

**CITY OF VALLEY, ALABAMA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013**

LIST OF PRINCIPAL OFFICIALS OF THE CITY OF VALLEY

ELECTED AND APPOINTED OFFICIALS

Leonard Riley, Mayor
Henry L. Cooper, Council Member
Jimmy Gilson, Council Member
James L. Jones, Council Member
Marquetta Madden, Council Member
Randall Maddux, Council Member
Paul Story, Council Member
Lana Wiggins, Council Member
Regina T. Glaze, City Treasurer/City Clerk

DEPARTMENT HEADS

Laurie Blount, Recreation
Patrick Bolt, Public Works
Scott Hamil, EMS
Allen Hendrix, Planning
Tommy Weldon, Public Safety

CITY OF VALLEY, ALABAMA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
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FINANCIAL SECTION



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Valley, Alabama, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Valley, Alabama'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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Valley, Alabama, as of September 30, 2013, and the respective changes in financial position and, where

applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages VI–XV and 26–31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 introductory section, combining nonmajor fund financial statements, and schedule of debt service are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of debt service are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 and the schedule of debt service are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



October 16, 2014

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City of Valley, Alabama

Management's Discussion and Analysis
For the Year Ended September 30, 2013
(Unaudited)

As management of the City of Valley (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013.

HIGHLIGHTS AND ACCOMPLISHMENTS

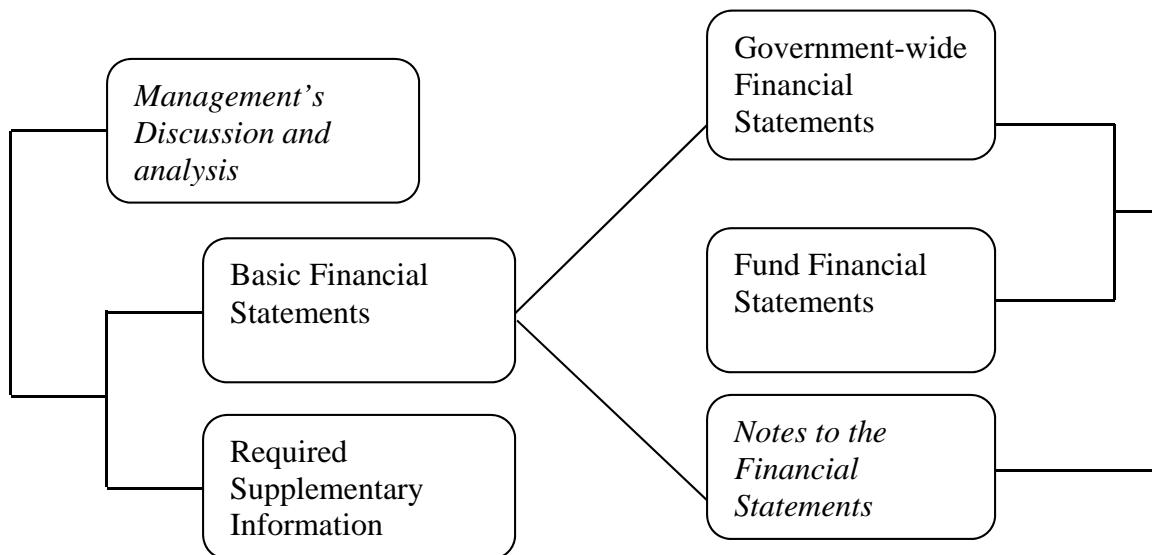
- After taking office in November of 2012, the new Mayor along with three new Council members began the process of 'getting up to speed' with the state of the City. The veteran members of the Council shared their insights and worked with the new Mayor and Council members to update them on projects in progress. They came together with new ideas and areas to focus on for the future. Their priorities were:
 - Build the General Fund balance
 - Cut unnecessary expenses
 - Sell property not necessary for normal operations of the City
 - Rebuild the infrastructure
 - Mold remediation at City Hall and Police department buildings
 - Clean up the City
- In December of 2012, eight new employees were hired to help departments that were understaffed. The hires included four Police Officers, one Human Resources/Accounting Technician, one Administrative Assistant, and two employees in the Public Works department.
- In January 2013, we began a project to analyze the cost of utilities at all of the buildings and facilities owned by the City. A group was hired to audit all utilities and suggest ways to save on this expense.
- In March 2013, we began the Mold Remediation project at City Hall and the Police department. During the renovations, the employees at City Hall were moved to the offices at Langdale Mill, the Police department employees moved to the Public Works building, the EMS employees moved to the East Alabama Fire Department facilities, and the Dispatchers moved to the Chambers County 911 Center. The Mold Remediation project cost the city approximately \$873,945, which was funded with cash from the General Fund.
- Renovating the Sportsplex was high on the list of priorities. In March 2013, we hired French & Associates to do the design work for the renovation.
- In April 2013, we sold the first piece of surplus property. The Riverview Post office was sold to the Riverview Christian Church whose property adjoins the Post Office building.
- In May 2013, we entered into an agreement with the Chambers County Emergency Communications District, Inc. to consolidate our emergency dispatch function with the District's services. This move

will save the City approximately \$156,000 annually. This merger became effective and was completed July 1, 2013. The transition went very smoothly and has provided the expected financial savings.

- In June 2013, the Council voted to refinance our 2007 Bond Issue. This move would reduce expenses related to the bond issue. We annexed 43 acres into the City. The property was purchased by Daeil. It is located on Towel Avenue and was previously occupied by West Point Stevens. Daeil will employ 110 employees when they begin production in their new facility. Daeil is a Tier 2 supplier for Kia and makes struts and automotive parts.
- In August 2013, we entered into an agreement with the State of Alabama Department of Transportation for paving projects on 30th Avenue, 12th Avenue, and Fob James Drive. Eighty percent of the funds came from Federal funds, ten percent came from Chambers County, and the City contributed 10% of the funds.
- In September 2013, the Council voted to replace the City's telephone system, saving the City of Valley approximately \$13,500 per year.
- The City ended Fiscal Year 2013, with a total Governmental Funds balance of \$2,465,654 as opposed to the previous year Fund Balance of \$1,559,426.
- The City issued \$3,232,000 General Obligation Warrants, Series 2013 dated August 27, 2013. The warrants were issued to refund the General Obligation Series 1999 and to fully repay two notes payable issued by the City during 2008 and 2009. Total savings on the Series 2013 Warrants are \$313,516.
- Subsequent to year end, the City began work on a Capital Project to renovate the City's baseball fields. The project was begun early in 2014 and is expected to be completed in early 2015. Total cost of the project is estimated to be \$2.2 million dollars. The project is being funded through the City's operating receipts and the City does not expect to incur any debt related to this project.
- The General Fund is the main fund of the City of Valley. It provides funding for City Hall Administration, Police, EMS, Public Works, Parks & Recreation, Planning & Zoning, and Debt Payments. The funding for these activities is provided by Taxes, Licenses and Permits, Shared State and County revenues, Charges for Services, and other miscellaneous revenues.
- Overall General Fund revenues for the fiscal year ending September 30, 2013, of \$9,711,761 were 7% more than the previous year. Business License Fees of \$1,063,513 were 5% more than the previous year. Parks & Recreation entry fees & other charges of \$375,963 were 28% more compared to last year. Sales Taxes of \$6,331,622 were 6% more than last year.
- The City continues to provide significant funding for capital assets. The City provides funding for equipment replacement in order to keep our work force efficient and safe. The City continues to provide funding for resurfacing of the City's roads and streets. In 2013, road construction projects shared with Chambers County and the Alabama Department of Transportation were begun. These projects have a total estimated cost of \$1,216,830. The portion of roads paved in Valley, Alabama are 30th Street from US 29 to 12th Avenue and Fob James Drive, from Fairfax Bypass to US 29.

