

CITY OF VALLEY
VALLEY, ALABAMA

Financial Statements

September 30, 2025

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
Desmond Reece	District 4
Kendall Andrews	District 5
Jolanda Barnes	District 6
Jimmy Gilson	District 7

**CITY TREASURER /
CITY CLERK**

Kathy Snowden

CITY ATTORNEY

Morrow & Nix, LLC, Attorneys-at-Law

CITY OF VALLEY
VALLEY, ALABAMA
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in fiscal year 2025 the City adopted new accounting guidance, *GASBS No. 101, Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

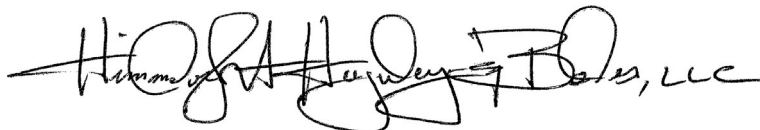
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, schedule of changes in the net pension liability, and the schedule of employer contributions information be presented to supplement the basic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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Valley, Alabama's, basic financial statements. The introductory section, 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, 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 23, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

City of Valley, Alabama

For the Year Ended September 30, 2025

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 \$4,053,595.
- The total cost of all the City's programs was \$13,163,140.
- During the year, the City had expenses of \$12,131,438 for governmental activities, which was \$4,071,514 less than the \$16,202,952 generated in general and program revenues.
- The City's combined assets exceeded its combined liabilities by \$48,205,188, 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

- The City offered incentive for the shopping center to expand to include Marshall's, Pet Sense, and 3 other stores to come. This was to increase the City's sales tax.
- The City sold 11.7 acres to The Bennett Group for senior apartments to be built. Phase 1 is going up now with 56 units. Phase 2 will come at a later date with 56 more units.
- The City sold property on Fob James Drive to build Beef O'Brady's restaurant.
- The City purchased acreage behind Johnson Brown Funeral Home to build a road to make crossing the wetlands more accessible.
- The City donated property to Chambers County Board of Education for the new high school to be built on.
- The City purchased a dump truck, paid for with cash, to keep costs down on \$900 a day rent on a truck. The City will continue to purchase heavy equipment.
- The City sold property to Kobeck for Phase II to build 70 homes.
- The City replaced the air and heating systems in City Hall.
- The City made upgrades to the Chambers County Humane Society in the amount of \$75,000.

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 16 and 18) 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 19. 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 on 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 the costs of these services.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 19. 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 established 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 the 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, 2025, was \$48,205,188. The governmental activities net position was \$48,194,884, and the business-type activities net position was \$10,304. 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,	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 16,872,429	\$ 17,069,838	\$ 160,847	\$ 182,483	\$ 17,033,276	\$ 17,252,321
Capital assets	54,706,797	51,795,811	27,766	12,690	54,734,563	51,808,501
Total assets	71,579,226	68,865,649	188,613	195,173	71,767,839	69,060,822
Deferred outflows of resources						
Deferred outflows related to pensions	760,575	1,186,955	15,570	25,833	776,145	1,212,788
Deferred charge on refunding	614,897	732,001	-	-	614,897	732,001
Total deferred outflows of resources	1,375,472	1,918,956	15,570	25,833	1,391,042	1,944,789
Liabilities						
Long-term liabilities	22,668,286	25,860,445	96,684	112,305	22,764,970	25,972,750
Other liabilities	1,209,549	628,271	77,752	107,981	1,287,301	736,252
Total liabilities	23,877,835	26,488,716	174,436	220,286	24,052,271	26,709,002
Deferred inflows of resources						
Pension deferrals	881,979	154,600	19,443	1,878	901,422	156,478
Total deferred inflows of resources	881,979	154,600	19,443	1,878	901,422	156,478
Net Position						
Net investment in capital assets	34,408,413	29,413,625	27,766	12,690	34,436,179	29,426,315
Restricted	3,749,890	5,312,702	-	-	3,749,890	5,312,702
Unrestricted	10,036,581	9,414,962	(17,462)	(13,848)	10,019,119	9,401,114
Total net position	\$48,194,884	\$44,141,289	\$ 10,304	\$ (1,158)	\$48,205,188	\$44,140,131

For more detailed information, see the Statement of Net Position on pages 16 and 17.

The City's unrestricted net position for governmental activities that can be used to finance day-to-day operations was \$10,036,581.

Changes in Net Position

The City's Change in Net Position of the governmental activities was \$4,053,595, and the change in net position of business-type activities was \$11,462.

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

	Governmental Activities		Business-type Activities		Totals	
	For the year ended		For the year ended		For the year ended	
	September 30,		September 30,		September 30,	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Charges for services	\$ 458,682	\$ 483,211	\$ 1,017,995	\$ 1,020,388	\$ 1,476,677	\$ 1,503,599
Operating grants and contributions	70,344	90,172	-	-	70,344	90,172
Capital grants and contributions	-	15,000	-	-	-	15,000
General revenues						
Sales taxes	11,092,964	10,526,921	-	-	11,092,964	10,526,921
Other taxes	691,252	772,021	-	-	691,252	772,021
License and permits	2,311,265	2,076,062	-	-	2,311,265	2,076,062
Fines and forfeitures	77,900	90,071	-	-	77,900	90,071
Interest earnings	313,709	286,103	4,725	4,792	318,434	290,895
Gain/(Loss) on disposal of capital assets	1,043,434	1,044,379	2,525	-	1,045,959	1,044,379
Miscellaneous revenue	143,402	83,625	-	-	143,402	83,625
Total revenues	<u>16,202,952</u>	<u>15,467,565</u>	<u>1,025,245</u>	<u>1,025,180</u>	<u>17,228,197</u>	<u>16,492,745</u>
Expenses						
General administration	2,668,310	2,754,051	-	-	2,668,310	2,754,051
Public safety	2,976,670	3,018,262	-	-	2,976,670	3,018,262
Public works	3,338,937	2,970,519	-	-	3,338,937	2,970,519
Health	-	38,750	-	-	-	38,750
Culture and recreation	2,061,896	2,110,953	-	-	2,061,896	2,110,953
Welfare	264,676	260,876	-	-	264,676	260,876
Urban rehabilitation	101,080	94,196	-	-	101,080	94,196
Interest on long-term debt	719,869	759,521	-	-	719,869	759,521
Solid waste	-	-	1,031,702	1,026,217	1,031,702	1,026,217
Total expenses	<u>12,131,438</u>	<u>12,007,128</u>	<u>1,031,702</u>	<u>1,026,217</u>	<u>13,163,140</u>	<u>13,033,345</u>
Excess before transfers	4,071,514	3,460,437	(6,457)	(1,037)	4,065,057	3,459,400
Transfers	(17,919)	-	17,919	-	-	-
Change in net position	<u>4,053,595</u>	<u>3,460,437</u>	<u>11,462</u>	<u>(1,037)</u>	<u>4,065,057</u>	<u>3,459,400</u>
Beginning net position	44,141,289	41,311,771	(1,158)	6,606	44,140,131	41,318,377
Adjustment to beginning net position	-	(630,919)	-	(6,727)	-	(637,646)
Beginning net position, restated	<u>44,141,289</u>	<u>40,680,852</u>	<u>(1,158)</u>	<u>(121)</u>	<u>44,140,131</u>	<u>40,680,731</u>
Total net position	<u>\$48,194,884</u>	<u>\$44,141,289</u>	<u>\$ 10,304</u>	<u>\$ (1,158)</u>	<u>\$48,205,188</u>	<u>\$44,140,131</u>

For more detailed information, see the Statement of Activities on page 18.

The governmental activities' total revenues increased by 4.75% to \$16,202,952, due primarily to increases in sales taxes, and gain on sale of capital assets. Sales taxes account for 68.46% of all governmental activities revenues. The remaining revenues are comprised of charges for services, operating grants and contributions, capital grants and contributions, and various other sources. The business-type activities' total revenue remained virtually unchanged.

The total cost of all programs and services increased by \$129,795. The cost of governmental activities increased by \$124,310, and the cost of business-type activities increased by \$5,485.

Governmental Activities

The change in net position of governmental activities was \$4,053,595, 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 an increase of \$11,462, resulting primarily from the allowance for doubtful accounts.

THE CITY'S FUNDS

Governmental Funds

As of September 30, 2025, the Governmental Funds reported a combined fund balance of \$15,623,878, which is 5.25% decrease from the beginning of the year. The Governmental Funds experienced a net decrease of \$866,120, resulting primarily from expenditures on capital assets.

Business-type Funds

As of September 30, 2025, business-type funds reported a combined net position of \$10,304. The business-type funds Change in Net Position increased by \$11,462.

General Fund Budgetary Highlights

General Fund revenues exceeded the budget by \$720,731, largely due to greater than anticipated sales tax revenue. The revenue budget is based on the previous year's budgeted revenues and does not factor in any growth. General Fund revenues do not include proceeds from debt.

