

CITY OF VALLEY
VALLEY, ALABAMA

Financial Statements

September 30, 2020

CITY OF VALLEY

VALLEY, ALABAMA

LIST OF PRINCIPAL OFFICIALS OF THE CITY OF VALLEY

MAYOR

Leonard Riley

CITY COUNCIL

Jim Clark	District 1
James L. Jones	District 2
Randall Maddux	District 3
Marquetta Madden	District 4
Kendall Andrews	District 5
Henry L. Cooper	District 6
Jimmy Gilson	District 7

**CITY TREASURER /
CITY CLERK**

Kathy Snowden

CITY ATTORNEY

John Ben Jones, Attorney at Law

CITY OF VALLEY
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FINANCIAL SECTION



Himmelmwright
Huguley
Boles

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Valley, Alabama (the City), as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

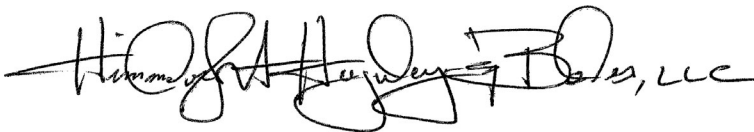
Required Supplementary Information

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

Other Information

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

The combining nonmajor fund financial statements, discretely presented component unit financial statements, and schedule of debt service - general obligation warrants are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, discretely presented component unit financial statements, and schedule of debt service - general obligation warrants are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Auburn, Alabama
March 12, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

City of Valley, Alabama

For the Year Ended September 30, 2020

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

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

HIGHLIGHTS AND ACCOMPLISHMENTS

Financial Highlights

- The City's net position for governmental activities increased by \$3,069,055.
- The total cost of all the City's programs was \$9,867,494.
- During the year, the City had expenses of \$9,122,640 for governmental activities, which was \$3,069,055 less than the \$12,191,695 generated in general and program revenues.
- The City's combined assets exceeded its combined liabilities by \$25,150,026 which will allow the City to continue to meet ongoing obligations to citizens and creditors.
- The City sold property not necessary for normal operations of the City.
- The City made progress on its paving projects and purchased new equipment.
- The City continues to budget for demolition of houses and general clean up.

Other Notable Highlights

- In October 2019, the City Council approved a resolution to sell timber on the Combs Property for the amount of \$105,750. This allowed the City to continue to clear the last section of the property.
- The City Council approved moving the incentive package startup threshold date for John Soules Foods from December 31, 2020 to July 1, 2021.
- In February 2021, the City Council awarded a paving project to Chris Clark Grading and Paving for \$1,008,109 for the City of Valley 2020 Road Re-Surfacing Phase I Project. The City continues to utilize the *5 Cent Gas Tax* to continue improvement of our infrastructure.
 - The City had bond money from the prior year that covered 10" water line and the new 750,000-gallon water tank.
 - The City also utilized a state grant to improve the 1st project that started from Combs Road to Industrial Boulevard that consisted of \$330,000 from the Chambers County Commission and the City of Valley each putting up 10% match on the project.
- The City received \$1,150,000 from the Alabama Department of Economic and Community Affairs (ADECA) and the Appalachian Regional Commission (ARC) and \$150,000 from the Chambers County Development Authority, both for the improvement of the sewer and water system for the John Soules Foods project.

- In April 2020, The City Council awarded the bid for a Lift Station to improve infrastructure for John Soules Foods to Crawford Grading and Pipeline, Inc., in the amount of \$2,550,569.50.
- In September 2020, the City refinanced the General Obligation Warrant, Series 2014 bond into the General Obligation Warrant, Series 2020 bond at a shorter term and a lower rate of interest which will save the City 1.5 million dollars over 15 years.
- In August 2020, the City approved a 3% cost of living adjustment for all employees.
 - The City Council also accepted Act 2019-132 by the Alabama State Legislature, which will provide all City employees who are considered Tier II employees will now become Tier I employees under the state retirement system.
- As the year progressed, due to novel coronavirus disease, COVID-19, affecting the City in March 2020, the revenue for the Recreation Department declined as well as revenue from the gasoline tax.
- The City continues to address the issues with dilapidated houses and tear down those properties that are unfit with a total of 136 properties remediated in the last eight years.
- The City of Valley continues to upgrade the Public Works department with tractors for cutting on the right of way and equipment for cutting large amounts of grass in the Industrial Park. The City has also completed the clearing of approximately 1,140 acres of land.
- John Soules Foods has also increased its investment from 100 million dollars to 130 million dollars and providing 500 jobs when complete.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 10. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used in most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and its changes. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health or *financial position*. Over time, *increases* or *decreases* in the City's net position are indicators of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental Activities - Most of the City's basic services are reported here, including general administration, public safety, public works, health, culture and recreation, welfare, and urban rehabilitation. Sales taxes, business licenses and permits, program revenues, and grants finance most of these activities.
- Business-type Activities - The City's Solid Waste Fund is reported here. The City charges a fee to customers to help cover costs of these services.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 18. The fund financial statements provide detailed information about the most significant funds and not the City as a whole. Some funds are required to be established by State law and bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- Governmental Funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations after the fund financial statements.
- Proprietary Funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

Financial Analysis of the City as a Whole

Net Position

The City's combined net position as of September 30, 2020 was \$25,150,026. The governmental activities net position was \$25,027,609, and the business-type activities net position was \$122,417. The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$13,668,121	\$ 9,996,020	\$ 279,156	\$ 211,308	\$13,947,277	\$10,207,328
Capital assets	36,995,060	32,836,915	-	-	36,995,060	32,836,915
Total assets	<u>50,663,181</u>	<u>42,832,935</u>	<u>279,156</u>	<u>211,308</u>	<u>50,942,337</u>	<u>43,044,243</u>
Deferred outflows of resources						
Deferred outflows related to pensions	611,990	615,969	12,000	11,398	623,990	627,367
Deferred charge on refunding	1,236,809	1,107,314	-	-	1,236,809	1,107,314
Total deferred outflows of resources	<u>1,848,799</u>	<u>1,723,283</u>	<u>12,000</u>	<u>11,398</u>	<u>1,860,799</u>	<u>1,734,681</u>
Liabilities						
Long-term liabilities	25,740,137	21,654,060	12,926	3,872	25,753,063	21,657,932
Other liabilities	1,528,924	406,712	152,663	109,084	1,681,587	515,796
Total liabilities	<u>27,269,061</u>	<u>22,060,772</u>	<u>165,589</u>	<u>112,956</u>	<u>27,434,650</u>	<u>22,173,728</u>
Deferred inflows of resources						
Pension deferrals	215,310	536,892	3,150	9,929	218,460	546,821
Total deferred inflows of resources	<u>215,310</u>	<u>536,892</u>	<u>3,150</u>	<u>9,929</u>	<u>218,460</u>	<u>546,821</u>
Net Position						
Net investment in capital assets	13,135,795	12,504,709	-	-	13,135,795	12,504,709
Restricted	6,494,638	5,397,487	-	-	6,494,638	5,397,487
Unrestricted	5,397,176	4,056,358	122,417	99,821	5,519,593	4,156,179
Total net position	<u>\$25,027,609</u>	<u>\$21,958,554</u>	<u>\$ 122,417</u>	<u>\$ 99,821</u>	<u>\$25,150,026</u>	<u>\$22,058,375</u>

For more detailed information, see the Statement of Net Position on pages 15 and 16.

The City's unrestricted net position for governmental activities that can be used to finance day-to-day operations was \$5,645,445.

Changes in Net Position

The City's Change in Net Position of the governmental activities was \$3,069,055 and the change in net position of business-type activities was \$22,596.