USING THIS ANNUAL REPORT

Basic Annual Financial Report



Reporting the City as a Whole

Our analysis of the City as a whole begins on page IX. One of the most important questions asked about the City's finances is, "Is the City as a whole better off 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 used by 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 it. 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 is one indicator of whether its financial health is improving or deteriorating. It is necessary to consider other non-financial 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 the police, public works, parks and recreation, and general administration. Sales taxes, business licenses and permits, and state and federal grants finance most of these activities.
- **Business-type activities** – The City charges a fee to customers to help it cover all or most of the costs of certain services it provides. The operations of the City's solid waste collection are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page XII. The fund financial statements begin on page four and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may also establish 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 be readily 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 the reconciliation at the bottom of the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides- whether to outside customers or to other units of the City – these services are generally reported in a proprietary fund. 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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Valley, assets exceeded liabilities by \$10,937,927 as of September 30, 2013. This is an increase from last year and is due primarily to a decrease in long term debt due the City's payments made during the year ended September 30, 2013.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay that debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City is presenting a comparative analysis of government-wide data below:

CITY OF VALLEY NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 3,098,560	\$ 2,221,243	\$ 344,879	\$ 178,786	\$ 3,443,439	\$ 2,400,029
Capital assets	19,043,859	19,129,357	-	-	19,043,859	19,129,357
Total assets	22,142,419	21,350,600	344,879	178,786	22,487,298	21,529,386
Long term debt	10,351,083	10,964,020	-	-	10,351,083	10,964,020
Other liabilities	1,010,168	1,081,852	188,120	108,103	1,198,288	1,189,955
Total Liabilities	11,361,251	12,045,872	188,120	108,103	11,549,371	12,153,975
Net position:						
Invested in capital assets, net						
of related debt	8,316,444	8,389,122	-	-	8,316,444	8,389,122
Restricted	110,689	101,415	-	-	110,689	101,415
Unrestricted	2,354,035	814,191	156,759	70,683	2,510,794	884,874
Total net position	\$ 10,781,168	\$ 9,304,728	\$ 156,759	\$ 70,683	\$ 10,937,927	\$ 9,375,411

Governmental assets increased significantly during the current year due to primarily to the City's improved cash position resulting from higher tax, license, and fee revenues during the current year. The City also issued the 2013 bond series during the current year to refund the 1999 bond series and fully repay two notes payable. Net position of the governmental activities increased due to the increased cash position and decrease in the long term debt.

Net position in the business-type activities increased due primarily to an improved cash position as compared to the prior year. The City also reduced operating expenses for its business-type activities which further increased net position.

Net position shown in the governmental activities as Invested in Capital Assets, Net of Related Debt, is \$8,316,444. This amount consists of \$19,043,859 of capital assets that are reduced by \$10,727,415 of related net debt that was issued to finance construction and acquisition of various capital assets, including the City's Sportsplex and consists of the 2013 General Obligation Warrants and the 2007 General Obligation Warrants.

CITY OF VALLEY CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,032,337	\$ 950,009	\$ 695,039	\$ 695,532	\$ 1,727,376	\$ 1,645,541
Operating grants and contributions	287,222	262,968	-	-	287,222	262,968
Capital grants and contributions	599,105	39,645	-	-	599,105	39,645
General revenues:						
Taxes:						
Sales	6,431,615	6,069,091	-	-	6,431,615	6,069,091
Other	500,357	562,444	-	-	500,357	562,444
Licenses and permits	1,590,254	1,483,790	-	-	1,590,254	1,483,790
Investment earnings	1,745	789	-	-	1,745	789
Insurance recovery	2,061	7,341	-	-	2,061	7,341
Gain on sale of capital assets	24,648	26,969	-	-	24,648	26,969
Miscellaneous	-	-	1,332	748	1,332	748
Total revenues	<u>10,469,344</u>	<u>9,403,046</u>	<u>696,371</u>	<u>696,280</u>	<u>11,165,715</u>	<u>10,099,326</u>
Expenses:						
General government	\$ 2,198,664	\$ 1,809,476	\$ -	\$ -	\$ 2,198,664	\$ 1,809,476
Public safety	2,830,726	2,673,509	-	-	2,830,726	2,673,509
Public works	1,104,868	1,076,301	-	-	1,104,868	1,076,301
Health	40,750	38,743	-	-	40,750	38,743
Culture and recreation	1,360,970	1,313,229	-	-	1,360,970	1,313,229
Welfare	220,185	210,241	-	-	220,185	210,241
Urban rehabilitation	17,828	16,805	-	-	17,828	16,805
Interest on long term debt	774,998	793,970	-	-	774,998	793,970
Solid Waste	-	-	610,295	630,329	610,295	630,329
Impairment loss on capital assets held for sale	443,915	-	-	-	443,915	-
Total expenses	<u>8,992,904</u>	<u>7,932,274</u>	<u>610,295</u>	<u>630,329</u>	<u>9,603,199</u>	<u>8,562,603</u>
Increase in net position	<u>\$ 1,476,440</u>	<u>\$ 1,470,772</u>	<u>\$ 86,076</u>	<u>\$ 65,951</u>	<u>\$ 1,562,516</u>	<u>\$ 1,536,723</u>

The City’s capital grants and contributions increased significantly from the prior year due to primarily to a property donated to the City during the current year that was sold for approximately \$350,000 subsequent to year end. Sales tax collections increased 6% from the prior year, while other tax collections decreased 11% from the prior year. Revenues from licenses and permits increased 7% due to the improvements in the local economy. Overall, governmental revenue increased 11% from the prior year.

Business-type expenses decreased 3% during the current year due to cost reduction efforts by management of the City.

Government-wide revenues increased by 11%, while Government-wide expenses, not including the impairment charge, increased by 7%. The increase was primarily due to 8 new employees hired by the City for governmental activities during the current year.

THE CITY FUNDS

Governmental Funds

The focus of the City of Valley's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The differences between the governmental activities in the government-wide financial statements on page one and the balance sheet for governmental funds on page three are explained on page four. The differences in the Statement of Activities on page two and the Statement of Revenues, Expenditures, and Changes in Fund Balances on page five are explained on page six.

As the City completed the year, its governmental funds (as presented in the balance sheet on pages four and five) reported a combined fund balance of \$2,465,654 and \$1,559,426 as of September 30, 2013 and 2012, respectively. The increase in the combined fund balance is a result of increased revenues during the current year that improved the City's cash position during the current year. The General Fund's total fund balance increased to \$1,818,179. The General Fund's Unassigned Fund Balance increased to \$1,770,047.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the Solid Waste Fund increased to \$156,759 as of September 30, 2013. The Solid Waste fund net position as of September 30, 2012 was \$70,683.

General Fund Budgetary Highlights

Over the course of the year, the City Council authorized several changes to the General Fund budget for fiscal year ending September 30, 2013. The most significant adjustments are itemized below:

- 1) \$26,700 Resurfaced Six Tennis Courts
- 2) \$20,951 Christmas Decorations
- 3) \$20,000 2009 F-650 Bucket Truck
- 4) \$15,900 Five Dilapidated Houses
- 5) \$14,458 EMS Cardiac Monitors
- 6) \$10,071 Kohler Command Mower
- 7) \$ 5,960 Lighting Langdale Mill
- 8) \$ 5,651 HVAC Unit Sportsplex

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Valley's investment in capital assets for its government as of September 30, 2013 amounted to \$19,043,859 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, infrastructure, capital assets held for sale and construction in

progress. New investments in capital assets during the year ended September 30, 2013 included the following significant projects:

- 1) Road construction projects with shared ALDOT funding
- 2) Tennis Courts Resurfaced
- 3) Mold Remediation

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,450,311	\$ 2,513,982	\$ -	\$ -	\$ 2,450,311	\$ 2,513,982
Buildings	6,530,463	6,928,797	-	-	6,530,463	6,928,797
Improvements other than buildings	854,035	992,002	-	-	854,035	992,002
Equipment and furniture	617,941	728,030	-	-	617,941	728,030
Infrastructure	7,739,124	7,946,236	-	-	7,739,124	7,946,236
Capital assets held for sale	763,774	-	-	-	763,774	-
Construction in progress	88,211	20,310	-	-	88,211	20,310
Total	<u>\$ 19,043,859</u>	<u>\$ 19,129,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,043,859</u>	<u>\$ 19,129,357</u>

Computation of Legal Debt Margin

Assessed value of real and personal taxable property as of 9-30-13 ¹	<u>\$ 76,860,040</u>
Debt limit, twenty percent of assessed value (constitutional limitation) ²	15,372,008
Debt in governmental activities	<u>\$ 10,911,145</u>
Total general obligation debt for computation	<u>10,911,145</u>
Net Bonded Indebtedness	<u>10,911,145</u>
Legal Debt Margin	<u>\$ 4,460,863</u>

(1) Source: Chambers County Revenue Commissioner

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

Debt Administration

The City issued General Obligation Warrants Series 2013 in the amount of \$3,232,000 on August 28, 2013. The proceeds from the Series 2013 Warrants were used to refund the City's General Obligation Warrants Series 1999 and to pay off two loans. This issuance of the Series 2013 Warrants saved the City of Valley \$313,516. After the Series 2013 Warrants were issued, the City had approximately \$4,460,863 of available legal debt margin.