General Fund expenditures were greater than budgeted amounts by \$623,710, largely due to an increase in spending on capital outlay.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the City had \$54,734,563 invested in a broad range of capital and leased assets, including land, 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 \$2,926,062 or 5.65% more than last year. The increase can be attributed to the capital projects that are ongoing or completed for water/sewer improvements and infrastructure construction.

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

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	\$13,741,997	\$12,950,595	\$ -	\$ -	\$13,741,997	\$12,950,595
Construction in progress	2,478,966	1,902,198	-	-	2,478,966	1,902,198
Infrastructure, net	24,659,053	24,429,051	-	-	24,659,053	24,429,051
Equipment, net	2,813,241	2,459,589	27,766	12,690	2,841,007	2,472,279
Buildings and improvements, net	10,753,621	9,746,829	-	-	10,753,621	9,746,829
Total capital assets, net	54,446,878	51,488,262	27,766	12,690	54,474,644	51,500,952
Leased equip. & vehicles, net	259,919	307,549	-	-	259,919	307,549
Leased assets, net	259,919	307,549	-	-	259,919	307,549
Total capital and leased assets, net	\$54,706,797	\$51,795,811	\$ 27,766	\$ 12,690	\$54,734,563	\$51,808,501

Computation of Legal Debt Margin

Section 772

Assessed value of real and personal taxable property as of
 September 30, 2024⁽¹⁾

\$ 117,093,280

Debt limit, fifty percent of assessed value (constitutional limitation)⁽²⁾

\$ 58,546,640

Debt in governmental activities

20,683,788

Total general obligation debt for computation

20,683,788

Net bonded indebtedness

20,683,788

Legal debt margin

\$ 37,862,852

(1) Source: Chambers County Revenue Commissioner

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

Long-Term Debt

At September 30, 2025, the City had \$20,683,788 in warrants payable outstanding versus \$22,781,073 at September 30, 2024, a decrease of 9.21%. This decrease resulted primarily from the repayment of bonds in the current period.

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, 2026. The City Council took the Mayor's proposed budget under consideration and, after further review and evaluation, adopted the fiscal year 2026 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 of 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 is now a target for the City of Valley and the CCDA, meeting with residential developers.

City of Valley, Alabama 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, 2026. Amounts available for expenditures, capital outlay and debt service in the General Fund budget are \$14,871,300 for the fiscal year 2026. The City took into consideration the current economic environment and its effect on the City when budgeting expenditures for the fiscal year 2026.

If these estimates are realized, the City's budgetary fund balance is expected to increase slightly by the close of fiscal year 2026.

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.

BASIC FINANCIAL STATEMENTS

CITY OF VALLEY
Statement of Net Position
September 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Valley Historical Preservation Commission
Assets				
Current assets				
Cash and cash equivalents	\$ 8,637,843	\$ 130,994	\$ 8,768,837	\$ 66,611
Investments	7,000,000	-	7,000,000	-
Accounts receivable, net	-	27,334	27,334	-
Taxes receivable, net	904,339	-	904,339	-
Interest receivable, net	69,428	-	69,428	-
Other receivables	55,900	1,725	57,625	-
Prepaid expenses	204,919	794	205,713	-
Total current assets	<u>16,872,429</u>	<u>160,847</u>	<u>17,033,276</u>	<u>66,611</u>
Noncurrent assets				
Nondepreciable capital assets	16,220,963	-	16,220,963	-
Depreciable capital assets, net	38,225,915	27,766	38,253,681	4,946
Leased assets, net	259,919	-	259,919	-
Total noncurrent assets	<u>54,706,797</u>	<u>27,766</u>	<u>54,734,563</u>	<u>4,946</u>
Total assets	<u>71,579,226</u>	<u>188,613</u>	<u>71,767,839</u>	<u>71,557</u>
Deferred outflows of resources				
Deferred outflows related to pensions	760,575	15,570	776,145	-
Deferred charge on refunding	614,897	-	614,897	-
Total deferred outflows of resources	<u>1,375,472</u>	<u>15,570</u>	<u>1,391,042</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 72,954,698</u>	<u>\$ 204,183</u>	<u>\$ 73,158,881</u>	<u>\$ 71,557</u>

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

CITY OF VALLEY
Statement of Net Position
September 30, 2025
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Valley Historical Preservation Commission
Liabilities				
Current liabilities				
Accounts payable	\$ 1,042,470	\$ 74,945	\$ 1,117,415	\$ -
Accrued payroll and benefits	136,820	2,640	139,460	-
Accrued interest payable	30,426	-	30,426	-
Due to (from) other funds	(167)	167	-	-
Current portion of compensated absences	160,083	2,954	163,037	-
Current portion of leased liability, net	110,869	-	110,869	-
Current portion of warrants payable, net	2,091,534	-	2,091,534	-
Total current liabilities	<u>3,572,035</u>	<u>80,706</u>	<u>3,652,741</u>	<u>-</u>
Noncurrent liabilities				
Customer deposits	-	67,174	67,174	-
Leased liability	118,624	-	118,624	-
Warrants payable, net	18,592,254	-	18,592,254	-
Compensated absences	618,484	6,194	624,678	-
Net pension liability	976,438	20,362	996,800	-
Total noncurrent liabilities	<u>20,305,800</u>	<u>93,730</u>	<u>20,399,530</u>	<u>-</u>
Total liabilities	<u>23,877,835</u>	<u>174,436</u>	<u>24,052,271</u>	<u>-</u>
Deferred inflows of resources				
Deferred inflows related to pensions	881,979	19,443	901,422	-
Total deferred inflows of resources	<u>881,979</u>	<u>19,443</u>	<u>901,422</u>	<u>-</u>
Net position				
Net investment in capital assets	34,408,413	27,766	34,436,179	-
Restricted for				
Special revenue	1,049,635	-	1,049,635	-
Cemetery	-	-	-	50,211
Capital Projects	2,700,255	-	2,700,255	-
Unrestricted	10,036,581	(17,462)	10,019,119	21,346
Total net position	<u>48,194,884</u>	<u>10,304</u>	<u>48,205,188</u>	<u>71,557</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 72,954,698</u>	<u>\$ 204,183</u>	<u>\$ 73,158,881</u>	<u>\$ 71,557</u>

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

CITY OF VALLEY
Statement of Activities
Year ended September 30, 2025

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	\$ 2,668,310	\$ 9,008	\$ -	\$ -	\$ (2,659,302)	\$ -	\$ (2,659,302)	\$ -
Public safety	2,976,670	3,463	-	-	(2,973,207)	-	(2,973,207)	-
Public works	3,338,937	-	-	-	(3,338,937)	-	(3,338,937)	-
Culture and recreation	2,061,896	430,211	54,807	-	(1,576,878)	-	(1,576,878)	-
Welfare	264,676	16,000	15,537	-	(233,139)	-	(233,139)	-
Urban rehabilitation	101,080	-	-	-	(101,080)	-	(101,080)	-
Interest on long-term debt	719,869	-	-	-	(719,869)	-	(719,869)	-
Total governmental activities	12,131,438	458,682	70,344	-	(11,602,412)	-	(11,602,412)	-
Business-type activities								
Solid waste	1,031,702	1,017,995	-	-	-	(13,707)	(13,707)	-
Total business-type activities	1,031,702	1,017,995	-	-	-	(13,707)	(13,707)	-
Total primary government	\$13,163,140	\$ 1,476,677	\$ 70,344	\$ -	(11,602,412)	(13,707)	(11,616,119)	-
Component unit								
Valley Historic Preservation Commission	\$ 1,409	\$ -	\$ -	\$ -				(1,409)
General revenues and other items								
Taxes:								
Sales					11,092,964	-	11,092,964	-
Other					691,252	-	691,252	-
License and permits					2,311,265	-	2,311,265	-
Fines and forfeitures					77,900	-	77,900	-
Investment earnings					313,709	4,725	318,434	1,098
Gain on disposal of capital assets					1,043,434	2,525	1,045,959	-
Miscellaneous revenue					143,402	-	143,402	-
Transfers in (out)					(17,919)	17,919	-	-
Total general revenues and other items					15,656,007	25,169	15,681,176	1,098
Change in net position					4,053,595	11,462	4,065,057	(311)
Net position - beginning of year					44,801,397	5,569	44,806,966	71,868
Adjustment to beginning balances					(660,108)	(6,727)	(666,835)	-
Net position - beginning of year, as restated					44,141,289	(1,158)	44,140,131	71,868
Net position - end of year					\$ 48,194,884	\$ 10,304	\$ 48,205,188	\$ 71,557

