)	88,967	41,568
Compensated absences	67,857	10,061	-	77,918	77,918
Governmental activity					
Long-term liabilities	<u>\$ 12,702,647</u>	<u>\$ 188,463</u>	<u>\$ (478,638)</u>	<u>\$ 12,412,472</u>	<u>\$ 812,462</u>

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

General Obligation Warrants. The City issues general obligation warrants to provide funds for the acquisition of equipment and construction of major capital facilities for the City. General obligation warrants constitute general obligations of the City for the payment of which the full faith, credit and taxing power of the City are irrevocably pledged. In addition, general obligation warrants have been issued to refund general obligation warrants.

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

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

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

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

The City approved the issuance of a note payable on November 23, 2009 to provide additional operating funds. The note is due in 120 monthly payments, ranging from \$4,926 to \$5,024, beginning in December of 2009 through November 2019. The interest rate is currently 3.8900%, but is based on 69.0000% of the One Year U.S. Treasury

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

Index for payments due after November of 2012. The note is secured by a second position in the City's sales tax revenue and gasoline taxes.

During the current year, the City approved the issuance of a note payable on September 14, 2011 to provide additional operating funds. The note is due in monthly interest payments of \$379 beginning in November of 2011 through January of 2012, with a final payment in January of 2012 for the principal amount of \$100,000 plus accrued interest. The interest rate is 4.550%.

During the current year, the City approved a note payable for the purchase of a property for \$27,000, payable in monthly payments of \$3,000 beginning in September of 2011 through May of 2012. As of September 30, 2011, the note had an outstanding balance of \$24,000. The City does not pay interest on the note.

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

	<u>General Obligations</u>		<u>Other Long-term Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 475,000	\$ 743,182	\$ 222,194	\$ 22,671
2013	495,000	718,642	103,364	16,771
2014	525,000	692,692	106,460	13,871
2015	550,000	664,704	109,108	11,222
2016-2020	2,720,000	2,832,613	348,451	18,909
2021-2025	1,200,000	2,228,725	-	-
2026-2030	1,715,000	1,696,803	-	-
2031-2035	2,445,000	937,548	-	-
2036-2037	1,250,000	93,662	-	-
	<u>\$ 11,375,000</u>	<u>\$ 10,608,571</u>	<u>\$ 889,577</u>	<u>\$ 83,444</u>

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

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

The ERS was established October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

administration and operation of the ERS is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama (the “Legislature”).

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

Funding Policy. Plan members are required to contribute 5.00% of their annual covered salary except for certified full-time firefighters and law enforcement officers. Effective January 1, 2001, the member contribution rate for certified full-time firefighters and law enforcement officers increased to 6.00% of employee compensation. The City is required to contribute at an actuarially determined rate. The rate for the year ended September 30, 2011 was 6.55% of annual covered payroll. The contribution requirements of plan members and the City are established by state statute.

Annual Pension Cost. For 2011, the City’s annual pension cost of \$135,008 was equal to the City’s required and actual contributions. The required contribution was determined as part of the September 30, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) an 8.00% investment rate of return (net of administrative expenses), (b) projected salary increase ranging from 4.61% to 7.75% per year, and (c) 0.00% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.50%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The City’s unfunded actuarial accrued liability, if any, is being amortized as a level percentage of projected payrolls. The remaining amortization period is 30 years.

<i>Trend Information</i>			
<i>Fiscal Year</i>	<i>Annual</i>	<i>Percentage of</i>	<i>Net Pension</i>
<i>Ending</i>	<i>Pension Cost</i>	<i>APC</i>	<i>Obligation</i>
	<i>(APC)</i>	<i>Contributed</i>	
9/30/2008	\$ 108,721	100%	\$ -
9/30/2009	\$ 101,232	100%	\$ -
9/30/2010	\$ 108,306	100%	\$ -

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Schedule of Funding Progress

