

**CITY OF VALLEY, ALABAMA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2009**

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, 2009
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FINANCIAL SECTION

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HIMMELWRIGHT, HUGULEY & BOLES, LLC
Certified Public Accountants

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 as of and for the year ended September 30, 2009, which collectively comprise the City of Valley, Alabama'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. 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 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 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, 2009, 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 third 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, 2009, 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.

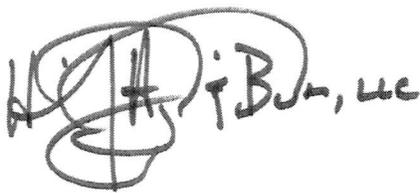
Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, capital projects fund, debt service fund, solid waste collection fund, and the aggregate remaining fund information for the primary government of the City of Valley, Alabama, as of September 30, 2009, 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 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.

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October 26, 2011



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BASIC FINANCIAL STATEMENTS

CITY OF VALLEY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and equivalents	\$ 784,859	\$ 93,376	\$ 878,235
Temporarily restricted investments	765,583	-	765,583
Receivables	75,758	103,425	179,183
Taxes receivable	354,338	-	354,338
Grants receivable	4,274	-	4,274
Other receivables	835	806	1,641
Inventories	20,340	-	20,340
Prepaid expenses	58,157	3,433	61,590
Deferred charges	239,456	-	239,456
Capital assets			
Land, improvements, and construction in progress	8,311,399	-	8,311,399
Infrastructure and infrastructure in progress, net of depreciation	1,554,352	-	1,554,352
Buildings, net of depreciation	8,811,741	-	8,811,741
Equipment and furniture, net of depreciation	860,653	4,812	865,465
Total capital assets	19,538,145	4,812	19,542,957
Total assets	<u>\$ 21,841,745</u>	<u>\$ 205,852</u>	<u>\$ 22,047,597</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 674,143	\$ 35,107	\$ 709,250
Accrued payroll and benefits	200,186	-	200,186
Internal balances	(62,477)	62,477	-
Interest payable	64,754	-	64,754
Deferred revenues	801	111,023	111,824
Long-term liabilities			
Due within one year	481,592	652	482,244
Due in more than one year	12,145,892	-	12,145,892
Total liabilities	<u>13,504,891</u>	<u>209,259</u>	<u>13,714,150</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,652,141	4,812	7,656,953
Restricted for:			
Debt service	765,583	-	765,583
Unrestricted (deficit)	(80,870)	(8,219)	(89,089)
Total net assets	<u>\$ 8,336,854</u>	<u>\$ (3,407)</u>	<u>\$ 8,333,447</u>

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

CITY OF VALLEY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2009

FUNCTIONS	EXPENSES	Program Revenue			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	\$ 2,308,390	\$ 110,039	\$ -	\$ -	\$ (2,198,351)	\$ -	\$ (2,198,351)
Public safety	2,753,757	442,251	62,100	-	(2,249,406)	-	(2,249,406)
Public works	1,179,521	29,229	293,376	-	(856,916)	-	(856,916)
Health	31,000	-	-	-	(31,000)	-	(31,000)
Culture and recreation	1,418,154	266,080	109,011	-	(1,043,063)	-	(1,043,063)
Welfare	184,991	-	34,333	-	(150,658)	-	(150,658)
Urban rehabilitation	11,923	-	-	-	(11,923)	-	(11,923)
Interest on long-term debt	851,696	-	-	-	(851,696)	-	(851,696)
Total governmental activities	<u>8,739,432</u>	<u>847,599</u>	<u>498,820</u>	<u>-</u>	<u>(7,393,013)</u>	<u>-</u>	<u>(7,393,013)</u>
Business-type activities:							
Solid waste:	622,013	669,211	-	-	-	47,198	47,198
Total business-type activities	<u>622,013</u>	<u>669,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,198</u>	<u>47,198</u>
Total primary government	<u>\$ 9,361,445</u>	<u>\$ 1,516,810</u>	<u>\$ 498,820</u>	<u>\$ -</u>	<u>(7,393,013)</u>	<u>47,198</u>	<u>(7,345,815)</u>
General revenues:							
Taxes:							
Sales					4,303,982	-	4,303,982
Other					676,530	-	676,530
Licenses and permits					1,314,574	-	1,314,574
Investment earnings					20,299	-	20,299
Loss on sale of capital assets					(3,170)	-	(3,170)
Miscellaneous					164,435	-	164,435
Transfers					10,000	(10,000)	-
Total general revenues, special items, and transfers					<u>6,486,650</u>	<u>(10,000)</u>	<u>6,476,650</u>
Change in net assets					(906,363)	37,198	(869,165)
Net assets - beginning, restated					<u>9,243,217</u>	<u>(40,605)</u>	<u>9,202,612</u>
Net assets - ending (deficit)					<u>\$ 8,336,854</u>	<u>\$ (3,407)</u>	<u>\$ 8,333,447</u>