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

CITY OF VALLEY
Balance Sheet
Governmental Funds
September 30, 2025

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,303,222	\$ 3,469,744	\$ 1,864,877	\$ 8,637,843
Investments	7,000,000	-	-	7,000,000
Taxes receivable, net	868,363	-	35,976	904,339
Other receivables	48,745	-	7,155	55,900
Prepaid expenses	197,427	-	7,492	204,919
	<u>11,417,757</u>	<u>3,469,744</u>	<u>1,915,500</u>	<u>16,803,001</u>
Total assets	<u>\$ 11,417,757</u>	<u>\$ 3,469,744</u>	<u>\$ 1,915,500</u>	<u>\$ 16,803,001</u>
Liabilities				
Accounts payable	\$ 271,680	\$ 769,489	\$ 1,301	\$ 1,042,470
Accrued payroll and benefits	133,984	-	2,836	136,820
Due to (from) other funds	(167)	-	-	(167)
	<u>405,497</u>	<u>769,489</u>	<u>4,137</u>	<u>1,179,123</u>
Total liabilities	<u>\$ 405,497</u>	<u>\$ 769,489</u>	<u>\$ 4,137</u>	<u>\$ 1,179,123</u>
Fund balance				
Nonspendable				
Other receivables	48,745	-	-	48,745
Prepaid expenses	197,427	-	-	197,427
Restricted for				
Special revenue	-	-	1,049,635	1,049,635
Capital projects	-	2,700,255	-	2,700,255
Assigned for				
Capital projects	-	-	861,728	861,728
Unassigned	10,766,088	-	-	10,766,088
	<u>11,012,260</u>	<u>2,700,255</u>	<u>1,911,363</u>	<u>15,623,878</u>
Total fund balance	<u>\$ 11,012,260</u>	<u>\$ 2,700,255</u>	<u>\$ 1,911,363</u>	<u>\$ 15,623,878</u>
Total liabilities and fund balance	<u>\$ 11,417,757</u>	<u>\$ 3,469,744</u>	<u>\$ 1,915,500</u>	<u>\$ 16,803,001</u>

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

CITY OF VALLEY
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2025

Total fund balances - governmental funds		\$ 15,623,878
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:		
Interest receivable is not recognized as income in the governmental funds, but rather is recognized when the income is received.		69,428
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	77,870,066	
Less accumulated depreciation	<u>(23,423,188)</u>	54,446,878
Leased assets used in governmental activities are not financial resources and, are not reported in the governmental funds.		
Governmental leased assets	333,413	
Less accumulated amortization	<u>(73,494)</u>	259,919
Interest payable is not recognized as an expenditure in governmental funds, but rather is recognized when an expenditure is paid.		(30,426)
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Warrants payable	(20,683,788)	
Deferred outflow of resources for deferred charges	614,897	
Deferred outflows of resources for pensions	760,575	
Deferred inflows related to pensions	(881,979)	
Compensated absences	(778,567)	
Lease liability	(229,493)	
Net pension liability	<u>(976,438)</u>	<u>(22,174,793)</u>
Total net position - governmental activities		<u>\$ 48,194,884</u>

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

CITY OF VALLEY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2025

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Sales and miscellaneous	\$ 10,885,007	\$ -	\$ 207,957	\$ 11,092,964
Other	563,316	-	127,935	691,251
Licenses and permits	2,311,265	-	-	2,311,265
Intergovernmental	25	-	-	25
Charges for services	438,426	-	-	438,426
Fines and forfeitures	77,900	-	-	77,900
Contributions	54,807	-	15,536	70,343
Interest	203,546	69,907	28,097	301,550
Other	26,839	71,500	16,000	114,339
Total revenue	<u>14,561,131</u>	<u>141,407</u>	<u>395,525</u>	<u>15,098,063</u>
Expenditures				
General government	2,307,802	-	-	2,307,802
Public safety	2,754,316	-	-	2,754,316
Public works	1,711,901	-	5,645	1,717,546
Culture and recreation	1,513,413	-	-	1,513,413
Welfare	23,293	-	208,045	231,338
Urban rehabilitation	101,080	-	-	101,080
Capital outlay	4,101,989	1,924,533	18,574	6,045,096
Debt service				
Principal retirement	2,200,906	-	-	2,200,906
Interest and fees	602,765	-	-	602,765
Total expenditures	<u>15,317,465</u>	<u>1,924,533</u>	<u>232,264</u>	<u>17,474,262</u>
Excess/(Deficiency) of revenues over/(under) expenditures	<u>\$ (756,334)</u>	<u>\$ (1,783,126)</u>	<u>\$ 163,261</u>	<u>\$ (2,376,199)</u>

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

CITY OF VALLEY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2025
(Continued)

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)				
Proceeds from sale of capital assets	\$ 1,443,700	\$ -	\$ 35,000	\$ 1,478,700
Proceeds from the sale of municipal property	4,231	-	-	4,231
Proceeds from insurance recoveries	45,067	-	-	45,067
Transfers in(out)	(187,198)	-	169,279	(17,919)
Total other financing sources (uses)	<u>1,305,800</u>	<u>-</u>	<u>204,279</u>	<u>1,510,079</u>
Net change in fund balance	549,466	(1,783,126)	367,540	(866,120)
Fund balance - beginning of year	<u>10,462,794</u>	<u>4,483,381</u>	<u>1,543,823</u>	<u>16,489,998</u>
Fund balance - end of year	<u>\$ 11,012,260</u>	<u>\$ 2,700,255</u>	<u>\$ 1,911,363</u>	<u>\$ 15,623,878</u>

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

CITY OF VALLEY
Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Year ended September 30, 2025

Net changes in fund balances - governmental funds \$ (866,120)

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	6,045,096	
Less depreciation expense	(2,651,214)	
Less amortization expense	(47,630)	
	3,346,252	3,346,252

The proceeds from the sale of capital assets (\$1,478,700) are reported as other financing sources in the governmental funds. However, the net book value of the capital assets (\$435,266) is removed from the capital assets in the Statement of Net Position and offsets against the sales proceeds resulting in a gain in the Statement of Activities of (\$1,043,434). (435,266)

Revenues recorded in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 12,158

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	2,200,906	
Deferred refunding costs	(117,104)	
	2,083,802	2,083,802

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	(43,184)	
Net increase in pension expense	(44,047)	
	(87,231)	(87,231)

Change in net position - governmental activities **\$ 4,053,595**

CITY OF VALLEY
Statement of Net Position
Proprietary Fund
September 30, 2025

	Solid Waste Collection
Assets	
Current assets	
Cash and cash equivalents	\$ 130,994
Accounts receivable, net	27,334
Other receivable, net	1,725
Prepaid expenses	794
Total current assets	160,847
Non-current assets	
Depreciable capital assets, net	27,766
Total non-current assets	27,766
Total assets	188,613
Deferred outflows of resources	
Deferred outflows related to pensions	15,570
Total deferred outflows of resources	15,570
Total assets and deferred outflows of resources	\$ 204,183
Liabilities	
Current liabilities	
Accounts payable	\$ 74,945
Accrued payroll and benefits	2,640
Due to other funds	167
Current portion of compensated absences	2,954
Total current liabilities	80,706
Noncurrent liabilities	
Customer Deposits	67,174
Compensated absences	6,194
Net pension liability	20,362
Total noncurrent liabilities	93,730
Total liabilities	174,436
Deferred inflows of resources	
Deferred inflows related to pensions	19,443
Total deferred inflows of resources	19,443
Net position	
Net investment in capital assets	27,766
Unrestricted	(17,462)
Total net position	10,304
Total liabilities, deferred inflows of resources and net position	\$ 204,183

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

CITY OF VALLEY
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year ended September 30, 2025

	Solid Waste Collection
Operating revenues	
Charges for services	\$ 1,017,995
Total operating revenues	1,017,995
Operating expenses	
Salaries	84,503
Employee benefits	29,641
Payroll taxes	5,930
Depreciation expense	5,368
Contract services - garbage pickup	861,550
Utilities and telephone	3,473
Supplies	18,295
Maintenance and repairs	3,008
Insurance	1,378
Other	18,556
Total operating expenses	1,031,702
Operating loss	(13,707)
Non-operating revenues	
Interest income	4,725
Gain on sale of assets	2,525
Total non-operating revenues	7,250
Income before transfers	(6,457)
Transfers in	17,919
Change in net position	11,462
Net position, beginning of year	5,569
Adjustment to beginning balances	(6,727)
Net position, beginning of year, as restated	(1,158)
Net position, end of year	\$ 10,304

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

CITY OF VALLEY
Statement of Cash Flows
Proprietary Fund
Year ended September 30, 2025

	Solid Waste Collection
Cash flows from operating activities	
Cash received from customers	\$ 1,015,011
Cash paid to suppliers for goods and services	(118,868)
Cash paid to employees	(897,451)
Net cash used in operating activities	(1,308)
Cash flows from noncapital and capital financing activities	
Transfers to other funds	17,919
Due to other funds	(31,765)
Sale of capital assets	2,525
Purchase of capital assets	(20,444)
Net cash used in noncapital and capital financing activities	(31,765)
Cash flows from investing activities	
Interest on cash and investments	4,725
Net cash provided by investing activities	4,725
Net decrease in cash and cash equivalents	(28,348)
Cash and cash equivalents at beginning of year	159,342
Cash and cash equivalents at end of year	\$ 130,994
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (13,707)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation	5,368
Bad debt expense	5,302
Increase (decrease) in:	
Accounts receivable	(11,740)
Prepaid expenses	(274)
Deferred outflows of resources for pensions	10,263
(Increase) decrease in:	
Accounts payable	3,507
Accrued payroll and benefits	450
Customer deposits	8,756
Net pension liability	(26,798)
Deferred inflows	17,565
Net cash used in operating activities	\$ (1,308)

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

NOTES TO FINANCIAL STATEMENTS

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025

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 23, 2026, the date the financial statements were available to be issued. No events have occurred subsequent to the date of the Statement of Net Position through the date of this report that would require adjustment or additional disclosure in the financial statements. 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, 2025.

