

The Montevallo Development Cooperative District

Financial Report
September 30, 2015

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
The Montevallo Development Cooperative District
Montevallo, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of The Montevallo Development Cooperative District, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The Montevallo Development Cooperative District, as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the debt service and capital projects funds have been restated on the fund financial statements to correct an error in accounting for bond proceeds, excess tax revenue not restricted for debt service, and related community and economic development expenditures as of October 1, 2013 and for the year ended September 30, 2014, to properly state the District's debt service fund and capital projects fund. We also audited the adjustments described in Note 11 that were applied to restate the 2014 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Restatement of Previously Issued Financial Statements

The basic financial statements of The Montevallo Development Cooperative District, as of and for the year ended September 30, 2014, before they were restated for the matter discussed in Note 11 to the financial statements, were audited by other auditors whose report dated January 23, 2015 expressed unmodified opinions on those statements. The other auditors did not express an opinion on the required supplementary information for the year ended September 30, 2014 because the limited procedures employed did not provide sufficient evidence to express an opinion.

RSM US LLP

Birmingham, Alabama
February 15, 2016

The Montevallo Development Cooperative District

Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2015

The purpose of management's discussion and analysis is to provide readers with an objective and easily readable analysis of the Montevallo Development Cooperative District's ("the District" or "MDCD") financial position and activities based on currently known facts, decisions, and conditions. This discussion has been prepared by MDCD management and should be read in conjunction with the financial statements and related footnotes. The financial statements, footnotes and this discussion are the responsibility of MDCD management.

The MDCD financial reports presents financial information through both government-wide (i.e. the statements of net position and statements of activities), based on the District as a whole, and fund financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

Financial Highlights

- The District's total net position decreased by \$1,453,375 over the course of this year's operations due to continued community and economic development projects using remaining revenue bond proceeds as well as contributions from members.
- During the year, the District's governmental activities expenses, including general government and community and economic development, were \$3,563,703, which is an increase of \$866,397 from last year, when expenses were \$2,697,306.
- Government-wide program revenues were \$2,102,823, which is an increase of \$996,686 from last year, when program revenues were \$1,106,137.
- The general fund reported a fund balance deficit this year of \$8,203 compared to \$5,766 last year.
- The debt service fund reported a fund balance this year and last year of \$31,932, which represents the December tax revenue receivable pledged for debt service.
- The capital projects fund reported a fund balance this year of \$976,687 compared to \$2,647,720 last year. The decrease is due to continued community and economic development projects using remaining revenue bond proceeds.

Using the Annual Report

The MDCD financial report presents financial information for the District through both government-wide (i.e. the statements of net position and statements of activities), based on the District as a whole, and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. The District is engaged only in governmental activities and therefore financial statements present only the financial statements required for governmental activities. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

These financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments (Issued 6/99)*. GASB Statement No. 34 establishes financial reporting requirements for state and local governments throughout the United States and requires that financial statements be presented on government-wide and fund financial statements.

Financial Statements

Basic financial statements include both government-wide (i.e. the statements of net position and statements of activities), based on the District as a whole, and fund financial statements. The statements of net position are categorized as an investment in capital assets, unrestricted, and restricted. The first category, *investment in capital assets, net* represents the portion of net position, which is associated with non-liquid capital assets less outstanding capital asset related debt, if any. The second category, *unrestricted net position*, represents the net position of the District that is not restricted for any other

The Montevallo Development Cooperative District

Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2015

purposes by third parties. The final category, *restricted net position*, represents net position that is not available for appropriation or is restricted by external parties. As of September 30, 2015, there is \$31,932 restricted for debt service. The District's assets were \$4,203,049, liabilities were \$4,915,908, and net position (deficit) was (\$712,859).

The statements of activities demonstrate the degree to which the direct expenses of a given function or an identifiable activity are offset by program revenues. During the year ended September 30, 2015, the District recognized a decrease in net position of \$1,453,375.

The fund financial statements provide information about the District's funds, with separate statements for each major fund. The emphasis of fund financial statements is on major funds, each displayed in a separate column. The major governmental funds reported are: General Fund, Debt Service Fund, and Capital Projects Fund. As of September 30, 2015, the major governmental fund balance was (\$8,203) for General Fund; \$31,932 for Debt Service Fund; and \$976,687 for Capital Projects Fund. The total governmental funds fund balance at September 30, 2015 totaled \$1,000,416.

Financial Analysis of the District

The assets of the District were less than its liabilities at September 30, 2015, by \$712,859. Total assets of the District were \$4,203,049, while total liabilities were \$4,915,908. \$31,932 of the District's net position was restricted for debt service. Unrestricted net deficit was \$744,791.

The assets of the District exceeded its liabilities at September 30, 2014, by \$740,516. Total assets of the District were \$6,389,023, while total liabilities were \$5,648,507. \$768,435 of the District's net position was invested in capital assets. \$31,932 of the District's net position was restricted for debt service. Unrestricted net deficit was \$59,851.

Total assets at September 30, 2015, decreased by \$2,185,974, primarily as the result of continued community and economic development projects using remaining revenue bond proceeds.

Total assets at September 30, 2014, decreased by \$1,237,820, primarily as the result of continued community and economic development projects using remaining revenue bond proceeds.

The Montevallo Development Cooperative District

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2015**

Condensed financial statements for the District as of and for the years ended September 30, 2015, 2014 and 2013 are as follows:

Condensed Statements of Net Position

	2015	2014	2013
Assets			
Current	\$ 1,071,500	\$ 875,269	\$ 730,234
Noncurrent	-	-	-
Restricted cash	330,916	2,701,805	4,016,667
Capital assets	2,800,633	2,811,949	2,879,942
Total Assets	<u>4,203,049</u>	<u>6,389,023</u>	<u>7,626,843</u>
Liabilities			
Current	640,872	1,115,425	535,968
Noncurrent	4,275,036	4,533,082	4,775,979
Total Liabilities	<u>4,915,908</u>	<u>5,648,507</u>	<u>5,311,947</u>
Net Position			
Invested in capital assets, net of related debt	-	768,435	1,791,843
Restricted for debt service	31,932	31,932	-
Unrestricted	(744,791)	(59,851)	523,053
Total Net Position	<u>\$ (712,859)</u>	<u>\$ 740,516</u>	<u>\$ 2,314,896</u>

For the year ended September 30, 2015, program revenues of \$2,102,823 came from contributions from the members. Other general revenues amount to \$7,505 from interest revenue.

For the year ended September 30, 2014, program revenues of \$1,106,137 came from contributions from the members. Other general revenues amount to \$16,789 from interest revenue.

