

CITY OF VALLEY
VALLEY, ALABAMA
Financial Statements
September 30, 2017

**CITY OF VALLEY
VALLEY, ALABAMA**

MAYOR

Leonard Riley

CITY COUNCIL

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Jimmy Gilson
James L. Jones
Marquetta Madden
Randall Maddux
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NATIONAL KNOWLEDGE.
GLOBAL REACH.

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Valley, Alabama (the City), as of and for the year ended September 30, 2017 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Barfield, Murphy, Shank & Smith, LLC

Auburn, Alabama
February 22, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF VALLEY, ALABAMA

(Unaudited)

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

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

HIGHLIGHTS AND ACCOMPLISHMENTS

Financial Highlights

- The City's net position for governmental activities increased by \$1,167,523.
- The total cost of all the City's programs was \$9,577,017.
- During the year, the City had expenses of \$8,886,406 for governmental activities, which was \$1,167,523 less than the \$10,053,929 generated in general and program revenues.
- The City's combined assets exceeded its combined liabilities by \$18,363,727, which will allow the City to continue to meet ongoing obligations to citizens and creditors.
- The City increased the General Fund Balance.
- The City sold property not necessary for normal operations of the City.
- The City continued renovations of the Sportsplex and Senior Center addition.
- The City made progress on its paving projects and purchased new equipment.
- The City continues to budget for demolition of houses and general clean up.

We had a tremendous 4 years and we accomplished all our objectives. Valley citizens must have agreed because in the 2016 election held in August, Mayor and all 7 Council Members were reelected.

- In October 2016, awarded bid for cutting timber off Industrial Park Property. There were three separate sales of \$75,000, \$25,000 and \$38,789 for a total of \$138,789. We donated utility lines to East Alabama Water at Valley Industrial Boulevard. We also entered into an agreement with East Alabama Regional Planning and Development Commission to render services in the creation of a new comprehensive plan for the City of Valley, Alabama.
- In November 2016 Mayor Leonard Riley and all 7 Returning Council Members were sworn into office. We also received approval of the \$250,000 ADECA Grant for Senior Center Addition. Also covered under the Senior Center Project were 2 lighted soccer fields. We also entered into a contract for us to maintain lights at Exit 77 on Valley side of exit.

- In December 2016, we approved an agreement with East Alabama Planning for Aging Services Program (Services for the elderly).
- During February 2017 we awarded bids for City of Valley Practice Field lights in the amount of \$189,450. We also extended contract with Henry Hudson for salvage operations at RiverView Mill. Also entered into a 3 year agreement for 911 Services with Chambers County Emergency Management Communications. This is an extension of a previous service agreement.
- In April 2017 did 3rd amendment to Conditional Sales Contract on Langdale Mill. We also awarded the bid to General Contractor over Senior Center Addition Project.
- In June 2017 we sent out and received paving bids of \$916,875. This project is still pending at this time. We also entered into an agreement with Chambers County Commission to do improvements at Shawmut, Langdale and Riverview boat landings. The Council also approved the purchase of the Resurrect Antiques property in the amount of \$285,000.
- In July 2017 the Langdale Mill Contract with Hand Holding Co. was amended to change contract between City of Valley and Henry Hudson Co.
- August 2017 City received proposal on Donald Perry Williams estate distribution. This was given final approval in December 2017 with \$125,000 going to Valley Historic Preservation for Bethlehem Baptist Church Cemetery preservation; and \$508,000 going to City of Valley for Senior Center Addition. The main dining hall/activity room in the new addition will be named in honor of Mr. Donald Perry Williams. City of Valley also approved a bond issue of \$6,115,000 which paid off a previous Community Center Bond. The other money will be used for Economic and Commercial Development Projects, including additional paving.
- September 2017 brought about the final sale of Langdale Mill to Henry Hudson Co. The City also entered into an agreement to purchase Combs property. We are still in due diligence but this will impact 2018.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

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

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

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

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

Reporting the City's Most Significant Funds

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

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

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

THE CITY AS A WHOLE

Financial Analysis of the City as a Whole

Net Position

The City's combined net position as of September 30, 2017 was \$18,363,727. The governmental activities net position was \$18,154,636 and the business-type activities net position was \$209,091. The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$10,610,035	\$ 5,052,887	\$ 254,114	\$ 176,599	\$10,864,149	\$ 5,229,486
Capital assets	24,723,717	25,229,341	5,618	8,828	24,729,335	25,238,169
Total assets	<u>35,333,752</u>	<u>30,282,228</u>	<u>259,732</u>	<u>185,427</u>	<u>35,593,484</u>	<u>30,467,655</u>
Deferred outflows of resources						
Deferred outflows related						
to pensions	801,956	554,028	14,301	9,651	816,257	563,679
Deferred charge on refunding	1,336,217	1,450,982	-	-	1,336,217	1,450,982
Total deferred outflows of resources	<u>2,138,173</u>	<u>2,005,010</u>	<u>14,301</u>	<u>9,651</u>	<u>2,152,474</u>	<u>2,014,661</u>
Liabilities						
Long-term liabilities	18,953,282	14,797,919	19,421	13,105	18,972,703	14,811,024
Other liabilities	364,007	502,206	45,521	35,890	409,528	538,096
Total liabilities	<u>19,317,289</u>	<u>15,300,125</u>	<u>64,942</u>	<u>48,995</u>	<u>19,382,231</u>	<u>15,349,120</u>
Net Position						
Net investment						
in capital assets	7,955,824	12,215,239	5,618	8,828	7,961,442	12,224,067
Restricted	251,679	155,080	-	-	251,679	155,080
Unrestricted	9,947,133	4,616,794	203,473	137,255	10,150,606	4,754,049
Total net position	<u>\$18,154,636</u>	<u>\$16,987,113</u>	<u>\$ 209,091</u>	<u>\$ 146,083</u>	<u>\$18,363,727</u>	<u>\$17,133,196</u>

For more detailed information, see the Statement of Net Position on page 15.

The City's unrestricted net position for governmental activities that can be used to finance day-to-day operations was \$9,947,133.

Changes in Net Position

The City's Change in Net Position of the governmental activities was \$1,167,523 and the change in net position of business-type activities was \$63,008.