Related Organizations

The City’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.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 (“IDACC”) recruits and promotes businesses in the City and surrounding areas and municipalities. The IDACC 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 \$68,000 to the IDACC during the current year.

The East Alabama Regional Solid Waste Disposal Authority

The East Alabama Regional Solid Waste Disposal Authority (“EARSWDA”) 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 EARSWDA 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 EARSWDA did not receive any appropriations from the City for the year ended September 30, 2025.

Government-Wide and Fund Financial Statements

The City’s 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,

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - Continued

certain intergovernmental revenues, etc.) not attributable to a specific program are reported as general revenues. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The City does not employ an indirect cost allocation system.

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

Measurement Focus and Basis of Accounting

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

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

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.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

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

Basis of Presentation - Fund-Level Financial Statements

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

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

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, committed or assigned for expenditures with specified purposes.

Capital Projects Funds - 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.

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.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Standard

The City adopted GASB Statement No. 101, *Compensated Absences*. The amendments in this standard are effective for the annual financial statements issued for fiscal periods beginning after December 15, 2023. The City adopted the standard for the year ending September 30, 2025.

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.

Investments

State statutes authorize the City to invest in deposit accounts and certificates of deposits with banks, direct obligations of the United States Treasury Department and obligations of certain other federal agencies. Investments in cash are reported at fair value.

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 that are allocated to prepaid expenses at the government fund level due to being expensed each month and are exhausted in the next year. Some payments to vendors reflect costs applicable to future accounting periods in excess of a year and are recorded as expenditures when made in the governmental funds and are recorded as prepaid items in the government-wide financial statements.

Interfund Transfers, Receivables and Payables

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Transfers, Receivables and Payables - Continued

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

Capital Assets

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

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

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

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

Deferred Outflows of Resources

The City’s 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.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental 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.

Compensated Absences

City employees can earn various two types of paid leave (vacation and sick). Under GASB Statement 101, the City recognizes liabilities for (1) leave that has not been used with it is attributable to services already rendered, accumulates for use in future periods, and is more likely than not to be used for time off or otherwise paid or settled, (2) leave that has been used but not yet paid. The liability measurement includes certain salary-related payments (such as employer payroll taxes and defined contribution amounts) that are directly and incrementally associated with payments for leave. Leave that is expected to be settled through conversion to defined benefit postemployment benefits is excluded from the compensated absences liability.

It is the City's policy to permit employees to accumulate earned but unused vacation-pay benefits, which are recorded as compensated absences. Vacation hours accrue annually based on the employee's length of service, with each employee's vacation year determined by their hire date. Accrual dates are as follows: 40 hours annually for employees with 1-3 years of service; 80 hours annually for employees with 3-10 years of service; 120 hours annually for employees with 10-20 years of service; and 160 hours annually for all employees with more than 20 years of service. Each year, all vacation leave must be used within three months subsequent to each employee's anniversary date.

City employees are allowed to earn non-vesting sick leave at a rate of one day per month worked. Employees may accumulate an unlimited number of sick leave days, resulting in a portion of the sick leave liability being classified as current. Non-used sick leave can be converted into time of service for the ERS retirement plan but is not paid out by the City at termination or retirement.

Both vacation and sick leave are considered compensated absences on the Statement of Net Position and the Statement of Net Position – Proprietary Fund. 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. At September 30, 2025, the total liability for compensated absences was \$778,567 for governmental activities and \$9,148 for business-type activities for a total of \$787,715. See *Note 7 - Long-Term Debt* for a roll forward of compensated absences for the current fiscal year.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 Annual Comprehensive Financial Report.

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

The City presents its fund balance in five categories. The fund balance categories are:

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

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

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

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.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balance - Continued

GASB requires 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 also requires a spending policy, as it relates to the 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.

Subsequent Events

The City has evaluated events subsequent to the date of the Statement of Net Position through March 23, 2026, the date the financial statements were available to be issued. The City issued \$10,000,000 in new debt in the form of a General Obligation Warrant Series 2026 on March 16, 2026. The bonds were issued for the following purposes: (1) financing certain capital improvements in the City and (2) the costs of issuing the warrants in the amount of \$59,500. Interest is payable at a rate of 7.75% per annum, subject to adjustment set forth in the warrant agreement. Other than the event noted, no other events have occurred subsequent to the Statement of Net Position through March 23, 2026, that would require adjustment or additional disclosure in the financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's deposits at year end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program ("SAFE" Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama*

1975, Sections 41-14A-1 through 41-14A-14. The SAFE Program requires all public funds to be deposited with a Qualified Public Depositories ("QPD"). Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation ("FDIC"). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. The City's investments as of September 30, 2025, were made up entirely of certificates of deposit. The certificates of deposit are reported as "investments" in the financial statements. The total of certificates of deposit at year end totaled \$7,000,000.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 3 - RECEIVABLES AND PAYABLES

Receivables consisted of the following at September 30, 2025:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Taxes			
Sales	\$ 868,363	\$ -	\$ 868,363
Intergovernmental	35,976	-	35,976
Interest	69,428	-	69,428
Customers	-	27,334	27,334
Other	55,900	1,725	57,625
Net receivables	<u>\$ 1,029,667</u>	<u>\$ 29,059</u>	<u>\$ 1,058,726</u>

Payables consisted of the following at September 30, 2025:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts payable	\$ 1,042,470	\$ 74,945	\$ 1,117,415
Total accounts payable	<u>\$ 1,042,470</u>	<u>\$ 74,945</u>	<u>\$ 1,117,415</u>

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables consisted of the following at September 30, 2025:

General Fund		
Balance due from Solid Waste	\$	167
		-
Solid Waste		
Balance due to General Fund		(167)
	\$	-

Transfers between funds consisted of the following during the year ended September 30, 2025:

	<u>Transfers In (Out)</u>			<u>Net Transfers Out (In)</u>
	<u>General</u>	<u>Capital Project</u>	<u>Non-Major Funds</u>	
Transfers Out (In)				
General Fund	\$ -	\$ -	\$ 169,279	\$ 169,279
Non-Major Funds	(169,279)	-	-	(169,279)
Solid Waste	(17,919)	-	-	(17,919)
Net Transfers In (Out)	<u>\$ (187,198)</u>	<u>\$ -</u>	<u>\$ 169,279</u>	<u>\$ (17,919)</u>

The City typically uses transfers from the General Fund to fund capital projects.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 5 - CAPITAL ASSETS

Capital asset activity for governmental activities consisted of the following for the year ended September 30, 2025:

	Governmental Activities				September 30, 2025
	October 1, 2024	Additions	Disposals	Transfers (Out)/In	
Depreciable assets					
Buildings and improvements	\$ 19,928,731	\$ 1,454,645	\$ -	\$ 148,702	\$ 21,532,078
Equipment	6,357,090	1,246,590	369,641	-	7,234,039
Infrastructure	31,426,979	551,560	-	904,447	32,882,986
	<u>57,712,800</u>	<u>3,252,795</u>	<u>369,641</u>	<u>1,053,149</u>	<u>61,649,103</u>
Less accumulated depreciation					
Buildings and improvements	10,181,902	596,555	-	-	10,778,457
Equipment	3,897,501	828,654	305,357	-	4,420,798
Infrastructure	6,997,928	1,226,005	-	-	8,223,933
	<u>21,077,331</u>	<u>2,651,214</u>	<u>305,357</u>	<u>-</u>	<u>23,423,188</u>
	<u>36,635,469</u>	<u>601,581</u>	<u>64,284</u>	<u>1,053,149</u>	<u>38,225,915</u>
Non-depreciable assets					
Land and improvements	12,950,595	1,162,384	370,982	-	13,741,997
Construction in progress	1,902,198	1,629,917	-	(1,053,149)	2,478,966
	<u>14,852,793</u>	<u>2,792,301</u>	<u>370,982</u>	<u>(1,053,149)</u>	<u>16,220,963</u>
	<u>\$ 51,488,262</u>	<u>\$ 3,393,882</u>	<u>\$ 435,266</u>	<u>\$ -</u>	<u>\$ 54,446,878</u>
Leased assets					
Equipment and vehicles	\$ 333,413	\$ -	\$ -	\$ -	\$ 333,413
	<u>333,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>333,413</u>
Less accumulated amortization					
Equipment and vehicles	25,864	47,630	-	-	73,494
	<u>25,864</u>	<u>47,630</u>	<u>-</u>	<u>-</u>	<u>73,494</u>
	<u>\$ 307,549</u>	<u>\$ (47,630)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,919</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 5 - CAPITAL ASSETS - Continued