Program expenses within the District consist of general government expenses, including administration, depreciation and interest, and community and economic development expenses. Expenses associated with general government expenditures were \$247,228 and \$246,678 for the years ended September 30, 2015 and 2014, respectively. Expenses associated with economic development expenditures were \$3,316,475 and \$2,450,628 for the years ended September 30, 2015 and 2014, respectively. Total expenses for the fiscal years ended 2015 and 2014 were \$3,563,703 and \$2,697,306, respectively.

The Montevallo Development Cooperative District

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2015**

Condensed Statements of Activities

	2015	2014	2013
Program revenues	\$ 2,102,823	\$ 1,106,137	\$ 2,141,227
General revenues	7,505	16,789	22
Total revenues	<u>2,110,328</u>	<u>1,122,926</u>	<u>2,141,249</u>
Program expenses by function			
General government	247,228	246,678	108,383
Community and economic development	3,316,475	2,450,628	719,184
Total expenses	<u>3,563,703</u>	<u>2,697,306</u>	<u>827,567</u>
	(1,453,375)	(1,574,380)	1,313,682
Net Position			
Beginning of year	<u>740,516</u>	<u>2,314,896</u>	<u>1,001,214</u>
End of year	<u>\$ (712,859)</u>	<u>\$ 740,516</u>	<u>\$ 2,314,896</u>

District total revenues for the year ended September 30, 2015, totaled \$2,110,328 compared to \$1,122,926 for the year ended September 30, 2014. This was a \$987,402, or 88%, increase in revenues. The increase in revenues is primarily due to more revenue received from two members, Shelby County, Alabama (County) and the University of Montevallo (University), to fund ongoing community and economic development projects.

District total revenues for the year ended September 30, 2014, totaled \$1,122,926 compared to \$2,141,249 for the year ended September 30, 2013. This was a \$1,018,323, or 48%, decrease in revenues. The decrease in revenues is primarily due to less revenue received from two members, the County and the University, due to the University of Montevallo on Main project that was completed in 2013. The County and University contributed additional revenues in 2013 to fund this project. This project consisted of purchasing a vacant building in 2012 and remodeling the building in 2013 for use by the University for classrooms and administrative offices.

Total program expenses increased \$866,397, or 32%, from \$2,697,306 for the year ended September 30, 2014, to \$3,563,703 for the year ended September 30, 2015. This increase is due primarily to increases in ongoing community and economic development projects.

Total program expenses increased \$1,869,739, or 226%, from \$827,567 for the year ended September 30, 2013, to \$2,697,306 for the year ended September 30, 2014. This increase is due primarily to increases in ongoing community and economic development projects.

As a result of expenses over revenues, the District's total net position as of September 30, 2015, decreased by \$1,453,375.

As a result of expenses over revenues, the District's total net position as of September 30, 2014, decreased by \$1,574,380.

The Montevallo Development Cooperative District

Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2015

Condensed Balance Sheet – Governmental Funds
September 30, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Total Assets	<u>\$ 7,300</u>	<u>\$ 31,932</u>	<u>\$ 1,378,643</u>	<u>\$ 1,417,875</u>
Total Liabilities	<u>15,503</u>	<u>-</u>	<u>401,956</u>	<u>417,459</u>
Total Fund Balances	<u>(8,203)</u>	<u>31,932</u>	<u>976,687</u>	<u>1,000,416</u>
Total Liabilities and Fund Balances	<u>\$ 7,300</u>	<u>\$ 31,932</u>	<u>\$ 1,378,643</u>	<u>\$ 1,417,875</u>

Condensed Balance Sheet – Governmental Funds
September 30, 2014

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Total Assets	<u>\$ 8,045</u>	<u>\$ 31,932</u>	<u>\$ 3,550,688</u>	<u>\$ 3,590,665</u>
Total Liabilities	<u>13,811</u>	<u>-</u>	<u>902,968</u>	<u>916,779</u>
Total Fund Balances	<u>(5,766)</u>	<u>31,932</u>	<u>2,647,720</u>	<u>2,673,886</u>
Total Liabilities and Fund Balances	<u>\$ 8,045</u>	<u>\$ 31,932</u>	<u>\$ 3,550,688</u>	<u>\$ 3,590,665</u>

Condensed Balance Sheet – Governmental Funds
September 30, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,746,901</u>	<u>\$ 4,746,901</u>
Total Liabilities	<u>5,766</u>	<u>-</u>	<u>306,181</u>	<u>311,947</u>
Total Fund Balances	<u>(5,766)</u>	<u>-</u>	<u>4,440,720</u>	<u>4,434,954</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,746,901</u>	<u>\$ 4,746,901</u>

The Montevallo Development Cooperative District

Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2015

Total general fund assets at September 30, 2015, decreased by \$745, primarily as the result of general government expenditures being more than general contributions from members during 2015.

Total general fund assets at September 30, 2014, increased by \$8,045, primarily as the result of a net increase in liabilities to pay general government expenditures.

Total general fund liabilities at September 30, 2015, increased by \$1,692, primarily as the result of timing of payment of general government expenditures.

Total general fund liabilities at September 30, 2014, increased by \$8,045, primarily as the result of timing of payment of general government expenditures.

The general fund balance reported a deficit of \$8,203 as of September 30, 2015 compared to \$5,766 as of September 30, 2014 and 2013. The increase in deficit is due to general government expenditures related to administration exceeding general contribution revenue by \$2,437 during the year ended September 30, 2015. General government expenditures related to administration equaled general contribution revenue for the year ended September 30, 2014.

Total debt service fund assets and fund balances at September 30, 2014, increased by \$31,932, due to the receivable for December tax revenue contributions from the City, which are pledged for debt service. There was no change in debt service fund assets and fund balances at September 30, 2014.

Total capital projects fund assets at September 30, 2015, decreased by \$2,172,045, primarily as the result of continued community and economic development project expenditures using remaining revenue bond proceeds.

Total capital projects fund assets at September 30, 2014, decreased by \$1,196,213, primarily as the result of continued community and economic development project expenditures using remaining revenue bond proceeds.

Total capital projects fund liabilities at September 30, 2015, decreased by \$501,012, primarily as the result of timing of payment of community and economic development project expenditures.

Total capital projects fund liabilities at September 30, 2014, increased by \$596,787, primarily as the result of timing of payment of community and economic development project expenditures.

The capital projects fund balance reported a balance of \$976,687 as of September 30, 2015 compared to \$2,647,720 as of September 30, 2014. The decrease is due to continued community and economic development projects using remaining revenue bond proceeds of \$1,671,033.