CITY OF VALLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	<i>GENERAL FUND</i>	<i>CAPITAL PROJECTS FUND</i>	<i>DEBT SERVICE FUND</i>	<i>OTHER GOVERNEMENTAL FUNDS</i>	<i>TOTAL GOVERNMENTAL FUNDS</i>
ASSETS					
Cash and cash equivalents	\$ 394,913	\$ 203,229	\$ -	\$ 186,717	\$ 784,859
Temporarily restricted investments	-	-	765,583	-	765,583
Accounts receivable, net	75,758	-	-	-	75,758
Taxes receivable, net	339,979	-	-	14,359	354,338
Grants receivable	-	-	-	4,274	4,274
Other receivables	680	-	-	154	834
Inventories	20,340	-	-	-	20,340
Due from other funds	138,815	24,613	43,756	40,000	247,184
Total assets	<u>\$ 970,485</u>	<u>\$ 227,842</u>	<u>\$ 809,339</u>	<u>\$ 245,504</u>	<u>\$ 2,253,170</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 657,111	\$ -	\$ -	\$ 16,835	\$ 673,946
Other payables	197	-	-	-	197
Accrued payroll and benefits	200,186	-	-	-	200,186
Due to other funds	178,369	-	-	6,338	184,707
Deferred revenue	50,304	-	-	-	50,304
Total liabilities	<u>1,086,167</u>	<u>-</u>	<u>-</u>	<u>23,173</u>	<u>1,109,340</u>
Fund balances:					
Reserved for:					
Inventories	20,340	-	-	-	20,340
Unreserved:					
Unreserved, reported in non-major:	(136,022)	227,842	809,339	-	901,159
Special revenue funds	-	-	-	222,331	222,331
Total fund balances	<u>(115,682)</u>	<u>227,842</u>	<u>809,339</u>	<u>222,331</u>	<u>1,143,830</u>
Total liabilities and fund balances	<u>\$ 970,485</u>	<u>\$ 227,842</u>	<u>\$ 809,339</u>	<u>\$ 245,504</u>	<u>\$ 2,253,170</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, 2009

Total fund balances, governmental funds		\$	1,143,830
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.			297,613
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.			19,538,145
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.			49,504
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	(\$12,494,618)		
Capital leases	(96,321)		
Discounts, debt issuance and refunding costs	30,861		
Accrued interest payable	(64,754)		
Compensated absences	(67,406)		
Total long-term liabilities	(12,692,238)		(12,692,238)
Net assets of governmental activities		\$	8,336,854

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, 2009

	<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:					
Taxes:					
Sales and miscellaneous taxes	\$ 4,303,982	\$ -	\$ -	\$ 96,776	\$ 4,400,758
Other taxes	382,329	-	-	113,604	495,933
Licenses and permits	1,314,574	-	-	-	1,314,574
Intergovernmental	398,687	-	-	50,590	449,277
Charges for services	573,286	-	-	-	573,286
Fines and forfeits	86,260	-	-	12,269	98,529
Investment income	2,818	12,710	4,131	640	20,299
Miscellaneous revenues	301,011	-	-	37,849	338,860
Total revenues	<u>7,362,947</u>	<u>12,710</u>	<u>4,131</u>	<u>311,728</u>	<u>7,691,516</u>
Expenditures:					
Current:					
General government	2,057,005	65,767	-	111,189	2,233,961
Public safety	2,606,581	-	-	80,241	2,686,822
Public works	1,051,622	-	-	35,379	1,087,001
Health and sanitation	31,000	-	-	-	31,000
Welfare	13,995	-	-	162,885	176,880
Culture and recreation	1,112,871	-	-	-	1,112,871
Urban rehabilitation	11,923	-	-	-	11,923
Debt service:					
Principal	122,492	-	320,000	-	442,492
Interest and other charges	33,225	-	793,210	-	826,435
Capital outlay	30,190	5,324,185	-	81,426	5,435,801
Total expenditures	<u>7,070,904</u>	<u>5,389,952</u>	<u>1,113,210</u>	<u>471,120</u>	<u>14,045,186</u>
Excess (deficiency) of revenues over expenditures	292,043	(5,377,242)	(1,109,079)	(159,392)	(6,353,670)
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt	-	-	-	-	-
Insurance recoveries	164,435	-	-	-	164,435
Sale of capital assets	4,930	-	-	5,650	10,580
Transfers in	10,000	-	571,029	117,826	698,855
Transfers out	(688,855)	-	-	-	(688,855)
Total other financing sources and uses	<u>(509,490)</u>	<u>-</u>	<u>571,029</u>	<u>123,476</u>	<u>185,015</u>
Net change in fund balances	(217,447)	(5,377,242)	(538,050)	(35,916)	(6,168,655)
Fund balances - beginning, as restated	<u>101,765</u>	<u>5,605,084</u>	<u>1,347,389</u>	<u>258,247</u>	<u>7,312,485</u>
Fund balances - ending	<u>\$ (115,682)</u>	<u>\$ 227,842</u>	<u>\$ 809,339</u>	<u>\$ 222,331</u>	<u>\$ 1,143,830</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, 2009

Net change in fund balances - total governmental funds: \$ (6,168,655)

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.