Capital asset activity for business-type activities consisted of the following for the year ended September 30, 2025:

	Business-type Activities				
	October 1, 2024	Additions	Disposals	Transfers (Out)/In	September 30, 2025
Depreciable assets					
Solid Waste - Equipment	\$ 46,686	\$ 20,444	\$ 16,050	\$ -	\$ 51,080
	46,686	20,444	16,050	-	51,080
Less accumulated depreciation					
Solid Waste - Equipment	33,996	5,368	16,050	-	23,314
	33,996	5,368	16,050	-	23,314
	\$ 12,690	\$ 15,076	\$ -	\$ -	\$ 27,766

Capital asset activity for component unit activities consisted of the following for the year ended September 30, 2025:

	Component Unit Activities				
	October 1, 2024	Additions	Disposals	Transfers (Out)/In	September 30, 2025
Depreciable assets					
Component Unit - Improvements	\$ 6,381	\$ -	\$ -	\$ -	\$ 6,381
	6,381	-	-	-	6,381
Less accumulated depreciation					
Component Unit - Improvements	1,116	319	-	-	1,435
	1,116	319	-	-	1,435
	\$ 5,265	\$ (319)	\$ -	\$ -	\$ 4,946

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 5 - CAPITAL ASSETS - Continued

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

Governmental activities

General government	\$ 340,072
Public safety	152,624
Public works	1,607,863
Culture and recreation	521,065
Welfare	29,590
	\$ 2,651,214

Business-type activities

Solid Waste	5,368
	\$ 5,368

Component Unit

Valley Historic Preservation Commission	319
	\$ 319

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 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control effective October 1, 2021. 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 15 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.

NOTE 6 - PENSION PLAN - Continued

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

General Information about the Pension Plan - Continued

Plan Description - Continued

- 6) Eight 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. One vested active employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - d. One vested active employee participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - e. One vested active employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - f. One vested active employee of a participating employer other than a municipality, city or county 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.

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 formula method. 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, up to 80% of their average annual compensation. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Act 351 of the legislature of 2022 provides that any Tier 2 member who withdraw from service after the completion of at least 30 years of service is entitled to an annual retirement benefit.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 6 - PENSION PLAN - Continued

General Information about the Pension Plan - Continued

Benefits Provided - Continued

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.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 618 employers adopted Act 2019-132 as of September 30, 2024.

Act 2019-132 was amended by Act 348 of the Legislature of 2022. Act 2022-348 amended Act 2019-132 by removing the date limitation for any local participating employer to submit its resolution electing to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members. Act 2022-348 also amended Act 2019-132 by removing the date limitation for a local participating employer to petition the ERS Board of Control for a reconsideration if the ERS Board of Control denied its election to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (“PLOP”) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

The ERS serves approximately 884 local participating employers. The ERS membership includes approximately 113,079 participants. As of September 30, 2024, membership consisted of:

Retirees and beneficiaries currently receiving benefits	32,477
Terminated employees entitled to but not yet receiving benefits	2,425
Terminated employees not entitled to a benefit	22,097
Active Members	60,279
Post-DROP participants who are still in active service	31
Total	117,309

The City’s membership as of the measurement date of September 30, 2024, consisted of:

Retired members of their beneficiaries currently receiving benefits	37
Vested inactive members	2
Non-vested inactive members	18
Active members	74
Post-DROP retired members still in active service	0
Total	131

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 6 - PENSION PLAN - Continued

General Information about the 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.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676 Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation.

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, 2025, the City's active employee contribution rate was 7.939% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 5.483% of pensionable payroll.

City's contractually required contribution rate for the year ended September 30, 2025, was 5.35% of pensionable pay for Tier 1 employees, and 6.27% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2022, 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 \$207,295 for the year ended September 30, 2025.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023, rolled forward to September 30, 2024, using standard roll-forward techniques as shown in the table on the following page.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 6 - PENSION PLAN - Continued

General Information about the Pension Plan - Continued

Net Pension Liability

Roll-forward table for net pension liability:

	TPL Roll-Forward		
	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) Total Pension Liability as of September 30, 2023	\$ 12,779,350	\$ 12,915,407	\$ 12,915,407
(b) Discount Rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2023 - September 30, 2024	361,340	361,340	361,340
(d) Transfers Among Employers:	-	(334,535)	(334,535)
(e) Actual Benefit Payments and Refunds for the period October 1, 2023 - September 30, 2024	(703,853)	(703,853)	(703,853)
(f) Total Pension Liability as of September 30, 2024 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 13,362,680</u>	<u>\$ 13,174,338</u>	<u>\$ 13,174,338</u>
(g) Difference between Expected and Actual:		\$ (188,342)	
(h) Less Liability Transferred for Immediate Recognition:		<u>(334,535)</u>	
(i) Difference between Expected and Actual - Experience (Gain)/Loss = (g) - (h)		\$ 146,193	
(j) Difference between Actual TPL Before and After Plan Changes - Benefit Change (Gain)/Loss =			\$ -

Actuarial Assumptions

The total pension liability as of September 30, 2024, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2023. The key actuarial assumptions are summarized below:

Inflation	2.50%
Projected Salary Increase	3.25% – 6.00% for State and Local Employees and 4.00% - 7.75% for State Police, including inflation
Investment Rate of Return	7.45%, including inflation

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019. See table on next page.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 6 - PENSION PLAN - Continued

General Information about the Pension Plan - Continued

Actuarial Assumptions - Continued

Group	Membership Table	Set Forward (+) / Setback (-)	Adjustment to Rates
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages < 65, 96% ages >= 65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below-Median	Male: +1 Female: none	None
Beneficiaries	Contingent Survivor Below-Median	Male: +2 Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7 Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7 Female: none	None

The actuarial assumptions used in the actuarial valuation as of September 30, 2022, were based on the results of an actuarial experience study for the period October 1, 2015, through September 30, 2020.

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:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed Income	15.00%	2.80%
US Large Stocks	32.00%	8.00%
US Mid Stocks	9.00%	10.00%
US Small Stocks	4.00%	11.00%
Int'l Developed Mkt Stocks	12.00%	9.50%
Int'l Emerging Mkt Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.00%

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. 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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 6 - PENSION PLAN - Continued

General Information about the Pension Plan - Continued

Discount Rate - Continued

with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2023	\$ 12,779,350	\$ 10,646,041	\$ 2,133,309
Changes for the year:			
Service cost	361,340	-	361,340
Interest	925,843	-	925,843
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	146,193	-	146,193
Contributions - employer	-	121,654	(121,654)
Contributions - employee	-	268,481	(268,481)
Net investment income	-	2,179,750	(2,179,750)
Benefits of payments, including refunds of employee contributions	(703,853)	(703,853)	-
Transfers among employers	(334,535)	(334,535)	-
Net changes:	394,988	1,531,497	(1,136,509)
Balances at September 30, 2024	\$ 13,174,338	\$ 12,177,538	\$ 996,800

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 7.45%, 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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Plan's Net Pension Liability	\$ 2,583,103	\$ 996,800	\$ (340,684)

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 6 - PENSION PLAN - Continued

General Information about the 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 Annual Comprehensive Report for the fiscal year ended September 30, 2024. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2024. The auditor’s report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes are also available. 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, 2025, the City recognized pension expense of \$253,373. At September 30, 2025, 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	\$ 381,648	\$ 102,680
Changes of assumptions	187,202	-
Net difference between projected and actual earnings on pension plan investments	-	798,742
Employer contributions subsequent to the measurement date	207,295	-
	\$ 776,145	\$ 901,422

\$207,295 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended September 30,	Deferred Outflows of Resources
2026	\$ (63,656)
2027	215,451
2028	(288,720)
2029	(213,602)
2030	17,953
Thereafter	-

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 7 - LONG-TERM DEBT

The general obligation warrant issues consisted of the following at September 30, 2025:

	Governmental Activities
Series 2017 General Obligation Warrants, dated August 30, 2017, due in monthly payments through September 1, 2032, bearing an interest rate of 2.69%	\$ 3,142,653
Series 2018 General Obligation Warrants, dated October 9, 2018, due in monthly payments through September 10, 2033, bearing an interest rate of 2.47%	4,366,373
Series 2019 General Obligation Warrants, dated October 30, 2019, due in monthly payments through September 30, 2034, bearing an interest rate of 2.78%	3,252,740
Series 2021 General Obligation Warrants (Tax-Exempt), dated January 15, 2021, due in monthly payments through September 15, 2035, bearing an interest rate of 3.31%	6,152,811
Series 2022 General Obligation Warrants (Tax-Exempt), dated January 10, 2022, due in monthly payments through June 10, 2036, bearing an interest rate of 2.68%	3,769,211
Total warrants payable, net	\$ 20,683,788

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

	Principal	Interest
2026	\$ 2,091,534	\$ 521,730
2027	2,147,230	466,033
2028	2,203,269	409,994
2029	2,263,094	350,170
2030	2,323,371	289,892
2031 - 2035	9,376,314	580,218
2036 - 2040	278,976	3,430
	\$ 20,683,788	\$ 2,621,467