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

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	\$ 393,400	\$ 786,600	\$ 796,861	\$ 762,993	\$ 1,190,261	\$ 1,549,593
Operating grants and contributions	69,037	69,297	-	-	69,037	69,297
Capital grants and contributions	914,962	556,504	-	-	914,962	556,504
General revenues						
Sales taxes	8,078,376	7,464,174	-	-	8,078,376	7,464,174
Other taxes	554,202	570,316	-	-	554,202	570,316
License and Permits	1,814,892	1,774,149	-	-	1,814,892	1,774,149
Interest earnings	81,407	77,353	1,605	1,749	83,012	79,102
Gain/(Loss) on disposal of capital assets	148,653	99,786	-	-	148,653	99,786
Gain/(Loss) on sale of timber	105,750	223,375	-	-	105,750	223,375
Total revenues	<u>12,160,679</u>	<u>11,621,554</u>	<u>798,466</u>	<u>764,742</u>	<u>12,959,145</u>	<u>12,386,296</u>
Expenses						
General administration	2,048,399	2,109,176	-	-	2,048,399	2,109,176
Public safety	2,380,653	2,485,258	-	-	2,380,653	2,485,258
Public works	1,743,734	2,042,892	-	-	1,743,734	2,042,892
Health	41,750	41,750	-	-	41,750	41,750
Culture and recreation	1,691,645	1,751,303	-	-	1,691,645	1,751,303
Welfare	231,995	243,712	-	-	231,995	243,712
Urban rehabilitation	72,347	34,985	-	-	72,347	34,985
Interest on long-term debt	912,117	777,712	-	-	912,117	777,712
Solid waste	-	-	744,854	709,710	744,854	709,710
Total expenses	<u>9,122,640</u>	<u>9,486,788</u>	<u>744,854</u>	<u>709,710</u>	<u>9,867,494</u>	<u>10,196,498</u>
Excess before transfers	<u>3,038,039</u>	<u>2,134,766</u>	<u>53,612</u>	<u>55,032</u>	<u>3,091,651</u>	<u>2,189,798</u>
Transfers	<u>31,016</u>	<u>79,900</u>	<u>(31,016)</u>	<u>(79,900)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>3,069,055</u>	<u>2,214,666</u>	<u>22,596</u>	<u>(24,868)</u>	<u>3,091,651</u>	<u>2,189,798</u>
Beginning net position	<u>21,958,554</u>	<u>19,743,888</u>	<u>99,821</u>	<u>124,689</u>	<u>22,058,375</u>	<u>19,868,577</u>
Total net position	<u>\$25,027,609</u>	<u>\$21,958,554</u>	<u>\$ 122,417</u>	<u>\$ 99,821</u>	<u>\$25,150,026</u>	<u>\$22,058,375</u>

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

The governmental activities total revenues increased by 4.64% to \$12,160,679 due primarily to an increase in sales tax revenue and the sale of capital assets and timber. Sales taxes account for 66.43% of all governmental activities revenues. The remaining revenues are comprised of charges for services and various other sources. The business-type activities total revenue increased by 4.41%.

The total cost of all programs and services decreased by \$329,004. The cost of governmental activities decreased by \$364,148 and the cost of business-type activities increased by \$35,144.

Governmental Activities

The change in net position of governmental activities was \$3,069,055, resulting primarily from an increase in capital contributions and sales tax revenue.

Business-type Activities

The change in net position of business-type activities was \$22,596, resulting primarily from transfers to the General Fund.

THE CITY'S FUNDS

Governmental Funds

As of September 30, 2020, the Governmental Funds reported a combined fund balance of \$12,256,795, which is 23.08% more than the beginning of the year. The Governmental Funds experienced a net increase of \$2,828,884 resulting primarily from proceeds from issuance of bonds.

Business-type Funds

As of September 30, 2020, business-type funds reported a combined net position of \$122,417. The business-type funds Change in Net Position totaled \$22,596.

General Fund Budgetary Highlights

General Fund revenues exceeded budget by \$368,497, largely due to greater than anticipated sales tax revenue. The revenue budget is based on prior year budgeted revenues and does not factor in any growth. General Fund revenues do not include proceeds from debt.

General Fund expenditures were less than budgeted amounts by \$692,702, largely due to a decrease in spending on operations to provide funding for capital outlay.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the City had \$36,995,060 invested in a broad range of capital assets, including police equipment, vehicles, buildings, a library, a senior center, park facilities, an industrial park, streets, and roads. This amount represents a net increase (including additions, disposals and depreciation) of \$4,158,144 or 12.66% more than last year. The increase can be attributed to the capital projects that are ongoing for water and sewer improvements at both John Soules Foods and Langdale.

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

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 9,242,101	\$ 9,082,997	\$ -	\$ -	\$ 9,242,101	\$ 9,082,997
Construction in progress	5,212,642	300,662	-	-	5,212,642	300,662
Infrastructure, net	11,050,249	11,522,405	-	-	11,050,249	11,522,405
Equipment, net	1,276,339	1,246,994	-	-	1,276,339	1,246,994
Buildings and improvements, net	10,199,278	10,683,858	-	-	10,199,278	10,683,858
Capital assets held for sale, net	14,451	-	-	-	14,451	-
Total capital assets, net	<u>\$36,995,060</u>	<u>\$32,836,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$36,995,060</u>	<u>\$32,836,916</u>

Computation of Legal Debt Margin

Section 772

Assessed value of real and personal taxable property as of September 30, 2020 ¹	<u>\$ 98,984,460</u>
Debt limit, fifty percent of assessed value (constitutional limitation) ²	\$ 49,492,230
Debt in governmental activities	<u>25,096,074</u>
Total general obligation debt for computation	25,096,074
Net bonded indebtedness	<u>25,096,074</u>
Legal debt margin	<u>\$ 24,396,156</u>

(1) Source: Chambers County Revenue Commissioner

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

Long-Term Debt

At September 30, 2020, the City had \$25,096,074 in warrants payable outstanding versus \$21,439,520 at September 30, 2019, an increase of 14.57%. This increase resulted primarily from the issuance of new bonds Series 2019 and 2020 and refunding of the Series 2014 bonds with some of the proceeds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's Mayor, after consulting with the City Clerk/Treasurer, department heads and supervisors, considered many factors when submitting the proposed budget for the fiscal year ending September 30, 2021. The City Council took the Mayor's proposed budget under consideration and, after further review and evaluation, adopted the fiscal year 2021 budget. Tax rates, anticipated sales tax collections, anticipated expenditures/expenses, prior year actual revenues/expenditures and the overall economy were some of these factors.

Total investments in Chambers County 2020 - \$140,000,000.

Holland Homes is creating a new subdivision with eight phases. Phase one includes 28 new homes in the first Rural Alabama Power Smart Neighborhood. The cost of the homes is between \$179k - \$200k.

The Valley Industrial Park is acquiring their Food & Beverage Site Certification. This will increase the marketability to prospective companies seeking to locate their facilities in the Food & Beverage sector. This will allow the City of Valley to further separate itself from our competitors in the State of Alabama and the Southeast.

Circle of Care Center and the Chambers County Development Authority (CCDA) have partnered to bring an Entrepreneurial Center to the City of Valley. The business incubation program and facility are located in the City of Valley and focuses on helping small business start-ups.

EAWSF, Huguley Water, City of Valley, City of Lanett, Chattahoochee Valley Water and CCDA are partnering to execute a massive 10-year infrastructure project for both cities with an investment of \$21 million needed.

Over one million dollars in funds set aside for local incentive packages and matches.

Human Capital recruitment now a target for the City of Valley and the CCDA, meeting with residential developers.

City of Valley is located within a US designated Opportunity Zone. The Rural Recovery Accelerator is a new community-oriented technical assistance program designed to help low income and rural communities build the economic resiliency strategies they need to survive the current crisis.

These indicators were taken into account when adopting the General Fund budget for the fiscal year ended September 30, 2021. Amounts available for expenditures, capital outlay and debt service in the General Fund budget are \$11,297,00 for the fiscal year 2021. The City took into consideration the current year increase in revenue and its effect on the City when budgeting expenditures for the fiscal year 2021.

If these estimates are realized, the City's budgetary fund balance is expected to increase moderately by the close of fiscal year 2021.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF VALLEY
Statement of Net Position
September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Valley Historical Preservation Commission
Assets				
Current assets				
Cash and cash equivalents	\$ 12,465,937	\$ 275,960	\$ 12,741,897	\$ 64,182
Taxes receivable, net	752,057	-	752,057	-
Other receivables	335,395	1,726	337,121	-
Prepaid expenses	114,732	1,470	116,202	-
Total current assets	13,668,121	279,156	13,947,277	64,182
Noncurrent assets				
Capital assets held for sale, net	14,451	-	14,451	-
Nondepreciable capital assets	14,454,743	-	14,454,743	-
Depreciable capital assets, net	22,525,866	-	22,525,866	-
Total noncurrent assets	36,995,060	-	36,995,060	-
Total assets	50,663,181	279,156	50,942,337	64,182
Deferred outflows of resources				
Deferred outflows related to pensions	611,990	12,000	623,990	-
Deferred charge on refunding	1,236,809	-	1,236,809	-
Total deferred outflows of resources	1,848,799	12,000	1,860,799	-
Total assets and deferred outflows of resources	\$ 52,511,980	\$ 291,156	\$ 52,803,136	\$ 64,182

See notes to financial statements.