The capital projects fund balance reported a balance of \$2,647,720 as of September 30, 2014 compared to \$4,440,720 as of September 30, 2013. The decrease is due to continued community and economic development projects using remaining revenue bond proceeds of \$1,793,000.

The Montevallo Development Cooperative District

Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2015

**Condensed Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds Year Ended September 30, 2015**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Total Revenues	\$ 27,392	\$ 383,189	\$ 1,699,747	\$ 2,110,328
Total Expenditures	<u>29,829</u>	<u>383,189</u>	<u>3,370,780</u>	<u>3,783,798</u>
Net Change in Fund Balances	(2,437)	-	(1,671,033)	(1,673,470)
Fund Balances				
Beginning of year	<u>(5,766)</u>	<u>31,932</u>	<u>2,647,720</u>	<u>2,673,886</u>
End of year	<u>\$ (8,203)</u>	<u>\$ 31,932</u>	<u>\$ 976,687</u>	<u>\$ 1,000,416</u>

**Condensed Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds Year Ended September 30, 2014**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Total Revenues	\$ 28,371	\$ 436,292	\$ 658,263	\$ 1,122,926
Total Expenditures	<u>28,371</u>	<u>404,360</u>	<u>2,451,263</u>	<u>2,883,994</u>
Net Change in Fund Balances	-	31,932	(1,793,000)	(1,761,068)
Fund Balances				
Beginning of year	<u>(5,766)</u>	-	<u>4,440,720</u>	<u>4,434,954</u>
End of year	<u>\$ (5,766)</u>	<u>\$ 31,932</u>	<u>\$ 2,647,720</u>	<u>\$ 2,673,886</u>

The Montevallo Development Cooperative District

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2015**

**Condensed Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds Year Ended September 30, 2013**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Total Revenues	\$ 84,313	\$ -	\$ 2,056,936	\$ 2,141,249
Total Expenditures	<u>83,168</u>	<u>983,333</u>	<u>2,414,698</u>	<u>3,481,199</u>
Excess (deficiency) of revenues over expenditures	1,145	(983,333)	(357,762)	(1,339,950)
Other Funding Sources	<u>-</u>	<u>983,333</u>	<u>4,716,667</u>	<u>5,700,000</u>
Net Change in Fund Balances	1,145	-	4,358,905	4,360,050
Fund Balances				
Beginning of year	<u>(6,911)</u>	<u>-</u>	<u>81,815</u>	<u>74,904</u>
End of year	<u><u>\$ (5,766)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,440,720</u></u>	<u><u>\$ 4,434,954</u></u>

Capital Assets

Capital assets include land, buildings and improvements, and construction in progress. As of September 30, 2015, 2014, and 2013, capital assets, net of accumulated depreciation, totaled \$2,800,633, \$2,811,949, and \$2,879,942, respectively. Capital asset additions for the years ended September 30, 2015, 2014, and 2013 totaled \$54,305, \$635, and \$1,806,316, respectively. Depreciation expense on capital assets for the years ended September 30, 2015, 2014, and 2013 totaled \$65,621, \$65,621, and \$25,215, respectively.

Ongoing and Future Projects

The Main Street Renovation Project will renovate approximately four blocks on the Main Street in Downtown Montevallo for a total cost of \$2,850,000. The City has received a Federal Grant for \$2,280,000. The District has transferred \$570,000 to the City for the required match, engineering costs and utilities. In addition to the transfer to the City, MDCD has incurred \$54,530 in expenses related to utility preparations for the project. This project is scheduled to bid in April 2016 and will take approximately 12-18 months to complete.

The Repaving of Montevallo Streets at an estimated cost of \$1,260,000 is being funded by MDCD based on an inventory of streets that need repaving. Project work began in fiscal year 2014 and continued throughout fiscal year 2015. In fiscal year 2014 and 2015 costs of \$759,522 and \$42,071, respectively, were incurred for repaving and street repairs completed in the City. Additional progress on this project is expected in FY2016 pending final funding requirements of the Main Street Renovation and other MDCD ongoing projects.

The Montevallo Development Cooperative District

Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2015

The City Hall project was completed in fiscal year 2015 at a total cost of \$1,346,605, of which \$1,270,000 was funded by the District with the remainder funded by the City. The completion of this provided the city with a new city hall and allowed additional space for the Police Department in the former city hall. Original project estimates were \$1,403,000, thus, the project was completed at a savings of \$56,000.

The Street Signs Project work continued in fiscal year 2015 with \$16,574 in additional costs. During fiscal year 2014, \$28,974 in reflective street signage had been completed, for a total cost incurred through 2015 of \$45,548. This project is to replace street signs with reflective signage. The original project estimate of \$100,000 has been reduced to \$78,000 due to cost savings recognized. The savings were reallocated to other projects.

The Stephens Park Renovation Project was completed in fiscal year 2015 with a total cost of \$202,000, funded by MDCD. This project made needed improvements to Stephens Park, such as improved lighting, seating and sports field repairs and enhancements.

The University of Montevallo Softball Stadium was completed in fiscal year 2015 with a total project cost of \$752,986. Funding for this project is \$75,000 by MDCD, \$286,569 from Shelby County and \$391,417 from the University. This project upgraded an existing ball field into a softball stadium owned by the City that will be used by the University's first Women's Softball Team under a 20 year lease to the University. Tournaments and camps have brought many visitors into the downtown area. The first competition occurred in February 2015.

The Orr Park Lighting Project was completed in fiscal year 2015 at a total cost of \$253,646 funded by MDCD. This project replaced field lighting to existing Montevallo High School softball and baseball fields.

The University of Montevallo Track Project was completed in fiscal year 2015 at a total cost of \$1,483,356. Funding for this project is \$150,000 by MDCD, \$367,422 by Shelby County, \$865,934 by the University, and \$100,000 contributed by the Community Foundation of Greater Birmingham. This project built a high quality track facility on the UM campus that meets the NCAA standards for competition. The track will be used for UM track and field tournaments, and is expected to bring many visitors into the City. When the track is not in use for athletic events, the facility will be open to the public for health and wellness. The University hosted the Peach Belt Conference Championships in the new facility April 16-18, 2015.

The UM Track Facility Lighting project began in fiscal year 2015. Total estimated project cost is approximately \$273,000 and funded 100% by Shelby County. This project will install NCAA standard lighting at the UM Track facility and will be completed in fiscal year 2016.

