

CITY OF VALLEY
VALLEY, ALABAMA
Financial Statements
September 30, 2016

**CITY OF VALLEY
VALLEY, ALABAMA**

MAYOR

Leonard Riley

CITY COUNCIL

Henry L. Cooper
Jimmy Gilson
James L. Jones
Marquetta Madden
Randall Maddux
Paul Story
Lana Wiggins

**CITY TREASURER /
CITY CLERK**

Kathy Snowden

CITY ATTORNEY

John Ben Jones, Attorney at Law

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	4
REQUIRED SUPPLEMENTARY INFORMATION	
• Management's Discussion and Analysis.....	6
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
• Statement of Net Position	14
• Statement of Activities	16
FUND FINANCIAL STATEMENTS	
• Balance Sheet - Governmental Funds.....	17
• Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
• Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	19
• Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	20
• Statement of Proprietary Fund Net Position	21
• Statement of Revenues, Expenses, and Changes in Proprietary Fund Net Position	22
• Statement of Proprietary Fund Cash Flows	23
NOTES TO FINANCIAL STATEMENTS	24
REQUIRED SUPPLEMENTARY INFORMATION	
• Budgetary Comparison Schedule - General Fund.....	49
• Note to Required Supplementary Information - Budgetary Practices.....	50
• Schedule of Changes in the Net Pension Liability.....	51
• Schedule of Employer Contributions.....	52
• Note to Required Supplementary Information - Pension Plan Practices.....	53
SUPPLEMENTARY INFORMATION	
• Nonmajor Special Revenue Funds.....	55
• Combining Balance Sheet - Nonmajor Special Revenue Funds	56
• Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds	57
• Nonmajor Capital Project Funds.....	58
• Combining Balance Sheet - Nonmajor Capital Project Funds	59
• Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Capital Project Funds	60
• Combining Balance Sheet - Nonmajor Debt Service Funds	61
• Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Debt Service Funds	62
• Statement of Net Position - Discretely Presented Component Unit.....	63
• Statement of Revenues, Expenses, and Changes in Net Position - Discretely Presented Component Unit.....	64
• Statement of Cash Flows - Discretely Presented Component Unit.....	65
• Schedule of Debt Service - General Obligation Warrants	66



LOCAL FIRM.
NATIONAL KNOWLEDGE.
GLOBAL REACH.

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Valley, Alabama (the City), as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Barfield, Murphy, Shank & Smith, LLC

Auburn, Alabama
May 12, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF VALLEY, ALABAMA

The City of Valley's Management 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 \$2,235,609.
- The total cost of all the City's programs was \$9,433,282.
- During the year, the City had expenses of \$8,767,256 for governmental activities, which was \$2,235,609 less than the \$11,002,865 generated in general and program revenues.
- The City's combined assets exceeded its combined liabilities by \$17,133,196, which will allow the City to continue to meet ongoing obligations to citizens and creditors.
- Maintained the General Fund Balance
- Continued to cut unnecessary expenses
- Sold property not necessary for normal operations of the City
- Planned for Sportsplex Renovation and Senior Center Addition
- Continued to budget for demolition of houses
- Bought equipment
- Cleaned up the City
- Paving Projects
 - In October of 2015, the total cost of paving projects the City had requested estimates for was \$1,236,000.
 - In December 2015, Paving on 55th Street East (in conjunction with East Alabama Water) CDBG and ARG Grants totaling \$40,000.
 - In January 2016, paving was completed on Columbus Road (2.1 mi) and Fairfax Bypass (1.1 mi).
 - During May 2016, accepted bids for paving on Boulevard, Frazier Street, Jarrett, Towel, River Road and Lanier Streets for a total of \$610,443.50.
- Industrial Park
 - In November, 2015 General Obligation Warrant Principle of \$3,200,000 with Auburn Bank for purchase of land for Industrial Park.
 - In December 2015, authority to purchase land for Industrial Park from West Point Properties for \$2,324,899. Purchased property from IEP Valley, LLC for \$600,000. After purchase of land, entered into a Timber Sales contract. Tree removal and land clean up continues to be a priority.

- In March of 2016, petition on annexation into City of Valley for the Industrial Park Properties. Authorization to make improvements to the Lakeview Properties. Adoption of Title VI Plan for Valley Senior Center and Adoption of Title VI Plan-Valley Parks and Recreation.
- Road Dedication, Valley Industrial Boulevard in May 2016.
- In November of 2015, EMS to Participate in Municipal Intercept Services (MIS) and bought new Zoll Cardiac monitor. Municipal Intercept Services is Alabama's only state tax refund municipal debt recovery program. It allows municipalities to collect debts from intercepted state tax refunds in connection with Alabama Department of Revenue.
- Improvements to each Department: Budget included \$262,682 for Police Department, which had \$250,000 for police cars and \$12,682 for radio equipment, \$105,750 for EMS with part of that being Grant money. \$120,000 for Public Works for vehicles and equipment and \$114,000 budgeted for Park & Rec for HVAC, fitness equipment and pool score pads.
- In January of 2016, Red Roof Inn was renovated. Officially opened April 22, 2016
- In March of 2016, Adoption of Title VI Plan for Valley Senior Center and Adoption of Title VI Plan Valley Parks and Recreation.
- In April of 2016, new business Steak and Shake broke ground. Opened for business July 2016.
- Henry Hudson and Company, second amendment to sales contract \$222,000. Demolition of Riverview Mill continues to take place.
- In May of 2016, Fuller Hope Subdivision.
- Applied for \$250,000 ADECA Grant for Senior Center addition to the Community Center. In September of 2016, addition of new Senior Center in conjunction with renovation of Community Center weight room and new lighting for practice field. In November 2016, received notification that ADECA Grant had been approved.
- In June of 2016, Exit 77 on I-85 was completely re-lighted to improve exit.
- We continue to stay updated on our software programs utilized by City Hall. During 2016, the following occurred:
 - Local Government Software used for Business License and Quarterly Taxes was upgraded along with 2 hours of additional training on the software upgrade.
 - General Ledger Software System had an upgrade with a new 2016 edition. This upgrade will be a time saving addition to our daily processes allowing new reports. Actual live transition occurred October 2016.
 - Animal License Software is being reworked/tested and should be going live before renewal period in June 2017.

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 14 and 16) 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 17. 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 9. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used in most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 17. The fund financial statements provide detailed information about the most significant funds and not the City as a whole. Some funds are required to be established by State law and bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

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

- **Proprietary Funds** - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

Financial Analysis of the City as a Whole

Net Position

The City's combined net position as of September 30, 2016 was \$17,133,196. The governmental activities net position was \$16,987,113 and the business-type activities net position was \$146,083. 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,	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 5,052,887	\$ 4,468,291	\$ 176,599	\$ 198,740	\$ 5,229,486	\$ 4,667,031
Capital assets	25,229,341	21,139,230	8,828	12,038	25,238,169	21,151,268
Total assets	<u>30,282,228</u>	<u>25,607,521</u>	<u>185,427</u>	<u>210,778</u>	<u>30,467,655</u>	<u>25,818,299</u>
Deferred outflows of resources						
Deferred outflows related						
to pensions	554,028	153,791	9,651	2,851	563,679	156,642
Deferred charge on refunding	1,450,982	1,654,525	-	-	1,450,982	1,654,525
Total deferred outflows of resources	<u>2,005,010</u>	<u>1,808,316</u>	<u>9,651</u>	<u>2,851</u>	<u>2,014,661</u>	<u>1,811,167</u>
Liabilities						
Long-term liabilities	14,797,919	11,317,150	13,105	4,055	14,811,024	11,321,205
Other liabilities	502,206	1,140,676	35,890	86,741	538,096	1,227,417
Total liabilities	<u>15,300,125</u>	<u>12,457,826</u>	<u>48,995</u>	<u>90,796</u>	<u>15,349,120</u>	<u>12,548,622</u>
Deferred inflows of resources						
Pension deferrals	-	206,507	-	3,828	-	210,335
Total deferred inflows of resources	<u>-</u>	<u>206,507</u>	<u>-</u>	<u>3,828</u>	<u>-</u>	<u>210,335</u>
Net Position						
Net investment						
in capital assets	12,215,239	11,088,913	8,828	12,038	12,224,067	11,100,951
Restricted	155,080	112,345	-	-	155,080	112,345
Unrestricted	4,616,794	3,550,246	137,255	106,967	4,754,049	3,657,213
Total net position (deficit)	<u>\$16,987,113</u>	<u>\$14,751,504</u>	<u>\$ 146,083</u>	<u>\$ 119,005</u>	<u>\$17,133,196</u>	<u>\$14,870,509</u>