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets* (a)</i>	<i>Actuarial Liability (AAL) - Entry Age (b)¹</i>	<i>Unfunded AAL (UAAL) (b- a)</i>	<i>Funded Ratio (a/b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a Percentage of Covered Payroll ((b-a)/c)</i>
9/30/2005	\$ 4,597,315	\$ 4,162,343	\$ (434,972)	110.5%	\$ 2,806,089	-15.5%
9/30/2006 ²	\$ 4,839,799	\$ 4,536,895	\$ (302,904)	106.7%	\$ 2,751,266	-11.0%
9/30/2007	\$ 5,154,018	\$ 4,775,656	\$ (378,362)	107.9%	\$ 3,141,097	-12.0%
9/30/2008	\$ 5,315,256	\$ 5,245,139	\$ (70,117)	101.3%	\$ 3,430,849	-2.0%
9/30/2009	\$ 5,648,321	\$ 5,860,522	\$ 212,201	96.4%	\$ 3,227,237	6.6%
9/30/2010 ³	\$ 5,803,988	\$ 6,883,131	\$ 1,079,143	84.3%	\$ 3,502,484	30.8%
9/30/2010 ⁴	\$ 5,803,988	\$ 6,922,131	\$ 1,118,143	83.8%	\$ 3,502,484	31.9%

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

² Reflects changes in actuarial assumptions.

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

⁴ Reflects the impact of Act 2011-27 as well as Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

*Market Value of Assets as of September 30, 2010: \$4,908,868.

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

NOTE 10 – RISK MANAGEMENT

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Various lawsuits are pending against the City. In addition, several claims have been filed which have not yet resulted in lawsuits. The liability, if any, associated with these matters is not determinable at September 30, 2011.

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

The City approved the creation of “The Improvement District of the City of Valley, Alabama – Venue Project” (the “Improvement District”) and “The Cooperative District of the City of Valley, Alabama – Venue Project” (the “Cooperative District”) as provided by Chapters 99A and 99B of Title 11 of the Code of Alabama (1975), as amended, in a special meeting of the City Council on April 30, 2007. In addition, the City approved a “Memorandum of Understanding” with ITC Holding, LLC to provide for economic development within the City.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

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

NOTE 12 – SUBSEQUENT EVENTS

During 2011, the City established a new loan in the amount of \$100,000 (See Note 8). The City entered into the loan in order to cover 2011 payroll expenses. The loan was repaid in full by the City in January of 2012.

During 2011, the City entered into an agreement to purchase a property for \$27,000 (See Note 8). The loan was repaid in full by the City during the year ended September 30, 2012.

During January of 2012, the City implemented a 1% increase in its sales tax. The additional tax revenues may be used as needed by the City to run and operate City functions and projects.

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

The City has evaluated events subsequent to the date of the Statement of Net Assets through March 29, 2013, the date the financial statements were available to be issued. No events have occurred subsequent to the Statement of Net Assets date through March 29, 2013 that would require adjustment to the financial statements. Additionally, other than the events disclosed above, no events have occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2011

DESCRIPTION	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Revenues:				
Taxes:				
Sales	\$ 5,250,000	\$ 5,250,000	\$ 4,650,235	\$ (599,765)
Other:				
Motor vehicle sales tax	30,500	30,500	41,461	10,961
Motor fuels	182,000	182,000	187,450	5,450
Tobacco	108,000	108,000	124,331	16,331
Beer and wine	1,785	1,785	1,868	83
Lodging	55,000	55,000	50,817	(4,183)
	<u>377,285</u>	<u>377,285</u>	<u>405,927</u>	<u>28,642</u>
Total taxes	<u>5,627,285</u>	<u>5,627,285</u>	<u>5,056,162</u>	<u>(571,123)</u>
Licenses and permits:				
Business:				
General	1,020,000	1,020,000	1,051,291	31,291
Franchise fees	135,000	135,000	129,766	(5,234)
Rental	250,000	250,000	182,858	(67,142)
	<u>1,405,000</u>	<u>1,405,000</u>	<u>1,363,915</u>	<u>(41,085)</u>
Animal	5,300	5,300	6,300	1,000
Permits and inspections	83,000	83,000	77,164	(5,836)
Total licenses and permits	<u>1,493,300</u>	<u>1,493,300</u>	<u>1,447,379</u>	<u>(45,921)</u>
Intergovernmental revenue:				
Shared county revenue:				
Beer tax	66,000	56,000	56,443	443
Mobile home registration fees	700	700	535	(165)
	<u>66,700</u>	<u>56,700</u>	<u>56,978</u>	<u>278</u>
Shared state revenue:				
Bank excise tax	25,000	25,000	4,297	(20,703)
Share of liquor tax profits	2,000	2,000	1,351	(649)
	<u>27,000</u>	<u>27,000</u>	<u>5,648</u>	<u>(21,352)</u>