	\$ 5,435,801	
Expenditures for capital outlay		
Less: current year depreciation	(590,160)	4,845,641

Net effect of the disposal or sale of capital assets that are not recorded in governmental funds. (13,750)

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. (30,116)

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. 442,492

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: 18,025

Change in net assets of governmental activities \$ (906,363)

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

CITY OF VALLEY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2009

	<i>SOLID WASTE COLLECTION FUND</i>
<i>ASSETS</i>	
Current assets:	
Cash and cash equivalents	\$ 93,376
Accounts receivable, net	103,425
Due from other funds	70,000
Other receivables	806
Prepaid expenses	3,433
Total current assets	<u>271,040</u>
Non-current assets:	
Capital assets:	
Equipment, net	4,812
Total non-current assets	<u>4,812</u>
Total assets	<u>275,852</u>
<i>LIABILITIES</i>	
Current Liabilities:	
Accounts payable	35,107
Due to other funds	132,477
Deferred revenue	111,023
Compensated absences	652
Total current liabilities	<u>279,259</u>
Total liabilities	<u>279,259</u>
<i>NET ASSETS</i>	
Invested in capital assets, net of related debt	4,812
Unrestricted (deficit)	(8,219)
Total net assets (deficit)	<u>\$ (3,407)</u>

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, 2009

	<i>SOLID WASTE COLLECTION FUND</i>
Operating revenues:	
Charges for services	\$ 669,016
Total operating revenues	669,016
Operating expenses:	
Disposal charges	515,450
Personal services	72,147
Other supplies and expenses	31,529
Depreciation	2,887
Total operating expenses	622,013
Operating income	47,003
Nonoperating revenues:	
Miscellaneous revenue	195
Total non-operating revenues	195
Income before contributions and transfers	47,198
Transfers:	
Transfers out	(10,000)
Change in net assets	37,198
Total net assets - beginning	(40,605)
Total net assets - ending (deficit)	\$ (3,407)

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, 2009

	SOLID WASTE COLLECTION FUND
Cash flows from operating activities:	
Receipts from customers	\$ 671,495
Payments to suppliers	(555,924)
Payments to employees	(73,148)
Other cash payments	46,674
Net cash provided by operating activities	89,097
Cash flows from noncapital financing activities:	
Other nonoperating income	195
Operating transfers from other funds	-
Operating transfers to other funds	(10,000)
Net cash used for noncapital financing activities	(9,805)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	-
Net cash used for capital and related financing activities	-
Cash flows from investing activities:	
Investment income	-
Net cash used for investing activities	-
Net increase in cash and cash equivalents	79,292
Cash and cash equivalents at beginning of year	14,084
Cash and cash equivalents at end of year	\$ 93,376

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, 2009

	<u>SOLID WASTE COLLECTION FUND</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 47,003
Adjustments to reconcile operating income to net cash	
Depreciation	2,887
Provision for uncollectible accounts	10,302
Change in assets and liabilities:	
Accounts receivable	(19,971)
Due from other funds	(70,000)
Other receivables	(807)
Accounts payable	(8,944)
Due to other funds	117,480
Deferred revenue	12,148
Compensated absences	(1,001)
Total adjustments	<u>42,094</u>
Net cash provided by operating activities	<u><u>\$ 89,097</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, 2009

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 appointed by the City Council 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 \$10,000 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 \$3,719 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 government does not retain an ongoing financial interest or ongoing financial responsibility.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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, 2009.

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, occupational license 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, 2009

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 **Capital Projects Fund** accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those being financed by business-type/proprietary funds.

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

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

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

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:

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

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 taxpayer assessed taxes. 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.

E. RECEIVABLES

In the Solid Waste Collection fund, revenues are recognized on the basis of monthly 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, monthly 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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

allowance for doubtful accounts for the accounts deemed uncollectible. Accounts receivable are reported net of the allowance of \$54,655.

The City also bills its citizens for ambulance services. Billings to citizens of the City for ambulance services are reported in the General fund net of the allowance for uncollectible accounts of \$84,771 at September 30, 2009.

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.

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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization thresholds and estimated useful lives are as follows:

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

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

K. LONG -TERM LIABILITIES AND RELATED COSTS

In the government-wide financial statements and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities fund 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 adding back 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.

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.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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's 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, 2009, the carrying amount of the City's deposits in financial institutions was \$878,235 and the bank balance was \$1,506,025. The State of Alabama created the Security for Alabama Funds Enhancement (SAFE) Program which requires 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 for 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, 2009, all bank balances are considered insured because such balances were held in Qualified Public Depositories.

Investments and Cash with Fiscal Agents. The City has made all investments in accordance with its investment policy (see Note 1) and the requirements under which its bonds and warrants were issued, and other requirements as applicable. US Treasury Investments and cash held by fiscal agents shown below are not registered in the City's name or insured and are held by the trustee.

<i>Investment Type</i>	<i>Cost</i>	<i>Fair Value</i>	<i>Maturity</i>	<i>Rating</i>
Federated US Treasury	\$ 1	\$ 1	N/A	N/A
First American Government Obligation Fund Class D	26,573	26,573	N/A	N/A
First American Government Obligation Fund Class D	<u>739,009</u>	<u>739,009</u>	N/A	N/A
	<u>\$ 765,583</u>	<u>\$ 765,583</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 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 event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City'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 City's name. The city has no policy on custodial credit risk.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk: The City places no limit on the amount that the City may invest in any one issuer. The City's investments are primarily in the following investments with percentage of total shown in parenthesis: First American Government Obligation Fund Class D (99.99%).