For more detailed information, see the Statement of Net Position on page 14.

The City's unrestricted net position for governmental activities that can be used to finance day-to-day operations was \$4,616,794.

Changes in Net Position

The City's Change in Net Position of the governmental activities was \$2,235,609 and the change in net position of business-type activities was \$27,078.

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

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 2,914,322	\$ 2,882,365	\$ 692,871	\$ 698,027	\$ 3,607,193	\$ 3,580,392
Operating grants and contributions	121,317	260,167	-	-	121,317	260,167
Capital grants and contributions	873,267	82,976	-	-	873,267	82,976
General revenues						
Sales taxes	6,681,157	6,432,452	-	-	6,681,157	6,432,452
Other taxes	449,655	440,015	-	-	449,655	440,015
Interest earnings	5,848	3,524	233	261	6,081	3,785
(Loss) gain on disposal of capital assets	(42,701)	98,620	-	-	(42,701)	98,620
Total revenues	<u>11,002,865</u>	<u>10,200,119</u>	<u>693,104</u>	<u>698,288</u>	<u>11,695,969</u>	<u>10,898,407</u>
Expenses						
General administration	1,831,153	1,556,585	-	-	1,831,153	1,556,585
Public safety	2,980,685	2,935,555	-	-	2,980,685	2,935,555
Public works	1,318,279	1,166,908	-	-	1,318,279	1,166,908
Health	38,750	38,750	-	-	38,750	38,750
Culture and recreation	1,663,485	1,479,836	-	-	1,663,485	1,479,836
Welfare	190,700	192,394	-	-	190,700	192,394
Urban rehabilitation	56,662	8,896	-	-	56,662	8,896
Interest on long-term debt	687,542	482,793	-	-	687,542	482,793
Solid waste	-	-	666,026	633,836	666,026	633,836
Total expenses	<u>8,767,256</u>	<u>7,861,717</u>	<u>666,026</u>	<u>633,836</u>	<u>9,433,282</u>	<u>8,495,553</u>
Excess before transfers	2,235,609	2,338,402	27,078	64,452	2,262,687	2,402,854
Transfers	-	150,000	-	(150,000)	-	-
Change in net position	<u>2,235,609</u>	<u>2,488,402</u>	<u>27,078</u>	<u>(85,548)</u>	<u>2,262,687</u>	<u>2,402,854</u>
Beginning net position	14,751,504	12,784,223	119,005	211,850	14,870,509	12,996,073
Prior period adjustment	-	(521,121)	-	(7,297)	-	(528,418)
Total net position	<u>\$16,987,113</u>	<u>\$14,751,504</u>	<u>\$ 146,083</u>	<u>\$ 119,005</u>	<u>\$17,133,196</u>	<u>\$14,870,509</u>

For more detailed information, see the Statement of Activities on page 16.

The governmental activities total revenues increased by 7.87% to \$11,002,865 due primarily to an increase in capital contributions. Sales taxes account for 60.72% of all governmental activities revenues. The remaining revenues are comprised of charges for services and various other sources. The business-type activities total revenue decreased by .74%.

The total cost of all programs and services increased by \$937,729. The cost of governmental activities increased by \$905,539 and the cost of business-type activities increased by \$32,190.

Governmental Activities

The change in net position of governmental activities was \$2,235,609, resulting primarily from an increase in sales tax revenue and capital contributions for City infrastructure.

Business-type Activities

The change in net position of business-type activities was \$27,078, resulting primarily from charges for service.

THE CITY'S FUNDS

Governmental Funds

As of September 30, 2016, the Governmental Funds reported a combined fund balance of \$4,623,528, which is 19.76% more than the beginning of the year. The General Fund experienced a net increase of \$689,998 resulting primarily from an increase in sales tax revenue.

Business-type Funds

As of September 30, 2016, business-type funds reported a combined net position of \$146,083. The business-type funds Change in Net Position totaled \$27,078, resulting primarily from charges for service.

General Fund Budgetary Highlights

General Fund revenues exceeded budget by \$354,508, largely due to greater than anticipated sales tax revenue. The revenue budget is based on prior year budgeted revenues and does not factor in any growth. General fund revenues do not include proceeds from debt.

General Fund expenditures were less than budgeted amounts by \$188,380, largely due to a decrease in spending on operations to provide funding for capital outlay.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the City had \$25,238,169 invested in a broad range of capital assets, including police equipment, vehicles, buildings, a library, a senior center, park facilities, streets, and roads. This amount represents a net increase (including additions, disposals and depreciation) of \$4,086,900 or 19.32% more than last year. The increase can be attributed to capital asset additions, including the new industrial park land, offset by depreciation expense and the sale of surplus capital assets.

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

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,741,432	\$ 2,118,762	\$ -	\$ -	\$ 4,741,432	\$ 2,118,762
Construction in progress	51,004	-	-	-	51,004	-
Infrastructure, net	10,062,779	8,738,509	-	-	10,062,779	8,738,509
Equipment, net	1,219,316	949,468	8,828	12,038	1,228,144	961,506
Buildings and improvements, net	8,779,810	8,957,492	-	-	8,779,810	8,957,492
Capital assets held for sale	375,000	374,999	-	-	375,000	374,999
Total capital assets, net	<u>\$25,229,341</u>	<u>\$21,139,230</u>	<u>\$ 8,828</u>	<u>\$ 12,038</u>	<u>\$25,238,169</u>	<u>\$21,151,268</u>

Computation of Legal Debt Margin

Assessed value of real and personal taxable property as of September 30, 2016 ¹	<u>\$80,389,880</u>
Debt limit, twenty percent of assessed value (constitutional limitation) ²	\$16,077,976
Debt in governmental activities	<u>14,090,084</u>
Total general obligation debt for computation	14,090,084
Net bonded indebtedness	<u>14,090,084</u>
Legal debt margin	<u>\$ 1,987,892</u>

(1) Source: Chambers County Revenue Commissioner

(2) Section 225, as amended, Constitution of the State of Alabama, limits debt of the City of Valley to twenty percent of the assessed value of property.

Long-Term Debt

At September 30, 2016, the City had \$14,090,084 in warrants payable outstanding versus \$11,704,843 at September 30, 2015, an increase of 20.38%. This increase resulted primarily from issuance of new debt.

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, 2017. The City Council took the Mayor's proposed budget under consideration and, after further review and evaluation, adopted the fiscal year 2017 budget. Tax rates, anticipated sales tax collections, anticipated expenditures/expenses, prior year actual revenues/expenditures and the overall economy were some of these factors.