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2011

DESCRIPTION	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Other:				
Grants	90,505	90,505	137,234	46,729
Chambers county	25,000	25,000	-	(25,000)
	<u>115,505</u>	<u>115,505</u>	<u>137,234</u>	<u>21,729</u>
Total intergovernmental revenue	209,205	199,205	199,860	655
Charges for services:				
Public safety:				
Ambulance fees	420,000	420,000	476,768	56,768
Police protection and security fees	90,000	90,000	-	(90,000)
Copying	3,000	3,000	3,265	265
	<u>513,000</u>	<u>513,000</u>	<u>480,033</u>	<u>(32,967)</u>
Public works:				
Paving and curbing fees	12,000	12,000	1,263	(10,737)
	<u>12,000</u>	<u>12,000</u>	<u>1,263</u>	<u>(10,737)</u>
Culture and recreation:				
Entry fees and other charges	300,000	300,000	232,961	(67,039)
Total charges for service	<u>825,000</u>	<u>825,000</u>	<u>714,257</u>	<u>(110,743)</u>
Fines and forfeits:				
Public safety:				
Fines and costs	47,500	47,500	55,754	8,254
	<u>47,500</u>	<u>47,500</u>	<u>55,754</u>	<u>8,254</u>
Investment income	2,500	2,500	560	(1,940)
Miscellaneous revenues:				
Other:				
Rental income	131,300	131,300	116,587	(14,713)
Contributions	177,000	190,500	74,799	(115,701)
Miscellaneous	17,655	19,352	17,889	(1,463)
	<u>325,955</u>	<u>341,152</u>	<u>209,275</u>	<u>(131,877)</u>
Total miscellaneous revenues	325,955	341,152	209,275	(131,877)
Total revenues	8,530,745	8,535,942	7,683,247	(852,695)

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2011

FUNCTION/DEPARTMENT/OBJECT	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Expenditures:				
Current:				
General government:				
Legislative:				
Personal services	62,431	62,431	61,736	(695)
Other	165,994	168,994	203,713	34,719
Total legislative	<u>228,425</u>	<u>231,425</u>	<u>265,449</u>	<u>34,024</u>
Administration:				
Personal services	447,080	447,080	460,210	13,130
Other	536,522	561,298	386,044	(175,254)
	<u>983,602</u>	<u>1,008,378</u>	<u>846,254</u>	<u>(162,124)</u>
Planning and development:				
Personal services	216,046	216,046	209,863	(6,183)
Other	56,840	56,840	1,416,864	1,360,024
	<u>272,886</u>	<u>272,886</u>	<u>1,626,727</u>	<u>1,353,841</u>
Other				
Nondepartmental:				
Alabama League of Municipalities	3,500	3,500	3,644	144
Chambers County Industrial Authority	30,512	30,512	30,512	-
East Alabama Planning Commission	5,519	5,519	5,479	(40)
Total nondepartmental	<u>39,531</u>	<u>39,531</u>	<u>39,635</u>	<u>104</u>
Total general government	1,524,444	1,552,220	2,778,065	1,225,845
Public safety:				
Police:				
Personal services	1,760,826	1,746,397	1,720,214	(26,183)
Other	288,535	311,683	344,155	32,472
Total police	<u>2,049,361</u>	<u>2,058,080</u>	<u>2,064,369</u>	<u>6,289</u>
Emergency medical services:				
Personal services	691,000	691,000	727,373	36,373
Other	90,800	90,800	68,057	(22,743)
Total emergency medical services	<u>781,800</u>	<u>781,800</u>	<u>795,430</u>	<u>13,630</u>