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

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 2,939,516	\$ 2,914,322	\$ 753,383	\$ 692,871	\$ 3,692,899	\$ 3,607,193
Operating grants and contributions	81,627	121,317	-	-	81,627	121,317
Capital grants and contributions	291,199	873,267	-	-	291,199	873,267
General revenues						
Sales taxes	6,700,204	6,681,157	-	-	6,700,204	6,681,157
Other taxes	526,316	449,655	-	-	526,316	449,655
Interest earnings	5,402	5,848	236	233	5,638	6,081
Loss on disposal of capital assets	(490,335)	(42,701)	-	-	(490,335)	(42,701)
Total revenues	10,053,929	11,002,865	753,619	693,104	10,807,548	11,695,969
Expenses						
General administration	1,785,919	1,831,153	-	-	1,785,919	1,831,153
Public safety	3,216,777	2,980,685	-	-	3,216,777	2,980,685
Public works	1,387,955	1,318,279	-	-	1,387,955	1,318,279
Health	38,750	38,750	-	-	38,750	38,750
Culture and recreation	1,612,157	1,663,485	-	-	1,612,157	1,663,485
Welfare	192,729	190,700	-	-	192,729	190,700
Urban rehabilitation	66,772	56,662	-	-	66,772	56,662
Interest on long-term debt	585,347	687,542	-	-	585,347	687,542
Solid waste	-	-	690,611	666,026	690,611	666,026
Total expenses	8,886,406	8,767,256	690,611	666,026	9,577,017	9,433,282
Excess before transfers	1,167,523	2,235,609	63,008	27,078	1,230,531	2,262,687
Transfers	-	-	-	-	-	-
Change in net position	1,167,523	2,235,609	63,008	27,078	1,230,531	2,262,687
Beginning net position	16,987,113	14,751,504	146,083	119,005	17,133,196	14,870,509
Total net position	\$18,154,636	\$16,987,113	\$ 209,091	\$ 146,083	\$18,363,727	\$17,133,196

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

The governmental activities total revenues decreased by 8.62% to \$10,053,929 due primarily to an increase in capital contributions. Sales taxes account for 66.64% of all governmental activities revenues. The remaining revenues are comprised of charges for services and various other sources. The business-type activities total revenue increased by 8.73%.

The total cost of all programs and services increased by \$143,735. The cost of governmental activities increased by \$119,150 and the cost of business-type activities increased by \$24,585.

Governmental Activities

The change in net position of governmental activities was \$1,167,523, resulting primarily from an increase in sales tax revenue and a decrease in general administration expenses.

Business-type Activities

The change in net position of business-type activities was \$63,008, resulting primarily from charges for service.

THE CITY'S FUNDS

Governmental Funds

As of September 30, 2017, the Governmental Funds reported a combined fund balance of \$10,360,932, which is 124.09% more than the beginning of the year. The General Fund experienced a net increase of \$1,569,266 resulting primarily from a decrease in general government expenses.

Business-type Funds

As of September 30, 2017, business-type funds reported a combined net position of \$209,091. The business-type funds Change in Net Position totaled \$63,008, resulting primarily from charges for service.

General Fund Budgetary Highlights

General Fund revenues exceeded budget by \$58,680, largely due to greater than anticipated sales tax revenue. The revenue budget is based on prior year budgeted revenues and does not factor in any growth. General fund revenues do not include proceeds from debt.

General Fund expenditures were less than budgeted amounts by \$307,695, largely due to a decrease in spending on operations to provide funding for capital outlay.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the City had \$24,729,335 invested in a broad range of capital assets, including police equipment, vehicles, buildings, a library, a senior center, park facilities, streets, and roads. This amount represents a net decrease (including additions, disposals and depreciation) of \$508,834 or 2.02% less than last year. The decrease can be attributed to depreciation expense and the sale of surplus capital assets.

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

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,113,023	\$ 4,741,432	\$ -	\$ -	\$ 4,113,023	\$ 4,741,432
Construction in progress	844,020	51,004	-	-	844,020	51,004
Infrastructure, net	9,815,055	10,062,779	-	-	9,815,055	10,062,779
Equipment, net	1,381,707	1,219,316	5,618	8,828	1,387,325	1,228,144
Buildings and improvements, net	8,369,912	8,779,810	-	-	8,369,912	8,779,810
Capital assets held for sale	200,000	375,000	-	-	200,000	375,000
Total capital assets, net	<u>\$24,723,717</u>	<u>\$25,229,341</u>	<u>\$ 5,618</u>	<u>\$ 8,828</u>	<u>\$24,729,335</u>	<u>\$25,238,169</u>

Computation of Legal Debt Margin

Section 225

Assessed value of real and personal taxable property as of September 30, 2017 ¹		<u>\$ 85,906,500</u>
Debt limit, twenty percent of assessed value (constitutional limitation) ²		\$ 17,181,300
Debt in governmental activities	<u>170,000</u>	
Total general obligation debt for computation	170,000	
Net bonded indebtedness		<u>170,000</u>
Legal debt margin		<u>\$ 17,011,300</u>

(1) Source: Chambers County Revenue Commissioner

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

Section 772

Assessed value of real and personal taxable property as of September 30, 2017 ¹		<u>\$ 85,906,500</u>
Debt limit, twenty percent of assessed value (constitutional limitation) ²		\$ 42,953,250
Debt in governmental activities	<u>17,862,438</u>	
Total general obligation debt for computation	17,862,438	
Net bonded indebtedness		<u>17,862,438</u>
Legal debt margin		<u>\$ 25,090,812</u>

(1) Source: Chambers County Revenue Commissioner

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

Long-Term Debt

At September 30, 2017, the City had \$17,904,110 in warrants payable outstanding versus \$14,090,084 at September 30, 2016, an increase of 27.07%. This increase resulted primarily from issuance of new debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's Mayor, after consulting with the City Clerk/Treasurer, department heads and supervisors, considered many factors when submitting the proposed budget for the fiscal year ending September 30, 2018. The City Council took the Mayor's proposed budget under consideration and, after further review and evaluation, adopted the fiscal year 2018 budget. Tax rates, anticipated sales tax collections, anticipated expenditures/expenses, prior year actual revenues/expenditures and the overall economy were some of these factors.

GA Plating Company built a new facility in the Huguley Industrial Park in 2016 with a \$6.3 million capital investment. In 2017, the Company added an additional \$793,000 capital investment to their facility. They currently employ 55 people.

Leehan America in the Cusseta Industrial Park added a 39,000 sq. ft. addition to their facility resulting in an investment of \$2.9 million and 60 new jobs.

Ajin USA located in the Cusseta Industrial Park added 5 new jobs and an investment of \$5.6 million for an HMMA project.

AL Solar A is fully operational, this facility in its completion is a 72 MW solar farm and spans over 1,400 acres of land in LaFayette, AL. This was a \$140 million investment, that includes: 338,662 solar panels, 89 miles of direct-current, underground conductors, 26 miles of medium voltage underground conductors, 9 miles of fiber cable, and 34 detention basins for protection of water quality.

Great Lakes Metal Stamping in the Cusseta Industrial Park added \$3 million in investment in 2017. The company recently added a 44,000 sq. ft. addition to their existing facility to provide space for new projects and contract.

Norbord Alabama reopened their Lanett facility after being shuttered since 2009. New capital investments to the facility included \$50 million and the hiring of 134 employees. Currently Norbord has 14 local logging companies on contract and 22 regional logging companies.

WestRock in the Huguley Industrial Park added a \$7 million building addition and 14 new jobs.

Knauf Insulation also located in the Huguley Industrial Park added \$2.8 million in new investments to their facility to upgrade old manufacturing lines.

John Soules Foods announced it will locate its newest facility into an existing building located in Valley, AL. Phase 1 of the project is an estimated capital investment of \$70 million and the hiring of 190 new jobs. This is the first food manufacturing project to locate in Chambers County. The Food & Beverage manufacturing industry sector is part of the county's diversification plan.

These indicators were taken into account when adopting the General Fund budget for the fiscal year ended September 30, 2018. Amounts available for expenditures, capital outlay and debt service in the General Fund budget are \$9,577,900 for the fiscal year 2018. The City took into consideration the current year increase in revenue and its effect on the City when budgeting expenditures for the fiscal year 2018.