The City also issued General Obligation Warrants Series 2014 in the amount of \$9,075,000 on April 1, 2014. The Series 2014 Warrants were issued for the purpose of advance refunding and redeeming on March 1, 2017, a \$6,985,000 portion of the Series 2007 Warrants subject to mandatory redemption or maturing on March 1, 2019 through March 1, 2037, paying the cost of issuing the Series 2014 Warrants and to get a better interest rate on the Series 2007 Warrants. This Warrant Series is estimated to save the City over \$1,300,000. The City's obligation bond rating from Standard & Poor's is A+ for the Series 2014 warrants.

Debt Service Requirements on General Obligation Debt

See Note 7 in the Notes to the Financial Statements for the City's debt service requirements as of September 30, 2013. The following table contains the debt service requirements on all long-term, General Obligation debt of the City that will be outstanding after the issuance of the Series 2014 Warrants:

Period Ending Sept. 30	Series 2014 Warrants		Remaining Series 2007 Warrants	Series 2013 Warrant	Total
	Principal	Interest			
2014	\$ -	\$ 124,471	\$ 22,309	\$ 496,510	\$ 643,290
2015	-	298,731	174,641	496,510	969,882
2016	-	298,731	174,316	496,511	969,558
2017	-	298,731	173,253	496,510	968,494
2018	-	298,731	176,269	496,511	971,511
2019	85,000	297,881	-	496,511	879,392
2020	395,000	293,081	-	451,505	1,139,586
2021	400,000	284,631	-	-	684,631
2022	410,000	275,519	-	-	685,519
2023	420,000	265,656	-	-	685,656
2024	425,000	254,881	-	-	679,881
2025	440,000	243,306	-	-	683,306
2026	450,000	230,788	-	-	680,788
2027	465,000	217,344	-	-	682,344
2028	475,000	202,947	-	-	677,947
2029	490,000	187,563	-	-	677,563
2030	510,000	170,675	-	-	680,675
2031	520,000	152,130	-	-	672,130
2032	545,000	132,155	-	-	677,155
2033	560,000	110,600	-	-	670,600
2034	590,000	87,600	-	-	677,600
2035	605,000	63,700	-	-	668,700
2036	635,000	38,900	-	-	673,900
2037	655,000	13,100	-	-	668,100
Total	<u>\$9,075,000</u>	<u>\$4,841,852</u>	<u>\$ 720,788</u>	<u>\$ 3,430,568</u>	<u>\$ 18,068,208</u>

ECONOMIC FACTORS

Since 2009, when Chambers County had the highest unemployment rate in the state at 17.7%, there has been a consistent decline to 6.9% as of September 30, 2013.

Valley's industrial economy saw improvement in jobs and capital investments in 2013. The expansions of Daeil USA and C&C Fabrications resulted in 46 new jobs being created with \$7,750,000 in capital investments made by these industries. More jobs and more investments are expected in 2014. With KIA Motors Manufacturing of Georgia (KMMG) locating in 2006 in nearby West Point, Georgia, the surrounding area has seen a dramatic increase in automotive suppliers locating in Chambers County and in Valley (Daeil USA - 2013 and KMIN USA - 2014). The arrival of the automotive industry in Chambers County has brought more than 798 new jobs with an estimated \$24.3 million dollars of revenue added to the tax base of the county and cities within it.

Retail continued to grow in Valley in 2013 as is evidenced by the City's sales tax revenue increasing by 6%. This upward trend should continue for Valley with the construction of new businesses and the expansion of current businesses underway in 2014.

FINANCIAL CONTACT

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

BASIC FINANCIAL STATEMENTS

CITY OF VALLEY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
ASSETS				
Cash and equivalents	\$ 1,972,882	\$ 244,878	\$ 2,217,760	\$ 9,314
Accounts receivable, net	74,339	94,858	169,197	-
Taxes receivable, net	549,915	-	549,915	-
Grants receivable	3,887	-	3,887	-
Other receivables	55,392	1,710	57,102	-
Inventories	43,221	-	43,221	-
Prepaid expenses	100,329	3,433	103,762	-
Deferred charges	187,906	-	187,906	-
Restricted assets:				
Temporarily restricted:				
Cash with fiscal agent	110,689	-	110,689	-
Capital assets held for sale	763,774	-	763,774	-
Capital assets:				
Land and construction in progress	2,538,522	-	2,538,522	-
Infrastructure, net of depreciation	7,739,124	-	7,739,124	-
Buildings and improvements, net of depreciation	7,384,498	-	7,384,498	-
Equipment and furniture, net of depreciation	617,941	-	617,941	-
Total capital assets	<u>18,280,085</u>	<u>-</u>	<u>18,280,085</u>	<u>-</u>
Total assets	<u>\$ 22,142,419</u>	<u>\$ 344,879</u>	<u>\$ 22,487,298</u>	<u>\$ 9,314</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 315,458	\$ 44,406	\$ 359,864	\$ -
Accrued payroll and benefits	66,429	-	66,429	-
Interest payable	47,415	-	47,415	-
Internal balances	(50,650)	50,650	-	-
Deferred revenues	801	93,064	93,865	-
Due within one year	630,715	-	630,715	-
Due in more than one year	10,351,083	-	10,351,083	-
Total liabilities	<u>11,361,251</u>	<u>188,120</u>	<u>11,549,371</u>	<u>-</u>
NET POSITION				
Invested in capital assets, net of related debt	8,316,444	-	8,316,444	-
Restricted for:				
Debt service	110,689	-	110,689	-
Unrestricted	<u>2,354,035</u>	<u>156,759</u>	<u>2,510,794</u>	<u>9,314</u>
Total net position	<u>\$ 10,781,168</u>	<u>\$ 156,759</u>	<u>\$ 10,937,927</u>	<u>\$ 9,314</u>

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

CITY OF VALLEY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013

FUNCTIONS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			COMPONENT UNIT
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Primary government:								
Governmental activities:								
General government	\$ 2,198,664	\$ 136,614	\$ 76,010	\$ -	\$ (1,986,040)	\$ -	\$ (1,986,040)	
Public safety	2,830,726	480,085	15,788	-	(2,334,853)	-	(2,334,853)	
Public works	1,104,868	6,200	51,642	216,485	(830,541)	-	(830,541)	
Health	40,750	-	-	-	(40,750)	-	(40,750)	
Culture and recreation	1,360,970	409,438	57,654	-	(893,878)	-	(893,878)	
Welfare	220,185	-	86,128	32,620	(101,437)	-	(101,437)	
Urban rehabilitation	17,828	-	-	350,000	332,172	-	332,172	
Interest on long-term debt	774,998	-	-	-	(774,998)	-	(774,998)	
Total governmental activities	<u>8,548,989</u>	<u>1,032,337</u>	<u>287,222</u>	<u>599,105</u>	<u>(6,630,325)</u>	<u>-</u>	<u>(6,630,325)</u>	
Business-type activities:								
Solid waste	610,295	695,039	-	-	-	84,744	84,744	
Total business-type activities	<u>610,295</u>	<u>695,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,744</u>	<u>84,744</u>	
Total primary government	<u>\$ 9,159,284</u>	<u>\$ 1,727,376</u>	<u>\$ 287,222</u>	<u>\$ 599,105</u>	<u>(6,630,325)</u>	<u>84,744</u>	<u>(6,545,581)</u>	
Component Unit								
Valley Historic Preservation Commission	9,313	-	10,000	-	-	-	-	687
Total component unit	<u>\$ 9,313</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>				<u>\$ 687</u>
General revenues:								
Taxes:								
Sales					6,431,615	-	6,431,615	\$ -
Other					500,357	-	500,357	-
Licenses and permits					1,590,254	-	1,590,254	-
Investment earnings					1,745	-	1,745	2,200
Insurance recovery money					2,061	-	2,061	-
Miscellaneous					-	1,332	1,332	417
Impairment loss on capital assets held for sale					(443,915)	-	(443,915)	-
Gain on sale of capital assets					24,648	-	24,648	-
Total general revenues, transfers and special items					<u>8,106,765</u>	<u>1,332</u>	<u>8,108,097</u>	<u>2,617</u>
Change in net position					1,476,440	86,076	1,562,516	3,304
Net position - beginning					9,304,728	70,683	9,375,411	6,010
Net position - ending					<u>\$ 10,781,168</u>	<u>\$ 156,759</u>	<u>\$ 10,937,927</u>	<u>\$ 9,314</u>