Long-term Debt Activity

MDCD Revenue Bond Issue

The District issued a \$5,000,000 Revenue Bond on September 26, 2013 for the purpose of financing the City's share of the cost of various capital improvements by the District. The County and the University have contributed and expect to contribute funds to finance their approved share of the costs, and the City's share of the costs is being financed through the issuance of the Bond. The proceeds of the Bond remaining after the costs of issuance will only be applied to pay the City's share of the costs of the improvements.

As of September 30, 2015, 2014, and 2013, revenue bond payable totaled \$4,513,908, \$4,745,319, and \$5,000,000, respectively. During the years ended September 30, 2015 and 2014, principal payments on the revenue bond payable were \$231,411 and \$254,681, respectively.

The Montevallo Development Cooperative District

**Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2015**

Analysis of Known Future Events

Each member determines if a project warrants financial participation by their respective entity each time a project is considered. The ownership/investment in each project is determined by the pro-rata investment of each member. Current and/or future net operating income and cash distributions from any project will be shared between the participating members of the District based on a relative contribution by each member to the project or as otherwise defined by the project.

Condensed schedule by member for Governmental Activities by MDCD member for FY2015, FY2014, and FY2013 is as follows:

	University	County	City	Total
<u>Fiscal Year 2015</u>				
Revenues	\$ 912,022	\$ 712,889	\$ 485,417	\$ 2,110,328
Expenses	(931,712)	(746,893)	(1,885,098)	(3,563,703)
Change in Net Position	<u>(19,690)</u>	<u>(34,004)</u>	<u>(1,399,681)</u>	<u>(1,453,375)</u>
Net Position, Beginning of year	<u>1,179,591</u>	<u>1,418,253</u>	<u>(1,857,328)</u>	<u>740,516</u>
Net Position, End of Year	<u>\$ 1,159,901</u>	<u>\$ 1,384,249</u>	<u>\$ (3,257,009)</u>	<u>\$ (712,859)</u>
<u>Fiscal Year 2014</u>				
Revenues	\$ 467,406	\$ 170,479	\$ 485,041	\$ 1,122,926
Expenses	(392,594)	(204,482)	(2,100,230)	(2,697,306)
Change in Net Position	<u>74,812</u>	<u>(34,003)</u>	<u>(1,615,189)</u>	<u>(1,574,380)</u>
Net Position, Beginning of year	<u>1,104,779</u>	<u>1,452,256</u>	<u>(242,139)</u>	<u>2,314,896</u>
Net Position, End of Year	<u>\$ 1,179,591</u>	<u>\$ 1,418,253</u>	<u>\$ (1,857,328)</u>	<u>\$ 740,516</u>
<u>Fiscal Year 2013</u>				
Revenues	\$ 660,309	\$ 1,008,520	\$ 472,420	\$ 2,141,249
Expenses	(19,989)	(20,723)	(786,855)	(827,567)
Change in Net Position	<u>640,320</u>	<u>987,797</u>	<u>(314,435)</u>	<u>1,313,682</u>
Net Position, Beginning of year	<u>464,459</u>	<u>464,459</u>	<u>72,296</u>	<u>1,001,214</u>
Net Position, End of Year	<u>\$ 1,104,779</u>	<u>\$ 1,452,256</u>	<u>\$ (242,139)</u>	<u>\$ 2,314,896</u>

The Montevallo Development Cooperative District

Management's Discussion and Analysis (Unaudited) Year Ended September 30, 2015

Cautionary Note Regarding Forward-Looking Statements

Certain information provided by the District, including written (as outlined above) or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than the statements of historical fact, which address future activities, events, or developments that the District expects or anticipates will or may occur, contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. The District does not update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions, or changes in other factors.

Contacting the District's Management

This financial report is designed to provide our readers with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. If readers have any questions about this report or need additional information, contact DeAnna M. Smith, Vice President for Business Affairs/Treasurer, University of Montevallo, Station 6010, Montevallo, Alabama 35115, or you may e-mail to dsmith23@montevallo.edu.

The Montevallo Development Cooperative District

Statements of Net Position
September 30, 2015 and 2014

	Governmental Activities	
	2015	(as Restated) 2014
Assets		
Current Assets		
Cash	\$ 315,756	\$ 293,025
Contributions receivable	712,609	537,534
Accounts receivable	35,835	36,665
Prepaid expenses	7,300	8,045
Total current assets	1,071,500	875,269
Restricted Cash	330,916	2,701,805
Noncurrent Assets		
Capital assets:		
Depreciable capital assets, net	2,387,511	2,453,132
Non-depreciable capital assets	413,122	358,817
Total noncurrent assets	2,800,633	2,811,949
Total assets	4,203,049	6,389,023
Liabilities and Net Position		
Current Liabilities		
Accounts payable	44	220
Accounts payable, capital projects	296,487	861,341
Other accounts payable	105,469	41,627
Current portion of revenue bond payable	238,872	212,237
Total current liabilities	640,872	1,115,425
Noncurrent Liabilities		
Revenue bond payable, less current portion	4,275,036	4,533,082
Total noncurrent liabilities	4,275,036	4,533,082
Total liabilities	4,915,908	5,648,507
Net Position (Deficit)		
Investment in capital assets, net of related debt	-	768,435
Restricted for debt service	31,932	31,932
Unrestricted (deficit)	(744,791)	(59,851)
Total net position (deficit)	\$ (712,859)	\$ 740,516

See notes to financial statements.

The Montevallo Development Cooperative District

Statement of Activities
Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Member Contributions	Total	Revenue and Changes in Net Position
Governmental Activities				
General government	\$ 247,228	\$ 19,887		\$ (227,341)
Community and economic development	3,316,475	2,082,936		(1,233,539)
Total governmental activities	\$ 3,563,703	\$ 2,102,823		(1,460,880)
General Revenue				
Interest revenue				7,505
Total general revenue				7,505
Total change in net position				(1,453,375)
Net Position				
Beginning of year				740,516
End of year				\$ (712,859)

See notes to financial statements.

The Montevallo Development Cooperative District

**Statement of Activities
Year Ended September 30, 2014**

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Member Contributions	Total	Revenue and Changes in Net Position
Governmental Activities				
General government	\$ 246,678	\$ 18,914	\$	(227,764)
Community and economic development	2,450,628	1,087,223		(1,363,405)
Total governmental activities	\$ 2,697,306	\$ 1,106,137		(1,591,169)
General Revenue				
Interest revenue				16,789
Total general revenue				16,789
Total change in net position				(1,574,380)
Net Position				
Beginning of year				2,314,896
End of year				\$ 740,516

See notes to financial statements.