If these estimates are realized, the City's budgetary fund balance is expected to increase moderately by the close of fiscal year 2018.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF VALLEY
Statement of Net Position
September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Valley Historical Preservation Commission
Assets				
Current assets				
Cash and cash equivalents	\$ 9,468,198	\$ 250,673	\$ 9,718,871	\$ 19,862
Accounts receivable, net	98,351	-	98,351	-
Taxes receivable, net	548,773	-	548,773	-
Other receivables	201,835	1,725	203,560	-
Prepaid expenses	137,838	1,716	139,554	-
Cash and cash equivalents - restricted	125,328	-	125,328	-
Due from other governments	29,712	-	29,712	-
Total current assets	<u>10,610,035</u>	<u>254,114</u>	<u>10,864,149</u>	<u>19,862</u>
Noncurrent assets				
Capital assets held for sale	200,000	-	200,000	-
Nondepreciable capital assets	4,957,043	-	4,957,043	-
Depreciable capital assets, net	19,566,674	5,618	19,572,292	-
Total noncurrent assets	<u>24,723,717</u>	<u>5,618</u>	<u>24,729,335</u>	<u>-</u>
Total assets	<u>35,333,752</u>	<u>259,732</u>	<u>35,593,484</u>	<u>19,862</u>
Deferred outflows of resources				
Deferred outflows related to pensions	801,956	14,301	816,257	-
Deferred charge on refunding	1,336,217	-	1,336,217	-
Total deferred outflows of resources	<u>2,138,173</u>	<u>14,301</u>	<u>2,152,474</u>	<u>-</u>
Liabilities				
Current liabilities				
Accounts payable	88,477	49,475	137,952	-
Accrued payroll and benefits	154,398	-	154,398	-
Accrued interest payable	43,599	-	43,599	-
Due to (from) other funds	6,228	(6,228)	-	-
Compensated absences	71,305	2,274	73,579	-
Current portion of warrants payable, net	791,095	-	791,095	-
Total current liabilities	<u>1,155,102</u>	<u>45,521</u>	<u>1,200,623</u>	<u>-</u>
Noncurrent liabilities				
Warrants payable, net	17,113,015	-	17,113,015	-
Net pension liability	1,049,172	19,421	1,068,593	-
Total noncurrent liabilities	<u>18,162,187</u>	<u>19,421</u>	<u>18,181,608</u>	<u>-</u>
Total liabilities	<u>19,317,289</u>	<u>64,942</u>	<u>19,382,231</u>	<u>-</u>

See notes to financial statements.

CITY OF VALLEY
Statement of Net Position
September 30, 2017
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Valley Historical Preservation Commission
Net position				
Net investment in capital assets	\$ 7,955,824	\$ 5,618	\$ 7,961,442	\$ -
Restricted for				
Debt service	99,389	-	99,389	-
Special revenue	152,290	-	152,290	-
Unrestricted	9,947,133	203,473	10,150,606	19,862
Total net position	<u>\$ 18,154,636</u>	<u>\$ 209,091</u>	<u>\$ 18,363,727</u>	<u>\$ 19,862</u>

See notes to financial statements.

CITY OF VALLEY
Balance Sheet
Governmental Funds
September 30, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 5,030,373	\$ 3,959,829	\$ 477,996	\$ 9,468,198
Accounts receivable, net	98,351	-	-	98,351
Taxes receivable, net	532,292	-	16,481	548,773
Other receivables	200,044	-	1,791	201,835
Prepaid expenses	134,681	-	3,157	137,838
Cash and cash equivalents - restricted	-	-	125,328	125,328
Due from other governments	-	-	30,351	30,351
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 5,995,741</u>	<u>\$ 3,959,829</u>	<u>\$ 655,104</u>	<u>\$ 10,610,674</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 86,830	\$ -	\$ 1,647	\$ 88,477
Accrued payroll and benefits	154,398	-	-	154,398
Due to (from) other funds	230,898	(176,105)	(48,565)	6,228
Due to other governments	-	-	639	639
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	472,126	(176,105)	(46,279)	249,742
Fund balance				
Nonspendable				
Other receivables	200,044	-	-	200,044
Prepaid expenses	134,681	-	-	134,681
Restricted for				
Debt service	-	-	125,328	125,328
Special revenue	-	-	152,290	152,290
Assigned for				
Capital projects	-	4,135,934	441,339	4,577,273
Unassigned	5,188,890	-	(17,574)	5,171,316
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	5,523,615	4,135,934	701,383	10,360,932
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 5,995,741</u>	<u>\$ 3,959,829</u>	<u>\$ 655,104</u>	<u>\$ 10,610,674</u>

See notes to financial statements.

CITY OF VALLEY
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2017

Total fund balances - governmental funds		\$ 10,360,932
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	35,822,112	
Less accumulated depreciation	<u>(11,098,395)</u>	24,723,717
Interest payable is not recognized as an expenditure in governmental funds, but rather is recognized when an expenditure is paid.		
		(43,599)
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Warrants payable	(18,032,438)	
Warrant discounts	128,328	
Deferred outflow of resources for deferred charges	1,336,217	
Deferred outflows of resources for pensions	801,956	
Compensated absences	(71,305)	
Net pension liability	<u>(1,049,172)</u>	<u>(16,886,414)</u>
Total net position - governmental activities		<u>\$ 18,154,636</u>

See notes to financial statements.

CITY OF VALLEY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes				
Sales and miscellaneous	\$ 6,591,247	\$ -	\$ 108,957	\$ 6,700,204
Other	526,316	-	-	526,316
Licenses and permits	1,752,725	-	-	1,752,725
Intergovernmental	214,770	-	102,025	316,795
Charges for services	948,073	-	-	948,073
Fines and forfeitures	55,316	-	-	55,316
Contributions	26,283	-	-	26,283
Interest	3,901	793	708	5,402
Other	24,933	-	180,057	204,990
Total revenue	<u>10,143,564</u>	<u>793</u>	<u>391,747</u>	<u>10,536,104</u>
Expenditures, current				
General government	1,471,014	-	-	1,471,014
Public safety	2,965,676	-	-	2,965,676
Public works	1,040,870	6	63,096	1,103,972
Health and sanitation	38,750	-	-	38,750
Culture and recreation	1,239,048	-	-	1,239,048
Welfare	18,532	-	156,195	174,727
Urban rehabilitation	66,772	-	-	66,772
	<u>6,840,662</u>	<u>6</u>	<u>219,291</u>	<u>7,059,959</u>
Capital outlay	801,038	651,907	-	1,452,945
Debt service				
Principal retirement	2,156,996	-	155,000	2,311,996
Interest and fees	105,982	-	318,600	424,582
Issuance of debt costs	22,500	-	-	22,500
	<u>2,285,478</u>	<u>-</u>	<u>473,600</u>	<u>2,759,078</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	358,282	-	-	358,282
Issuance of warrants	6,115,000	-	-	6,115,000
Transfers (out) in	(5,120,402)	4,610,949	509,453	-
	<u>1,352,880</u>	<u>4,610,949</u>	<u>509,453</u>	<u>6,473,282</u>
Net change in fund balance	1,569,266	3,959,829	208,309	5,737,404
Fund balance - beginning of year	<u>3,954,349</u>	<u>176,105</u>	<u>493,074</u>	<u>4,623,528</u>
Fund balance - end of year	<u>\$ 5,523,615</u>	<u>\$ 4,135,934</u>	<u>\$ 701,383</u>	<u>\$ 10,360,932</u>

See notes to financial statements.