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<i>Restated</i>			
	<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	\$ -	\$ -	\$ 2,486,982
Construction in process	500,232	5,324,185	-	5,824,417
Total capital assets not being depreciated	2,987,214	5,324,185	-	8,311,399
Capital assets being depreciated:				
Buildings and improvements	12,586,433	81,426	-	12,667,859
Equipment	2,414,862	30,190	55,200	2,389,852
Infrastructure	1,645,147	-	-	1,645,147
Total capital assets being depreciated	16,646,442	111,616	55,200	16,702,858
Less accumulated depreciation for:				
Buildings and improvements	3,499,342	356,776	-	3,856,118
Equipment	1,378,394	192,255	41,450	1,529,199
Infrastructure	49,666	41,129	-	90,795
Total accumulated depreciation	4,927,402	590,160	41,450	5,476,112
Total capital assets being depreciated, net	11,719,040	(478,544)	13,750	11,226,746
Governmental activities capital assets, net	\$ 14,706,254	\$ 4,845,641	\$ 13,750	\$ 19,538,145
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	6,736	2,887	-	9,623
Total accumulated depreciation	6,736	2,887	-	9,623
Business-type activities capital assets, net	\$ 7,699	\$ (2,887)	\$ -	\$ 4,812

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 74,116
Public safety	96,308
Public works, including infrastructure	99,963
Welfare	7,651
Culture and recreation	312,122
Total governmental activities depreciation expense	<u>\$ 590,160</u>
Business-type activities:	
Solid waste	<u>\$ 2,887</u>
Total business-type activities depreciation expense	<u>\$ 2,887</u>

The City has begun making infrastructure improvements for a commercial and residential development (the "Venue Project") which are estimated to total approximately \$6,500,000, of which \$5,804,107 has been incurred as of September 30, 2009. The City also has several other construction projects in the planning stages as of September 30, 2009. Architectural and engineering fees of \$20,310 have been incurred as of September 30, 2009 on those other projects.

NOTE 5 - INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2009 consisted of the following:

<i>DUE FROM</i>							
<i>DUE TO</i>	<i>General</i>	<i>Capital Projects</i>	<i>Debt Service</i>	<i>Non-major Governmental</i>	<i>Solid Waste Collection</i>	<i>Total</i>	
General	\$ -	\$ 24,613	\$ 43,756	\$ 40,000	\$ 70,000	\$	178,369
Non-major governmental	6,338	-	-	-	-	\$	6,338
Solid Waste Collection	132,477	-	-	-	-	\$	132,477
Total	<u>\$ 138,815</u>	<u>\$ 24,613</u>	<u>\$ 43,756</u>	<u>\$ 40,000</u>	<u>\$ 70,000</u>	<u>\$</u>	<u>317,184</u>

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

<i>TRANSFER FROM</i>			
<i>TRANSFER TO</i>	<i>General Fund</i>	<i>Solid Waste Collection</i>	<i>Total</i>
General	\$ -	\$ 10,000	\$ 10,000
Debt Service	571,029	-	571,029
Non-major governmental	117,826	-	117,826
Total	<u>\$ 688,855</u>	<u>\$ 10,000</u>	<u>\$ 698,855</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the fund collecting the

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 5 - INTERFUND BALANCES AND TRANSFERS (CONTINUED)

receipts to the debt service funds 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. These leases are considered for accounting purposes to be operating leases. The cost of Riverview Mill is carried at \$257,170 less accumulated depreciation of \$10,918. One of the Riverview Mill lessees made \$36,720 of improvements to the building in lieu of rent for three years (August 1, 2007 through August 1, 2010) and the City recognizes that income as it is earned. Future minimum rentals on the remaining noncancelable leases are as follows:

<u>Year ending September 30,</u>	<i>Governmental activities</i>
2010	\$ 16,000
2011	5,000
2012	5,000
2013	5,000
2014	5,000
2015-2016	7,920
	<u>\$ 43,920</u>

NOTE 7 – CAPITAL LEASES

The City leases certain vehicles and equipment with lease terms through May 2013. 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:

<u>Year Ending September 30,</u>	
2010	\$ 44,635
2011	27,438
2012	15,314
2013	14,928
Total minimum lease payments	<u>102,315</u>
Less: amount representing interest	5,994
Present value of minimum lease payments	<u>96,321</u>
Less current portion	41,210
	<u>\$ 55,111</u>

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 8 - LONG-TERM LIABILITIES

Long-term liabilities at September 30, 2009 consisted of the following:

<i>Bonds:</i>	<u>Governmental</u>
General Obligation Warrants, Series 1999, due in annual installments of \$335,000 - \$500,000 through 2019, bearing interest of 3.750% - 4.800%.	\$ 4,089,139
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%.	434,618
Capital Leases (See Note 7)	96,321
Compensated Absences	<u>67,406</u>
Total long-term liabilities	<u><u>\$ 12,627,484</u></u>

Long-term liability activity for the year ended September 30, 2009, was as follows:

	<i>Beginning</i>			<i>Ending</i>	<i>Due Within</i>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
<i>Governmental Activities</i>					
Debt:					
General obligation bonds	\$ 12,380,000	\$ -	\$ 320,000	\$ 12,060,000	\$ 335,000
Less deferred amounts:					
Unamortized discounts	(15,979)	-	(1,375)	(14,604)	(1,211)
Refunding costs	(22,430)	-	(6,173)	(16,257)	(5,276)
Net general obligation warrants	12,341,591	-	312,452	12,029,139	328,513
Notes	482,912	-	48,294	434,618	44,463
Capital leases	170,677	-	74,356	96,321	41,210
Compensated absences	133,681	-	66,275	67,406	67,406
Governmental activity					-
Long-term liabilities	<u>\$ 13,128,861</u>	<u>\$ -</u>	<u>\$ 501,377</u>	<u>\$ 12,627,484</u>	<u>\$ 481,592</u>

Payments on the governmental activities debt are made by the debt service funds 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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)

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 2008 through April 2018. The interest rate is currently 3.900%, but is based on the J.P. Morgan Chase Prime rate minus 1.630% for payments due after April 2011. The note is secured by a second position in the City's sales tax revenue and gasoline taxes.