The City is located in Chambers County, Alabama. The County's economy has improved tremendously and has moved from leading the state of Alabama in unemployment rates to leading the nation in unemployment rate decline. By recruiting automotive suppliers and other businesses, Chambers County has led the country in job creation for a Tier 6 county.

Fiscal Year 2016 was a year of progress as they continued to see an increase in commercial and industrial development. Valley continues to see ways to improve and better collect City revenues.

These indicators were taken into account when adopting the General Fund budget for the fiscal year ended September 30, 2017. Amounts available for expenditures, capital outlay and debt service in the General Fund budget are \$9,407,107 for the fiscal year 2017. The City took into consideration the current year increase in revenue and its effect on the City when budgeting expenditures for the fiscal year 2017.

If these estimates are realized, the City's budgetary fund balance is expected to increase moderately by the close of fiscal year 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF VALLEY
Statement of Net Position
September 30, 2016

	Primary Government			Component Unit Valley Historical Preservation Commission
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 4,108,596	\$ 173,343	\$ 4,281,939	\$ 18,174
Accounts receivable, net	61,643	-	61,643	-
Taxes receivable, net	540,911	-	540,911	-
Other receivables	10,650	1,725	12,375	-
Inventories	30,300	-	30,300	-
Prepaid expenses	153,759	1,531	155,290	-
Cash and cash equivalents - restricted	117,316	-	117,316	-
Due from other governments	29,712	-	29,712	-
Total current assets	<u>5,052,887</u>	<u>176,599</u>	<u>5,229,486</u>	<u>18,174</u>
Noncurrent assets				
Capital assets held for sale	375,000	-	375,000	-
Nondepreciable capital assets	4,792,436	-	4,792,436	-
Depreciable capital assets, net	20,061,905	8,828	20,070,733	-
Total noncurrent assets	<u>25,229,341</u>	<u>8,828</u>	<u>25,238,169</u>	<u>-</u>
Total assets	<u>30,282,228</u>	<u>185,427</u>	<u>30,467,655</u>	<u>18,174</u>
Deferred outflows of resources				
Deferred outflows related to pensions	554,028	9,651	563,679	-
Deferred charge on refunding	1,450,982	-	1,450,982	-
Total deferred outflows of resources	<u>2,005,010</u>	<u>9,651</u>	<u>2,014,661</u>	<u>-</u>
Liabilities				
Current liabilities				
Accounts payable	275,162	47,965	323,127	-
Accrued payroll and benefits	140,063	-	140,063	-
Accrued interest payable	31,121	-	31,121	-
Due to (from) other funds	14,134	(14,134)	-	-
Compensated absences	41,726	2,059	43,785	-
Current portion of warrants payable, net	896,994	-	896,994	-
Total current liabilities	<u>1,399,200</u>	<u>35,890</u>	<u>1,435,090</u>	<u>-</u>
Noncurrent liabilities				
Warrants payable, net	13,193,090	-	13,193,090	-
Net pension liability	707,835	13,105	720,940	-
Total noncurrent liabilities	<u>13,900,925</u>	<u>13,105</u>	<u>13,914,030</u>	<u>-</u>
Total liabilities	<u>15,300,125</u>	<u>48,995</u>	<u>15,349,120</u>	<u>-</u>

See notes to financial statements.

CITY OF VALLEY
Statement of Net Position
September 30, 2016
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Valley Historical Preservation Commission
Net position				
Net investment in capital assets	\$ 12,215,239	\$ 8,828	\$ 12,224,067	\$ -
Restricted for				
Debt service	90,424	-	90,424	-
Special revenue	64,656	-	64,656	-
Unrestricted	4,616,794	137,255	4,754,049	18,174
Total net position	\$ 16,987,113	\$ 146,083	\$ 17,133,196	\$ 18,174

See notes to financial statements.

CITY OF VALLEY
Balance Sheet
Governmental Funds
September 30, 2016

	<u>General</u>	<u>Industrial Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 3,824,921	\$ 225,492	\$ 58,183	\$ 4,108,596
Accounts receivable, net	61,643	-	-	61,643
Taxes receivable, net	524,430	-	16,481	540,911
Other receivables	8,806	-	1,844	10,650
Inventories	30,300	-	-	30,300
Prepaid expenses	150,401	-	3,358	153,759
Cash and cash equivalents - restricted	-	-	117,316	117,316
Due from other governments	-	-	30,351	30,351
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,600,501</u>	<u>\$ 225,492</u>	<u>\$ 227,533</u>	<u>\$ 5,053,526</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 267,284	\$ 6,250	\$ 1,628	\$ 275,162
Accrued payroll and benefits	140,063	-	-	140,063
Due to (from) other funds	238,805	-	(224,671)	14,134
Due to other governments	-	-	639	639
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	646,152	6,250	(222,404)	429,998
Fund balance				
Nonspendable				
Inventories	30,300	-	-	30,300
Other receivables	8,806	-	-	8,806
Prepaid expenses	150,401	-	-	150,401
Restricted for				
Debt service	-	-	117,316	117,316
Special revenue	-	-	64,656	64,656
Assigned for				
Capital projects	-	219,242	267,965	487,207
Unassigned	3,764,842	-	-	3,764,842
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	3,954,349	219,242	449,937	4,623,528
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 4,600,501</u>	<u>\$ 225,492</u>	<u>\$ 227,533</u>	<u>\$ 5,053,526</u>

See notes to financial statements.

CITY OF VALLEY
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 September 30, 2016

Total fund balances - governmental funds		\$ 4,623,528
<p>Amounts reported for governmental activities in the Statement of Net Position are different due to the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	35,388,457	
Less accumulated depreciation	<u>(10,159,116)</u>	25,229,341
<p>Interest payable is not recognized as an expenditure in governmental funds, but rather is recognized when an expenditure is paid.</p>		
		(31,121)
<p>Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Warrants payable	(14,229,434)	
Warrant discounts	139,350	
Deferred outflow of resources for deferred charges	1,450,982	
Deferred outflows of resources for pensions	554,028	
Compensated absences	(41,726)	
Net pension liability	<u>(707,835)</u>	<u>(12,834,635)</u>
Total net position - governmental activities		<u>\$ 16,987,113</u>

See notes to financial statements.

CITY OF VALLEY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2016

	<u>General</u>	<u>Industrial Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes				
Sales and miscellaneous	\$ 6,572,349	\$ -	\$ 108,808	\$ 6,681,157
Other	449,655	-	-	449,655
Licenses and permits	1,736,394	-	-	1,736,394
Intergovernmental	33,267	-	881,442	914,709
Charges for services	1,101,067	-	-	1,101,067
Fines and forfeitures	121,319	-	-	121,319
Contributions	42,848	-	-	42,848
Interest	5,664	59	125	5,848
Other	2,649	-	25,707	28,356
Total revenue	<u>10,065,212</u>	<u>59</u>	<u>1,016,082</u>	<u>11,081,353</u>
Expenditures, current				
General government	1,474,907	-	-	1,474,907
Public safety	2,901,499	-	-	2,901,499
Public works	1,063,913	39,022	55,194	1,158,129
Health and sanitation	38,750	-	-	38,750
Culture and recreation	1,209,598	-	-	1,209,598
Welfare	19,360	-	154,838	174,198
Urban rehabilitation	56,662	-	-	56,662
	<u>6,764,689</u>	<u>39,022</u>	<u>210,032</u>	<u>7,013,743</u>
Capital outlay	1,815,347	2,696,108	764,504	5,275,959
Debt service				
Principal retirement	689,307	-	145,000	834,307
Interest and fees	115,199	-	329,913	445,112
Issuance of debt costs	16,000	-	-	16,000
	<u>820,506</u>	<u>-</u>	<u>474,913</u>	<u>1,295,419</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	66,780	-	-	66,780
Issuance of warrants	3,200,000	-	-	3,200,000
Premiums from issuance of warrants	-	-	-	-
Transfers (out) in	(3,241,452)	2,954,313	287,139	-
	<u>25,328</u>	<u>2,954,313</u>	<u>287,139</u>	<u>3,266,780</u>
Net change in fund balance	689,998	219,242	(146,228)	763,012
Fund balance - beginning of year	<u>3,264,351</u>	<u>-</u>	<u>596,165</u>	<u>3,860,516</u>
Fund balance - end of year	<u>\$ 3,954,349</u>	<u>\$ 219,242</u>	<u>\$ 449,937</u>	<u>\$ 4,623,528</u>

See notes to financial statements.