Changes in long-term liabilities for governmental activities consisted of the following at September 30, 2025:

	October 1, 2024	Additions	Retirements	September 30, 2025	Due within one year
Governmental Activities					
Warrants payable:					
General obligation warrants	\$ 22,781,073	\$ -	\$ 2,097,285	\$ 20,683,788	\$ 2,091,534
Total warrants payable	22,781,073	-	2,097,285	20,683,788	2,091,534
Other liabilities:					
Net pension liability	2,086,150	(1,109,712)	-	976,438	-
Compensated absences	735,383	43,184	-	778,567	160,083
Lease liabilities	333,114	-	103,621	229,493	110,869
	\$ 25,935,720	\$ (1,066,528)	\$ 2,200,906	\$ 22,668,286	\$ 2,362,486

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 7 - LONG-TERM DEBT - Continued

Changes in long-term liabilities for business-type activities consisted of the following at September 30, 2025:

<u>Business-type Activities</u>	<u>October 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2025</u>	<u>Due within one year</u>
Other liabilities:					
Net pension liability	\$ 47,160	\$ (26,798)	\$ -	\$ 20,362	\$ -
Compensated absences	9,148	-	-	9,148	2,954
	<u>\$ 56,308</u>	<u>\$ (26,798)</u>	<u>\$ -</u>	<u>\$ 29,510</u>	<u>\$ 2,954</u>

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.

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, 2025, the outstanding balance of the Series 2017 bonds totaled \$3,142,653.

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, 2025, the outstanding balance of the Series 2018 bonds totaled \$4,366,373.

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, 2025, the outstanding balance of the Series 2019 bonds totaled \$3,252,740.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Warrants - Continued

The City issued \$8,568,070 of General Obligation Warrants Series 2021 (Tax-Exempt) dated January 15, 2021. The bonds were issued for the purpose of refinancing the General Obligation Warrants, Series 2020 dated September 15, 2020. The refinancing of the Series 2020 bonds was a non-cash transaction in which the exact amount of principal was refinanced and there were no closing costs. The Series 2021 (Tax-Exempt) bonds mature monthly on the 15th day of each month beginning on February 15, 2021, through September 15, 2035. Interest is payable with each payment at a rate of 2.480% per annum. The Series 2020 bond, refinanced by the Series 2021 (Tax-Exempt) bonds, carried a deferred amount of refunding costs that were associated with the deferred refunding of the Series 2007 and 2014 bonds. The amount carried forward to the Series 2021 (Tax-Exempt) bond for deferred refunding from the Series 2020, 2014 and 2007 bonds totals \$614,897 at September 30, 2025. 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 2021 (Tax-Exempt) bonds using the straight-line method. At September 30, 2025, the outstanding balance of the Series 2021 (Tax-Exempt) bonds totaled \$6,152,811.

The City also issued \$5,000,000 of General Obligation Warrants Series 2021 (Taxable) dated June 10, 2021. The bonds were issued for the following purposes: (1) \$4,967,500 of its proceeds are to be used for Series 2021 Capital Improvements, and (2) the costs of issuing the warrant \$32,500. The Series 2021 (Taxable) bonds mature monthly on the 10th day of each month beginning on July 10th, 2021, through June 10, 2036. Interest is payable with each payment at a rate of 3.57% per annum, with a fixed rate of interest. The City refinanced this bond on January 10, 2022.

The City refinanced the General Obligation Warrants Series 2021 (Taxable) dated June 10, 2021, on January 10, 2022, for \$4,852,453. The new bond, General Obligation Warrant Series 2022 (Tax-Exempt), matures monthly on the 10th day of each month beginning on February 10, 2022, through June 10, 2036. Interest is payable with each payment at a rate of 2.68% per annum, with a fixed rate of interest. At September 30, 2025, the outstanding balance of the Series 2022 (Tax-Exempt) bonds totaled \$3,769,211.

NOTE 8 - LEASES

On March 15, 2024, the City entered into a lease agreement for six police vehicles, for a term of three years. The police vehicles included a purchase option of \$1 at the end of the lease agreement. The annual lease payments are \$126,918 for the next three years beginning March 15, 2025. The present value of future minimum lease payments at inception totaled \$333,114. The lease of the vehicles capitalized the leased asset totaling \$333,413.

Obligations under the lease have been recorded in the accompanying statement of net position at the present value of future minimum lease payments, discounted at the annual rate of 6.993%. The amortization expense associated with the right of use “leased asset” is recorded in the Statement of Activities as amortization expense. The Statement of Activities also includes interest expense which is recorded in the nonoperating expenses for presentation purposes. At September 30, 2025, the capitalized leased asset and accumulated amortization of the leased assets totaled \$333,413 and \$73,494, respectively.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 8 - LEASES - Continued

At September 30, 2025, the minimum future lease payments for the leases consisted of the following:

2026		\$	126,918
2027			126,918
2028			-
			253,836
	Less amount representing interest		24,343
	Present value of minimum lease payments		229,493
	Less current portion		110,869
	Long-term lease obligations	\$	118,624

NOTE 9 - TAX ABATEMENT AND TAX REBATES

As of September 30, 2025, the City provided tax abatements through one agreement to provide economic incentives for a company to locate a manufacturing facility inside the city limits of Valley, Alabama. As part of this tax abatement the company made a promise to make a capital investment of \$141,000,000 and create 450 jobs over the first two years of the agreement. The City offered a reduction of all construction related transaction taxes, except those construction-related transaction taxes levied for educational purposes or for capital improvements for education. The State of Alabama approved the application for the abatement of taxes on March 1, 2021. The estimated amount of construction related transaction taxes abatement under this agreement was \$6,390,000 for the construction period ending in fiscal year 2021. The City also offered an additional abatement of non-educational property taxes estimated to total \$541,165 per year for a total of ten years. The ten-year tax abatement of non-educational property taxes began in October of 2021. The total of the tax abatement for the first four years of the agreement, fiscal years 2022 through 2025, totaled \$2,164,660. The remaining non-educational property tax abatement per the current agreement totals \$3,246,990.

Per Resolution 2023-120R, Project Dash Incentive Amended Agreement, the City agreed to provide a sales tax rebate equal to 50% of the City Sales Tax collected to the owner of a local retail space for an amount not to exceed \$4,350,000, over the life of the agreement. The owner of the space was required to invest \$8 million in the retail space. This retail space holds four local businesses that began paying sales tax in the current period. The City remitted the sales tax rebates directly to the owner of the retail space to stimulate economic and commercial development in the City. As of September 30, 2025, the City remitted \$98,665 in sale tax rebates to the owner of the retail space. The sales tax rebates are budgeted for and recorded in the general government as expenditures at the fund level.

NOTE 10 - CONTINGENCIES

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2025
(Continued)

NOTE 11 - IMPLEMENTATION OF GASB STATEMENT NO. 101

In fiscal year 2025, City of Valley, Alabama, adopted GASB Statement No. 101, *Compensated Absences*. This statement updates the recognition, measurement, and disclosure requirements for compensated absences and replaces guidance previously provided in GASB Statement No. 16 and related interpretations.

The adoption of GASB Statement No. 101 is reported as a change in accounting principle. In accordance with the provisions of the statement, the new accounting standard was applied retroactively by restating net position as October 1, 2024, to the extent practicable.

As a result of implementing GASB Statement No. 101, certain compensated absence liabilities previously unreported were measured and recognized, primarily due to changes in the recognition criteria for leave that are more likely than not to be used or paid.

The cumulative effect of applying GASB No. 101 resulted in the following adjustments to beginning balances as October 1, 2024:

For governmental activities on the Statement of Activities:

	Governmental Activities		
	Government-Wide Financials		
	Assets	Liabilities	Net Position
Beginning balance:	\$ -	\$ (75,275)	\$ (44,801,397)
Compensated absences	-	(660,108)	660,108
Beginning balance, as restated	\$ -	\$ (735,383)	\$ (44,141,289)

For business-type activities on the Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund:

	Business-type Activities		
	Solid Waste Fund		
	Assets	Liabilities	Net Position
Beginning balance:	\$ -	\$ (2,421)	\$ (5,569)
Compensated absences	-	(6,727)	6,727
Beginning balance, as restated	\$ -	\$ (9,148)	\$ 1,158