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>
2010	\$ 335,000	\$ 777,043	\$ 44,463	\$ 16,161
2011	350,000	762,638	49,330	11,053
2012	475,000	743,182	54,835	5,210
2013	495,000	718,642	55,747	4,298
2014	525,000	692,692	56,674	3,372
2015-2019	3,075,000	3,002,639	173,569	4,399
2020-2024	1,120,000	2,314,275	-	-
2025-2029	1,595,000	1,818,859	-	-
2030-2034	2,280,000	1,111,782	-	-
2035-2037	1,810,000	206,500	-	-
	<u>\$ 12,060,000</u>	<u>\$ 12,148,252</u>	<u>\$ 434,618</u>	<u>\$ 44,493</u>

NOTE 9 - RISK MANAGEMENT

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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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

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

The ERS was established October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the ERS is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. 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, 2009 was 4.04% of annual covered payroll. The contribution requirements of plan members and the City are established by state statute.

Annual Pension Cost. For 2009, the City's annual pension cost of \$101,242 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2009 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 10 years.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Trend Information

<i>Fiscal Year Ending</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
9/30/2006	\$ 77,390	100%	\$ -
9/30/2007	\$ 95,457	100%	\$ -
9/30/2008	\$ 108,721	100%	\$ -

Schedule of Funding Progress

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Liability (AAL) - Entry Age (b)*</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>
9/30/2006**	\$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%

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

** Reflects changes in actuarial assumptions.

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

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, 2009.

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. The City agreed to do all things reasonable 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.

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 11 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The City 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

On November 9, 2009, the City re-negotiated its note payable agreement for \$500,000 to provide additional financing for infrastructure improvements at the “Venue Project”. The note is due in 120 monthly payments beginning in December 2009. The note bears interest at a rate of 3.89%, and will be adjusted at the 37th payment to a rate equal to 3.00% plus 69.00% of the one year U.S. Treasury rate at that time.

During 2010, a fire occurred at the Langdale mill owned by the City. The mill suffered significant damage as a result of the fire, and the City has received insurance recovery payments totaling \$2,510,211 to pay for the repairs of the fire damage. All of the insurance proceeds were used by the City to repair the Langdale mill.

During 2011, the City established a new loan in the amount of \$100,000. The City entered into the loan in order to cover 2011 payroll expenses.

The City has evaluated events subsequent to the date of the Statement of Net Assets through October 26, 2011, the date the financial statements were available to be issued. No events have occurred subsequent to the Statement of Net Assets date through October 26, 2011 that would require adjustment to the financial statements. Additionally, other than the events disclosed above, no events have occurred that would require additional disclosure in the financial statements.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

During the year ending September 30, 2007, Chambers County, Alabama donated to the City 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 City had not completed the calculation as of September 30, 2008. Consequently, the assets could not be recorded in accordance with generally accepted accounting principles. The City subsequently completed its calculation and has recorded the assets. Thus, the total governmental activities assets in the government-wide financial statements were understated by \$2,329,199 as of September 30, 2008. Additionally, during the year ended September 30, 2009, the City determined that the interest payable balance representing bond interest payable reported on September 30, 2008 was overstated by \$26,026. Consequently, management has restated the September 30, 2008 financial statements for the effects of the two corrections listed above. Below is a summary of the effects on the governmental activities net assets in the government-wide financial statements as of September 30, 2008:

Net assets as reported at September 30, 2008	\$	6,887,992
Prior period adjustments:		
Unrecorded capital assets, net		2,329,199
Overstated interest payable		26,026
Restated net assets September 30, 2008	\$	9,243,217

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 13 – PRIOR PERIOD ADJUSTMENTS (CONTINUED)

The correction of the interest payable also affected the fund balance of the Debt Service fund as of September 30, 2008. Subsequent to the prior period adjustment described above, the September 30, 2008 fund balance in the Debt Service fund increased by \$26,026 from \$1,321,363 to \$1,347,389.

In addition to the above effects on net assets, capital assets – land and construction in progress was restated from \$1,691,214 to \$2,987,214. Capital assets – infrastructure, net was restated from \$562,282 to \$1,595,481, and interest payable was restated from \$26,026 to \$0.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2009