CITY OF VALLEY
Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Year ended September 30, 2016

Net changes in fund balances - governmental funds \$ 763,012

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

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

Capital outlay	5,275,959	
Less depreciation expense	<u>(1,087,812)</u>	4,188,147

The proceeds from the sale of capital assets (\$66,780) are reported as other financing sources in the governmental funds. However, the net book value of the capital assets (\$109,481) is removed from the capital assets account in the Statement of Net Position and offsets against the sales proceeds resulting in a loss in the Statement of Activities of (\$42,701). (109,481)

Donations of capital assets do not provide current financial resources and are not recorded in governmental funds. However, donations of capital assets increase net position. 11,444

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	834,307	
Issuance of warrants	(3,200,000)	
Bond discount and deferred amounts on refunding amortization expense	<u>(223,092)</u>	(2,588,785)

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 decrease in accrued compensated absences	4,212	
Net decrease in pension expense	117,675	
Net decrease in prepaid insurance	(100,044)	
Decrease in unearned revenue	(47,233)	
Increase in accrued interest	<u>(3,338)</u>	<u>(28,728)</u>

Change in net position - governmental activities \$ 2,235,609

See notes to financial statements.

CITY OF VALLEY
Statement of Proprietary Fund Net Position
September 30, 2016

	<u>Solid Waste Collection</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 173,343
Other receivable	1,725
Prepaid expenses	1,531
Due from other funds	<u>14,134</u>
Total current assets	<u>190,733</u>
Non-current assets	
Depreciable capital assets, net	<u>8,828</u>
Total non-current assets	<u>8,828</u>
Total assets	<u>199,561</u>
Deferred outflows of resources	
Deferred outflows related to pensions	<u>9,651</u>
Total deferred outflows of resources	<u>9,651</u>
Liabilities	
Current liabilities	
Accounts payable	47,965
Compensated absences	<u>2,059</u>
Total current liabilities	<u>50,024</u>
Noncurrent liabilities	
Net pension liability	<u>13,105</u>
Total noncurrent liabilities	<u>13,105</u>
Total liabilities	<u>63,129</u>
Net position	
Net investment in capital assets	8,828
Unrestricted	<u>137,255</u>
Total net position	<u>\$ 146,083</u>

See notes to financial statements.

CITY OF VALLEY
Statement of Revenues, Expenses, and Changes in Proprietary Fund Net Position
Year ended September 30, 2016

	Solid Waste Collection
Operating revenues	\$ 692,871
Operating expenses	
Salaries	56,289
Employee benefits	10,474
Payroll taxes	4,256
Depreciation expense	3,210
Contract services - garbage pickup	568,254
Utilities and telephone	1,847
Supplies	7,382
Maintenance and repairs	2,774
Insurance	1,786
Other	9,754
Total operating expenses	666,026
Operating income	26,845
Non-operating revenues	
Interest income	233
Total non-operating revenues	233
Change in net position	27,078
Net position, beginning of year	119,005
Net position, end of year	\$ 146,083

See notes to financial statements.

CITY OF VALLEY
Statement of Proprietary Fund Cash Flows
Year ended September 30, 2016

	<u>Solid Waste Collection</u>
Cash flows from operating activities	
Cash received from customers	\$ 692,630
Cash paid to suppliers for goods and services	(72,122)
Cash paid to employees	<u>(566,580)</u>
Net cash provided by operating activities	<u>53,928</u>
Cash flows from noncapital financing activities	
Due to City of Valley	(62,183)
Due from City of Valley	<u>(14,134)</u>
Net cash used in noncapital financing activities	<u>(76,317)</u>
Cash flows from investing activities	
Interest on cash and investments	<u>233</u>
Net cash provided by investing activities	<u>233</u>
Net decrease in cash and cash equivalents	(22,156)
Cash and cash equivalents at beginning of year	<u>195,499</u>
Cash and cash equivalents at end of year	<u><u>\$ 173,343</u></u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 26,845
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,210
Bad debt expense	226
Increase (decrease) in:	
Accounts receivable	(226)
Others receivable	(15)
Prepaid expenses	-
Deferred outflows of resources for pensions	(6,800)
(Increase) decrease in:	
Accounts payable	24,991
Compensated absences	475
Net pension liability	9,050
Deferred inflows	<u>(3,828)</u>
Net cash provided by operating activities	<u><u>\$ 53,928</u></u>

See notes to financial statements.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016

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 May 12, 2017, the date the financial statements were available to be issued. The more significant of these accounting policies are described below.

Financial Reporting Entity

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

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

The City of Valley Historic Preservation Commission

The City of Valley Historic Preservation Commission seeks to preserve the rich textile-mill heritage of the City and the history of the four mill villages that comprise what is now the City of Valley. The Commission's ten board members are appointed by the City's Mayor. The Commission received an appropriation from the City for \$10,000 during the current year.

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

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Reporting Entity - Continued

The Industrial Development Authority of Chambers County

The Industrial Development Authority of Chambers County recruits and promotes businesses in the City and surrounding areas and municipalities. The Board has fourteen total members, one of whom is appointed by the Valley City Council. The other members are appointed by the Alabama State Legislature, one member from each of the other participating municipalities, and the related county commissioners. The City appropriated \$30,151 to the Board during the current year.

The East Alabama Regional Solid Waste Disposal Authority

The East Alabama Regional Solid Waste Disposal Authority is a corporation created to provide for the collection and disposal of solid waste and to encourage planning for disposal of solid waste and resource recovery in East Alabama. The organization is governed by a twelve member board composed of one appointee each from various municipalities and counties in the area. The City appoints one board member. The East Alabama Regional Solid Waste Disposal Authority did not receive any appropriations from the City for the year ended September 30, 2016.

Government-Wide and Fund Financial Statements

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

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

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - Continued

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

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

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.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

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

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

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

Basis of Presentation - Fund-Level Financial Statements

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

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.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Fund-Level Financial Statements - Continued

Industrial Park 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 expenses.

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

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

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

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

The City reports the following major proprietary funds:

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

Use of Estimates

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

Cash and Cash Equivalents

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents - Continued

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

Allowance for Uncollectible Accounts

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

Inventory

Inventories are valued at the lower of cost (average) or market. Inventories in governmental funds are offset by a reserve for inventories that indicates that a portion of fund balance is not available for other subsequent expenditures.

Prepaid Expenses

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

Restricted Cash and Cash Equivalents

Restricted assets include cash and cash equivalents restricted for repayment of debt service on certain debt issued for the City of Valley. These funds are held in escrow accounts deposited with a trustee as cash. At September 30, 2016, the escrow accounts totaled \$117,316.