CITY OF VALLEY
Statement of Net Position
September 30, 2020
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Valley Historical Preservation Commission
Liabilities				
Current liabilities				
Accounts payable	\$ 1,291,582	\$ 87,441	\$ 1,379,023	\$ 2,023
Accrued payroll and benefits	177,718	4,124	181,842	-
Accrued interest payable	32,805	-	32,805	-
Due to (from) other funds	(58,613)	58,613	-	-
Due to other governments	639	-	639	-
Compensated absences	84,793	2,485	87,278	-
Current portion of warrants payable, net	1,385,155	-	1,385,155	-
Total current liabilities	2,914,079	152,663	3,066,742	2,023
Noncurrent liabilities				
Warrants payable, net	23,710,919	-	23,710,919	-
Net pension liability	644,063	12,926	656,989	-
Total noncurrent liabilities	24,354,982	12,926	24,367,908	-
Total liabilities	\$ 27,269,061	\$ 165,589	\$ 27,434,650	\$ 2,023
Deferred inflows of resources				
Deferred inflows related to pensions	\$ 215,310	\$ 3,150	\$ 218,460	\$ -
Total deferred inflows of resources	215,310	3,150	218,460	-
Net position				
Net investment in capital assets	13,135,795	-	13,135,795	-
Restricted for				
Special revenue	314,676	-	314,676	-
Cemetery	-	-	-	43,392
Capital Projects	6,179,962	-	6,179,962	-
Unrestricted	5,397,176	122,417	5,519,593	18,767
Total net position	25,027,609	122,417	25,150,026	62,159
Total liabilities, deferred inflows of resources and net position	\$ 52,511,980	\$ 291,156	\$ 52,803,136	\$ 64,182

See notes to financial statements.

CITY OF VALLEY
Statement of Activities
Year ended September 30, 2020

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Valley Historic Preservation Commission
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 2,048,399	\$ 22,792	\$ -	\$ 428,732	\$ (1,596,875)	\$ -	\$ (1,596,875)	\$ -
Public safety	2,380,653	42,160	-	-	(2,338,493)	-	(2,338,493)	-
Public works	1,743,734	5,734	-	486,230	(1,251,770)	-	(1,251,770)	-
Health	41,750	-	-	-	(41,750)	-	(41,750)	-
Culture and recreation	1,691,645	311,814	26,036	-	(1,353,795)	-	(1,353,795)	-
Welfare	231,995	10,900	43,001	-	(178,094)	-	(178,094)	-
Urban rehabilitation	72,347	-	-	-	(72,347)	-	(72,347)	-
Interest on long-term debt	912,117	-	-	-	(912,117)	-	(912,117)	-
Total governmental activities	9,122,640	393,400	69,037	914,962	(7,745,241)	-	(7,745,241)	-
Business-type activities								
Solid waste	744,854	796,861	-	-	-	52,007	52,007	-
Total business-type activities	744,854	796,861	-	-	-	52,007	52,007	-
Total primary government	\$ 9,867,494	\$ 1,190,261	\$ 69,037	\$ 914,962	(7,745,241)	52,007	(7,693,234)	-
Component unit								
Valley Historic Preservation Commission	\$ 1,978	\$ -	\$ -	\$ -				(1,978)
General revenues and other items								
Taxes:								
Sales					8,078,376	-	8,078,376	-
Other					554,202	-	554,202	-
License and Permits					1,814,892	-	1,814,892	-
Investment earnings					81,407	1,605	83,012	-
Gain on disposal of capital assets					148,653	-	148,653	-
Gain on Sale of Timber					105,750	-	105,750	-
Transfers in (out)					31,016	(31,016)	-	-
Total general revenues and other items					10,814,296	(29,411)	10,784,885	-
Change in net position					3,069,055	22,596	3,091,651	(1,978)
Net position - beginning of year					21,958,554	99,821	22,058,375	64,137
Net position - end of year					\$ 25,027,609	\$ 122,417	\$ 25,150,026	\$ 62,159

See notes to financial statements.

CITY OF VALLEY
Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Community Development Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 4,968,921	\$ 75,581	\$ 6,339,245	\$ 1,082,190	\$ 12,465,937
Taxes receivable, net	726,521	-	-	25,536	752,057
Other receivables	80,488	248,269	-	6,638	335,395
Prepaid expenses	110,368	-	-	4,364	114,732
Total assets	<u>\$ 5,886,298</u>	<u>\$ 323,850</u>	<u>\$ 6,339,245</u>	<u>\$ 1,118,728</u>	<u>\$ 13,668,121</u>
Liabilities					
Accounts payable	\$ 382,978	\$ 322,646	\$ 583,657	\$ 2,301	\$ 1,291,582
Accrued payroll and benefits	173,086	-	-	4,632	177,718
Due to (from) other funds	166,058	10,876	(176,105)	(59,442)	(58,613)
Due to other governments	-	639	-	-	639
Total liabilities	<u>722,122</u>	<u>334,161</u>	<u>407,552</u>	<u>(52,509)</u>	<u>1,411,326</u>
Fund balance					
Nonspendable					
Other receivables	80,488	-	-	-	80,488
Prepaid expenses	110,368	-	-	-	110,368
Restricted for					
Special revenue	-	-	-	314,676	314,676
Capital projects	-	248,269	5,931,693	-	6,179,962
Assigned for					
Capital projects	-	-	-	861,646	861,646
Unassigned	4,973,320	(258,580)	-	(5,085)	4,709,655
Total fund balance	<u>5,164,176</u>	<u>(10,311)</u>	<u>5,931,693</u>	<u>1,171,237</u>	<u>12,256,795</u>
Total liabilities and fund balance	<u>\$ 5,886,298</u>	<u>\$ 323,850</u>	<u>\$ 6,339,245</u>	<u>\$ 1,118,728</u>	<u>\$ 13,668,121</u>

See notes to financial statements.

CITY OF VALLEY
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 September 30, 2020

Total fund balances - governmental funds		\$ 12,256,795
<p>Amounts reported for governmental activities in the Statement of Net Position are different due to the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	51,919,050	
Less accumulated depreciation	<u>(14,923,990)</u>	36,995,060
<p>Interest payable is not recognized as an expenditure in governmental funds, but rather is recognized when an expenditure is paid.</p>		
		(32,805)
<p>Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Warrants payable	(25,096,074)	
Deferred outflow of resources for deferred charges	1,236,809	
Deferred outflows of resources for pensions	611,990	
Deferred inflows related to pensions	(215,310)	
Compensated absences	(84,793)	
Net pension liability	<u>(644,063)</u>	<u>(24,191,441)</u>
Total net position - governmental activities		<u>\$ 25,027,609</u>

See notes to financial statements.

CITY OF VALLEY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2020

	General Fund	Community Development Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
Sales and miscellaneous	\$ 7,923,261	\$ -	\$ -	\$ 155,115	\$ 8,078,376
Other	554,202	-	-	-	554,202
Licenses and permits	1,814,892	-	-	-	1,814,892
Intergovernmental	705,932	382,158	-	119,788	1,207,878
Charges for services	320,641	-	-	-	320,641
Fines and forfeitures	41,515	-	-	-	41,515
Contributions	26,036	-	-	17,285	43,321
Interest	22,713	655	49,794	8,245	81,407
Other	-	-	-	13,567	13,567
Total revenue	<u>11,409,192</u>	<u>382,813</u>	<u>49,794</u>	<u>314,000</u>	<u>12,155,799</u>
Expenditures					
General government	1,703,875	-	-	-	1,703,875
Public safety	2,191,550	-	-	-	2,191,550
Public works	1,170,475	-	207	83,582	1,254,264
Health and sanitation	41,750	-	-	-	41,750
Culture and recreation	1,148,355	-	-	-	1,148,355
Welfare	28,937	-	-	194,505	223,442
Urban rehabilitation	66,970	-	-	-	66,970
Capital outlay	1,125,453	517,804	4,067,946	-	5,711,203
Debt service					
Principal retirement	1,060,635	-	-	395,000	1,455,635
Interest and fees	386,535	-	-	293,906	680,441
Issuance of debt costs	63,415	-	-	-	63,415
Total expenditures	<u>8,987,950</u>	<u>517,804</u>	<u>4,068,153</u>	<u>966,993</u>	<u>14,540,900</u>
Excess/(Deficiency) of revenues over/(under) expenditures	<u>\$ 2,421,242</u>	<u>\$ (134,991)</u>	<u>\$ (4,018,359)</u>	<u>\$ (652,993)</u>	<u>\$ (2,385,101)</u>

See notes to financial statements.