DESCRIPTION	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Revenues:				
Taxes:				
Sales	\$ 4,500,000	\$ 4,500,000	\$ 4,303,982	\$ (196,018)
Other:				
Motor vehicle sales tax	45,000	45,000	30,966	(14,034)
Motor fuels	185,000	185,000	174,708	(10,292)
Tobacco	110,000	110,000	107,710	(2,290)
Beer and wine	2,100	2,100	1,878	(222)
Lodging	59,500	59,500	67,067	7,567
	<u>401,600</u>	<u>401,600</u>	<u>382,329</u>	<u>(19,271)</u>
Total taxes	<u>4,901,600</u>	<u>4,901,600</u>	<u>4,686,311</u>	<u>(215,289)</u>
Licenses and permits:				
Business:				
General	900,000	900,000	1,013,824	113,824
Franchise fees	100,000	100,000	80,425	(19,575)
Rental	100,000	100,000	118,918	18,918
	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,213,167</u>	<u>113,167</u>
Animal	3,500	3,500	6,806	3,306
Permits and inspections	181,000	181,000	94,601	(86,399)
	<u>1,284,500</u>	<u>1,284,500</u>	<u>1,314,574</u>	<u>30,074</u>
Intergovernmental revenue:				
Shared county revenue:				
Beer tax	71,500	71,500	65,006	(6,494)
Mobile home registration fees	700	700	547	(153)
	<u>72,200</u>	<u>72,200</u>	<u>65,553</u>	<u>(6,647)</u>
Shared state revenue:				
Bank excise tax	50,000	50,000	15,856	(34,144)
Share of liquor tax profits	2,000	2,000	2,412	412
	<u>52,000</u>	<u>52,000</u>	<u>18,268</u>	<u>(33,732)</u>

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2009

DESCRIPTION	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Other:				
Grants	319,100	319,100	289,866	(29,234)
Chambers county	25,000	25,000	25,000	-
	<u>344,100</u>	<u>344,100</u>	<u>314,866</u>	<u>(29,234)</u>
Total intergovernmental revenue	468,300	468,300	398,687	(69,613)
Charges for services:				
Public safety:				
Ambulance fees	370,000	370,000	366,818	(3,182)
Police protection and security fees	30,680	30,680	7,020	(23,660)
Copying	2,000	2,000	2,384	384
	<u>402,680</u>	<u>402,680</u>	<u>376,222</u>	<u>(26,458)</u>
Public works:				
Paving and curbing fees	15,000	15,000	15,730	730
	<u>15,000</u>	<u>15,000</u>	<u>15,730</u>	<u>730</u>
Culture and recreation:				
Entry fees and other charges	240,000	240,000	181,334	(58,666)
Total charges for service	<u>657,680</u>	<u>657,680</u>	<u>573,286</u>	<u>(84,394)</u>
Fines and forfeits:				
Public safety:				
Fines and costs	240,000	240,000	86,260	(153,740)
	<u>240,000</u>	<u>240,000</u>	<u>86,260</u>	<u>(153,740)</u>
Investment income	10,000	10,000	2,818	(7,182)
Miscellaneous revenues:				
Other:				
Rental income	180,345	180,345	141,069	(39,276)
Contributions	111,500	111,500	109,011	(2,489)
Miscellaneous	67,250	67,250	50,931	(16,319)
	<u>359,095</u>	<u>359,095</u>	<u>301,011</u>	<u>(58,084)</u>
Total miscellaneous revenues	359,095	359,095	301,011	(58,084)
Total revenues	7,921,175	7,921,175	7,362,947	(558,228)

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2009

FUNCTION/DEPARTMENT/OBJECT	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
Expenditures:				
Current:				
General Government:				
Legislative:				
Personal services	60,100	60,100	227,428	167,328
Other	281,694	192,450	414,438	221,988
Total legislative	<u>341,794</u>	<u>252,550</u>	<u>641,866</u>	<u>389,316</u>
Administration:				
Personal services	524,808	526,508	448,442	(78,066)
Other	701,645	699,945	461,616	(238,329)
	<u>1,226,453</u>	<u>1,226,453</u>	<u>910,058</u>	<u>(316,395)</u>
Planning and development:				
Personal services	99,658	169,753	187,015	17,262
Other	330,645	63,600	302,606	239,006
	<u>430,303</u>	<u>233,353</u>	<u>489,621</u>	<u>256,268</u>
Other				
Nondepartmental:				
Alabama League of Municipalities	3,320	3,320	6,590	3,270
Chambers County Industrial Authority	3,719	3,719	3,719	-
East Alabama Planning Commission	4,967	4,967	5,151	184
Total nondepartmental	<u>12,006</u>	<u>12,006</u>	<u>15,460</u>	<u>3,454</u>
Total general government	2,010,556	1,724,362	2,057,005	332,643
Public safety:				
Police:				
Personal Services	1,619,883	1,619,883	1,585,535	(34,348)
Other	433,265	434,765	361,991	(72,774)
Total police	<u>2,053,148</u>	<u>2,054,648</u>	<u>1,947,526</u>	<u>(107,122)</u>
Emergency medical services:				
Personal Services	576,485	576,485	581,014	4,529
Other	79,264	79,564	66,041	(13,523)
Total emergency medical services	<u>655,749</u>	<u>656,049</u>	<u>647,055</u>	<u>(8,994)</u>