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, 2016
(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 five years. 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 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 statements of net position report 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 are amounts of 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.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Unearned Revenue

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

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 activities 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

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

Other Postemployment Benefit Obligations

In accordance with GASB Statement No. 45 *Accounting and Financial Reporting by Employers for the Postemployment Benefits Other Than Pensions* (OPEB), the City is required to report the City’s actuarially determined net OPEB obligation as a long-term liability in the government-wide financial statements. However, the City does not offer these benefits to employees or former employees of the City, therefore, no liability has been accrued in the government-wide financial statements.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pensions

The Employees' Retirement Systems of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. The last year for which actuarial information is available is for the fiscal year ended September 30, 2015 and, therefore, this actuarial information is reported in the 2016 financial statements.

Net Position

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

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

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

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

Fund Equity

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

Non-spendable - 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 resolution.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity - Continued

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

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

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The deficit fund equity of \$11,565 in the Community Development fund is the result of revenues being inadequate to cover expenditures. This deficit is offset through interfund borrowings from the general fund.

NOTE 3 - TRUSTEED FUND ASSETS

In accordance with the provisions of the General Obligation Warrant issues, the City is required to make monthly installments to escrow accounts for semi-annual interest and principal maturities. As of September 30, 2016, \$117,316 had been accumulated in the escrow accounts for this purpose and is included in restricted cash and cash equivalents on the statement of net position. The trustee accounts are invested by banks' trust departments in U.S. Government Securities and are not subject to collateralization requirements.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 3 - TRUSTEED FUND ASSETS - Continued

As a means of limiting its exposure to interest rate risk, the City limits its investments to those authorized by state statutes and restricts the maximum investment term to less than one year from the purchase date.

NOTE 4 - RECEIVABLES AND PAYABLES

Receivables consisted of the following at September 30, 2016:

	Governmental Activities	Business-type Activities	Total
Taxes			
Sales	\$ 524,430	\$ -	\$ 524,430
Intergovernmental	16,481	-	16,481
Customers	137,343	59,445	196,788
Other	20,639	1,725	22,364
Gross receivables	698,893	61,170	760,063
Less: allowance for uncollectible accounts	(85,689)	(59,445)	(145,134)
Net receivables	<u>\$ 613,204</u>	<u>\$ 1,725</u>	<u>\$ 614,929</u>

Payables consisted of the following at September 30, 2016:

	Governmental Activities	Business-type Activities	Total
Trade	\$ 129,084	\$ 47,965	\$ 177,049
Capital assets	146,078	-	146,078
Net payables	<u>\$ 275,162</u>	<u>\$ 47,965</u>	<u>\$ 323,127</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables consisted of the following at September 30, 2016:

General Fund

Balance due from Nonmajor Governmental Funds	\$ 46,435
Balance due to Nonmajor Governmental Funds	(271,106)
Balance due to Solid Waste	(14,134)
	(238,805)

Nonmajor Governmental Funds

Balance due from General Fund	271,106
Balance due to General Fund	(46,435)
	224,671

Solid Waste

Balance due from General Fund	14,134
	\$ -

Transfers between funds consisted of the following during the year ended September 30, 2016:

	Transfers In (Out)	Net Transfers Out (In)
	General	Out (In)
Transfers Out (In)		
General Fund	\$ -	\$ -
Industrial Park	(2,954,313)	(2,954,313)
Special Revenue	74,671	74,671
Capital Projects	118,065	118,065
Debt Service	(479,875)	(479,875)
Solid Waste	-	-
Net Transfers In (Out)	\$ (3,241,452)	\$ (3,241,452)

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued

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

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental activities consisted of the following for the year ended September 30, 2016:

	Governmental Activities			
	October 1, 2015	Additions	Disposals	September 30, 2016
Depreciable assets				
Buildings and improvements	\$ 14,771,643	\$ 302,771	\$ -	\$ 15,074,414
Equipment	3,104,285	571,035	189,320	3,486,000
Infrastructure	10,005,566	1,655,041	-	11,660,607
	<u>27,881,494</u>	<u>2,528,847</u>	<u>189,320</u>	<u>30,221,021</u>
Less accumulated depreciation				
Buildings and improvements	5,814,151	480,453	-	6,294,604
Equipment	2,154,817	276,588	164,721	2,266,684
Infrastructure	1,267,057	330,771	-	1,597,828
	<u>9,236,025</u>	<u>1,087,812</u>	<u>164,721</u>	<u>10,159,116</u>
	<u>18,645,469</u>	<u>1,441,035</u>	<u>24,599</u>	<u>20,061,905</u>
Non-depreciable assets				
Land and improvements	2,118,762	2,707,552	84,882	4,741,432
Construction in progress	-	51,004	-	51,004
Assets held for sale	375,000	-	-	375,000
	<u>2,493,762</u>	<u>2,758,556</u>	<u>84,882</u>	<u>5,167,436</u>
	<u>\$ 21,139,231</u>	<u>\$ 4,199,591</u>	<u>\$ 109,481</u>	<u>\$ 25,229,341</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 6 - CAPITAL ASSETS - Continued

Capital asset activity for business-type activities consisted of the following for the year ended September 30, 2016:

	Business-type Activities			September 30, 2016
	October 1, 2015	Additions	Disposals	
Depreciable assets				
Equipment	\$ 30,486	\$ -	\$ -	\$ 30,486
Less accumulated depreciation				
Equipment	18,448	3,210	-	21,658
	<u>\$ 12,038</u>	<u>\$ (3,210)</u>	<u>\$ -</u>	<u>\$ 8,828</u>

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

Governmental activities	
General government	\$ 277,300
Public safety	153,465
Public works	181,176
Culture and recreation	458,028
Welfare	17,843
	<u>\$ 1,087,812</u>
Business-type activities	
General government	<u>\$ 3,210</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 7 - PENSION PLAN

General Information about the Pension Plan

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

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

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to § 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 Tier 1 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, Tier 1 members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 7 - PENSION PLAN - Continued

General Information about the Pension Plan - Continued

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

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 876 local participating employers. These participating employers include 294 cities, 65 counties, and 517 other public entities. The ERS membership includes approximately 84,393 participants. As of September 30, 2015, membership consisted of:

Retirees and beneficiaries currently receiving benefits	22,211
Terminated employees entitled to but not yet receiving benefits	1,353
Terminated employees not entitled to a benefit	5,451
Active members	55,164
Post-DROP retired members still in active service	214
	<u>84,393</u>

The City's membership as of the measurement date of September 30, 2015 consisted of:

Retired members or their beneficiaries currently receiving benefits	23
Vested inactive members	3
Non-vested inactive members	12
Active members	87
Post-DROP retired members still in active service	-
	<u>125</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 7 - 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. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contribution 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 pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2016, the City's active employee contribution rate was 5.65% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 5.25% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2016 was 5.84% of pensionable pay for Tier 1 employees, and 2.94% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, 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 \$176,336 for the year ended September 30, 2016.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 7 - PENSION PLAN - Continued

Net Pension Liability

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

	Expected	Actual
(a) Total Pension Liability as of September 30, 2014	\$ 7,555,300	\$ 7,713,709
(b) Entry Age Normal Cost for the period October 1, 2014 - September 30, 2015	250,225	250,225
(c) Actual Benefit Payments and Refunds for the period October 1, 2014 - September 30, 2015	(428,888)	(428,888)
(d) Total Pension Liability as of September 30, 2015 [(a) x 1.08] + (b) - [(c) x (1.04)]	\$ 7,963,905	\$ 8,134,987
(e) Difference between Expected and Actual Experience (Gain)/Loss		\$ 171,082

Actuarial assumptions. The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

1. An investment rate of return of 8.00% (net of pension plan investment expense), including inflation at 3.00%, per annum compounded annually on the investment of present and future assets.
2. Projected salary increases, based on age, ranging from 3.75% to 7.25%.