The Montevallo Development Cooperative District

Balance Sheet – Governmental Funds
September 30, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash	\$ -	\$ -	\$ 315,756	\$ 315,756
Restricted cash	-	-	330,916	330,916
Contributions receivable	-	-	712,609	712,609
Accounts receivable	-	31,932	3,903	35,835
Due from other fund	-	-	15,459	15,459
Prepaid expenses	7,300	-	-	7,300
Total assets	\$ 7,300	\$ 31,932	\$ 1,378,643	\$ 1,417,875
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 44	\$ -	\$ 296,487	\$ 296,531
Other accounts payable	-	-	105,469	105,469
Due to other fund	15,459	-	-	15,459
Total liabilities	15,503	-	401,956	417,459
Fund balances				
Committed to:				
Capital projects	-	-	976,687	976,687
Restricted for debt service	-	31,932	-	31,932
Unassigned	(8,203)	-	-	(8,203)
Total fund balances	(8,203)	31,932	976,687	1,000,416
Total liabilities and fund balances	\$ 7,300	\$ 31,932	\$ 1,378,643	\$ 1,417,875

See notes to financial statements.

The Montevallo Development Cooperative District

**Balance Sheet – Governmental Funds
September 30, 2015**

Fund balances – total governmental funds	\$ 1,000,416
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,800,633
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,513,908)</u>
Net position of governmental activities	<u><u>\$ (712,859)</u></u>

See notes to financial statements.

The Montevallo Development Cooperative District

**Balance Sheet – Governmental Funds
September 30, 2014 (as Restated)**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash	\$ -	\$ -	\$ 293,025	\$ 293,025
Restricted cash	-	-	2,701,805	2,701,805
Contributions receivable	-	-	537,534	537,534
Accounts receivable	-	31,932	4,733	36,665
Due from other fund	-	-	13,591	13,591
Prepaid expenses	8,045	-	-	8,045
Total assets	\$ 8,045	\$ 31,932	\$ 3,550,688	\$ 3,590,665
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 220	\$ -	\$ 861,341	\$ 861,561
Other accounts payable	-	-	41,627	41,627
Due to other fund	13,591	-	-	13,591
Total liabilities	13,811	-	902,968	916,779
Fund balances				
Committed to:				
Capital projects	-	-	2,647,720	2,647,720
Restricted for debt service	-	31,932	-	31,932
Unassigned	(5,766)	-	-	(5,766)
Total fund balances	(5,766)	31,932	2,647,720	2,673,886
Total liabilities and fund balances	\$ 8,045	\$ 31,932	\$ 3,550,688	\$ 3,590,665

See notes to financial statements.

The Montevallo Development Cooperative District

**Balance Sheet – Governmental Funds
September 30, 2014**

Fund balances – total governmental funds	\$ 2,673,886
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,811,949
Some liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(4,745,319)</u>
Net position of governmental activities	<u><u>\$ 740,516</u></u>

See notes to financial statements.

The Montevallo Development Cooperative District

Statement of Revenue, Expenditures, and Changes in Fund Balances—Governmental Funds
Year Ended September 30, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenue				
General contribution – Shelby County	\$ 9,942	\$ -	\$ -	\$ 9,942
General contribution – University of Montevallo	9,945	-	-	9,945
Interest	7,505	-	-	7,505
Tax revenue contribution – City of Montevallo	-	383,189	94,725	477,914
Capital projects contribution – Shelby County	-	-	702,947	702,947
Capital projects contribution – University of Montevallo	-	-	902,075	902,075
Total revenue	27,392	383,189	1,699,747	2,110,328
Expenditures				
Current expenditures				
General government	29,829	-	-	29,829
Community and economic development	-	-	3,316,475	3,316,475
Debt service				
Principal	-	231,411	-	231,411
Interest	-	151,778	-	151,778
Capital outlays	-	-	54,305	54,305
Total expenditures	29,829	383,189	3,370,780	3,783,798
Net change in fund balances	(2,437)	-	(1,671,033)	(1,673,470)
Fund Balances				
Beginning of year	(5,766)	31,932	2,647,720	2,673,886
End of year	\$ (8,203)	\$ 31,932	\$ 976,687	\$ 1,000,416

See notes to financial statements.

The Montevallo Development Cooperative District

Statement of Revenue, Expenditures, and Changes in Fund Balances—Governmental Funds
Year Ended September 30, 2014 (as Restated)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenue				
General contribution – Shelby County	\$ 9,457	\$ -	\$ -	\$ 9,457
General contribution – University of Montevallo	9,457	-	-	9,457
Interest	9,457	-	7,332	16,789
Tax revenue contribution – City of Montevallo	-	436,292	21,960	458,252
Capital projects contribution – City of Montevallo	-	-	10,000	10,000
Capital projects contribution – Shelby County	-	-	161,022	161,022
Capital projects contribution – University of Montevallo	-	-	457,949	457,949
Total revenue	28,371	436,292	658,263	1,122,926
Expenditures				
Current expenditures				
General government	28,371	-	-	28,371
Community and economic development	-	-	2,450,628	2,450,628
Debt service				
Principal	-	254,681	-	254,681
Interest	-	149,679	-	149,679
Capital outlays	-	-	635	635
Total expenditures	28,371	404,360	2,451,263	2,883,994
Net change in fund balances	-	31,932	(1,793,000)	(1,761,068)
Fund Balances				
Beginning of year	(5,766)	-	4,440,720	4,434,954
End of year	\$ (5,766)	\$ 31,932	\$ 2,647,720	\$ 2,673,886

See notes to financial statements.

The Montevallo Development Cooperative District

**Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2015**

Net change in fund balances – total governmental funds \$ (1,673,470)

Amounts reported for governmental activities in the statement of activities are different because:

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

Depreciation expense	\$ (65,621)	
Capital outlays	<u>54,305</u>	(11,316)

Repayments on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

Principal payments on revenue bond payable	<u>231,411</u>
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Change in net position of governmental activities	<u><u>\$ (1,453,375)</u></u>
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See notes to financial statements.

The Montevallo Development Cooperative District

**Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2014**

Net change in fund balances – total governmental funds	\$ (1,761,068)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Depreciation expense	\$ (65,621)	
Capital outlays	<u>635</u>	(64,986)

In the statement of activities, the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, only the proceeds from a sale increase financial resources. As there were no proceeds from the disposal of capital assets, the change in net position will differ from the change in fund balances by the loss on disposal of capital assets.

(3,007)

Repayments on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

Principal payments on revenue bond payable	<u>254,681</u>
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Change in net position of governmental activities	<u><u>\$ (1,574,380)</u></u>
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See notes to financial statements.

The Montevallo Development Cooperative District

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The accompanying basic financial statements of The Montevallo Development Cooperative District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. A summary of the District's more significant accounting policies follows.