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

CITY OF VALLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and cash equivalents	\$ 1,699,650	\$ -	\$ 273,232	\$ 1,972,882
Accounts receivable, net	74,339	-	-	74,339
Taxes receivable, net	533,191	-	16,723	549,914
Grants receivable	-	-	3,887	3,887
Other receivables	4,911	-	50,481	55,392
Inventories	43,221	-	-	43,221
Due from other funds	90,174	-	271,105	361,279
Temporarily restricted assets:				
Cash with fiscal agent	-	110,689	-	110,689
Total assets	<u>\$ 2,445,486</u>	<u>\$ 110,689</u>	<u>\$ 615,428</u>	<u>\$ 3,171,603</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 243,307	\$ -	\$ 39,118	\$ 282,425
Accrued payroll and benefits	66,429	-	-	66,429
Miscellaneous payables	33,033	-	-	33,033
Due to other funds	271,105	-	39,524	310,629
Deferred revenues	13,433	-	-	13,433
Total liabilities	<u>627,307</u>	<u>-</u>	<u>78,642</u>	<u>705,949</u>
Fund balances:				
Nonspendable:				
Inventories	43,221	-	-	43,221
Other receivables	4,911	-	-	4,911
Restricted to:				
Debt service	-	110,689	-	110,689
Special revenue	-	-	225,003	225,003
Assigned to:				
Capital projects	-	-	316,510	316,510
Unassigned:				
Total fund balances	<u>1,770,047</u>	<u>-</u>	<u>(4,727)</u>	<u>1,765,320</u>
Total liabilities and fund balances	<u>\$ 2,445,486</u>	<u>\$ 110,689</u>	<u>\$ 615,428</u>	<u>\$ 3,171,603</u>

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

CITY OF VALLEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

Total fund balances, governmental funds		\$	2,465,654
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Prepaid items and deferred charges which benefit future periods are not reported as assets in governmental funds.			288,236
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.			19,043,859
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.			12,632
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Governmental long-term debt	(\$10,911,145)		
Capital leases	(5,284)		
Discounts, debt issuance and refunding costs	1,108		
Accrued interest payable	(47,415)		
Compensated absences	(66,477)		
Total long-term liabilities	(11,029,213)		(11,029,213)
Net position of governmental activities		\$	10,781,168

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

CITY OF VALLEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2013

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Revenues:				
Taxes:				
Sales and miscellaneous taxes	\$ 6,331,622	\$ -	\$ 99,993	\$ 6,431,615
Other taxes	425,935	-	-	425,935
Licenses and permits	1,590,254	-	-	1,590,254
Intergovernmental	235,852	-	280,771	516,623
Charges for services	798,790	-	-	798,790
Fines and forfeits	98,446	-	-	98,446
Investment income	1,303	30	412	1,745
Miscellaneous revenues	229,559	-	37,682	267,241
Total revenues	<u>9,711,761</u>	<u>30</u>	<u>418,858</u>	<u>10,130,649</u>
Expenditures:				
Current:				
General government	1,971,565	-	17,107	1,988,672
Public safety	2,703,825	-	-	2,703,825
Public works	922,411	-	86,098	1,008,509
Health and sanitation	40,750	-	-	40,750
Welfare	18,647	-	177,452	196,099
Culture and recreation	1,048,368	-	-	1,048,368
Urban rehabilitation	17,828	-	-	17,828
Debt service:				
Principal	221,463	495,000	-	716,463
Interest and other charges	32,131	728,697	-	760,828
Bond issue costs	-	17,813	-	17,813
Capital outlay	531,654	-	301,711	833,365
Total expenditures	<u>7,508,642</u>	<u>1,241,510</u>	<u>582,368</u>	<u>9,332,520</u>
Excess (deficiency) of revenues over expenditures	2,203,119	(1,241,480)	(163,510)	798,129
Other financing sources (uses):				
Proceeds from long-term debt	-	2,717,075	-	2,717,075
Proceeds used to refund bonds	-	(2,689,996)	-	(2,689,996)
Insurance recoveries	2,061	-	-	2,061
Sale of capital assets	53,692	-	25,267	78,959
Transfers in	484,362	1,676,394	119,099	2,279,855
Transfers out	(1,795,493)	(452,719)	(31,643)	(2,279,855)
Total other financing sources and uses	<u>(1,255,378)</u>	<u>1,250,754</u>	<u>112,723</u>	<u>108,099</u>
Net change in fund balances	947,741	9,274	(50,787)	906,228
Fund balances - beginning	<u>870,438</u>	<u>101,415</u>	<u>587,573</u>	<u>1,559,426</u>
Fund balances - ending	<u>\$ 1,818,179</u>	<u>\$ 110,689</u>	<u>\$ 536,786</u>	<u>\$ 2,465,654</u>

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

CITY OF VALLEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013

Net change in fund balances - total governmental funds:	\$	906,228
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital outlay	\$ 833,365	
Less: current year depreciation	<u>(770,635)</u>	62,730
Net effect of other transactions involving capital assets (i.e. disposals, transfers, and capital contributions) that are not recorded in the governmental funds.		
Capital contributions	350,000	
Impairment loss on capital asset held for sale	(443,915)	
Disposals at net book value	<u>(54,312)</u>	(148,227)
Revenues previously recorded in the Statement of Activities that provide current financial resources are reported as revenues in the funds.		
		(38,014)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Differences in the treatment of long-term debt and related items follow:		
Principal amount of new debt	(3,232,000)	
Debt issuance and refunding costs	1,507	
Payment of refunded debt	3,151,978	
Principal payments on outstanding debt	<u>758,717</u>	680,202
Some expenses reported in the Statement of Activities do not require the use of current financial resources and thus are not reported as expenditures in governmental funds:		
		<u>13,521</u>
Change in net position of governmental activities	\$	<u><u>1,476,440</u></u>

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

CITY OF VALLEY
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2013

	<i>SOLID WASTE COLLECTION FUND</i>
<i>ASSETS</i>	
Current assets:	
Cash and cash equivalents	\$ 244,878
Accounts receivable, net	94,858
Other receivables	1,710
Prepaid expenses	3,433
Total current assets	344,879
Non-current assets:	
Capital assets:	
Equipment	14,436
Less: Accumulated Depreciation	(14,436)
Total non-current assets, net	-
Total assets	\$ 344,879
 <i>LIABILITIES</i>	
Current liabilities:	
Accounts payable	\$ 44,406
Due to other funds	50,650
Deferred revenue	93,064
Total current liabilities	188,120
Total liabilities	188,120
 <i>NET POSITION</i>	
Unrestricted	156,759
Total net position	\$ 156,759

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

CITY OF VALLEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2013

	<i>SOLID WASTE COLLECTION FUND</i>
Operating revenues:	
Charges for services	\$ 695,039
Total operating revenues	695,039
Operating expenses:	
Disposal charges	535,725
Personal services	43,288
Other supplies and expenses	31,282
Total operating expenses	610,295
Operating income	84,744
Nonoperating revenues:	
Miscellaneous revenue	1,332
Total non-operating revenues	1,332
Change in net position	86,076
Total net position - beginning	70,683
Total net position - ending	\$ 156,759

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

CITY OF VALLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2013

	SOLID WASTE COLLECTION FUND
Cash flows from operating activities:	
Receipts from customers	\$ 700,566
Payments to suppliers	(568,347)
Payments to employees	(43,288)
Internal activity - payments to other funds	(11,725)
Net cash provided by operating activities	77,206
 Cash flows from noncapital financing activities:	
Other nonoperating income	1,332
Net cash provided by noncapital financing activities	1,332
 Net increase in cash and cash equivalents	78,538
 Cash and cash equivalents at beginning of year	166,340
 Cash and cash equivalents at end of year	\$ 244,878

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

CITY OF VALLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2013

	<u>SOLID WASTE COLLECTION FUND</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 84,744
Change in assets and liabilities:	
Accounts receivable	(87,537)
Other receivables	(18)
Accounts payable	(1,322)
Due to other funds	(11,725)
Deferred revenue	93,064
Total adjustments	<u>(7,538)</u>
Net cash provided by operating activities	<u><u>\$ 77,206</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements present the City of Valley (the primary government) and its component unit. The component unit includes an organization that is financially accountable to the City's Mayor and Council. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit. 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. The component unit column in the government-wide financial statements include the financial data of the City’s discretely presented component unit. This organization is legally separate from the City and is included in the reporting entity because the primary government is financially accountable for the component unit. The City’s component unit is described below:

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.