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2009

FUNCTION/DEPARTMENT/OBJECT	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
Other:				
Nondepartmental:				
Chambers County Emergency Management Association	12,000	12,000	12,000	-
Crimestoppers	500	500	-	(500)
Total other	<u>12,500</u>	<u>12,500</u>	<u>12,000</u>	<u>(500)</u>
Total public safety	2,721,397	2,723,197	2,606,581	(116,616)
Public works:				
Personal services	774,000	774,000	805,984	31,984
Other	<u>386,435</u>	<u>388,935</u>	<u>245,638</u>	<u>(143,297)</u>
Total public works	1,160,435	1,162,935	1,051,622	(111,313)
Health:				
Other:				
Nondepartmental:				
East Alabama Mental Health	2,000	2,000	-	(2,000)
Chambers County Commission	-	-	-	-
Chambers County Health	-	-	-	-
Humane Society	<u>31,000</u>	<u>31,000</u>	<u>31,000</u>	<u>-</u>
Total health	33,000	33,000	31,000	(2,000)
Welfare:				
Other:				
Nondepartmental:				
Tri County Childrens' Advocacy	1,500	1,500	-	(1,500)
Department of Human Resources	300	300	-	(300)
Coosa Valley Youth	9,186	9,186	7,847	(1,339)
East Alabama Task Force for Battered Women	-	-	-	-
Valley Masters Games	7,500	7,500	5,000	(2,500)
Other	<u>-</u>	<u>-</u>	<u>1,148</u>	<u>1,148</u>
Total welfare	18,486	18,486	13,995	(4,491)

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2009

FUNCTION/DEPARTMENT/OBJECT	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Culture and recreation:				
Parks and recreation:				
Personal services	454,000	454,000	422,077	(31,923)
Other	538,270	539,585	655,025	115,440
Total parks and recreation	<u>992,270</u>	<u>993,585</u>	<u>1,077,102</u>	<u>83,517</u>
Other:				
Nondepartmental:				
H. Grady Bradshaw Library	42,498	42,498	31,873	(10,625)
Valley Historical Preservation Commission	10,000	10,000	2,351	(7,649)
Valley Art Council	1,550	1,550	1,545	(5)
Valley Tree Board	7,500	7,500	-	(7,500)
Valley Tourism	5,000	5,000	-	(5,000)
	<u>66,548</u>	<u>66,548</u>	<u>35,769</u>	<u>(30,779)</u>
Total culture and recreation	1,058,818	1,060,133	1,112,871	52,738
Urban Rehabilitation:				
Other:				
Nondepartmental:				
Dilapidated houses	7,500	7,500	11,923	4,423
Total Urban Rehabilitation	7,500	7,500	11,923	4,423
Capital Outlay:	160,000	160,000	30,190	(129,810)

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2009

FUNCTION/DEPARTMENT/OBJECT	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Debt service:				
Principal	97,233	97,233	122,492	25,259
Interest and charges	25,871	25,871	33,225	7,354
Total debt service	<u>123,104</u>	<u>123,104</u>	<u>155,717</u>	<u>32,613</u>
Total expenditures	<u>7,293,296</u>	<u>7,012,717</u>	<u>7,070,904</u>	<u>58,187</u>
Excess of revenues over expenditures	<u>627,879</u>	<u>908,458</u>	<u>292,043</u>	<u>(616,415)</u>
Other financing sources (uses):				
Proceeds from general long-term debt	-	-	-	-
Insurance recoveries	-	-	164,435	164,435
Disposal of capital assets	22,700	22,700	4,930	(17,770)
Transfers from Solid Waste fund	-	-	10,000	10,000
Transfers to Capital Project fund	-	-	-	-
Transfers to Senior Center fund	(122,794)	(122,794)	(105,707)	17,087
Transfers to Community Development fund	(6,201)	(6,201)	(11,708)	(5,507)
Transfers to Cemetery fund	-	-	(411)	(411)
Transfers to Debt Service fund	(525,185)	(525,185)	(571,029)	(45,844)
Total other financing sources	<u>(631,480)</u>	<u>(631,480)</u>	<u>(509,490)</u>	<u>121,990</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(3,601)</u>	<u>276,978</u>	<u>(217,447)</u>	<u>(494,425)</u>
Fund balance, beginning of year	<u>101,765</u>	<u>101,765</u>	<u>101,765</u>	<u>-</u>
Fund balance, end of year	<u>\$ 98,164</u>	<u>\$ 378,743</u>	<u>\$ (115,682)</u>	<u>\$ (494,425)</u>

UNAUDITED

SUPPLEMENTARY INFORMATION

NONMAJOR 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.

Municipal Government Capital Improvement fund – This fund is used to account for the City’s share of revenues to be used exclusively for the purposes of paying the costs of capital improvements or the renovation of capital improvements or to retire debt associated with capital improvements.

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

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

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

CITY OF VALLEY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2009

	<i>\$0.07 STATE GASOLINE TAX FUND</i>	<i>\$0.04 AND \$0.05 STATE GASOLINE TAX FUND</i>	<i>MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND</i>	<i>SENIOR CENTER FUND</i>	<i>COMMUNITY DEVELOPMENT FUND</i>	<i>CEMETARY FUND</i>	<i>COMBINED TOTALS</i>
ASSETS							
Cash and cash equivalents	\$ 7,976	\$ 97,005	\$ 65,086	\$ 5,731	\$ -	\$ 10,919	\$ 186,717
Taxes receivable, net	7,695	6,664	-	-	-	-	14,359
Grants receivable	-	-	-	4,274	-	-	4,274
Other receivables	-	-	-	154	-	-	154
Due from other funds	-	-	40,000	-	-	-	40,000
Total assets	<u>\$ 15,671</u>	<u>\$ 103,669</u>	<u>\$ 105,086</u>	<u>\$ 10,159</u>	<u>\$ -</u>	<u>\$ 10,919</u>	<u>\$ 245,504</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 5,036	\$ -	\$ -	\$ 3,111	\$ 6,338	\$ 2,350	16,835
Due to other funds	2,300	-	-	-	4,038	-	6,338
Total liabilities	<u>7,336</u>	<u>-</u>	<u>-</u>	<u>3,111</u>	<u>10,376</u>	<u>2,350</u>	<u>\$ 23,173</u>
Fund balances:							
Unreserved	8,335	103,669	105,086	7,048	(10,376)	8,569	222,331
Total fund balances	<u>8,335</u>	<u>103,669</u>	<u>105,086</u>	<u>7,048</u>	<u>(10,376)</u>	<u>8,569</u>	<u>222,331</u>
Total liabilities and fund balances	<u>\$ 15,671</u>	<u>\$ 103,669</u>	<u>\$ 105,086</u>	<u>\$ 10,159</u>	<u>\$ -</u>	<u>\$ 10,919</u>	<u>\$ 245,504</u>