CITY OF VALLEY
Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Year ended September 30, 2017

Net changes in fund balances - governmental funds \$ 5,737,404

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

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

Capital outlay	1,452,945	
Less depreciation expense	<u>(1,118,113)</u>	334,832

The proceeds from the sale of capital assets (\$358,282) are reported as other financing sources in the governmental funds. However, the net book value of the capital assets (\$848,617) is removed from the capital assets account in the Statement of Net Position and offsets against the sales proceeds resulting in a loss in the Statement of Activities of (\$490,335). (848,617)

Donations of capital assets do not provide current financial resources and are not recorded in governmental funds. However, donations of capital assets increase net position. 8,160

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

Principal retirement	2,311,996	
Issuance of warrants	(6,115,000)	
Bond discount and deferred amounts on refunding amortization expense	<u>(125,787)</u>	(3,928,791)

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

Net increase in accrued compensated absences	(29,579)	
Net increase in pension expense	(93,408)	
Increase in accrued interest	<u>(12,478)</u>	<u>(135,465)</u>

Change in net position - governmental activities \$ 1,167,523

See notes to financial statements.

CITY OF VALLEY
Statement of Proprietary Fund Net Position
September 30, 2017

	<u>Solid Waste Collection</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 250,673
Other receivable	1,725
Prepaid expenses	1,716
Due from other funds	<u>6,228</u>
Total current assets	<u>260,342</u>
Non-current assets	
Depreciable capital assets, net	<u>5,618</u>
Total non-current assets	<u>5,618</u>
Total assets	<u>265,960</u>
Deferred outflows of resources	
Deferred outflows related to pensions	<u>14,301</u>
Total deferred outflows of resources	<u>14,301</u>
Liabilities	
Current liabilities	
Accounts payable	49,475
Compensated absences	<u>2,274</u>
Total current liabilities	<u>51,749</u>
Noncurrent liabilities	
Net pension liability	<u>19,421</u>
Total noncurrent liabilities	<u>19,421</u>
Total liabilities	<u>71,170</u>
Net position	
Net investment in capital assets	5,618
Unrestricted	<u>203,473</u>
Total net position	<u><u>\$ 209,091</u></u>

See notes to financial statements.

CITY OF VALLEY
Statement of Revenues, Expenses, and Changes in Proprietary Fund Net Position
Year ended September 30, 2017

	Solid Waste Collection
Operating revenues	\$ 753,383
Operating expenses	
Salaries	57,447
Employee benefits	13,369
Payroll taxes	4,357
Depreciation expense	3,210
Contract services - garbage pickup	578,098
Utilities and telephone	2,305
Supplies	16,439
Maintenance and repairs	2,918
Insurance	2,154
Other	10,314
Total operating expenses	690,611
Operating income	62,772
Non-operating revenues	
Interest income	236
Total non-operating revenues	236
Change in net position	63,008
Net position, beginning of year	146,083
Net position, end of year	\$ 209,091

See notes to financial statements.

CITY OF VALLEY
Statement of Proprietary Fund Cash Flows
Year ended September 30, 2017

	<u>Solid Waste Collection</u>
Cash flows from operating activities	
Cash received from customers	\$ 753,502
Cash paid to suppliers for goods and services	(73,477)
Cash paid to employees	(610,837)
Net cash provided by operating activities	<u>69,188</u>
Cash flows from noncapital financing activities	
Due to City of Valley	14,134
Due from City of Valley	(6,228)
Net cash provided by noncapital financing activities	<u>7,906</u>
Cash flows from investing activities	
Interest on cash and investments	236
Net cash provided by investing activities	<u>236</u>
Net increase in cash and cash equivalents	77,330
Cash and cash equivalents at beginning of year	<u>173,343</u>
Cash and cash equivalents at end of year	<u><u>\$ 250,673</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 62,772
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,210
Bad debt expense	(119)
Increase (decrease) in:	
Accounts receivable	119
Prepaid expenses	(185)
Deferred outflows of resources for pensions	(4,650)
(Increase) decrease in:	
Accounts payable	1,510
Compensated absences	215
Net pension liability	6,316
Net cash provided by operating activities	<u><u>\$ 69,188</u></u>

See notes to financial statements.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The City's reporting entity applies all relevant GASB pronouncements. In preparing the financial statements, management evaluated subsequent events through February 22, 2018, the date the financial statements were available to be issued. The more significant of these accounting policies are described below.

Financial Reporting Entity

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

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

The City of Valley Historic Preservation Commission

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

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

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Reporting Entity - Continued

The Industrial Development Authority of Chambers County

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

The East Alabama Regional Solid Waste Disposal Authority

The East Alabama Regional Solid Waste Disposal Authority is a corporation created to provide for the collection and disposal of solid waste and to encourage planning for disposal of solid waste and resource recovery in East Alabama. The organization is governed by a twelve member board composed of one appointee each from various municipalities and counties in the area. The City appoints one board member. The East Alabama Regional Solid Waste Disposal Authority did not receive any appropriations from the City for the year ended September 30, 2017.

Government-Wide and Fund Financial Statements

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

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

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - Continued

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

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

Measurement Focus and Basis of Accounting

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

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

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

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

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

Basis of Presentation - Fund-Level Financial Statements

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

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Fund-Level Financial Statements - Continued

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

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

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

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

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

The City reports the following major proprietary funds:

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

Use of Estimates

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

Cash and Cash Equivalents

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents - Continued

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

Allowance for Uncollectible Accounts

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

Parts and Supplies

Parts and supplies consist of supplies held for consumption and are recorded at cost.

Prepaid Expenses

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

Restricted Cash and Cash Equivalents

Restricted assets include cash and cash equivalents restricted for repayment of debt service on certain debt issued for the City of Valley. These funds are held in escrow accounts deposited with a trustee as cash. At September 30, 2017, the escrow accounts totaled \$125,328.

Interfund Transfers, Receivables and Payables

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Transfers, Receivables and Payables - Continued

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

Capital Assets

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

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

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

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

Deferred Outflows of Resources

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-term Obligations

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

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

Compensated Absences

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

Pensions

The Employees' Retirement Systems of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. The last year for which actuarial information is available is for the fiscal year ended September 30, 2016 and, therefore, this actuarial information is reported in the 2017 financial statements.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position

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

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

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

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

Fund Balance

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

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

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

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

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

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

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balance - Continued

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The deficit fund equities of \$11,565 in the Community Development fund and \$6,009 in the Senior Center fund are the result of revenues being inadequate to cover expenditures. This deficit is offset through interfund borrowings from the general fund.

NOTE 3 - TRUSTEED FUND ASSETS

In accordance with the provisions of the General Obligation Warrant issues, the City is required to make monthly installments to escrow accounts for semi-annual interest and principal maturities. As of September 30, 2017, \$125,328 had been accumulated in the escrow accounts for this purpose and is included in restricted cash and cash equivalents on the statement of net position. The trustee accounts are invested by banks' trust departments in U.S. Government Securities and are not subject to collateralization requirements.