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 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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Waste Disposal Authority did not receive any appropriations from the City for the year ended in September 30, 2013.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City has the following fund types:

Governmental Funds:

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

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

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

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

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

Capital Projects Funds account for the City's construction of capital assets, capital asset improvements, capital asset renovations, or to retire debt associated with capital improvements.

Proprietary Funds:

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

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

Proprietary funds of the City include the following fund type:

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

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

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

D. CASH AND INVESTMENTS

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

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

E. RECEIVABLES

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

allowance for doubtful accounts for the accounts deemed uncollectible. Accounts receivable are reported net of the allowance of \$69,575 as of September 30, 2013.

The City also bills its citizens for ambulance services. Billings to citizens of the City for ambulance services are reported in the General Fund net of the allowance for uncollectible accounts of \$190,594 at September 30, 2013.

F. INVENTORIES AND PREPAID ITEMS

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

G. RESTRICTED ASSETS

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

H. DEFERRED REVENUE

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

I. COMPENSATED ABSENCES

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

J. CAPITAL ASSETS

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

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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization thresholds and estimated useful lives are as follows:

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

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

K. LONG -TERM LIABILITIES AND RELATED COSTS

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

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

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. There were no deferred outflows of resources recognized by the City at September 30, 2013.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The City did not recognize any deferred inflows of resources at September 30, 2013.

M. NET POSITION

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

any borrowing used for the acquisition, construction or improvement of those assets, and increased by unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Governmental Accounting Standards Board requires fund balances to be reported according to the following classifications:

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

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

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

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

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

N. USE OF ESTIMATES

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

NOTE 2 – BUDGETING AND ACCOUNTABILITY

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

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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits: At September 30, 2013, the carrying amount of the City's deposits in financial institutions was \$2,217,760 and the bank balance was \$2,408,327. The State of Alabama created the Security for Alabama Funds Enhancement (SAFE) Program which requires that all public funds be deposited in Qualified Public Depositories. Under the SAFE Program, which is mandatory, each qualified public depository (QPD) is required to hold collateral for all of its public deposits on a pooled basis in a custody account (SAFE Custody Account) established by the State Treasurer as SAFE administrator. If a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer, who would use the SAFE pool collateral or other means to reimburse the loss. At September 30, 2013, all bank balances are considered insured because such balances were held in Qualified Public Depositories.

Investments and Cash with Fiscal Agents: The City makes all investments in accordance with its investment policy (see Note 1) and the requirements under which its bonds and warrants are issued, and other requirements as applicable. Investments held by fiscal agents are not registered in the City's name or insured and are held by the trustee. As of September 30, 2013, all of the City's investments held by fiscal agents were held as cash and totaled \$110,689.

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

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

Custodial Credit Risk: For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no policy on custodial credit risk.

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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,513,982	\$ -	\$ 63,671	\$ 2,450,311
Construction in process	20,310	88,211	20,310	88,211
Assets held for sale	-	763,774	-	763,774
Total capital assets not being depreciated	<u>2,534,292</u>	<u>851,985</u>	<u>83,981</u>	<u>3,302,296</u>
Capital assets being depreciated:				
Buildings and improvements	12,866,688	627,490	978,986	12,515,192
Equipment	2,741,439	111,704	153,768	2,699,375
Infrastructure	8,497,101	5,960	-	8,503,061
Total capital assets being depreciated	<u>24,105,228</u>	<u>745,154</u>	<u>1,132,754</u>	<u>23,717,628</u>
Less accumulated depreciation for:				
Buildings and improvements	4,945,889	340,230	155,425	5,130,694
Equipment	2,013,409	217,334	149,309	2,081,434
Infrastructure	550,865	213,072	-	763,937
Total accumulated depreciation	<u>7,510,163</u>	<u>770,636</u>	<u>304,734</u>	<u>7,976,065</u>
Total capital assets being depreciated, net	<u>16,595,065</u>			<u>15,741,563</u>
Governmental activities capital assets, net	<u>\$ 19,129,357</u>			<u>\$ 19,043,859</u>

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

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 210,661
Planning	259
Public safety	125,452
Public works, including infrastructure	97,068
Welfare	24,086
Culture and recreation	313,109
Total governmental activities depreciation expense	<u>\$ 770,635</u>

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4 – CAPITAL ASSETS (CONTINUED)

The City has several construction projects in the planning stages as of September 30, 2013. Engineering and construction fees of \$88,211 have been incurred as of September 30, 2013 related to the road resurfacing project.

During the year ended September 30, 2013, the City determined its intent to sell the Riverview Mill building, the Langdale Mill building and the Riverbend Assisted Living building. These assets have been recorded at the lesser of their net book value or their fair value as Capital Assets Held for Sale in the accompanying Statement of Net Position and are no longer being depreciated. The lesser of net book value or fair value of the Riverview Mill building, the Langdale Mill building and the Riverbend Assisted Living building total \$238,774, \$175,000 and \$350,000, respectively, at September 30, 2013.

Subsequent to year end, the City received a contract for the purchase of the Langdale Mill building. The contract price was \$443,915 less than the net book value of its recorded assets. As a result, the City recorded an impairment loss totaling \$443,915 to reduce the Langdale Mill building's net book value to the contract price. The Langdale Mill building is recorded at the contract price at September 30, 2013. The sales contract has a provision that would allow the City to collect an additional \$100,000 from the purchaser if they sell the property within a three year period.

During the year ended September 30, 2013, the City received a donation of the Riverbend Assisted Living building. The City's intent is to sell the building. The City recorded the building as a contribution and as a capital asset held for sale. The City recorded the contribution and the capital asset held for sale at its estimated fair value on the date it was donated.

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2013 consisted of the following:

<i>DUE TO</i>	<i>DUE FROM</i>			
	<i>General</i>	<i>Non-major Governmental</i>	<i>Solid Waste Collection</i>	<i>Total</i>
General	\$ -	\$ 39,524	\$ 50,650	\$ 90,174
Non-major governmental	271,105	-	-	271,105
Total	\$ 271,105	\$ 39,524	\$ 50,650	\$ 361,279

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

<i>TRANSFER TO</i>	<i>TRANSFER FROM</i>			
	<i>General Fund</i>	<i>Debt Service</i>	<i>Non-major Governmental</i>	<i>Total</i>
General	\$ -	\$ 452,719	\$ 31,643	\$ 484,362
Debt Service	1,676,394	-	-	1,676,394
Non-major governmental	119,099	-	-	119,099
Total	\$ 1,795,493	\$ 452,719	\$ 31,643	\$ 2,279,855

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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 6 – CAPITAL LEASES

The City leases one vehicle with lease terms through February of 2014. Obligations under the capital lease have been recorded in the accompanying financial statements at the present value of future minimum lease payments, discounted at rates specified in the lease agreements. The total capitalized cost of the vehicle is included in capital assets. The future minimum lease payments under the outstanding capital lease total \$6,874 at September 31, 2013. The net present value of those payments as of September 30, 2013 total \$5,284.

NOTE 7 – LONG-TERM LIABILITIES

Long-term liabilities at September 30, 2013 consisted of the following:

<i>Bonds:</i>	<i>Governmental</i>	<i>Business-type</i>
General Obligation Warrants, Series 2013, due in monthly installments of \$35,855 - \$41,241 through 2020, bearing interest of 2.050%.	\$ 3,196,145	\$ -
General Obligation Warrants, Series 2007, due in annual installments of \$110,000 - \$645,000 through 2037, bearing interest rate of 7.375%.	7,713,892	-
<i>Other liabilities:</i>		
Capital Leases (See Note 7)	5,284	-
Compensated Absences	66,477	-
Total long-term liabilities	\$ 10,981,798	\$ -

Long-term liability activity for the year ended September 30, 2013, was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
<i>Governmental Activities</i>					
Debt:					
General obligation bonds	\$ 10,900,000	\$ 3,232,000	\$ (3,220,855)	\$ 10,911,145	\$ 560,062
Less deferred amounts:					
Unamortized discounts	(11,426)	-	11,426	-	-
Refunding costs	(3,345)	-	2,237	(1,108)	(1,108)
Net general obligation warrants	10,885,229	3,232,000	(3,207,192)	10,910,037	558,954
Notes	667,383	-	(667,383)	-	-
Capital leases	41,405	-	(36,121)	5,284	5,284
Compensated absences	71,170	-	(4,693)	66,477	66,477
Governmental activity					
Long-term liabilities	\$ 11,665,187	\$ 3,232,000	\$ (3,915,389)	\$ 10,981,798	\$ 630,715

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

General Obligation Warrants. The City issues general obligation warrants to provide funds for the acquisition of equipment and construction of major capital facilities for the City. General obligation warrants constitute general

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

obligations of the City for the payment of which the full faith, credit and taxing power of the City are irrevocably pledged. In addition, general obligation warrants have been issued to refund general obligation warrants.