CITY OF VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2009

	<i>\$0.07 STATE GASOLINE TAX FUND</i>	<i>\$0.04 AND \$0.05 STATE GASOLINE TAX FUND</i>	<i>MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND</i>	<i>SENIOR CENTER FUND</i>	<i>COMMUNITY DEVELOPMENT FUND</i>	<i>CEMETARY FUND</i>	<i>COMBINED TOTALS</i>
Revenues:							
Intergovernmental:							
Shared state gasoline tax	\$ 54,095	\$ 42,681	\$ -	\$ -	\$ -	\$ -	\$ 96,776
Shared offshore oil payments	-	-	113,604	-	-	-	113,604
Other intergovernmental	-	-	-	17,592	32,998	-	50,590
Total intergovernmental	<u>54,095</u>	<u>42,681</u>	<u>113,604</u>	<u>17,592</u>	<u>32,998</u>	<u>-</u>	<u>260,970</u>
Fines and forfeits:							
Public Safety	-	-	-	-	12,269	-	12,269
Miscellaneous:							
Investment income	118	305	202	-	-	15	640
Other	-	-	-	16,739	-	21,110	37,849
Total fines and forfeits	<u>118</u>	<u>305</u>	<u>202</u>	<u>16,739</u>	<u>-</u>	<u>21,125</u>	<u>38,489</u>
Total revenues	<u>54,213</u>	<u>42,986</u>	<u>113,806</u>	<u>34,331</u>	<u>45,267</u>	<u>21,125</u>	<u>311,728</u>
Expenditures:							
Current:							
General government	41,186	63,276	1,220	-	5,507	-	111,189
Public safety	-	-	-	-	80,241	-	80,241
Public works	35,137	242	-	-	-	-	35,379
Welfare	-	-	-	144,467	-	18,418	162,885
Capital Outlay	-	-	81,426	-	-	-	81,426
Total Expenditures	<u>76,323</u>	<u>63,518</u>	<u>82,646</u>	<u>144,467</u>	<u>85,748</u>	<u>18,418</u>	<u>471,120</u>
Excess revenues over (under) expenditures	<u>(22,110)</u>	<u>(20,532)</u>	<u>31,160</u>	<u>(110,136)</u>	<u>(40,481)</u>	<u>2,707</u>	<u>(159,392)</u>
Other financing resources:							
Proceeds from sale of capital assets	-	-	-	-	5,650	-	5,650
Transfers from General fund	-	-	-	105,707	11,708	411	117,826
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,707</u>	<u>17,358</u>	<u>411</u>	<u>123,476</u>
Net change in fund balances	<u>(22,110)</u>	<u>(20,532)</u>	<u>31,160</u>	<u>(4,429)</u>	<u>(23,123)</u>	<u>3,118</u>	<u>(35,916)</u>
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 8,335</u>	<u>\$ 103,669</u>	<u>\$ 105,086</u>	<u>\$ 7,048</u>	<u>\$ (10,376)</u>	<u>\$ 8,569</u>	<u>\$ 222,331</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, 2009

	<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>
2010	\$ 335,000	\$ 191,468	\$ -	\$ 585,575	\$ 44,463	\$ 16,161	\$ 379,463	\$ 793,204	\$ 1,172,667
2011	350,000	177,063	-	585,575	49,330	11,053	399,330	773,691	1,173,021
2012	365,000	161,663	110,000	581,519	54,835	5,210	529,835	748,392	1,278,227
2013	380,000	145,420	115,000	573,222	55,747	4,298	550,747	722,940	1,273,687
2014	400,000	128,320	125,000	564,372	56,674	3,372	581,674	696,064	1,277,738
2015	415,000	109,920	135,000	554,784	57,616	2,429	607,616	667,133	1,274,749
2016	435,000	90,000	145,000	544,459	58,574	1,472	638,574	635,931	1,274,505
2017	460,000	69,120	155,000	533,397	57,379	498	672,379	603,015	1,275,394
2018	480,000	47,040	170,000	521,413	-	-	650,000	568,453	1,218,453
2019	500,000	24,000	180,000	508,506	-	-	680,000	532,506	1,212,506
2020	-	-	195,000	494,678	-	-	195,000	494,678	689,678
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>\$ 4,120,000</u>	<u>\$ 1,144,014</u>	<u>\$ 7,940,000</u>	<u>\$ 11,004,238</u>	<u>\$ 434,618</u>	<u>\$ 44,493</u>	<u>\$ 12,494,618</u>	<u>\$ 12,192,745</u>	<u>\$ 24,687,363</u>

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