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

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 4 - RECEIVABLES AND PAYABLES

Receivables consisted of the following at September 30, 2017:

	Governmental Activities	Business-type Activities	Total
Taxes			
Sales	\$ 532,292	\$ -	\$ 532,292
Intergovernmental	216,481	-	216,481
Customers	223,177	30,694	253,871
Other	11,615	1,725	13,340
Gross receivables	983,565	32,419	1,015,984
Less: allowance for uncollectible accounts	(134,606)	(30,694)	(165,300)
Net receivables	<u>\$ 848,959</u>	<u>\$ 1,725</u>	<u>\$ 850,684</u>

Payables consisted of the following at September 30, 2017:

	Governmental Activities	Business-type Activities	Total
Trade	\$ 57,538	\$ 49,475	\$ 107,013
Capital assets	30,939	-	30,939
Net payables	<u>\$ 88,477</u>	<u>\$ 49,475</u>	<u>\$ 137,952</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables consisted of the following at September 30, 2017:

General Fund

Balance due to Capital Projects Fund	\$	(176,105)
Balance due from Nonmajor Governmental Funds		46,435
Balance due to Nonmajor Governmental Funds		(95,000)
Balance due to Solid Waste		(6,228)
		(230,898)

Capital Projects Fund

Balance due from General Fund		176,105
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Nonmajor Governmental Funds

Balance due from General Fund		95,000
Balance due to General Fund		(46,435)
		48,565

Solid Waste

Balance due from General Fund		6,228
		\$ -

Transfers between funds consisted of the following during the year ended September 30, 2017:

	Transfers In (Out)	Net Transfers Out (In)
	General	Out (In)
Transfers Out (In)		
Industrial Park	\$ 51,113	\$ 51,113
Special Revenue	(79,174)	(79,174)
Capital Projects	(4,610,949)	(4,610,949)
Debt Service	(481,392)	(481,392)
Net Transfers In (Out)	\$ (5,120,402)	\$ (5,120,402)

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

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

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

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental activities consisted of the following for the year ended September 30, 2017:

	Governmental Activities			
	October 1, 2016	Additions	Disposals	September 30, 2017
Depreciable assets				
Buildings and improvements	\$ 15,074,414	\$ 1,800	\$ 24,491	\$ 15,051,723
Equipment	3,486,000	534,931	187,230	3,833,701
Infrastructure	11,660,607	124,998	5,960	11,779,645
	<u>30,221,021</u>	<u>661,729</u>	<u>217,681</u>	<u>30,665,069</u>
Less accumulated depreciation				
Buildings and improvements	6,294,604	397,266	10,059	6,681,811
Equipment	2,266,684	352,496	167,186	2,451,994
Infrastructure	1,597,828	368,351	1,589	1,964,590
	<u>10,159,116</u>	<u>1,118,113</u>	<u>178,834</u>	<u>11,098,395</u>
	<u>20,061,905</u>	<u>(456,384)</u>	<u>38,847</u>	<u>19,566,674</u>
Non-depreciable assets				
Land and improvements	4,741,432	6,360	634,769	4,113,023
Construction in progress	51,004	793,016	-	844,020
Assets held for sale	375,000	-	175,000	200,000
	<u>5,167,436</u>	<u>799,376</u>	<u>809,769</u>	<u>5,157,043</u>
	<u>\$ 25,229,341</u>	<u>\$ 342,992</u>	<u>\$ 848,616</u>	<u>\$ 24,723,717</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 6 - CAPITAL ASSETS - Continued

Capital asset activity for business-type activities consisted of the following for the year ended September 30, 2017:

	Business-type Activities			September 30, 2017
	October 1, 2016	Additions	Disposals	
Depreciable assets				
Equipment	\$ 30,486	\$ -	\$ -	\$ 30,486
Less accumulated depreciation				
Equipment	21,658	3,210	-	24,868
	<u>\$ 8,828</u>	<u>\$ (3,210)</u>	<u>\$ -</u>	<u>\$ 5,618</u>

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

Governmental activities	
General government	\$ 300,331
Public safety	178,371
Public works	260,909
Culture and recreation	363,149
Welfare	15,353
	<u>\$ 1,118,113</u>
Business-type activities	
General government	<u>\$ 3,210</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 7 - PENSION PLAN

General Information about the Pension Plan

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

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

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

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for Tier 1 ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 1 members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 7 - PENSION PLAN - Continued

General Information about the Pension Plan - Continued

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

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

The ERS serves approximately 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. The ERS membership includes approximately 85,874 participants. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,007
Terminated employees entitled to but not yet receiving benefits	1,155
Terminated employees not entitled to a benefit	6,654
Active members	55,058
	<u>85,874</u>

The City's membership as of the measurement date of September 30, 2016 consisted of:

Retired members or their beneficiaries currently receiving benefits	22
Vested inactive members	3
Non-vested inactive members	15
Active members	86
	<u>126</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 7 - PENSION PLAN - Continued

General Information about the Pension Plan - Continued

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2017, the City's active employee contribution rate was 5.66% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 5.11% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2017 was 5.83% of pensionable pay for Tier 1 employees, and 3.19% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$172,196 for the year ended September 30, 2017.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 7 - PENSION PLAN - Continued

Net Pension Liability

The City's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

	Expected	Actual - 2015 Valuation Assumptions	Actual - 2016 Valuation Assumptions
(a) Total Pension Liability as of September 30, 2015	\$ 8,134,987	\$ 8,281,741	\$ 8,649,879
(b) Discount Rate	8.00%	8.00%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2015 - September 30, 2016	270,926	270,926	272,596
(d) Transfers Among Employers:		6,088	6,088
(e) Actual Benefit Payments and Refunds for the period October 1, 2015 - September 30, 2016	(379,250)	(379,250)	(379,250)
(f) Total Pension Liability as of September 30, 2016 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 8,662,292</u>	<u>\$ 8,826,874</u>	<u>\$ 9,204,983</u>
(g) Difference between Expected and Actual:		\$ 164,582	
(h) Less Liability Transferred for Immediate Recognition:		<u>6,088</u>	
(i) Experience (Gain)/Loss = (g) - (h)		\$ 158,494	
(j) Difference between Actual (2015 Assumptions) and Actual (2016 Assumptions): Assumption Change (Gain)/Loss			\$ 378,109

Actuarial assumptions. The total pension liability as of September 30, 2016 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2015. The key actuarial assumptions are summarized below:

1. An investment rate of return of 7.75% (net of pension plan investment expense), including inflation at 2.75%, per annum compounded annually on the investment of present and future assets.
2. Projected salary increases, based on age, ranging from 3.25% to 5.00%.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 7 - PENSION PLAN - Continued

Net Pension Liability - Continued

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

The actuarial assumptions used in the September 30, 2015 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17%	4%
U.S. Large Stocks	32%	8%
U.S. Mid Stocks	9%	10%
U.S. Small Stocks	4%	11%
International Developed Market Stocks	12%	10%
International Emerging Market Stocks	3%	11%
Alternatives	10%	10%
Real Estate	10%	8%
Cash	3%	2%
	100%	

*Includes assumed rate of inflation of 2.50%.