The City issued \$3,232,000 General Obligation Warrants, Series 2013 dated August 27, 2013. The warrants were issued to refund the General Obligation Warrants, Series 1999 and to fully repay two notes payable issued by the City during 2008 and 2009. The Warrants have an interest rate of 2.050% per annum, subject to adjustment as provided in the Warrant agreement. Interest matures monthly between August 27, 2013 and August 27, 2020. Interest and principal are payable monthly.

The City issued \$7,940,000 General Obligation Warrants, Series 2007 dated December 17, 2007. The warrants were issued to construct infrastructure improvements. The warrants have interest rates of 7.375% and mature annually between March 1, 2012 and March 1, 2037. Interest is payable on each March 1 and September 1. Subsequent to September 30, 2013, these Warrants were refunded in connection with the issuance of the \$9,075,000 General Obligation Warrants, Series 2014.

The Series 2013 Warrants requires the City to maintain a Debt Service Coverage Ratio based on the amount the City has on deposit in the operating reserve fund. At September 30, 2013 the City was required to maintain a Debt Service Coverage Ratio of 1.15. The Debt Coverage Ratio is the ratio of Revenues Available for Debt Service to Maximum Annual Debt Service. The City's Debt Coverage Ratio exceeded 1.15 at September 30, 2013. The City is in compliance with all other significant limitations, restrictions and covenants related to the General Obligation Warrants except for the failure to complete audits in a timely manner.

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

	<i><u>General Obligations</u></i>	
	<i><u>Principal</u></i>	<i><u>Interest</u></i>
2014	\$ 560,062	\$ 625,820
2015	579,065	607,229
2016	598,255	587,715
2017	617,634	567,273
2018-2022	2,376,129	2,511,995
2023-2027	1,385,000	2,038,265
2028-2032	1,975,000	1,425,035
2033-2037	2,820,000	549,438
	<u>\$ 10,911,145</u>	<u>\$ 8,912,770</u>

NOTE 8 – DEFINED BENEFIT PENSION PLANS

Plan Description. The City contributes to the Employees' Retirement System of Alabama ("ERS"), an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for the various state agencies and departments. Substantially all employees are members of the ERS. Membership is mandatory for covered or eligible employees of the City. Benefits vest after ten years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) minimum guaranteed and (2) formula, of which the formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 8 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

are provided to plan members. Act 2000-669 provides that, effective January 1, 2001, at retirement, a certified police officer or firefighter will receive one additional year of creditable service for each five years of service (as a certified police officer or firefighter) in determining the retirement allowance.

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

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

Funding Policy. Plan members are required to contribute 5.00% of their annual covered salary except for certified full-time firefighters and law enforcement officers. Effective January 1, 2001, the member contribution rate for certified full-time firefighters and law enforcement officers increased to 6.00% of employee compensation. The City is required to contribute at an actuarially determined rate. The rate for the year ended September 30, 2013 was 5.65% of annual covered payroll. The contribution requirements of plan members and the City are established by state statute.

Annual Pension Cost. For 2013, the City’s annual pension cost of \$161,441 was equal to the City’s required and actual contributions. The required contribution was determined as part of the September 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) an 8.00% investment rate of return (net of administrative expenses), (b) projected salary increase ranging from 3.75% to 7.25% per year, and (c) 0.00% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The City’s unfunded actuarial accrued liability, if any, is being amortized as a level percentage of projected payrolls. The remaining amortization period is 13 years.

<i>Trend Information</i>			
<i>Fiscal Year</i>	<i>Annual</i>	<i>Percentage of</i>	<i>Net Pension</i>
<i>Ending</i>	<i>Pension Cost</i>	<i>APC</i>	<i>Obligation</i>
	<i>(APC)</i>	<i>Contributed</i>	
9/30/2010	\$ 108,306	100%	\$ -
9/30/2011	\$ 134,336	100%	\$ -
9/30/2012	\$ 132,637	100%	\$ -

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 8 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Schedule of Funding Progress

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets* (a)</i>	<i>Actuarial Liability (AAL) - Entry Age (b)¹</i>	<i>Unfunded AAL (UAAL) (b- a)</i>	<i>Funded Ratio (a/b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a Percentage of Covered Payroll ((b-a)/c)</i>
9/30/2007	\$ 5,154,018	\$ 4,775,656	\$ (378,362)	107.9%	\$ 3,141,097	-12.0%
9/30/2008	\$ 5,315,256	\$ 5,245,139	\$ (70,117)	101.3%	\$ 3,430,849	-2.0%
9/30/2009	\$ 5,648,321	\$ 5,860,522	\$ 212,201	96.4%	\$ 3,227,237	6.6%
9/30/2010 ²	\$ 5,803,988	\$ 6,883,131	\$ 1,079,143	84.3%	\$ 3,502,484	30.8%
9/30/2011 ⁴	\$ 5,935,208	\$ 6,915,709	\$ 980,501	85.8%	\$ 3,349,820	29.3%
9/30/2012 ⁵	\$ 6,038,157	\$ 6,510,449	\$ 472,292	92.7%	\$ 2,631,530	17.9%
9/30/2012 ^{3,5}	\$ 6,038,157	\$ 6,537,639	\$ 499,482	92.4%	\$ 2,631,530	19.0%

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

² Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

³ Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

⁴ Reflects changes in actuarial assumptions.

⁵ Reflects changes to interest smoothing methodology.

*The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.

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

NOTE 9 – RISK MANAGEMENT

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Various lawsuits are pending against the City. In addition, several claims have been filed which have not yet resulted in lawsuits. The liability, if any, associated with these matters is not determinable at September 30, 2013.

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

CITY OF VALLEY
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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NOTE 11 – SUBSEQUENT EVENTS

During the year ended September 30, 2013, the City determined its intent to sell the Riverview Mill building for development purposes in as-is condition for the highest offered price available. Factors included in the decision to sell the capital assets included the costs of repairs, renovations, and other expenses required annually to maintain the building.

During the year ended September 30, 2013, the City determined its intent to sell the Langdale Mill building for development purposes in as-is condition for the highest offered price available. Factors included in the decision to sell the capital assets included the costs of repairs, renovations, and other expenses required annually to maintain the building. As of the date of this report, the City has entered into a conditional agreement to sell the property for \$175,000.

During the year ended September 30, 2013, the City determined its intent to sell the Riverbend Assisted Living building in as-is condition for the highest offered price available. Factors included in the decision to sell the building included the costs of repairs, renovations, and other expenses required annually to maintain the building and the costs to convert the building into usable space for the City. In December of 2013, the City sold the property for approximately \$350,000.

During April of 2014, the City issued the \$9,075,000 General Obligation Warrants, Series 2014 for the purpose of advance refunding the City's 2007 bond series and to pay issuance costs of the 2014 series. The bonds bear interest at rates of 3.00-4.00%. Interest is due March 1 and September 1 of each year, beginning September 1, 2014 through March 1, 2037.

Subsequent to year end, the City has begun work on a capital project to renovate the City's baseball fields. The project was begun early in 2014 and is expected to be completed in late 2015. Total cost of the project is estimated to be \$2.2 million. The project is being funded through the City's operating receipts and the City does not expect to incur any debt related to this project.