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 7 - PENSION PLAN - Continued

Net Pension Liability - Continued

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25%	5%
U.S. Large Stocks	34%	9%
U.S. Mid Stocks	8%	12%
U.S. Small Stocks	3%	15%
International Developed Market Stocks	15%	11%
International Emerging Market Stocks	3%	16%
Real Estate	10%	8%
Cash	2%	2%
	100%	

*Includes assumed rate of inflation of 2.50%.

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 8.00%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 7 - PENSION PLAN - Continued

Net Pension Liability - Continued

Changes in the City's net pension liability consisted of the following at September 30, 2015:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2014	\$ 7,555,300	\$ 7,332,481	\$ 222,819
Changes for the year:			
Service cost	250,225	-	250,225
Interest	587,268	-	587,268
Difference between expected and actual experience	171,082	-	171,082
Contributions - employer	-	146,549	(146,549)
Contributions - employee	-	163,504	(163,504)
Net investment income	-	86,959	(86,959)
Benefits of payments, including refunds of employee contributions	(428,888)	(428,888)	-
Transfers among employers	-	113,442	(113,442)
Net changes:	<u>579,687</u>	<u>81,566</u>	<u>498,121</u>
Balances at September 30, 2015	<u>\$ 8,134,987</u>	<u>\$ 7,414,047</u>	<u>\$ 720,940</u>

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 8.00%, 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 (7.00%) or one-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Plan's Net Pension Liability (Asset)	<u>\$ 1,677,296</u>	<u>\$ 720,940</u>	<u>\$ (86,572)</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 7 - PENSION PLAN - Continued

Net Pension Liability - Continued

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditors’ report dated October 17, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2016, the City recognized pension expense of \$57,092. At September 30, 2016, 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	\$ 145,547	\$ -
Net difference between projected and actual earnings on pension plan investments	241,788	-
Employer contributions subsequent to the measurement date	176,344	-
	\$ 563,679	\$ -

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

	Deferred Outflows of Resources
2017	\$ 72,836
2018	72,836
2019	72,837
2020	125,419
2021	25,535
Thereafter	17,872
	\$ 387,335

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 8 - LONG-TERM DEBT

The general obligation warrant issues consisted of the following at September 30, 2016:

	<u>Governmental Activities</u>
Series 2007 General Obligation Warrants, dated December 1, 2007, due in semi-annual payments through March 1, 2018, bearing an interest rate of 7.375%	\$ 325,000
Series 2013 General Obligation Warrants, dated August 28, 2013, due in monthly payments through August 27, 2020, bearing an interest rate of 2.05%	1,866,103
Series 2014 General Obligation Warrants, dated April 1, 2014, due in semi-annual payments through March 1, 2037, bearing interest rates of 2.00% to 4.00%	9,075,000
Series 2015 General Obligation Warrants, dated November 11, 2015, due in monthly payments through November 11, 2025, bearing an interest rate of 2.50%	<u>2,963,331</u>
Total warrants payable	14,229,434
Less deferred amounts for:	
Unamortized discounts (2014)	<u>(139,350)</u>
Total warrants payable, net	<u><u>\$ 14,090,084</u></u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 8 - LONG-TERM DEBT - Continued

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

	Principal	Interest
2017	\$ 908,016	\$ 423,109
2018	940,172	393,968
2019	872,724	369,297
2020	1,159,153	346,692
2021	721,895	325,365
2022-2026	3,577,474	1,348,632
2027-2031	2,460,000	930,659
2032-2036	2,935,000	432,955
2037	655,000	13,100
	\$ 14,229,434	\$ 4,583,777

Changes in long-term liabilities for governmental activities consisted of the following at September 30, 2016:

Governmental Activities	October 1, 2015	Additions	Retirements	September 30, 2016	Due within one year
Warrants payable:					
General obligation warrants	\$ 11,863,741	\$ 3,200,000	\$ 834,307	\$ 14,229,434	\$ 908,016
Less: bond discounts	(158,898)	-	(19,548)	(139,350)	(11,022)
Total warrants payable	11,704,843	3,200,000	814,759	14,090,084	896,994
Other liabilities:					
Compensated absences	45,938	-	4,212	41,726	41,726
	\$ 11,750,781	\$ 3,200,000	\$ 818,971	\$ 14,131,810	\$ 938,720

Changes in long-term liabilities for governmental activities consisted of the following at September 30, 2016:

Business-type Activities	October 1, 2015	Additions	Retirements	September 30, 2016	Due within one year
Other liabilities:					
Compensated absences	\$ 1,584	\$ 475	\$ -	\$ 2,059	\$ 2,059

CITY OF VALLEY
Notes to Financial Statements
September 30, 2016
(Continued)

NOTE 9 - DEFEASANCE OF DEBT

On April 1, 2014, the City's Series 2007 general obligation warrants were defeased by placing the proceeds of new warrants in an irrevocable trust escrow account held and managed by bank trustees, and invested in U.S. Treasury obligations, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased warrants. Accordingly, the trust escrow account and the defeased warrants are not included in the City's financial statements. The defeased warrants outstanding considered extinguished and related escrow account balance at September 30, 2016 are as follows:

	Defeased Warrants Outstanding	Escrow Account Balance
General Obligation Warrants - Series 2007	<u>\$ 6,985,000</u>	<u>\$ 7,565,720</u>

NOTE 10 - COMMITMENTS

The City leases certain office equipment under noncancelable operating lease agreements. Rent expense paid under the lease agreements during the year ended September 30, 2016 totaled \$7,153. Future minimum lease payments due under operating lease agreements for the year ended September 30, 2017 totaled \$2,694.

NOTE 11 - 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VALLEY
 Budgetary Comparison Schedule - General Fund
 Year ended September 30, 2016

	Budgeted Amounts		Actual GAAP Basis	Adjustments to Budgetary Basis	Actual - Budgetary Basis
	Original	Final			
Revenues					
Taxes					
Sales and miscellaneous	\$ 6,150,000	\$ 6,150,000	\$ 6,572,349	\$ -	\$ 6,572,349
Other	436,900	436,900	449,655	-	449,655
Licenses and permits	1,666,500	1,666,500	1,736,394	-	1,736,394
Intergovernmental	23,810	23,810	33,267	-	33,267
Charges for services	1,039,532	1,039,668	1,101,067	-	1,101,067
Fines and forfeitures	65,000	65,000	121,319	-	121,319
Contributions	61,000	75,676	42,848	-	42,848
Interest	253,000	253,000	5,664	-	5,664
Other	150	150	2,649	-	2,649
Total revenue	<u>9,695,892</u>	<u>9,710,704</u>	<u>10,065,212</u>	<u>-</u>	<u>10,065,212</u>
Expenditures, current					
General government	1,527,038	1,524,108	1,474,907	-	1,474,907
Public safety	2,867,637	2,893,620	2,901,499	-	2,901,499
Public works	1,143,269	1,143,269	1,063,913	-	1,063,913
Health and sanitation	39,895	39,895	38,750	-	38,750
Culture and recreation	1,230,996	1,233,412	1,209,598	-	1,209,598
Welfare	18,765	18,765	19,360	-	19,360
Urban rehabilitation	100,000	100,000	56,662	-	56,662
	<u>6,927,600</u>	<u>6,953,069</u>	<u>6,764,689</u>	<u>-</u>	<u>6,764,689</u>
Capital outlay	1,713,432	1,723,603	1,815,347	-	1,815,347
Debt service					
Principal retirement	710,505	710,505	689,307	-	689,307
Interest and fees	111,000	111,000	115,199	-	115,199
Issuance of debt costs	-	-	16,000	-	16,000
	<u>821,505</u>	<u>821,505</u>	<u>820,506</u>	<u>-</u>	<u>820,506</u>
Other financing sources (uses)					
Proceeds from sale of capital assets	-	(10,171)	66,780	-	66,780
Issuance of warrants	-	-	3,200,000	-	3,200,000
Premiums from issuance of warrants	-	-	-	-	-
Transfers (out) in	(478,355)	(478,355)	(3,241,452)	-	(3,241,452)
	<u>(478,355)</u>	<u>(488,526)</u>	<u>25,328</u>	<u>-</u>	<u>25,328</u>
Net change in fund balance	<u>\$ (245,000)</u>	<u>\$ (275,999)</u>	<u>\$ 689,998</u>	<u>\$ -</u>	<u>\$ 689,998</u>