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2011

FUNCTION/DEPARTMENT/OBJECT	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
Other:				
Nondepartmental:				
Chambers County Emergency Management Association	-	12,000	12,000	-
Crimestoppers	500	500	-	(500)
Total other	<u>500</u>	<u>12,500</u>	<u>12,000</u>	<u>(500)</u>
Total public safety	2,831,661	2,852,380	2,871,799	19,419
Public works:				
Personal services	826,783	826,783	773,567	(53,216)
Other	<u>399,935</u>	<u>399,935</u>	<u>376,292</u>	<u>(23,643)</u>
Total public works	1,226,718	1,226,718	1,149,859	(76,859)
Health:				
Other:				
Nondepartmental:				
East Alabama Mental Health	2,000	2,000	-	(2,000)
Humane Society	<u>37,895</u>	<u>37,895</u>	<u>38,750</u>	<u>855</u>
Total health	39,895	39,895	38,750	(1,145)
Welfare:				
Other:				
Nondepartmental:				
Tri County Childrens' Advocacy	800	800	800	-
Department of Human Resources	300	300	-	(300)
Coosa Valley Youth	9,012	9,012	7,847	(1,165)
East Alabama Task Force for Battered Women	-	-	-	-
Valley Masters Games	5,000	5,000	-	(5,000)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total welfare	15,112	15,112	8,647	(6,465)

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2011

FUNCTION/DEPARTMENT/OBJECT	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
Culture and recreation:				
Parks and recreation:				
Personal services	430,000	430,000	419,747	(10,253)
Other	490,275	502,826	438,137	(64,689)
Total parks and recreation	<u>920,275</u>	<u>932,826</u>	<u>857,884</u>	<u>(74,942)</u>
Other:				
Nondepartmental:				
H. Grady Bradshaw Library	42,498	42,498	42,498	-
Valley Historical Preservation Commission	9,260	9,260	42	(9,218)
Valley Art Council	5,660	5,660	4,021	(1,639)
Valley Tree Board	7,500	7,500	-	(7,500)
	<u>64,918</u>	<u>64,918</u>	<u>46,561</u>	<u>(18,357)</u>
Special Events:				
Valley Day on the River	-	-	-	-
Merry Go Round	22,000	22,000	16,866	(5,134)
Community Programs	15,000	15,000	4,590	(10,410)
Miscellaneous	1,000	1,000	-	(1,000)
	<u>38,000</u>	<u>38,000</u>	<u>21,456</u>	<u>(16,544)</u>
Total culture and recreation	1,023,193	1,035,744	925,901	(109,843)
Urban rehabilitation:				
Other:				
Nondepartmental:				
Dilapidated houses	10,000	10,000	7,756	(2,244)
Total urban rehabilitation	10,000	10,000	7,756	(2,244)

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2011

FUNCTION/DEPARTMENT/OBJECT	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Capital outlay:	64,276	106,631	257,803	151,172
Debt service:				
Principal	136,500	144,862	135,391	(9,471)
Interest and charges	33,300	34,562	65,300	30,738
Total debt service	169,800	179,424	200,691	21,267
Total expenditures	6,905,099	7,018,124	8,239,271	1,221,147
Excess (deficiency) of revenues over expenditures	1,625,646	1,517,818	(556,024)	(2,073,842)
Other financing sources (uses):				
Proceeds from general long-term debt	-	-	124,000	124,000
Proceeds from capital leases	-	-	54,402	54,402
Insurance recoveries	-	-	1,297,853	1,297,853
Disposal of capital assets	50,000	83,453	76,466	(6,987)
Transfers to Senior Center Fund	(154,189)	(154,189)	(142,946)	11,243
Transfers to Cemetery Fund	-	-	(134)	(134)
Transfers to Debt Service Fund	(779,918)	(779,918)	(935,197)	(155,279)
Total other financing sources	(884,107)	(850,654)	474,444	1,325,098
Excess of revenues and other sources over (under) expenditures and other uses	741,539	667,164	(81,580)	(748,744)
Fund balance, beginning of year	501,149	522,790	(165,145)	(687,935)
Fund balance, end of year	\$ 1,242,688	\$ 1,189,954	\$ (246,725)	\$ (1,436,679)