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 7 - PENSION PLAN - Continued

Net Pension Liability - Continued

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the City's net pension liability consisted of the following at September 30, 2016:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2015	\$ 8,134,987	\$ 7,414,047	\$ 720,940
Changes for the year:			
Service cost	270,926	-	270,926
Interest	635,629	-	635,629
Changes of assumptions	378,109	-	378,109
Difference between expected and actual experience	158,494	-	158,494
Contributions - employer	-	164,716	(164,716)
Contributions - employee	-	177,318	(177,318)
Net investment income	-	753,471	(753,471)
Benefits of payments, including refunds of employee contributions	(379,250)	(379,250)	-
Transfers among employers	6,088	6,088	-
Net changes:	1,069,996	722,343	347,653
Balances at September 30, 2016	\$ 9,204,983	\$ 8,136,390	\$ 1,068,593

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 7 - PENSION PLAN - Continued

Net Pension Liability - Continued

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.75%) or one-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Plan's Net Pension Liability (Asset)	\$ 2,141,869	\$ 1,068,593	\$ 164,229

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2016. The auditors' report dated September 18, 2017 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2017, the City recognized pension expense of \$267,271. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 255,536	\$ -
Changes of assumptions	323,311	-
Net difference between projected and actual earnings on pension plan investments	65,213	-
Employer contributions subsequent to the measurement date	172,197	-
	\$ 816,257	\$ -

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 7 - PENSION PLAN - Continued

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

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

	<u>Deferred Outflows of Resources</u>
2018	\$ 118,286
2019	118,287
2020	170,869
2021	70,983
2022	95,640
Thereafter	<u>69,995</u>
	<u><u>\$ 644,060</u></u>

NOTE 8 - COMMITMENTS

The City leases certain office equipment under noncancelable operating lease agreements. Rent expense paid under the lease agreements during the year ended September 30, 2017 totaled \$9,266. At September 30, 2017, future minimum lease payments due under operating lease agreements for the next four years are as follows:

2018	\$ 9,186
2019	6,380
2020	4,013
2021	118
	<u><u>\$ 19,697</u></u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 9 - LONG-TERM DEBT

The general obligation warrant issues consisted of the following at September 30, 2017:

	Governmental Activities
Series 2007 General Obligation Warrants, dated December 1, 2007, due in semi-annual payments through March 1, 2018, bearing an interest rate of 7.375%	\$ 170,000
Series 2014 General Obligation Warrants, dated April 1, 2014, due in semi-annual payments through March 1, 2037, bearing interest rates of 2.00% to 4.00%	9,075,000
Series 2015 General Obligation Warrants, dated November 11, 2015, due in monthly payments through November 11, 2025, bearing an interest rate of 2.50%	2,672,438
Series 2017 General Obligation Warrants, dated August 30, 2017, due in monthly payments through September 1, 2032, bearing an interest rate of 2.69%	<u>6,115,000</u>
Total warrants payable	18,032,438
Less deferred amounts for:	
Unamortized discounts (2014)	(128,328)
Total warrants payable, net	<u><u>\$ 17,904,110</u></u>

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

	Principal	Interest
2018	\$ 802,117	\$ 532,812
2019	734,923	507,887
2020	1,061,731	486,279
2021	1,085,062	459,498
2022	1,113,347	432,102
2023-2027	5,328,408	1,718,393
2028-2032	4,861,850	1,010,119
2033-2037	3,045,000	313,900
	<u>\$ 18,032,438</u>	<u>\$ 5,460,990</u>

CITY OF VALLEY
Notes to Financial Statements
September 30, 2017
(Continued)

NOTE 9 - LONG-TERM DEBT - Continued

Changes in long-term liabilities for governmental activities consisted of the following at September 30, 2017:

<u>Governmental Activities</u>	<u>October 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2017</u>	<u>Due within one year</u>
Warrants payable:					
General obligation warrants	\$ 14,229,434	\$ 6,115,000	\$ 2,311,996	\$ 18,032,438	\$ 802,117
Less: bond discounts	(139,350)	-	(11,022)	(128,328)	(11,022)
Total warrants payable	<u>14,090,084</u>	<u>6,115,000</u>	<u>2,300,974</u>	<u>17,904,110</u>	<u>791,095</u>
Other liabilities:					
Compensated absences	41,726	29,579	-	71,305	71,305
	<u>\$ 14,131,810</u>	<u>\$ 6,144,579</u>	<u>\$ 2,300,974</u>	<u>\$ 17,975,415</u>	<u>\$ 862,400</u>

Changes in long-term liabilities for governmental activities consisted of the following at September 30, 2017:

<u>Business-type Activities</u>	<u>October 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2017</u>	<u>Due within one year</u>
Other liabilities:					
Compensated absences	\$ 2,059	\$ 215	\$ -	\$ 2,274	\$ 2,274
	<u>\$ 2,059</u>	<u>\$ 215</u>	<u>\$ -</u>	<u>\$ 2,274</u>	<u>\$ 2,274</u>

NOTE 10 - CONTINGENCIES

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VALLEY
 Budgetary Comparison Schedule - General Fund
 Year ended September 30, 2017
 (Unaudited)

	Budgeted Amounts		Actual GAAP Basis	Adjustments to Budgetary Basis	Actual - Budgetary Basis
	Original	Final			
Revenues					
Taxes					
Sales and miscellaneous	\$ 6,350,000	\$ 6,350,000	\$ 6,591,247	\$ (12,207)	\$ 6,579,040
Other	456,900	456,900	526,316	2,644	528,960
Licenses and permits	1,707,500	1,707,500	1,752,725	-	1,752,725
Intergovernmental	250,000	250,000	214,770	-	214,770
Charges for services	976,532	976,532	948,073	49,126	997,199
Fines and forfeitures	66,000	66,000	55,316	-	55,316
Contributions	50,000	59,940	26,283	-	26,283
Interest	257,425	257,425	3,901	-	3,901
Other	150	150	24,933	-	24,933
Total revenue	10,114,507	10,124,447	10,143,564	39,563	10,183,127
Expenditures, current					
General government	1,588,055	1,588,055	1,471,014	(142)	1,470,872
Public safety	3,003,736	2,995,351	2,965,676	(5,525)	2,960,151
Public works	1,112,585	1,112,585	1,040,870	(3,455)	1,037,415
Health and sanitation	40,895	40,895	38,750	-	38,750
Culture and recreation	1,295,862	1,295,862	1,239,048	(1,169)	1,237,879
Welfare	20,318	20,318	18,532	-	18,532
Urban rehabilitation	85,000	85,000	66,772	-	66,772
	7,146,451	7,138,066	6,840,662	(10,291)	6,830,371
Capital outlay	2,252,100	2,270,425	801,038	38,090	839,128
Debt service					
Principal retirement	753,016	753,016	2,156,996	-	2,156,996
Interest and fees	108,125	108,125	105,982	-	105,982
Issuance of debt costs	-	-	22,500	-	22,500
	861,141	861,141	2,285,478	-	2,285,478
Other financing sources (uses)					
Proceeds from sale of capital assets	271,000	271,000	358,282	-	358,282
Issuance of warrants	-	-	6,115,000	-	6,115,000
Premiums from issuance of warrants	-	-	-	-	-
Transfers (out) in	(295,800)	(295,800)	(5,120,402)	3,437	(5,116,965)
	(24,800)	(24,800)	1,352,880	3,437	1,356,317
Net change in fund balance	\$ (169,985)	\$ (169,985)	\$ 1,569,266	\$ 15,201	\$ 1,584,467

See note to required supplementary information.