Reporting entity: The District was incorporated by its Members (City of Montevallo, Alabama, University of Montevallo, and Shelby County, Alabama) on April 10, 2012 in accordance with Alabama Code 11-99B, Capital Improvement Cooperative Districts. The purpose of the District is to promote economic development, tourism, education, recreation, the arts, historic preservation, livability, and a healthy and active lifestyle in Montevallo, Alabama. In addition, the District is to undertake the acquisition, construction and installation of capital improvements consisting of: (a) real and personal property (i) for use by the City for general municipal purposes, and (ii) for use by the County for the development, support and promotion of economic development and tourism and (iii) for use by the University for educational and administrative purposes; (b) roads, streets, sidewalk and related facilities for pedestrian and vehicular traffic; (c) public utilities; (d) public park, recreation, and safety facilities; (e) center for cultural and educational exhibitions and facilities; and (f) accommodations for visitors. The District is supported primarily by its members from member contributions, including contributions from the City of Montevallo, Alabama of 90 percent of a one-cent sales tax implemented by the City of Montevallo, Alabama. The District is governed by a board of directors, which is comprised of one director elected by each of the Members. The District may acquire and construct projects within the corporate limits, as at any time in effect, of the City. The District cannot levy taxes.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. GAAP requires that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards has been considered and as a result, the District has no component units. Additionally, the District is not a component unit of any other entity.

Government-wide and fund financial statements: Basic financial statements include both government-wide (i.e. the statements of net position and statements of activities), based on the District as a whole, and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities, which normally are supported by taxes and intergovernmental revenues, or business-type activities, which rely to a significant extent on fees and charges for support. The District is engaged only in governmental activities. Therefore, these basic financial statements present only the financial statements required for governmental activities.

The statements of activities demonstrate the degree to which the direct expenses of a given function or identifiable activity (i.e. public safety, public services, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include revenues from fines and forfeitures, licenses and permit fees, service assessments, and charges for services provided by the given function or identifiable activity and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Montevallo Development Cooperative District

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds. The District has no non-major funds.

Basis of presentation—fund accounting: The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The District's funds are grouped into one broad category for financial statement presentation purposes, governmental funds. Governmental funds are used to account for the District's expendable financial resources and related liabilities. Governmental funds include the general, debt service, and capital projects funds.

A percentage of assets, liabilities, revenues or expenditures/expenses of the government fund category are used for the determination of major funds. The District has three major funds and no non-major funds.

The District reports the following major governmental funds:

General fund: The general fund accounts for all financial resources of the District except those required legally or by sound financial management to be accounted for in another fund.

Debt service fund: The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital projects fund: The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. For this purpose, capital outlays on capital projects financed by the District for its members are included, and reported as community and economic development expenditures.

Measurement focus: The government-wide financial statements are prepared using the economic resources management focus. All assets and liabilities associated with the operation of the District are included in the statements of net position.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the statements of net position. The statements of revenues, expenditures, and changes in fund balances reports the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government-wide financial statements are prepared; therefore, governmental activities of the government-wide financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

Basis of accounting: Basis of accounting determines when transactions are recorded in the financial reports and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognitions of revenue and in the presentation of expenses versus expenditures.

The Montevallo Development Cooperative District

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Under the accrual method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). Revenues are measurable when the amount of the transaction can be determined. Revenues are available when collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days following September 30. Major revenue sources susceptible to accrual include special assessments, licenses, interest revenue, and charges for services. Expenditures, if measurable, are recorded when they have used or expected to use current expendable financial resources, except for revenue bond principal and interest which are reported as expenditures in the year due.

Cash and cash equivalents: Cash includes amounts in demand deposits. Cash equivalents are defined by the District as liquid investments purchased with an original maturity of three months or less. The District had no cash equivalents as of September 30, 2015 and 2014. Cash as of September 30, 2015 and 2014, was deposited with financial institutions.

The District's deposits are covered by Federal Depository Insurance Corporation insurance or secured by collateral pledged to the State of Alabama. The Security for Alabama Funds Enhancement Program, or SAFE Program, became law January 1, 2001. The SAFE Program eliminates the need for an individual bank to collateralize deposits. Under the program, a bank designated by the State Treasurer as a qualified public depository will pledge securities to the State Treasurer for the SAFE collateral pool. This program is mandatory for all banks that hold public deposits. The financial institutions that held the District's deposits at September 30, 2015 and 2014, are qualified public depositories.

Contributions and accounts receivable: Accounts receivable from member contributions are reduced by the amount of such billings deemed by management to be ultimately uncollectible. At September 30, 2015 and 2014, the District considers all such receivables to be fully collectible.

Restricted cash: The District has cash that is restricted to its use. Restricted cash related to the District's operations includes cash from the issuance of the revenue bond that is temporarily restricted for capital improvement projects and expenditures. Restricted cash related to capital improvement projects amounted to \$330,916 and \$2,701,805 as of September 30, 2015 and 2014, respectively.

Capital assets: Purchased or constructed capital assets are reported at cost. Donated fixed assets are stated at their fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed when incurred. Construction in progress includes uncompleted building improvements. A capitalization threshold of \$5,000 is used.

Capital assets used in governmental fund type operations (general capital assets) are accounted for in the government-wide statements.

Community and economic development expenditures accounted for in the capital projects fund include capital improvements to member properties, which are accounted for on each member's respective financial statements.

The Montevallo Development Cooperative District

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	40

Depreciation expense was \$65,621 for the years ended September 30, 2015 and 2014.

Capital assets are not reported in the governmental fund financial statements; instead, capital outlays are reported as expenditures.

Long-term debt: Long-term debt to be repaid from governmental resources is reported as a liability in the government-wide financial statements. The District's long-term debt consists of a revenue bond. Long-term debt is not reported in the governmental fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Fund equity: As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable fund balance: This category includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance: This category includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed fund balance: This category includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Directors. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally, such as a resolution or ordinance.

Assigned fund balance: This category includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Board of Directors or (b) a body to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds, except negative amounts, that are not classified as nonspendable, restricted, or committed.

Unassigned fund balance: This category's residual classification is used for all negative fund balances and includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

The Montevallo Development Cooperative District

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Net position: The government-wide fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, unrestricted and restricted. The District first applies unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Net Investment in capital assets: This category is intended to reflect the portion of net assets, which are associated with non-liquid capital assets less outstanding capital asset related debt, if any.

Restricted net position: This category presents net position that is not available for appropriation or is restricted by external parties.