UNAUDITED

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

CITY OF VALLEY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	<u>\$0.07 STATE GASOLINE TAX FUND</u>	<u>\$0.04 AND \$0.05 STATE GASOLINE TAX FUND</u>	<u>SENIOR CENTER FUND</u>	<u>COMMUNITY DEVELOPMENT FUND</u>	<u>CEMETARY FUND</u>	<u>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</u>
ASSETS						
Cash and cash equivalents	\$ 9,886	\$ 24,793	\$ 4,107	\$ -	\$ 24,498	\$ 63,284
Taxes receivable, net	10,076	7,838	-	-	-	17,914
Grants receivable	-	-	3,832	-	-	3,832
Other receivables	-	-	159	-	-	159
Due from other funds	5,000	55,000	-	-	-	60,000
Total assets	<u>\$ 24,962</u>	<u>\$ 87,631</u>	<u>\$ 8,098</u>	<u>\$ -</u>	<u>\$ 24,498</u>	<u>\$ 145,189</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 16,512	\$ 689	\$ -	\$ 17,201
Due to other funds	2,300	-	-	4,038	403	6,741
Total liabilities	<u>2,300</u>	<u>-</u>	<u>16,512</u>	<u>4,727</u>	<u>403</u>	<u>23,942</u>
Fund balances:						
Restricted	22,662	87,631	-	-	24,095	134,388
Unassigned	-	-	(8,414)	(4,727)	-	(13,141)
Total fund balances	<u>22,662</u>	<u>87,631</u>	<u>(8,414)</u>	<u>(4,727)</u>	<u>24,095</u>	<u>121,247</u>
Total liabilities and fund balances	<u>\$ 24,962</u>	<u>\$ 87,631</u>	<u>\$ 8,098</u>	<u>\$ -</u>	<u>\$ 24,498</u>	<u>\$ 145,189</u>

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

CITY OF VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2011

	<u><i>\$0.07 STATE GASOLINE TAX FUND</i></u>	<u><i>\$0.04 AND \$0.05 STATE GASOLINE TAX FUND</i></u>	<u><i>SENIOR CENTER FUND</i></u>	<u><i>COMMUNITY DEVELOPMENT FUND</i></u>	<u><i>CEMETARY FUND</i></u>	<u><i>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</i></u>
Revenues:						
Intergovernmental:						
Shared state gasoline tax	\$ 55,670	\$ 43,512	\$ -	\$ -	\$ -	\$ 99,182
Shared offshore oil payments	-	-	-	-	-	-
Other intergovernmental	-	-	13,451	489,898	-	503,349
Total intergovernmental	<u>55,670</u>	<u>43,512</u>	<u>13,451</u>	<u>489,898</u>	<u>-</u>	<u>602,531</u>
Fines and forfeits:						
Public safety	-	-	-	-	-	-
Investment income	21	56	-	-	27	104
Other	-	-	16,281	-	21,911	38,192
Total fines and forfeits	<u>21</u>	<u>56</u>	<u>16,281</u>	<u>-</u>	<u>21,938</u>	<u>38,296</u>
Total revenues	<u>55,691</u>	<u>43,568</u>	<u>29,732</u>	<u>489,898</u>	<u>21,938</u>	<u>640,827</u>
Expenditures:						
Current:						
General government	73,939	-	-	-	-	73,939
Public safety	-	-	-	-	-	-
Public works	-	210	-	-	-	210
Welfare	-	-	186,542	-	7,573	194,115
Capital outlay	-	-	-	489,948	-	489,948
Total expenditures	<u>73,939</u>	<u>210</u>	<u>186,542</u>	<u>489,948</u>	<u>7,573</u>	<u>758,212</u>
Excess revenues over (under) expenditures	<u>(18,248)</u>	<u>43,358</u>	<u>(156,810)</u>	<u>(50)</u>	<u>14,365</u>	<u>(117,385)</u>
Other financing sources:						
Proceeds from long-term debt	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	1,200	-	-	1,200
Transfers from General Fund	-	-	142,946	-	134	143,080
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>144,146</u>	<u>-</u>	<u>134</u>	<u>144,280</u>
Net change in fund balances	(18,248)	43,358	(12,664)	(50)	14,499	26,895
Fund balances - beginning	<u>40,910</u>	<u>44,273</u>	<u>4,250</u>	<u>(4,677)</u>	<u>9,596</u>	<u>94,352</u>
Fund balances - ending	<u>\$ 22,662</u>	<u>\$ 87,631</u>	<u>\$ (8,414)</u>	<u>\$ (4,727)</u>	<u>\$ 24,095</u>	<u>\$ 121,247</u>