CITY OF VALLEY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2020
(Continued)

	General Fund	Community Development Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)					
Proceeds from sale of capital assets	\$ 258,720	\$ -	\$ -	\$ -	\$ 258,720
Proceeds from the sale of municipal property	17,565	-	-	-	17,565
Proceeds from sale of timber	-	-	-	105,750	105,750
Issuance of warrants	13,568,070	-	-	-	13,568,070
Proceeds used to refund debt	(8,562,226)	-	-	(204,910)	(8,767,136)
Transfers (out) in	(5,708,925)	50	4,951,575	788,316	31,016
Total other financing sources (uses)	<u>(426,796)</u>	<u>50</u>	<u>4,951,575</u>	<u>689,156</u>	<u>5,213,985</u>
Net change in fund balance	1,994,446	(134,941)	933,216	36,163	2,828,884
Fund balance - beginning of year	<u>3,169,730</u>	<u>124,630</u>	<u>4,998,477</u>	<u>1,135,074</u>	<u>9,427,911</u>
Fund balance - end of year	<u>\$ 5,164,176</u>	<u>\$ (10,311)</u>	<u>\$ 5,931,693</u>	<u>\$ 1,171,237</u>	<u>\$ 12,256,795</u>

See notes to financial statements.

CITY OF VALLEY
Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Year ended September 30, 2020

Net changes in fund balances - governmental funds \$ 2,828,884

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

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

Capital outlay	5,711,203	
Less depreciation expense	(1,453,102)	4,258,101

The proceeds from the sale of capital assets (\$258,720) are reported as other financing sources in the governmental funds. However, the net book value of the capital assets (\$109,957) is removed from the capital assets account in the Statement of Net Position and offsets against the sales proceeds resulting in a gain in the Statement of Activities of (\$148,763). (148,763)

Donations of capital assets do not provide current financial resources and are not recorded in governmental funds. However, donations of capital assets increase net position. 10,000

Revenues previously recorded in the Statement of Activities that provide current financial resources are reported as revenues in the funds. (277,200)

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

Principal retirement	1,455,635	
Proceeds used to refund debt	8,562,226	
Deferred refunding costs	240,271	
Issuance of warrants	(13,568,070)	
Bond discount amortization expense	(178,314)	(3,488,252)

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

Net increase in accrued compensated absences	(15,294)	
Net increase in pension expense	(111,920)	
Decrease in accrued interest	13,499	(113,715)

Change in net position - governmental activities \$ 3,069,055

See notes to financial statements.

CITY OF VALLEY
Statement of Net Position
Proprietary Fund
September 30, 2020

	Solid Waste Collection
Assets	
Current assets	
Cash and cash equivalents	\$ 275,960
Other receivable	1,726
Prepaid expenses	1,470
Total current assets	279,156
Total assets	279,156
Deferred outflows of resources	
Deferred outflows related to pensions	12,000
Total deferred outflows of resources	12,000
Total assets and deferred outflows of resources	\$ 291,156
Liabilities	
Current liabilities	
Accounts payable	\$ 87,441
Accrued payroll and benefits	4,124
Due to other funds	58,613
Compensated absences	2,485
Total current liabilities	152,663
Noncurrent liabilities	
Net pension liability	12,926
Total noncurrent liabilities	12,926
Total liabilities	165,589
Deferred inflows of resources	
Deferred inflows related to pensions	3,150
Total deferred inflows of resources	3,150
Net position	
Unrestricted	122,417
Total net position	122,417
Total liabilities, deferred inflows of resources and net position	\$ 291,156

See notes to financial statements.

CITY OF VALLEY
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year ended September 30, 2020

	Solid Waste Collection
Operating revenues	
Charges for services	\$ 796,861
Total operating revenues	796,861
Operating expenses	
Salaries	63,801
Employee benefits	13,427
Payroll taxes	4,825
Contract services - garbage pickup	639,873
Utilities and telephone	614
Supplies	9,886
Maintenance and repairs	2,600
Insurance	1,425
Other	8,403
Total operating expenses	744,854
Operating income	52,007
Non-operating revenues	
Interest income	1,605
Total non-operating revenues	1,605
Income before transfers	53,612
Transfers out	(31,016)
Change in net position	22,596
Net position, beginning of year	99,821
Net position, end of year	\$ 122,417

See notes to financial statements.

CITY OF VALLEY
Statement of Cash Flows
Proprietary Fund
Year ended September 30, 2020

	Solid Waste Collection
Cash flows from operating activities	
Cash received from customers	\$ 819,067
Cash paid to suppliers for goods and services	(79,237)
Cash paid to employees	(683,881)
Net cash provided by operating activities	55,949
Cash flows from noncapital financing activities	
Transfers to other funds	(31,016)
Due to City of Valley	41,153
Net cash provided by noncapital financing activities	10,137
Cash flows from investing activities	
Interest on cash and investments	1,605
Net cash provided by investing activities	1,605
Net increase in cash and cash equivalents	67,691
Cash and cash equivalents at beginning of year	208,269
Cash and cash equivalents at end of year	\$ 275,960
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 52,007
Adjustment to reconcile operating income to net cash provided by operating activities:	
Bad debt expense	(22,206)
Increase (decrease) in:	
Accounts receivable	22,206
Prepaid expenses	(156)
Deferred outflows of resources for pensions	(601)
(Increase) decrease in:	
Accounts payable	1,126
Accrued payroll and benefits	1,298
Net pension liability	9,054
Deferred inflows	(6,779)
Net cash provided by operating activities	\$ 55,949

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The City's reporting entity applies all relevant GASB pronouncements. In preparing the financial statements, management evaluated subsequent events through March 12, 2021, the date the financial statements were available to be issued. The more significant of these accounting policies are described below.

Financial Reporting Entity

As required by GAAP, these financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The City has no blended component units.

Discretely Presented Component Unit - There is one discretely presented component unit of the City of Valley: The City of Valley Historic Preservation Commission.

The City of Valley Historic Preservation Commission

The City of Valley Historic Preservation Commission seeks to preserve the rich textile-mill heritage of the City and the history of the four mill villages that comprise what is now the City of Valley. The Commission's ten board members are appointed by the City's Mayor. The Commission did not receive any appropriations from the City for the year ended, September 30, 2020.

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

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

The Industrial Development Authority of Chambers County

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Reporting Entity - Continued

The East Alabama Regional Solid Waste Disposal Authority

The East Alabama Regional Solid Waste Disposal Authority is a corporation created to provide for the collection and disposal of solid waste and to encourage planning for disposal of solid waste and resource recovery in East Alabama. The organization is governed by a twelve-member board composed of one appointee from each of the various municipalities and counties in the area. The City appoints one board member. The East Alabama Regional Solid Waste Disposal Authority did not receive any appropriations from the City for the year ended September 30, 2020.

Government-Wide and Fund Financial Statements

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

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

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

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

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting

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

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

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

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

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

Basis of Presentation - Fund-Level Financial Statements

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Fund-Level Financial Statements - Continued

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

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.

Capital Project Fund - This fund is used to account for the City's improvements and construction of large City projects, including roads, road extensions and improvements to the surrounding area.

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

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

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

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

The City reports the following major proprietary fund:

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

Use of Estimates

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

Cash and Cash Equivalents

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents - Continued

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

Allowance for Uncollectible Accounts

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

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as expenditures when made in the governmental funds and are recorded as prepaid items in the government-wide financial statements.

Restricted Cash and Cash Equivalents

Restricted assets include cash and cash equivalents restricted for repayment of debt service on certain debt issued for the City of Valley. These funds are held in escrow accounts deposited with a trustee as cash. At September 30, 2020, the escrow accounts totaled \$0.

Interfund Transfers, Receivables and Payables

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

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

Capital Assets

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Continued

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

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

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

The City's statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to future periods and so will not be recognized as an inflow of resources until that time. Deferred inflows of resources reported in the financial statements represent the net difference between projected and actual earnings on Plan investments and changes in actuarial assumptions.

Long-term Obligations

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

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences

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

Pensions

The Employees' Retirement Systems of Alabama (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. The last year for which actuarial information is available is for the fiscal year ended September 30, 2019 and, therefore, this actuarial information is reported in the 2020 financial statements.

Net Position

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

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

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

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

Fund Balance

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

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

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balance - Continued

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

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

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

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The deficit fund equities of \$5,085 in the Senior Center fund and \$10,311 in the Community Development fund are the result of revenues being inadequate to cover expenditures. This deficit is offset through interfund borrowings from the general fund.