Unrestricted net position: This category represents the net position of the District that is not restricted for any other purpose by third parties. While District management may have categorized and segmented portions for various purposes, the Board of Directors has the unrestricted authority to revisit or alter these managerial decisions.

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Member contributions: The District receives member contributions from The University of Montevallo, City of Montevallo, Alabama (City), and Shelby County, Alabama. The District uses these contributions for purchases or capital improvement projects for the promotion of tourism and economic development actions, educational purposes, administrative purposes, or enhancement of infrastructure. The City provides the applicable tax revenues from an imposed one-cent sales tax to the District that is recorded as a member contribution to the District. Shelby County, Alabama provides funds for purchases or capital improvement projects for the promotion of tourism and economic development actions. The University of Montevallo provides funds toward projects applicable to the University's use for educational and administrative purposes or enhancement of its infrastructure. The amount of member contributions for the years ended September 30, 2015 and 2014, were \$2,102,823 and \$1,106,137, respectively, which are included on the statements of revenues, expenses, and changes in fund balances.

Subsequent events: Subsequent events have been evaluated through February 15, 2016, which is the date the financial statements were available for issuance.

Reclassifications: Certain reclassifications have been made in the previously reported financial statements to make prior year amounts comparable to those of the current year. Such reclassifications had no effect on previously reported net position or change in net position.

The Montevallo Development Cooperative District

Notes to Financial Statements

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheets include reconciliations between fund balances—total governmental funds and net position of governmental activities reported in the government-wide statements of net position. One element of that reconciliation explains that “some liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of these amounts as of September 30, 2015 and 2014, are as follows:

	2015	2014
Revenue bond payable	\$ 4,513,908	\$ 4,745,319

Note 3. Contributions Receivable

Contributions receivable consist of the following at September 30:

	2015	2014
University of Montevallo	\$ 156,786	\$ 357,055
Shelby County, Alabama	479,218	170,479
Other contributions receivable for City of Montevallo, Alabama project	76,605	10,000
	\$ 712,609	\$ 537,534

Note 4. Accounts Receivable

Accounts receivable consist of the following at September 30:

	2015	2014
City of Montevallo, Alabama	\$ 35,835	\$ 36,665

The Montevallo Development Cooperative District

Notes to Financial Statements

Note 5. Capital Assets

Capital asset activity consists of the following at September 30:

	2015			
	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable capital assets:				
Buildings	\$ 830,976	\$ -	\$ -	\$ 830,976
Building improvements	1,719,357	-	-	1,719,357
	<u>2,550,333</u>	<u>-</u>	<u>-</u>	<u>2,550,333</u>
Accumulated depreciation:				
Buildings	49,435	21,535	-	70,970
Building improvements	47,766	44,086	-	91,852
	<u>97,201</u>	<u>65,621</u>	<u>-</u>	<u>162,822</u>
Depreciable capital assets, net	<u>2,453,132</u>	<u>(65,621)</u>	<u>-</u>	<u>2,387,511</u>
Nondepreciable capital assets:				
Land	265,353	-	-	265,353
Construction in progress	93,464	54,305	-	147,769
	<u>358,817</u>	<u>54,305</u>	<u>-</u>	<u>413,122</u>
Governmental activities capital assets, net	<u>\$ 2,811,949</u>	<u>\$ (11,316)</u>	<u>\$ -</u>	<u>\$ 2,800,633</u>
	2014			
	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable capital assets:				
Buildings	\$ 830,976	\$ -	\$ -	\$ 830,976
Building improvements	1,722,364	-	(3,007)	1,719,357
	<u>2,553,340</u>	<u>-</u>	<u>(3,007)</u>	<u>2,550,333</u>
Accumulated depreciation:				
Buildings	27,900	21,535	-	49,435
Building improvements	3,680	44,086	-	47,766
	<u>31,580</u>	<u>65,621</u>	<u>-</u>	<u>97,201</u>
Depreciable capital assets, net	<u>2,521,760</u>	<u>(65,621)</u>	<u>(3,007)</u>	<u>2,453,132</u>
Nondepreciable capital assets:				
Land	265,353	-	-	265,353
Construction in progress	92,829	635	-	93,464
	<u>358,182</u>	<u>635</u>	<u>-</u>	<u>358,817</u>
Governmental activities capital assets, net	<u>\$ 2,879,942</u>	<u>\$ (64,986)</u>	<u>\$ (3,007)</u>	<u>\$ 2,811,949</u>

The Montevallo Development Cooperative District

Notes to Financial Statements

Note 6. Accounts Payable

All accounts payable at September 30, 2015 and 2014, were payable to vendors.

Note 7. Long-Term Debt

Revenue bond payable: In September 2013, the District issued a \$5,000,000 revenue bond with a fixed interest rate of 3.25%. The bond was issued to finance the City of Montevallo's portion of the costs of acquisition and construction of certain capital improvements within the City. Interest is paid monthly. Principal is paid monthly commencing on October 27, 2013 through September 27, 2030. The balance at September 30, 2015 and 2014, is \$4,513,908 and \$4,745,319, respectively, and is included on the accompanying statements of net position.

The bond is to be repaid solely by the City of Montevallo's assignment of, and is secured by a pledge of, 90% of the revenues from a one-cent increase in the sales and use tax levied by the City of Montevallo. The City acknowledges that the proceeds of the dedicated tax are being pledged to secure the bond and covenants and agrees that so long as the bond is outstanding it shall not modify or rescind the sales tax ordinance or reduce the percentage of the dedicated tax hereby assigned and pledged to the District. The bond is not a general obligation of the District.

As of September 30, 2015, the scheduled debt service requirements on long-term debt were as follows as of September 30:

	Principal	Interest	Total
2016	\$ 238,872	\$ 144,315	\$ 383,187
2017	245,949	137,238	383,187
2018	254,178	129,009	383,187
2019	262,679	120,508	383,187
2020	271,154	112,033	383,187
Thereafter	3,241,076	564,531	3,805,607
Total	\$ 4,513,908	\$ 1,207,634	\$ 5,721,542

Note 8. Community and Economic Development Expenditures

Community and economic development expenditures accounted for in the capital projects fund include capital improvements to member properties, which are accounted for on each member's respective financial statements. These expenditures for the years ended September 30, 2015 and 2014 were for the benefit of the members as follows:

	2015	2014
University of Montevallo	\$ 896,579	\$ 357,949
Shelby County, Alabama	702,947	161,022
City of Montevallo	1,716,949	1,931,657
	\$ 3,316,475	\$ 2,450,628

Note 9. Lease Agreement

The University leases a building from the District for classrooms and administrative offices under a lease agreement with an initial one-year term that automatically renews for successive one-year terms through August 2033. Rent received by the District under this lease is \$1 annually.