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

SUPPLEMENTAL SCHEDULE

CITY OF VALLEY
SCHEDULE OF DEBT SERVICE
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	<i>General Obligation Warrants, Series 1999</i>		<i>General Obligation Warrants, Series 2007</i>		<i>Notes</i>		<i>Total General Long-term Debt</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2012	\$ 365,000	\$ 161,663	\$ 110,000	\$ 581,519	\$ 222,194	\$ 22,671	\$ 697,194	\$ 765,853	\$ 1,463,047
2013	380,000	145,420	115,000	573,222	103,364	16,771	598,364	735,413	1,333,777
2014	400,000	128,320	125,000	564,372	106,460	13,871	631,460	706,563	1,338,023
2015	415,000	109,920	135,000	554,784	109,108	11,222	659,108	675,926	1,335,034
2016	435,000	90,000	145,000	544,459	111,831	8,500	691,831	642,959	1,334,790
2017	460,000	69,120	155,000	533,397	112,462	5,701	727,462	608,218	1,335,680
2018	480,000	47,040	170,000	521,413	56,971	3,314	706,971	571,767	1,278,738
2019	500,000	24,000	180,000	508,506	58,923	1,362	738,923	533,868	1,272,791
2020	-	-	195,000	494,678	8,264	32	203,264	494,710	697,974
2021	-	-	205,000	479,928	-	-	205,000	479,928	684,928
2022	-	-	225,000	464,072	-	-	225,000	464,072	689,072
2023	-	-	240,000	446,925	-	-	240,000	446,925	686,925
2024	-	-	255,000	428,672	-	-	255,000	428,672	683,672
2025	-	-	275,000	409,128	-	-	275,000	409,128	684,128
2026	-	-	295,000	388,109	-	-	295,000	388,109	683,109
2027	-	-	320,000	365,431	-	-	320,000	365,431	685,431
2028	-	-	340,000	341,094	-	-	340,000	341,094	681,094
2029	-	-	365,000	315,097	-	-	365,000	315,097	680,097
2030	-	-	395,000	287,072	-	-	395,000	287,072	682,072
2031	-	-	420,000	257,019	-	-	420,000	257,019	677,019
2032	-	-	455,000	224,753	-	-	455,000	224,753	679,753
2033	-	-	485,000	190,091	-	-	485,000	190,091	675,091
2034	-	-	525,000	152,847	-	-	525,000	152,847	677,847
2035	-	-	560,000	112,838	-	-	560,000	112,838	672,838
2036	-	-	605,000	69,878	-	-	605,000	69,878	674,878
2037	-	-	645,000	23,784	-	-	645,000	23,784	668,784
	<u>\$ 3,435,000</u>	<u>\$ 775,483</u>	<u>\$ 7,940,000</u>	<u>\$ 9,833,088</u>	<u>\$ 889,577</u>	<u>\$ 83,444</u>	<u>\$ 12,264,577</u>	<u>\$ 10,692,015</u>	<u>\$ 22,956,592</u>