NOTE 3 - RECEIVABLES AND PAYABLES

Receivables consisted of the following at September 30, 2020:

	Governmental Activities	Business-type Activities	Total
Taxes			
Sales	\$ 726,521	\$ -	\$ 726,521
Intergovernmental	273,805	-	273,805
Customers	-	7,616	7,616
Other	87,126	1,726	88,852
Gross receivables	<u>1,087,452</u>	<u>9,342</u>	<u>1,096,794</u>
Less: allowance for uncollectible accounts	-	(7,616)	(7,616)
Net receivables	<u>\$ 1,087,452</u>	<u>\$ 1,726</u>	<u>\$ 1,089,178</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 3 - RECEIVABLES AND PAYABLES - Continued

Payables consisted of the following at September 30, 2020:

	Governmental Activities	Business-type Activities	Total
Trade	\$ 1,291,582	\$ 87,441	\$ 1,379,023
Net payables	\$ 1,291,582	\$ 87,441	\$ 1,379,023

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables consisted of the following at September 30, 2020:

General Fund		
Balance due from Major Governmental Funds		\$ 10,876
Balance due to Major Governmental Funds		(176,105)
Balance due from Nonmajor Governmental Funds		35,558
Balance due to Nonmajor Governmental Funds		(95,000)
Balance due from Solid Waste		58,613
		(166,058)
Major Governmental Funds		
Balance due from General Fund		176,105
Balance due to General Fund		(10,876)
		165,229
Nonmajor Governmental Funds		
Balance due from General Fund		95,000
Balance due to General Fund		(35,558)
		59,442
Solid Waste		
Balance due to General Fund		(58,613)
		\$ -

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued

Transfers between funds consisted of the following during the year ended September 30, 2020:

	Transfers In (Out)					Net Transfers Out (In)
	General	Special Revenue	Capital Projects	Debt Service	Community Development	
Transfers Out (In)						
General Fund	\$ -	\$ 154,994	\$ 4,951,575	\$ 633,322	\$ 50	\$ 5,739,941
Special Revenue	(154,994)	-	-	-	-	(154,994)
Capital Projects	(4,951,575)	-	-	-	-	(4,951,575)
Debt Service	(633,322)	-	-	-	-	(633,322)
Community Dev.	(50)	-	-	-	-	(50)
Solid Waste	31,016	-	-	-	-	31,016
Net Transfers In (Out)	\$ (5,708,925)	\$ 154,994	\$ 4,951,575	\$ 633,322	\$ 50	\$ 31,016

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 5 - CAPITAL ASSETS

Capital asset activity for governmental activities consisted of the following for the year ended September 30, 2020:

	Governmental Activities				September 30, 2020
	October 1, 2019	Additions	Disposals	Transfers (Out)/In	
Depreciable assets					
Buildings and improvements	\$ 18,266,497	\$ 54,787	\$ -	\$ -	\$ 18,321,284
Equipment	4,057,465	389,428	62,998	(96,306)	4,287,589
Infrastructure	14,740,585	18,543	-	-	14,759,128
	<u>37,064,547</u>	<u>462,758</u>	<u>62,998</u>	<u>(96,306)</u>	<u>37,368,001</u>
Less accumulated depreciation					
Buildings and improvements	7,582,639	539,367	-	-	8,122,006
Equipment	2,810,471	423,036	140,402	(81,855)	3,011,250
Infrastructure	3,218,180	490,699	-	-	3,708,879
Assets held for sale	-	-	-	81,855	81,855
	<u>13,611,290</u>	<u>1,453,102</u>	<u>140,402</u>	<u>-</u>	<u>14,923,990</u>
	<u>23,453,257</u>	<u>(990,344)</u>	<u>(77,404)</u>	<u>(96,306)</u>	<u>22,444,011</u>
Non-depreciable assets					
Land and improvements	9,082,997	346,466	187,362	-	9,242,101
Construction in progress	300,662	4,911,980	-	-	5,212,642
Assets held for sale	-	-	-	96,306	96,306
	<u>9,383,659</u>	<u>5,258,446</u>	<u>187,362</u>	<u>96,306</u>	<u>14,551,049</u>
	<u>\$ 32,836,916</u>	<u>\$ 4,268,102</u>	<u>\$ 109,958</u>	<u>\$ -</u>	<u>\$ 36,995,060</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 5 - CAPITAL ASSETS - Continued

Capital asset activity for business-type activities consisted of the following for the year ended September 30, 2020:

	Business-type Activities				September 30, 2020
	October 1, 2019	Additions	Disposals	Transfers (Out)/In	
Depreciable assets					
Equipment	\$ 30,486	\$ -	\$ -	\$ -	\$ 30,486
Less accumulated depreciation					
Equipment	30,486	-	-	-	30,486
	\$ -	\$ -	\$ -	\$ -	\$ -

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

Governmental activities	
General government	\$ 329,744
Public safety	130,349
Public works	465,855
Culture and recreation	521,964
Welfare	5,190
	\$ 1,453,102
Business-type activities	
General government	\$ -

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 6 - PENSION PLAN

General Information about the Pension Plan

Plan Description

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Benefits Provided

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 6 - PENSION PLAN - Continued

Benefits Provided - Continued

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

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to but not yet receiving benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active members	55,222
Post-DROP participants who are still in active service	98
	93,986

The City's membership as of the measurement date of September 30, 2019 consisted of:

Retired members or their beneficiaries currently receiving benefits	31
Vested inactive members	3
Non-vested inactive members	13
Active members	75
	122

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 6 - PENSION PLAN - Continued

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2020, the City's active employee contribution rate was 5.78% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 4.67% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2020 was 5.86% of pensionable pay for Tier 1 employees, and 3.43% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$146,692 for the year ended September 30, 2020.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 6 - PENSION PLAN - Continued

Net Pension Liability

The City's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018 rolled forward to September 30, 2019 using standard roll-forward techniques as shown in the following table:

	Expected	TPL Roll-Forward Actual
(a) Total Pension Liability as of September 30, 2018	\$ 10,083,099	\$ 10,041,041
(b) Discount Rate	7.70%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2018 - September 30, 2019	299,014	299,014
(d) Transfers Among Employers:	-	(103,448)
(e) Actual Benefit Payments and Refunds for the period October 1, 2018 - September 30, 2019	(573,787)	(573,787)
(f) Total Pension Liability as of September 30, 2019 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	\$ 10,562,634	\$ 10,413,889
(g) Difference between Expected and Actual:		\$ (148,745)
(h) Less Liability Transferred for Immediate Recognition:		(103,448)
(i) Experience (Gain)/Loss = (g) - (h)		\$ (45,297)

Actuarial Assumptions

The total pension liability as of September 30, 2019 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018. The key actuarial assumptions are summarized below:

1. An investment rate of return of 7.70% (net of pension plan investment expense), including inflation at 2.75%, per annum compounded annually on the investment of present and future assets.
2. Projected salary increases, based on age, ranging from 3.25% to 5.00%.

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 6 - PENSION PLAN - Continued

Actuarial Assumptions - Continued

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
	100%	

*Includes assumed rate of inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 6 - PENSION PLAN - Continued

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2018	\$ 10,083,099	\$ 9,864,688	\$ 218,411
Changes for the year:			
Service cost	299,014	-	299,014
Interest	754,308	-	754,308
Changes of assumptions	-	-	-
Difference between expected and actual experience	(45,296)	-	(45,296)
Contributions - employer	-	142,662	(142,662)
Contributions - employee	-	178,057	(178,057)
Net investment income	-	248,729	(248,729)
Benefits of payments, including refunds of employee contributions	(573,787)	(573,787)	-
Transfers among employers	(103,448)	(103,448)	-
Net changes:	330,791	(107,787)	438,578
Balances at September 30, 2019	<u>\$ 10,413,890</u>	<u>\$ 9,756,901</u>	<u>\$ 656,989</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's net pension liability calculated using the discount rate of 7.70%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.70%) or one-percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Plan's Net Pension Liability (Asset)	\$ 1,899,303	\$ 656,989	\$ (389,335)

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 6 - PENSION PLAN - Continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditors’ report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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

For the year ended September 30, 2020, the City recognized pension expense of \$260,285. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 159,913	\$ 218,460
Changes of assumptions	197,536	-
Net difference between projected and actual earnings on pension plan investments	119,849	-
Employer contributions subsequent to the measurement date	146,692	-
	\$ 623,990	\$ 218,460

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

	Deferred Outflows of Resources
2021	\$ 25,478
2022	50,134
2023	106,351
2024	73,104
2025	7,888
Thereafter	(4,118)

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 7 - COMMITMENTS

The City leases certain office equipment under noncancelable operating lease agreements. Rent expense paid under the lease agreements during the year ended September 30, 2020 totaled \$10,478. At September 30, 2020, future minimum lease payments due under operating lease agreements for the next three years are as follows:

2021		\$	8,475
2022			4,672
2023			2,209
			15,356
		\$	15,356

NOTE 8 - LONG-TERM DEBT

The general obligation warrant issues consisted of the following at September 30, 2020:

	<u>Governmental Activities</u>
Series 2017 General Obligation Warrants, dated August 30, 2017, due in monthly payments through September 1, 2032, bearing an interest rate of 2.69%	\$ 5,084,298
Series 2018 General Obligation Warrants, dated October 9, 2018, due in monthly payments through October 10, 2023, bearing an interest rate of 2.47%	6,691,993
Series 2019 General Obligation Warrants, dated October 30, 2019, due in monthly payments through October 30, 2034, bearing an interest rate of 2.78%	4,751,713
Series 2020 General Obligation Warrants, dated September 15, 2020, due in monthly payments through September 15, 2035, bearing an interest rate of 3.31%	8,568,070
Total warrants payable	25,096,074
Total warrants payable, net	\$ 25,096,074

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 8 - LONG-TERM DEBT - Continued

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

	Principal	Interest
2021	\$ 1,385,155	\$ 711,560
2022	1,579,437	668,016
2023	1,625,341	622,114
2024	1,670,988	576,464
2025	1,721,202	526,255
2026 - 2030	9,386,377	1,850,893
2031 - 2035	7,727,574	491,913
	\$ 25,096,074	\$ 5,447,215

Changes in long-term liabilities for governmental activities consisted of the following at September 30, 2020:

Governmental Activities	October 1, 2019	Additions	Retirements	September 30, 2020	Due within one year
Warrants payable:					
General obligation warrants	\$ 21,545,865	\$ 13,568,070	\$ 10,017,861	\$ 25,096,074	\$ 1,385,155
Less: bond discounts	(106,345)	-	(106,345)	-	-
Total warrants payable	21,439,520	13,568,070	9,911,516	25,096,074	1,385,155
Other liabilities:					
Net pension liability	214,540	429,523	-	644,063	-
Compensated absences	69,499	15,294	-	84,793	84,793
	\$ 21,723,559	\$ 14,012,887	\$ 9,911,516	\$ 25,824,930	\$ 1,469,948

Changes in long-term liabilities for business-type activities consisted of the following at September 30, 2020:

Business-type Activities	October 1, 2019	Additions	Retirements	September 30, 2020	Due within one year
Other liabilities:					
Net pension liability	\$ 3,872	\$ 9,054	\$ -	\$ 12,926	\$ -
Compensated absences	2,485	-	-	2,485	2,485
	\$ 6,357	\$ 9,054	\$ -	\$ 15,411	\$ 2,485

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 8 - LONG-TERM DEBT - Continued

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 municipality. General obligation warrants are also issued to refund general obligation warrants.

The City issued \$6,115,000 of General Obligation Warrants, Series 2017 dated August 30, 2017. The bonds were issued for the following purposes: (1) \$1,481,551 of its proceeds were used to defease the remaining outstanding balance of the Series 2013 bonds, (2) financing the costs of the Capital Improvements and the Economic Development Project, and (3) paying the costs of issuance of the Warrant in the amount of \$22,500. The Series 2017 bonds mature monthly on the 1st day of each month beginning on October 1, 2017 through September 1, 2032. Interest is payable with each payment at a rate of 2.69% per annum, subject to an adjustment set forth in the Warrant agreement. At September 30, 2020, the outstanding balance of the Series 2017 bonds totaled \$5,084,298.

The City issued \$7,500,000 of General Obligation Warrants, Series 2018 dated October 9, 2018. The bonds were issued for the following purposes: (1) \$1,978,822 of its proceeds were used to defease the remaining outstanding balance on the Series 2015 bonds, (2) financing the costs of acquiring and constructing Series 2018 Capital Improvements for \$5,501,178, and (3) legal, accounting and miscellaneous issuance expenses in the amount of \$20,000. The Series 2018 bonds mature monthly on the 10th day of each month beginning on November 10, 2018 through September 10, 2033. Interest is payable with each payment at a rate of 2.47% per annum, subject to an adjustment set forth in the Warrant agreement. At September 30, 2020, the outstanding balance of the Series 2018 bonds totaled \$6,691,993.

The City issued \$5,000,000 of General Obligation Warrants, Series 2019 dated October 30, 2019. The bonds were issued for the following purposes: (1) financing certain capital improvements in the City and (2) the costs of issuing the Warrant in the amount of \$30,000. The Series 2019 bonds mature monthly on the 30th day of each month beginning on November 30, 2019 through September 30, 2034. Interest is payable with each payment at a rate of 2.78% per annum, subject to an adjustment set forth in the Warrant agreement. At September 30, 2020, the outstanding balance of the Series 2019 bonds totaled \$4,751,713.

The City issued \$8,568,070 of General Obligation Warrants, Series 2020 dated September 15, 2020. The bonds were issued for the following purposes: (1) \$8,534,655 of its proceeds were used to defease the remaining outstanding balance on the Series 2014 bonds, and (2) the costs of issuing the Warrant in the amount of \$33,415. The Series 2020 bonds have an interest only period of four months beginning on October 15, 2020 through January 15, 2021. After the interest period, the bonds mature monthly on the 15th of each month beginning on February 15, 2021 through September 15, 2035. Interest is payable with each payment at a rate of 3.31% per annum, subject to an adjustment set forth in the Warrant agreement. The Series 2014 bond, advance refunded by the Series 2020 bonds, carried a deferred amount of refunding costs that were associated with the refunding of the Series 2007 bond. The amount carried forward to the Series 2020 bond for deferred refunding from the Series 2014 bonds is \$996,539. The amount added to deferred refunding costs by the issuance of the Series 2020 bonds is \$240,270 for a total in deferred refunding costs of \$1,236,809. This amount has been recorded in the Statement of Net Position as Deferred Outflows of Resources and will be amortized over the life of the Series 2020 bonds using the straight-line method. Additionally, the City reduced its total debt service payments, which resulted in an economic gain (the difference between the present value of the debt service payments on the 2014 and 2020 warrants) totaling approximately \$240,000. At September 30, 2020, the outstanding balance of the Series 2020 bonds totaled \$8,568,070.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2020
(Continued)

NOTE 9 - CONTINGENCIES

The City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed or not incurred in a timely manner under the terms of the grant. City management believes such disallowances, if any, would be immaterial.

NOTE 10 - SUBSEQUENT EVENT

In January 2021, the City issued General Obligation Warrants, Series 2021 Bonds in the amount of \$8,568,070 in order to refund the General Obligation Warrants, Series 2020 Bonds. The warrants pay interest at a fixed rate of 2.48%, due monthly until maturity in October 2035.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VALLEY
 Budgetary Comparison Schedule - General Fund
 Year ended September 30, 2020
 (UNAUDITED)

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Sales and miscellaneous	\$ 7,000,000	\$ 7,000,000	\$ 7,923,261	\$ 923,261
Other	512,300	512,300	554,202	41,902
Licenses and permits	1,758,000	1,758,000	1,814,892	56,892
Intergovernmental	1,184,200	1,184,200	705,932	(478,268)
Charges for services	470,850	470,850	320,641	(150,209)
Fines and forfeitures	46,000	47,946	41,515	(6,431)
Contributions	41,200	49,249	26,036	(23,213)
Interest	18,000	18,000	22,713	4,713
Other	150	150	-	(150)
Total revenue	<u>11,030,700</u>	<u>11,040,695</u>	<u>11,409,192</u>	<u>368,497</u>
Expenditures, current				
General government	2,280,865	2,280,865	1,703,875	(576,990)
Public safety	2,319,521	2,300,802	2,191,550	(109,252)
Public works	1,310,600	1,310,600	1,170,475	(140,125)
Health and sanitation	42,000	42,000	41,750	(250)
Culture and recreation	1,331,150	1,340,769	1,148,355	(192,414)
Welfare	21,318	31,318	28,937	(2,381)
Urban rehabilitation	85,000	85,000	66,970	(18,030)
Capital outlay	907,663	918,363	1,125,453	207,090
Debt service				
Principal retirement	960,810	960,810	1,060,635	99,825
Interest and fees	410,125	410,125	386,535	(23,590)
Issuance of debt costs	-	-	63,415	63,415
Total expenditures	<u>9,669,052</u>	<u>9,680,652</u>	<u>8,987,950</u>	<u>(692,702)</u>
Excess of revenues over expenditures	<u>1,361,648</u>	<u>1,360,043</u>	<u>2,421,242</u>	<u>1,061,199</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	258,720	258,720
Proceeds from sale of municipal property	-	-	17,565	17,565
Issuance of warrants	-	-	13,568,070	13,568,070
Proceeds used to refund debt	-	-	(8,562,226)	(8,562,226)
Transfers (out) in	(1,226,049)	(1,226,049)	(5,708,925)	(4,482,876)
Total other financing sources (uses)	<u>(1,226,049)</u>	<u>(1,226,049)</u>	<u>(426,796)</u>	<u>799,253</u>
Net change in fund balance	<u>\$ 135,599</u>	<u>\$ 133,994</u>	<u>\$ 1,994,446</u>	<u>\$ 1,860,452</u>

See note to required supplementary information.