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VALLEY
 Budgetary Comparison Schedule - General Fund
 Year ended September 30, 2025
 (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	\$ 10,669,000	\$ 10,669,000	\$ 10,885,007	\$ 216,007
Other	562,300	562,300	563,316	1,016
Licenses and permits	1,952,000	1,952,000	2,311,265	359,265
Intergovernmental	-	-	25	25
Charges for services	402,950	402,950	438,426	35,476
Fines and forfeitures	52,000	52,000	77,900	25,900
Contributions	70,150	70,150	54,807	(15,343)
Interest	130,000	130,000	203,546	73,546
Other	2,000	2,000	26,839	24,839
Total revenue	<u>13,840,400</u>	<u>13,840,400</u>	<u>14,561,131</u>	<u>720,731</u>
Expenditures, current				
General government	2,347,650	2,359,650	2,307,802	(51,848)
Public safety	2,956,600	2,990,983	2,754,316	(236,667)
Public works	1,746,450	1,781,450	1,711,901	(69,549)
Health and sanitation	-	3,000	-	(3,000)
Culture and recreation	1,528,375	1,538,375	1,513,413	(24,962)
Welfare	-	2,400	23,293	20,893
Urban rehabilitation	85,000	85,000	101,080	16,080
Capital outlay	2,120,800	3,128,197	4,101,989	973,792
Debt service				
Principal retirement	2,200,200	2,200,200	2,200,906	706
Interest and fees	564,500	604,500	602,765	(1,735)
Total expenditures	<u>13,549,575</u>	<u>14,693,755</u>	<u>15,317,465</u>	<u>623,710</u>
Excess of revenues over expenditures	<u>290,825</u>	<u>(853,355)</u>	<u>(756,334)</u>	<u>97,021</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	1,443,700	1,443,700
Proceeds from sale of municipal property	10,000	10,000	4,231	(5,769)
Proceeds from insurance recoveries	-	45,067	45,067	-
Transfers (out) in	195,680	195,680	(187,198)	(382,878)
Total other financing sources (uses)	<u>205,680</u>	<u>250,747</u>	<u>1,305,800</u>	<u>1,055,053</u>
Excess revenues and other sources over/ (under) expenditures and other fund uses	496,505	(602,608)	549,466	1,152,074
Fund balance, beginning of year	<u>10,462,794</u>	<u>10,462,794</u>	<u>10,462,794</u>	<u>-</u>
Fund balance, end of year	<u>\$ 10,959,299</u>	<u>\$ 9,860,186</u>	<u>\$ 11,012,260</u>	<u>\$ 1,152,074</u>

The note to required supplementary information budgetary practices is an integral part of this statement.

CITY OF VALLEY
Note to Required Supplementary Information
Budgetary Practices
September 30, 2025
(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 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.

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, 2015 through 2024
(UNAUDITED)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 361,340	\$ 326,097	\$ 328,625	\$ 277,516	\$ 265,530	\$ 299,014	\$ 291,268	\$ 291,928	\$ 270,926	\$ 250,225
Interest	925,843	868,594	841,208	822,087	777,208	754,308	712,689	694,594	635,629	587,268
Changes of benefit terms	-	-	7,030	-	150,542	-	-	-	-	-
Differences between expected and actual experience	146,193	349,385	51,310	(286,302)	70,470	(45,296)	70,680	(322,155)	158,494	171,082
Changes of assumptions	-	-	-	543,769	-	-	54,711	-	378,109	-
Benefit payments, including refunds of employee contributions	(703,853)	(732,090)	(703,306)	(695,095)	(640,564)	(573,787)	(437,492)	(484,960)	(379,250)	(428,888)
Transfers among employees	(334,535)	(57,661)	(142,875)	(42,938)	(13,080)	(103,448)	(23,486)	30,339	6,088	-
Net change in total pension liability	394,988	754,325	381,992	619,037	610,106	330,791	668,370	209,746	1,069,996	579,687
Total pension liability - beginning	12,779,350	12,025,025	11,643,033	11,023,996	10,413,890	10,083,099	9,414,729	9,204,983	8,134,987	7,555,300
Total pension liability - ending (a)	<u>\$13,174,338</u>	<u>\$12,779,350</u>	<u>\$12,025,025</u>	<u>\$11,643,033</u>	<u>\$11,023,996</u>	<u>\$10,413,890</u>	<u>\$10,083,099</u>	<u>\$9,414,729</u>	<u>\$9,204,983</u>	<u>\$8,134,987</u>
Plan fiduciary net position										
Contributions - employer	\$ 121,654	\$ 118,045	\$ 138,356	\$ 101,029	\$ 135,929	\$ 142,663	\$ 169,507	\$ 160,560	\$ 164,716	\$ 146,549
Contributions - member	268,481	258,355	244,137	239,880	187,754	178,057	220,070	218,188	177,318	163,504
Net investment income	2,179,750	1,247,048	(1,472,914)	2,171,020	548,109	248,729	838,640	1,036,931	753,471	86,959
Benefit payments, including refunds of employee contributions	(703,853)	(732,090)	(703,306)	(695,095)	(640,564)	(573,787)	(437,492)	(484,960)	(379,250)	(428,888)
Transfers among employers	(334,535)	(57,661)	(142,875)	(42,938)	(13,080)	(103,448)	(23,486)	30,339	6,088	113,442
Net change in plan fiduciary net position	1,531,497	833,697	(1,936,602)	1,773,896	218,148	(107,786)	767,239	961,058	722,343	81,566
Plan net position - beginning	10,646,041	9,812,344	11,748,946	9,975,050	9,756,902	9,864,688	9,097,449	8,136,390	7,414,047	7,332,481
Plan net position - ending (b)	<u>\$12,177,538</u>	<u>\$10,646,041</u>	<u>\$ 9,812,344</u>	<u>\$11,748,946</u>	<u>\$ 9,975,050</u>	<u>\$ 9,756,902</u>	<u>\$ 9,864,688</u>	<u>\$9,097,448</u>	<u>\$8,136,390</u>	<u>\$7,414,047</u>
Net pension liability (a) - (b)	<u>\$ 996,800</u>	<u>\$ 2,133,309</u>	<u>\$ 2,212,681</u>	<u>\$ (105,913)</u>	<u>\$ 1,048,946</u>	<u>\$ 656,988</u>	<u>\$ 218,411</u>	<u>\$ 317,281</u>	<u>\$1,068,593</u>	<u>\$ 720,940</u>
Plan fiduciary net position as a percentage of the total total pension liability	92.43%	83.31%	81.60%	100.91%	90.48%	93.69%	97.83%	96.63%	88.39%	91.14%
Covered payroll	<u>\$ 3,379,081</u>	<u>\$ 3,250,994</u>	<u>\$ 3,065,607</u>	<u>\$ 4,126,421</u>	<u>\$ 2,908,854</u>	<u>\$ 2,958,624</u>	<u>\$ 3,312,210</u>	<u>\$3,144,900</u>	<u>\$3,140,417</u>	<u>\$2,915,994</u>
Net pension liability as a percentage of covered payroll	29.50%	65.62%	72.18%	-2.57%	36.06%	22.21%	6.59%	10.09%	34.03%	24.72%

The note to required supplementary information pension plan practices is an integral part of this statement.
This schedule is required to present 10 years of information.

CITY OF VALLEY
Schedule of Employer Contributions
Years ended September 30, 2016 through 2025
(UNAUDITED)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 194,189	\$ 121,654	\$ 118,045	\$ 120,138	\$ 101,029	\$ 135,929	\$ 137,228	\$ 157,625	\$ 160,560	\$ 164,716
Contributions in relation to the actuarially determined contributions	207,294	134,157	130,074	131,479	112,206	168,085	148,174	157,625	160,560	164,716
Contributions deficiency (excess)	\$ (13,105)	\$ (12,503)	\$ (12,029)	\$ (11,341)	\$ (11,177)	\$ (32,156)	\$ (10,946)	\$ -	\$ -	\$ -
Covered payroll	\$ 3,541,747	\$ 3,379,081	\$ 3,250,994	\$ 3,065,607	\$ 4,126,421	\$ 2,908,854	\$ 2,958,624	\$3,312,210	\$3,144,900	\$3,140,417
Contributions as a percentage of covered payroll	5.48%	3.60%	3.63%	3.92%	2.45%	4.67%	4.64%	4.76%	5.11%	5.25%

The note to required supplementary information pension plan practices is an integral part of this statement.
This schedule is required to present 10 years of information.

CITY OF VALLEY
 Note to Required Supplementary Information
 Pension Plan Practices
 September 30, 2025
 (UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT PENSION PLAN PRACTICES

Actuarially determined contribution rates are calculated as of September 30, 2022, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2025 were based on the September 30, 2022, actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 01, 2024 to September 30, 2025:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	16.9 years
Asset valuation method	Five-year smoothed market
Inflation	2.50%
Salary increases	3.25 - 6.00%, including inflation
Investment rate of return	7.45%, net of pension plan investment expense, including

SUPPLEMENTARY INFORMATION

CITY OF VALLEY
Nonmajor Special Revenue Funds
September 30, 2025

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.

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 sewer infrastructure. As of year end September 30, 2024, all projects that were using the fund were completed. There was no activity in this fund during the year ended September 30, 2025.