CITY OF VALLEY
Note to Required Supplementary Information
Budgetary Practices
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT BUDGETARY PRACTICES

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

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

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

CITY OF VALLEY
Schedule of Changes in the Net Pension Liability
Years ended September 30, 2014 through 2016
(Unaudited)

	2016	2015	2014
Total pension liability			
Service cost	\$ 270,926	\$ 250,225	\$ 258,426
Interest	635,629	587,268	555,700
Differences between expected and actual experience	158,494	171,082	-
Changes of assumptions	378,109	-	-
Benefit payments, including refunds of employee contributions	(379,250)	(428,888)	(410,154)
Transfers among employees	6,088	-	-
Net change in total pension liability	1,069,996	579,687	403,972
Total pension liability - beginning	8,134,987	7,555,300	7,151,328
Total pension liability - ending (a)	\$ 9,204,983	\$ 8,134,987	\$ 7,555,300
Plan fiduciary net position			
Contributions - employer	\$ 164,716	\$ 146,550	\$ 143,323
Contributions - member	177,318	163,504	151,007
Net investment income	753,471	86,959	788,943
Benefit payments, including refunds of employee contributions	(379,250)	(428,888)	(410,154)
Transfers among employers	6,088	113,442	52,310
Net change in plan fiduciary net position	722,343	81,567	725,429
Plan net position - beginning	7,414,047	7,332,481	6,607,052
Plan net position - ending (b)	\$ 8,136,390	\$ 7,414,048	\$ 7,332,481
Net pension liability (a) - (b)	\$ 1,068,593	\$ 720,939	\$ 222,819
Plan fiduciary net position as a percentage of the total pension liability	88.39%	91.14%	97.05%
Covered payroll	\$ 3,140,417	\$ 2,915,994	\$ 2,648,355
Net pension liability as a percentage of covered payroll	34.03%	24.72%	8.41%

CITY OF VALLEY
Schedule of Employer Contributions
Years ended September 30, 2015 through 2017
(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 160,560	\$ 164,716	\$ 146,549
Contributions in relation to the actuarially determined contributions	<u>160,560</u>	<u>164,716</u>	<u>146,549</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 3,144,900</u>	<u>\$ 3,140,417</u>	<u>\$ 2,915,994</u>
Contributions as a percentage of covered payroll	<u>5.11%</u>	<u>5.25%</u>	<u>5.03%</u>

CITY OF VALLEY
Note to Required Supplementary Information
Pension Plan Practices
September 30, 2017
(Unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT PENSION PLAN PRACTICES

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2017 were based on the September 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2016 to September 30, 2017:

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

SUPPLEMENTARY INFORMATION

CITY OF VALLEY
Nonmajor Special Revenue Funds
September 30, 2017

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

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

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

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

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

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

CITY OF VALLEY
Combining Balance Sheet - Nonmajor Special Revenue Funds
September 30, 2017

	<u>\$.07 State Gas Tax</u>	<u>\$.04 State Gas Tax</u>	<u>Senior Center</u>	<u>Community Development</u>	<u>Cemetary</u>	<u>Total Nonmajor Special Revenue Funds</u>
Assets						
Current assets						
Cash and cash equivalents	\$ 48,756	\$ 39,148	\$ 19,298	\$ -	\$ 17,980	\$ 125,182
Taxes receivable, net	8,835	7,646	-	-	-	16,481
Other receivables	-	-	1,741	-	50	1,791
Prepaid expense	-	-	3,157	-	-	3,157
Due from other funds	5,000	-	-	-	-	5,000
Due from other governments	-	30,351	-	-	-	30,351
Total assets	<u>\$ 62,591</u>	<u>\$ 77,145</u>	<u>\$ 24,196</u>	<u>\$ -</u>	<u>\$ 18,030</u>	<u>\$ 181,962</u>
Liabilities and fund balance (deficit)						
Current liabilities						
Accounts payable	\$ -	\$ -	\$ 122	\$ 50	\$ -	\$ 172
Due to other funds	5,073	-	30,083	10,876	403	46,435
Due to other governments	-	-	-	639	-	639
Total liabilities	<u>5,073</u>	<u>-</u>	<u>30,205</u>	<u>11,565</u>	<u>403</u>	<u>47,246</u>
Fund balance (deficit)						
Restricted	57,518	77,145	-	-	17,627	152,290
Unassigned	-	-	(6,009)	(11,565)	-	(17,574)
Total fund balance (deficit)	<u>57,518</u>	<u>77,145</u>	<u>(6,009)</u>	<u>(11,565)</u>	<u>17,627</u>	<u>134,716</u>
Total liabilities and fund balance (deficit)	<u>\$ 62,591</u>	<u>\$ 77,145</u>	<u>\$ 24,196</u>	<u>\$ -</u>	<u>\$ 18,030</u>	<u>\$ 181,962</u>

CITY OF VALLEY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Special Revenue Funds
Year ended September 30, 2017

	<u>\$.07 State Gas Tax</u>	<u>\$.04 State Gas Tax</u>	<u>Senior Center</u>	<u>Community Development</u>	<u>Cemetary</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues						
Taxes - intergovernmental	\$ 61,065	\$ 47,892	\$ -	\$ -	\$ -	\$ 108,957
Other - intergovernmental	-	-	18,986	-	-	18,986
Interest	28	22	16	-	15	81
Other	-	-	13,061	-	10,128	23,189
Total revenues	<u>61,093</u>	<u>47,914</u>	<u>32,063</u>	<u>-</u>	<u>10,143</u>	<u>151,213</u>
Expenditures, current						
Public works	4,132	-	-	-	-	4,132
Welfare	-	-	153,873	-	2,322	156,195
	<u>4,132</u>	<u>-</u>	<u>153,873</u>	<u>-</u>	<u>2,322</u>	<u>160,327</u>
Other financing (uses) sources						
Transfers in	-	-	117,529	-	645	118,174
Transfers out	<u>(14,500)</u>	<u>(14,500)</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(39,000)</u>
	<u>(14,500)</u>	<u>(14,500)</u>	<u>107,529</u>	<u>-</u>	<u>645</u>	<u>79,174</u>
Net change in fund balance (deficit)	42,461	33,414	(14,281)	-	8,466	70,060
Fund balance (deficit) - beginning of year	<u>15,057</u>	<u>43,731</u>	<u>8,272</u>	<u>(11,565)</u>	<u>9,161</u>	<u>64,656</u>
Fund balance (deficit) - end of year	<u>\$ 57,518</u>	<u>\$ 77,145</u>	<u>\$ (6,009)</u>	<u>\$ (11,565)</u>	<u>\$ 17,627</u>	<u>\$ 134,716</u>

CITY OF VALLEY
Nonmajor Capital Project Funds
September 30, 2017

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

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

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

CITY OF VALLEY
Combining Balance Sheet - Nonmajor Capital Project Funds
September 30, 2017

	Municipal Government Capital Improvement	Industrial Park	Total Nonmajor Capital Project Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Current assets			
Cash and cash equivalents	\$ 84,938	\$ 267,876	\$ 352,814
Due from other funds	90,000	-	90,000
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 174,938</u>	<u>\$ 267,876</u>	<u>\$ 442,814</u>
Liabilities and fund balance			
Current liabilities			
Accounts payable	\$ -	\$ 1,475	\$ 1,475
Total liabilities	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>
Fund balance			
Assigned for capital projects	174,938	266,401	441,339
Total fund balance	<u>174,938</u>	<u>266,401</u>	<u>441,339</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 174,938</u>	<u>\$ 267,876</u>	<u>\$ 442,814</u>

See independent auditors' report.