The Montevallo Development Cooperative District

Notes to Financial Statements

Note 10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settlement amounts, if any, have not exceeded insurance coverage for the years ended September 30, 2015 and 2014.

Note 11. Restatement of Previously Issued Financial Statements

The financial statements as of and for the year ended September 30, 2014, which were originally issued on January 23, 2015, have been corrected and restated due to the correction of an error related to the accounting for the debt service fund and capital projects fund on the governmental fund financial statements. In addition, unrestricted and restricted cash have been corrected and restated as of September 30, 2014 on the statement of net position to properly reflect unspent bond proceeds. The beginning fund balances for the debt service fund and capital projects fund have been restated, as of October 1, 2013, to correct an error in accounting for the bond proceeds, excess tax revenue not restricted for debt service, and related community and economic development capital expenditures that were previously accounted for in the debt service fund instead of in the capital projects fund, as well as the activity in these funds for the year ended September 30, 2014. In implementing the guidance in GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, capital projects funds should be used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. Accordingly, the previously issued financial statements have been retrospectively restated to reflect the correction of this error in accounting.

The following represents the financial statement line item net changes to the accompanying statement of net position as of September 30, 2014:

	As Previously Reported	As Restated	Effect of Correction
Cash	\$ 56,926	\$ 293,025	\$ (236,099)
Restricted cash	2,937,904	2,701,805	236,099

The Montevallo Development Cooperative District

Notes to Financial Statements

Note 11. Restatement of Previously Issued Financial Statements (Continued)

The following represents the financial statement line item net changes to the accompanying balance sheet-governmental funds as of September 30, 2014:

	As Previously Reported	As Restated	Effect of Correction
Debt Service Fund			
Assets			
Restricted cash	\$ 2,937,904	\$ -	\$ (2,937,904)
Accounts receivable	36,665	31,932	(4,733)
Total assets	<u>\$ 2,974,569</u>	<u>\$ 31,932</u>	<u>\$ (2,942,637)</u>
Fund balances			
Restricted for debt service	2,974,569	31,932	(2,942,637)
Total fund balances	<u>\$ 2,974,569</u>	<u>\$ 31,932</u>	<u>\$ (2,942,637)</u>
Capital Projects Fund			
Assets			
Cash	\$ 56,926	\$ 293,025	\$ 236,099
Restricted cash	-	2,701,805	2,701,805
Contributions receivable	537,534	537,534	-
Accounts receivable	-	4,733	4,733
Due from other fund	13,591	13,591	-
Total assets	<u>\$ 608,051</u>	<u>\$ 3,550,688</u>	<u>\$ 2,942,637</u>
Liabilities			
Accounts payable	\$ 861,341	\$ 861,341	\$ -
Other accounts payable	41,627	41,627	-
Total liabilities	<u>902,968</u>	<u>902,968</u>	<u>-</u>
Fund balances			
Committed to capital projects	(294,917)	2,647,720	2,942,637
Total liabilities and fund balances	<u>\$ 608,051</u>	<u>\$ 3,550,688</u>	<u>\$ 2,942,637</u>

The Montevallo Development Cooperative District

Notes to Financial Statements

Note 11. Restatement of Previously Issued Financial Statements (Continued)

The following represents the financial statement line item net changes to the accompanying statement of revenue, expenditures, and changes in fund balances-governmental funds for the year ended September 30, 2014:

	As Previously Reported	As Restated	Effect of Correction
Debt Service Fund Balance, effects to the opening balances as of October 1, 2013			
Debt Service Fund Balance, October 1, 2012	\$ -	\$ -	\$ -
Revenue			
Interest	22	-	(22)
Expenditures			
Debt service			
Principal	(983,333)	(983,333)	-
Capital outlays	(682,188)	-	682,188
Other Financing Sources			
Proceeds from issuance of long-term loan payable-related party	700,000	-	(700,000)
Revenue bond issuance proceeds	5,000,000	983,333	(4,016,667)
	<u>\$ 4,034,501</u>	<u>\$ -</u>	<u>\$ (4,034,501)</u>
Debt Service Fund Balance, October 1, 2013	\$ 4,034,501	\$ -	\$ (4,034,501)
Revenue			
Interest	16,789	-	(16,789)
Debt service contribution – City of Montevallo	468,252	436,292	(31,960)
Expenditures			
Current expenditures			
General government	(9,457)	-	9,457
Community and economic development	(1,131,156)	-	1,131,156
Debt service			
Principal	(254,681)	(254,681)	-
Interest	(149,679)	(149,679)	-
Debt Service Fund Balance, September 30, 2014	<u>\$ 2,974,569</u>	<u>\$ 31,932</u>	<u>\$ (2,942,637)</u>

The Montevallo Development Cooperative District

Notes to Financial Statements

Note 11. Restatement of Previously Issued Financial Statements (Continued)

	As Previously Reported	As Restated	Effect of Correction
Capital Projects Fund Balance, effects to the opening balances as of October 1, 2013			
Capital Projects Fund Balance, October 1, 2012	\$ 81,815	\$ 81,815	\$ -
Revenue			
Interest	-	22	22
Capital projects contribution – City of Montevallo	405,127	405,127	-
Capital projects contribution – Shelby County	999,999	999,999	-
Capital projects contribution – University of Montevallo	651,788	651,788	-
Expenditures			
Current expenditures			
Community and economic development	(719,184)	(719,184)	-
Capital outlays	(1,013,326)	(1,695,514)	(682,188)
Other Financing Sources			
Proceeds from issuance of long-term loan payable-related party	-	700,000	700,000
Revenue bond issuance proceeds	-	4,016,667	4,016,667
	<u>\$ 406,219</u>	<u>\$ 4,440,720</u>	<u>\$ 4,034,501</u>
Capital Projects Fund Balance, October 1, 2013	\$ 406,219	\$ 4,440,720	\$ 4,034,501
Revenue			
Interest	-	7,332	7,332
Tax revenue contribution – City of Montevallo	-	21,960	21,960
Capital projects contribution – City of Montevallo	-	10,000	10,000
Capital projects contribution – Shelby County	161,022	161,022	-
Capital projects contribution – University of Montevallo	457,949	457,949	-
Expenditures			
Current expenditures			
Community and economic development	(1,319,472)	(2,450,628)	(1,131,156)
Capital outlays	(635)	(635)	-
Capital Projects Fund Balance, September 30, 2014	<u>\$ (294,917)</u>	<u>\$ 2,647,720</u>	<u>\$ 2,942,637</u>