The City has evaluated events subsequent to the date of the Statement of Net Position through October 16, 2014, the date the financial statements were available to be issued. No events have occurred subsequent to the Statement of Net Position date through October 16, 2014 that would require adjustment to the financial statements. Additionally, other than the events disclosed above, no events have occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2013

DESCRIPTION	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Revenues:				
Taxes:				
Sales	\$ 5,730,000	\$ 5,730,000	\$ 6,331,622	\$ 601,622
Other:				
Motor vehicle sales tax	55,000	55,000	52,778	(2,222)
Motor fuels	192,500	192,500	197,744	5,244
Tobacco	120,500	120,500	115,988	(4,512)
Beer and wine	2,000	2,000	2,390	390
Lodging	64,000	64,000	57,035	(6,965)
	<u>434,000</u>	<u>434,000</u>	<u>425,935</u>	<u>(8,065)</u>
Total taxes	<u>6,164,000</u>	<u>6,164,000</u>	<u>6,757,557</u>	<u>593,557</u>
Licenses and permits:				
Business:				
General	1,008,000	1,008,000	1,063,513	55,513
Franchise fees	166,000	166,000	176,558	10,558
Rental	275,000	275,000	272,783	(2,217)
	<u>1,449,000</u>	<u>1,449,000</u>	<u>1,512,854</u>	<u>63,854</u>
Animal	5,000	5,000	4,246	(754)
Permits and inspections	90,500	90,500	73,154	(17,346)
Total licenses and permits	<u>1,544,500</u>	<u>1,544,500</u>	<u>1,590,254</u>	<u>45,754</u>
Intergovernmental revenue:				
Shared county revenue:				
Beer tax	52,000	52,000	44,107	(7,893)
Mobile home registration fees	600	600	550	(50)
	<u>52,600</u>	<u>52,600</u>	<u>44,657</u>	<u>(7,943)</u>
Shared state revenue:				
Bank excise tax	25,000	25,000	26,297	1,297
Share of liquor tax profits	2,800	2,800	3,468	668
	<u>27,800</u>	<u>27,800</u>	<u>29,765</u>	<u>1,965</u>

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2013

DESCRIPTION	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Other:				
Grants	217,890	260,010	161,430	(98,580)
	<u>217,890</u>	<u>260,010</u>	<u>161,430</u>	<u>(98,580)</u>
Total intergovernmental revenue	298,290	340,410	235,852	(104,558)
Charges for services:				
Public safety:				
Ambulance fees	300,000	300,000	325,155	25,155
Police protection and security fees	90,000	90,000	94,500	4,500
Copying	3,500	3,500	3,172	(328)
	<u>393,500</u>	<u>393,500</u>	<u>422,827</u>	<u>29,327</u>
Culture and recreation:				
Entry fees and other charges	307,000	307,000	375,963	68,963
Total charges for service	700,500	700,500	798,790	98,290
Fines and forfeits:				
Public safety:				
Fines and costs	75,000	75,000	98,446	23,446
	<u>75,000</u>	<u>75,000</u>	<u>98,446</u>	<u>23,446</u>
Investment income	500	500	1,303	803
Miscellaneous revenues:				
Other:				
Rental income	102,000	102,000	91,567	(10,433)
Contributions	81,000	88,908	56,455	(32,453)
Miscellaneous	6,950	7,183	81,537	74,354
	<u>189,950</u>	<u>198,091</u>	<u>229,559</u>	<u>31,468</u>
Total miscellaneous revenues	189,950	198,091	229,559	31,468
Total revenues	8,972,740	9,023,001	9,711,761	688,760

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2013

FUNCTION/DEPARTMENT/OBJECT	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
Expenditures:				
Current:				
General government:				
Legislative:				
Personal services	64,651	64,651	60,463	(4,188)
Other	230,553	235,805	244,878	9,073
Total legislative	<u>295,204</u>	<u>300,456</u>	<u>305,341</u>	<u>4,885</u>
Administration:				
Personal services	434,404	434,404	375,121	(59,283)
Other	874,940	874,940	753,553	(121,387)
	<u>1,309,344</u>	<u>1,309,344</u>	<u>1,128,674</u>	<u>(180,670)</u>
Planning and development:				
Personal services	211,002	211,002	199,606	(11,396)
Other	46,840	46,840	297,733	250,893
	<u>257,842</u>	<u>257,842</u>	<u>497,339</u>	<u>239,497</u>
Other				
Nondepartmental:				
Alabama League of Municipalities	3,950	3,950	3,846	(104)
Chambers County Industrial Authority	30,151	30,151	30,151	-
East Alabama Planning Commission	5,715	5,715	6,214	499
Total nondepartmental	<u>39,816</u>	<u>39,816</u>	<u>40,211</u>	<u>395</u>
Total general government	1,902,206	1,907,458	1,971,565	64,107
Public safety:				
Police:				
Personal services	1,891,185	1,833,185	1,704,754	(128,431)
Other	290,500	370,723	370,089	(634)
Total police	<u>2,181,685</u>	<u>2,203,908</u>	<u>2,074,843</u>	<u>(129,065)</u>
Emergency medical services:				
Personal services	489,426	489,426	537,640	48,214
Other	99,150	104,000	78,842	(25,158)
Total emergency medical services	<u>588,576</u>	<u>593,426</u>	<u>616,482</u>	<u>23,056</u>

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2013

FUNCTION/DEPARTMENT/OBJECT	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
Other:				
Nondepartmental:				
Chambers County Emergency Management Association	12,000	12,000	12,000	-
Crimestoppers	500	500	500	-
Total other	<u>12,500</u>	<u>12,500</u>	<u>12,500</u>	<u>-</u>
Total public safety	2,782,761	2,809,834	2,703,825	(106,009)
Public works:				
Personal services	725,484	720,484	628,304	(92,180)
Other	<u>351,215</u>	<u>373,323</u>	<u>294,107</u>	<u>(79,216)</u>
Total public works	1,076,699	1,093,807	922,411	(171,396)
Health:				
Other:				
Nondepartmental:				
East Alabama Mental Health	2,000	2,000	2,000	-
Humane Society	<u>37,895</u>	<u>37,895</u>	<u>38,750</u>	<u>855</u>
Total health	39,895	39,895	40,750	855
Welfare:				
Other:				
Nondepartmental:				
Tri County Childrens' Advocacy	800	800	800	-
Department of Human Resources	300	300	-	(300)
Coosa Valley Youth	7,847	7,847	7,847	-
Valley Masters Games	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total welfare	18,947	18,947	18,647	(300)

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2013

FUNCTION/DEPARTMENT/OBJECT	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
Culture and recreation:				
Parks and recreation:				
Personal services	446,735	446,735	422,856	(23,879)
Other	450,575	495,274	522,934	27,660
Total parks and recreation	<u>897,310</u>	<u>942,009</u>	<u>945,790</u>	<u>3,781</u>
Other:				
Nondepartmental:				
H. Grady Bradshaw Library	43,801	43,801	43,801	-
Valley Historical Preservation Commission	10,000	10,000	10,000	-
Valley Art Council	1,500	1,500	1,421	(79)
Valley Tree Board	7,500	7,500	7,500	-
	<u>62,801</u>	<u>62,801</u>	<u>62,722</u>	<u>(79)</u>
Special Events:				
Fourth of July	8,000	8,000	8,000	-
Merry Go Round	27,000	27,000	30,698	3,698
Community Programs	7,000	7,000	1,158	(5,842)
	<u>42,000</u>	<u>42,000</u>	<u>39,856</u>	<u>(2,144)</u>
Total culture and recreation	1,002,111	1,046,810	1,048,368	1,558
Urban rehabilitation:				
Other:				
Nondepartmental:				
Dilapidated houses	50,000	50,000	17,828	(32,172)
Total urban rehabilitation	50,000	50,000	17,828	(32,172)

UNAUDITED

CITY OF VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2013

FUNCTION/DEPARTMENT/OBJECT	<i>ORIGINAL BUDGET</i>	<i>FINAL BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE WITH FINAL BUDGET OVER (UNDER)</i>
Capital outlay:	687,878	759,515	531,654	(227,861)
Debt service:				
Principal	132,300	132,300	221,463	89,163
Interest and charges	24,200	24,200	32,131	7,931
Total debt service	156,500	156,500	253,594	97,094
Total expenditures	7,716,997	7,882,766	7,508,642	(374,124)
Excess of revenues over expenditures	1,255,743	1,140,235	2,203,119	1,062,884
Other financing sources (uses):				
Insurance recoveries	-	2,042	2,061	19
Disposal of capital assets	-	11,120	53,692	42,572
Transfers from Debt Service fund	-	-	452,716	452,716
Transfers from Community Development Fund	-	-	31,646	31,646
Transfers to Senior Center Fund	(126,323)	(126,323)	(118,379)	7,944
Transfers to Cemetery Fund	(1,000)	(1,000)	(720)	280
Transfers to Debt Service Fund	(1,213,884)	(1,213,884)	(1,676,394)	(462,510)
Total other financing uses	(1,341,207)	(1,328,045)	(1,255,378)	72,667
Excess of revenues and other sources over expenditures and other uses	(85,464)	(187,810)	947,741	1,135,551
Fund balance, beginning of year	870,438	870,438	870,438	-
Fund balance, end of year	\$ 784,974	\$ 682,628	\$ 1,818,179	\$ 1,135,551

UNAUDITED

SUPPLEMENTARY INFORMATION

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NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