CITY OF VALLEY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Capital Project Funds
Year ended September 30, 2017

	Municipal Government Capital Improvement	Industrial Park	Total Nonmajor Capital Project Funds
Revenues			
Other - intergovernmental	\$ 83,039	\$ -	\$ 83,039
Interest	39	368	407
Other	-	156,868	156,868
Total revenues	<u>83,078</u>	<u>157,236</u>	<u>240,314</u>
Expenditures, current			
Public works	-	58,964	58,964
	<u>-</u>	<u>58,964</u>	<u>58,964</u>
Other financing uses			
Transfers in	-	8,887	8,887
Transfers out	-	(60,000)	(60,000)
	<u>-</u>	<u>(51,113)</u>	<u>(51,113)</u>
Net change in fund deficit	83,078	47,159	130,237
Fund balance - beginning of year	<u>91,860</u>	<u>219,242</u>	<u>311,102</u>
Fund balance - end of year	<u>\$ 174,938</u>	<u>\$ 266,401</u>	<u>\$ 441,339</u>

See independent auditors' report.

CITY OF VALLEY
Combining Balance Sheet - Nonmajor Debt Service Funds
September 30, 2017

	<u>Debt Service</u>
Assets	
Current assets	
Cash and cash equivalents	<u>\$ 125,328</u>
Total assets	<u><u>\$ 125,328</u></u>
Fund balance	
Restricted for debt service	<u>\$ 125,328</u>
Total fund balance	<u><u>\$ 125,328</u></u>

See independent auditors' report.

CITY OF VALLEY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Debt Service Funds
Year ended September 30, 2017

	Debt Service
Revenues	
Interest	\$ 220
 Debt service	
Principal retirement	155,000
Interest and fees	318,600
	473,600
 Other financing uses	
Transfers in	481,392
	481,392
 Net change in fund deficit	8,012
 Fund balance - beginning of year	117,316
 Fund balance - end of year	\$ 125,328

See independent auditors' report.

CITY OF VALLEY
Statement of Net Position - Discretely Presented Component Unit
September 30, 2017

Assets

Current assets

Cash and cash equivalents \$ 19,862

Total assets 19,862

Net position

Unrestricted 19,862

Total net position \$ 19,862

See independent auditors' report.

CITY OF VALLEY
Statement of Revenues, Expenses and Changes in Net Position -
Discretely Presented Component Unit
Year ended September 30, 2017

Operating revenues	
Contributions and donations	\$ 10,300
Intergovernmental	<u>1,773</u>
	12,073
 Operating expenses	
Supplies and expenses	<u>10,387</u>
Operating loss	1,686
 Nonoperating revenues	
Interest income	<u>2</u>
Change in net position	1,688
 Net position - beginning of year	<u>18,174</u>
Net position - end of year	<u><u>\$ 19,862</u></u>

See independent auditors' report.

CITY OF VALLEY
Statement of Cash Flows -
Discretely Presented Component Unit
Year ended September 30, 2017

Cash flows from operating activities	
Cash receipts from customers	\$ 12,073
Cash paid to employees for services	<u>(10,387)</u>
Net cash provided by operating activities	1,686
Cash flows from investing activities	
Interest received	<u>2</u>
Net cash provided by investing activities	<u>2</u>
Net increase in cash and cash equivalents	1,688
Cash and cash equivalents - beginning of year	<u>18,174</u>
Cash and cash equivalents - end of year	<u><u>\$ 19,862</u></u>

See independent auditors' report.

CITY OF VALLEY
Schedule of Debt Service
General Obligation Warrants
September 30, 2017

Year ending September 30,	General Obligation Warrants, Series 2017		General Obligation Warrants, Series 2015		General Obligation Warrants, Series 2014		General Obligation Warrants, Series 2007		Total General Long-term Debt		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2018	\$ 333,765	\$ 163,535	\$ 298,352	\$ 64,277	\$ -	\$ 298,731	\$ 170,000	\$ 6,269	\$ 802,117	\$ 532,812	\$ 1,334,929
2019	343,920	153,380	306,003	56,626	85,000	297,881	-	-	734,923	507,887	1,242,810
2020	353,017	144,283	313,714	48,915	395,000	293,081	-	-	1,061,731	486,279	1,548,010
2021	363,167	134,133	321,895	40,734	400,000	284,631	-	-	1,085,062	459,498	1,544,560
2022	373,197	124,103	330,150	32,480	410,000	275,519	-	-	1,113,347	432,102	1,545,449
2023	383,503	113,797	338,616	24,013	420,000	265,656	-	-	1,142,119	403,466	1,545,585
2024	393,807	103,493	347,256	15,374	425,000	254,881	-	-	1,166,063	373,748	1,539,811
2025	404,971	92,329	356,204	6,425	440,000	243,306	-	-	1,201,175	342,060	1,543,235
2026	416,155	81,145	60,248	190	450,000	230,788	-	-	926,403	312,123	1,238,526
2027	427,648	69,652	-	-	465,000	217,344	-	-	892,648	286,996	1,179,644
2028	439,296	58,004	-	-	475,000	202,947	-	-	914,296	260,951	1,175,247
2029	451,590	45,710	-	-	490,000	187,563	-	-	941,590	233,273	1,174,863
2030	464,062	33,238	-	-	510,000	170,675	-	-	974,062	203,913	1,177,975
2031	476,878	20,422	-	-	520,000	152,130	-	-	996,878	172,552	1,169,430
2032	490,024	7,275	-	-	545,000	132,155	-	-	1,035,024	139,430	1,174,454
2033	-	-	-	-	560,000	110,600	-	-	560,000	110,600	670,600
2034	-	-	-	-	590,000	87,600	-	-	590,000	87,600	677,600
2035	-	-	-	-	605,000	63,700	-	-	605,000	63,700	668,700
2036	-	-	-	-	635,000	38,900	-	-	635,000	38,900	673,900
2037	-	-	-	-	655,000	13,100	-	-	655,000	13,100	668,100
	<u>\$ 6,115,000</u>	<u>\$ 1,344,499</u>	<u>\$ 2,672,438</u>	<u>\$ 289,034</u>	<u>\$ 9,075,000</u>	<u>\$ 3,821,188</u>	<u>\$ 170,000</u>	<u>\$ 6,269</u>	<u>\$ 18,032,438</u>	<u>\$ 5,460,990</u>	<u>\$ 23,493,428</u>

See independent auditors' report.