See note to required supplementary information.

CITY OF VALLEY
Note to Required Supplementary Information
Budgetary Practices
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT BUDGETARY PRACTICES

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

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

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.

The City's expenditures exceeded budgeted amounts as a result of expenditures made from proceeds of issuance of Warrant Series 2015 not included in the budget.

CITY OF VALLEY
Schedule of Changes in the Net Pension Liability
Years ended September 30, 2015 and 2014
(Unaudited)

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 250,225	\$ 258,426
Interest	587,268	555,700
Differences between expected and actual experience	171,082	-
Benefit payments, including refunds of employee contributions	(428,888)	(410,154)
Net change in total pension liability	<u>579,687</u>	<u>403,972</u>
Total pension liability - beginning	<u>7,555,300</u>	<u>7,151,328</u>
Total pension liability - ending (a)	<u><u>\$ 8,134,987</u></u>	<u><u>\$ 7,555,300</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 146,549	\$ 143,323
Contributions - member	163,504	151,007
Net investment income	86,959	788,943
Benefit payments, including refunds of employee contributions	(428,888)	(410,154)
Transfers among employers	113,442	52,310
Net change in plan fiduciary net position	<u>81,566</u>	<u>725,429</u>
Plan net position - beginning	<u>7,332,481</u>	<u>6,607,052</u>
Plan net position - ending (b)	<u><u>\$ 7,414,047</u></u>	<u><u>\$ 7,332,481</u></u>
Net pension liability (a) - (b)	<u><u>\$ 720,940</u></u>	<u><u>\$ 222,819</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u>91.14%</u>	<u>97.05%</u>
Covered payroll	<u><u>\$ 2,915,994</u></u>	<u><u>\$ 2,648,355</u></u>
Net pension liability as a percentage of covered payroll	<u>24.72%</u>	<u>8.41%</u>

CITY OF VALLEY
Schedule of Employer Contributions
Years ended September 30, 2016 and 2015
(Unaudited)

	2016	2015
Actuarially determined contribution	\$ 164,716	\$ 146,549
Contributions in relation to the actuarially determined contributions	164,716	146,549
Contributions deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 3,140,417	\$ 2,915,994
Contributions as a percentage of covered payroll	5.25%	5.03%

CITY OF VALLEY
Note to Required Supplementary Information
Pension Plan Practices
September 30, 2016
(Unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT PENSION PLAN PRACTICES

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2016 were based on the September 30, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2015 to September 30, 2016:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	15 years
Asset valuation method	Five-year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

SUPPLEMENTARY INFORMATION

CITY OF VALLEY
Nonmajor Special Revenue Funds
September 30, 2016

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.

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

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

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

CITY OF VALLEY
Combining Balance Sheet - Nonmajor Special Revenue Funds
September 30, 2016

	<u>\$.07 State Gas Tax</u>	<u>\$.04 State Gas Tax</u>	<u>Senior Center</u>	<u>Community Development</u>	<u>Cemetary</u>	<u>Total Nonmajor Special Revenue Funds</u>
Assets						
Current assets						
Cash and cash equivalents	\$ 6,295	\$ 5,734	\$ 34,780	\$ -	\$ 9,514	\$ 56,323
Taxes receivable, net	8,835	7,646	-	-	-	16,481
Other receivables	-	-	1,794	-	50	1,844
Prepaid expense	-	-	3,358	-	-	3,358
Due from other funds	5,000	-	-	-	-	5,000
Due from other governments	-	30,351	-	-	-	30,351
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 20,130</u>	<u>\$ 43,731</u>	<u>\$ 39,932</u>	<u>\$ -</u>	<u>\$ 9,564</u>	<u>\$ 113,357</u>
Liabilities and fund balance (deficit)						
Current liabilities						
Accounts payable	\$ -	\$ -	\$ 1,578	\$ 50	\$ -	\$ 1,628
Due to other funds	5,073	-	30,082	10,876	403	46,434
Due to other governments	-	-	-	639	-	639
Total liabilities	<u>5,073</u>	<u>-</u>	<u>31,660</u>	<u>11,565</u>	<u>403</u>	<u>48,701</u>
Fund balance (deficit)						
Unassigned	<u>15,057</u>	<u>43,731</u>	<u>8,272</u>	<u>(11,565)</u>	<u>9,161</u>	<u>64,656</u>
Total fund balance (deficit)	<u>15,057</u>	<u>43,731</u>	<u>8,272</u>	<u>(11,565)</u>	<u>9,161</u>	<u>64,656</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance (deficit)	<u>\$ 20,130</u>	<u>\$ 43,731</u>	<u>\$ 39,932</u>	<u>\$ -</u>	<u>\$ 9,564</u>	<u>\$ 113,357</u>

CITY OF VALLEY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Special Revenue Funds
Year ended September 30, 2016

	<u>\$.07 State Gas Tax</u>	<u>\$.04 State Gas Tax</u>	<u>Senior Center</u>	<u>Community Development</u>	<u>Cemetary</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues						
Taxes - intergovernmental	\$ 61,052	\$ 47,756	\$ -	\$ -	\$ -	\$ 108,808
Other - intergovernmental	-	-	39,619	756,500	-	796,119
Interest	26	23	22	-	8	79
Other	-	-	12,872	-	12,835	25,707
Total revenues	<u>61,078</u>	<u>47,779</u>	<u>52,513</u>	<u>756,500</u>	<u>12,843</u>	<u>930,713</u>
Expenditures, current						
Public works	4,586	-	-	50,608	-	55,194
Welfare	-	-	151,888	-	2,950	154,838
	<u>4,586</u>	<u>-</u>	<u>151,888</u>	<u>50,608</u>	<u>2,950</u>	<u>210,032</u>
Capital outlay	-	-	-	713,500	-	713,500
Other financing (uses) sources						
Transfers in	-	-	116,366	-	362	116,728
Transfers out	(82,239)	(105,160)	-	-	(4,000)	(191,399)
	<u>(82,239)</u>	<u>(105,160)</u>	<u>116,366</u>	<u>-</u>	<u>(3,638)</u>	<u>(74,671)</u>
Net change in fund balance (deficit)	(25,747)	(57,381)	16,991	(7,608)	6,255	(67,490)
Fund balance (deficit) - beginning of year	<u>40,804</u>	<u>101,112</u>	<u>(8,719)</u>	<u>(3,957)</u>	<u>2,906</u>	<u>132,146</u>
Fund balance (deficit) - end of year	<u>\$ 15,057</u>	<u>\$ 43,731</u>	<u>\$ 8,272</u>	<u>\$ (11,565)</u>	<u>\$ 9,161</u>	<u>\$ 64,656</u>

CITY OF VALLEY
Nonmajor Capital Project Funds
September 30, 2016

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.