CITY OF VALLEY
 Budgetary Comparison Schedule – Community Development Fund
 Year ended September 30, 2020
 (UNAUDITED)

	<u>Budgeted Amounts</u>		Actual GAAP Basis	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental				
CDBG Funds ADECA	\$ 1,350,000	\$ 1,350,000	\$ 236,883	\$ (1,113,117)
Grant Funds-ARC	450,000	450,000	50,686	(399,314)
Local Match EAW	1,440,000	1,440,000	94,589	(1,345,411)
Interest	-	-	655	655
Total revenue	<u>3,240,000</u>	<u>3,240,000</u>	<u>382,813</u>	<u>(2,857,187)</u>
Expenditures, current				
Sewer Improvements	3,590,000	3,590,000	517,804	(3,072,196)
Total expenditures	<u>3,590,000</u>	<u>3,590,000</u>	<u>517,804</u>	<u>(3,072,196)</u>
Deficiency of revenues under expenditures	<u>(350,000)</u>	<u>(350,000)</u>	<u>(134,991)</u>	<u>215,009</u>
Other financing sources (uses)				
Transfers (out) in	-	-	50	50
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
Net change in fund balance	<u>\$ (350,000)</u>	<u>\$ (350,000)</u>	<u>\$ (134,941)</u>	<u>\$ 215,059</u>

See note to required supplementary information.

CITY OF VALLEY
Note to Required Supplementary Information
Budgetary Practices
September 30, 2020
(UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT BUDGETARY PRACTICES

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

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

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

CITY OF VALLEY
Schedule of Changes in the Net Pension Liability
Years ended September 30, 2014 through 2019
(UNAUDITED)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total pension liability										
Service cost	\$ 299,014	\$ 291,268	\$ 291,928	\$ 270,926	\$ 250,225	\$ 258,426				
Interest	754,308	712,689	694,594	635,629	587,268	555,700				
Differences between expected and actual experience	(45,296)	70,680	(322,155)	158,494	171,082	-				
Changes of assumptions	-	54,711	-	378,109	-	-				
Benefit payments, including refunds of employee contributions	(573,787)	(437,492)	(484,960)	(379,250)	(428,888)	(410,154)				
Transfers among employees	(103,448)	(23,486)	30,339	6,088	-	-				
Net change in total pension liability	330,791	668,370	209,746	1,069,996	579,687	403,972				
Total pension liability - beginning	10,083,099	9,414,729	9,204,983	8,134,987	7,555,300	7,151,328				
Total pension liability - ending (a)	\$ 10,413,890	\$ 10,083,099	\$ 9,414,729	\$ 9,204,983	\$ 8,134,987	\$ 7,555,300				
Plan fiduciary net position										
Contributions - employer	142,663	\$ 169,507	\$ 160,560	\$ 164,716	\$ 146,549	\$ 143,323				
Contributions - member	178,057	220,070	218,188	177,318	163,504	151,007				
Net investment income	248,729	838,640	1,036,931	753,471	86,959	788,943				
Benefit payments, including refunds of employee contributions	(573,787)	(437,492)	(484,960)	(379,250)	(428,888)	(410,154)				
Transfers among employers	(103,448)	(23,486)	30,339	6,088	113,442	52,310				
Net change in plan fiduciary net position	(107,786)	767,239	961,058	722,343	81,566	725,429				
Plan net position - beginning	9,864,688	9,097,449	8,136,390	7,414,047	7,332,481	6,607,052				
Plan net position - ending (b)	\$ 9,756,902	\$ 9,864,688	\$ 9,097,448	\$ 8,136,390	\$ 7,414,047	\$ 7,332,481				
Net pension liability (a) - (b)	\$ 656,988	\$ 218,411	\$ 317,281	\$ 1,068,593	\$ 720,940	\$ 222,819				
Plan fiduciary net position as a percentage of the total pension liability	93.69%	97.83%	96.63%	88.39%	91.14%	97.05%				
Covered payroll	\$ 2,958,624	\$ 3,312,210	\$ 3,144,900	\$ 3,140,417	\$ 2,915,994	\$ 2,648,355				
Net pension liability as a percentage of covered payroll	22.21%	6.59%	10.09%	34.03%	24.72%	8.41%				

NO INFORMATION AVAILABLE FOR THIS TIME PERIOD

See note to required supplementary information.

This schedule is required to present 10 years of information. However, until a 10-year trend is compiled we are presenting the information for those years for which information is available to us.

CITY OF VALLEY
 Schedule of Employer Contributions
 Years ended September 30, 2015 through 2020
 (UNAUDITED)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 135,929	\$ 137,228	\$ 157,625	\$ 160,560	\$ 164,716	\$ 146,549				
Contributions in relation to the actuarially determined contributions	168,085	148,174	157,625	160,560	164,716	146,549				
Contributions deficiency (excess)	\$ (32,156)	\$ (10,946)	\$ -	\$ -	\$ -	\$ -				
Covered payroll	\$ 2,908,854	\$ 2,958,624	\$ 3,312,210	\$ 3,144,900	\$ 3,140,417	\$ 2,915,994				
Contributions as a percentage of covered payroll	4.67%	4.64%	4.76%	5.11%	5.25%	5.03%				

NO INFORMATION AVAILABLE
FOR THIS TIME PERIOD

See note to required supplementary information.

This schedule is required to present 10 years of information. However, until a 10-year trend is compiled we are presenting the information for those years for which information is available to us.

CITY OF VALLEY
Note to Required Supplementary Information
Pension Plan Practices
September 30, 2020
(UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT PENSION PLAN PRACTICES

Actuarially determined contribution rates are calculated as of September 30, 2017, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 01, 2019 to September 30, 2020:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	14.8 years
Asset valuation method	Five-year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

SUPPLEMENTARY INFORMATION

CITY OF VALLEY
Nonmajor Special Revenue Funds
September 30, 2020

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

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

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

Ten-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.

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, 2020

	\$.07 State Gas Tax	\$.04 State Gas Tax	\$.10 State Gas Tax	Senior Center	Cemetery	Total Nonmajor Special Revenue Funds
Assets						
Cash and cash equivalents	\$ 111,421	\$ 80,957	\$ 41,842	\$ 19,921	\$ 55,345	\$ 309,486
Taxes receivable, net	9,827	7,742	7,967	-	-	25,536
Other receivables	-	-	-	6,588	50	6,638
Prepaid expense	-	-	-	4,364	-	4,364
Due from other funds	5,000	-	-	-	-	5,000
	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Total assets	<u>\$ 126,248</u>	<u>\$ 88,699</u>	<u>\$ 49,809</u>	<u>\$ 30,873</u>	<u>\$ 55,395</u>	<u>\$ 351,024</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,243	\$ -	\$ 1,243
Accrued payroll and benefits	-	-	-	4,632	-	4,632
Due to other funds	5,073	-	-	30,083	402	35,558
Total liabilities	<u>5,073</u>	<u>-</u>	<u>-</u>	<u>35,958</u>	<u>402</u>	<u>41,433</u>
Fund balance (deficit)						
Restricted	121,175	88,699	49,809	-	54,993	314,676
Unassigned	-	-	-	(5,085)	-	(5,085)
Total fund balance (deficit)	<u>121,175</u>	<u>88,699</u>	<u>49,809</u>	<u>(5,085)</u>	<u>54,993</u>	<u>309,591</u>
Total liabilities and fund balance	<u>\$ 126,248</u>	<u>\$ 88,699</u>	<u>\$ 49,809</u>	<u>\$ 30,873</u>	<u>\$ 55,395</u>	<u>\$ 351,024</u>

See notes to financial statements.

CITY OF VALLEY
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year ended September 30, 2020

	\$.07 State Gas Tax	\$.04 State Gas Tax	\$.10 State Gas Tax	Senior Center	Cemetery	Total Nonmajor Special Revenue Funds
Revenues						
Taxes - intergovernmental	\$ 59,443	\$ 46,066	\$ 49,606	\$ -	\$ -	\$ 155,115
Other - intergovernmental	-	-	-	25,716	-	25,716
Contributions	-	-	-	9,745	7,540	17,285
Interest	528	360	103	80	330	1,401
Other	-	-	-	-	10,900	10,900
Total revenues	<u>59,971</u>	<u>46,426</u>	<u>49,709</u>	<u>35,541</u>	<u>18,770</u>	<u>210,417</u>
Expenditures						
Public works	4,099	-	-	-	-	4,099
Welfare	-	-	-	172,670	21,835	194,505
Total expenditures	<u>4,099</u>	<u>-</u>	<u>-</u>	<u>172,670</u>	<u>21,835</u>	<u>198,604</u>
Excess (deficiency) of revenues over (under) expenditures	<u>55,872</u>	<u>46,426</u>	<u>49,709</u>	<u>(137,129)</u>	<u>(3,065)</u>	<u>11,813</u>
Other financing sources						
Transfers in	23	-	-	154,582	389	154,994
Total other financing (uses) sources	<u>23</u>	<u>-</u>	<u>-</u>	<u>154,582</u>	<u>389</u>	<u>154,994</u>
Net change in fund balance (deficit)	55,895	46,426	49,709	17,453	(2,676)	166,807
Fund balance (deficit) - beginning of year	<u>65,280</u>	<u>42,273</u>	<u>100</u>	<u>(22,538)</u>	<u>57,669</u>	<u>142,784</u>
Fund balance (deficit) - end of year	<u>\$ 121,175</u>	<u>\$ 88,699</u>	<u>\$ 49,809</u>	<u>\$ (5,085)</u>	<u>\$ 54,993</u>	<u>\$ 309,591</u>

See notes to financial statements.