CITY OF VALLEY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2013

	<u>\$0.07 STATE GASOLINE TAX FUND</u>	<u>\$0.04 AND \$0.05 STATE GASOLINE TAX FUND</u>	<u>SENIOR CENTER FUND</u>	<u>COMMUNITY DEVELOPMENT FUND</u>	<u>CEMETARY FUND</u>	<u>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</u>
ASSETS						
Cash and cash equivalents	\$ 97,774	\$ 80,221	\$ 22,766	\$ -	\$ 22,066	\$ 222,827
Taxes receivable, net	9,412	7,311	-	-	-	16,723
Grants receivable	-	-	3,887	-	-	3,887
Other receivables	-	-	50,431	-	50	50,481
Due from other funds	5,000	-	-	-	-	5,000
Total assets	<u>\$ 112,186</u>	<u>\$ 87,532</u>	<u>\$ 77,084</u>	<u>\$ -</u>	<u>\$ 22,116</u>	<u>\$ 298,918</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 34,294	\$ -	\$ 3,995	\$ 689	\$ 140	\$ 39,118
Due to other funds	5,000	-	30,083	4,038	403	39,524
Total liabilities	<u>39,294</u>	<u>-</u>	<u>34,078</u>	<u>4,727</u>	<u>543</u>	<u>78,642</u>
Fund balances:						
Restricted	72,892	87,532	43,006	-	21,573	225,003
Unassigned	-	-	-	(4,727)	-	(4,727)
Total fund balances	<u>72,892</u>	<u>87,532</u>	<u>43,006</u>	<u>(4,727)</u>	<u>21,573</u>	<u>220,276</u>
Total liabilities and fund balances	<u>\$ 112,186</u>	<u>\$ 87,532</u>	<u>\$ 77,084</u>	<u>\$ -</u>	<u>\$ 22,116</u>	<u>\$ 298,918</u>

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

CITY OF VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2013

	<u><i>\$0.07 STATE GASOLINE TAX FUND</i></u>	<u><i>\$0.04 AND \$0.05 STATE GASOLINE TAX FUND</i></u>	<u><i>SENIOR CENTER FUND</i></u>	<u><i>COMMUNITY DEVELOPMENT FUND</i></u>	<u><i>CEMETARY FUND</i></u>	<u><i>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</i></u>
Revenues:						
Intergovernmental:						
Shared state gasoline tax	\$ 55,739	\$ 44,254	\$ -	\$ -	\$ -	\$ 99,993
Other intergovernmental	-	-	64,286	-	-	64,286
Total intergovernmental	<u>55,739</u>	<u>44,254</u>	<u>64,286</u>	<u>-</u>	<u>-</u>	<u>164,279</u>
Investment income	114	69	12	-	26	221
Other	-	-	21,827	13	15,842	37,682
Total fines and forfeits	<u>114</u>	<u>69</u>	<u>21,839</u>	<u>13</u>	<u>15,868</u>	<u>37,903</u>
Total revenues	<u>55,853</u>	<u>44,323</u>	<u>86,125</u>	<u>13</u>	<u>15,868</u>	<u>202,182</u>
Expenditures:						
Current:						
Public works	62,500	338	-	-	-	62,838
Welfare	-	-	154,061	-	23,391	177,452
Capital outlay	-	88,211	-	-	-	88,211
Total expenditures	<u>62,500</u>	<u>88,549</u>	<u>154,061</u>	<u>-</u>	<u>23,391</u>	<u>328,501</u>
Excess revenues over (under) expenditures	(6,647)	(44,226)	(67,936)	13	(7,523)	(126,319)
Other financing sources:						
Sale of capital assets	-	-	395	24,872	-	25,267
Transfers in	-	-	118,379	-	720	119,099
Transfers out	-	-	-	(31,643)	-	(31,643)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>118,774</u>	<u>(6,771)</u>	<u>720</u>	<u>112,723</u>
Net change in fund balances	(6,647)	(44,226)	50,838	(6,758)	(6,803)	(13,596)
Fund balances - beginning	<u>79,539</u>	<u>131,758</u>	<u>(7,832)</u>	<u>2,031</u>	<u>28,376</u>	<u>233,872</u>
Fund balances - ending	<u>\$ 72,892</u>	<u>\$ 87,532</u>	<u>\$ 43,006</u>	<u>\$ (4,727)</u>	<u>\$ 21,573</u>	<u>\$ 220,276</u>

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

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NONMAJOR CAPITAL PROJECT FUNDS

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. Proceeds of the 2007 bonds are being used to finance this project.

CITY OF VALLEY
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
SEPTEMBER 30, 2013

	<i>MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND</i>	<i>CAPITAL PRJOECTS FUND</i>	<i>TOTAL NONMAJOR CAPITAL PROJECT FUNDS</i>
<i>ASSETS</i>			
Cash and cash equivalents	\$ 50,405	\$ -	\$ 50,405
Due from other funds	90,000	176,105	266,105
Total assets	<u>\$ 140,405</u>	<u>\$ 176,105</u>	<u>\$ 316,510</u>
<i>FUND BALANCES</i>			
Fund balances:			
Assigned to capital projects	<u>\$ 140,405</u>	<u>\$ 176,105</u>	<u>\$ 316,510</u>
Total fund balances	<u>\$ 140,405</u>	<u>\$ 176,105</u>	<u>\$ 316,510</u>

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

CITY OF VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
YEAR ENDED SEPTEMBER 30, 2013

	MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND	CAPITAL PROJECTS FUND	TOTAL NONMAJOR CAPITAL PROJECT FUNDS
Revenues:			
Intergovernmental:			
Other intergovernmental	\$ 216,485	\$ -	\$ 216,485
Total intergovernmental	216,485	-	216,485
Investment income	191	-	191
Total revenues	216,676	-	216,676
Expenditures:			
Current:			
General government	17,107	-	17,107
Public works	23,260	-	23,260
Capital outlay	213,500	-	213,500
Total expenditures	253,867	-	253,867
Excess revenues over expenditures	(37,191)	-	(37,191)
Net change in fund balances	(37,191)	-	(37,191)
Fund balances - beginning	177,596	176,105	353,701
Fund balances - ending	\$ 140,405	\$ 176,105	\$ 316,510

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

SUPPLEMENTAL SCHEDULE

CITY OF VALLEY
SCHEDULE OF DEBT SERVICE
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	<i>General Obligation Warrants, Series 2013</i>		<i>General Obligation Warrants, Series 2007</i>		<i>Total General Long-term Debt</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2014	\$ 435,062	\$ 61,448	\$ 125,000	\$ 564,372	\$ 560,062	\$ 625,820	\$ 1,185,882
2015	444,065	52,445	135,000	554,784	579,065	607,229	1,186,294
2016	453,255	43,256	145,000	544,459	598,255	587,715	1,185,970
2017	462,634	33,876	155,000	533,397	617,634	567,273	1,184,907
2018	472,208	24,303	170,000	521,413	642,208	545,716	1,187,924
2019	481,980	14,531	180,000	508,506	661,980	523,037	1,185,017
2020	446,941	4,564	195,000	494,678	641,941	499,242	1,141,183
2021	-	-	205,000	479,928	205,000	479,928	684,928
2022	-	-	225,000	464,072	225,000	464,072	689,072
2023	-	-	240,000	446,925	240,000	446,925	686,925
2024	-	-	255,000	428,672	255,000	428,672	683,672
2025	-	-	275,000	409,128	275,000	409,128	684,128
2026	-	-	295,000	388,109	295,000	388,109	683,109
2027	-	-	320,000	365,431	320,000	365,431	685,431
2028	-	-	340,000	341,094	340,000	341,094	681,094
2029	-	-	365,000	315,097	365,000	315,097	680,097
2030	-	-	395,000	287,072	395,000	287,072	682,072
2031	-	-	420,000	257,019	420,000	257,019	677,019
2032	-	-	455,000	224,753	455,000	224,753	679,753
2033	-	-	485,000	190,091	485,000	190,091	675,091
2034	-	-	525,000	152,847	525,000	152,847	677,847
2035	-	-	560,000	112,838	560,000	112,838	672,838
2036	-	-	605,000	69,878	605,000	69,878	674,878
2037	-	-	645,000	23,784	645,000	23,784	668,784
	<u>\$ 3,196,145</u>	<u>\$ 234,423</u>	<u>\$ 7,715,000</u>	<u>\$ 8,678,347</u>	<u>\$ 10,911,145</u>	<u>\$ 8,912,770</u>	<u>\$ 19,823,915</u>

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