Capital Projects Fund - This fund is used to account for the City's construction of the Venue Project, including the Fairfax Bypass road extension and improvements to the surrounding area.

CITY OF VALLEY
Combining Balance Sheet - Nonmajor Capital Project Funds
September 30, 2016

	Municipal Government Capital Improvement	Capital Projects	Total Nonmajor Capital Project Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Current assets			
Cash and cash equivalents	\$ 1,860	\$ -	\$ 1,860
Due from other funds	90,000	176,105	266,105
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 91,860</u>	<u>\$ 176,105</u>	<u>\$ 267,965</u>
Fund balance			
Assigned for capital projects	<u>\$ 91,860</u>	<u>\$ 176,105</u>	<u>\$ 267,965</u>
Total fund balance	<u>\$ 91,860</u>	<u>\$ 176,105</u>	<u>\$ 267,965</u>

See independent auditors' report.

CITY OF VALLEY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Capital Project Funds
Year ended September 30, 2016

	Municipal Government Capital Improvement	Capital Projects	Total Nonmajor Capital Project Funds
Revenues			
Other - intergovernmental	\$ 85,323	\$ -	\$ 85,323
Interest	37	-	37
Total revenues	<u>85,360</u>	<u>-</u>	<u>85,360</u>
Capital outlay	51,004	-	51,004
Other financing uses			
Transfers out	<u>(118,065)</u>	<u>-</u>	<u>(118,065)</u>
	<u>(118,065)</u>	<u>-</u>	<u>(118,065)</u>
Net change in fund deficit	(83,709)	-	(83,709)
Fund balance - beginning of year	<u>175,569</u>	<u>176,105</u>	<u>351,674</u>
Fund balance - end of year	<u><u>\$ 91,860</u></u>	<u><u>\$ 176,105</u></u>	<u><u>\$ 267,965</u></u>

See independent auditors' report.

CITY OF VALLEY
Combining Balance Sheet - Nonmajor Debt Service Funds
September 30, 2016

	<u>Debt Service</u>
Assets	
Current assets	
Cash and cash equivalents	<u>\$ 117,316</u>
Total assets	<u><u>\$ 117,316</u></u>
Fund balance	
Restricted for debt service	<u>\$ 117,316</u>
Total fund balance	<u><u>\$ 117,316</u></u>

See independent auditors' report.

CITY OF VALLEY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Debt Service Funds
Year ended September 30, 2016

	Debt Service
Revenues	
Interest	\$ 9
 Debt service	
Principal retirement	145,000
Interest and fees	329,913
	474,913
 Other financing uses	
Transfers in	479,875
	479,875
 Net change in fund deficit	4,971
 Fund balance - beginning of year	112,345
 Fund balance - end of year	\$ 117,316

See independent auditors' report.

CITY OF VALLEY
Statement of Net Position - Discretely Presented Component Unit
September 30, 2016

Assets

Current assets

Cash and cash equivalents	\$ 18,174
---------------------------	-----------

Total assets	<u>18,174</u>
--------------	---------------

Net position

Unrestricted	<u>18,174</u>
--------------	---------------

Total net position	<u><u>\$ 18,174</u></u>
--------------------	-------------------------

See independent auditors' report.

CITY OF VALLEY
Statement of Revenues, Expenses and Changes in Net Position -
Discretely Presented Component Unit
Year ended September 30, 2016

Operating revenues	
Contributions and donations	\$ 10,015
Operating expenses	
Supplies and expenses	<u>16,896</u>
Operating loss	(6,881)
Nonoperating revenues	
Interest income	<u>4</u>
Change in net position	(6,877)
Net position - beginning of year	<u>25,051</u>
Net position - end of year	<u><u>\$ 18,174</u></u>

See independent auditors' report.

CITY OF VALLEY
Statement of Cash Flows -
Discretely Presented Component Unit
Year ended September 30, 2016

Cash flows from operating activities	
Cash receipts from customers	\$ 10,015
Cash paid to employees for services	<u>(16,896)</u>
Net cash used in operating activities	(6,881)
Cash flows from investing activities	
Interest received	<u>4</u>
Net cash provided by investing activities	<u>4</u>
Net decrease in cash and cash equivalents	(6,877)
Cash and cash equivalents - beginning of year	<u>25,051</u>
Cash and cash equivalents - end of year	<u><u>\$ 18,174</u></u>

See independent auditors' report.

CITY OF VALLEY
Schedule of Debt Service
General Obligation Warrants
September 30, 2016

Year ending September 30,	General Obligation Warrants, Series 2015		General Obligation Warrants, Series 2014		General Obligation Warrants, Series 2013		General Obligation Warrants, Series 2007		Total General Long-term Debt		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2017	\$ 290,893	\$ 71,737	\$ -	\$ 298,731	\$ 462,123	\$ 34,388	\$ 155,000	\$ 18,253	\$ 908,016	\$ 423,109	\$ 1,331,125
2018	298,352	64,277	-	298,731	471,820	24,691	170,000	6,269	940,172	393,968	1,334,140
2019	306,003	56,626	85,000	297,881	481,721	14,790	-	-	872,724	369,297	1,242,021
2020	313,714	48,915	395,000	293,081	450,439	4,696	-	-	1,159,153	346,692	1,505,845
2021	321,895	40,734	400,000	284,631	-	-	-	-	721,895	325,365	1,047,260
2022	330,150	32,480	410,000	275,519	-	-	-	-	740,150	307,999	1,048,149
2023	338,616	24,013	420,000	265,656	-	-	-	-	758,616	289,669	1,048,285
2024	347,256	15,374	425,000	254,881	-	-	-	-	772,256	270,255	1,042,511
2025	356,204	6,425	440,000	243,306	-	-	-	-	796,204	249,731	1,045,935
2026	60,248	190	450,000	230,788	-	-	-	-	510,248	230,978	741,226
2027	-	-	465,000	217,344	-	-	-	-	465,000	217,344	682,344
2028	-	-	475,000	202,947	-	-	-	-	475,000	202,947	677,947
2029	-	-	490,000	187,563	-	-	-	-	490,000	187,563	677,563
2030	-	-	510,000	170,675	-	-	-	-	510,000	170,675	680,675
2031	-	-	520,000	152,130	-	-	-	-	520,000	152,130	672,130
2032	-	-	545,000	132,155	-	-	-	-	545,000	132,155	677,155
2033	-	-	560,000	110,600	-	-	-	-	560,000	110,600	670,600
2034	-	-	590,000	87,600	-	-	-	-	590,000	87,600	677,600
2035	-	-	605,000	63,700	-	-	-	-	605,000	63,700	668,700
2036	-	-	635,000	38,900	-	-	-	-	635,000	38,900	673,900
2037	-	-	655,000	13,100	-	-	-	-	655,000	13,100	668,100
	<u>\$ 2,963,331</u>	<u>\$ 360,771</u>	<u>\$ 9,075,000</u>	<u>\$ 4,119,919</u>	<u>\$ 1,866,103</u>	<u>\$ 78,565</u>	<u>\$ 325,000</u>	<u>\$ 24,522</u>	<u>\$ 14,229,434</u>	<u>\$ 4,583,777</u>	<u>\$ 18,813,211</u>

See independent auditors' report.