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, 2025

	<u>\$.07 State Gas Tax</u>	<u>\$.04 State Gas Tax</u>	<u>\$.10 State Gas Tax</u>	<u>Senior Center</u>	<u>Cemetery</u>	<u>Total Nonmajor Special Revenue Funds</u>
Assets						
Cash and cash equivalents	\$ 111,147	\$ 261,334	\$ 463,338	\$ 137,154	\$ 30,176	\$ 1,003,149
Taxes receivable, net	10,156	8,029	17,791	-	-	35,976
Other receivables	-	-	-	7,155	-	7,155
Prepaid expense	-	-	-	7,312	180	7,492
Total assets	<u>\$ 121,303</u>	<u>\$ 269,363</u>	<u>\$ 481,129</u>	<u>\$ 151,621</u>	<u>\$ 30,356</u>	<u>\$ 1,053,772</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,206	\$ 95	\$ 1,301
Accrued payroll and benefits	-	-	-	2,836	-	2,836
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,042</u>	<u>95</u>	<u>4,137</u>
Fund balance						
Restricted	121,303	269,363	481,129	147,579	30,261	1,049,635
Total fund balance	<u>121,303</u>	<u>269,363</u>	<u>481,129</u>	<u>147,579</u>	<u>30,261</u>	<u>1,049,635</u>
Total liabilities and fund balance	<u>\$ 121,303</u>	<u>\$ 269,363</u>	<u>\$ 481,129</u>	<u>\$ 151,621</u>	<u>\$ 30,356</u>	<u>\$ 1,053,772</u>

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

CITY OF VALLEY
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year ended September 30, 2025

	<u>\$.07 State Gas Tax</u>	<u>\$.04 State Gas Tax</u>	<u>\$.10 State Gas Tax</u>	<u>Senior Center</u>	<u>Cemetery</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues						
Taxes - intergovernmental	\$ 61,791	\$ 48,835	\$ 97,331	\$ -	\$ -	\$ 207,957
Other taxes- intergovernmental	-	-	-	28,619	-	28,619
Contributions	-	-	-	7,642	6,840	14,482
Interest	1,520	3,893	6,846	2,060	558	14,877
Other	-	-	-	-	16,000	16,000
Total revenues	<u>63,311</u>	<u>52,728</u>	<u>104,177</u>	<u>38,321</u>	<u>23,398</u>	<u>281,935</u>
Expenditures						
Public works	4,281	-	-	-	-	4,281
Welfare	-	-	-	206,617	1,428	208,045
Capital Outlay	18,574	-	-	-	-	18,574
Total expenditures	<u>22,855</u>	<u>-</u>	<u>-</u>	<u>206,617</u>	<u>1,428</u>	<u>230,900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>40,456</u>	<u>52,728</u>	<u>104,177</u>	<u>(168,296)</u>	<u>21,970</u>	<u>51,035</u>
Other financing sources						
Transfers in	-	-	-	190,902	377	191,279
Transfers out	-	-	-	-	(22,000)	(22,000)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,902</u>	<u>(21,623)</u>	<u>169,279</u>
Net change in fund balance	40,456	52,728	104,177	22,606	347	220,314
Fund balance - beginning of year	<u>80,847</u>	<u>216,635</u>	<u>376,952</u>	<u>124,973</u>	<u>29,914</u>	<u>829,321</u>
Fund balance - end of year	<u>\$ 121,303</u>	<u>\$ 269,363</u>	<u>\$ 481,129</u>	<u>\$ 147,579</u>	<u>\$ 30,261</u>	<u>\$ 1,049,635</u>

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

CITY OF VALLEY
Nonmajor Capital Project Funds
September 30, 2025

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, 2025

	Municipal Government Capital Improvement	Industrial Park	Total Nonmajor Capital Project Funds
Assets			
Cash and cash equivalents	\$ 152,235	\$ 709,493	\$ 861,728
Total assets	<u>\$ 152,235</u>	<u>\$ 709,493</u>	<u>\$ 861,728</u>
Fund balance			
Assigned for capital projects	152,235	709,493	861,728
Total fund balance	<u>152,235</u>	<u>709,493</u>	<u>861,728</u>
Total liabilities and fund balance	<u>\$ 152,235</u>	<u>\$ 709,493</u>	<u>\$ 861,728</u>

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

CITY OF VALLEY
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Project Funds
Year ended September 30, 2025

	Municipal Government Capital Improvement	Industrial Park	Total Nonmajor Capital Project Funds
Revenues			
Other - intergovernmental	\$ 99,316	\$ -	\$ 99,316
Contributions	-	1,054	1,054
Interest	1,605	11,615	13,220
Total revenues	<u>100,921</u>	<u>12,669</u>	<u>113,590</u>
Expenditures			
Public works	-	1,364	1,364
Total expenditures	<u>-</u>	<u>1,364</u>	<u>1,364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100,921</u>	<u>11,305</u>	<u>112,226</u>
Other financing uses			
Proceeds from sale of capital assets	-	35,000	35,000
Total other financing uses	<u>-</u>	<u>35,000</u>	<u>35,000</u>
Net change in fund balance	100,921	46,305	147,226
Fund balance - beginning of year	<u>51,314</u>	<u>663,188</u>	<u>714,502</u>
Fund balance - end of year	<u>\$ 152,235</u>	<u>\$ 709,493</u>	<u>\$ 861,728</u>

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

CITY OF VALLEY
Discretely Presented Component Unit
September 30, 2025

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 receive funding from the City.

CITY OF VALLEY
Statement of Net Position
Discretely Presented Component Unit
September 30, 2025

Assets

Current assets

Cash and cash equivalents

\$ 66,611

Total current assets

66,611

Capital Assets, net

4,946

Total capital assets

4,946

Total assets

\$ 71,557

Net position

Restricted - Cemetery

\$ 50,211

Unrestricted

21,346

Total net position

71,557

Total liabilities and net position

\$ 71,557

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

CITY OF VALLEY
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit
Year ended September 30, 2025

Operating revenues	
Contributions and donations	\$ -
Total operating revenues	<u>-</u>
 Operating expenses	
Supplies and expenses	1,090
Depreciation expenses	319
Total operating expenses	<u>1,409</u>
 Operating loss	 (1,409)
 Nonoperating revenues	
Interest income	1,098
	<u>1,098</u>
 Change in net position	 (311)
 Net position - beginning of year	 <u>71,868</u>
 Net position - end of year	 <u><u>\$ 71,557</u></u>

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

CITY OF VALLEY
Statement of Cash Flows
Discretely Presented Component Unit
Year ended September 30, 2025

Cash flows from operating activities	
Cash paid to suppliers for services	\$ (1,090)
Net cash used in operating activities	<u>(1,090)</u>
Cash flows from investing activities	
Interest received	1,098
Net cash provided by investing activities	<u>1,098</u>
Net increase in cash and cash equivalents	8
Cash and cash equivalents - beginning of year	<u>66,603</u>
Cash and cash equivalents - end of year	<u><u>\$ 66,611</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (1,409)
Adjustment to reconcile operating loss to net cash provided by operating activities	
Depreciation	<u>319</u>
Net cash used in operating activities	<u><u>\$ (1,090)</u></u>

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

CITY OF VALLEY
Schedule of Debt Service
General Obligation Warrants
September 30, 2025

Year ending Sept 30,	General Obligation Warrants, Series 2022 (Tax Exempt)		General Obligation Warrants, Series 2021 (Tax Exempt)		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	Principal	Interest	Total
2026	\$ 307,995	\$ 99,212	\$ 550,195	\$ 148,953	\$ 321,013	\$ 88,185	\$ 496,176	\$ 104,235	\$ 416,155	\$ 81,145	\$ 2,091,534	\$ 521,730	\$ 2,613,264
2027	316,469	90,738	564,189	134,958	330,179	79,019	508,745	91,666	427,648	69,652	2,147,230	466,033	2,613,263
2028	324,947	82,260	578,204	120,944	339,409	69,788	521,413	78,998	439,296	58,004	2,203,269	409,994	2,613,263
2029	334,116	73,091	593,248	105,900	349,298	59,900	534,842	65,569	451,590	45,710	2,263,094	350,170	2,613,264
2030	343,309	63,898	608,338	90,810	359,271	49,926	548,391	52,020	464,062	33,238	2,323,371	289,892	2,613,263
2031	352,755	54,452	623,811	75,336	369,530	39,668	562,283	38,128	476,878	20,422	2,385,257	228,006	2,613,263
2032	362,335	44,873	639,512	59,636	379,996	29,202	576,459	23,952	467,024	7,275	2,425,326	164,938	2,590,264
2033	372,429	34,778	655,946	43,202	390,931	18,267	591,131	9,281	-	-	2,010,437	105,528	2,115,965
2034	382,676	24,531	672,630	26,517	402,093	7,105	26,933	103	-	-	1,484,332	58,256	1,542,588
2035	393,204	14,003	666,738	9,408	11,020	79	-	-	-	-	1,070,962	23,490	1,094,452
2036	278,976	3,430	-	-	-	-	-	-	-	-	278,976	3,430	282,406
2037	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 3,769,211</u>	<u>\$ 585,266</u>	<u>\$ 6,152,811</u>	<u>\$ 815,664</u>	<u>\$ 3,252,740</u>	<u>\$ 441,139</u>	<u>\$ 4,366,373</u>	<u>\$ 463,952</u>	<u>\$ 3,142,653</u>	<u>\$ 315,446</u>	<u>\$ 20,683,788</u>	<u>\$ 2,621,467</u>	<u>\$ 23,305,255</u>

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