CITY OF VALLEY
Nonmajor Capital Project Funds
September 30, 2020

Non-Major Capital Project Funds - Non-Major Capital Project Funds are used to account for the acquisition and improvement of major capital assets of the City.

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

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

CITY OF VALLEY
Combining Balance Sheet
Nonmajor Capital Project Funds
September 30, 2020

	Municipal Government Capital Improvement	Industrial Park	Total Nonmajor Capital Project Funds
Assets			
Cash and cash equivalents	\$ 184,276	\$ 588,428	\$ 772,704
Due from other funds	90,000	-	90,000
Total assets	\$ 274,276	\$ 588,428	\$ 862,704
Liabilities			
Accounts payable	\$ -	\$ 1,058	\$ 1,058
Total liabilities	-	1,058	1,058
Fund balance			
Assigned for capital projects	274,276	587,370	861,646
Total fund balance	274,276	587,370	861,646
Total liabilities and fund balance	\$ 274,276	\$ 588,428	\$ 862,704

See notes to financial statements.

CITY OF VALLEY
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Project Funds
Year ended September 30, 2020

	Municipal Government Capital Improvement	Industrial Park	Total Nonmajor Capital Project Funds
Revenues			
Other - intergovernmental	\$ 94,072	\$ -	\$ 94,072
Interest	905	3,886	4,791
Other	-	2,667	2,667
Total revenues	<u>94,977</u>	<u>6,553</u>	<u>101,530</u>
Expenditures			
Public works	120	79,363	79,483
Total expenditures	<u>120</u>	<u>79,363</u>	<u>79,483</u>
Excess (deficiency) of revenues over (under) expenditures	<u>94,857</u>	<u>(72,810)</u>	<u>22,047</u>
Other financing uses			
Proceeds from sale of timber	-	105,750	105,750
Total other financing uses	<u>-</u>	<u>105,750</u>	<u>105,750</u>
Net change in fund balance	94,857	32,940	127,797
Fund balance - beginning of year	<u>179,419</u>	<u>554,430</u>	<u>733,849</u>
Fund balance - end of year	<u>\$ 274,276</u>	<u>\$ 587,370</u>	<u>\$ 861,646</u>

See notes to financial statements.

CITY OF VALLEY
Nonmajor Debt Service Funds
September 30, 2020

Nonmajor Debt Service Funds - Non-Major Debt Service Funds are used to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt. Debt service revenues are generally transferred from other governmental funds.

CITY OF VALLEY
Combining Balance Sheet
Nonmajor Debt Service Funds
September 30, 2020

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

See notes to financial statements.

CITY OF VALLEY
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
Year ended September 30, 2020

	Debt Service
Revenues	
Interest	\$ 2,053
Total revenues	2,053
Expenditures	
Debt service	
Principal retirement	395,000
Interest and fees	293,906
Total expenditures	688,906
Deficiency of revenues under expenditures	(686,853)
Other financing sources	
Transfers in	633,322
Proceeds used to refund debt	(204,910)
Total other financing sources	428,412
Net change in fund balance	(258,441)
Fund balance - beginning of year	258,441
Fund balance - end of year	\$ -

See notes to financial statements.

CITY OF VALLEY
Discretely Presented Component Unit
September 30, 2020

Discretely Presented Component Unit - The City of Valley Historic Preservation Commission is a discretely presented component unit of the City of Valley. The Commission's ten board members are appointed by the City's Mayor and receives funding from the City.

CITY OF VALLEY
Statement of Net Position
Discretely Presented Component Unit
September 30, 2020

Assets

Current assets

Cash and cash equivalents \$ 64,182

Total assets \$ 64,182

Liabilities

Current liabilities

Accounts payable \$ 2,023

Total liabilities 2,023

Net position

Restricted - Cemetery 43,392

Unrestricted 18,767

Total net position 62,159

Total liabilities and net position \$ 64,182

See notes to financial statements.

CITY OF VALLEY
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit
Year ended September 30, 2020

Operating revenues	
Contributions and donations	\$ -
Total operating revenues	<u>-</u>
 Operating expenses	
Supplies and expenses	1,978
Total operating expenses	<u>1,978</u>
Change in net position	(1,978)
Net position - beginning of year	<u>64,137</u>
Net position - end of year	<u><u>\$ 62,159</u></u>

See notes to financial statements.

CITY OF VALLEY
Statement of Cash Flows
Discretely Presented Component Unit
Year ended September 30, 2020

Cash flows from operating activities

Cash paid to suppliers for services	\$ 45
Net cash provided by operating activities	<u>45</u>
Net increase in cash and cash equivalents	45
Cash and cash equivalents - beginning of year	<u>64,137</u>
Cash and cash equivalents - end of year	<u><u>\$ 64,182</u></u>

Reconciliation of operating loss to net cash provided by operating activities

Operating loss	\$ (1,978)
Adjustment to reconcile operating income to net cash provided by operating activities	
Increase in:	
Accounts payable	<u>2,023</u>
Net cash provided by operating activities	<u><u>\$ 45</u></u>

See notes to financial statements.

CITY OF VALLEY
Schedule of Debt Service
General Obligation Warrants
September 30, 2020

Year ending Sept 30,	General Obligation Warrants, Series 2020		General Obligation Warrants, Series 2019		General Obligation Warrants, Series 2018		General Obligation Warrants, Series 2017		Total General Long-term Debt		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2021	\$ 305,274	\$ 284,533	\$ 278,869	\$ 130,328	\$ 437,845	\$ 162,566	\$ 363,167	\$ 134,133	\$ 1,385,155	\$ 711,560	\$ 2,096,715
2022	470,472	270,073	286,832	122,366	448,936	151,474	373,197	124,103	1,579,437	668,016	2,247,453
2023	486,507	254,039	295,022	114,176	460,309	140,102	383,503	113,797	1,625,341	622,114	2,247,455
2024	502,422	238,122	303,147	106,050	471,612	128,799	393,807	103,493	1,670,988	576,464	2,247,452
2025	520,210	220,336	312,102	97,096	483,919	116,494	404,971	92,329	1,721,202	526,255	2,247,457
2026	537,939	202,606	321,013	88,185	496,176	104,235	416,155	81,145	1,771,283	476,171	2,247,454
2027	556,272	184,273	330,179	79,019	508,745	91,666	427,648	69,652	1,822,844	424,610	2,247,454
2028	574,768	165,778	339,409	69,788	521,413	78,998	439,296	58,004	1,874,886	372,568	2,247,454
2029	594,819	145,726	349,298	59,900	534,842	65,569	451,590	45,710	1,930,549	316,905	2,247,454
2030	615,091	125,455	359,271	49,926	548,391	52,020	464,062	33,238	1,986,815	260,639	2,247,454
2031	636,054	104,492	369,530	39,668	562,283	38,128	476,878	20,422	2,044,745	202,710	2,247,455
2032	657,497	83,048	379,996	29,202	576,459	23,952	490,024	7,275	2,103,976	143,477	2,247,453
2033	680,139	60,407	390,931	18,267	591,131	9,281	-	-	1,662,201	87,955	1,750,156
2034	703,319	37,227	402,093	7,105	49,932	103	-	-	1,155,344	44,435	1,199,779
2035	727,287	13,257	34,021	79	-	-	-	-	761,308	13,336	774,644
2036	-	-	-	-	-	-	-	-	-	-	-
	<u>\$8,568,070</u>	<u>\$2,389,372</u>	<u>\$4,751,713</u>	<u>\$1,011,155</u>	<u>\$6,691,993</u>	<u>\$1,163,387</u>	<u>\$5,084,298</u>	<u>\$ 883,301</u>	<u>\$25,096,074</u>	<u>\$ 5,447,215</u>	<u>\$30,543,289</u>

See notes to financial statements.